



APPENDIX B: AFFORDABLE HOUSING ANALYSIS

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DATE: January 31, 2022
TO: Dan Pauly, Kim Rybold, City of Wilsonville
FROM: Becky Hewitt, Kaitlin La Bonte, and Ariel Kane, ECONorthwest
SUBJECT: Frog Pond East and South Affordable Housing Analysis

Section 1. Introduction

Purpose

The Frog Pond East and South areas are important for the City of Wilsonville’s efforts to meet future housing needs and provide equitable housing options for residents. The City’s 2020 Equitable Housing Strategic Plan (EHSP) recognized this, and called for the Frog Pond East and South Master Plan to establish targets for affordability, specifically:

“As part of the master planning requirements for Frog Pond East and South, the City will establish goals or targets for accessibility to services/amenities, unit types, and unit affordability levels. The targets for affordability levels (number of units and depth of affordability for those units) should be reasonably achievable, allowing for sufficient market-rate development to support key infrastructure investments. This approach will provide a methodology and framework that can be applied in other growth areas beyond Frog Pond.”

This memorandum is intended to implement that direction from the EHSP and identify affordable housing targets and strategies to ensure these targets are met.

Key Term: Affordable Housing

This memo addresses “affordable housing”. As used here, we are referring broadly to both market-rate housing that is economically attainable for moderate-income households as well as housing that is subsidized or otherwise supported for lower-income households. Where the memo refers to a specific sub-set of affordable housing it is indicated.

Background and Policy Direction

The EHSP also directs the Frog Pond East and South master planning effort to:

- Integrate affordable housing into the overall master plan, with access to amenities
- Identify specific properties that could help meet affordable housing targets
- Evaluate relationships to the infrastructure funding plan
- Engage affordable housing developers and other stakeholders to refine strategies

These efforts will be part of the planning process for Frog Pond East and South.

Other past policy guidance related to housing targets and mixes for this area are summarized below.

- Metro’s Conditions of Approval for Wilsonville’s 2018 Urban Growth Boundary expansion required the City to:
 - **Plan for at least 1,325 homes in the expansion area.**
 - **Allow townhomes, duplexes, triplexes, and fourplexes** (now referred to as “middle housing”) in all zones that permit single-family housing within the expansion area. (The requirement related to allowing middle housing in zones that allow single-family housing is now also required by the state under House Bill 2001 and the implementing administrative rules. The City has already updated its zoning regulations to comply with this requirement.)
- The 2015 Frog Pond Area Plan established direction for housing mix, lot size, and where different housing types would be allowed within the expansion area. The unit distribution options from the Area Plan are shown in Exhibit 11 and Exhibit 12 on page 17. At a high level, the Area Plan sets direction that the East neighborhood should provide for single-family detached housing on small to large lots, as well as townhomes, cottage lots, and duplexes, while the South neighborhood should provide only small- to large-lot detached housing. It also states that neighborhood-scale mixed use with residential above retail in the commercial center could be considered during the Master Plan process. Other types of housing, including apartments, were not identified as part of the final plan for the Frog Pond area. Note, however, that the Area Plan’s direction pre-dates and is no longer consistent with the Metro conditions of approval summarized above or with the requirements of House Bill 2001.

As of the end of 2021, the City of Wilsonville had 11,587 dwelling units with approximately 730 more planned to be built in the near future between Villebois and Frog Pond West. Frog Pond East and South will represent a 10% plus increase in the number of dwellings in Wilsonville. The City also has roughly 450 government-subsidized housing units as of 2018.¹

Section 2. The Housing Spectrum: Meeting a Range of Housing Needs with New Housing

Delivering new housing affordable to a range of incomes requires a range of different approaches, as summarized in Exhibit 1.

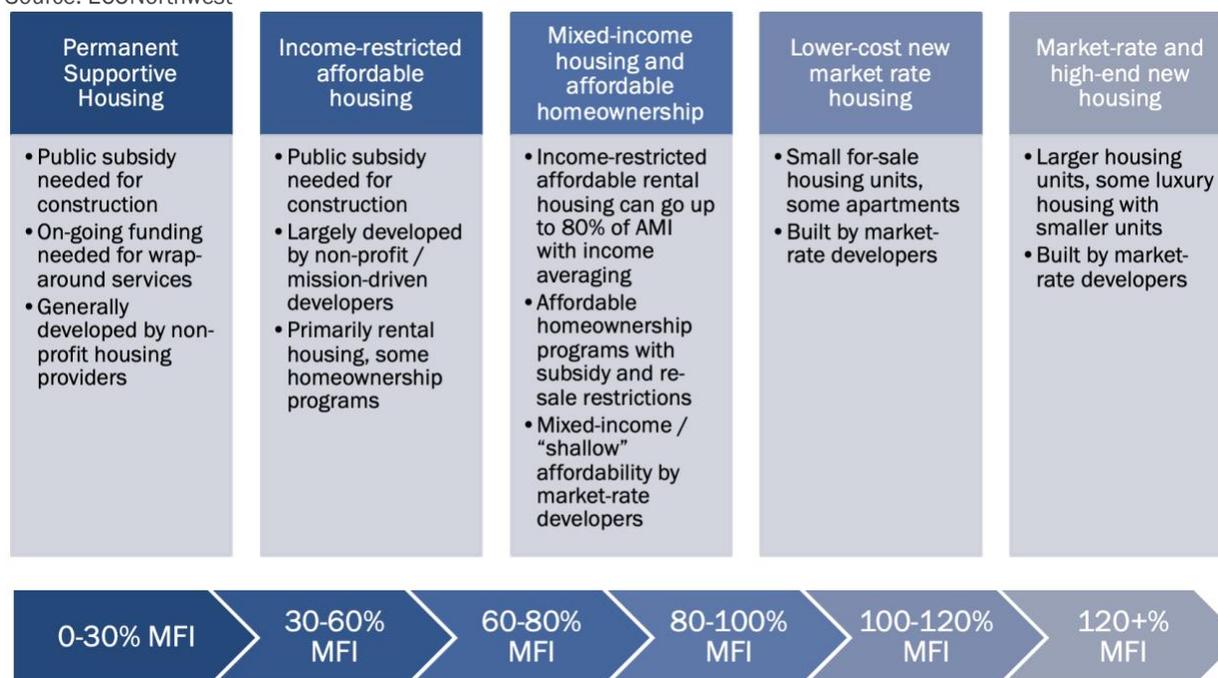
Key Term: Median Family Income

In setting affordability targets and requirements, it is common to express them in terms of a percentage of the Median Family Income (MFI), since this is how eligibility is established for income-restricted affordable housing. MFI is typically set at a regional level. In Wilsonville, the MFI is based on the three-county Portland region. In other words, the MFI for Wilsonville and Clackamas County is the same as that for the region overall. The MFI for a family of four in the Portland region as of 2021 is \$96,700. The U.S. Department of Housing and Urban Development (HUD) considers housing affordable to a given income level if housing costs (including utilities) account for no more than 30% of a household’s income.

¹ Clackamas County Regional Housing Needs Analysis, ECONorthwest, 2018, page 199.

Exhibit 1: Approaches to Delivering New Housing by Income Range

Source: ECONorthwest



Housing for 60% of MFI and below

Meeting the housing needs of households earning less than 60% of MFI nearly always requires public subsidy. Development of income-restricted affordable housing typically relies on funding from the State, region, or County, in addition to any support from the City and other partners.

- Affordable Rental Housing:** Even within publicly supported housing, most housing for this income range is rental housing. The Low Income Housing Tax Credit (LIHTC) program—the largest funding program in the US for affordable rental housing—largely serves households in the 30-60% of MFI range. While there are some for-profit developers who build income-restricted affordable housing, most is built by non-profits or Public Housing Authorities. Affordable rental housing development in suburban parts of the Portland region typically takes the form of three- to four-story apartments with surface parking.
- Affordable homeownership:** There are some homeownership support programs (e.g., Habitat for Humanity, some Community Land Trusts, and down-payment assistance programs) that serve households earning as little as 35% of MFI (\$30,000-\$35,000). These programs tend to receive much less state and federal funding in aggregate than affordable rental housing.

To serve households earning less than 30% of MFI often requires additional subsidy beyond that needed to build housing for 60% of MFI due to the lower rents that are required. It also

sometimes requires support to provide wrap-around services that help residents remain in their housing. Sometimes tiny homes or cottage clusters are used for housing at this income level, but apartments are more common.

