



# HOUSING STRATEGIES REPORT

## Albany Housing Needs Analysis

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**NOTE:** This report pre-dates the Housing Implementation Plan (HIP) process and HB2001 middle housing amendments project. The City has moved forward on several strategies in this report. The recommendations in this report will be revised and expanded on through work with the Housing Affordability Task Force, and development of the HIP.

### 1. OVERVIEW

Like other cities in Oregon, the City of Albany is responsible for helping to ensure that its residents have access to a variety of housing types that meet the housing needs of households and residents of all incomes, ages, and specific needs. Towards that end, Angelo Planning Group (APG) and Johnson Economics conducted a housing study in 2019-2020 to better understand Albany’s housing needs. The study included two other reports: a Housing Needs Analysis (HNA) and a Residential Buildable Lands Inventory (BLI). Findings from these reports can be used to inform future amendments to the City’s Comprehensive Plan and Development Code, as well as other strategies to support housing needs, consistent with Statewide Planning Goal 10 (Housing). Goal 10 states that the City must:

*“encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.”*

The purpose of this Housing Strategies Report is to recommend policies and strategies for addressing the housing needs identified in the Albany HNA. In addition to ensuring consistency with state and federal requirements, these recommendations are intended to support partnerships among housing providers and stakeholders in Albany and to promote opportunities for the development of housing affordable to people with a full range of incomes and housing needs.

Section 2 of this report identifies recommendations for new or updated Comprehensive Plan housing policies. Section 3 identifies a list of potential strategies that the City could undertake to address current and future housing needs. This report, along with the HNA and residential BLI, was prepared in coordination with Albany City staff, Planning Commission, and City Council. Members of the community also provided input on existing conditions, opportunities and constraints related to housing, and the findings of the draft reports.

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## 2. COMPREHENSIVE PLAN HOUSING POLICIES

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It is essential that the Comprehensive Plan of every city in Oregon include a robust set of policies directed at meeting the current and future housing needs of each community. The Housing chapter of Albany's Comprehensive Plan was last updated in 2007. APG reviewed the Plan to assess whether it includes the following types of supportive policies:

- **Supports Statewide Planning Goal 10.** Comprehensive Plans typically do and should include a general policy that mirrors Statewide Planning Goal 10 (Housing), stating that the jurisdiction's overall goal is to *"encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density."*
- **Emphasizes affordable housing needs.** Given that meeting the needs of low- and moderate-income households often requires public intervention or subsidy, it is important to include policies emphasizing the needs of these households.
- **Supports partnerships.** Most Comprehensive Plan housing elements include policies aimed at supporting other public agencies, non-profits and market rate developers who focus on meeting the needs of low- and moderate-income households and community members with special housing needs.
- **Encourages a variety of housing types.** In addition to a broad goal or policy about meeting a full range of housing needs, Plans often include policies noting the need for a variety of housing types, including single-family attached housing, duplexes, triplexes, multi-family housing and townhomes, as well as less traditional forms of housing such as cottage cluster housing and accessory dwelling units. Addressing this policy issue also is consistent with recently adopted state legislation (House Bill 2001).
- **Affirms Fair Housing goals.** Local governments are required to ensure that their housing policies and standards do not discriminate against or have adverse effects on the ability of "protected classes" to obtain housing, consistent with the federal Fair Housing Act.
- **Supports mixed use development.** Some Plans explicitly support the development of mixed-use projects, which typically include upper story housing located above retail or other commercial uses.
- **Supports accessory dwelling units.** Comprehensive Plans may include policies specifically referencing support for this form of housing. Recent Oregon legislation requires all cities above a certain size to allow for this form of housing outright in all zones where single-family detached housing is allowed.
- **Supports flexible zoning.** Some Plans include policies which emphasize the need for zoning to be flexible enough to meet a variety of housing needs and keep costs for such housing down, particularly for housing affordable to low- and moderate-income households.
- **Addresses land supply goals.** Many Plans include policies which reference the need to ensure that adequate land is zoned to meet identified housing needs, and to periodically update the jurisdiction's inventory of such lands.

- **Supports maintenance and rehabilitation of existing housing.** Many Plans emphasize maintenance of existing housing stock as a method to prevent unsafe conditions and to keep affordable housing available within the community.
- **Supports development of manufactured homes.** Oregon law requires that all zones that allow for “stick built” single-family detached homes also allow for manufactured homes on individual lots. Each jurisdiction must also allow for manufactured home parks in at least one residential zone.
- **Regulates short-term rentals.** Many communities, particularly those with high levels of tourism, regulate short-term rental housing to reduce its impact on the supply and affordability of long-term rental housing.

## Evaluation of Existing Policies

Table 1 summarizes APG’s evaluation of the extent to which Albany’s Comprehensive Plan includes the types of supportive policies listed above. The Housing chapter of the Comprehensive Plan includes Goals, Policies, Implementation Methods, and Recommendations—each of these is included in the evaluation below. The “Assessment & Sample Language” column of Table 1 provides sample policy language that could be considered as part of a future plan amendment. This initial assessment is intended to facilitate community discussion and to help articulate City policy direction, leading to refined and updated housing policy statements.

**Table 1. Comprehensive Plan Policy Evaluation**

<b>Policy Topic</b>	<b>Existing Language</b>	<b>Assessment &amp; Sample Language</b>
<p><b>Supports Statewide Planning Goal 10</b></p>	<p><i>(Goals) Provide a variety of development and program opportunities that meet the housing needs of all Albany’s citizens.</i></p> <p><i>Create a city of diverse neighborhoods where residents can find and afford the values they seek.</i></p>	<ul style="list-style-type: none"> <li>• Adequately addressed.</li> </ul>
<p><b>Emphasizes affordable housing needs</b></p>	<p><i>(Policy 16) Encourage the development of affordable housing in a range of types and appropriate sizes to meet Albany’s housing needs. Examples include accessory apartments, manufactured housing, and attached single-family houses.</i></p> <p><i>(Policy 17) Recognize groups needing specialized housing such as the elderly, handicapped, homeless, and other disadvantaged groups when identifying housing programs and opportunities.</i></p> <p><i>(Method 10) Participate in federal, state, local and other housing programs that provide assistance to the city’s low-income individuals, households, and neighborhoods through:</i></p> <ul style="list-style-type: none"> <li><i>a. Public facility improvements.</i></li> <li><i>b. Rehabilitation loans and grants.</i></li> <li><i>c. Historic preservation grants and other related programs.</i></li> <li><i>d. Regional fair share distribution of assisted housing and other local, state, and federal programs.</i></li> </ul> <p><i>(Method 11) Monitor low- and moderate-income housing needs by reviewing available information on current conditions including census data, rental rates, vacancy rates, and housing sales prices.</i></p> <p><i>(Method 14) Convene Albany’s housing agencies to discuss affordable housing, housing for the special-needs populations, agency roles, and existing programs. Evaluate program gaps and areas for improvement.</i></p> <p><i>(Method 15) Identify areas with a concentration of very-low income households to determine if there are any programs or assistance that can help provide safe and decent housing.</i></p> <p><i>(Method 16) Evaluate incentives to develop affordable housing.</i></p>	<ul style="list-style-type: none"> <li>• Adequately addressed. However, if the City wanted to do more, it could consider expanding policies to mention the needs of low- and moderate-income households.</li> </ul> <p><u>Sample additional policy language the City could consider, if appropriate:</u></p> <ul style="list-style-type: none"> <li>• <i>Allow and encourage development of housing types with lower construction costs and sales prices per unit that can help meet the needs of low- or moderate-income households, including middle housing types in low-density zones as well as larger apartment and condominium developments in medium-density and mixed-use zones.</i></li> <li>• <i>Consider programs and incentives that reduce the impacts that development/design standards and fees have on housing affordability, including modifications to parking requirements, system development charges, and frontage improvements.</i></li> <li>• <i>Leverage resources and programs that aim to keep housing (including existing housing) affordable and available to residents in all residential neighborhoods of Albany.</i></li> </ul>

