



February 16, 2018

TO: Senator Michael Dembrow, Committee on Environment and Natural Resources  
Representative Alissa Keny-Guyer, Committee on Human Services and Housing

FROM: Jim Rue, Director, Oregon Department of Land Conservation and Development

SUBJECT: Report on Implementation of HB 4079 (2016) – Affordable Housing Pilot Program<sup>1</sup>

## Summary

The 2016 Legislative Assembly adopted HB 4079, a pilot program which authorized the Land Conservation and Development Commission (LCDC) to select two cities in Oregon for an urban growth boundary expansion to promote affordable housing, without going through the normal urban growth boundary expansion process.

The department has received five pre-applications for the program. Three of these pre-applications are from cities with population greater than 25,000 (Bend, Eugene, Redmond) and two are from cities with population up to 25,000 (Sisters, Wheeler).

The department is now working with these cities to prepare final applications, which we hope will be submitted by June 1, 2018. Should that occur, the department aims to have the commission select two cities at its September 2018 meeting. The department will then work with the selected cities to implement the pilot program.

## Background

HB 4079 authorized LCDC to select two cities for the program, one with population greater than 25,000, and the other with population up to 25,000. The law excludes cities in the three Portland Metro area counties, Marion County, Polk County, and (effectively) cities in Jefferson County from eligibility for the program.

The department conducted a rulemaking process that included representatives of the Oregon Association of Realtors, Portland State University, nonprofit housing providers, Lincoln County, the Rogue Valley Transit District, the League of Oregon Cities, 1000 Friends of Oregon, the City of Hood River, the City of Bend, and Oregon Housing and Community Services.

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<sup>1</sup> Section 9 of HB 4079 requires the department to report to the 2018 Legislative Assembly committees relating to housing and human services during the legislative session. This memo constitutes that report.

Participants in the rulemaking advisory committee or subcommittee meetings included Representative Stark's office, affordable housing advocates, the League of Women Voters, the Oregon Department of Agriculture, the Oregon Farm Bureau, Jackson County, Friends of the Columbia Gorge, the Special Districts Association of Oregon, and others.

The legislation required LCDC to adopt rules implementing the program before July 1, 2017. The commission adopted rules on January 26, 2017.

### **Outreach Efforts**

After adoption of the rules, the department engaged in outreach with communities around the state to discuss the pilot project, its opportunities and requirements.

The department publicized the pilot program to the League of Oregon Cities, the Association of Oregon Counties, the Association of City Managers, the Oregon Planners Network, the Oregon Homebuilders' Association, the Association of Oregon Realtors, at four Regional Planner's Network meetings (in Wilsonville, La Grande, Newport, and Hood River), and nonprofit housing providers. The Department has featured the pilot program on its web home page since March 2017.

Those efforts resulted in a list of 77 interested parties, including homebuilders, affordable housing providers, city staff, foundation staff, and consultants. The 47 local government staff on the interested party list included representatives of each of the nine eligible cities over 25,000 population and representatives of 20 eligible cities up to 25,000 population.

We held a webinar to explain the program on December 19, 2016 with 45 participants, and a second webinar for those who missed the first, on January 12, 2017, with seven attendees.

To double-check cities were aware of the program, the department's regional staff developed a list of 45 cities to reach out to directly, and contacted each one. The department provided additional information upon request, meeting with cities, property owners, and affordable housing developers, and evaluating eligibility of identified properties (such as for mapped farmland eligibility).

The department set a deadline of November 1, 2017 for submittal of a pre-application, a short form allowing cities to formally indicate interest in the program. As noted, we received pre-applications from five cities – Bend, Eugene, Redmond, Sisters and Wheeler.

### **What We Heard from those Cities that Did Not Apply**

When we talked with cities, we heard many reasons why cities choose not to apply for the program. A summary of those reasons:

- **Sufficient existing lands.** Some cities have urban growth boundaries that include sufficient land for much more than a 20-year residential land supply.

- **No good sites.** Some cities determined that all possible sites suitable for a pilot project were zoned for exclusive farm use and have high-value soils. The legislature specifically excluded farm land with high value soils from consideration as a pilot project in Section 8(2) of HB 4079.
- **Insufficient staff capacity.** Some cities did not have the capacity to do the work necessary to submit a pilot project application. This was due to either general lack of planning and/or housing staff, or, conversely, and high level of development activity which was absorbing available capacity. In other cases, cities had already committed existing planning staff to other long-range planning efforts involving potential expansion of an urban growth boundary under conventional statutes and rules governing such expansions.
- **Desire to locate new housing inside existing UGB.** Some cities have made policy decisions to accommodate needed housing, including affordable housing, within their existing urban growth boundaries.
- **Scenic Area constraints.** From a practical perspective cities in Hood River and Wasco Counties are constrained from participation in the pilot project because they are within the Columbia Gorge National Scenic Area. However, both Hood River and The Dalles also recently completed Housing Needs Analyses, and have concluded that they have a 20-year supply of land to satisfy housing needs.
- **Lack of public facilities capacity.** Some cities do not have public facilities capacity to accommodate the new development that would occur under the pilot project.
- **Incompatibility with community character.** At least one city expressed hesitation that the type of development that would occur in the pilot project area was not desired because it would be out of character with the community.

These discussions provide valuable insight into the issues facing many cities around the state with their urban growth boundaries.

## Next Steps

We hope cities can complete full applications by June, and the commission can select two cities by September. We expect the pilot projects to take a few years to be built, as affordable housing developments require complex financing. The commission's rules include ten years of reporting on how the pilot projects are performing; we will continue to report to the legislature as the program continues.

The department will continue to work with cities to address need for affordable and other types of housing, and to identify and overcome the issues, such as lack of public facilities or outdated zoning codes, which can frustrate efforts to provide enough suitable land for urbanization. Much of our work in this area focuses on conducting Housing Needs Analyses, identifying lands needed for housing, and updating development codes.

Based on our extensive conversations with communities, the department believes there is substantial need for technical assistance with housing and land use planning across the state, as well as investment in public facilities and services to support new housing. While technical assistance to local governments is a priority for the department, current funding levels are insufficient to meet the needs. Thus, the department continues to both seek and support efforts to expand the resources available.