Exhibit A

Molalla Housing Production Strategy: Readoption

February 2026

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Molalla City Council

Scott Keyser, Mayor
Eric Vermillion, Council President
Leota Childress
Terry Shankle
Doug Gilmer
Martin Bartholomew
K.C. Bisenius

Molalla Planning Commission

Doug Eaglebear, Chair
Connie Sharp
Clint Ancell
Martin Ornelas
David Potts
Brady Rickey

Project Advisory Committee

Clint Ancell, Project Manager Aldercrest Development.
Jeffrey Bivens, Director of Development Cold Harbor, LLC
Rae Botsford, Molalla City Council
Mike Keller, Nazarene Church
Leah Fisher, Clackamas County, Built & Natural Environment Analyst
Daniel Haun, Habitat for Humanity
Ravin Lopez, Todos Juntos

Technical Advisory Committee

Martha Fritzie, Clackamas County
Glen Bolen, ODOT
Kelly Reid, DLCD
Syringa Volk, PGE
Vince Stafford, Molalla Fire
Chris Stevenson, DSL
Jevra Brown, DSL
Troy Klein, NW Natural
Ryan Quigley, Dyer Partnerships
Tony Mann, Molalla River School District

Molalla City Staff

Mac Corthell, Planning Director
Dan Zinder, Senior Planner

Consultant Team

Steve Faust, Planning Director, 3J Consulting
Violet Brown, Senior Planner, 3J Consulting
Maia Wiseman, Planner, 3J Consulting
Beth Goodman, Senior Policy Advisor, ECONorthwest

**Cover Image: Molalla Gardens Apartments, affordable housing redevelopment by Catholic Charities.*

Executive Summary

As required by state law (OAR 660-008-0050), this Housing Production Strategy (HPS) for the City of Molalla utilizes data from the 2023 Molalla Housing Needs Analysis (HNA) and explores diverse options for how the city will promote development to meet the housing need identified in the HNA.

The strategies aim to enhance housing affordability, improve access and choice, minimize displacement, and promote housing stability in Molalla. They reflect collaboration with the community through stakeholder interviews, public and technical committees, public meetings, and surveys conducted from 2023-2024. The process involved a thorough review of the city's policies, past actions, and future housing needs, alongside an analysis of populations at risk of marginalization within the current housing landscape.

This document contains the following five (5) sections:

1. **Molalla's Housing Need**: The findings of the 2022 HNA included the following:
    - Forecasted population for Molalla in 2042 is 15,660, which is an increase of 5,432 people. That translates to 1,996 net new dwelling units based on an assumed vacancy rate of 4% and 2.83 persons per household.
    - Future demand anticipates a greater share of medium and high-density housing compared to the current inventory:

Single-unit detached homes:
including manufactured homes
55% or 1,143 units

Medium density housing:
townhouses and plexes
25% or 519 units)

High density housing:
multi-unit apartments
20% or 415 units

Some segments of the population are particularly vulnerable to increasing housing costs and may have special housing needs. The HPS includes actions that work together to achieve equitable outcomes for all residents of Molalla, with an emphasis on improving outcomes for underserved communities, lower-income households, and people in state and federal protected classes.

The Contextualized Housing Need Memo (Appendix A) highlights:

- 7% of Molalla is living at or below the poverty line, suggesting economic challenges for a substantial number of residents.
- 46% of rental-occupied housing is considered affordable, with households paying less than 30% of income in rent.
- 24% of Molalla identifies as a minority, with 16% identifying as Hispanic or Latino, and homeownership rates are lower for many minority groups compared households overall.
- 16% of Molalla's population is living with a disability, which is higher than county and national averages.

- 410 people were experiencing houselessness in Clackamas County during 2023 Point-in-time counts.

2. **Community Engagement**: Project input helped to shape the strategies in this HPS and included collaboration with Department of Land Conservation and Development (DLCD) staff, Molalla Planning Commission, City Council, County staff, project advisory committee formed with local agencies, faith-based organizations, developers, and advocacy groups, along with one-on-one interviews with both housing producers and housing consumers, online surveys, and public meetings.

3. **Actions to Meet Future Needs**: These strategies reflect six distinct categories, as established by DLCD guidance documents:[1]

- Zoning and Code Changes
- Reduce Regulatory Impediments
- Financial Incentives
- Tax Exemption and Abatement
- Land Acquisition, Lease, and Partnerships
- Custom Options

Discussion of each action includes a description of and approach for the action, implementation considerations, timeline, an estimate of magnitude action's impact, and some suggestions for measuring progress on implementation.

4. **Achieving Fair and Equitable Housing Outcomes:** The actions included in the HPS are evaluated in terms of their impacts on:

- Location of Housing
- Fair Housing and Housing Choice
- Housing Options for Residents Experiencing Homelessness
- Affordable Homeownership and Affordable Rental Housing
- Gentrification, Displacement, and Housing Stability

Of the fifteen (15) actions included in the HPS:

- 9 may have a high impact on development of market-rate housing.
- 10 may have a high impact on development of workforce-housing.
- 6 may have a high impact on development of single unit detached housing.
- 7 may have a medium to high impact on development of income-restricted affordable housing.

5. Additional Recommendations

Community feedback highlighted opportunities to enhance engagement efforts and better connect with Molalla's diverse population to ensure future housing-related outreach is inclusive and effective.

Appendix A: Contextualized Housing Needs Memo
Appendix B: Glossary of key terms
Appendix C: Existing Housing Policies

[1] OAR 660-008-0050 Attachment B

Appendix D: Pre-HPS Survey Summary
Appendix E: Molalla Urban Renewal Area (URA) Boundary Map

I. Introduction

Oregon Legislature passed House Bill 2003 (2019) to help communities find ways to meet their housing needs. This law requires cities to study their housing needs and develop actions to promote housing production. Cities in Oregon must update their Housing Capacity Analysis (HCA), formerly referred to as a Housing Needs Analysis (HNA), every six years if they are within the Portland Metro Boundary or every eight years if they are outside it. Each city must also adopt a Housing Production Strategy (HPS) within one year of completing their HCA. The HPS outlines actions, such as regulatory changes or financial incentives, to encourage the development of necessary housing types.

An HCA determines if cities have enough land to meet projected housing needs for the next 20 years. If there is a shortfall, cities must amend their Urban Growth Boundary (UGB), allow more housing within the existing UGB, or both. Cities with populations over 2,500 must plan for various housing types, including multi-unit housing, manufactured homes, and government-assisted units, collectively known as "needed housing."

An HPS includes specific plans and policies to address housing needs identified in the HCA, with a timeline for implementation. The Department of Land Conservation and Development (DLCD) reviews and approves each HPS. Cities must evaluate their HPS progress every three or four years based on their HCA schedule. In 2020, DLCD developed rules to help cities comply with HB 2003, defining necessary components for an HPS report and criteria for cities that fail to meet their housing needs.

The City of Molalla, situated in Clackamas County, Oregon, is poised for significant growth and development. To proactively address the city's evolving housing needs, the HPS aims to guide Molalla in achieving a balanced, sustainable, and equitable housing market that supports economic vitality and community well-being. Prior to this work, the city engaged in other housing planning efforts to address concerns of access, quality, and affordability.

In 2023, the Molalla HNA and Buildable Lands Inventory (BLI) reviewed the 20-year growth projections compared to available residential buildable land inside the UGB and found a deficit. A Sequential UGB process was approved, setting the stage for a potential UGB expansion. Building on this progress, the HPS reviewed current conditions in Molalla to inform strategic policies aimed at achieving equitable outcomes for all residents, with an emphasis on improving conditions for underserved communities.

A list of relevant current housing policies can be found in Appendix C.

II. Molalla’s Housing Needs

Housing Needs Analysis

The population forecast for 2042 shows Molalla's population will reach 15,660, marking an increase of 5,432 residents. This population growth necessitates the addition of approximately 1,996 dwelling units. An inventory of the city’s buildable land for housing found an insufficient supply of land to accommodate the housing need, so the city initiated a Goal 14 UGB expansion.

Expectations for future housing demand in Molalla have shifted towards a greater share of medium and high-density housing compared to the current inventory. Single-family detached homes, including manufactured homes, will continue to play a significant role, comprising 55% of the new housing units, which translate to about 1,143 units, reflecting their enduring appeal to homeowners.

Future demand anticipates a greater share of medium and high-density housing compared to the current inventory:

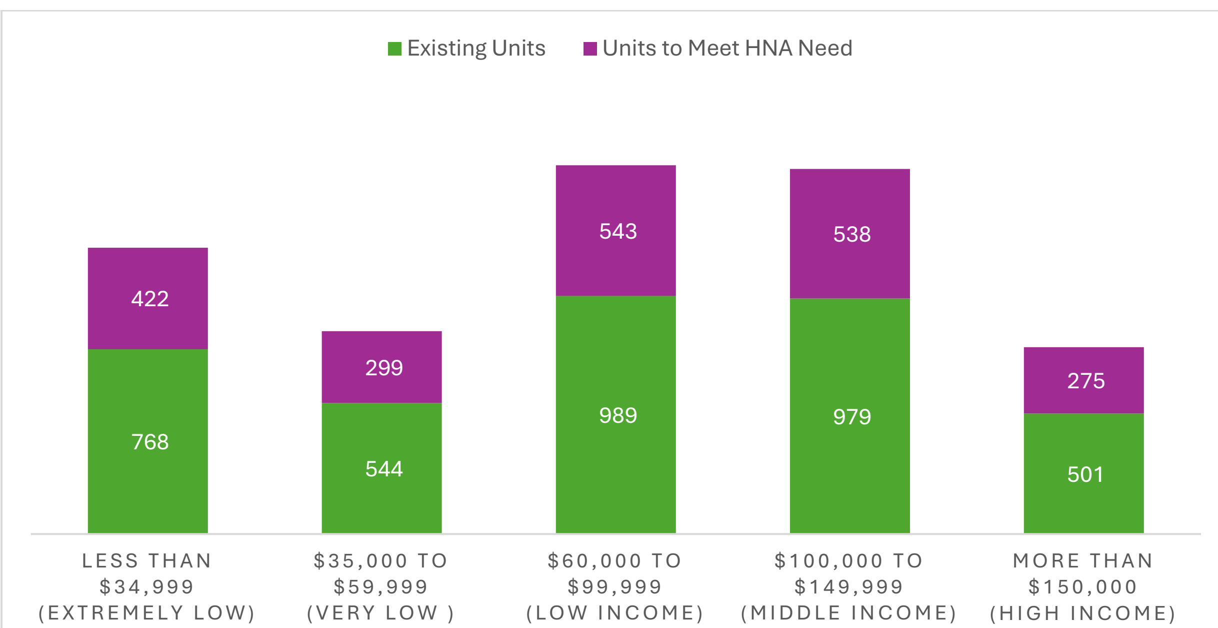
- Single unit detached homes (including manufactured homes): 55% (1,098 units)
- Medium density housing (townhouses, plexes): 25% (499 units)
- High density housing (multi-unit apartments): 20% (399 units)

Recognizing and addressing these trends is crucial to understanding the potential impact on housing costs and ensuring that Molalla can accommodate its diverse and expanding population in a way that is affordable to people at all income levels.

The Department of Housing and Urban Development (HUD) determines income eligibility for assisted housing programs using Median Family Income (MFI)/Area Median Income(AMI) estimates by metropolitan area. Molalla is part of the Portland-Vancouver-Hillsboro MSA and the MFI/AMI for a family of four in 2023 was set at $114,400.

Figure 1 below shows existing housing units by income bracket and allocates the 1,996 units of needed housing discussed above across those same income brackets based on the assumption that existing ratios will hold.

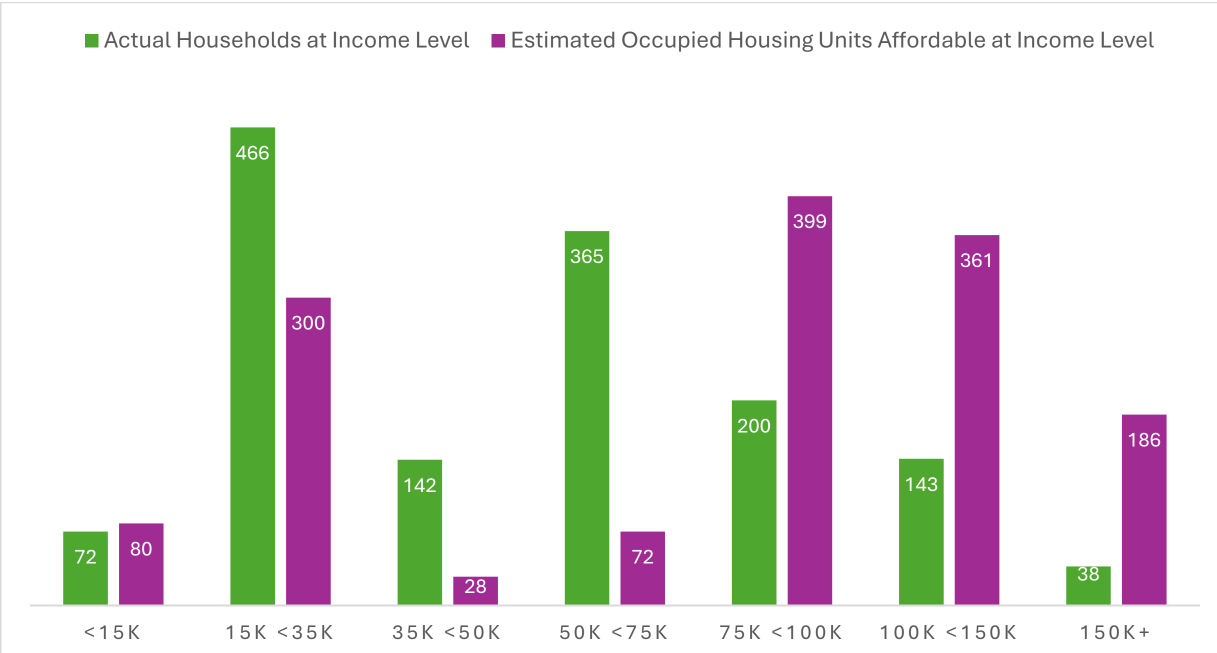
Figure 1: Molalla Housing Units by Income Bracket



Source: Calculations based on ACS 2022 (5-year estimates) in Table B19001 in 2022 Inflation Adjusted Dollars for the City of Molalla with approximate correlation to the 2023 MFI(AMI) for the Portland-Vancouver-Hillsboro Region. New housing unit figures are contained in the 2022 HNA.

Molalla's housing market includes a disconnect between the number of households existing at each income bracket and the supply of housing units with reported costs below 30% of the income for that bracket. Figure 2 illustrates the lack of supply below.

Figure 2: Comparing Rental Households Incomes with Occupied Units Affordable at Each Income Level



Source Calculations based on U.S. Census, ACS 2022 (5-year estimates) Tables B25118 Tenure by Household Income in the Past 12 Months (In 2022 Inflation Adjusted Dollars) and B25063 Gross Rent for Renter-Occupied Housing Units.

When occupied housing units reported within a specific income bracket well exceed the number of existing households in that bracket, those additional households are lower income households paying over 30%, and sometimes over 50% of their income to secure housing. Families making less than $75,000 per year in Molalla compete in the local housing market where the supply of available housing is mostly only affordable to those making well over $75,000 per year, as the figure above illustrates.

Contextualized Housing Need

As detailed in Appendix A, the housing needs of key demographics are considered with emphasis placed on how those needs may be met through policies recommended in the HPS. Key demographics analyzed include:

Rent Burdened Households: There is a clear need in Molalla for supporting development of affordable housing through multifaceted solutions. Market rate housing is unaffordable for members of the community in the lower income segments of the population. Renters are at a higher risk of housing insecurity and may be more susceptible to eviction or homelessness if their financial situation worsens.

Molalla has a total of 3,781 occupied housing units, with about 12% (approximately 461 units) occupied by households earning less than $20,000 annually, indicating significant economic hardship compared to Clackamas County's 6%. Additionally, 7.0% of Molalla's population lives near or below the poverty line.

Out of 2,355 owner-occupied housing units, 24% of homeowners spend 30% or more of their monthly income on housing costs, slightly lower than the county's 26%, yet still indicative of financial strain and housing vulnerability.

Among the 1,426 renter-occupied units, 49% of renters spend 30% or more of their income on housing, compared to 54% in Clackamas County. Additionally, 20% of Molalla renters are severely cost burdened, meaning they are paying more than 50% of their income in rent. This highlights a substantial affordability issue that affects the ability of some households in Molalla to meet their essential needs.

People of Color: The Molalla housing market reflects broader national trends where economic hardship and racial disparities intersect, particularly in the access to housing stability and generational wealth. Homeownership rates in Molalla reveal disparities for some racial and ethnic groups. Of the total 3,578 occupied housing units 65% are owner occupied and 35% are renter occupied. African American households, have a high homeownership rate of 90% and represent 0.28% of occupied housing and 0.39% of owner-occupied housing.

American Indian/Alaska Native households have a 46% homeownership rate, and Asian households have a 71% rate. Native Hawaiian/Pacific Islander households exclusively rent. Hispanic/Latino households, comprising 10% of Molalla's population, have a 48% homeownership rate. While small sample sizes are subject to high margin of error, it is important to continue to monitor the relationship between race and access to homeownership as Molalla continues to grow.

People Living with a Disability: One in six residents in Molalla lives with a disability. Disabilities that may be relevant to housing needs and housing choice include ambulatory difficulties (challenges with walking or moving around safely), cognitive difficulties (issues with memory, problem-solving, or concentration), and vision or hearing difficulties (ranging from partial to total hearing/vision loss). About 16% of the Molalla population reports experiencing a disability, compared to 13% in Clackamas County.[2] This prevalence emphasizing the need for inclusive and accessible community services, infrastructure, and policies.

<u>Relevant Existing City Policies</u>: ADA and Affordable Housing Impacts:

Sidewalk Improvement Grant: Provides city match funds for new/replacement sidewalk, new/replacement ADA ramps. All improvements must be ADA compliant.

1. Assists property owners in bringing adjacent pedestrian amenities into compliance with the ADA.
2. Assists low-income property owners with part of the cost for public improvements.

[2] Catholic Charities rehabilitated Molalla Gardens, a NOAH financed development built in 1973 and expanded it to 47 total homes across 6 buildings with units set aside for seniors and those fleeing domestic violence as their target population. Community engagement indicated that many residents there are living with disabilities.