<b>Policy Topic</b>	<b>Existing Language</b>	<b>Assessment &amp; Sample Language</b>
<p><b>Supports partnerships</b></p>	<p><i>(Method 12) Encourage public and private social service and housing agencies to coordinate programs that provide secure housing and shelter opportunities to those in need.</i></p> <p><i>(Method 13) Support efforts by the Albany Partnership for Housing and Community Development, the Linn-Benton Housing Authority, Habitat for Humanity, the Community Services Consortium, and other local agencies to provide affordable housing, financial assistance, and services to Albany’s moderate-, low- and very-low income households; for the elderly; and for Albany’s special needs populations.</i></p> <p><i>(Rec 1) Encourage Linn and Benton Counties to consider the needs of the homeless and other displaced persons by:</i></p> <ul style="list-style-type: none"> <li><i>a. Maintaining close contact with local social service providers in order to be able to measure needs and to be able to provide appropriate referrals.</i></li> <li><i>b. Facilitating emergency housing assistance during severe conditions.</i></li> </ul> <p><i>(Rec 2) Encourage the Community Services Consortium (CSC) to serve as the region’s “housing resource center” that can serve as a “clearinghouse” for housing needs.</i></p> <p><i>(Rec 3) Encourage all Albany area housing agencies and service providers to look for opportunities to coordinate and expand programs.</i></p>	<ul style="list-style-type: none"> <li>• The <i>Implementation Methods</i> and <i>Recommendations</i> sections adequately address partnerships. If the City were interested in further prioritizing partnerships, it could consider expanding policies.</li> </ul> <p><u>Sample additional policy language the City could consider, if appropriate:</u></p> <ul style="list-style-type: none"> <li>• <i>Continue to maintain and expand partnerships with non-profit housing developers and other affordable housing providers and agencies that preserve or provide new low to moderate income-housing units, create opportunities for first-time homeownership, and help vulnerable homeowners maintain and stay in their homes.</i></li> <li>• <i>Work with other jurisdictions as well as regional and state agencies to identify the region’s housing needs and pursue a shared approach to improve housing affordability across all household income ranges.</i></li> </ul>
<p><b>Encourages a variety of housing types</b></p>	<p><i>(Policy 2) Provide a variety of choices regarding type, location, density and cost of housing units corresponding to the needs and means of city residents.</i></p> <p><i>(Policy 3) Encourage innovation in housing types, densities, lot sizes and design to promote housing alternatives. Examples include:</i></p> <ul style="list-style-type: none"> <li><i>a. Attached single-family housing and condominium ownership opportunities in the Waterfront zoning district</i></li> <li><i>b. The adaptive reuse of the upper floors of structures within the Downtown Business District for residential purposes.</i></li> <li><i>c. Mixed housing types and price ranges at a minimum of ten units per acre in Village Center Comprehensive Plan districts.</i></li> <li><i>d. Neighborhoods with a variety of lot and housing sizes and types.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Adequately addressed. However, if this is a priority for the City, it could consider: broadening the examples of housing alternatives, including middle housing types; addressing both rental and ownership opportunities; and expanding references to areas where attached housing or adaptive reuse should be promoted.</li> </ul> <p><u>Sample additional policy language the City could consider, if appropriate:</u></p> <ul style="list-style-type: none"> <li>• <i>Provide the opportunity for a wider range of rental and ownership housing choices in</i></li> </ul>

<b>Policy Topic</b>	<b>Existing Language</b>	<b>Assessment &amp; Sample Language</b>
	<p><i>e. Accessory dwelling units.</i></p> <p><i>f. Other actions directed at reducing housing costs which conform to the Comprehensive Plan, including innovative Development Code regulations.</i></p> <p><i>(Policy 16) Encourage the development of affordable housing in a range of types and appropriate sizes to meet Albany’s housing needs. Examples include accessory apartments, manufactured housing, and attached single-family houses.</i></p>	<p><i>Albany, including additional middle housing types in low- and medium-density zones.</i></p>
<b>Supports mixed use development</b>	<p><i>(Policy 3) Encourage innovation in housing types, densities, lot sizes and design to promote housing alternatives. Examples include:</i></p> <p><i>b. The adaptive reuse of the upper floors of structures within the Downtown Business District for residential purposes.</i></p> <p><i>(Method 5) Review all mixed-use zoning districts, such as MUR and MUC, to determine if maximums should be set on the amount of land that can be used for commercial or residential purposes.</i></p>	<ul style="list-style-type: none"> <li>• Policies could specifically encourage mixed-use development.</li> </ul> <p><u>Sample additional policy language the City could consider, if appropriate:</u></p> <ul style="list-style-type: none"> <li>• <i>Encourage residential uses mixed with other compatible uses in the same building or on the same site within the City’s mixed-use zoning districts.</i></li> </ul>
<b>Affirms Fair Housing Goals</b>	<p><i>(Policy 19) Comply with federal, state, and local fair housing laws and policies that affirm access to housing opportunities for all persons in Albany.</i></p>	<ul style="list-style-type: none"> <li>• Adequately addressed.</li> </ul>
<b>Supports ADUs</b>	<p><i>(Policy 3) Encourage innovation in housing types, densities, lot sizes and design to promote housing alternatives. Examples include:</i></p> <p><i>e. Accessory dwelling units.</i></p> <p><i>(Policy 16) Encourage the development of affordable housing in a range of types and appropriate sizes to meet Albany’s housing needs. Examples include <b>accessory apartments</b>, manufactured housing, and attached single-family houses.</i></p>	<ul style="list-style-type: none"> <li>• Adequately addressed.</li> </ul>
<b>Addresses Land Supply Goals</b>	<p><i>(Policy 1) Ensure an adequate supply of residentially-zoned land in areas accessible to employment and public services.</i></p> <p><i>(Policy 4) Encourage residential development that conserves energy and water; uses renewable resources; and promotes the efficient use of land, conservation of natural resources, easy access to public transit, and easy access to parks and services.</i></p>	<p>Adequately addressed. However, the City could consider broadening or expanding Policy 1 to be more encompassing of residential land and housing needs and supply in the City and the UGB.</p>

<b>Policy Topic</b>	<b>Existing Language</b>	<b>Assessment &amp; Sample Language</b>
	<p><i>(Method 7) Upon annexation of Urban Residential Reserve areas, medium- and high-density developments will be encouraged in areas that:</i></p> <ul style="list-style-type: none"> <li><i>a. Have adequate sewer and water capacity.</i></li> <li><i>b. Can be served economically and efficiently with public services including fire protection, police protection, and schools.</i></li> <li><i>c. Are located in close proximity to collector or arterial streets.</i></li> </ul> <p><i>(Method 8) Periodically review the Urban Residential Reserve designation to determine anticipated residential densities as reflected by anticipated needs, development trends, and extension of public services.</i></p>	
<p><b>Supports Development of Manufactured Homes</b></p>	<p><i>(Policy 16) Encourage the development of affordable housing in a range of types and appropriate sizes to meet Albany’s housing needs. Examples include accessory apartments, <b>manufactured housing</b>, and attached single-family houses.</i></p>	<ul style="list-style-type: none"> <li>• Adequately addressed.</li> </ul>
<p><b>Supports maintenance and rehabilitation of existing housing</b></p>	<p><i>(Policy 10) Preserve and enhance Albany’s historic housing as a unique and valuable resource.</i></p> <p><i>(Policy 11) Promote the conservation of existing housing by supporting programs that rehabilitate and upgrade substandard and deteriorating housing.</i></p>	<ul style="list-style-type: none"> <li>• Adequately addressed.</li> </ul>
<p><b>Regulates Short Term Rentals</b></p>	<p>No policy.</p>	<ul style="list-style-type: none"> <li>• Short-term rentals are not currently an issue in Albany. If this becomes an issue, consider addressing in the Municipal Code.</li> </ul>

### 3. HOUSING STRATEGIES

With initial input from City staff, APG has identified a variety of potential strategies applied in other communities that the City of Albany could consider to address current and future housing needs identified in the HNA. These strategies have been organized into the following four categories: (1) Development Code Strategies; (2) Policy and Land Supply Strategies; (3) Funding Sources and Programs; and (4) Incentives for Needed Housing.