Housing for 60% to 80% of MFI

Housing for households earning between 60% and 80% of MFI often comes in the form of older housing that has depreciated and become more affordable over time; however, delivering new housing in this affordability range can be challenging due to limited sources of public subsidy and the cost of building new market-rate housing. Options include:

- **Mixed-income and “shallow” affordability by market-rate developers:** Incentive programs and inclusionary zoning requirements can sometimes deliver units affordable to households earning less than 80% of MFI as part of a market-rate development if calibrated to align with market conditions. The affordability tends to be “shallow” in the sense that the private market generally cannot absorb rents or sales prices that are far below market rate without substantial incentives or subsidies. The most common form for mixed-income development by private developers is market-rate apartments that include some income-restricted affordable units.² However, affordability incentives for middle housing (primarily rental) may be able reach this income range in some circumstances.
- **Affordable homeownership:** Some affordable homeownership development targets this income range (e.g., Habitat for Humanity), using a mix of funding sources to subsidize costs. In the Portland region, this typically takes the form of either small detached housing or townhome-style attached housing.
- **Affordable rental housing with income averaging:** Low Income Housing Tax Credits, the largest funding program for affordable rental housing, allows developments to use income averaging to provide housing for households earning up to 80% of MFI as long as the average for the development overall remains at or below 60% of MFI. As noted above, this would typically be in the form of apartments.

Housing for 80% of MFI and above

Households earning between 80% and 120% of MFI can often afford at least some of the existing market-rate housing stock in the community, such as apartments, older homes, or townhouses, though in very tight housing markets their options may be limited. For new construction, some smaller and lower-cost market-rate housing can be affordable in the 80-120% of MFI range, but most larger housing units and high-end small housing units tend to be affordable only to those earning at least 120% of MFI. (The expected pricing for market-rate housing in the Frog Pond East and South areas is described further in Section 4.) There are some local incentives and

² Inclusionary Zoning can only be applied to multifamily housing (buildings with 20 or more units) under current Oregon law.

affordability programs that can support housing affordable at 80% to 100-120% of MFI, though state and federal funding is limited.

Section 3. Opportunities and Constraints for Affordable Housing

There are several considerations and challenges for building affordable housing in the Frog Pond East and South area, including:

- **Infrastructure costs:** While vacant land at the urban fringe tends to cost less than land in already developed areas, this is largely because the cost of building the infrastructure needed to serve urban development is factored into land value and land sales prices. This project will: identify the infrastructure needed to support the East and South Neighborhoods; prepare a funding plan for that infrastructure; and consider the relationship between the need to fund infrastructure and the ability to deliver affordable housing.
- **Site control / property ownerships:** Acquiring property in a competitive market can be a substantial challenge for affordable housing developers. The City does not currently own any land within the Frog Pond East and South areas. The only City-owned land is land designated for a future park. The ability to secure land could be one of the biggest challenges for delivering affordable housing in the area.
- **Past policy guidance on housing types:** The final Frog Pond Area Plan did not include apartments as part of the housing mix for Frog Pond East and South. This limits the potential housing options in several ways:
 - As noted above, most affordable rental housing, which is the primary housing that serves households earning less than 60% of MFI, is built as apartments. The Area Plan notes potential for housing above commercial space, but while some affordable housing includes community spaces on the ground floor, there are financing challenges associated with building affordable housing as true mixed-use development with ground-floor commercial space. If apartments are not allowed in the area, this will significantly constrain the options and sources of funding for building affordable housing and limit the number of income-restricted affordable units that can realistically be developed in the area.
 - Market-rate multifamily housing (apartments or condominiums) can also provide housing affordable to households earning roughly 80% to 100% of MFI. Building apartments or condominiums as part of a mixed-use building increases costs and can make development infeasible or require higher rents or sales prices to justify the additional expense.
- **Challenges for affordable and low-cost homeownership options:** Income-restricted affordable homeownership models can work within a small detached or townhouse-style development, but there is limited state and federal funding for affordable homeownership programs, which means a relatively small number of subsidized

affordable homeownership units could realistically be built in the area. Other methods of providing lower-cost homeownership options without a subsidy, such as condominiums and co-op housing, face legal and financing challenges that make them difficult for many private developers to build. Addressing these legal and financing issues would require action at the state level and is beyond the City's control. However, there are developers working in the region who are willing to build condominiums despite the challenges, some of whom may pursue development within Frog Pond East and South.

The opportunity for Frog Pond East and South is that the City is in a position to address many of these challenges in ways that can influence the outcome. At a minimum, in the short term, the City can set land use regulations that allow for a broader range of housing types so that there are more options for market-rate and subsidized affordable housing development now and into the future. The City can establish requirements associated with annexation, which could allow for more specific agreements between the City and property owners seeking to annex. The City can also establish an infrastructure funding plan that limits the infrastructure cost burden on any income-restricted affordable housing built in the area. If financial resources allow, the City can negotiate with property owners to acquire suitable land for affordable housing that can then be transferred at little or no cost to affordable housing developers, or provide funding to support affordable homeownership development by a local Community Land Trust or a provider like Habitat for Humanity. These and other strategies to help deliver affordable housing in this area are addressed further beginning on page 21.

Section 4. Expected Pricing of Market-Rate Housing

For-Sale Housing: Market Sale Prices for Single-Family Homes, Townhouses, and Condominiums

Data from recent home transactions³ for relatively newer housing⁴ in Wilsonville and surrounding areas provides an indicator of likely pricing for new housing in Frog Pond East and South. The estimated range of home prices by housing type and unit size is shown in Exhibit 2. The estimated income needed to afford these purchase prices, given standard lending assumptions,⁵ is shown as a percentage of the MFI for a four-person household⁶ in Exhibit 3. The relevant data is summarized in table form in Exhibit 4.

³ Sales transaction data is from Redfin for sales between October 2020 and October 2021.

⁴ Data includes detached homes and townhouses built since 2010 as well as condominiums built since 2006 (to provide a larger sample size since there are few recently-built condominiums).

⁵ Assumes 20% down payment, a 30-year fixed-rate mortgage at 3.5% interest, with estimates for property taxes and homeowners' insurance. Estimated homeowners' association fees are factored into total monthly housing costs based on averages for similar housing from recent sales transactions.

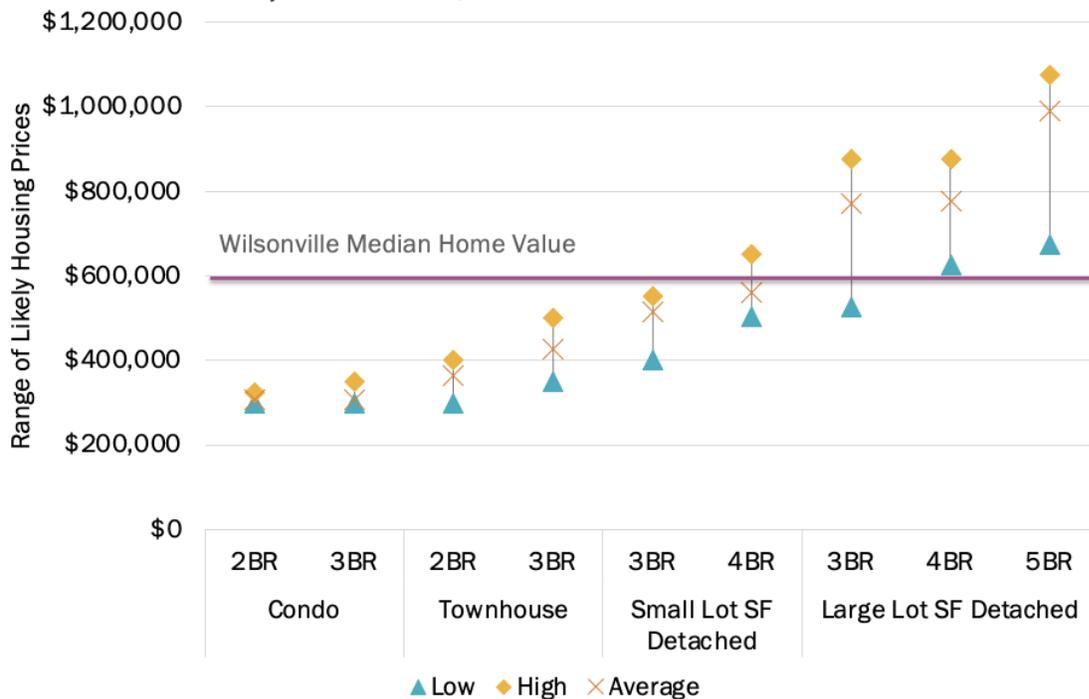
⁶ In setting maximum allowed rents by unit size / bedroom count, HUD uses an assumed household size and multiplier relative to the MFI for a family of four. However, to allow for comparison to the income distributions, which are not adjusted for household size, we use the MFI for a four-person family throughout.