3. Serves as a force multiplier in the effort to provide ADA compliant pedestrian amenities City-wide.

Molalla Municipal Code

- 17-3.2.040(D)(4) Non-Residential Buildings: All primary building entrances shall open to the sidewalk and shall conform to Americans with Disabilities Act (ADA) requirements, as applicable. Primary entrances above or below grade may be allowed where ADA accessibility is provided.
- 17-3.3.030(D)(14): Where sidewalks or walkways occur adjacent to a roadway, driveway aprons constructed of concrete shall be installed between the driveway and roadway edge. The roadway authority may require the driveway apron be installed outside the required sidewalk or walkway surface, consistent with Americans with Disabilities Act (ADA) requirements, and to manage surface water runoff and protect the roadway surface.
- 17-3.3.030 (D)(15) Vehicular Access and Circulation: Where an accessible route is required pursuant to ADA, approaches and driveways shall meet accessibility requirements where they coincide with an accessible route.
- 17-3.3.040(B)(2)(c) The walkway network connects to all primary building entrances, consistent with the building design standards of Chapter 17-3.2 and, where required, Americans with Disabilities Act (ADA) requirements.
- 17-3.3.040(B)(6) Pedestrian Access and Circulation: Walkway Construction (Private). Walkway surfaces may be concrete, asphalt, brick or masonry pavers, or other City-approved durable surface meeting ADA requirements. Walkways shall be not less than six feet in width in commercial and mixed use developments and where access ways are required for subdivisions under Division IV.
- 17-3.5.030(B)(3): Carpool and vanpool parking spaces shall be located closer to the main employee, student or commuter entrance than all other parking spaces with the exception of ADA parking spaces.
- 17-3.5.030(H) Automobile Parking Americans with Disabilities Act (ADA): Parking shall be provided consistent with ADA requirements, including, but not limited to, the minimum number of spaces for automobiles, van-accessible spaces, location of spaces relative to building entrances, accessible routes between parking areas and building entrances, identification signs, lighting, and other design and construction requirements.

People Experiencing Houselessness: In 2023, Point-in-Time (PIT) reports identified 410 people experiencing houselessness in Clackamas County. The 2022-2023 McKinney-Vento Report for Molalla River School District noted 42 children living doubled-up with other families. These findings highlight the need for more emergency shelters, transitional housing, and support services in Clackamas County, as well as collaborative efforts among local authorities and community partners to address houselessness effectively.

Updates To Housing Need

Since the HNA was adopted, the City of Molalla has adopted several efficiency measures to maximize capacity within the Molalla Urban Growth Boundary, including most notably, rezoning a significant amount of underutilized industrial land and designating it for higher density residential. Figures 1 and 2 illustrate these changes and Table 1 calculates acres gained.

Figure 1: Molalla Rezoning Map 2025

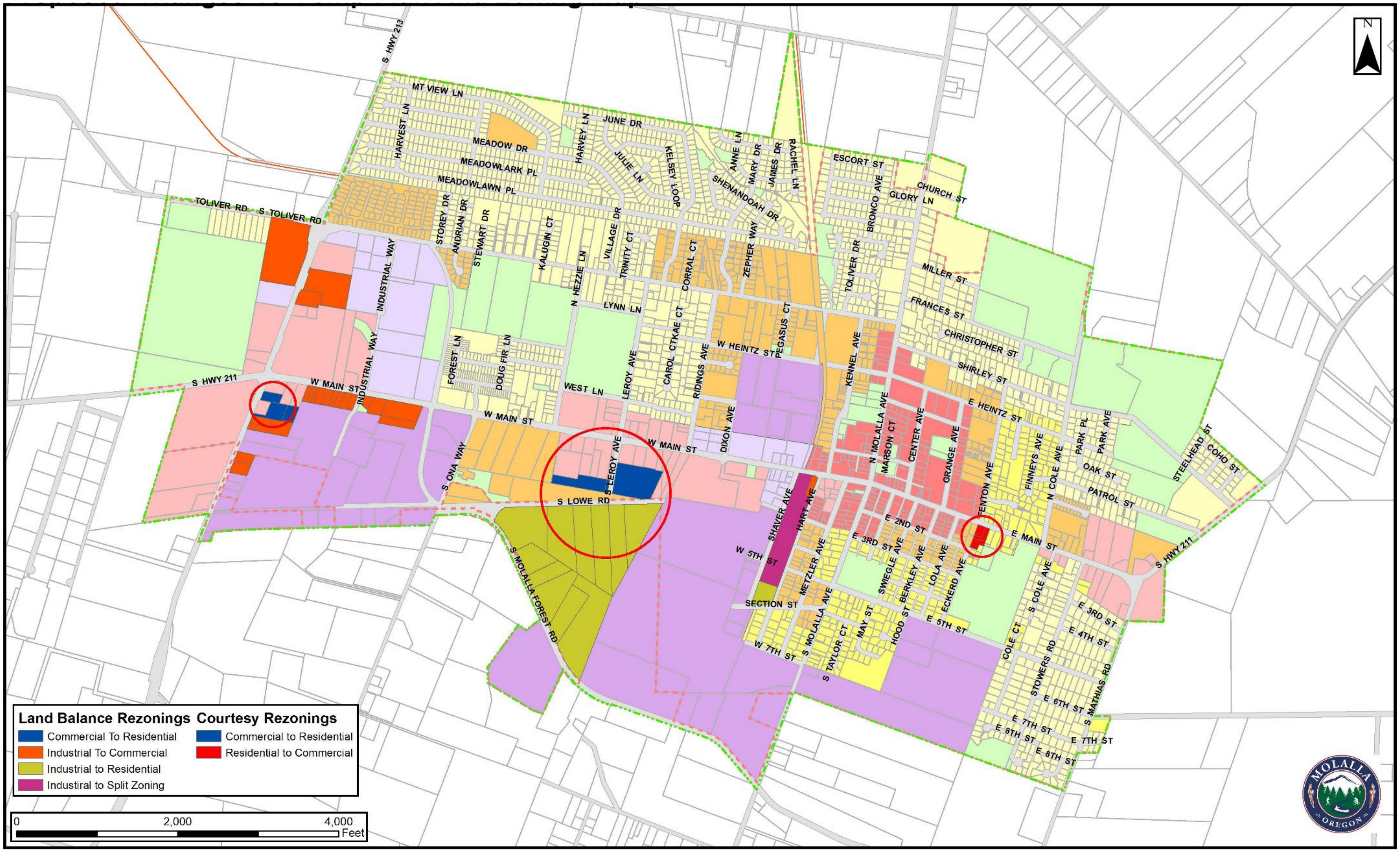


Figure 2: Molalla Land Balance Rezoning Map 2025

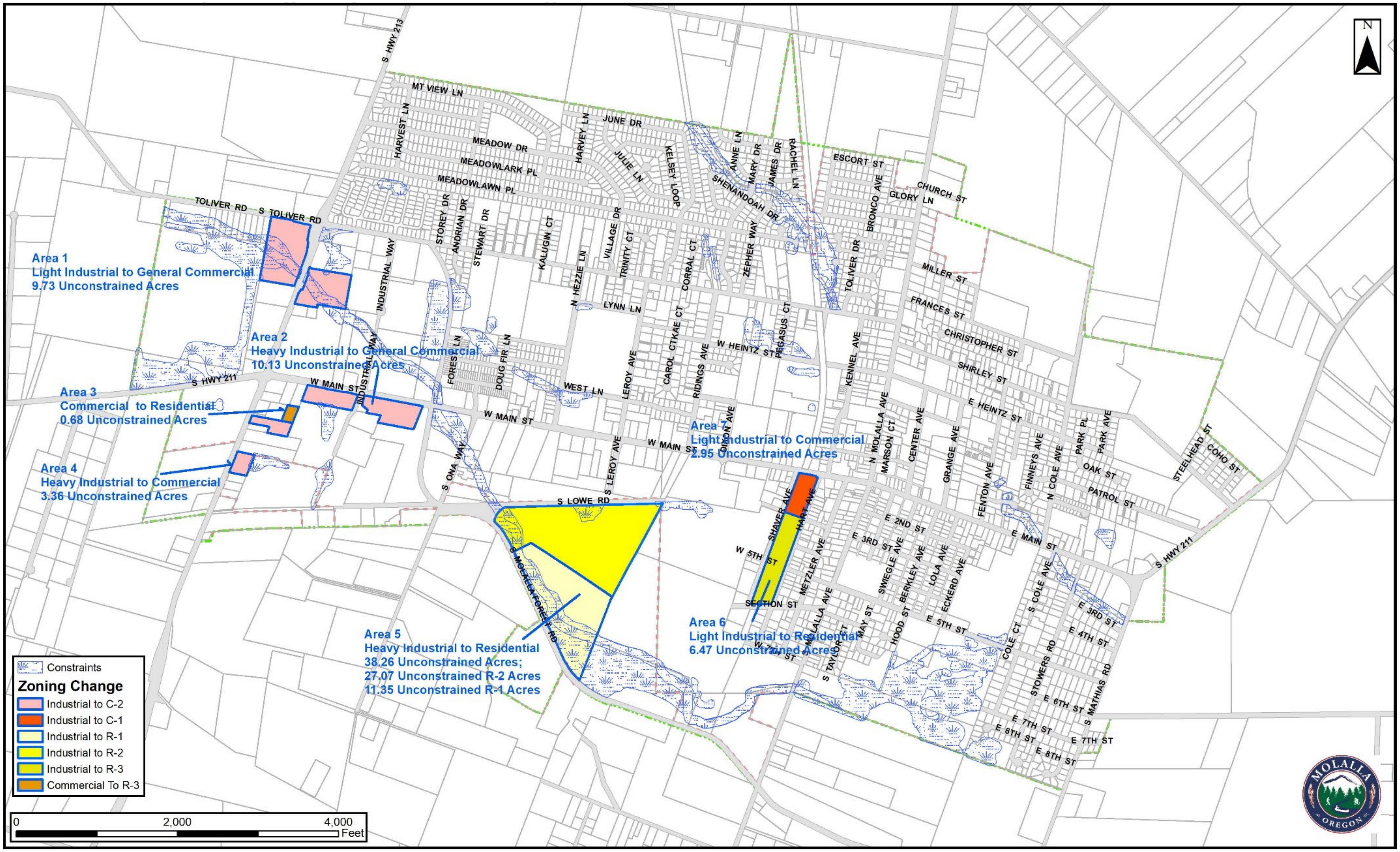


Table 1. Additional Capacity Created Through Rezoning

	Land Need in Units	Original UGB Calculations	Adjusted Capacity BLI/Rezoning	Adjusted Residential Need in Units
R-1 Low Density Residential	**1,098**	**220**	**204**	**894**
R-2 Medium Density Residential	**499**	**50**	**242**	**257**
R-3 Medium-High Density Residential	**399**	**20**	**558**	**(445)**
Total	**1,996**	**289**	**1,003**	
Pipeline Units Completed Since HNA				**287**

Source: Units based on 3J Calculations using 2025 zoning allowances

Additional land use efficiency measures, beyond zoning, are listed in Appendix C

III. Community Engagement

Over the course of two rounds of community engagement, the city conducted online surveys, public meetings, stakeholder interviews, and convened a Technical Advisory Committee (TAC) and a Project Advisory Committee (PAC).

Stakeholder Interview Summary

In July 2024, the city interviewed key stakeholders with experience relevant to both housing producers and consumers, such as developers, housing advocates, and consumer representatives for priority populations, including renters, low-income households, displaced households, people with disabilities, and seniors. Housing producers helped to identify barriers and opportunities to facilitate the development of more affordable housing options. Housing consumers shared their experiences attaining affordable housing and the barriers to doing so.

The following housing stakeholders participated in interviews in connection with this HPS:

- Ant Farm Youth Services
- Molalla Adult Community Center
- Green Light Development
- Plaza Los Robles Apartments
- Mt. View Property Management
- Todos Juntos

The interviews consisted of questions aimed at understanding current and future housing needs for members of the Molalla community. The question sets focused on either housing producers or consumers.

Current Housing Types	Specialized Housing Needs	Needed Housing Options
Single family detached	Seniors	Single family detached
Duplex/triplex/fourplex	People with disabilities	Accessory dwelling unit
Apartment/condominium	People with mental illnesses	Manufactured home
Multi-generational	People experiencing homelessness	Duplex/triplex/fourplex
	Lower income families	Apartment/condominium
	Single people Lower income individuals	Aging in place
	People fleeing domestic violence	

Themes Heard During Stakeholder Interviews

Infrastructure Challenges:

- Lack of infrastructure and regulatory complications with state highway regulations.
- Poor city record-keeping on infrastructure improvements.
- Overworked city staff and a perceived lack of a collaborative mindset.

Regulatory and Process Barriers:

- Issues with the amount of time to gain the city's approval and permitting processes.
- Regulatory impediments such as demands for extensive studies and improvements.
- High System Development Charge (SDC) fees.

Opportunities in Zoning:

- There is flexibility in the zoning code allowing for various housing types.
- Interest in opportunities for smaller lots, greater density, and middle housing types.

City Collaboration:

- A need for improved communication and support from city leadership.
- Desire for property tax exemptions, SDC, and permit waivers to facilitate affordable housing development.

Barriers and Solutions:

- Suggestion to expand city boundaries.
- Proposals for mixed-use developments and policies to reduce evictions and keep people in their homes.

Housing Availability and Affordability:

- Difficulty in finding affordable housing that meets their needs (i.e. families, seniors, accessibility).
- Long waiting lists for affordable and senior housing.
- People living in cars due to lack of affordable options.

Specialized Housing Needs:

- Emphasis on the need for housing for seniors, people with disabilities, mental illnesses, and those experiencing homelessness.
- Lower income families and individuals fleeing domestic violence require easier and faster housing application processes.

Desired Housing Types:
- Need for more single-family detached homes, duplexes/triplexes/fourplexes, and aging-in-place accommodations.

Public Meeting

On October 14th, 2024, the City of Molalla held its second public meeting as part of the Housing Production Strategy process. Notice of the meeting was placed on the Molalla Current[3], the city's Facebook page, and an email blast was sent to those subscribed to project updates. It began with a project overview, presenting key findings from the HNA and introducing the proposed housing production actions. Participants placed green or red stickers on posters displaying the actions, indicating their support or opposition. Throughout the event, attendees discussed the actions directly with city and consultant staff. Key questions raised during the event included how this process relates to UGB expansion, the status of newly constructed apartments and their rental occupancy, who is responsible for bringing affordable housing projects to the city, and how tax credit properties demonstrate accountability with income restrictions.

The proposed actions appeared on six posters and organized according to their category of action type. Zoning Code Changes, Reduce Regulatory Impediments, Financial Resources, Tax Exemption, Land, Acquisitions, Lease and Partnerships, and Custom Options.

The proposed actions with the most support from meeting attendees were:

- Promote cottage cluster housing
- Create short term rental regulations
- Address impediments to home ownership
- Federal HOME Program
- Sidewalk infill and improvement grant
- Modify SDC fee schedules based on size
- Affordable housing options library of information.

An additional idea proposed by an attendee was to build more income-based properties.

Online Survey

The results of two surveys conducted in the first round of community engagement revealed the following key themes:

- Molalla residents value residential affordability and support diverse housing options within existing neighborhoods, provided these options prioritize ownership opportunities over rentals.
- Ensuring off-street parking for all housing types in new developments is a key priority.

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[3] https://current.cityofmolalla.com/

- Many community members believe there is an overabundance of apartments and rental properties, but a shortage of affordable homeownership opportunities.
- Reserving land for future parks and schools is a top priority for most survey respondents.

The third and most recent survey received revealed that the community is cautious about growth and deeply invested in preserving its small-town character. While there is moderate satisfaction with some actions, many residents express significant concerns over the impact of high-density and affordable housing on Molalla's infrastructure and quality of life. Fears about overcrowded schools, increased traffic, and potential crime underscored a strong preference for single-family homes and senior housing options that align with Molalla's rural aesthetic.

Respondents also voiced skepticism toward government incentives for developers, favoring market-driven approaches to housing. Many feel that incentives risk prioritizing developer interests over community needs, advocating instead for policies that allowed modest, sustainable growth while preserving green spaces and farmland.

Market Factors Highlighted During Engagement

- Interest rates have increased quickly and impact a developer's ability to secure financing.
- High construction costs limit profit margins and make some projects untenable.
- Molalla is competing with other jurisdictions within the Portland Metro Area that may be experiencing higher rates of growth and thus offer more profitable development opportunities.

How Was Input Considered?

The housing production actions outlined in this plan reflect community engagement conducted throughout the process. Feedback from the survey, public meeting, advisory committee, and stakeholder interviews emphasized the community's priorities, concerns, and aspirations, providing valuable guidance for action development.

All policies included in the HPS were vetted by the PAC. Committee discussions included focus on several policies, namely Promote Cottage Cluster Housing, Code Revisions for Accessory Dwelling Units, Reduce or exempt System Development Charges for Needed Housing, Low Income Housing Tax Credits (LIHTC), HOME Program from HUD, Affordable Housing Options Library of Information, and Partnerships with Faith Based landowners.

Through every form of engagement, community members called for increased access to housing types needed. This influenced the emphasis on actions such as Code Revisions for ADU's, Develop Standards for Cottage Clusters, and Encourage Lower-Cost Housing Types.

Readoption Engagement

As part of the HPS Readoption process, engagement consisted of reconvening the PAC for one additional meeting, public notice to all individuals/groups who submitted public comment during the adoption/review process of the initial HPS in 2025, and a work session with City Council. The PAC meeting was attended by representatives from Clackamas County, Habitat for Humanity, Molalla Church of the Nazarene, and Aldercrest Development. Members were also given three weeks to submit written feedback. Clackamas County provided some clarification and details on specific programs that could benefit Molalla, which have been added to the HPS as potential resources.

1. **Housing Preservation –** Focus on weatherization and home rehab programs, county-wide and may not be tied to Metro boundary-specific Supportive Housing Services (SHS) bond funds. Korene Mather korenemat@clackamas.us is the Manager of those programs. Neighborhood Improvement | Clackamas County

2. **Housing Services –**Team supports from a landlord/tenant conflict mediation, rent support, utility support, or tenant rights side. Many of their programs are funded by SHS bond funds and there could be a limitation there. However, there may be some funding to help areas outside the metro boundary or discussion of resource sharing for Molalla residents specifically.

FHCO/HLA submitted written feedback on the draft requesting geospatial analysis, which is discussed in detail on page 48-49 of this report.

IV. Actions to Meet Future Needs

This section describes the actions that Molalla is including in its HPS to help increase the overall housing supply. These strategies fall into five categories, established in OAR 660-008-0050 Exhibit B:

- Zoning and Code Changes
- Reduce Regulatory Impediments
- Financial Incentives
- Land Acquisition, Lease, and Partnerships
- Custom Options

The project involved evaluating the community's interest in a wide range of actions. Table 2 below includes an overview of the strategies selected organized into the above categories. Strategies considered, but not selected for implementation at this time, appear later in the document for future consideration.

Table 2. Summary of Actions in the HPS

Zoning and Code Changes			
Number	*Action*	*What is it?*	*How does it help?*
1	Code Revisions for ADUs	Revising development code on ADUs: 1. To make ADU standards less restrictive, and 2. Reduce system development charges (SDCs) below the 1 EDU threshold to be commensurate with actual impact of development.	Expands affordable, flexible housing options and increases density.