Table 2 provides a summary of potential housing strategies, and where applicable, identifies the City’s current and past efforts related to each strategy.

*Table 2. Summary of Potential Housing Strategies*

Strategy	Current and Past Efforts
<b>Development Code Strategies</b>	
<p><b>1. Establish Minimum Density Standards</b></p> <p>In order to ensure that residential developments meet the intent and projected capacity of each zone, the City could consider adopting minimum density requirements.</p>	N/A
<p><b>2. Evaluate Existing Development Standards</b></p> <p>Review existing standards to ensure they do not overly constrain housing development. Suggestions for parking, setbacks, lot coverage and lot size are presented under this strategy</p>	The City is currently reviewing residential design standards as part of a separate project to ensure that standards are clear and objective and to provide additional flexibility for housing developers.
<p><b>3. Evaluate Existing Non-Residential Uses</b></p> <p>Review and consider amendments to allowed uses in residential zones to ensure development of non-residential uses does not prevent those zones from meeting their projected housing capacity.</p>	N/A
<p><b>4. Facilitate Middle Housing Types</b></p> <p>Consider zoning code and other regulatory amendments to increase housing choices and reduce barriers to development for duplexes, triplexes, fourplexes, townhomes, cottage clusters, and other “missing middle” housing types.</p>	The City allows many of these housing types in the medium density and mixed use zones, either outright or through discretionary review. The City will need to allow middle housing in more areas as required by Oregon House Bill 2001.
<p><b>5. Zoning Incentives for Affordable or Workforce Housing</b></p> <p>Creates incentives to developers to provide a community benefit (such as affordable housing), in exchange for ability to build a project that would not otherwise be allowed by the development code.</p>	The City currently provides density bonuses for moderate-cost housing. The bonus varies by the affordability level (i.e., housing affordable to persons whose income is 0.8 times, equal to, or 1.2 times the area median income).

Strategy	Current and Past Efforts
<p><b>6. Inclusionary Zoning</b></p> <p>A tool used to produce affordable housing within new market-rate residential developments. Typically implemented through an ordinance mandating that a minimum percentage of units remain affordable for a set period of time.</p>	<p>N/A</p>
<p><b>Policy and Land Supply Strategies</b></p>	
<p><b>7. Rezone and Redesignate Land</b></p> <p>Rezone land from other residential designations and/or from non-residential designations to meet specific housing needs, assuming there is an adequate supply of land available to meet non-residential needs.</p>	<p>N/A</p>
<p><b>8. Expand Urban Growth Boundary</b></p> <p>A strategy to amend the city’s UGB if the supply of land within the UGB cannot accommodate the amount needed for future development. (Not supported by HNA at this time.)</p>	<p>N/A</p>
<p><b>Funding Sources and Programs</b></p>	
<p><b>9. Construction Excise Tax (CET)</b></p> <p>A tax on new construction of between 1% and 3% to help pay for affordable housing strategies identified here. CET is a one-time tax assessed on new construction. State law requires it to be spent on specific types of programs and activities.</p>	<p>N/A</p>
<p><b>10. Land Acquisition and Banking</b></p> <p>Land acquisition is a tool to secure sites for affordable housing. Land banking is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be used for affordable housing.</p>	<p>The City has acquired properties within the Central Albany Revitalization Area (CARA); but not for the purpose of developing affordable housing (see Strategies 12 and 13).</p>
<p><b>11. Financial Assistance Programs</b></p> <p>A range of tools that can be used to maintain housing affordability or to help keep residents in their homes. Possible tools include rent assistance, loans for homeowners, or assistance to low-cost apartment owners for repairs and upgrades.</p>	<p>The City funds assistance programs through its Community Development Block Grant (CDBG) program, and partners with organizations including DevNW, Albany Area Habitat for Humanity, and Community Services Consortium (CSC) to implement these programs.</p>
<p><b>12. Tax Increment Financing (TIF)</b></p> <p>TIF is a funding mechanism in which future tax revenues in targeted development or redevelopment areas are diverted to finance infrastructure improvements and/or development—potentially including affordable and/or market-rate housing.</p>	<p>The City has supported development of affordable housing and infrastructure improvements in the Central Albany Revitalization Area (CARA) (see Strategy 13). The CARA Waterfront Project will improve the streetscape and rail crossings along Water Avenue. Those improvements could be leveraged to reduce costs for private or non-profit housing developers.</p>

Strategy	Current and Past Efforts
<p><b>13. Public-Private Partnerships (PPPs) and Community Land Trusts</b></p> <p>Arrangements between public and private entities to create more and/or affordable housing. PPPs can promote a variety of affordable housing programs or projects and include partnerships from multiple entities (public, private, and non-profit), including Community Land Trusts.</p>	<p>The Woodwind Apartments, completed in 2015, are an example of a PPP for affordable housing that was supported by the Central Albany Revitalization Agency. The CARA committed \$1.45 million to the project, including \$817,660 for the purchase of the property.</p>
<b>Incentives for Needed Housing</b>	
<p><b>14. Tax Abatements</b></p> <p>Tax abatements are reductions in property taxes for housing and may include full or partial tax exemptions or freezes on the assessed value of properties. Abatements are often provided to non-profit corporations or to private developers in exchange for developing affordable or other desired housing types (such as mixed-use).</p>	<p>The City adopted the Non-Profit Low-Income Housing Tax Credit per ORS 307.540-548 in 1993, which enables the City to exempt affordable housing developed by non-profit organizations from City taxes, although annual renewal is required.</p>
<p><b>15. Development Fee Deferrals, Exemptions or Reductions</b></p> <p>This strategy reduces costs for housing development by reducing, exempting, or deferring one-time fees for new development, such as land use application fees and fees to offset costs of public facilities.</p>	<p>N/A</p>

## Development Code Strategies

The following set of strategies include Albany Development Code amendments the City could consider or further evaluate to help meet the City’s housing needs and goals.

As identified in the HNA, under the higher alternative growth forecast (the average annual growth rate since 1992), there is significant need for new medium- and high-density housing. In addition to addressing the identified capacity deficit for this type of land (discussed under Strategy 7), it is also important that buildable land be used efficiently by developing at or near the maximum density of the zone, particularly if there is a chance that growth rates will exceed the projections, and if future UGB expansions are warranted. The same is true for the efficient use of residential land outside the City limits but within the UGB.

### 1. Establish Minimum Density Standards

The most direct method to ensure land is used efficiently is to adopt minimum density standards for each residential zone. The minimum density standard can be tailored to local conditions and needs but is most effective if it is set at between 50 and 80 percent of the maximum density standard in the zone. A minimum density standard would ensure that residential developments meet the intent of the zone and projected capacity of each zone. For example, large lot, detached homes would be

prohibited in a higher density residential zone, but the minimum density standard may allow for smaller lot detached houses, cottage cluster housing, or townhomes. For single-family developments, minimum density standards would be applicable only to residential land divisions and not to infill development or development on individual lots. Minimum density standards would apply to multi-family development on individual lots.

Two examples of how the minimum density standards could be applied are detailed in Table 3.

Table 3. Potential Minimum Density Standards

Zoning District	Existing Min. Lot Size / Max. Density Standard	50% of Max. (approximate)	80% of Max. (approximate)
RS-6.5 – Residential Single Family (6,500sf)	SFD: 6,500 sf (equivalent density of ~5 units/gross acre <sup>1</sup> )	2.5 units/gross acre	4 units/gross acre
<i>For example, the minimum density of a proposed 10-acre subdivision in the RS-6.5 zone would be 25 lots at a 50% minimum density (2.5 units/gross acre x 10 acres) or 40 lots with an 80% minimum density (4 units/gross acre x 10 acres).</i>			
RM – Residential Medium Density	25 units/gross acre	13 units/gross acre	20 units/gross acre
<i>For example, the minimum density of a proposed 2-acre development in the RM zone would be 26 units at a 50% minimum density (13 units/gross acre x 2 acres) or 40 units with an 80% minimum density (20 units/gross acre x 2 acres).</i>			

(Note 1: Albany’s single-family zones control density through minimum lot sizes. These were used to calculate approximate units per gross acre in RS-6.5.<sup>1</sup>)

For the RM and RMA zones, minimum densities of 13 or 18 units per gross acre (respectively) would be consistent with the low end of the suggested 50-80% range and would largely be consistent with the range of densities at which housing types allowed in these zones are developed. For example, townhomes are typically constructed at densities of 10-12 units per gross acre (14-16 units per net acre). Cottage clusters (considered multi-family in Albany) are typically constructed at 11-15 units per gross acre (15-20 units per net acre).