Given the recent escalation in home prices, new construction coming to market is likely to sell closer to the top end of the range seen among recent transactions for newer housing. Housing prices will likely continue to escalate over the coming years (though not to the extent seen in the past year), increasing the expected home values over time. However, the comparison between prices of new homes and the median price of existing homes or between new homes and regional average incomes are more likely to remain roughly consistent going forward. Based on these trends, we estimate the following ranges for affordability of new for-sale housing in Frog Pond East and South:

- New large-lot detached housing in Wilsonville will likely be affordable only to households earning more than 120% of MFI, and more expensive than most existing homes.⁷
- New small lot detached homes (on less than 4,500 SF lots) may sell for close to the median value of existing homes and are likely to be affordable mostly to households earning between 100% and 130% of MFI.
- New condominiums and townhouses will almost certainly sell for less than the median value of existing homes in Wilsonville and are likely to be affordable to households earning between roughly 70% and 100% of MFI depending on unit size.

Exhibit 2. Typical Sales Prices for Recently Built Housing by Housing Type, Wilsonville and Surrounding Area

Source: ECONorthwest Analysis of Redfin Data, October 2021



⁷ The median value of existing homes in Wilsonville is around \$600,000, affordable to homeowners at 122% of the area MFI for a family of four, or an annual income of \$118,220.

Exhibit 3. Housing Affordability as a Percent of Median Family Income* by Housing Type for Recently Built Housing, Wilsonville and Surrounding Area

Source: ECONorthwest Analysis of Redfin Data, October 2021'

* Median family income from HUD for Clackamas County for a four-person household

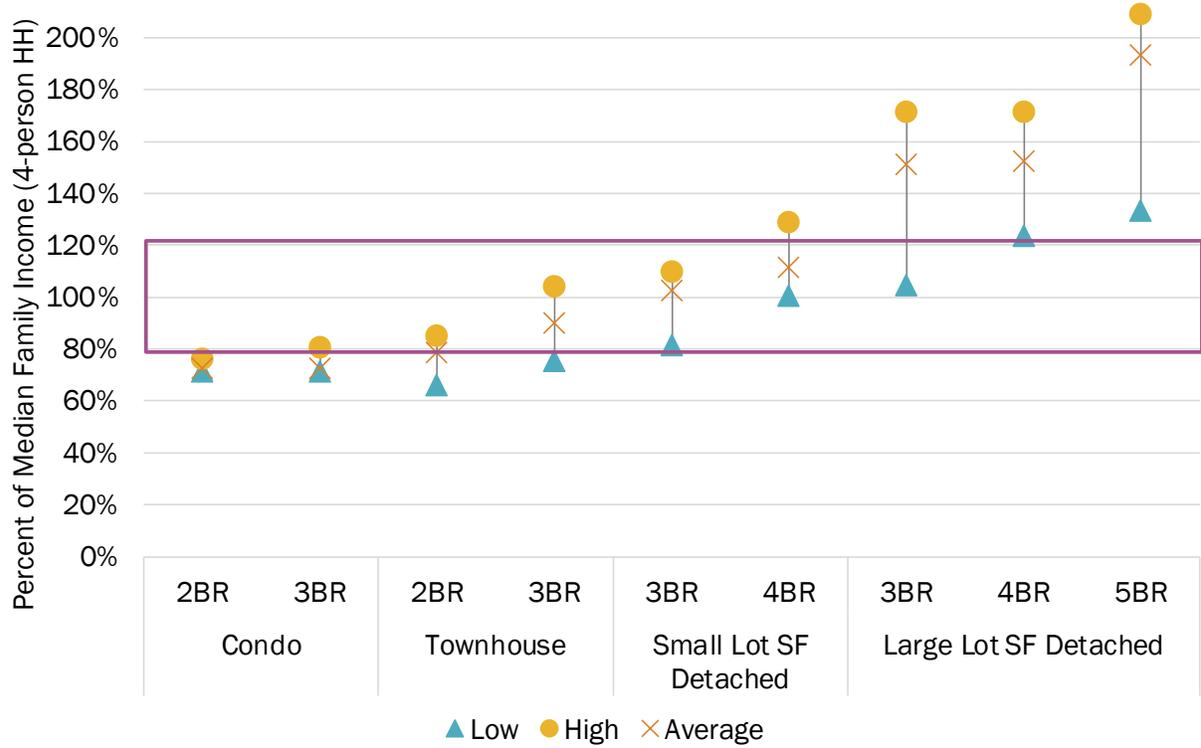


Exhibit 4: Sales Price, Income Required, and Income as a Percent of MFI for Newer Housing in and near Wilsonville, by Housing Type, 2021

Source: ECONorthwest Analysis of Redfin Data, October 2021

	Condo		Townhouse		Small Lot SF Detached		Large Lot SF Detached		
	2BR	3BR	2BR	3BR	3BR	4BR	3BR	4BR	5BR
Low Sales Price									
Sales Price	\$300,000	\$300,000	\$300,000	\$350,000	\$402,500	\$502,500	\$525,000	\$625,000	\$675,000
Annual income needed to afford mortgage	\$69,110	\$69,110	\$64,110	\$73,290	\$78,940	\$97,310	\$101,440	\$119,810	\$128,990
Annual income needed as a percent of MFI*	71%	71%	66%	76%	82%	101%	105%	124%	133%
High Sales Price									
Sales Price	\$325,000	\$350,000	\$400,000	\$500,000	\$552,500	\$652,500	\$875,000	\$875,000	\$1,075,000
Annual income needed to afford mortgage	\$73,700	\$78,290	\$82,480	\$100,850	\$106,490	\$124,860	\$165,730	\$165,730	\$202,470
Annual income needed as a percent of MFI*	76%	81%	85%	104%	110%	129%	171%	171%	209%
Average Sales Price									
Sales Price	\$307,700	\$307,400	\$365,300	\$426,700	\$513,800	\$560,000	\$769,900	\$775,800	\$990,600
Annual income needed to afford mortgage	\$70,520	\$70,470	\$76,110	\$87,390	\$99,380	\$107,870	\$146,420	\$147,510	\$186,970
Annual income needed as a percent of MFI*	73%	73%	79%	90%	103%	112%	151%	153%	193%

*As compared to 100% MFI for a four-person household in Clackamas County. Orange indicates less affordability; blue indicates greater affordability.

Rental Housing: Market-Rate Apartments

Looking at the range of rents and unit sizes for apartments built in Wilsonville since 2010, there is a wide range of unit sizes and rents, as shown in Exhibit 5.

Exhibit 5: Wilsonville Apartment Unit Sizes, Mix, and Rents, Developments Built Since 2010

Source: ECONorthwest analysis of CoStar data, November 2021

Unit Type	Most rent for	Average rent is	Most units are	% of Units
Studios	\$1,123	\$1,123	544 SF	4%
1 bedroom	\$1,277-\$1,667	\$1,599	1,275 - 1,630 SF	28%
2 bedrooms	\$1,651-\$1,902	\$1,778	1,020 - 1,110 SF	57%
3 bedrooms	\$2,154-\$2,263	\$2,203	2,150- 2,265 SF	5%
4 bedrooms	\$2,664-\$3,284	\$2,871	2,664 - 3,284 SF	5%