2	Develop Standards for Cottage Clusters	Revising development code to add special use standards for permitted cottage cluster housing.	Increases density with multiple small homes on a single lot, offering more affordable and diverse housing options especially for seniors and people experiencing disabilities, while preserving community-oriented living and efficient land use.
3	Small Dwelling Unit Developments	Updating the Development Code to define what qualifies as a "small dwelling unit" as under 2,000 sf. Allow smaller lots than normally permitted if the proposed home fits within the definition of a small dwelling unit.	Increases the number of affordable, smaller homes that can be built on limited land, making efficient use of space and diversifying housing options.
4	Modify Requirements for Ground-floor Retail/Commercial	Allowing flexibility in areas where zoning requirements mandate ground-floor retail, such as in mixed-use zones.	Increases flexibility in development and financing, potentially reducing costs and promoting more affordable housing.
5	Regulate Short Term Rentals	Updating Development Code to manage and limit the use of housing units for short-term rentals.	Helps preserve long-term rental housing availability and affordability for residents.
Reduce Regulatory Impediments			
Number	*Action*	*What is it?*	*How does it help?*
6	Address Impediments to Home Ownership	1. Comprehensive review of impediments to the development of homeownership opportunities. 2. Development of actionable steps to remove those impediments.	Encourages home ownership among lower-income residents, promoting stability and equity in the housing market.
7	Remove Impediments for Conversions/Duplex parking	Reducing off-street parking requirements that increase the cost of conversions of single-	Lowers development costs and makes it easier to create more housing in established

		family homes to duplexes or similar housing types.	neighborhoods on already developed land.
8	Flexible Regulatory Concessions for Affordable/Accessible Housing	Zoning incentives address affordability and/or accessibility needs in projects developed by private, for-profit developers who would not otherwise provide these additional housing units. Developers and housing agencies face regulatory impediments to building affordable housing which can often derail projects.	This strategy provides a flexible framework for delivery of affordable housing including but not limited to reduced minimum setbacks, height bonuses, and/or allowing for flexibility in how units are delivered.
Financial Incentives			
Number	*Action*	*What is it?*	*How does it help?*
9	Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing	Encourage and support developers taking advantage of the LIHTC available to encourage private investment in affordable housing by providing investors with a dollar-for-dollar reduction in federal income tax liability in exchange for investment in qualifying new construction and rehabilitation projects. Integrated with developer collaborations listed below in Actions 10, 11, and 12.	Makes affordable housing projects financially viable and encourages private investment in affordable units for both rental and owner occupied housing.
Land Acquisition, Lease, and Partnerships			
Number	*Action*	*What is it?*	*How does it help?*
10	Maintain records on “zombie” housing as a resource for developers of affordable housing	Developing policies to identify neglected, vacant properties, abandoned by the homeowner during foreclosure, but not reclaimed by the bank, often in disrepair, and repurpose or redevelop for new housing and provide that information to developers of affordable housing.	Facilitates the conversion of unused properties into affordable housing by reducing upfront costs for developers, including non-profits, revitalizes neighborhoods and increases housing stock.

11	Land Owned by Faith-Based Organizations for Affordable Housing	Partnering with faith-based groups that have unused land, potentially for affordable housing development.	Utilizes underused land resources for community benefit and addresses local affordable housing needs.
Custom Options			
Number	*Action*	*What is it?*	*How does it help?*
12	Provide public improvement assistance to housing developers within the Urban Renewal Area	Providing financial assistance for infrastructure improvements, such as roads and utilities, to support housing developments in targeted areas.	Reduces development costs, encouraging housing growth in underdeveloped or strategic areas.
13	Modify SDC fee schedules based on size	Adjusting System Development Charges (SDCs) so that fees are lower for smaller, more affordable units, and higher for larger homes.	Lowers costs for compact housing units, making them more financially feasible for all builders, including non-profits.
14	Affordable Housing Options Library of Information	A publicly available resource with information on affordable housing programs, financing options, and other resources for developers and residents.	Provides residents and developers with easy access to affordable housing resources, increasing awareness and support.
15	Collaborating with Clackamas County	Partnering with Clackamas County to align resources, strategies, and programs aimed at housing policy, preventing homelessness, and supporting individuals and families currently or at-risk of experiencing homelessness.	Leverages county expertise and funding while ensuring the city plays an active role in addressing local needs.

Evaluation Criteria for Actions in the HPS

In developing the Housing Production Strategy (HPS), we evaluated each proposed action using specific criteria. While these criteria helped guide our assessment, none were used to entirely exclude an action from the future action list. The following tables summarize the evaluation criteria per action.

- Approach: Assesses how effectively the action addresses Molalla's unmet housing needs.
- City Role: Evaluates whether city staff would lead the implementation or if the city would collaborate with other organizations.
- Potential Impact on Housing Development: Considers the action's likely scale of impact on housing, indicating whether it would result in significant or minimal changes in the housing market.

- Administrative Complexity: Looks at staff time required to implement and manage the action, as well as its overall difficulty or cost of administration.
- Tenure: Determines whether the action primarily benefits renters, homeowners, or both.
- Income Level Served: Focuses on supporting households earning below 120% of the Median Family Income (MFI), aiming to assist those most likely to struggle with housing affordability.

Potential Partners

Implementing the actions in this strategy will require collaboration from key partners essential to constructing, delivering, and preserving housing units. The descriptions below outline the specific roles each partner would play in supporting these actions. Community engagement, including work sessions with PAC members, during the HPS planning process has generated new relationships and solidified existing partnerships between the city, the county, the local development community, and housing advocates. It is the city's intent to build on the momentum from the planning process to continue to serve the needs of Molalla through open collaboration and partnership.

Potential Impact

Low Impact: This indicates that the action is likely to have a minimal or limited effect on housing production. It may support housing production, but on its own it is not likely to spur new housing development.

Medium Impact This indicates that the action is likely to have a more substantial impact on housing production generally or on meeting a specific housing need. It may be impactful enough on its own to spur new housing development.

High impact: This indicates that the action is likely to have a significant, wide-reaching impact on housing production or would directly spur housing development that meets a specific housing need.

Affordability Targets

HUD updates MFI/AMI figures annually and delineates figures by family size. MFI/AMI for a family of four in the Molalla region was increased to $114,400 in 2023.

Extremely Low Income	Less than 30% AMI or $34,320
Very Low Income	30% to 50% of AMI or $34,320 to $57,200
Low Income	50% to 80% of AMI or $57,200 to $91,520
Middle Income	80% to 120% of AMI or $91,520 to $137,280
High Income	120% of AMI or $137,280 or more

Housing Policy Descriptions by Category

The following fifteen (15) policies are recommended for consideration in the HPS and are targeted to the housing needs that are not being currently met in Molalla. Each policy includes details by category and with anticipated impacts stated below:

1. Revisions for Accessory Dwelling Units (ADUs)

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OVERVIEW

Implementation Timeline

Adoption	2026
Implementation	2027
Impact on Needed Housing	2028

Affordability Target:
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Owner/Renter

Funding Needs:
Minimal direct funding needs; administrative costs.

Funding Partners:
None

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DESCRIPTION

Revising development code on ADUs:

1. To make ADU standards less restrictive, and
2. Reduce system development charges (SDCs) below the 1 EDU threshold to be commensurate with actual impact of development.

Expands affordable, flexible housing options and increases density.

Magnitude of Impact: Medium Impact (primarily due to SDC reduction)

Long-Term Affordability Considerations: Limited, as ADUs typically do not come with affordability restriction.

IMPLEMENTATION

Approach: Revise development code to increase allowed density. Pursue DLCD technical assistance grants to support this work.

Complexity: Low to High (depending on complexity of new methodology and ability to utilize model code)

Policy Lead: City

Department: Community Development

City Staffing Implications: Moderate staff time for revisions and monitoring.

Implementation Steps: Apply for DLCD funding to support this work and assess the model code once available to determine applicability in Molalla. Engage with local developers, contractors, and homeowners to understand barriers to ADU construction.

Implementation Partners: Developers and Homeowners

Annual Monitoring: Number of ADUs developed.

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OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Homeowners, particularly those attempting to age-in-place and communities of color, gain additional access to income.

Groups likely to have incomes relevant to the size of units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options and increased housing accessibility and choice.

Burdens: No identified burdens for target populations.

Externalities: Neighbors may experience increased density and strain on infrastructure.

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2. Develop Standards for Cottage Clusters

OVERVIEW

Implementation Timeline

Adoption	2027
Implementation	2029
Impact on Needed Housing	2029

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Owner/Renter

Funding Needs:
Moderate, depending on incentives provided.

Funding Partners:
None

DESCRIPTION

Revising development code to add special use standards for permitted cottage cluster housing. Increases density with multiple small homes on a single lot, offering more affordable and diverse housing options while preserving community-oriented living and efficient land use.

<u>Magnitude of Impact:</u> Medium Impact

<u>Long-Term Affordability Considerations:</u> May include affordability terms for a set period.

IMPLEMENTATION

<u>Approach:</u> Revise development code to increase density. Pursue DLCD technical assistance grants to support this work and/or utilize model code as appropriate.

<u>Complexity:</u> Low

<u>Policy Lead:</u> City

<u>Department:</u> Community Development

<u>City Staffing Implications:</u> Moderate but may be eased by use of model code language.

<u>Implementation Steps:</u> Consider new design and site development standards to ensure development meets the intent of the action. Evaluate DLCD model code for cottage cluster for applicability in Molalla. Apply for DLCD funding for code updates. Establish a set of clear and objective standards for cottage clusters.

<u>Implementation Partners:</u> DLCD and local developers

<u>Annual Monitoring:</u> Number of cottage cluster developments, units constructed.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

<u>Benefits:</u> Groups likely to have incomes relevant to the size of units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing accessibility and choice. Smaller benefit to people experiencing homelessness.

<u>Burdens:</u> No identified burdens for target populations.

<u>Externalities:</u> Existing homeowners may resist due to perceived changes in neighborhood character and impacts on existing infrastructure.

3. Small Dwelling Unit Developments

OVERVIEW

Implementation Timeline

Adoption	2027
Implementation	2028
Impact on Needed Housing	2029

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)

Tenure:
Owner/Renter

Funding Needs:
Low to moderate, depending on subsidies or incentives.

Funding Partners:
None

DESCRIPTION

Updating the Development Code to define a "small dwelling unit" as less than 2,000 sf and allow smaller lots than normally permitted, if the proposed home fits within the definition of a small dwelling unit. Increases the number of affordable, smaller homes that can be built on limited land, making efficient use of space and diversifying housing options. This action will work in combination with other collaborative efforts with developers of subsidized housing, such as Action 8: Flexible Regulatory Incentives for Affordable and Accessible Housing.

Magnitude of Impact: Medium Impact

Long-Term Affordability Considerations: Could incorporate affordability requirements.

IMPLEMENTATION

Approach: Revise development code to increase density.

Complexity: Low

Policy Lead: City

Department: Community Development

City Staffing Implications: Moderate, due to planning and zoning adjustments, but may be eased by use of model code language provided by DLCD.

Implementation Steps: Consider new design and site development standards to ensure development meets the intent of the action. Evaluate DLCD model code for applicability in Molalla. Apply for DLCD funding for code updates. Establish a set of clear and objective standards for small dwelling unit developments.

Implementation Partners: Developers

Annual Monitoring: Number of small dwelling units developed.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Groups likely to have incomes relevant to the size of units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing accessibility and choice. Smaller benefit to people experiencing homelessness.

Burdens: No identified burdens for target populations.

Externalities: Zoning changes may impact existing community dynamics by making housing development possible where it was previously not permitted.

4. Modify Requirements for Ground-floor Retail/Commercial

OVERVIEW

Implementation Timeline

Adoption	2029
Implementation	2030
Impact on Needed Housing	2030

Affordability Target:
Publicly-Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Rental

Funding Needs:
Minimal; potential lost revenue from reduced commercial space.

Funding Partners:
None

DESCRIPTION

Amend zoning requirements that mandate ground-floor retail in commercial zones to allow for more flexible mixed use development in these zones based on market demands. Allows more flexibility in development, potentially reducing costs and promoting more affordable housing. Revising ground-floor commercial use requirements increases a residential project's feasibility. This can allow for a smaller portion of the ground floor for active use areas, such as community spaces or plazas, a horizontal mix of uses, and rezoning of selected parcels from commercial to residential upon demonstration that rezones further affordable housing opportunities without compromising commercial growth. This action will work in combination with collaborative actions with developers of affordable and subsidized housing to ease the cost of development.

Magnitude of Impact: Medium Impact
Long-Term Affordability Considerations: Minimal impact on affordability.

IMPLEMENTATION

Approach: Revise development code to increase housing stock by encouraging mixed use development.
Complexity: Low
Policy Lead: City
Department: Community Development
City Staffing Implications: Low to moderate, depending on scope of reassessment.
Implementation Steps: Consider new design and site development standards to ensure development meets the intent of the action. Evaluate DLCD model code for applicability in Molalla. Apply for DLCD funding for code updates. Establish a set of clear and objective standards for ground-floor retail in commercial zones.
Implementation Partners: Developers
Annual Monitoring: Number of ground floor retail/commercial spaces converted or developed.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Groups likely to have incomes relevant to the size of units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing accessibility and choice. Additional benefit to people experiencing homelessness.
Burdens: No identified burdens for target populations.
Externalities: Small business owners and workers in mixed use areas may face fewer commercial spaces and greater strain on infrastructure.

5. Regulate Short Term Rentals

OVERVIEW

Implementation Timeline

Adoption	2028
Implementation	2029
Impact on Needed Housing	2030

Affordability Target:
Affordable (30-80% AMI)
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Owner/Renter

Funding Needs:
Moderate, related to enforcement costs.

Funding Partners:
None

DESCRIPTION

Implementing rules to manage and limit the use of housing units for short-term rentals with fees for short term rentals used to fund affordable housing initiatives to help preserve long-term rental housing availability and affordability for residents.

Magnitude of Impact: Medium Impact (due mostly to fees set aside for affordable housing initiatives)

Long-Term Affordability Considerations: No direct affordability impact.

IMPLEMENTATION

Approach: Revise development code to limit short term rentals to increase permanent housing stock, with exceptions made for transitional housing provided for those having recently experienced houselessness or eviction. Pursue DLCD technical assistance grants to support this work, specifically in establishing a fee based funding mechanism for affordable housing incentives.

Complexity: Medium

Policy Lead: City

Department: Community Development

City Staffing Implications: Moderate, due to enforcement and monitoring.

Implementation Steps: Evaluate mechanism established in Tillamook County for applicability in Molalla. Apply for DLCD funding to support methodology and adoption of a set of clear and objective standards for both the short-term rental regulations and for the establishment of a fee based funding source to support affordable housing.

Implementation Partners: Homeowners

Annual Monitoring: Number of short-term rental licenses issued, or violations resolved.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Long-term renters, including families, people living with disabilities, communities of color, and those experiencing homelessness, have greater housing availability and those interested in using their property as a short-term rental gain clarity on allowances.

Burdens: No identified burdens for target populations.

Externalities: Tourism-based workers and businesses may see reduced revenue.

6. Address Impediments to Home Ownership

OVERVIEW

Implementation Timeline

Adoption	2029
Implementation	2030
Impact on Needed Housing	2030

Affordability Target:
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Owner

Funding Needs:
High, as it may require significant financial assistance programs.

Funding Partners:
None

DESCRIPTION

1. Comprehensive review of impediments to the development of homeownership opportunities, particularly with condominium development.
2. Development of actionable steps to mitigate those impediments, such as high down payment requirements, limited access to credit, and discriminatory lending practices.

Encourages home ownership among lower-income residents, promoting stability and equity in the housing market.
Magnitude of Impact: Medium Impact
Long-Term Affordability Considerations: Could promote long-term affordability through ownership stability.

IMPLEMENTATION

Approach: Increase affordability by removing impediments to affordable home ownership. Pursue DLCD technical assistance grants to support this work.
Complexity: Medium
Policy Lead: City
Department: Community Development
City Staffing Implications: Moderate to High, depending on the number of impediments identified, outreach required, and program management.
Implementation Steps: Apply for DLCD technical assistance in revising code and updating policy to support homeownership in Molalla. Establish a set of clear and objective standards to address impediments.
Implementation Partners: Nonprofits
Annual Monitoring: Number of households assisted in overcoming homeownership barriers (e.g., down payment assistance, financing).

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Groups likely to benefit from this action are disproportionately communities of color and people living with disabilities, who would gain increased housing choice. A small indirect benefit to people experiencing homelessness with less competition for rentals.
Burdens: No identified burdens for target populations.
Externalities: High costs and program complexity could burden the city if the process is slow.

7. Remove Impediments for Conversions/Duplex Parking

OVERVIEW

Implementation Timeline

Adoption	2028
Implementation	2029
Impact on Needed Housing	2029

Affordability Target:
Affordable (30-80% AMI)
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Rental

Funding Needs:
Minimal direct funding; administrative costs.

Funding Partners:
None

DESCRIPTION

Reducing off-street parking requirements that increase the cost of conversions of single-family homes to duplexes or similar housing types. Lowers development costs and makes it easier to create more housing in established neighborhoods. This action will work in combination with other collaborative efforts with developers of affordable housing, such as Action 8: Flexible Regulatory Incentives for Affordable and Accessible Housing.

<u>Magnitude of Impact:</u> Medium Impact (middle housing).

<u>Long-Term Affordability Considerations:</u> May include affordability terms for new units.

IMPLEMENTATION

<u>Approach:</u> Increase stock to make conversions of existing homes into middle housing options more affordable by reducing the need for additional driveways or garages.

<u>Complexity:</u> Low

<u>Policy Lead:</u> City

<u>Department:</u> Community Development

<u>City Staffing Implications:</u> Moderate, for planning and regulatory adjustments.

<u>Implementation Steps:</u> Apply for DLCD technical assistance in revising code and updating policy to support conversions in Molalla. Establish a set of clear and objective standards to address duplex parking.

<u>Implementation Partners:</u> Developers and Homeowners

<u>Annual Monitoring:</u> Number of conversions to duplexes or parking requirement adjustments made.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

<u>Benefits:</u> Groups likely to have incomes relevant to the size of units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing choice. Limited benefit to people experiencing homelessness.

<u>Burdens:</u> No identified burdens for target populations.

<u>Externalities:</u> Homeowners may resist changes to parking and increased strain on neighborhood infrastructure.

8. Flexible Regulatory Concessions for Affordable/Accessible Housing

OVERVIEW

Implementation Timeline

Adoption	2026
Implementation	2027
Impact on Needed Housing	2027

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI),
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Owner/Renter

Funding Needs:
Minimal direct funding; administrative costs.

Funding Partners:
None

DESCRIPTION

Zoning incentives address affordability and accessibility needs in projects developed by private, for-profit developers who would not otherwise provide these additional housing units. Developers and housing agencies face regulatory impediments to building affordable housing which can often derail projects. This strategy provides a flexible framework for delivery of affordable housing including but not limited to reduced minimum setbacks, height bonuses, and/or allowing for flexibility in how units are delivered.

Magnitude of Impact: Medium Impact

Long-Term Affordability Considerations: Variable depending on concession negotiations with developers of affordable units.

IMPLEMENTATION

Approach: Increase affordability and accessibility by removing regulatory barriers to incentivize private developers to build affordable and accessible units.

Complexity: Low to Moderate depending on the number of concessions being considered.

Policy Lead: City

Department: Community Development

City Staffing Implications: Moderate, requiring staff time for coordination, framework implementation, project review, and monitoring program outcomes.

Implementation Steps: Apply for DLCD technical assistance in revising code and updating policy to support homeownership in Molalla. Establish a set of clear and objective standards to address impediments.

Implementation Partners: Developers

Annual Monitoring: Track the amount of affordable or accessible units built utilizing regulatory concessions.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Increase in affordable and accessible units, benefiting seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing accessibility and choice. Limited benefit to people experiencing homelessness .