Albany could look to other cities of similar size outside the Portland metro area for examples of minimum density standards that might be appropriate. Standards from the Cities of Corvallis, Springfield, Keizer, Grants Pass, and Medford are presented in

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<sup>1</sup> To calculate units per gross acre (which is the metric used by the City of Albany), minimum lot sizes were used to first calculate units per net acre. Gross was calculated from net using an assumed 25% set-aside for right-of-way, public infrastructure, etc.

Table 4.

Table 4. Density Examples from Other Cities of Similar Size to Albany

City	Zone	Min. Density	Max. Density
<b>Corvallis<sup>1</sup></b>	High Density (RS-20)	15 du/gross ac (20 du/net ac)	None
	Medium-High Density (RS-12)	9 du/gross ac (12 net)	20 du/gross ac
	Medium Density (RS-9)	4.5 du/gross ac (6 net)	12 du/gross ac
	Low Density (RS-6)	3 du/gross ac (4 net)	6 du/gross ac
	Low Density (RS-5)	2 du/gross ac (3 net)	6 du/gross ac
	Low Density (RS-3.5)	1.5 du/gross ac (2 net)	6 du/gross ac
<b>Springfield<sup>1</sup></b>	High Density Residential (HDR)	21 du/gross ac (28 net)	31 du/gross ac (42 net)
	Medium Density Residential (MDR)	10.5 du/gross ac (14 net)	21 du/gross ac (28 net)
	Small Lot Residential (SLR)	6 du/gross ac (8 net)	10.5 du/gross ac (14 net)
	Low Density Residential (LDR)	4.5 du/gross ac (6 net)	10.5 du/gross ac (14 net)
<b>Keizer</b>	High Density residential (RH)	16 du/gross ac	None
	Medium Density Residential (RM)	6-8 du/gross ac (depending on Comp Plan designation)	10-22 du/gross ac (depending on Comp Plan)
	Limited Density Residential (RL)	6-8 du/gross ac (depending on Comp Plan)	10-14 du/gross ac (depending on Comp Plan)
	Single Family Residential (RS)	4 du/gross ac	8 du/gross ac
<b>Grants Pass<sup>1</sup></b>	R-4, R-4-2, R-5 (High Density)	15 du/gross ac (20 net)	28.8-37.5 du/gross ac (34.8-50 net)
	R-3, R-3-2 (Moderate-High Density)	9.3 du/gross ac (12.44 net)	13.1-15 du/gross ac (17.4-20 net)
	R-1-6, R-2 (Moderate Density)	None	6.5-9.3 du/gross ac (8.71-12.44 net)
	R-1-12, R-1-10, R-1-8 (Low Density)	None	3-4.7 du/gross ac (3.96-6.22 net)
<b>Medford</b>	MFR-30	20 du/gross ac	30 du/gross ac
	MFR-20	15 du/gross ac	20 du/gross ac
	MFR-15	10 du/gross ac	15 du/gross ac
	SFR-10	6 du/gross ac	10 du/gross ac
	SFR-6	4 du/gross ac	6 du/gross ac
	SFR-4	2.5 du/gross ac	4 du/gross ac
	SFR-2	0.8 du/gross ac	2 du/gross ac

[Note 1: Corvallis, Springfield, and Grants Pass calculate minimum density using units per net acre, so these standards were converted to units per gross acre so they would be easier to compare to Albany.]

In implementing minimum density standards, the City could consider a few different options for minimum density standards:

- Limit to subdivisions. Albany has two categories of land divisions: partitions (two or three lots) and subdivisions (four or more lots). The City could consider applying minimum density standards only to subdivisions, since partitions would have less flexibility in meeting minimum density and less impact on new housing supply overall.

Limit to Medium Density zones. In meeting its projected housing needs, it is more important that Albany's higher-density zones are developed to their maximum capacity. As such, the City could limit minimum density standards to the RM and RMA zones. As shown in

- Table 4, the City of Grants Pass takes this approach, only requiring minimum density for its High-Density and Moderate-High Density zones.
- Limit to multi-family development of five or more units. Pursuant to HB2001 and recommendations under Strategy 4, the City may remove triplexes and fourplexes from the “multi-family” category and define those as separate uses. Some three- and four-unit developments could have less flexibility in meeting minimum density standards than larger developments, so the City could consider limiting the standards to multi-family development with five or more units.

It should be noted that Albany’s RM zone currently allows single-family detached housing with minimum lot sizes of 3,500 sf. This roughly translates to a density of nine units per gross acre. If the City establishes a minimum density above nine units per gross acre in the RM zone, and also wishes to continue allowing single-family detached housing, it may also need to reduce minimum lot sizes.

## 2. Evaluate Existing Development Standards

Some regulations may constrain housing development to a degree that the corresponding public benefits of the regulation do not outweigh the effect on housing development. These regulations may include off-street parking requirements, architectural design standards, landscaping standards, or other development standards such as setbacks and height requirements.

APG reviewed the Albany Development Code (ADC) for its ability to meet housing needs identified in the HNA and to meet the City’s housing goals. Following are initial thoughts related to Albany’s existing Code and potential Code amendments.

- **Parking**
  - Providing off-street parking adds to the cost of a development and reduces the area of a site that can be developed with dwelling units. Consider reducing off-street parking requirements in the future, especially for single-family and middle housing types.
  - The current ADC allows on-street parking to count for a portion of a development’s off-street requirement in Mixed Use Zoning Districts and for non-residential development. Consider applying a similar credit for on-street parking for residential development in Residential Zoning Districts.
  - The City evaluated its multi-family parking requirements in 2018 and ultimately determined the current standards are meeting community needs at this time. As noted under Strategy 5, reduced parking requirements could be considered for qualifying affordable or workforce housing developments.
- **Setbacks**
  - Consider reducing front setbacks (except garage/carport setbacks) from 15 feet in most zones to 10-12 feet for certain housing types (e.g., townhouses, multi-family, and possibly some middle housing types).

- Consider removing the 125-foot Exclusive Farm Use (EFU) setback required between residential development and land that is zoned EFU outside the urban growth boundary (UGB). This setback poses a barrier to efficient development of buildable land near the edges of the city. In addition, if in the future the UGB is expanded beyond a property with the 125-foot buffer, this would potentially leave a large swath of undeveloped land that may be difficult to infill.
- **Lot Coverage**
  - Consider increasing maximum lot coverage standards by 10-15% in low-density residential zones to facilitate development of certain middle housing types. This would result in maximum lot coverage of 60-75%, depending on the zone.
  - Consider increasing maximum lot coverage standards to 80% in medium-density residential zones to enable the efficient use of land and facilitate multi-family development on smaller lots.
- **Lot Sizes**
  - Single Family: Consider reducing minimum lot sizes and/or using a density maximum rather than minimum lot sizes to accommodate more variety in single-family house sizes and opportunities for home ownership. (Someone interested in purchasing a 1,000 square foot house may not want a 5,000 square foot or larger lot.)
  - Duplex: HB2001 requires that duplexes be allowed on every lot where a single-family detached home is allowed. As a result, minimum lot sizes for duplexes will need to be reduced.
  - Other middle housing types: As part of compliance with HB 2001, the City will want to develop reasonable lot size or density requirements for triplexes, fourplexes, and cottage cluster housing in areas where they will be allowed in the future.
  - Multi-family: Consider reducing minimum site area per unit in the RM and RMA zones or using density (units per acre), rather than lot size as the guiding metric in zones where multi-family is allowed. The current density maximums are challenging to achieve due to site area requirements and parking.

