



# AGENDA

Phone: 541-682-5481  
www.eugene-or.gov/pc

**Meeting Location:**  
Sloat Room—Atrium Building  
99 W. 10<sup>th</sup> Avenue  
Eugene, OR 97401

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The Eugene Planning Commission welcomes your interest in these agenda items. Feel free to come and go as you please at any of the meetings. This meeting location is wheelchair-accessible. For the hearing impaired, FM assistive-listening devices are available or an interpreter can be provided with 48 hour notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hour notice. To arrange for these services, contact the Planning Division at 541-682-5675.

## **MONDAY JANUARY 28, 2019 – REGULAR MEETING (11:30 am – 1:30 p.m.)**

### **A. PUBLIC COMMENT**

The Planning Commission reserves 10 minutes at the beginning of this meeting for public comment. The public may comment on any matter, **except for items scheduled for public hearing or public hearing items for which the record has already closed.** Generally, the time limit for public comment is three minutes; however, the Planning Commission reserves the option to reduce the time allowed each speaker based on the number of people requesting to speak.

### **B. HOUSING TOOLS AND STRATEGIES**

Staff: Anne Fifield AFifield@eugene-or-gov, 541-682-5451

### **C. ITEMS FROM COMMISSION AND STAFF**

1. Other Items from Staff
2. Other Items from Commission
3. Learning: How are we doing?

Commissioners: Steven Baker; John Barofsky; Tiffany Edwards (Vice Chair); Lisa Fragala; Chris Ramey; William Randall; Kristen Taylor (Chair)

**\*\*\*Please see January 28, 2019 Agenda for Meeting Materials\*\*\***

**AGENDA ITEM SUMMARY**  
**January 28, 2019**

**To:** Eugene Planning Commission

**From:** Anne Fifield, City of Eugene Community Development Division

**Subject:** Housing Tools and Strategies Update

**ISSUE STATEMENT**

This work session is an opportunity to provide an update to the Planning Commission on the Housing Tools and Strategies project. No action is requested.

**BACKGROUND**

Housing affordability and availability is a long-standing and growing problem in Eugene. In May 2018, Eugene City Council passed a motion to have staff implement a process to identify barriers to housing affordability, availability, and diversity, and to suggest, evaluate, and recommend possible strategies and tools to address the barriers. Staff presented the recommendations to City Council in December 2018.

**Goals**

The goal of the Housing Tools and Strategies project is to produce a set of short and long-term recommended actions for the City Council to consider. The recommended actions should implement the *Provide Housing Affordable to All Income Levels* pillar of Envision Eugene by:

1. Identifying barriers to housing affordability, availability, and diversity of type, such as ADUs, duplexes, cottage clusters, row houses, and other missing-middle types.
2. Identifying tools and strategies to effectively address the barriers in order to increase the supply of housing across the city.
3. Engaging stakeholders in identifying solutions that can be supported by the broad community as well as decision makers, while also highlighting areas with varying viewpoints for City Council consideration.

**Work Completed to Date**

A diverse group of stakeholders with broad perspectives in housing affordability, equity, development barriers, and community values was assembled as a working group. The working group met four times between September and November and had deliberative conversations about the 'wicked problem' of housing affordability, various interests held by different stakeholders, and options to advance as many interests as possible. A comprehensive report of the working group process is available within the Council's [December 10 meeting packet](#).

Staff presented a summary of the Housing Tools and Strategies process, and the recommended actions that received the highest levels of support from the Working Group to Council on

December 10, which included a proposal for a Construction Excise Tax (CET). In addition to the direct engagement with the Working Group, staff conducted research regarding best practices from other cities and collaborated with Better Housing Together, a community-led initiative with over 40 member-organizations working to increase the affordability, diversity and supply of housing in Lane County.

Better Housing Together conducted extensive outreach in 2018 with individuals who play a direct role in bringing housing to the market, including real estate professionals, affordable housing developers, architects, private builders, and others. They provided insight into how the City's policies and administrative procedures affect the cost and type of housing production in Eugene. Better Housing Together provided a list of proposed changes the City could make to reduce the cost of housing development.