Burdens: All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. This strategy is not intended to allow for a lower quality for affordable housing buildings.

9. Federal Low Income Housing Tax Credit (LIHTC) Program

OVERVIEW

Implementation Timeline

Adoption	2027
Implementation	2027
Impact on Needed Housing	2029

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)

Tenure:
Rental

Funding Needs:
High, but sourced from federal funding.

Funding Partners:
Federal Government

DESCRIPTION

Encouraging and support developers to take advantage of the LIHTC available to private investment in affordable housing by providing investors with a dollar-for-dollar reduction in federal income tax liability in exchange for investment in qualifying new construction and rehabilitation projects. Assist with applications as appropriate and necessary. Makes affordable housing projects financially viable and encourages private investment in affordable units. Integrated with developer collaborations listed below in Actions 10, 11, and 12.

Magnitude of Impact: Medium Impact

Long-Term Affordability Considerations: Supports long-term affordability for a fixed period.

IMPLEMENTATION

Approach: Provide Financial Assistance by providing investors with a dollar-for-dollar reduction in federal income tax liability in exchange for investment in qualifying new construction and rehabilitation projects.

Complexity: Medium

Policy Lead: City partnership working with private developers seeking federal financing.

Department: Community Development

City Staffing Implications: Low, as it leverages external funding.

Implementation Steps: Create FAQ for developers on LIHTC usefulness and application process. Incorporate this information into future meetings with potential developers in the Molalla area.

Implementation Partners: Developers

Annual Monitoring: Number of applications and the amount of funding allocated through LIHTC; number of affordable units built.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Groups likely to have incomes relevant to the units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing choice. Additional benefit to people experiencing homelessness.

Burdens: No identified burdens for target populations.

Externalities: Market-driven nature may limit broader geographic reach.

10. Address Unmaintained “Zombie” Housing

OVERVIEW

Implementation Timeline

Adoption	2027
Implementation	2027
Impact on Needed Housing	2029

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)

Tenure:
Owner/Rental

Funding Needs:
High, particularly for rehabilitation and legal processes.

Funding Partners:
None

DESCRIPTION

Track and identify neglected, vacant properties, often in disrepair, for new affordable housing. Utilizing enforcement data to assist non-profit developers in identifying land for redevelopment and connecting to the County Health and Human Services as the city monitors displacement.

Assist in the conversion of unused properties into affordable housing, revitalizing neighborhoods and increasing housing stock.

Magnitude of Impact: Medium (single unit detached and middle housing)

Long-Term Affordability Considerations: Program directly tied to affordability targets.

IMPLEMENTATION

Approach: Increase habitable housing stock by reducing vacant housing. and connecting that development with the creation of affordable units, while monitoring and mitigating displacement in the surrounding area.

Complexity: High

Policy Lead: City

Department: Community Development

City Staffing Implications: High, due to enforcement and rehabilitation management.

Implementation Steps: Develop a list of potential stakeholders and organizations, recruit participation, and convene meetings to discuss code enforcement updates and the potential for affordable housing development in Molalla. Measure potential impact development may have on naturally occurring affordable housing in the area and the threat of displacement. Coordinate with Clackamas County resources to mitigate the impact of displacement on low-income residents.

Implementation Partners: Developers and Nonprofits

Annual Monitoring: Net increase in the number of affordable housing units created and removed from the market.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Safer neighborhoods and increased housing options, including homeownership for communities of color and housing built by non-profits for families and individuals experiencing homelessness, living with disabilities, and seniors.

Burdens: No identified burdens for target populations.

Externalities: High rehabilitation costs and legal challenges could burden the city.

11. Land Owned by Faith-Based Organizations (FBO) for Affordable Housing

OVERVIEW

Implementation Timeline

Adoption	2029
Implementation	2029
Impact on Needed Housing	2030

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)

Tenure:
Owner/Rental

Funding Needs:
Low to moderate, depending on partnership agreements.

Funding Partners:
None

DESCRIPTION

Pursuing partnership agreements with local faith-based groups that have surplus, unused land, which could be sold or donated for high priority housing, including affordable housing under ORS 227.500 and SB 8 (2021) and development designed for those experiencing homelessness and very low-income populations. Utilizes underused land resources for community benefit, helping to address local affordable housing needs.

Magnitude of Impact: Medium Impact

Long-Term Affordability Considerations: Can include long-term affordability requirement.

IMPLEMENTATION

Approach: Increase stock by adding new units through future development.

Complexity: Medium

Policy Lead: Partnership with faith based organizations

Department: Community Development

City Staffing Implications: Moderate to high, due to partnership management.

Implementation Steps: Engage with religious organizations, potentially also cultural and other institutional landowners, to understand long-term plans and to assess their ability to partner in development projects. Offer technical support on zoning and infrastructure issues and pursuing grants. Facilitate connections with local developers.

Implementation Partners: Developers and Faith-Based Organizations

Annual Monitoring: Number of agreements and the number of units developed on faith-based organization owned land.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Groups likely to have incomes relevant to the units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing choice. Additional benefit to people experiencing homelessness.

Burdens: No identified burdens for target populations.

Externalities: Dependence on partnerships may delay progress.

12. Provide Public Improvement Assistance to Housing Developers within the Urban Renewal Area

OVERVIEW

Implementation Timeline

Adoption	2027
Implementation	2027
Impact on Needed Housing	2028

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)

Tenure:
Rental

Funding Needs:
High, dependent on urban renewal funding.

Funding Partners:
None

DESCRIPTION

Financial assistance for infrastructure improvements, such as sidewalks, roads, and utilities, to support housing developments in targeted areas. Reduces development costs, encouraging housing growth in underdeveloped or strategic areas to increase housing choice and affordability. Map of URA attached as Appendix E illustrating that the URA is centrally located and meets the location rule for establishing a URA in an area of expansion with efficient use of infrastructure.

Magnitude of Impact: Medium Impact

Long-Term Affordability Considerations: Enhance affordability indirectly by supporting future development.

IMPLEMENTATION

Approach: Reduces development costs by assisting with infrastructure costs.
Complexity: Medium
Policy Lead: City
Department: Community Development
City Staffing Implications: High, due to planning and coordination.
Implementation Steps: Gather common housing developer questions and prepare an FAQ on the City website and print for distribution at City Hall regarding the URA and the availability and application process for financial assistance for infrastructure improvements. Poll local small developers about specific information that would be helpful and work to present and provide the information clearly and efficiently.
Implementation Partners: Developers
Annual Monitoring: Production of FAQ, amount of public improvement funding allocated; number of projects supported.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Additional units, through both traditional and nonprofit developers, increase housing choice. Groups likely to have incomes relevant to the units that may not be feasible without financial assistance are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options. Additional benefit to people experiencing homelessness.
Burdens: No identified burdens for target populations.
Externalities: Financial cost to the city.

13. Modify SDC Fee Schedules Based on Size

OVERVIEW

Implementation Timeline

Adoption	2028
Implementation	2029
Impact on Needed Housing	2029

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Both

Funding Needs:
Moderate, with potential revenue loss.

Funding Partners:
None

DESCRIPTION

Adjusting System Development Charges (SDCs) so that fees are lower for smaller, affordable units and higher for larger homes, such as per square foot fees rather than per dwelling. Lowers costs associated with affordable housing units, making them more financially accessible to builders and buyers.[4] Encourages smaller dwelling sizes in single and multi-family housing by not disproportionately burdening them with fees.
Magnitude of Impact: High Impact (middle housing)
Long-Term Affordability Considerations: Could promote affordability for smaller units.

IMPLEMENTATION

Approach: Reduce development costs for smaller/more affordable development. Pursue DLCD technical assistance grants to support the development of SDC methodology.
Complexity: Requires methodology study and update to the Capital Improvement Plan and most efficiently connected to UGB Amendment Concept Planning.
Policy Lead: City
Department: Community Development and Public Works Departments
City Staffing Implications: Moderate, due to fee structure management.
Implementation Steps: Apply for DLCD funding to support this work and assess adopt a methodology for rate changes in Molalla. Adopt clear and objective criteria for updated SDC charges based on the size of the unit produced.
Implementation Partners: Developers and County
Annual Monitoring: Number of developments benefiting from modified SDC fees.

OPPORTUNITIES/CONSTRIANTS/EXTERNAMILITES

Benefits: Groups likely to have incomes relevant to the size of units produced by this action are disproportionately seniors, people living with disabilities, and communities of color, who would gain affordable housing options, through both traditional and non-profit developers and increased housing choice. Additional benefit to people experiencing homelessness.
Burdens: No identified burdens for target populations.
Externalities: City services may face revenue impacts, with no guarantee that buyers/renters share in the reduced costs, unless required.

[4] "When SDC rates are both relatively high and relatively flat among different types and sizes of housing, it can increase the barriers to building smaller and lower-cost housing." Oregon Systems Development Charges Study: Final Report, Key Findings, pg. iii. https://www.oregon.gov/ohcs/development/Documents/Oregon%20SDC%20Study_FinalReport_121422.pdf

14. Affordable Housing Options Library of Information

OVERVIEW

Implementation Timeline

Adoption	2027
Implementation	2027
Impact on Needed Housing	2028

Affordability Target:
Publicly Subsidized (< 30% AMI)
Affordable (30-80% AMI)
Workforce (80-120% AMI)
Market Rate (> 120% AMI)

Tenure:
Owner/Rental

Funding Needs:
Low, administrative costs.

Funding Partners:
None

DESCRIPTION

A publicly available resource with information on affordable housing programs, financing options, and other resources for developers and residents. Provides residents and developers with easy access to affordable housing resources, increasing awareness and support.

Magnitude of Impact: Low Impact

Long-Term Affordability Considerations: Indirect impact by increasing awareness.

IMPLEMENTATION

Approach: Increase information by providing resources to the community housing programs.

Complexity: Low, though requires regular maintenance

Policy Lead: City

Department: Community Development

City Staffing Implications: Low, primarily for content creation and updates. Clackamas County already provides a housing resource page for linking. [5]

Implementation Steps: Gather common housing questions and prepare an FAQ on the City website and for print at City Hall regarding resources available and application processes for financial assistance for individuals facing a housing crisis and incentives available for housing development. Poll local small developers about specific information that would be helpful and work to present and provide the information clearly and efficiently. Adopt methodology for regular updating of information in collaboration with Clackamas County resources and housing advocates.

Implementation Partners: Nonprofits and Housing Organizations

Annual Monitoring: Number of resources accessed; number of individuals/households assisted.

BENEFITS/BURDENS

Benefits: Low-income families, people living with disabilities, seniors, communities of color, those experiencing homelessness, and local homeowners and developers gain better access to information on housing options, housing development, and emergency assistance programs. Translated resources would benefit non-English speakers.

Burdens: No identified burdens for target populations.

Externalities: Minimal risks to the city.

[5] Clackamas County Housing Resources Page available at https://www.clackamas.us/guide/housing-resources.

15. Collaborating with Clackamas County to Address Homelessness/Houselessness

OVERVIEW

Timeline

Adoption	2027
Implementation	2027
Impact on Needed Housing	2028

Affordability Target:
Publicly Subsidized (< 30% AMI) and Affordable (30-80% AMI)

Tenure:
Owner/Rental

Funding Needs:
Moderate to high, depending on the city's financial contribution to joint initiatives, but with opportunities to leverage county and state funding.

Funding Partners:
State of Oregon

DESCRIPTION

Partnering with Clackamas County to align resources, strategies, and programs aimed at preventing homelessness and supporting individuals and families currently experiencing homelessness. Leverages county expertise and funding while ensuring the city plays an active role in addressing local needs.

<u>Magnitude of Impact: Medium Impact</u>

<u>Long-Term Affordability Considerations:</u> Helps stabilize housing for vulnerable populations, reducing long-term costs associated with homelessness.

IMPLEMENTATION

<u>Approach:</u> Increase affordability by aligning local efforts with regional goals.

<u>Complexity:</u> Low

<u>Policy Lead:</u> City partnership

<u>Department:</u> Community Development

<u>City Staffing Implications:</u> Moderate, requiring staff time for coordination, participation in regional planning efforts, and monitoring program outcomes.

<u>Implementation Steps:</u> **E**stablished regular and recurring communication between City and County staff with regard to housing production and individuals and families rent burdened and/or facing eviction and houselessness.

<u>Implementation Partners:</u> Developers and County

<u>Annual Monitoring:</u> Track the number of individuals transitioned to existing or new permanent housing and those referred for eviction prevention.

BENEFITS/BURDENS

<u>Benefits:</u> Low-income individuals, families, veterans, seniors, and other vulnerable populations gain access to coordinated services, housing options, and supportive programs. Protected classes disproportionately impacted by homelessness, such as people with disabilities and people of color, will benefit from targeted interventions.

<u>Burdens:</u> No identified burdens for target populations.

<u>Externalities:</u> Administrative coordination may increase workload for city staff; potential community resistance to new programs or housing developments.

Table 3. Benefits and Burdens Mitigation Matrix

	Action	Intended Benefit	Anticipated Unintended Burden	Mitigation Measures
1	Code Revisions for ADUs	Expands affordable, flexible housing options and increases density.	No burdens to needed housing/population identified.	NA
2	Develop Standards for Cottage Clusters	Increases density with multiple small homes on a single lot, offering more affordable and diverse housing options especially for seniors and people experiencing disabilities, while preserving community-oriented living and efficient land use.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.
3	Small Dwelling Unit Developments	Increases the number of affordable, smaller homes that can be built on limited land, making efficient use of space and diversifying housing options.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.
4	Modify Requirements for Ground-floor Retail/Commercial	Increases flexibility in development and financing, potentially reducing costs and promoting more affordable housing.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.

5	Regulate Short Term Rentals	Helps preserve long-term rental housing availability and affordability for residents, with exception for transitional housing.	No burdens to needed housing/population identified.	NA
6	Address Impediments to Home Ownership	Encourages home ownership among lower-income residents, promoting stability and equity in the housing market.	No burdens to needed housing/population identified.	NA
7	Remove Impediments for Conversions/ Duplex parking	Encourages home ownership among lower-income residents, promoting stability and equity in the housing market. Lowers development costs and makes it easier to create more housing in established neighborhoods on already developed land.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.
8	Flexible Regulatory Concessions for Affordable/Accessible Housing	Zoning incentives address affordability and accessibility needs in projects developed by private, for-profit developers who would not otherwise provide these additional housing units. Developers and housing agencies face regulatory impediments to building affordable housing which can often derail projects. This strategy provides a flexible framework for delivery of affordable housing including but not limited to reduced minimum setbacks, height bonuses, and/or allowing for flexibility in how units are delivered.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes. This strategy is not intended to allow for a lower quality for affordable housing buildings.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.

9	Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing	Makes affordable housing projects financially viable and encourages private investment in affordable units. LIHTC can be used to create mixed-income housing that provides cross-subsidy to affordable units; LIHTC can also be combined with additional programs to extend the affordability period for the housing.	No burdens to needed housing/population identified.	NA
10	Address unmaintained "zombie" housing	More assertive tax foreclosures to enable zombie housing to be rehabbed into occupied housing. Facilitates the conversion of unused properties into affordable housing by reducing upfront costs for developers, including non-profits, revitalizes neighborhoods, and increases housing stock.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.
11	Land Owned by Faith-Based Organizations for Affordable Housing	Utilizes underused land resources for community benefit and addresses local affordable housing needs.	No burdens to needed housing/population identified.	NA
12	Provide public improvement assistance to housing developers within the Urban Renewal Area	Reduces development costs, encouraging housing growth in underdeveloped or strategic areas.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.

13	Modify SDC fee schedules based on size	Lowers costs for compact housing units, making them more financially feasible for all builders, including non-profits.	All redevelopment runs the risk of displacing low-income renters, both on the property being developed and in the surrounding neighborhood. ADUs, cottage, and middle housing have a medium impact on preventing displacement, with planning and continued monitoring of production. Low income renters are statistically disproportionately seniors, people living with disabilities, communities of color, and other protected classes.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.
14	Affordable Housing Options Library of Information	Provides homeowners, small developers, and those looking for housing with easy access to affordable housing resources, increasing awareness and support.	Accessibility based on internet access, language, or disability; information may be outdated; language could be disrespectful or too full of jargon or acronyms.	Planning and continued monitoring with attention to displacement in gentrifying areas; Maintain a relationship with Clackamas County Health, Housing, and Human Services regarding available services and assistance. HPS actions are designed as a whole to support low-income housing, and the implementation strategy aims to offset burdens on at risk communities.
15	Collaborating with Clackamas County	Leverages county expertise and funding while ensuring the city plays an active role in addressing local needs.	No burdens to needed housing/population identified.	NA

Implementation Considerations

This section provides an assessment of the potential limitations, risks, and funding or revenue implications associated with implementing each action. Any of these factors could influence the city's ability to adopt a particular action. Key implementation considerations for each action include:

- Long-Term Affordability: A primary goal for the city is to maintain affordable housing over the long term. Many incentive programs and tax exemptions require affordability for a defined period, after which units may revert to market rates. This criterion evaluates whether an action ensures long-term affordability or specifies the duration of required affordability.
- Risk: Implementing housing actions may involve trade-offs, potentially affecting residents, development patterns, transportation, or city revenue streams. Some actions depend on successful partnerships for effective execution. This criterion identifies potential challenges or impacts associated with each action.
- City Staffing Implications: The execution of HPS actions will require varying levels of staff time and capacity. This criterion considers the staff resources needed for each action, ensuring that implementation demands are feasible given the city's staffing levels.
- Funding Implications: Some actions will require significant or ongoing funding. Notably, actions like Urban Renewal or a future Construction Excise Tax (CET) could generate funding to support the implementation of other HPS initiatives.

Funding Sources

One of the primary challenges to implementing the HPS in Molalla is the availability of adequate funding. Financial resources are essential not only to construct new housing units, preserve existing affordable housing, and provide equitable housing access but also to support the staffing and administrative efforts required to implement the strategy. Identifying sustainable and realistic funding sources is critical for achieving Molalla's vision for affordable housing.

A successful housing program requires funding sources that are stable, flexible, and specifically dedicated to housing preservation and development. While Molalla can leverage some existing funding options, pursuing additional funding mechanisms will be necessary to fully support the HPS initiatives. Potential funding sources include:

- **Urban Renewal Area (URA):** Public improvement assistance to housing developers within the Urban Renewal Area.

- **Construction Excise Tax (CET) Revenues:** State statutes allow CET funds to be used for a range of housing-related activities, including at least 50% for developer incentives, up to 4% for administrative costs, 15% for statewide homeowner programs, and up to 35% for flexible local affordable housing programs. If Molalla establishes a CET, the city will need to create a clear plan for allocating these funds to support affordable housing development effectively.

- **Affordable Housing Trust Fund (AHTF):** Molalla could establish an AHTF to provide direct financial resources for affordable housing projects targeting low-income households. Potential funding sources for an AHTF include a construction excise tax, general obligation bonds, transient occupancy taxes, the sale of surplus city property, or dedicated contributions from marijuana tax revenues. The fund could also benefit from one-time contributions, such as bequests or grants.

- **Department of Land Conservation and Development (DLCD)**: Grants are available for technical assistance in implementing housing policies, such as requesting help creating a methodology for scaled SDCs or model code.