### 3. Evaluate Existing Non-Residential Uses

The Albany Development Code currently allows some commercial and other non-residential uses in its residential zones. For residential zones to meet their projected housing capacity, it is important to limit excessive development of non-residential uses. At the same time, allowing limited commercial uses in residential zones helps create more complete and walkable neighborhoods. The following uses are worth evaluating:

- Indoor Entertainment (limited to health clubs, spas, and similar uses) and Outdoor Entertainment (such as sports fields, clubhouses, tennis and golf facilities, swimming pools, and similar uses) are permitted through Conditional Use review in all residential zones.
- Offices, Restaurants (except drive-throughs), and Retail Sales and Service are permitted in all residential zones within a Planned Development or a Cluster Development larger than 50 acres.
- Self-Serve Storage is permitted in the RM zone through Site Plan Review but prohibited in other residential zones.
- Plant Nurseries and Greenhouses are permitted through Site Plan Review in all residential zones except HM. (Note: per ADC 22.330, plant nurseries oriented to retail sales are classified as Retail Sales and Service.)
- Kennels are permitted on sites over two acres in the RR zone through Site Plan Review and in the RS-10, RS-6.5, RS-5, and RM zones through Conditional Use review.

Because most of the non-residential uses noted above are only allowed through discretionary review (CU, PD or CD), the City has the ability to determine whether proposed developments are appropriate uses for the site. However, City staff has noted that Self-Serve Storage facilities have become very popular in every zone in which they are permitted, including in the RM zone. In that zone, they are subject to Site Plan Review, which allows less discretion on the part of staff than CU, PD or CD.

The City could consider the following strategies to address this issue of non-residential uses in residential zones:

- Consider requiring Conditional Use review for Self-Serve Storage or prohibiting the use in the RM zone.
- Consider requiring Conditional Use review for Plant Nurseries and Greenhouses and/or limiting them to sites between a certain size (e.g., 1-3 acres, similar to Self-Serve Storage).

#### 4. Facilitate Middle Housing Types

According to the HNA, middle housing types are expected to account for over 18% of the projected housing need over the next 20 years. As defined in the HNA, this includes attached single-family homes (i.e., townhouses or rowhouses), and lots with two to four units. In addition, pursuant to House Bill 2001 (2019), Albany will be required to permit middle housing types (defined as duplexes, triplexes, fourplexes, townhouses, and cottage clusters) in areas zoned for residential use that allow single-family detached housing. Duplexes, specifically, must be allowed on every residentially zoned lot that allows single-family detached housing. For the other middle housing types, the City may limit where the housing is permitted to specific locations within zones. Albany's Code will need to be updated by June 2022, or else the state's model code for middle housing (currently under development) will apply.

Duplexes, triplexes, fourplexes, townhomes and cottage clusters are considered "middle housing" because they fall between multi-family development and single-family detached housing in terms of density and scale. Middle housing can be more difficult to develop because development code standards may not address these housing types' unique characteristics or because the standards are unnecessarily restrictive. If regulated appropriately, these housing types can be compatible with detached single-family houses and could therefore be permitted in most residential zones.

Another common characteristic of these housing types is that they are often smaller individual dwelling units. Given the demographic trends summarized in this study, and the ongoing challenge of providing enough housing options for people with moderate incomes, smaller sized, modest housing units will continue to be an important need in the City of Albany. Due to the costs of land, infrastructure, and construction, it can be difficult for builders to produce new single-family detached housing that is affordable to households at lower income levels. These middle housing types can be more feasible to provide for this income level because they require less land per unit and can be more efficient to serve with infrastructure.

*In addition to meeting state requirements, there are opportunities for the City of Albany to support development of a variety of housing types by reducing unnecessary barriers, providing more flexibility, and tailoring standards to fit a variety of housing types. This would result in an expanded array of housing choices across the city for a broader range of people and households. The City already allows many of these types of housing in various zones, either outright or through discretionary review.*

Table 5 lists the residential and mixed-use zones in which these types are currently permitted. Rows shaded in yellow indicate zones that currently allow single-family detached dwellings. (Note: triplex, fourplex, and cottage cluster are all considered multi-family housing in Albany.)

Table 5. Zones Where Middle Housing Types are Currently Allowed

	Zone	Townhouse (single-family attached)	Duplex	Two detached units	Triplex, Fourplex, Cottage Cluster (multi-family)
<b>Residential Zones</b>	<b>RR</b>	x	x	x	x
	<b>RS-10</b>	✓ (via PD/CD)	✓ (on corner lot)	✓ (via PD/CD)	x
	<b>RS-6.5</b>	✓ (via PD/CD)	✓ (on corner lot)	✓ (via PD/CD)	x
	<b>HM</b>	x	x	✓ (via SPR)	x
	<b>RS-5</b>	✓	✓ (on corner lot)	✓ (via PD/CD)	x
	<b>RM</b>	✓	✓	✓	✓ (via SPR)
	<b>RMA</b>	✓	✓	✓	✓ (via SPR)
<b>Mixed-Use Zones</b>	<b>MUC</b>	✓	✓	✓	✓ (via SPR)
	<b>WF</b>	✓ (via SPR)	✓ (via SPR)	x	✓ (via SPR)
	<b>HD</b>	x	x	x	x
	<b>DMU</b>	✓ (via SPR)	✓ (via SPR)	x	✓ (via SPR)
	<b>CB</b>	✓ (via SPR)	✓ (via SPR)	x	✓ (via SPR)
	<b>LE</b>	x	x	x	✓ (via SPR)
	<b>PB</b>	x	x	x	x
	<b>MS</b>	x	x	x	✓ (via CU)
	<b>ES</b>	✓ (via CU)	✓ (via CU)	x	✓ (via CU)
	<b>MUR</b>	✓	✓	✓	✓ (via SPR)

Key:  
 ✓ = permitted  
 x = not permitted  
 PD = Planned Development  
 CD = Cluster Development  
 CU = Conditional Use  
 SPR = Site Plan Review

*Rows shaded in yellow indicate zones that currently allow single-family detached dwellings.*

The following amendments could be considered to facilitate middle housing more broadly in the city:

**Duplexes:** To comply with HB2001, the City will need to allow duplexes outright in all zones highlighted in yellow in

- Table 5 (those that allow single-family detached dwellings). Limiting duplexes to corner lots or requiring discretionary review will no longer be permitted.
- **Townhouses:** Townhouses are currently allowed in most zones that allow single-family detached dwellings, although they are permitted in the RS-10 and RS-6.5 only through

Planned Development or Cluster Development review. However, the current minimum lot sizes in the RS zones make attached housing impractical. Depending on how the administrative rules are written Albany may need to permit townhouses outright in at least portions of these zones, as well as in at least some areas within the RR and HM zones. Per HB2001, the City may establish specific site or building design standards for townhouses (and other middle housing types) as long as those standards don't cause "unreasonable cost or delay" in development of this housing type.

- **Establish standards specific to triplexes and fourplexes.** Albany's Development Code currently defines multi-family housing as three or more units on a lot; therefore, triplexes and fourplexes are both lumped into the multi-family category. However, three- and four-unit buildings are very different in scale and design than higher-density apartment complexes. A triplex or fourplex with side-by-side units can look identical to a row of three or four townhouses. The only difference is that the land underneath the units is not divided into individual lots. As such, the City should consider defining triplexes and fourplexes as a separate housing type (but make sure they continue to be permitted where multi-family is permitted). Depending on the state rulemaking for HB 2001, the City will need to determine standards for permitting triplexes and fourplexes in the single-family and mixed-use zones where single-family detached dwellings are permitted. The City should also consider whether the multi-family design standards in Article 8 should continue to apply; depending on the state's rulemaking for HB2001, some of these standards may no longer be allowed to apply to middle housing.
- **Establish standards specific to cottage clusters.** Cottage clusters are groups of small, detached homes, usually oriented around a common green or courtyard, and typically on the same lot. As such, they are also defined as multi-family housing in Albany. Similar to triplexes and fourplexes, the standards for multi-family development may not be appropriate for cottage clusters and may pose a barrier to their development. To support cottage cluster development, the City could consider defining cottage cluster housing as an allowed housing type in portions of all of the City's residential and mixed-use zones where single-family detached dwellings are permitted and developing a specific set of standards. Following are some best practices for creating cottage cluster standards:
  - Density bonus in exchange for maximum unit size. Allow for increased densities over the base zone in exchange for a cap on the size of individual dwelling units. This combination allows for more dwelling units while ensuring an efficient use of land and compatibility with detached houses on larger lots.