Council returned to the topic on December 12, and staff provided Council with a "Proposed Actions Matrix", a three-page document that separated recommended actions from the Housing Tools and Strategies Working Group and Better Housing Together into three categories: administrative, land use code, and other codes and policies (**Attachment A**). Council directed staff to immediately implement the administrative actions and to return to Council in January 2019 to further discuss the recommended CET. City staff are now actively working to implement the administrative items.

Council also asked staff to come back to them this winter with proposed actions from the Matrix that will require code changes. Staff are working to take the simple, summary statements that were generated by the Housing Tools and Strategies Working Group and turn them into defined actions for Council to assess. Staff are scheduled to present these recommendations to Council on March 13, 2019.

Council discussed the recommended CET on January 14 (**Attachment B**). Council directed the City Manager to prepare a draft ordinance for Council consideration and to schedule a Public Hearing to create a CET to support an Affordable Housing Fund. The ordinance will include the following provisions:

- i. 0.33% tax rate effective July 1, 2019.
- ii. 0.50% tax rate effective July 1, 2020.
- iii. 1.0% tax rate effective July 1, 2021.
- iv. The CET rate would apply to residential and commercial types of construction, consistent with state statute.
- v. In addition to state-mandated exemptions, the following would be exempted from the CET: Affordable housing projects, projects receiving a Multi-Unit Property Tax Exemption (MUPTE), and houses priced at less than \$250,000.
- vi. Establish an advisory committee to recommend CET allocations.

- vii. The total CET imposed on any single or multi-phase project would be capped at \$1,000,000.
- viii. During the first two years (July 2019 – June 30 2021), the City will offset the cost of the CET paid by an applicant by an equivalent reduction in Systems Development Charges (SDCs).
- ix. During the first two years (July 2019 – June 30 2021), designate City funds, equivalent to the reduction in SDCs, to the appropriate SDC fund.
- x. Designate \$500,000 per year of City funds to the Affordable Housing Fund.
- xi. Council review of program every two years beginning in 2021.

### COORDINATION WITH ONGOING INITIATIVES

The Housing Tools and Strategies process overlaps with and complements other local and statewide initiatives already underway and will be coordinated with these efforts:

- **Land Use Code Audit.** Funded by a grant from the Oregon Department of Land Conservation and Development (DLCD). It is scheduled to be completed by June 30, 2019.
- **Clear and Objective Housing Criteria Approval Update.** On January 23, Council directed staff to prepare draft Code, based on concepts recommended by the Planning Commission.
- **Accessory dwelling units (ADUs)** ordinance, which was intended to address the legal requirements of Senate Bill 1051 (requiring local governments to allow ADUs in residential areas.) The ordinance was appealed to the Oregon Land Use Board of Appeals (LUBA), and was remanded to the City. Council will have the opportunity to take action on the remand on February 20.

### NEXT STEPS

- City Council will hold a Public Hearing on February 19 on the Ordinance to establish a Construction Excise Tax.
- City Council will hold a Work Session on February 20 on Accessory Dwelling Units.
- City Council will hold a Work Session on March 13 on the recommended actions from the Housing Tools and Strategies Working Group.

The Housing Tools and Strategies project includes a comprehensive [project website](#). Staff will continue to update the site with information as different initiatives progress.

### PLANNING COMMISSION ACTION

This is an informational item. No action is requested. However, the Planning Commission plays a key role in implementing the Envision Eugene pillar on housing affordability and will create recommendations for City Council on any legislative actions chosen to move forward, such as future land use code amendments. Additional updates will be scheduled to keep the

Commission apprised of progress on the Housing Tools and Strategies project.

**ATTACHMENTS**

- A. Housing Tools and Strategies-Proposed Action Matrix, dated December 11, 2018
- B. City Council AIS-Construction Excise Tax, January 14, 2019

**FOR MORE INFORMATION**

Staff Contact: Anne Fifield, Economic Strategies Manager  
Telephone: 541-682-5451  
Staff E-Mail: [AFifield@eugene-or.gov](mailto:AFifield@eugene-or.gov)

## PROPOSED ACTIONS MATRIX

The Housing Tools and Strategies Working Group (WG) and Better Housing Together (BHT) have generated nearly 100 actions that could address housing affordability, availability, and diversity in Eugene. The table below contains those actions that received the highest level of support from the WG and actions submitted by BHT technical work groups.

The actions are grouped by those that are administrative and can be implemented by staff and those that involve changes to the code that would require Council action to implement.