Monitoring and Implementation

Table 2 looks at the metrics the city will use to evaluate their progress on implementing the actions, with the understanding that annual monitoring of outcomes is only one way to assess the efficacy of housing policies. Market trends and the level of interest shown by developers could indicate that a policy is favorable, even if it does not result in measurable units each year.

Table 4. Action Monitoring

	Actions	Annual Monitoring
1	Revisions for ADUs	Number of ADUs developed
	Reduce SDCs for ADUs	Number of ADUs developed and revenue collected
2	Develop Standards for Cottage Clusters	Number of cottage cluster developments, units constructed
3	Small Dwelling Unit Developments	Number of small dwelling units developed
4	Reassess Requirements for Ground-floor Retail/Commercial	Number of ground-floor retail/commercial spaces converted or developed
5	Regulate Short Term Rentals	Number of short-term rental licenses issued, or violations resolved
6	Address Impediments to Home Ownership	Number of households assisted in overcoming homeownership barriers (e.g., down payment assistance, financing)
7	Remove Impediments for Conversions/Duplex parking	Number of conversions to duplexes or parking requirement adjustments made
8	Flexible Regulatory Concessions for Affordable/Accessible Housing	Number of accessible and/or affordable units developed
9	Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing	Amount of funding allocated through LIHTC; number of affordable units built
10	Address unmaintained "zombie" housing	Number of affordable units created and the number of naturally occurring affordable units removed
11	Land Owned by Faith-Based Organizations for Affordable Housing	Number of projects developed on faith-based owned land
12	Provide public improvement assistance to housing developers within the Urban Renewal Area	Amount of public improvement funding allocated; number of projects supported
13	Modify SDC fee schedules based on size	Number of developments benefiting from modified SDC fees

14	Affordable Housing Options Library of Information	Number of resources accessed; number of individuals/households assisted
15	Collaborate with Clackamas County	Number of individuals transitioned to permanent housing.

Implementation Timeline

Implementing the HPS will be a gradual process, as each action will require further steps, including additional analysis, updates to existing standards or programs, discussions with decision-makers, and public hearings.

Table 5 outlines the implementation timeline for each action.

Table 5. Implementation Timeline

Evaluate	Pass Ordinance	Implement	*i = Impact on housing*

Policy	2025	2026	2027	2028	2029	2030	2031	2032
Code Revisions for ADUs	Evaluate	Pass Ordinance	Implement	Implement *i*	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Develop Standards For Cottage Clusters	Evaluate	Evaluate	Pass Ordinance	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Small Dwelling Unit Defined			Evaluate	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Modify Requirements for Ground Floor Commercial				Evaluate	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*
Regulate Short Term Rentals			Evaluate	Pass Ordinance	Implement	Implement *i*	Implement *i*	Implement *i*
Address Impediments to Home Ownership			Evaluate	Evaluate	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*
Remove Impediments to Duplex Parking			Evaluate	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Flexible Regulatory Concessions for Affordable/Accessible Housing	Evaluate	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Federal Low Income Housing Tax Credit		Evaluate	Implement	Implement	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Address Zombie Housing		Evaluate	Implement	Implement	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Land Owned By Faith Based Organizations				Evaluate	Implement	Implement *i*	Implement *i*	Implement *i*
Urban Renewal Area Public Improvement Assistance	Evaluate	Evaluate	Implement	Implement *i*	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Modify SDCs based on size			Evaluate	Pass Ordinance	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Affordable Housing Options Library of Information	Evaluate	Evaluate	Implement	Implement *i*	Implement *i*	Implement *i*	Implement *i*	Implement *i*
Collaborate with Clackamas County	Evaluate	Evaluate	Implement	Implement *i*	Implement *i*	Implement *i*	Implement *i*	Implement *i*

Future Housing Action for Consideration

The following actions, though important and valuable, will not be included as formal policies in the HPS. Instead, they will be presented as recommendations for the city to consider in the future or incorporate into another process.

Inclusionary Zoning: Amend the Development Code to include language requiring developers of new housing units within a market rate development to set aside a portion of the new units as affordable housing.

Add Restrictive Covenants to Ensure Affordability: Creating restrictive covenants to ensure affordability at a certain income level for new construction. Covenants are placed on property in exchange for local or state government providing financial contribution to the project.

Provide Handbook with Pre-Approved Plan Sets for Accessory Dwelling Units: This action would allow the city to speed up the review process and costs for ADUs by providing property owners or developers with pre-approved plan sets. Short of actual pre-approved plans, the city should consider developing a handbook for homeowners with specifics on the benefits and steps to building an ADU on their property, with examples of plans that have been or would be approved. Oregon City has a similar document.[6]

Reduce Regulatory Barriers to Lot Division: Amends the Development Code to make proposals for land division more attainable by removing certain requirements. Examples of requirements that could be removed are minimum street frontage or driveway requirements.

Flexible Regulatory Concessions for Affordable Housing: Provide flexible provisions for non-profit developers to allow for reduced standards, bonuses to density or structure height, and/or flexibility in the delivery of units for affordable housing developments.

Operating Subsidies for Affordable Housing Developments: Provide annual funding/subsidies to property owners of affordable housing developments to offset the operating costs of the development to keep units affordable. Subsidies can be provided annually or more frequently, as funds allow.

Tax Increment Financing (TIF) Set-Aside: A Tax Increment Financing (TIF) Set Aside is intended for the creation of affordable housing within designated Urban Renewal Area. Essentially, the increase in property tax revenue resulting from new developments is diverted to subsidize the development of affordable housing.

Federal HOME Program: Funding for rental and homebuyer assistance and construction: The HOME program offers funding for rental assistance, homebuyer assistance, and housing construction, with a focus on serving low-income households, including those at risk of homelessness. By supporting the creation and preservation of affordable housing, as well as providing direct assistance to individuals, the program helps expand housing options for people experiencing homelessness, ensuring they have access to stable housing and the resources needed to maintain it.

Eviction Prevention Programs: Eviction Prevention Programs provide financial assistance to families who are being evicted from an affordable dwelling due to nonpayment of rent during or following an

[6] Accessory Dwelling Units in Oregon City by the Community Development – Planning Department available online at https://www.orcity.org/DocumentCenter/View/3789/Guide-to-Accessory-Dwelling-Units-ADU-in-Oregon-City-PDF

unforeseen temporary crisis, such as job loss or serious illness. Eviction prevention programs are often supported by counties to address concerns about displacement of low-income renters and limit the need for much more costly temporary shelters.

Nonprofit Low-Income Rental Housing Exemption: This tool can provide a simplified way for affordable housing owned and operated by a nonprofit or community land trust to qualify for a property tax exemption.

Homestead Tax: Imposing a tax on second homes and using funds to promote and support the development of affordable housing.

Right of First Refusal for Land Purchase: Affordable housing providers could be offered a Right of First Refusal for City, County, or State-owned land when the land would be used for affordable housing.

Street Construction Alternatives (Gutters): This action would eliminate the requirement for concrete gutter installation when developing new streets for local and neighborhood routes only.

V. Achieving Fair and Equitable Housing Outcomes

This section provides an assessment of the goals and strategic actions aimed at achieving fair and equitable housing outcomes. It also includes a discussion on monitoring the outcomes of Molalla's Housing Production Strategy (HPS).

Evaluation of Policies and Strategic Actions

Per OAR 660-008, an evaluation of the HPS is required to assess its effectiveness in achieving specific outcomes. The following discussion offers a brief overview of each expected outcome related to the policies and actions within the HPS, emphasizing housing opportunities for federally and state-protected classes. This is intended as a high-level summary of the HPS, rather than an exhaustive analysis of each action's impact on these outcomes.

Location of Housing

To diversify housing locations, it is essential to expand options for compact residential development in mixed-use neighborhoods, ensuring accessibility for individuals in state and federal protected classes. This approach also aims to contribute to statewide greenhouse gas emission reduction goals. Actions within the HPS that promote the development of compact, mixed-use neighborhoods include:

- Revisions for ADUs: Expanding opportunities for accessory dwelling units (ADUs) can increase housing options in established neighborhoods, allowing for more equitable access to desirable locations.
- Develop Standards for Cottage Clusters: Supporting the development of cottage clusters creates smaller-scale housing communities that fit within a variety of neighborhoods, offering more diverse housing choices.
- Small Dwelling Unit Developments: Facilitating small dwelling units helps provide affordable and accessible housing options for individuals and families with varied needs.

- Reassess Requirements for Ground-floor Retail/Commercial: Facilitating small dwelling units helps provide affordable and accessible housing options for individuals and families with varied needs.

Fair Housing

Supporting Fair Housing involves expanding housing access for individuals in state and federal protected classes, actively promoting Fair Housing, addressing disparities in housing opportunities for underserved communities, and reducing patterns of segregation or concentrations of poverty. Actions within the HPS that advance Fair Housing policies include:

- Land Owned by Faith-Based Organizations for Affordable Housing: Encouraging the use of land owned by faith-based organizations for affordable housing development can provide additional opportunities for low-income individuals and families to access safe, affordable housing in areas that may otherwise be limited in options. This helps ensure that protected classes have equitable access to housing in diverse neighborhoods, reducing barriers to opportunity.
- Affordable Housing Options Library of Information: Creating a centralized resource for information on affordable housing options can help underserved populations, particularly those from protected classes, navigate available housing opportunities more easily. This resource would support equitable access to housing, promote informed decision-making, and address barriers such as lack of knowledge or awareness of available programs and opportunities.

The HPS assumes that actions impacting low-income communities are likely to also impact communities of color, people with disabilities, and members of other protected classes. In general, the strategies in the HPS are unlikely to increase burdens experienced by marginalized populations. For the following specific strategies, which generally can have indirect impacts on marginalized populations, we see the specific circumstances in Molalla making those burdens unlikely:

- Strategies which increase development/redevelopment can increase displacement pressure on low-income and marginalized populations when it disproportionally occurs in areas of naturally occurring affordable housing and communities of color. However, the upzoned residential land within Molalla city limits outlined above occurred on underutilized industrial land and not likely to impact displacement.
- While implementation measures mentioned in the HPS, like the creation of a residential CET, could increase costs that are just passed on to tenants/homeowners, that cost is not directly part of any strategy. If it did occur, the burden would be spread across all developments and not disproportionately felt by marginalized communities, though it would be a metric to monitor as implementation occurs

Housing Choice

Expanding housing choice means improving access to housing for communities of color, low-income households, people with disabilities, and other groups protected by state and federal laws. This also involves ensuring access to existing or new housing in neighborhoods that offer healthy, safe environments along with high-quality community amenities, schools, and employment opportunities. Actions within the HPS that support increased housing choice include:

- Address Impediments to Home Ownership: By addressing barriers to homeownership, such as high down payment requirements, limited access to credit, and discriminatory lending practices, more individuals from underserved communities, including communities of color and low-income households, can access homeownership opportunities. This expands housing choice by providing pathways to long-term stability and wealth-building in diverse neighborhoods.
- Remove Impediments for Conversions/Duplex parking: Simplifying or removing parking requirements for housing conversions or duplex developments can help increase the availability of affordable housing options in existing neighborhoods. By reducing parking-related barriers, more property owners can create additional housing units, thus increasing the housing stock in areas with high demand, and improving access to safe, well-connected neighborhoods with quality amenities.
- Modify SDC fee schedules based on size
- Zoning incentives address affordability and accessibility needs in projects developed by private, for-profit developers who would not otherwise provide these additional housing units.

Housing Options for People Experiencing Homelessness

Expanding options for people experiencing homelessness involves collaborating with partners to address homelessness and implementing measures to reduce the risk for households, particularly those with incomes below 30% of MFI, of experiencing homelessness. The HPS includes the following actions to support people experiencing homelessness:

- Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing: The LIHTC program provides financial incentives for the development of affordable rental housing, which can help increase the availability of housing options for people experiencing homelessness. By offsetting the cost of construction, the program makes it more feasible for developers to build affordable housing units, including for extremely low-income households, thus expanding housing options for those at risk of or currently experiencing homelessness. Cities can help developers apply for federal money by providing support and resources. Depending on staff capacity, this could mean a collaboration to better understand HUD requirements and leveraging those funds with additional state or county programs and financing tools. This strategy will work in tandem with Strategy 14 to provide residents and developers with easy access to affordable housing resources, increasing awareness and support.
- Collaborate with Clackamas County: Through this partnership, the city can facilitate the development of transitional housing, permanent supportive housing, and affordable rental units tailored to the needs of vulnerable populations. Programs such as coordinated entry systems and targeted outreach can ensure equitable access to these housing options, prioritizing individuals with the greatest needs, including those with disabilities, veterans, and families with children. By aligning city and county efforts, the collaboration can also streamline funding opportunities, enabling the construction of new housing units and the repurposing of existing buildings to serve as shelters or supportive housing.

Affordable Homeownership

This criterion emphasizes actions that promote the production of housing affordable for homeownership, specifically targeting housing affordable to households earning less than 120% of MFI.

Many HPS actions support affordable homeownership by encouraging the development of lower-cost ownership options, removing regulatory barriers, upholding Fair Housing standards, and making essential capital improvements. Key actions within the HPS that advance affordable homeownership include:

- Small Dwelling Unit Developments: Can help promote affordable homeownership by providing more accessible and lower-cost housing options. The focus on smaller, efficient homes ensures that these developments remain affordable for low- and moderate-income households, supporting first-time homebuyers and those seeking to enter the housing market.
- Address Impediments to Home Ownership: By addressing barriers such as high down payments, limited access to financing, and restrictive zoning laws, this action makes homeownership more accessible for households earning less than 120% of MFI. Removing these obstacles helps increase the availability of affordable homeownership opportunities, enabling more low- and moderate-income families to achieve long-term housing stability.
- Provide Code Enforcement Information to Affordable Housing Developers: While the term "zombie housing' gained popularity and import after the financial crisis of 2008, the incidence of distressed or derelict properties is on the rise in many areas across the U.S. This strategy is more than a safety or neighborhood quality concern. It is a strategy to identify underutilized land and use it in ways that would benefit the community. During our conversations with the PAC, it was clarified that efforts to identify derelict properties would be particularly beneficial in lowering the administrative costs for non-profit and for-profit developers of affordable housing, such as Habitat For Humanity, and identifying attractive locations for future development. This engagement drove us to increase the impact above low-medium. Molalla Code Enforcement is already tasked with remediating several properties annually across the City. Compounded by high interest rates and the high cost of construction materials necessary for repairs, Molalla anticipates that this could become a significant issue very soon and plans to use code enforcement information as a benefit to developers of affordable housing.
- Flexible Regulatory Concessions for Affordable/Accessible Housing: This type of flexibility with offering zoning incentives is designed to address the production of both affordable and accessible units in projects developed by private, for-profit developers who would not otherwise provide these additional housing units, non-profit developers, and housing authorities by including concessions such as reduced minimum setbacks, height bonuses, and/or allowing for flexibility in how units are delivered for both rental and homeownership opportunities.

Affordable Rental Housing

Supporting affordable rental housing involves actions that promote the production of both income-restricted housing (affordable for households earning below 60% of MFI) and privately developed affordable housing (affordable for households earning between 61% and 80% of MFI). While most actions within the HPS have the potential to benefit low income renters, the following actions are designed to directly impact the number of affordable rental housing developments in Molalla:

- Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing: The LIHTC program provides incentives for the development of affordable rental and homeownership units. By reducing construction costs, it encourages the creation of homes that are affordable for households earning below 60% of MFI. This helps expand the stock of affordable homes for ownership, ensuring that lower-income households can access quality, affordable housing.

- Flexible Regulatory Concessions for Affordable/Accessible Housing: This type of flexibility with offering zoning incentives is designed to address the production of both affordable and accessible units in projects developed by private, for-profit developers who would not otherwise provide these additional housing units, non-profit developers, and housing authorities by including concessions such as reduced minimum setbacks, height bonuses, and/or allowing for flexibility in how units are delivered for both rental and homeownership opportunities.
- Provide Code Enforcement Information to Affordable Housing Developers: While the term “zombie housing’ gained popularity and import after the financial crisis of 2008, the incidence of distressed or derelict properties is on the rise in many areas across the U.S. This strategy is more than a safety or neighborhood quality concern. It is a strategy to identify underutilized land and use it in ways that would benefit the community. During our conversations with the PAC, it was clarified that efforts to identify derelict properties would be particularly beneficial in lowering the administrative costs for non-profit and for-profit developers of affordable housing, such as Habitat For Humanity, and identifying attractive locations for future development. This engagement drove us to increase the impact above low-medium. Molalla Code Enforcement is already tasked with remediating several properties annually across the City. Compounded by high interest rates and the high cost of construction materials necessary for repairs, Molalla anticipates that this could become a significant issue very soon and plans to use code enforcement information as a benefit to developers of affordable housing.
- Land Owned by Faith-Based Organizations for Affordable Housing: Encouraging the use of land owned by faith-based organizations for affordable housing development can provide additional opportunities for low-income individuals and families to access safe, affordable housing in areas that may otherwise be limited in options. This helps ensure that protected classes have equitable access to housing in diverse neighborhoods, reducing barriers to opportunity.

Gentrification, Displacement, and Housing Stability

Enhancing housing stability involves actions that help secure the stability of current households and prevent displacement, reducing the impacts of gentrification that may arise from public investments or redevelopment. Areas vulnerable to displacement are areas of concentrated poverty, elevated occurrence of rental units compared to the larger region, and lower property values and rents that make them favorable to development.[7] These areas are statistically more likely to be populated by communities of color and other protected classes. While Molalla is not a particularly vulnerable area when these factors are compared across Clackamas County, geospatial analysis within Molalla city limits to identify areas of concern and predict the impact on vulnerable communities would require reliable block group data from the U.S. Census. An area near Molalla Elementary and W. Main Street could be an area of concern, though mapping it would be irresponsible due to a high margin of error and the

[7] 2018 Gentrification and Displacement Neighborhood Typology Assessment, Key Findings and Methodology Report, Bureau of Planning and Sustainability, City of Portland, Oregon, via https://www.portland.gov/sites/default/files/2020- 01/gentrification_displacement_typology_analysis_2018_10222018.pdf

likelihood that the data is not telling a coherent story.[8] For most of the variables the corresponding margin of error was equal to or higher than the sample size and therefore statistically unreliable. Until reliable quantitative data becomes available for sample sizes as small as Molalla, the city will need to monitor displacement through qualitative data and community engagement, as outlined above in Table 3 and consider the impact each development application will have on vulnerable community and naturally occurring affordable housing.

Molalla has focused rezoning efforts for higher density housing on underutilized industrial land, which should help to limit the impact that new development may have on areas vulnerable to gentrifications. Areas that are disproportionately impacted by displacement pressure will be monitored at the mid-cycle review in four years.