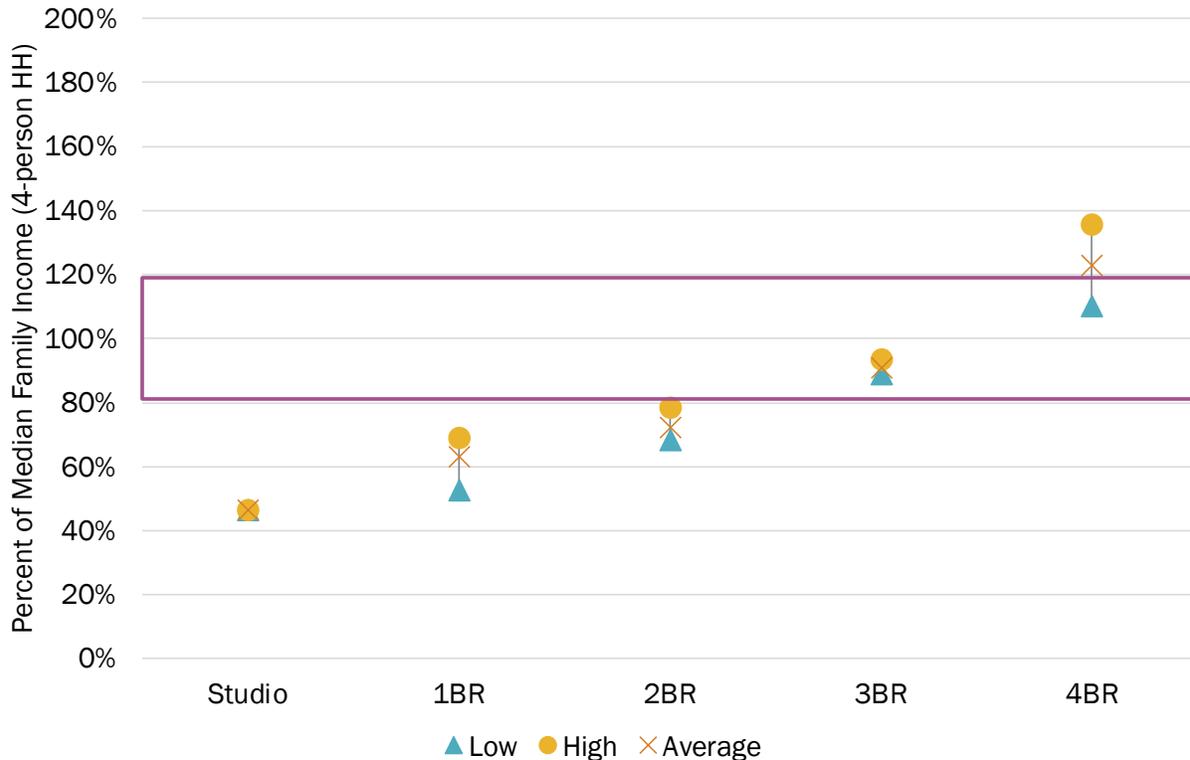
Converting these rents to the percent of MFI needed to afford them⁸ shows that even at the top end, apartment units in newer buildings are generally affordable at or below 80% of MFI for a four-person household, and often around 80% of MFI, as shown in Exhibit 6. Very small studio units may be even more affordable, while very large four-bedroom units may be less affordable, but the bulk of units in newer apartments in Wilsonville would be considered affordable for households earning between 65% and 90% of MFI. New apartments would typically be expected to rent for near the upper end of this range (roughly 80% to 90% of MFI), assuming they have good access to amenities.

⁸ In setting maximum allowed rents by unit size / bedroom count, HUD uses an assumed household size and multiplier relative to the MFI for a family of four. However, to allow for comparison to the income distributions, which are not adjusted for household size, we use the MFI for a four-person family throughout even though it is not realistic to expect a four-person family to occupy a studio apartment.

Exhibit 6: Wilsonville Apartment Rent Affordability as a Percent of Median Family Income* by Unit Size, Developments Built Since 2010

Source: ECONorthwest Analysis of CoStar Data, November 2021

* Median family income from HUD for Clackamas County for a four-person household



Section 5. Affordable Housing Targets

The City does not control housing pricing and affordability directly, but there are many factors that the City does control that affect how much housing is likely to be produced within different affordability levels. Setting reasonably achievable affordable housing targets for the Frog Pond East and South neighborhoods is intended to guide the City’s strategies and policies for this area so that the resulting neighborhoods offer housing options for households at a range of income levels.

Reference Points

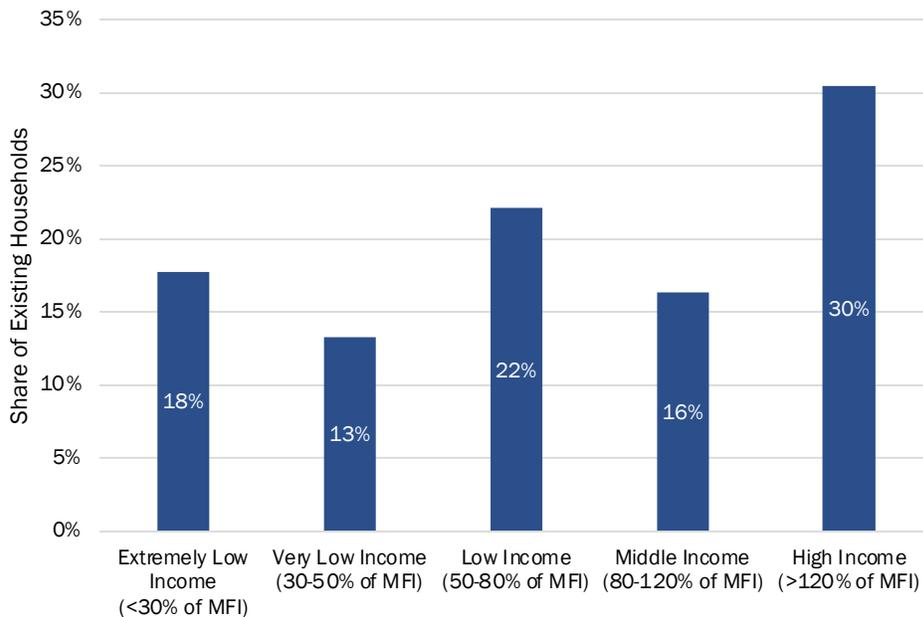
In setting an appropriate and achievable affordable housing target, it is helpful to consider multiple reference points that inform the distribution of housing that may be needed and that may be possible. This section outlines several reference points for housing distribution by affordability level: current income distribution in Wilsonville, current regional income distribution, existing housing gaps at the City and County scale, and the distribution expected based on prior plan policy direction and existing affordable housing tools. These reference points are intended to inform establishing achievable affordable housing targets for Frog Pond East and South, which will ultimately be determined by City Council.

City of Wilsonville Income Distribution

This reference point offers one way of understanding what it would look like for this area to contribute proportionately to meeting overall housing needs for the city. However, this approach does not consider the specific types of housing needs that may best be met in the new growth area versus other areas of the city, and it does not account for changing demographic needs or needs that are not currently met in the city. The current distribution of Wilsonville households based on how their household income compares to the MFI for Clackamas County for a four-person household is shown in Exhibit 7.

Exhibit 7. Wilsonville Households by Percentage of MFI, 2021

Source: American Community Survey, 2019, 5-year estimates

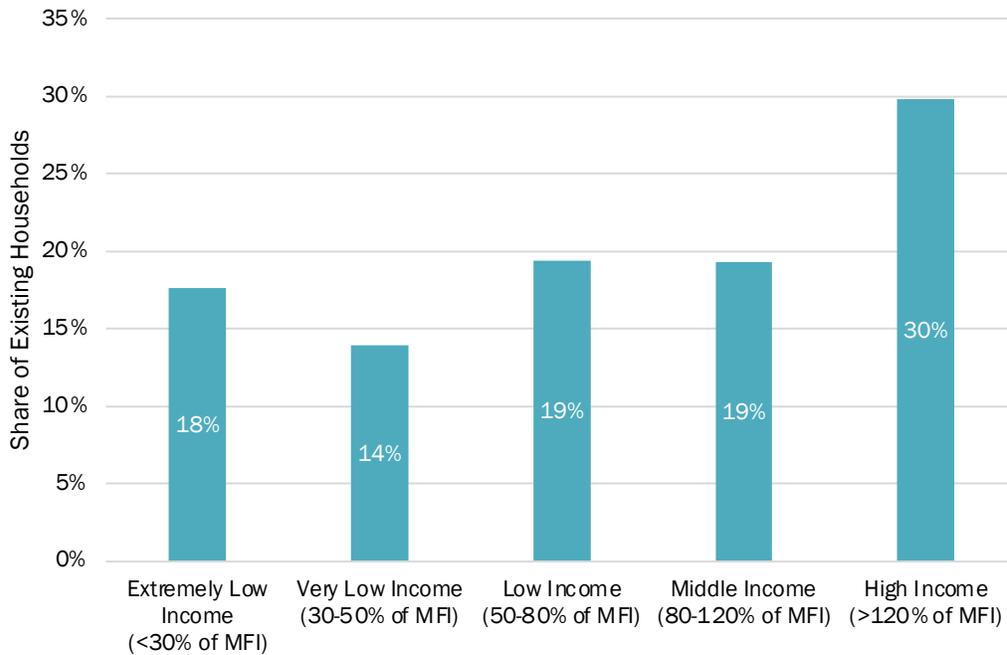


Regional Income Distribution

Looking at overall regional income distribution can be useful to highlight housing affordability levels and incomes that may be under-represented in Wilsonville compared to the region as a whole. It provides a sense of what mix of housing affordability levels would best meet the needs of people living in the region as a whole. The current distribution of households by income level in the three-county Portland region is shown in Exhibit 8. In the region overall, the share of middle-income residents is somewhat higher than in the city of Wilsonville, while the share of low-income residents is somewhat lower. The share of extremely low income and very low-income residents is similar in the City and in the region overall.