- Low minimum unit size. Given maximum house sizes of 1,000-1,200 square feet, allow a wide range of sizes—even as small as 400 square feet—and consider allowing both attached and detached housing.<sup>2</sup>
- Flexible ownership arrangements. Allow the site to be built as rental units on one lot or developed as condominiums.
- Supportive lot standards. Ensure that minimum lot size, setbacks, building coverage, and off-street parking requirements do not prohibit cottage cluster development on smaller lots.
- Balanced design standards. Draft basic design requirements that ensure neighborhood compatibility and efficient use of land, but that are not so specific as to restrict the ability to adapt to varying neighborhood contexts.

## 5. Zoning Incentives for Affordable or Workforce Housing

The HNA identified both existing and future needs for housing affordable to low-income households (defined as households earning 80% or less of area median income). In particular, the HNA identified a shortage of rental units at the lowest pricing levels that would be affordable to the lowest-income households.<sup>3</sup>

As noted above, some development regulations can present obstacles or add costs to housing developments. These obstacles are particularly challenging for developments built by housing authorities, non-profit developers, or even for-profit developers that are attempting to build units affordable to people with lower or moderate incomes.<sup>4</sup> In order to support developments that include units affordable to moderate- or low-income households, the City can offer concessions on zoning and development code standards. The concessions should be offered in exchange for the development dedicating a minimum proportion of the units to be regulated as affordable to people with lower or moderate income. The incentives typically include relief from certain development standards such as parking, setbacks, or density. Examples include the following:

- **Parking reductions.** In general, research shows that households with lower incomes tend to have lower car ownerships and driving rates, particularly when residents have ready access to shopping and other opportunities and services. A number of jurisdictions in Oregon provide reductions in off-street parking requirements for developments that are affordable

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<sup>2</sup> Although not directly related to cottage clusters, the consultants did a cursory review of the Manufactured Home Park standards in ADC Article 10. The standards appear to be generally consistent with the Oregon Revised Statutes and do not appear to present significant barriers to production of manufactured home parks.

<sup>3</sup> Spending 30% or less on housing costs is a common measure of “affordability” used by HUD and others.

<sup>4</sup> Housing affordable to moderate-income, working households that do not typically qualify for subsidized housing is often referred to as “workforce housing.”

to households with low or moderate incomes. Typically, developments must commit to providing affordable units over a significant length of time (20-60 years).

- **Height or density bonuses.** Some cities allow higher density or greater height in exchange for a commitment to provide housing units that are affordable to households with low or moderate incomes. Height bonuses are typically in terms of number of stories (e.g., one story in an area with an existing height limit of 30 or 45 feet). Density bonuses are typically stated in terms of a percentage of units (e.g., 10-20% is a common threshold). The amount of the bonus can be tied to the affordability levels provided and/or to the number of affordable units. Additionally, setback and bulk standards may be allowed to vary to accommodate the added density or to reduce development costs.

The City currently provides a density bonus of between 5 and 15 percent for housing affordable to persons whose income is up to 1.2 times the median income when 50 percent of the units meet the affordability standards. The City should evaluate the current threshold and bonus provisions for their effectiveness in incenting housing affordable to low-income households.

- **Allow flexibility in how affordable units are provided.** In some cases, it may be advantageous to construct the affordable units on a different site than the primary development that is receiving the concession. It may also make sense for the development to purchase existing market-rate units and convert them to affordable units. Allowing flexibility in how the units are provided can also widen the appeal of the program.

## 6. Inclusionary Zoning

Inclusionary zoning (IZ; sometimes called “inclusionary housing”) is a tool used to produce affordable housing for low- to moderate- income households within new market-rate residential developments. Typically, IZ is implemented through an ordinance with mandatory requirements that a minimum percentage of a new development’s total units be designated as affordable, and that these units remain affordable for a set period of time, usually between 10 and 20 years.

After being prohibited in Oregon since 1999, legislation allowing jurisdictions to adopt IZ was passed in the Oregon Legislature in 2016. However, this legislation came with a number of limitations that are being regarded by affordable housing providers and advocates as challenging to implement this strategy in most small- and medium-sized jurisdictions in the state. The requirements may only be applied to multi-family housing development of 20 units or more. In addition, jurisdictions must provide “finance-based incentives” (e.g., property tax exemptions, fee waivers, development bonuses) to offset the cost of providing affordable units, but in an undetermined amount. They also must provide developers with the option to pay a “fee in lieu” instead of providing affordable units. Cities may also establish a local excise task to help fund an IZ program.

These provisions are expected to limit the applicability and extent of the application of IZ programs and result in administrative and financial hurdles to implementation, particularly for smaller communities. Relatively few communities are expected to have the financial and administrative resources to establish IZ programs. At this point, only one community in the state (Portland) has adopted IZ requirements. That said, Albany may wish to explore the relative costs and benefits of establishing IZ requirements. In addition, the City could explore implementation of IZ on a voluntary basis, either as part of a negotiated process through annexation of land into the city or through use of incentives such as those described under Strategy 5. The cities of Bend and Hillsboro have used these types of processes with specific annexation areas and developments in the past. This voluntary approach to IZ may avoid some of the pitfalls of the mandated approach allowed by the recent state legislation.

The following actions are recommended to assess the feasibility of a mandatory approach to IZ:

- Identify the approximate benefits of establishing a set of IZ provisions based on the expected number of developments that would be subject to the standards and the approximate number of resulting new units.
- Estimate potential excise fee revenues that could be applied to covering the cost of implementing IZ standards.
- Estimate the cost of establishing and administering the non-code-based elements of an IZ program, including a fee-in-lieu program and other finance-based incentives.
- Determine if the expected benefits outweigh the costs of establishing an IZ program.
- If the costs outweigh the benefits and the City decides to move forward with the program, establish needed code requirements and other administrative and financial procedures and protocols needed for implementation.

The following steps could be undertaken to explore a voluntary approach to IZ:

- Identify programmatic opportunities for implementation (e.g., annexation agreements, incentives such as building height or density bonuses or parking reductions).
- Determine appropriate ratios or requirements for the number or percentage of affordable units to be incorporated in applicable developments.
- Develop sample annexation agreement language and/or other implementing procedures.
- Undergo initial implementation through one or more test cases.
- If test cases are successful, implement more broadly.

## Policy and Land Supply Strategies

The following strategies are intended to address Albany's existing land capacity and its ability to accommodate needed housing.

### 7. Rezone and Redesignate Land

As noted above, the HNA found that if Albany continues to average 1.7% growth annually under the higher alternative growth forecast, the city has insufficient capacity to accommodate the forecasted medium-density and high-density housing need. At the same time, the city has a surplus of capacity for low-density housing. One potential strategy to address a deficit of land for medium- and high-density housing would be to rezone land within the city from a lower-density to a higher-density designation (i.e., to RM or RMA). To reduce or address concerns related to compatibility of adjacent lower and higher density areas, the City would most likely want to target higher-density single-family zones (rather than the lowest-density areas) for potential rezoning. Any rezoning of a single-family zone to a medium-density zone would also need to be accompanied by amendments to Albany's Comprehensive Plan map (which applies two residential land use designations: Residential - Low Density and Residential - Medium Density).