Actions within the HPS that support housing stability include:

- Regulate Short Term Rentals: By regulating short-term rentals, this action helps ensure that housing units remain available for long-term residents, particularly in areas where housing affordability is already a concern. It prevents the conversion of rental units into short-term vacation rentals, which can drive up rents and contribute to displacement, helping to stabilize the housing market for existing residents.
- Provide public improvement assistance to housing developers within the Urban Renewal Area: By offering public improvement assistance to developers in urban renewal areas, this action encourages development that aligns with community needs while also preventing the displacement of current residents. The focus on affordable housing ensures that redevelopment projects contribute to stability by creating housing options that remain affordable and accessible to the existing population.
- Provide Code Enforcement Information to Affordable Housing Developers: While the term "zombie housing' gained popularity and import after the financial crisis of 2008, the incidence of distressed or derelict properties is on the rise in many areas across the U.S. This strategy is more than a safety or neighborhood quality concern. It is a strategy to identify underutilized land and use it in ways that would benefit the community. During our conversations with the PAC, it was clarified that efforts to identify derelict properties would be particularly beneficial in lowering the administrative costs for non-profit and for-profit developers of affordable housing, such as Habitat For Humanity, and identifying attractive locations for future development. This engagement drove us to increase the magnitude of impact. Molalla Code Enforcement is already tasked with remediating several properties annually across the City. Compounded by high

[8]Molalla's calculations on vulnerability compared local block group geographies to regional averages across six variables reported by the US Census, ACS 2014-2018 (five-year estimates) via Social Explorer reported by state, county, city, census tract, and block group: percent of households that are renters , percent of households that are low-income, percent of adults (25 or older) without a four-year degree, percent of population who identify with a community of color, median home value, and median gross rent. Molalla touches 8 Census block groups, over 3 Census Tracts. Block Group 1 for Tract 239 had a higher local average when compared to the region on 5 of the 6 variables, but the margin of error was higher than the actual sample size and therefore statistically unreliable for a community as small as Molalla. Block Group data reported 317 people reporting Hispanic/Latino origin with a margin of error of +/- 365 people, 9 people reporting their race as Asian, with margin of error +/- 13 people, meaning that the block group may have zero people in these categories, making mapping irresponsible.

interest rates and the high cost of construction materials necessary for repairs, Molalla anticipates that this could become a significant issue very soon and plans to use code enforcement information as a benefit to developers of affordable housing to ensure that this action increases housing stability in vulnerable areas that might otherwise develop into market rate housing without affordability requirements.

- Collaborate with Clackamas County: A jurisdictional partnership can facilitate the development of transitional housing, permanent supportive housing, and affordable rental units tailored to the needs of vulnerable populations by maximizing resources and implementing existing programs throughout the community and work to ensure housing stability. Programs such as coordinated entry systems and targeted outreach can ensure equitable access to these housing options, prioritizing individuals with the greatest needs, including those with disabilities, veterans, and families with children. By aligning city and county efforts, the collaboration can also streamline funding opportunities, enabling the construction of new housing units and the repurposing of existing buildings to serve as shelters or supportive housing.

VI. Additional Recommendations

Community feedback during this process highlighted opportunities to enhance engagement efforts and better connect with Molalla's diverse population. To ensure future housing-related outreach is inclusive and effective, the city could consider adopting policies or measures aimed at increasing accessibility and representation, particularly for underrepresented and vulnerable communities. Community feedback further highlighted a need for broader, more inclusive outreach, especially to older and less tech-savvy residents. Residents seek further transparency and engagement processes that ensure Molalla's diverse population is represented and engaged. The survey underscored a community committed to balancing necessary growth with protecting the identity, infrastructure, and quality of life they valued.

Key actions include:

- **Enhancing Accessibility:** Use multiple outreach methods, such as printed surveys, in-person canvassing, and partnerships with trusted community organizations, to reach populations less likely to engage online or through traditional city channels.
- **Clarifying Materials:** Provide plain-language summaries and visual aids to help residents better understand proposed actions and their potential impacts.
- **Fostering Trust and Transparency:** Share how community input influences decisions, through clear reports and updates, to demonstrate the value of participation.

These approaches could serve as a foundation for a broader engagement policy focused on equity and accessibility, ensuring all voices in Molalla are heard in future housing and planning efforts.

Appendix A. Contextualized Housing Need Memo

Introduction

Surrounded by forest and rolling hills, Molalla offers an escape from city life and fosters a tight-knit sense of belonging among residents. With a rich history, Molalla captures the essence of small-town living. This culture has attracted new residents and businesses over recent years, causing Molalla's growth to outpace the rest of Clackamas County.

Against this backdrop, the 2022-2042 Molalla Housing Needs Analysis (HNA) provides a comprehensive overview of Molalla's needed housing, including current and prospective residents. The Molalla community hosts a unique blend of demographics and socioeconomic characteristics, encompassing factors such as age, income, race, ethnicity, and disability, which are a vital context within which to understand the housing need. Steady growth has created need to address the lack of available housing, particularly for rent-burdened households, people of color, people experiencing a disability, and people experiencing houselessness.

Guided by the insights gleaned from the HNA, the Housing Production Strategy (HPS) will bridge the gap between identified housing need and actionable solutions tailored to Molalla's unique context. By aligning unmet housing needs with innovative strategies suited to the distinctive locale and growth, the HPS will pave the way for a brighter, more equitable future for all who call Molalla home.

The first step in bridging that gap is a contextualization and incorporation of information from the HNA that describes current and future housing needs in the context of population and market trends.

At a minimum, a Contextualized Housing Needs Memo must include a discussion of:[9]

- Socio-economic and demographic trends of households living in existing Needed Housing. This must include a disaggregation of households living in existing Needed Housing by race and ethnicity;
- Measures already adopted by the city to promote the development of Needed Housing;
- Market conditions affecting the provision of Needed Housing;
- Existing and expected barriers to the development of Needed Housing;
- An estimate of the number of people or households experiencing homelessness. Estimates must include, as available, the following data sources:
    - An estimate of regional housing need for people experiencing homelessness provided by the state or regional entity;
    - The applicable Housing and Urban Development Point-in-Time count conducted by the Continuum of Care that the city is located within;

[9] OAR 660-008-0050

- The applicable Housing and Urban Development Annual Homelessness Assessment Report; and
- The applicable McKinney-Vento Homeless Student Data for all school districts that overlap with the city boundary.

- Percentage of Rent Burdened Households;[10]
- Housing tenure, including rental and owner households; and
- Housing needs for people with disabilities, including hearing, vision, cognitive, ambulatory, self-care difficulty, and independent living as provided in the applicable American Community Survey and other data sets, as available.

HNA Highlights

1. Forecasted population for Molalla in 2042 is 15,660, which is an increase of 5,432 people, which translates to 1,996 net new dwelling units based on an assumed vacancy rate of 4% and 2.83 persons per household.

2. Future demand anticipates a greater share of medium and high-density housing compared to the current inventory:

    - Single family detached homes (includes manufactured homes): 55% (1,098 units)
    - Medium density housing (townhouses, plexes): 25% (499 units)
    - High density housing (multi-family apartments): 20% (399 units)

As these numbers indicate, single family detached housing will continue to be a key housing need in the city, accounting for the largest portion of the existing housing and future housing need. While the traditional allure of single family detached housing remains robust, the mosaic of Molalla's population dynamics reflects a burgeoning demand for diverse housing options. About 45% of the future housing need will be a mix of plexes (duplex, tri-plex, quad-plex), townhomes and apartments. Understanding the implications of these trends on housing costs becomes imperative.

Contextualized Factors

Population Growth

The housing market in Molalla is shaped by rapid population growth, significant affordability challenges, and disparities in housing accessibility for low-income households, people of color, people with disabilities, and those experiencing houselessness.

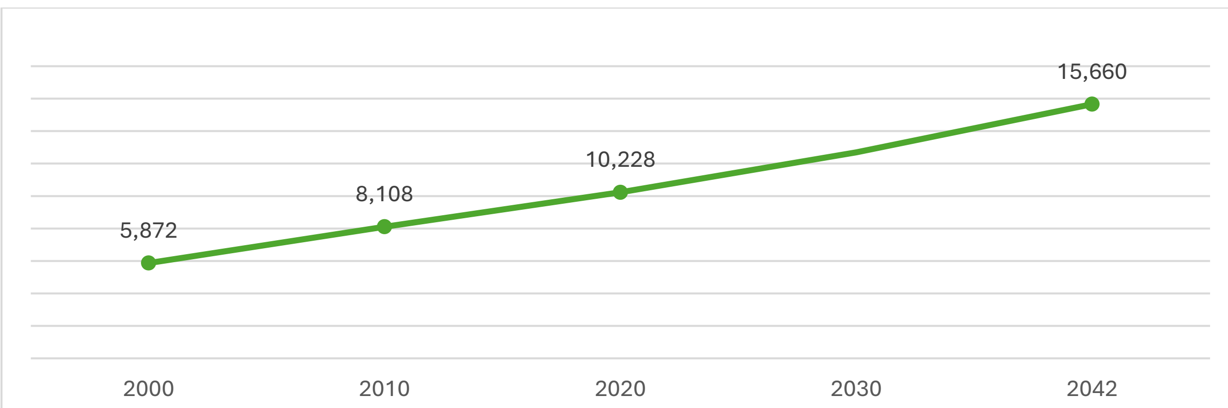
Addressing these issues requires comprehensive strategies, including increasing affordable housing supply, seeking and providing tools for house burdened renters, and implementing inclusive policies to support vulnerable populations.

[10] As determined in the report described in OAR 813-112- 0020(2).

- 7% of the population in Molalla is living near or below the poverty line, suggesting economic challenges for a substantial number of residents and only 46% of all rental-occupied housing is considered affordable (commonly defined as paying less than 30% of income in housing costs).
- 24% of Molalla's population identifies as a minority, with 16% identifying as Hispanic or Latino. Homeownership rates are lower for minority groups compared to households overall.
- 16% of Molalla's population is living with a disability, which is higher than county and national averages.
- Point-in-Time counts estimate 410 people were experiencing houselessness in Clackamas County in 2023.

The City of Molalla has experienced steady growth for over twenty years. Figure 1 below shows Molalla's population grew by 2,120 between 2010 and 2020, based on the US Census. This trend is expected to continue over the coming decades with a population projection of 15,660 by 2042.

Figure 1. Molalla Population 2000, 2010, 2020, 2042



Sources: US Decennial Census 2000, 2010, and 2020 and Portland State University (PSU) Population Center 2020 projection for 2042.

As cited in the HNA, this rapid expansion translates to an Average Annual Growth Rate (AAGR) of 2.34% between the 2010 and 2020 Decennial Census reports. In comparison, the State of Oregon saw an AAGR of 1.02% and the Clackamas County as a whole saw 1.13%. [11]

Market Factors

The housing market in Molalla, Oregon, reflects a unique blend of factors that shape its current landscape. Nestled amidst the scenic beauty of the Willamette Valley, Molalla's allure lies in its small-town charm while still being within commuting distance of the rest of the Portland Metro

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[11] Source cited in the HNA was *Oregon REA Project. Oregon.REA.project.org*

area. Housing in Molalla is in high demand, which is increasing at a higher rate than in the surrounding area.

The March 2024 Rocket Homes Real Estate Report identifies that Molalla is in a "Seller's Market" meaning, sale prices tend to be higher, and homes sell faster due to high demand. The median sale price was listed in that report as $470,000, which is a 4.4% increase from May 2023. A similar report for Clackamas County listed a median home price just over $600,000, but a slightly lower rate of increase at 2.3% over the last year.

The U.S. Census reports on median home value for all owner-occupied housing. The most recent ACS (5-year estimates) placed the 2022 value for Molalla as $381,300. This figure is generally lower than current sale prices since it reports on assessed value regardless of whether the home was sold recently.

Demographic trends affecting housing demand

In addition to growing more quickly, Molalla residents are comparatively younger. Age can impact housing choice and the decision to rent or buy. The median age is 34.8 years. Oregon's median age is a few years older at 36.5 years, and Clackamas County is even older than Oregon at 41.7 years. The largest age brackets in the City of Molalla are elementary school age children of 5 to 9 (11.2%) and early to mid-career employment age adults of 25 to 29 (10.38%), 30-34 (9.34%), and 40 to 44 (8.93%).[12]

Housing Affordability

Discussion of housing affordability utilize terms defined by the percentage that a household spends on housing costs and the level of cost burden that a household experiences as a result:[13]

1. Affordable: Less than 30% of income on housing
2. Cost Burdened: Spending >30% of income on housing
3. Severely Cost Burdened: Spending >50% of income on housing

Listed below are the various data sets relevant to analyzing local housing affordability for homeowners and renters:

U.S. Department of Housing and Urban Services

The U.S. Department of Housing and Urban Services (HUD) calculates Median Family Income (MFI), also referred to as Area Median Income (AMI). These numbers consider the regional market and delineate incomes by household size. They serve as the income limits for subsidized housing programs.

[12] *U.S. Census, American Community Survey 5-year estimates (2018-2022) B01001 Sex by Age*.
[13] U.S. Department of Housing and Urban Development (HUD), Definitions

The Molalla market is part of the Portland-Vancouver-Hillsboro metro region and 2020 income for an average family size of four was $92,010[14] and income rates were as follows:

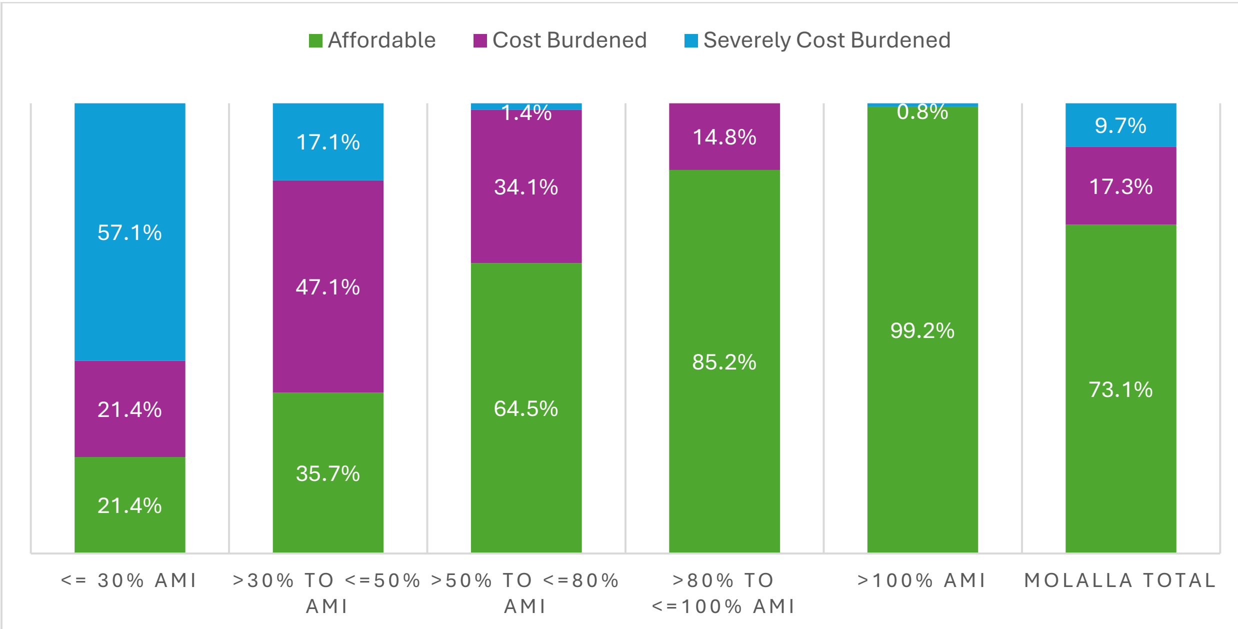
Extremely Low Income	Less than 30% MFI or $27,630
Very Low Income	30% to 50% of MFI or $27,630 to $46,050
Low Income	50% to 80% of MFI or $46,050 to $73,680
Middle Income	80% to 120% of MFI or $73,680 to $110,520
High Income	120% of MFI or $110,520 or more

MFI/AMI figures are annual and MFI/AMI for a family of four in the Molalla region was increased to $114,400 in 2023.

Figure 2 below shows the most recent HUD CHAS data (2018-2020) which calculates the ratio of housing costs to income. It indicates that while 73% of Molalla is considered affordable overall, the rate of cost burdened and severely cost burdened households is much higher for those living below 100% MFI/AMI.

[14] *https://www.portland.gov/phb/documents/2020-income-and-rent-limits-phb/download*

Figure 2: Molalla Ratio of Housing Cost to Income for Households Based on AMI



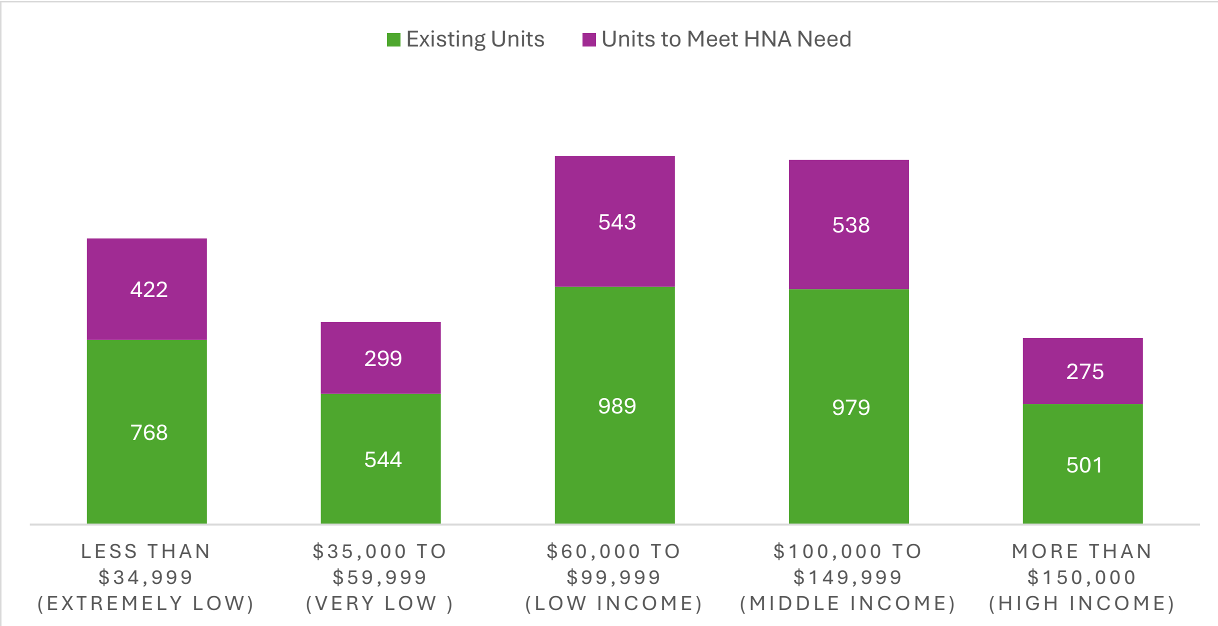
Source: HUD published CHAS data for 2018-2020.

<u>U.S. Census</u>

In addition, US Census reports on median household income (MHI). Molalla has a lower MHI than the surrounding county, but the rate of increase is slightly higher. Molalla's MHI increased from $49,524 (2010) to $77,442 (2022), representing a 56% growth rate. MHI for Clackamas County increased from $62,007 to $95,740 during the same period, a growth rate of approximately 54%.

The Census also reports households by income bracket, showing that most Molalla households have a reported income between $60,000 and $150,000 (2022). Figure 3 below shows the breakdown of existing households by income bracket and allocates an expected number of the new households from the HNA into income brackets assuming current ratios hold.