Exhibit 8. Portland Region Households by Percentage of MFI, 2021

Source: American Community Survey, 2019, 5-year estimates

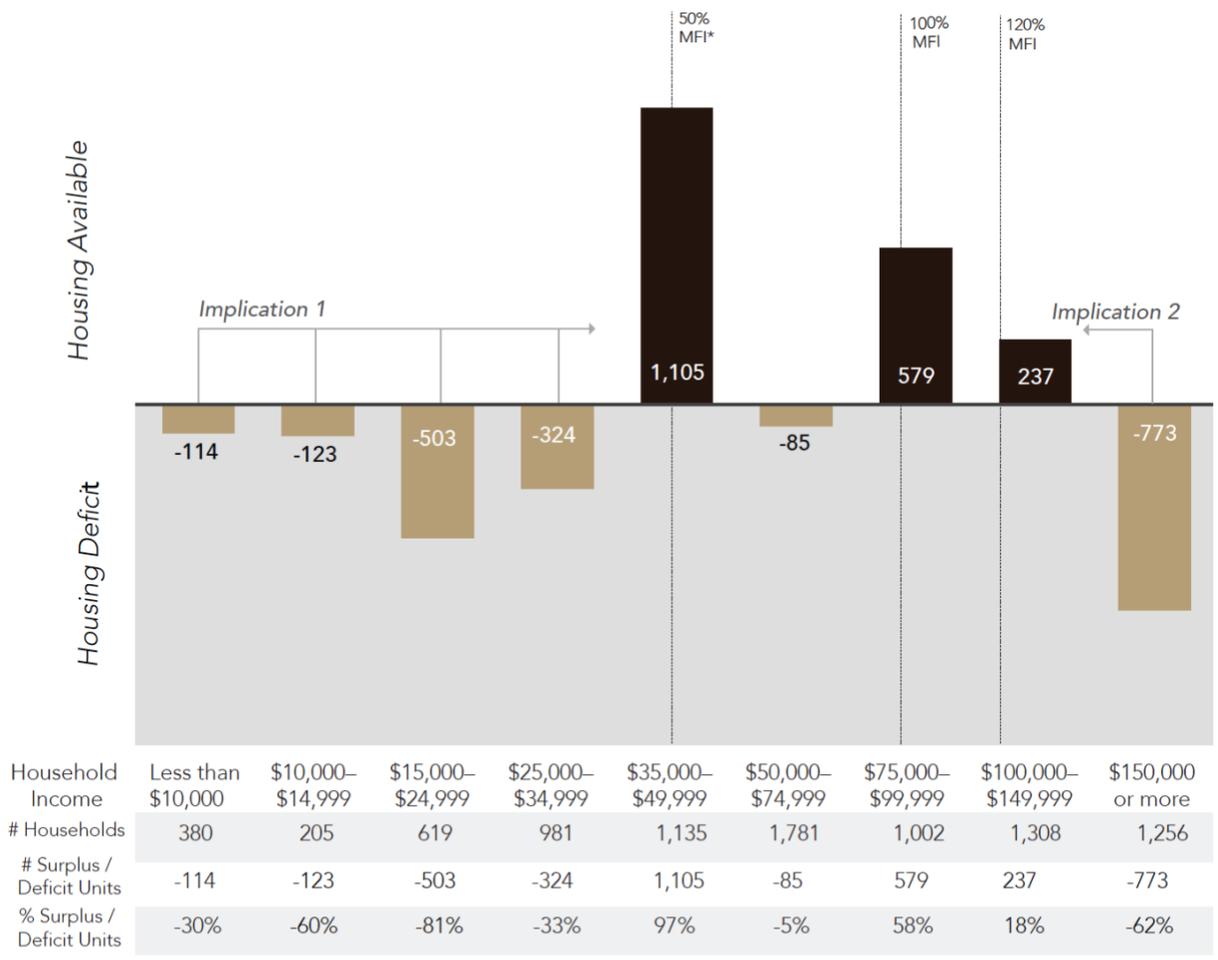


Current City and County Housing Gaps

Based on the most recent Housing Needs Analysis for the City of Wilsonville (which was done as part of a county-wide Housing Needs Analysis in 2018), there is a deficit of housing units for households earning less than \$35,000 per year, but also a deficit of high-amenity housing for households earning more than \$150,000 per year.

Exhibit 9: Affordable Housing Costs and Units by Income Level, Wilsonville, 2018

Source: Clackamas County Regional Housing Needs Analysis, page 281



*Median Family Income for a family of four

Implication 1

Some lower-income households live in housing that is more expensive than they can afford because affordable housing is not available. These households are cost burdened.

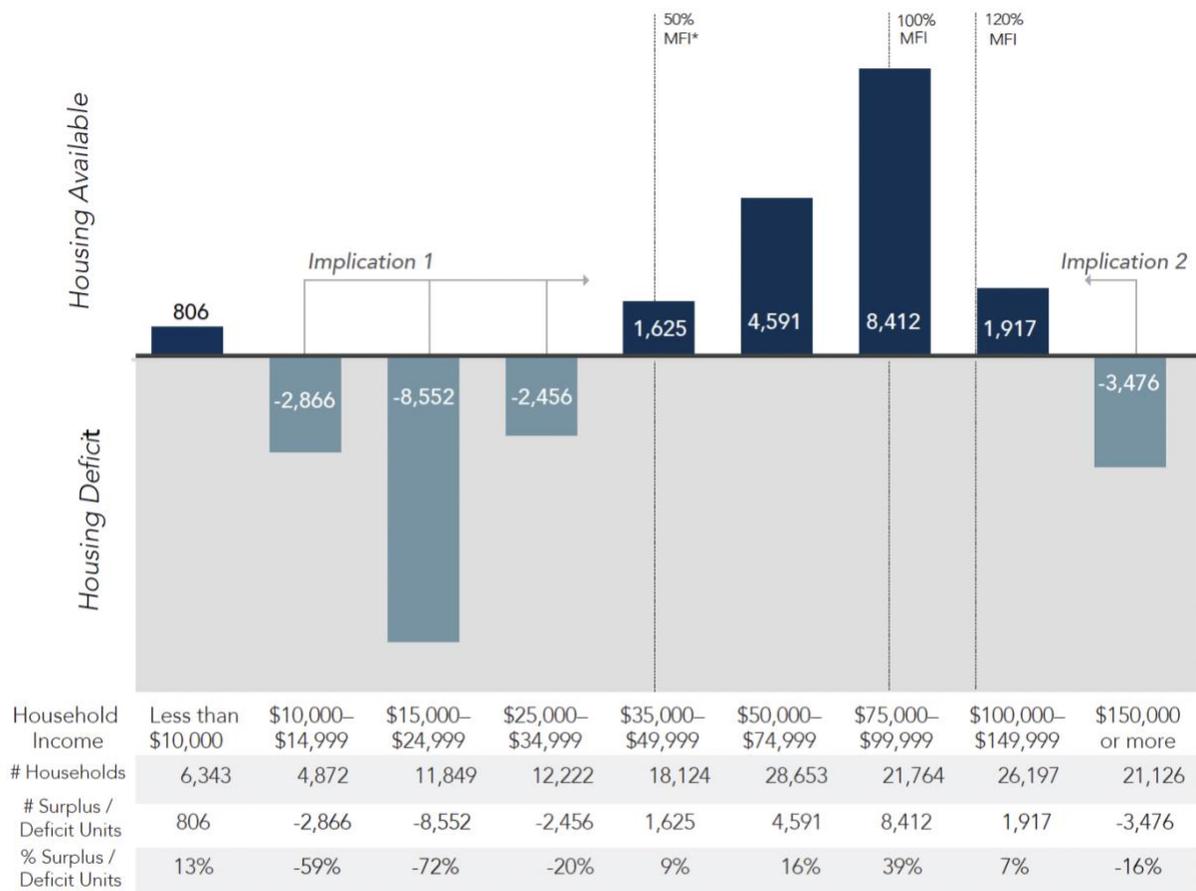
Implication 2

Some higher-income households choose housing that costs less than they can afford. This may be the result of the household's preference or it may be the result of a lack of higher-cost and higher-amenity housing that would better suit their preferences.