In considering the most appropriate locations for City-initiated rezoning of land, the City should use the following criteria or factors:

- **Proximity to existing high-density areas.** Extending an existing area of high-density land would reduce impacts on the transition between lower- and higher-density areas and could increase the level or potential for support from surrounding property owners.
- **Proximity to services.** Ideally, higher-density areas should be close to supporting commercial and other services (schools, parks, etc.) to help ensure that residents can easily access these services and daily needs by walking, biking or driving.
- **Size and ownership.** The City should prioritize relatively large sites (3-10 acres) for rezoning. Larger sites will be more attractive for development and provide more flexibility for site design.

Note: The official growth forecast (which showed a lower annual growth rate than the alternative forecast) does not indicate a future deficit of land for medium- and high-density housing.

Accordingly, the City may want to consider rezoning as a longer-term strategy or a strategy to pursue if growth rates continue to be higher than the official forecast over the next several years. The City could also evaluate the potential need for medium- and high-density land and housing in the urban fringe and in planning for areas of new growth, for example, as part of the East Albany planning process. The City's Urban Residential Reserve (URR) designation—which applies to areas between the developed urban area and the Urban Growth Boundary—allows for every residential zone and some commercial and mixed-use zones, and does not provide much certainty for planning purposes. The City should consider redesignating portions of URR land as Residential - Medium Density in planning for new growth in these areas.

## 8. Expand Urban Growth Boundary (UGB)

The findings of the HNA do not indicate the need for a UGB expansion to accommodate projected housing needs in Albany, since the city has an overall surplus of residentially zoned land to accommodate the forecasted housing need to 2040. However, in the long term an expansion could be an option beyond the current planning horizon or if growth rates increase beyond those currently projected. Prior to pursuing a UGB expansion, the city would need to complete the following steps:

- Consider and adopt efficiency measures to ensure that land inside the UGB is being used efficiently. Many of the code updates identified for this project are efficiency measures.
- Demonstrate that there is an insufficient supply of buildable land inside the UGB.

In addition to meeting these state requirements, the City will want to consider other factors in this process such as:

- Will potential expansion areas have direct access to roads, sewer or water lines?
- Will areas proposed for inclusion be in relatively close proximity to commercial and other services? This is particularly important if new areas are proposed for higher density development.
- Will the areas have any other practical barriers or impediments to residential development or conflict with other strategies to meet future housing needs?

## Funding Sources and Programs

The following funding sources and programs could create new revenues and opportunities for Albany to increase its supply of needed housing, particularly affordable housing. HB 2001 will require the City to consider ways to increase the affordability of middle housing by considering funding sources such as a construction tax (Strategy 9), and incentives such as property tax exemptions (Strategy 14) and deferring system development charges (Strategy 15).

## 9. Construction Excise Tax

A construction excise tax (CET) is a tax on construction projects that can be used to fund affordable housing. According to state statutes, the tax may be imposed on improvements to real property that result in a new structure or additional square footage in an existing structure. Cities and counties may levy a CET on residential construction for up to 1% of the permit value; or on commercial and industrial construction, with no cap on the rate of the CET.

The allowed uses for CET funding are defined by the state statutes. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:

- 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.)
- 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
- 15% flows to Oregon Housing and Community Services (OHCS) for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted.

To date, at least eight jurisdictions (Portland, Corvallis, Cannon Beach, Hood River County, Hood River City, Newport, Eugene, and Tigard) have passed local CETs under the new state statutes, and many others are considering adopting the tool. Jurisdictions can exempt certain types of development from the CET, such as public facilities and improvements, as well as development under a specified value.

The primary advantage of a CET is that it would provide a source of funding for other programs or measures aimed at helping subsidize the cost of affordable housing in the community, either through City-led programs or those implemented by private or non-profit partners. In addition, once a CET is established, it would be straightforward to administer through the development permitting process.

A downside of a CET is that it increases development costs for non-subsidized housing in an environment where many developers are already seeking relief from system development charges, so it could impact development feasibility and increase the costs of housing more generally. However, by structuring the policy with offsetting incentives or tools to reduce development barriers, the City could potentially limit the impact on feasibility for certain projects.

Establishing a construction excise tax would necessitate that the City Council pass a new City ordinance. The City should work closely with the development and housing community in developing the fee structure. Implementing programs would need to be developed, and possibly coordinated with housing partners.

## 10. Land Acquisition and Banking

**Land acquisition** is a tool to secure sites for affordable housing. Public agencies can identify locations where prices are going up and acquire land before the market becomes too competitive, with the intention to use the land for affordable housing. The ability to identify promising sites within these locations and act quickly and efficiently in acquiring them can tip the scales to make an affordable housing development financially feasible.

**Land banking** is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be developed for affordable housing. Land banks are often quasi-governmental entities created by municipalities to effectively manage and repurpose an inventory of underused, abandoned, or foreclosed property. Public

agencies or larger nonprofits may be better equipped than small community development corporations to do both land acquisition and banking.

Key challenges for **land acquisition** include reliably identifying future areas of gentrification before prices go up, developing the resources necessary to purchase the land, creating mechanisms for easy land transfer and removing the liability associated with holding land. **Land banking** requires significant up-front investment to acquire land, which typically requires grants, and funding partnerships—with non-profits, public entities, and private financing—to reach necessary funding levels. In addition, while this technique can help address the long-term need for affordable housing, it will not address the current need in the short-term.

A potentially feasible way to implement this strategy in Albany would be to assess the potential for any existing City-owned properties to be used for affordable or workforce housing development and then seek non-profit or other affordable housing developers to lead the actual development efforts. In exchange for donating or selling City-owned land at a nominal price, the City would require a commitment to long-term affordability of any housing units developed. This could be a viable strategy to implement within the Central Albany Revitalization Area (CARA), where the City has acquired and sold properties in the past. The CARA is further discussed under Strategy 12.

## 11. Financial Assistance Programs

A range of financial assistance programs can be used to maintain housing affordability, help keep residents in their homes, or assist in the acquisition of land for housing. Possible tools include rent assistance, loans for new homeowners, assistance to low-income homeowners for repairs and upgrades, and land acquisition. In Albany, several such programs have been funded through the City's annual allocation from the federal Community Development Block Grant (CDBG) program. Albany partners with organizations including DevNW, Albany Area Habitat for Humanity, and Community Services Consortium (CSC) to implement these programs. The City can and should continue to work with these and other organizations to implement and publicize these types of programs.

## 12. Tax Increment Financing

Tax Increment Financing (TIF) is the mechanism through which Urban Renewal Areas (URAs) or TIF districts grow revenue. At the time of adoption, the tax revenues flowing to each taxing jurisdiction from the TIF district is frozen at its current level. Any growth in tax revenues in future years, due to annual tax increase plus new development, is the "tax increment" that goes to the district itself to fund projects in the area. Per state statute, large cities (over 50,000 people) are allowed to have up to 15% of their land area and assessed value in TIF districts. TIF is a good tool to use in areas where new development or redevelopment is anticipated.

While many different types of projects are eligible for TIF funds, for the most part, TIF funds go to physical improvements in the area itself. These projects can include participating in public/private

partnerships with developers or can be used to complete off-site public improvements that benefit and encourage new development in the area, or to acquire key sites. TIF funds can also be used to pay for development fees.

Redevelopment: The City of Albany established a URA downtown in 2001 called the Central Albany Revitalization Area (CARA). CARA is intended to encourage infill, rehabilitation and redevelopment that is consistent with the Comprehensive Plan. The City has used URA funds in public/private partnerships to construct new affordable housing and adaptive reuse of vacant or underutilized spaces, described in Strategy 13 below and for public infrastructure and streetscape improvements to reduce costs to developers.

New Development: TIF districts can facilitate new development in areas with inadequate streets, for example, through financing public infrastructure (new roads, water, sewer, etc.). Activities may also include various partnership or incentive programs with other agencies or private developers. As an example, Albany established a TIF district for portions of South Albany in 2008 to fund infrastructure development that would open up land for industrial use. A similar approach could be considered for housing development.

The City of John Day has recently created an innovative TIF to help provide incentives for both new housing and renovated housing. The incentives are designed to rebate some of the newly created assessed value directly to the property owner, to make the project more attractive. The URA was created in such a way to include much of the city's vacant developable land for housing, to encourage build-out and ensure that the value of new development is captured by the TIF.