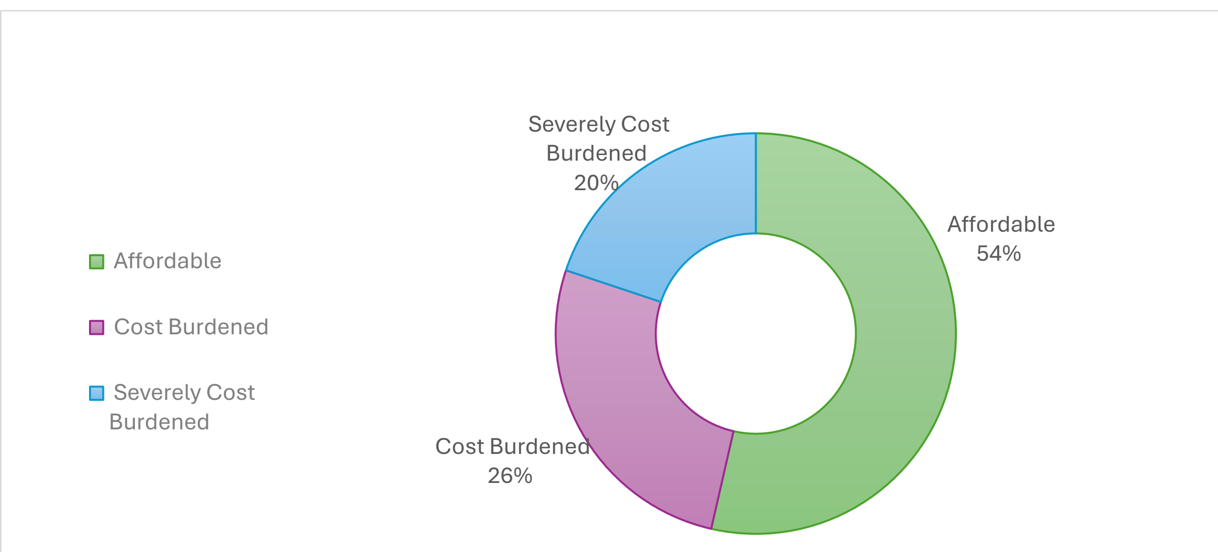
Figure 3: Molalla Housing Units by Income Bracket



Source: Calculations based on ACS 2022 (5-year estimates) in Table B19001 in 2022 Inflation Adjusted Dollars for the City of Molalla with approximate correlation to the 2023 MFI for the Portland-Vancouver-Hillsboro Region. New housing units are reported in the HNA.

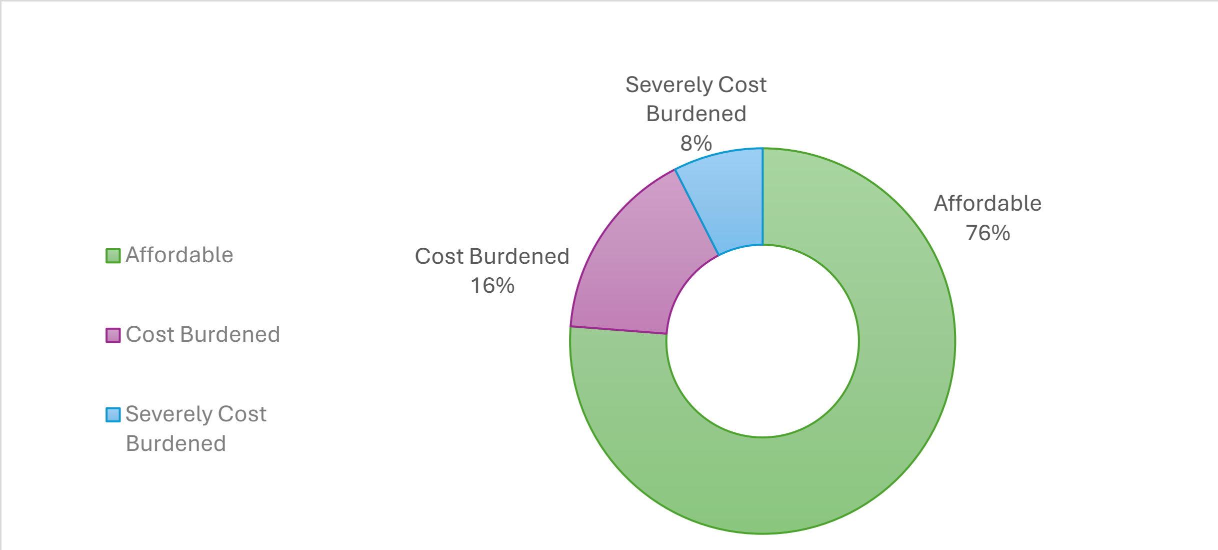
Renter-occupied units spend 30% or more of their income on housing costs more consistently than owner-occupied units. Figures 4 and 5 below illustrate the ratio of housing to income for both renters and owners. For renters, 54% of units pay less than 30% of income on housing costs, while 76% of owners spend less than 30% of income on housing costs.

Figure 4: Molalla Rental Occupied Housing: Ratio of Rent to Income



Source: Calculations based on U.S. Census ACS 2022 (5-year estimates) Table B25070 Gross Rent as a Percentage of Household Income for Renter-Occupied Units.

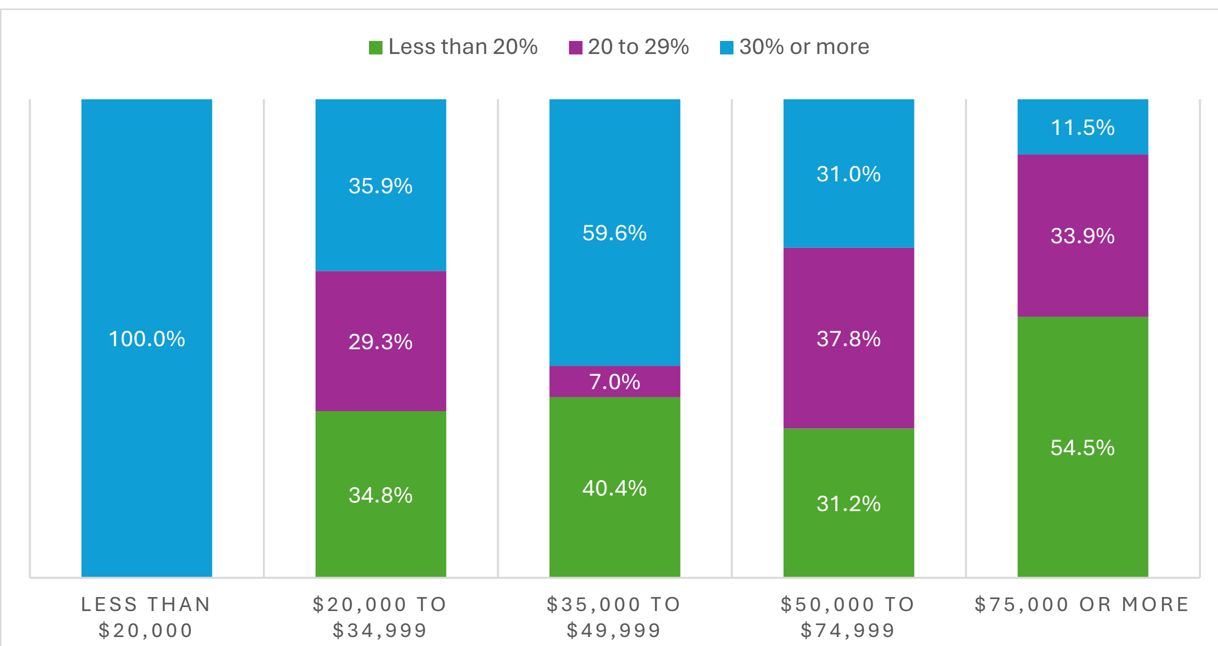
Figure 5: Molalla Owner Occupied Housing: Ratio of Rent to Income



Source: Calculations based on U.S. Census ACS 2022 (5-year estimates) Table B25091 Mortgage Status by Selected Monthly Owner Costs as a Percentage of Household Income for Owner-Occupied Housing Units.

In Figure 6, low-income homeowners spend a greater percentage of income on housing costs. Some households may be stuck in a mortgage they can no longer afford due to a change in circumstances or have paid off their mortgage but are struggling to afford increasing property taxes on a fixed income, such as social security and/or pension.

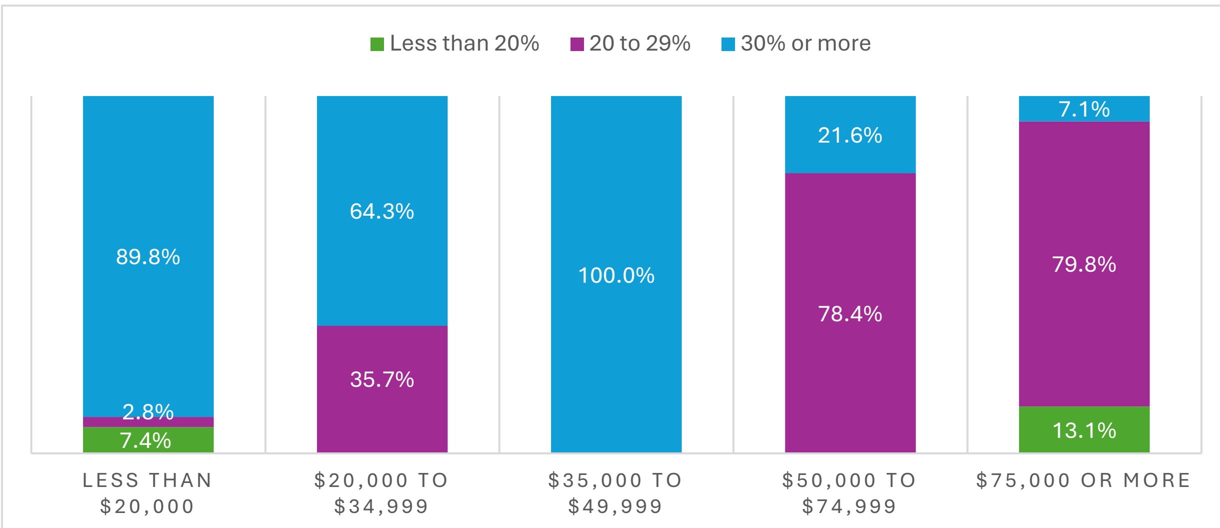
Figure 6: Percentage of Monthly Income Spent on Housing Costs for Owner Occupied Housing by Household Income



Source: Calculations based on U.S. Census, ACS 2022 (5-year estimates) Table B25106.

Rent burdened households are struggling in Molalla and the surrounding county. In Figure 7, most low-income rental households in Molalla spend 30% or more on housing costs. Approximately 85% of the aggregated households with income levels below $50,000 are spending over 30% of their monthly income on housing costs. Clackamas County reports that about 88.2% of households who rent and make less than $50,000 spend 30% or more on housing each month.

Figure 7: Percentage of Monthly Income Spent on Housing Costs for Owner Occupied Housing by Household Income

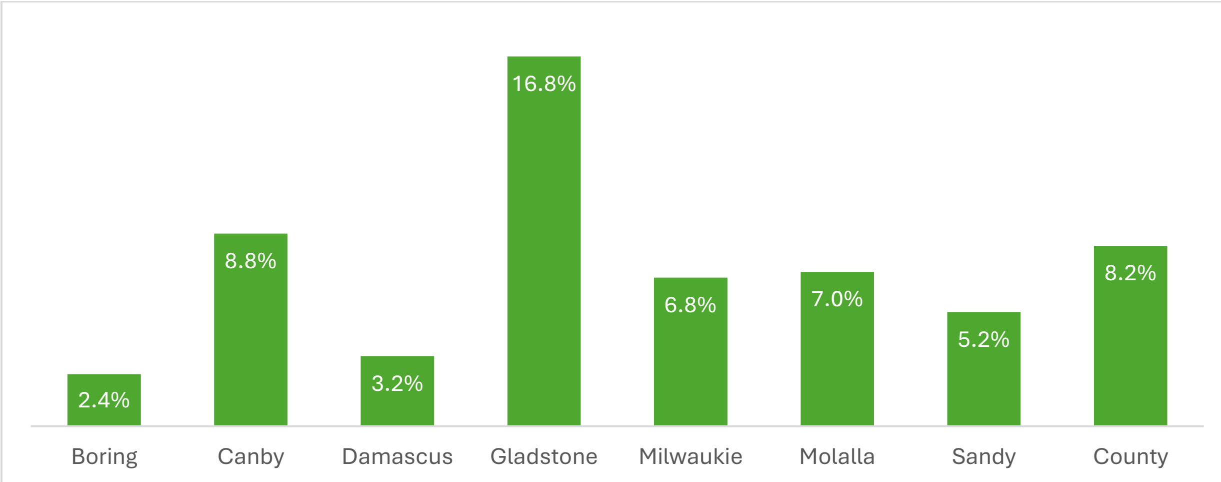


Source: Calculations based on U.S. Census, ACS 2022 (5-year estimates) Table B25106.

US Census defines the Federal Poverty Level (FPL) as a set of income thresholds that vary by family size. The average household size in Molalla is 2.8. To measure poverty, this number has been rounded up to 3 persons per household. Based on the FPL, a three-person household has a weighted average threshold of $21,559 annually. The most recent report was able to determine poverty status for 10,012 people in Molalla and 7% were found to be living in poverty which equates to approximately 703 individuals. This is lower than the state average (11.9%)[15], on par with figures for Milwaukie (6.8%) and Clackamas County (8.2%). Figure 8 below shows incorporated areas within the surrounding county that are experiencing greater levels of poverty, which could impact Molalla housing market in the future.

[15] *Calculations based upon US Census, ACS 2022 (5-year estimates) C17002.*

Figure 8: Percentage of Local Population Living Below FPL



Source: Calculations based upon US Census, ACS 2022 (5-year estimates) C17002.

Housing Needs of Cost Burdened Households

There is a clear need in Molalla for supporting development of affordable housing through multifaceted solutions. Market rate housing is unaffordable for members of the community in the lower income segments of the population. Renters are at a higher risk of housing insecurity and may be more susceptible to eviction or homelessness if their financial situation worsens.

Income Levels:

Molalla has a total of 3,781 occupied housing units. About 12% of occupied housing units (approximately 461 units) are households with an annual income of less than $20,000. When compared to Clackamas County's 6.5%, it is clear that a significant portion of Molalla residents are experiencing economic hardships.[16]

Owner-Occupied Housing:

Molalla has 2,355 owner-occupied housing units. About 23.8% of these homeowners spend 30% or more of their monthly income on housing costs (compared to Clackamas County at 26.4%). Although this percentage is lower when compared to renters and to the county, it still indicates that homeowners in Molalla are facing financial strain due to increasing housing expenses.

Renter-Occupied Housing:

That number is higher for renters. Over half of renters face financial strain due to housing expenses, which can limit their ability to afford other necessities such as food, healthcare, and

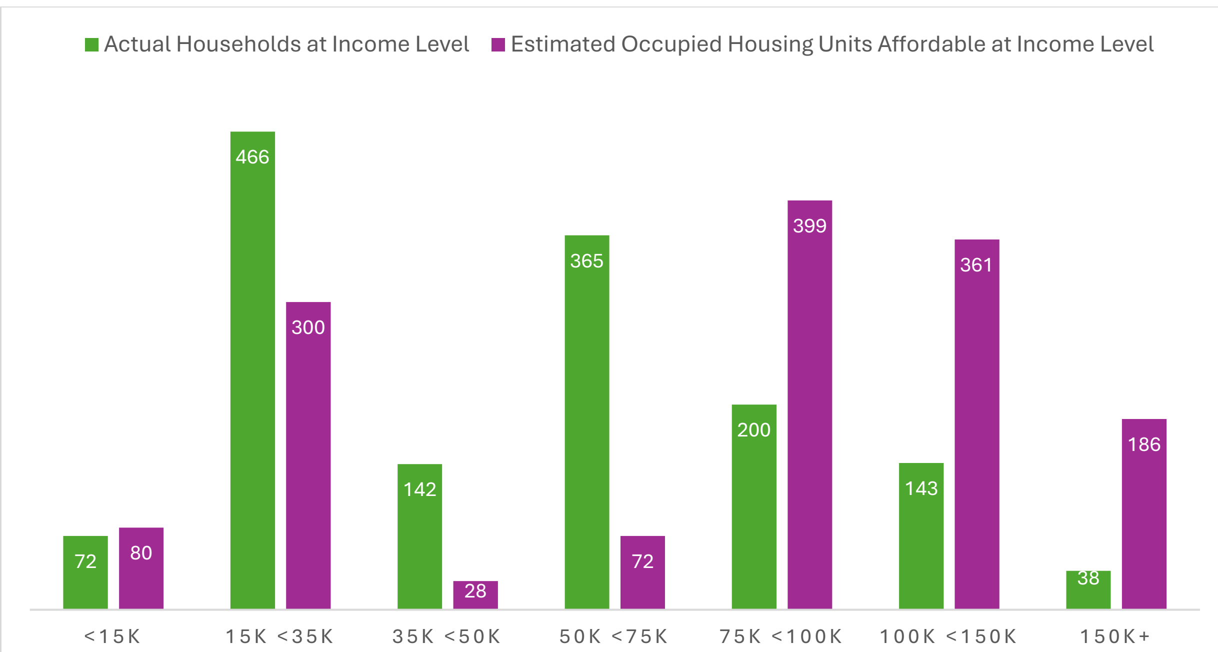
[16] *Calculations based upon occupied housing units reported by the U.S. Census ACS 2022 (5-year estimate) B25106 (Tenure by Housing Cost as a Percentage of Household Income in the Past 12 months) for both Clackamas County and the City of Molalla.*

transportation. There are 1,426 renter-occupied housing units in Molalla, and approximately 48.6% of these renter households spend 30% or more of their monthly income on housing costs. Clackamas County has 54% of renters who are cost burdened or severely cost burdened, which could indicate that costs are on the rise in Molalla.

The lack of low-cost housing creates greater competition for more expensive housing and results in families choosing to pay over 50% of their income in rent (reported as Severely Cost Burdened above in Figure 4 and Figure 5) because there were not sufficient or desirable housing choices affordable at their income level.

Figure 9 (below) shows a disconnect between the number of households existing at each income bracket and the supply of housing units with costs listed below 30% of the incomes included in that bracket. Families making less than $75,000 per year in Molalla compete in a market where the supply of available housing is mostly only affordable to those making well over $75,000 per year.

Figure 9: Comparing Rental Households Incomes with Occupied Units Affordable at Each Income Level



Source Calculations based on U.S. Census, ACS 2022 (5-year estimates) Tables B25118 Tenure by Household Income in the Past 12 Months (In 2022 Inflation Adjusted Dollars) and B25063 Gross Rent for Renter-Occupied Housing Units.

Implications:

1. **Economic Strain on Low-Income Households:** Market rate housing is unaffordable for members of the community in the lower income segments of the population. While earning income, these households are particularly vulnerable to financial instability and may require assistance through social programs or affordable housing initiatives such as

the development of income restrictive housing and the promotion of housing voucher programs.