The overall housing gaps for Clackamas County also show a deficit of housing for households earning less than \$35,000 per year and high-amenity housing for households earning \$150,000 or more.

Exhibit 10: Affordable Housing Costs and Units by Income Level, Clackamas County Overall, 2017

Source: Clackamas County Regional Housing Needs Analysis, page 74



*Median Family Income for a family of four

Implication 1

Some lower-income households live in housing that is more expensive than they can afford because affordable housing is not available. These households are cost burdened.

Implication 2

Some higher-income households choose housing that costs less than they can afford. This may be the result of the household's preference or it may be the result of a lack of higher-cost and higher-amenity housing that would better suit their preferences.

This reference point suggests a focus on expanding housing supply at the top and bottom of the income spectrum. Providing high-amenity housing for higher-income households can reduce upward pressure on prices for older homes that could be remodeled, while providing housing affordable to lower-income households can reduce cost-burdening and allow households more resources to meet their other needs and remain more stable in their housing.

Prior Area Plan Policy Direction & Existing Affordable Housing Tools

This reference point anticipates the outcomes that would be most likely for this area if the City maintains the policy direction from the Area Plan and does not implement any additional strategies to support affordable housing in this area. It provides a reference point for a policy baseline to see how much intervention may be required to achieve the City's equitable housing

goals in this area. The distribution of housing units by type / density established in the Frog Pond Area Plan is summarized in Exhibit 11 and Exhibit 12. As described in the Area Plan:

At the time of adoption there were two general proposals regarding residential land use in the East and South Neighborhoods. The first proposal was the Planning Commission-recommended option (Option G), with the condition to re-examine the R2.5 densities and commercial site location at a future date of master planning. The second proposal was that there should be a minimum lot size of 4,000 square feet. The Council considered these proposals carefully, along with all of the rationale, implications and issues. Working from the premises that: (1) both points of view should be honored and represented in the Plan; (2) many years will pass before final decisions need to be made; and (3) the range of housing choices and price ranges should increase in the future when these neighborhoods are developed – the Council struck a balance. The balance was to include both options in the Plan with a commitment to revisit the densities and commercial site in the future as part of master planning. An additional idea was added to consider, during Master Planning, neighborhood scale mixed use, where residential would be allowed over the retail in the commercial center.⁹

The primary difference for purposes of this document is that Option G included an allowance for attached / cottage single-family, with lots between 2,000 and 3,000 square feet. Neither option included an allowance for multifamily housing. As noted above, the City must provide for at least 1,325 units in this area (Option H would provide only 1,258) and must allow attached / cottage single-family and other middle housing types in any zone that allows single-family housing.¹⁰ Thus, ECONorthwest used Option G as a starting point for this scenario, since it aligns better with recent requirements.

⁹ Frog Pond Area Plan, A Concept Plan for Three New Neighborhoods in East Wilsonville, 2015, page 24.

¹⁰ While Option G did not assume that middle housing would be allowed throughout the East and South neighborhoods, the total percentage of middle housing and small lot detached housing, at roughly one third of all housing units, remains a reasonable estimate of the amount of middle housing and small-lot detached housing that the market might deliver in this area after accounting for HB 2001.

Exhibit 11. Land Use Metrics and Capacity "Option G"

Source: Frog Pond Area Plan, A Concept Plan for Three New Neighborhoods in East Wilsonville, 2015

Residential Designation	Average Lot Size (SF)	Max Units/ac net	East Neighborhood Units	South Neighborhood Units	East+ South Units	% of East + South Units
Future R-8 Single Family (7,000 - 9,000 SF)	8,000	5.40	120	28	148	11%
Future R-6 Single Family (5,000 - 7,000 SF)	6,000	7.30	125	162	287	22%
Future R-4 Single Family (3,000 - 5,000 SF)	4,000	10.90	165	286	451	34%
Future R-2.5 (2,000 - 3,000 SF)	2,500	17.40	436		436	33%
Total Units			846	476	1,322	100%

Exhibit 12. Land Use Metrics and Capacity ("Option H" - No R2.5 in East Neighborhood)

Source: Frog Pond Area Plan, A Concept Plan for Three New Neighborhoods in East Wilsonville, 2015

Residential Designation	Average Lot Size (SF)	Max Units/ac net	East Neighborhood Units	South Neighborhood Units	East+ South Units	% of East + South Units
Future R-8 Single Family (7,000 - 9,000 SF)	8,000	5.40	120	28	148	13%
Future R-6 Single Family (5,000 - 7,000 SF)	6,000	7.30	125	162	287	25%
Future R-4 Single Family (3,000 - 5,000 SF)	4,000	10.90	437	286	723	62%
Future R-2.5 (2,000 - 3,000 SF)	2,500	17.40				0%
Total Units			682	476	1,158	100%

To translate this housing mix into an expected distribution by income level, ECONorthwest used the expected pricing of market-rate housing by housing type summarized in Section 4:

- The Future R-2.5 units are assumed to be primarily middle housing similar to townhouses based on the density and housing types described for this zone. Given estimated pricing, these units would generally be affordable to households between 80% and 120% of MFI.
- Small-lot detached housing ranges slightly above and below 120% of MFI. Half of the R-4 housing units are assumed to be affordable at 80-120% of MFI, while the other half are assumed to be affordable to households at 120% or more of MFI.
- Medium- to large-lot single-family is affordable only above 120% of MFI. All of the R-6 and R-8 units plus half of the R-4 units are assumed to be affordable to households earning 120% or more of MFI.

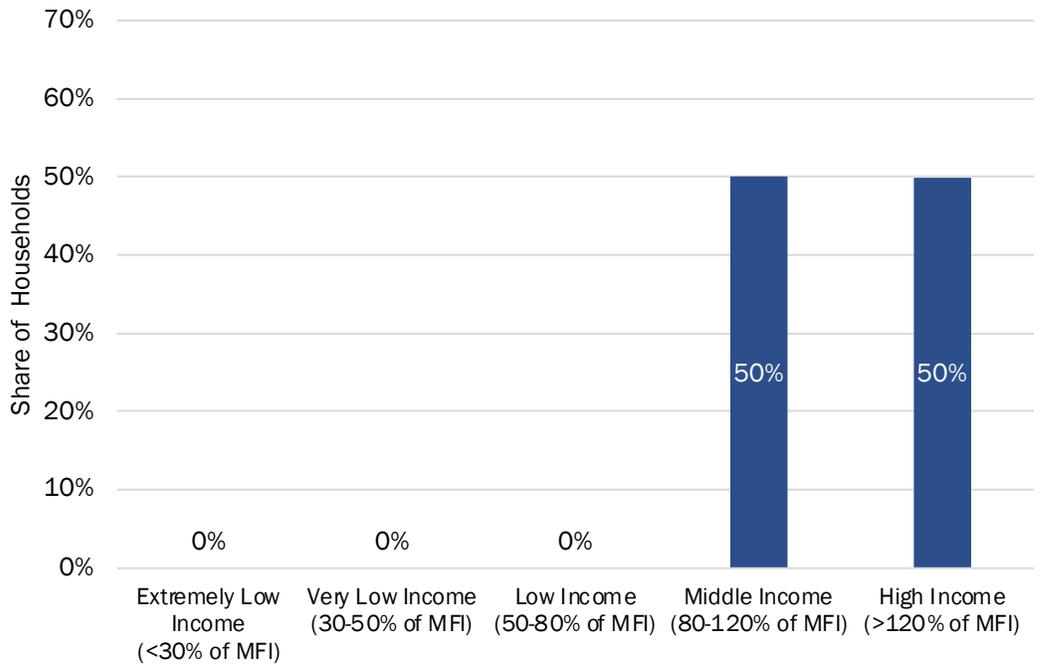
Because Option G did not include multifamily housing in the land use metrics, this reference point assumes that no regulated affordable rental housing or market-rate multifamily are built

in the area. While some affordable homeownership housing is possible under existing policy guidance, the City has no existing programs in place to support this, so the assumption is that this would not occur without additional support. These factors mean that the current policy guidance and existing programs would be unlikely to deliver housing to serve households earning less than 80% of MFI.