There may be opportunities to establish additional TIF districts in targeted areas—such as East Albany—where housing development is desired but where market conditions are hindering private development.

### **13. Public-Private Partnerships and Community Land Trusts**

The City can implement arrangements between public and private entities to create more housing and/or affordable housing. These public-private partnerships (PPPs) can promote a variety of affordable housing programs or projects and include partnerships from multiple public, private, and non-profit entities such as the Linn Benton Housing Authority and Albany Partnership for Housing & Community Development (APHCD). These efforts typically involve utilization of a variety of other housing measures or strategies, including those described in this report. Examples of these types of efforts implemented in Albany and in other Oregon communities include the following:

- **Woodwind Apartments, Albany, OR.** This affordable housing development completed in 2015 relied on a \$1.45 million commitment from the Central Albany Revitalization Agency, including \$817,660 for the purchase of the property. Developed by Innovative Housing, Inc., the project also received grants and tax credits worth over \$8 million allocated by the state of Oregon. These included federal Low Income Housing Tax Credits, Oregon Affordable

Housing Tax Credits, and grant funds from the Oregon Housing and Community Services Department.

- **Our Coastal Village (Fisterra Gardens), Yachats, OR.** This project included use of several city, county and state programs. This included direct funding from Lincoln County to match other state, federal, and private funding sources bringing this project to fruition; tax abatement by Lincoln County; deferral of SDCs by the City of Yachats, and updates to the City's development code allowing flexible development standards for townhomes.
- **Local Innovation and Fast Track Housing Program (LIFT), State of Oregon.** LIFT is a state-administered program that was approved through legislation in 2016 and provides funding for new affordable housing across the state, including for projects by private developers. The program was developed with the goal of quickly providing affordable housing units to low-income families and has funded numerous projects since its inception, including the Fields Apartments in Tigard (provided \$9.8 million) described above and Cornerstone Apartments in Salem (provided \$4.9 million).

In addition to these examples of funding partnerships, the City of Albany can further support non-profit and market rate housing developers by providing clarity and certainty in the design and permitting process through the following strategies:

- Ensure that primary documents such as the Development Code and design standards are easy to use for a person moderately informed in the design or development process;
- Create additional materials such as one-page handouts that summarize relevant code and process information, even if it is already available in longer documents;
- Provide information about code provisions and other strategies described elsewhere in this report that can serve as incentives to develop housing in places with good access to transportation, services and facilities;
- Assign a single contact person to facilitate the development process for key projects, such as a large-scale development, prominent site location, or catalyst project; and
- Provide as much of this information in advance as possible, including through pre-application meetings. Try to provide estimates of time, requirements and fees to the extent practicable, while emphasizing that these are all preliminary estimates that may change. Avoid processes which require developers to commit extensive time and money before key requirements or public processes become apparent.

**Community Land Trust (CLT)** is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates, but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental

housing themselves. Land trusts are typically run as non-profits, with support from the public sector and philanthropy, and could be linked to a land bank. Land trusts can be focused on homeownership or rental units.

Given the distinctive legal structure of CLTs it is likely best for public agencies to consider partnering with a non-profit community organization to administer this program. The City can help identify key opportunities for this model and help to capitalize the efforts of its partner. Proud Ground is an example of a CLT working in different parts of Oregon (including the Portland metro area and Lincoln County). Habitat for Humanity is not a CLT per se but uses a similar approach to maintain the affordability of the homes it builds largely through volunteer labor. Albany Area Habitat for Humanity is the local affiliate organization and is a potential partner for the City. If seeking a partnership with a true CLT, an important first step in implementing this strategy would be to make inquiries regarding an organization such as Proud Ground's interested in operating in Linn County and the type of support they typically seek from local governments. An example of support from other local governments is providing funding for down payment assistance for the purchase of homes owned by Proud Ground.

## Incentives for Needed Housing

The following incentive strategies are intended to make development of housing—particularly affordable housing—more financially viable by reducing fees or other costs.

### 14. Tax Abatements

Tax abatements are reductions in property taxes for housing. Abatements may include full or partial tax exemptions or freezes on the assessed value of properties. Abatements are often provided to non-profit corporations or to private developers in exchange for developing affordable housing. Property tax exemptions or freezes can also be applied to housing in distressed areas, or for rehabilitated housing. The state currently authorizes tax abatements for various types of housing and affordable housing through several programs outlined in the Oregon Revised Statutes (ORS). These include: Nonprofit Low-Income Housing (ORS 307.540 to 307.548), Low-Income Rental Housing (ORS 307.515 – 307.537), Vertical Housing (ORS 307.841 to 307.867), Transit-Oriented Multi-Unit Development (ORS 307.600 – 307.637), Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 to 307.687), and Residential Rehabilitation Tax Freeze (ORS 308.450 to 308.481).

The City of Albany adopted the Non-Profit Low-Income Housing Tax Credit (per ORS 307.540-548) in 1993, which enables the City to exempt affordable housing developed by non-profit agencies from City taxes, although annual renewal is required. Because the City of Albany makes up less than 51% of the taxing district, only City taxes can be exempted unless the developer receives approval from Linn County and the school district to exempt their portions of property taxes as well.

#### Other Examples:

- The City of Beaverton has an Affordable Housing Tax Exemption Program designed to promote construction of affordable rental housing for low-income households (focusing on 60 percent area median income and below). The program allows an exemption of up to 100 percent of property taxes.
- The City of Tigard administers a tax abatement program within the City's designated "Vertical Housing Development Zones" (VHDZ), which is intended to incentivize multi-story mixed-use development and affordable housing in targeted areas. This program allows a partial property tax exemption of 20% per floor (and up to 80% total) for mixed-use developments within the designated VHDZ, and provides an additional exemption if the project includes low-income housing.
- The City of Newberg has a Multiple Unit Housing Property Tax Exemption (MUPTE) that aims to encourage private development of multi-unit housing in transit-oriented areas by providing a ten-year property tax exemption on the residential portion of improvements. Newberg also has a property tax exemption of properties owned by low-income persons or held for the purposes of developing low-income housing.

Albany could consider similar tax abatements that target the types of housing that are most desired and the geographic areas in which housing is most needed.

## 15. Development Fee Deferrals, Exemptions or Reductions

Municipalities charge one-time fees for new development, such as land use application fees and fees to offset costs of public facilities.

SDCs are one-time charges assessed on new development to pay for the costs of expanding public facilities. The City of Albany charges SDCs for water, sewer, parks, and transportation. Some jurisdictions offer full or partial SDC exemptions to incentivize affordable housing or desired market-rate residential development or subsidize SDCs with funding from another source (e.g., urban renewal/TIF or general fund). A related type of program can allow developers of affordable/desired housing to defer or finance payment of fees, which can reduce up-front costs and financing costs for the developer.

### SDC Deferrals

SDC deferrals typically allow a development to delay payment of the fees for a specified period of time (e.g., 6, 9 or 12 months) or until the certificate of occupancy is issued, rather than at the time the building permit is issued. SDC deferral can be combined with SDC financing so that payments begin after one year and continue for a certain number of years (e.g., 10 years). The City could offer a lower interest rate (e.g., 0.25% above the Oregon Prime rate) and/or allow the lien to be in second position for affordable housing or other types of housing developments.

A financing program can be more beneficial to the property owner because fees are paid gradually, rather than in a lump sum soon after the completion of the project. However, a financing program

also brings additional administrative requirements and costs to the City to track and collect payments over time.

**SDC Methodology**

As a long-term strategy the City may also consider scaling SDCs based on the type or size of housing. In 2017, the City of Newport adopted new methodology to scale SDCs to different types and sizes of housing. The new methodology was adopted as part of a larger package of four policies and strategies intended to respond to the increased need for workforce and affordable housing in the community. The methodology sets a higher price per square foot for smaller homes; however, when that is calculated against the more modest size of those homes, the result is a lower fee for smaller homes, rather than the City's previous one-size-fits-all approach.