2. **Challenges for Renters:** Such a high percentage of renters spending 30% or more of their income on housing highlights a major affordability issue. Collaboration with county programs for eviction prevention and strategies to protect naturally occurring affordable rent housing in the face of new development are ways to support this segment of Molalla's community.

3. **Homeowners Facing Financial Pressure:** While the situation is different for homeowners, with 24% spending over 30% of their income on housing, it still points to affordability challenges. Cost-burdened homeowners might be at risk of foreclosure; the elderly may be unable to age in place or may have limited disposable income for other needs.

The data underscore the importance of addressing housing affordability in Molalla. The number of both renters and homeowners experiencing housing cost burdens suggests that there is a need for comprehensive strategies to improve housing affordability.

These strategies should include increasing the supply of affordable housing across all income brackets while recognizing the disconnect apparent in Figure 9 (above), providing rental assistance, and implementing policies to support low-income households. Ensuring that more residents can afford their housing costs is crucial for the overall economic health and stability of the community.

Housing Needs of Communities of Color

The Molalla housing market reflects broader national trends where economic hardship and racial disparities intersect, particularly in the access to housing stability and generational wealth.

Table 1 below shows Molalla's population by race. Census data indicates that most of Molalla identifies as White (76%), while the second highest population identifies as Hispanic or Latino (15.8%).

Table 1: Molalla Population by Race

	Population Count	Percentage
White alone	7,780	76.07%
Black/ African American alone	45	0.44%
American Indian/Alaska Native alone	58	0.57%
Asian alone	94	0.92%
Native Hawaiian/ Pacific Islander alone	27	0.26%
Some Other Race alone	53	0.52%
Two or More Races	551	5.39%
Hispanic or Latino	1,620	15.84%

Source: U.S. Decennial Census 2020 Table P9 (Hispanic or Latino and Non-Hispanic or Latino by Race).

Homeownership rates reveal disparities across some racial and ethnic groups. Table 2 examines homeownership rates by race. Within the community, White households make up 76% of the population, 85% of occupied housing, and account for 87% of owner-occupied housing. Black/African American households have a high homeownership rate of 90% and their share of the owner-occupied housing is slightly higher than their share of occupied housing overall. Asian households reflect a similar ratio.

Table 2: Homeownership Rates in Molalla by Race/Ethnicity

Householders	Owner Occupied Housing	Rental Housing	Totals by Race	% Owner-Occupied	% Rental Housing	% of Occupied Housing by Race	% of Owner-Occupied Housing by Race
White alone	2,013	1028	3,041	66%	34%	84.99%	86.92%
Black/ African American alone	9	1	10	90%	10%	0.28%	0.39%
American Indian/Alaska Native alone	18	21	39	46%	54%	1.09%	0.78%
Asian alone	22	9	31	71%	29%	0.87%	0.95%
Native Hawaiian/ Pacific Islander alone	0	3	3	0%	100%	0.08%	0.00%
Some Other Race alone	93	94	187	50%	50%	5.23%	4.02%
Two or More Races	161	106	267	60%	40%	7.46%	6.95%
All Households	2,316	1,262	3,578				

Source: U.S. Decennial Census 2020 Table H10 (Tenure by Race of Householder).

American Indian/Alaska Native households have a 46% homeownership rate, while Native Hawaiian/Pacific Islander households exclusively rent. Ownership rates are lower than the percentage of occupied housing overall and it is important to continue to monitor the relationship between race and access to homeownership. US Census reports Hispanic or Latino homeownership rates in a separate table, making it impossible calculate how many of the households in Table 2 are Hispanic or Latino. These households are 10% of all occupied housing units with a split of 48% are homeowners and 52% renters.[17]

[17] *U. S. Decennial Census 2020, Table H11 (Tenure by Hispanic or Latino) reported separately from H10 (Tenure by Race of Householder), and not reported by the ACS estimates.*

Historical Context and Correlation between Race and Housing
Discriminatory practices like redlining and biased mortgage lending have systematically excluded minority groups from homeownership. Redlining involved denying loans or insurance to entire neighborhoods based on racial composition, while discriminatory lending practices have often led to minorities being offered less favorable loan terms.

These practices have long-term impacts, preventing minority families from building equity and wealth through homeownership, which in turn affects their economic stability and ability to afford housing in the future.

The historical exclusion from homeownership has a direct correlation with current housing affordability issues faced by minority populations. Those without generational wealth or with lower incomes are more likely to be renters and to spend a higher proportion of their income on housing, as evidenced by the high-cost burden among renters in Molalla. Lower homeownership rates suggest that ongoing disparities in access to housing opportunities still exist.

Implications: Addressing these disparities requires comprehensive strategies, including policy reforms to promote affordable housing across Molalla, initiatives to combat discrimination in lending practices and increase awareness of Fair Housing rules, and programs aimed at supporting minority homeownership. This could involve expanding access to credit, providing down payment assistance, and enforcing fair housing laws to ensure equitable treatment for all residents.

Housing Need of People Living with Disabilities

A substantial segment of the population, nearly one in six residents in Molalla, is living with some form of disability. This figure is nearly double the percentage of Clackamas County. Disability types relevant to housing need include:

- **Ambulatory Difficulties:** Challenges related to walking or moving around.
- **Cognitive Difficulties:** Issues with mental processes such as memory, problem-solving, or concentrating.
- **Hearing Difficulties:** Problems with hearing, which may range from partial to total hearing loss.

About 16% of Molalla's population reported experiencing a disability, compared to Clackamas County at 13%.[18]

Implications: This prevalence underscores the importance of ensuring that community services, infrastructure, and policies promote inclusivity and accessibility to all individuals, regardless of their physical or cognitive functions. Disabilities impact housing decision in a number of ways:

[18] *Calculations based on U.S. Census ACS 2022 (5-year estimates) Table B18101 Sex by Age by Disability Status.*

- **Need for Adaptations:** Given the high percentage of people with ambulatory and other disabilities, there is a critical need for accessible housing. This includes features like ramps, wider doorways, modified bathrooms, and ground-floor units to accommodate mobility issues.
- **Universal Design:** Promoting universal design principles in new housing developments can help ensure that homes are accessible to people of all abilities, enhancing independence and quality of life for residents with disabilities.
- **Housing Choice:** People living with disabilities might have a greater need to be near doctors and services, making the choice of neighborhood especially important.

The data on disability prevalence in Molalla highlights the need for comprehensive strategies to support individuals with disabilities. By addressing housing accessibility, enhancing support services, and promoting inclusive and fair policies, Molalla can work towards becoming a more inclusive and equitable community for all residents. This requires coordinated efforts from government, community organizations, and residents to ensure that the needs of people with disabilities are met and that they can fully participate in all aspects of community life.

Housing Need of People Experiencing Houselessness

According to point-in-time (PIT) reports for 2023, there were approximately 410 people experiencing houselessness in Clackamas County. This provides important insights into the housing crisis in the region. These figures indicate a significant houselessness issue within Clackamas County, necessitating attention, intervention, and collaboration between local authorities, social service agencies, and the community.

The McKinney Vento Report for Molalla River School District for 2022-2023 PK-12 reported 42 children living doubled-up with other families and no children in motels, shelters, or unsheltered. To fully understand the implications of the data, it's essential to explain what a PIT count is, its limitations, and what these findings mean for the community.

Understanding Point-in-Time (PIT) Counts:

- **Definition:** A Point-in-Time (PIT) count is a survey conducted to measure the number of people experiencing houselessness on a single night in January. This count is mandated by the U.S. Department of Housing and Urban Development (HUD) and is typically carried out by local Continuums of Care (CoCs), which are regional planning bodies that coordinate housing and services funding for homeless families and individuals.
- **Purpose:** The PIT count aims to provide a snapshot of houselessness in the community, capturing both sheltered (those in emergency shelters or transitional housing) and unsheltered (those sleeping in places not meant for human habitation, such as streets, cars, or abandoned buildings) populations.

- **Temporal Limitation:** Since the PIT count is conducted on a single night, it may not capture the true scale of houselessness over time, missing those who are temporarily housed or not visible during the count.
- **Undercounting:** Certain populations, such as youth, families, and individuals who are couch-surfing or living in hidden locations, are often underrepresented. People may also avoid being counted due to stigma or fear of authorities.
- **Weather and Conditions:** Weather conditions on the night of the count can significantly impact the results. For instance, extreme cold might drive more people to shelters, while milder weather might see more people staying outdoors.

Implications: While the PIT count has limitations and may underrepresent the true extent of houselessness, it provides a valuable snapshot that can inform policy, resource allocation, and community action. The actual number of people experiencing houselessness throughout the year is likely higher due to the limitations of the PIT count. To effectively address houselessness, a multifaceted approach is needed, focusing on expanding housing options, enhancing support services, and fostering collaboration through coordination with the county, specifically Clackamas County Coordinated Housing Access and among housing partners such as Bridges to Housing, Central City Concern, and Path Home.

- **Shelter and Housing Needs:** The data underscores the need for more emergency shelters, transitional housing, and permanent supportive housing to accommodate and support those experiencing houselessness.
- **Support Services:** Beyond housing, there is a need for comprehensive services, including mental health care, substance abuse treatment, job training, and case management, to address the root causes of houselessness and support individuals in transitioning to stable housing.

Appendix B: Glossary

Accessory Dwelling Units (ADUs): Secondary housing units on the same lot as a primary residence, often smaller and designed to increase housing options.

Affordable Homeownership: Housing opportunities that allow lower-income households to own homes, often through subsidies or reduced-cost programs.

Affordable Housing: Housing that costs less than 30% of a household's gross income, ensuring affordability for low- and moderate-income residents.

Area Median Income (AMI): The midpoint of a region's income distribution, used to determine housing affordability and eligibility for housing programs.

Buildable Lands Inventory (BLI): An analysis identifying land available and suitable for residential development within the Urban Growth Boundary.

Community Land Trusts: Nonprofit organizations that acquire and hold land for affordable housing, ensuring long-term affordability.

Cost-Burdened Households: Households spending more than 30% of their income on housing expenses.

Cottage Cluster Housing: A group of small, detached homes sharing a common courtyard, providing affordable and community-oriented housing options.

Density: The number of housing units per acre of land, used to describe the intensity of residential development.

Eviction Prevention Programs: Initiatives designed to help renters avoid eviction, often through financial assistance or legal support.

Fair Housing: Policies and practices ensuring equal access to housing opportunities regardless of race, ethnicity, disability, or other protected statuses.

Federal Poverty Level (FPL): A measure of income used to determine eligibility for government assistance programs, adjusted annually based on household size.

Gentrification: The process by which higher-income individuals move into lower-income neighborhoods, potentially displacing existing residents.

Houselessness: A term used to describe individuals and families who lack stable housing, often emphasizing the systemic causes rather than individual shortcomings.

Housing Capacity Analysis (HCA): An evaluation of a city's ability to meet future housing needs through available land and development policies.

Housing Production Strategy (HPS): A comprehensive plan outlining actions and policies to meet a community's housing needs, focusing on affordability and equity.

Inclusionary Zoning: A policy requiring developers to include affordable housing units within new residential developments.

Low-Income Housing Tax Credit (LIHTC): A federal program providing tax incentives to developers for building or rehabilitating affordable housing.

Median Family Income (MFI): Similar to AMI, this figure reflects the income distribution of families in a specific region.

Mixed-Use Development: A type of urban development that blends residential, commercial, cultural, or industrial uses in one space.

Planned Unit Development (PUD): A designed grouping of varied land uses, such as housing, recreation, and commercial centers, in one contained development or subdivision.

Point-in-Time (PIT) Count: An annual survey estimating the number of people experiencing homelessness on a specific night.

Property Tax Exemption: A program reducing property taxes for specific properties, often linked to affordability or nonprofit ownership.

Protected Classes: Groups of people legally protected from discrimination in housing, including race, color, religion, sex, disability, familial status, and national origin.

Rent-Burdened Households: Renters who spend more than 30% of their income on housing costs.

Severely Cost-Burdened Households: Households spending more than 50% of their income on housing expenses.

Short-Term Rentals (STRs): Residential units rented out for short durations, often regulated to preserve long-term housing availability.

System Development Charges (SDCs): Fees imposed on new development to fund infrastructure improvements such as roads, parks, and utilities.

Tax Abatement: A reduction or exemption of property taxes for a specific period, often used as an incentive for affordable housing development.

Transitional Housing: Temporary housing designed to help individuals and families move from homelessness to permanent housing.

Urban Growth Boundary (UGB): A regional boundary set to control urban sprawl and protect rural land by concentrating urban development.

Urban Renewal Area (URA): Designated areas for revitalization, often using tax increment financing to fund infrastructure and housing development.

Vacancy Rate: The percentage of unoccupied housing units within a specific area, used as an indicator of housing market health.

Workforce Housing: Housing targeted at middle-income workers, often close to employment centers, and typically affordable for households earning 60-120% of AMI.

Zombie Housing: Vacant or abandoned properties that have fallen into disrepair, often targeted for redevelopment to increase housing stock.

Zoning Code: A set of regulations defining land use and development standards within specific geographic areas.

Appendix C. Existing Policies

Molalla has implemented several zoning and code changes to efficiently use land within the existing UGB to address housing needs and to promote affordability while ensuring compliance with development standards. Several policies originally considered in the HPS process have already been adopted and appear below. Here is an overview of the city's housing initiatives:

Establishing Minimum Density Standards

Molalla's development code includes minimum density standards to guide residential development effectively. The lowest allowable density in the R-1 residential zone is set at four units per acre, ensuring efficient land use in this zone. This standard is codified through the city's lot and development standards, as outlined in the municipal code.

Encouraging Lower-Cost Housing Types

Molalla's development code permits various affordable housing types across all residential zones without differentiating between manufactured and stick-built homes. Examples include common-wall developments, cottage clusters, and accessory dwelling units (ADUs). Additionally, ADUs and second-story apartments are allowed in commercial zones, offering flexibility and affordability in housing options. ADUs are now permitted under a Type 1 land use process with clear and objective criteria to meet the requirements of HB 2001.

Expanding the Definition of Housing Units

Molalla accommodates Single Room Occupancy (SRO) units in residential zones, provided they meet building codes. This inclusive approach ensures that SROs are treated similarly to other housing types under the city's development code.

High-Density Requirements for Annexed Land

The city has established unit mix requirements for annexed land, targeting a composition of 55% low-density, 25% medium-density, and 20% high-density housing. These targets align with the Housing Needs Analysis (HNA) and support diverse housing options in newly incorporated areas.

Mixed Housing Types in Planned Unit Developments (PUDs)

Molalla's PUD code facilitates the inclusion of various housing types within planned developments, allowing for greater flexibility and diversity in residential design.

Reducing Regulatory Impediments

Molalla has taken steps to streamline regulatory processes and reduce barriers to lot division and development:

- **Parking Requirements:** Minimum parking standards are flexible, allowing applicants to propose alternative standards based on engineered parking demand assessments during design review. The downtown C-1 district has no minimum parking requirement, and other reductions can be approved through the design review process.

- **Streamlining Permitting:** The city offers a comprehensive pre-application process involving outside agency partners to guide projects from conception to completion. Additionally, the transition to an online permitting platform is underway, further enhancing efficiency.
- **Additional Policies for Future Consideration**: Removing barriers such as minimum street frontage, driveway requirements, that impact minimum lot size/density during lot division. This could be allowed by-right lot division up to max number of units allowed.

Promoting a Pro-Housing Agenda

While Molalla's agenda is neutral in tone, its development code reflects a commitment to diverse housing options and non-discrimination against affordable housing types. This approach fosters a more inclusive housing environment.

Sidewalk Infill and Improvement Grant

Improving sidewalks and pedestrian infrastructure helps enhance neighborhood walkability and connectivity, making areas more desirable without displacing current residents. This action supports neighborhood revitalization without driving up property values in a way that would force lower-income households to relocate, contributing to long-term housing stability by offering up to $10,400 in funding to enhance pedestrian infrastructure, further supporting accessible and connected neighborhoods.

Supporting Active Transportation

Bike parking requirements for multi-unit developments align with DLCD recommendations, requiring 0.5 stalls per unit. This standard is consistent with actual usage patterns and promotes active transportation options.

Addressing NIMBYism

Molalla mitigates opposition to affordable housing by emphasizing adherence to substantive criteria in code language. Regular training for new Planning Commissioners ensures consistent rulings based on established criteria, and quasi-judicial hearing procedures reinforce these principles. This approach has led to decisions that are less likely to be appealed.

Reduce or Exempt SDCs for Needed Housing

Molalla has already committed financing System Development Charges (SDCs) at a low interest rate for needed housing types. This strategy reduces development costs for needed housing. Cities such as Albany, Cornelius, Florence, Forest Grove, Lebanon, Madras, Newport, West Linn, and Winston offer SDC deferrals and/or financing for residential developments in similar programs.

Appendix D. Pre-HPS Survey Submission Report

Housing Portal | **Pre-HPS Survey Submission** | Page: 1 of 1

Year: 2022 City: Molalla | Submitted Date: 12/20/2022 | 1/2/2026 12:02:45 pm

Category	Strategy	Encourage Needed Housing	Increase Affordability	Reduce Rent Burden
A - Zoning and Code Changes	A01 - Ensure Land Zoned for Higher Density is not Developed at Lower Densities	Yes	Yes	No
Comments:	Adopted model code - density standards are rigid, not subject to variance.			
A - Zoning and Code Changes	A02 - Zoning Changes to Facilitate the Use of Lower-Cost Housing Types	Yes	Yes	No
Comments:	Our code currently allows ADUs in all residential and commercial zones. We also don't have a minimum floor area requirement so there are no restrictions on sizing for permanent dwellings.			
A - Zoning and Code Changes	A15 - Encourage Diverse Housing Types in High-Opportunity Neighborhoods	Yes	Yes	Yes
Comments:	Our code only prescribes on density and design elements. Mix of sizing and affordability on units is not prescribed.			
A - Zoning and Code Changes	A22 - Mixed Housing Types in Planned Unit Developments	Yes	Yes	Yes
Comments:	Developers have this option through our master planning process.			
B - Reduce Regulatory Impediments	B01 - Remove or Reduce Minimum Parking Requirements	Yes	Yes	Yes
Comments:	Parking code allows for analysis based reductions to minimum parking standards.			
B - Reduce Regulatory Impediments	B08 - Waive Off-Site Infrastructure Requirements for Needed or Affordable Housing	No	Yes	No
Comments:	As a practice, City allows/prefers waiver of remonstrance for curb/gutter and sidewalk in areas where there is not built out connecting facilities rather than require island buildout.			
B - Reduce Regulatory Impediments	B13 - Align Bike Parking Requirements with Actual Use	No	Yes	No
Comments:	Bike parking stalls are required at a 1 to 2 ratio with dwelling units.			
B - Reduce Regulatory Impediments	B15 - Reduce the Power of NIMBYism to stop, slow, change, or reduce affordable housing	Yes	No	No
Comments:	Our code explicitly restricts the scope of evidence to applicable criteria of the code and comprehensive plan.			
C - Financial Incentives	C06 - Publicly Funded Infrastructure Improvements	Yes	Yes	No
Comments:	As funding opportunities allow.			

Appendix E. Molalla Urban Renewal Area (URA) Map