The expected distribution of housing by income level under existing policy is shown in Exhibit 13.

Exhibit 13: Expected Distribution of Housing by Affordability Level Under Existing Policy

Source: ECONorthwest calculations based on Frog Pond Area Plan Option G and market pricing



Proposed Affordable Housing Targets

The proposed affordable housing targets are intended to provide achievable goals for this area if the City addresses the constraints noted previously and implements a set of feasible strategies to support affordable housing. The types of strategies needed to meet these proposed targets are described in Section 6.

Given the context and the scale of the area, the City could target the following for publicly supported, income-restricted affordable housing development:

- One affordable multifamily rental development serving households earning up to 60% of MFI, or an average 60% of MFI, with income averaging that offers some units for households earning up to 80% of MFI. This would likely be between 120 and 180 units and roughly 30 units per acre based on typical development of this type, requiring four to six acres of land.

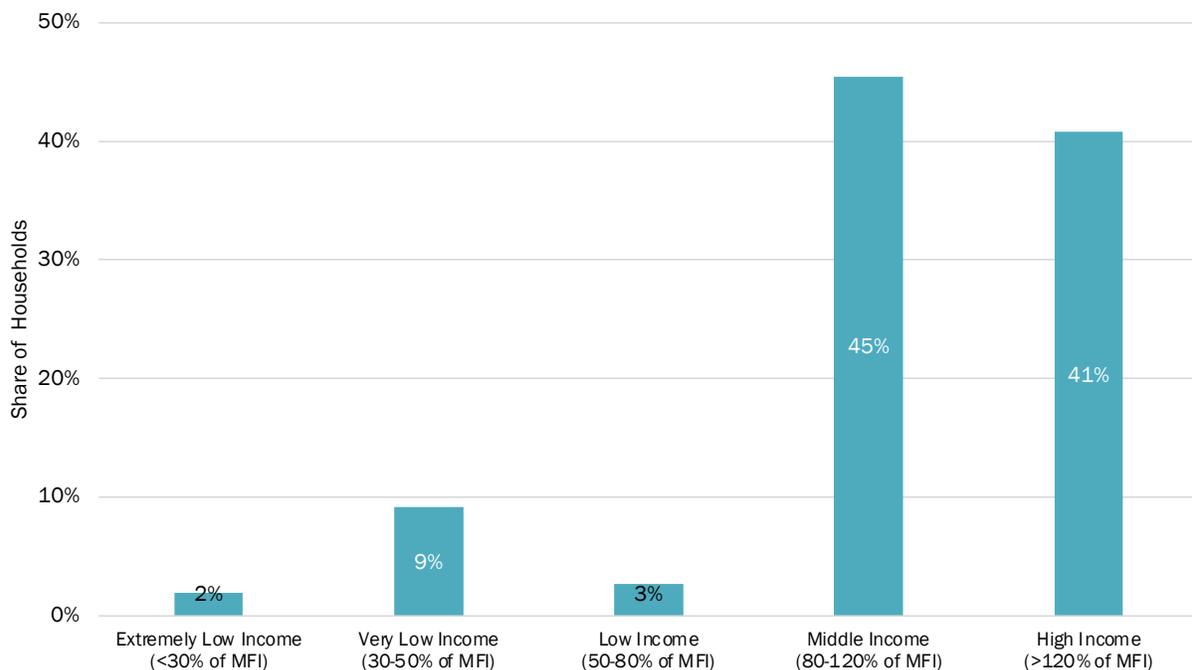
- One small cottage/tiny home/courtyard development for households earning less than 30% of MFI, low-income seniors, veterans, or people with disabilities. This could be between 5 and 50 units and might require between a quarter of an acre and two acres, depending on scale and design.
- One to two townhome or cottage cluster affordable homeownership developments for households earning 35% to 80% of MFI (e.g., Habitat for Humanity or Proud Ground). This could be between 10 and 40 units and might require between one and two acres, depending on scale and design.

In addition to these goals for income-restricted affordable housing, the City can target providing a mix of housing within the market rate development that offers roughly half of units that are likely to be affordable to households earning less than 120% of MFI. This could mean a similar mix of housing types as identified in Option G in the Area Plan (even if the locations for middle housing are no longer restricted), resulting in a roughly even split between housing for households earning 80% to 120% of MFI and households earning more than 120% of MFI for the market-rate for-sale housing. Allowing opportunities for some market-rate apartment development without ground floor commercial space to further expand the range of housing options for households earning less than 100% of MFI.

Error! Reference source not found. provides an illustrative example of the approximate distribution of housing by income level based on the ranges of units above and rough estimates of the amount of market-rate housing that could be built if the land above were dedicated to affordable housing. These estimates are preliminary and may be refined through the planning process.

Exhibit 14: Approximate Distribution of Housing by Income Level for Affordable Housing Target

Source: ECONorthwest

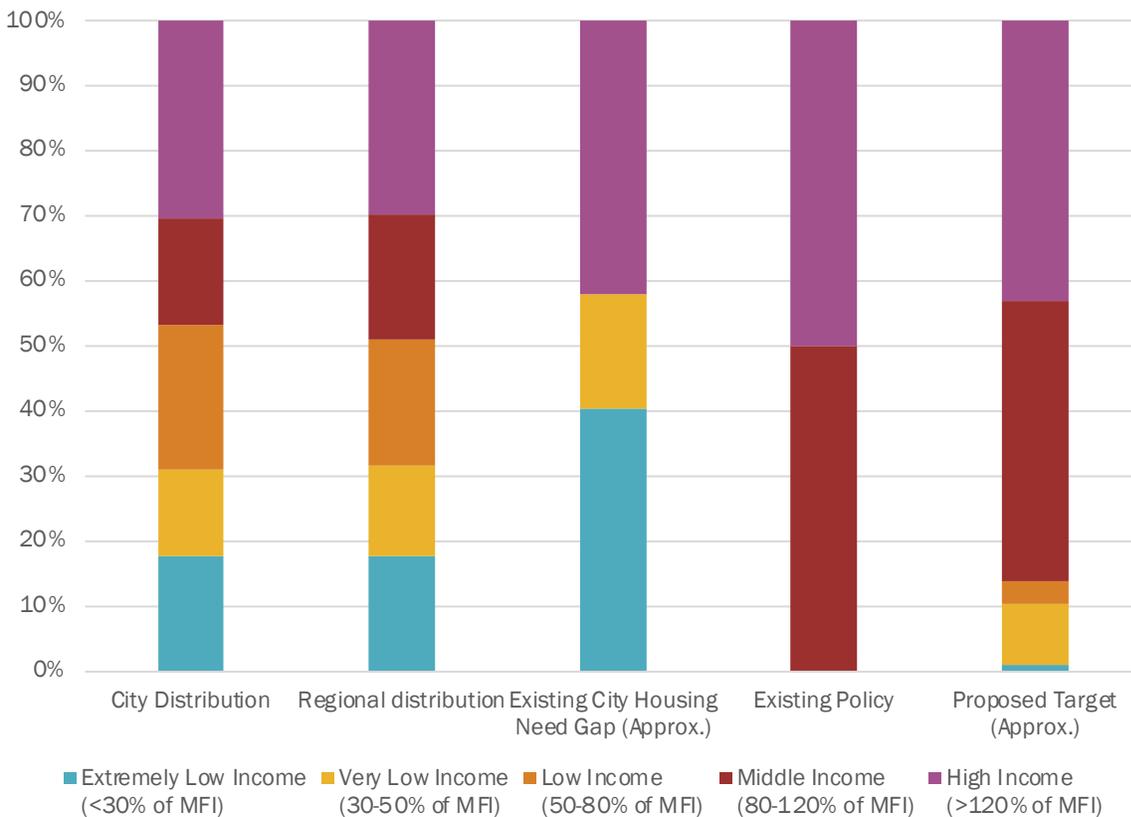


Comparison to Reference Points and Implications

Error! Reference source not found. summarizes the unit counts that would result from applying the distribution for each scenario to the 1,325 housing units required by Metro. (As noted previously, the total unit count may vary between the scenarios or be refined through the process of establishing land use scenarios—these unit counts are illustrative only at this stage.) Exhibit 15 illustrates the comparison between the scenarios in terms of the income distribution in each.

Exhibit 15: Distribution of Housing by Income Level for Housing Target Compared to Reference Points, Frog Pond East and South

Source: ECONorthwest



Implications:

- To reach the affordable housing policy directives from the Equitable Housing Strategic Plan with development in Frog Pond East and South the City will need to allow a full range of housing types and make investments to support affordable housing development.
- Even if the City does make changes to policy and takes action to dedicate funding to support affordable housing, the share of affordable housing is likely to fall short of meeting a proportionate share of overall housing needs at the City or regional level during initial build-out.

- Adding to housing supply across a range of affordability levels in Frog Pond East and South will help meet housing needs overall and would be a one step forward in a larger series of housing-related initiatives by the City, even if it does not match the overall distribution or address all the existing gaps for affordable housing.
- Middle housing and condominiums can offer homeownership opportunities to middle income households without public subsidy, making land use regulations and infrastructure funding decisions that affect the feasibility of multi-family and middle housing an important consideration for affordability.

Section 6. Affordable Housing Strategies

The City can support development of affordable and mixed-income housing in a number of ways. The EHSP lays out a range of strategies to advance the City’s equitable housing goals. The City will also be required to adopt a Housing Production Strategy (HPS) soon under recent changes to state rules, and will need to identify and prioritize strategies to support housing production across a range of housing needs. This section outlines the strategies that are likely to have the greatest impact for Frog Pond East and South, building on those in the EHSP.

- **Zone for All Housing Types:** Enable a full range of housing types in Frog Pond East and South, including multifamily, to expand first time homebuyer opportunities and to make it possible to build affordable rental housing using common sources of funding. Align zoning for multifamily with areas that are suitable for affordable housing. Flexibility needs to be in place to take advantage of affordable housing opportunities both now and during the longer-term build out of Frog Pond East and South.
- **Acquire Land for Affordable Housing:** Attempt to find willing sellers for suitable properties for affordable housing within Frog Pond East and/or South, to ensure an opportunity to build affordable housing in the area. This would likely require funding, particularly if the City intends to offer the land for affordable housing development for little or no cost to make affordable housing development more viable. However, the City could consider asking the current owner to ground lease the property to the City and have the development pay for it in future, or seek an option on a property rather than acquiring it outright. It would also require staff time to manage the property owner negotiations and (if successful), the land disposition process (e.g., a Request for Proposals for development). With private developers also seeking to secure land or options to purchase property, the sooner the City acts, the better its chances. The City should prioritize sites that meet the following criteria:
 - Close proximity to existing transit (e.g., the stop at Meridian Creek Middle School), or near an area that has a high probability of future transit service upon development.
 - Close proximity to parks, schools, future commercial areas, and other amenities.

- Sites that are between four and six acres of buildable land if targeting affordable rental housing; smaller sites (e.g., half-acre to two acres) for homeownership housing.
- Sites without major development constraints or especially costly infrastructure needs. Sites should not be in the floodplain.
- **Partner with a Community Land Trust:** A community land trust (CLT) such as Proud Ground could help deliver affordable homeownership housing in Frog Pond East and South. If the City is unable to secure land for affordable housing, it could explore other ways to support a CLT in building affordable homes, such as direct subsidy (e.g., using Metro Bond money), SDC waivers, or tax abatements (see further discussion below).
- **Waive, Reduce, or Defer SDCs for Affordable Units:** The cost of SDCs and other infrastructure costs for greenfield development can become prohibitive for affordable housing. Options to reduce SDC cost impacts on affordable housing will be addressed as part of the infrastructure funding plan for Frog Pond East and South to ensure that overall infrastructure needs can be met. Waiving SDCs entirely for income-restricted affordable housing has the greatest impact, but reductions and deferral can also help reduce the funding gap for affordable housing. This requires engagement with other infrastructure providers.
- **Incentivize Smaller and Lower-Cost Middle Housing:** Middle housing will be allowed broadly in Frog Pond East and South, and some developers have expressed interest in middle housing development in the area. Because middle housing generally offers lower price-points than single-family detached housing, it offers middle-income housing options and potential for lower-cost homeownership. There are several incentives that could be effective tools to support middle housing development that is affordable to middle-income households:
 - The Multiple Unit Property Tax Exemption (MUPTE) is a flexible program that can be used to incent multiple-unit rental housing with particular features or at particular price points by offering qualifying developments a partial property tax exemption for 10 years. The City could offer MUPTE for middle housing rental developments with small units that are more likely to be affordable. (The City could also choose to offer MUPTE only in exchange for income and rent restrictions, but would need to be able to monitor compliance with these restrictions over the 10-year abatement period.) This program requires support from overlapping taxing districts.
 - The Homebuyer Opportunity Limited Tax Exemption (HOLTE) program allows cities to offer a 10-year partial property tax exemption on for-sale properties valued at no more than 120% of the median sales price that meet any additional city-imposed income and owner-occupancy requirements. Portland has paired it with an SDC exemption to incentivize new moderately-priced for-sale housing. This program requires support from overlapping taxing districts.
 - SDCs that scale with unit size can also incentivize smaller, lower-cost middle housing units by right-sizing fees to the impacts of different housing types and sizes.

This will be considered through the infrastructure funding plan and requires engagement with other infrastructure providers.

- The City could consider allowing small “multiplex” development (e.g., 6-12 units) on sites that would allow a fourplex under new middle housing rules, if the units are under a certain size limit so that the overall volume of the building is still similar to a fourplex.
- **Reduce Multifamily Parking Requirements:** If the City adopts zoning for Frog Pond East and South that allows multifamily development in portions of the area, it should also evaluate reducing parking requirements for multifamily. (This could be done citywide or applied only within the Frog Pond East and South areas.) Currently, at least one space per unit is required, even for units less than 500 sq. ft.; most units require 1.25 to 1.75 spaces per unit. If parking requirements exceed what is needed to serve affordable housing, this adds cost to build spaces that do not generate revenue and reduces the number of units that fit on site. If land and funding are available for affordable housing, reducing parking requirements can ensure that it can be built efficiently and optimize the amount of housing on the site.
- **Incentivize Housing with Accessible or Visitable Units:** With substantial new housing construction coming for Frog Pond East and South, the City can encourage units designed to be accessible or visitable to better meet the needs of individuals with mobility limitations in the community. The City can apply some of the same incentives noted above to apply to accessible or visitable units, such as tax abatements, SDC reductions, or allowances to build additional units.

Section 7. Conclusions and Next Steps

If the City does not take further action to support affordable housing and does not change course from prior policy direction on housing types for Frog Pond East and South, there will be few opportunities for affordable housing and little chance that it will get built. If the City allows a full range of housing types and implements additional affordable housing strategies, particularly related to proactive land acquisition, the chances for affordable housing increase substantially. Financial and regulatory incentives could also encourage developers to build smaller, lower-cost housing units with or without income restrictions, or to build units that are accessible or visitable for residents with mobility limitations. These strategies align with those outlined in the EHSP and provide input to a future HPS.

While meeting a proportionate share of citywide or regional housing needs by income may not be possible for greenfield development, there are important opportunities for affordable homeownership and expanding housing options across a range of incomes and housing needs. The proposed housing targets include a mix of market-rate housing at typical price-points and a few affordable housing developments of various scales and forms. These targets are intended to be achievable with implementation of the recommended housing strategies. This area can play an important role in a broader citywide effort to provide needed housing. Additional work will

be needed to meet housing needs in other parts of the City that cannot feasibly be met in this greenfield area.

Next steps within this process include identifying specific properties that could help meet affordable housing targets; evaluating relationships to the infrastructure funding plan of potential SDC reductions or waivers; engaging affordable housing developers and other stakeholders to refine strategies; and subsequent work to learn more about community perspectives/preferences, which could lead to refinements in the targets and strategies laid out in this document.