Information included in the table on the relative impact and complexity of the various items are rough estimates based on consultant and staff experience and are considered to be preliminary. The impact of many of these items is challenging to predict with any precision given the role of the housing market and the uncertainty of the results of individual code changes. Actions that are in progress are noted as are those that are likely to be addressed as part of larger processes underway, such as the work around the Land Use Code audit.

Proposed Actions to Address Housing Affordability, Availability and Diversity	Potential Impact-Preliminary Estimate	Complexity to Implement (\$ & Time)	Status	Source
<b>Administrative-Implemented by Staff</b>				
1. Streamline/speed up the permitting process. Prioritize staff dedicated to the building and land use permitting processes for certain housing types	High	High		WG
2. Use data to improve decisions and understand impacts	Low	Medium	In-Progress	WG
3. Encourage participation in Neighborhood Associations so they are more representative of the people living in the neighborhood	Low	Low		WG
4. Help low and moderate-income households purchase a home, such as navigators to support the purchase process and down-payment assistance, (help people move up the housing ladder)	Variable	High		WG
5. Create a housing action plan	Low	Low		WG
6. Build capacity with building industry to encourage missing middle housing	Unknown	Unknown		BHT
7. Standardize erosion control – consistent requirements	Low	Low	In-Progress	BHT
8. Streamline trench inspection process	Low	Low		BHT
9. Coordinate fee collection/permitting with EWEB	Low	High		BHT
10. Coordinate Fire/Wastewater/Building Inspector joint review of why BLI sites are not feasible for development	Low	Low		BHT

<b>Proposed Actions to Address Housing Affordability, Availability and Diversity</b>	<b>Potential Impact- Preliminary Estimate</b>	<b>Complexity to Implement (\$ &amp; Time)</b>	<b>Status</b>	<b>Source</b>
11. Create process for timely completion of environmental review to reduce delays	Moderate	Moderate	In-Progress	BHT
12. Develop City processes and culture that guide housing projects to successful outcomes, not only regulate	Moderate	Moderate		BHT
<b>Land Use Code-Requires Action from City Council</b>				
13. Enable more multi-family development along key corridors	High	High	*	WG
14. Improve the Clear and Objective standards	Variable	High	In-Progress	WG
15. Enable by-right housing options along key corridors	High	High	*	WG
16. Create a 'key corridor overlay' (with design standards), which allows multi-family development on all key corridors	High	High	*	WG
17. Revisit/revise land use code to allow for more tiny homes/tiny communities	Variable	Moderate	*	WG
18. Improve the adjustment review process for adaptive re-use	Variable	Moderate	*	WG
19. Complete land use code audit of regulatory barriers to housing	High	High	In-Progress	WG
20. Align Zoning map with Comprehensive Plan map (currently Metro Plan's Plan Diagram)	High	High		WG
21. Allow for additional housing units on major streets	High	High	*	WG
22. Complete land use code audit of process barriers to housing production	High	High	In-Progress	WG
23. Allow for more types of temporary housing	Low	Unknown		WG
24. Enable by-right housing options, including duplexes, triplexes, cottage clusters, and smaller homes on smaller lot sizes in all single-family zones	Variable	Moderate	*	WG
25. Revise land use code to encourage Accessory Dwelling Units (ADUs) in all single-family zones	Variable	Moderate	*	WG
26. Revise land use code to allow for development of more diverse "missing middle" housing types	Variable	Moderate	*	WG
27. Revise land use code to ease development standards for adaptive re-use (converting an existing non-residential building—such as a church—into residential)	Variable	Moderate	*	WG

<b>Proposed Actions to Address Housing Affordability, Availability and Diversity</b>	<b>Potential Impact- Preliminary Estimate</b>	<b>Complexity to Implement (\$ &amp; Time)</b>	<b>Status</b>	<b>Source</b>
28. Address cost, complexity and interpretation of storm water treatment requirements for rehabs, infill sites, etc.	Low	High		BHT
29. Allow construction permits for as many homes as legal lots concurrent with open planning action	Low	Unknown	*	BHT
30. Allow for concurrent subdivision and PUD applications	Moderate	Low	In-Progress	BHT
<b>Other Codes and Policies-Requires Action from City Council</b>				
31. Recalculate SDC's to address mismatch with ADU's vs home additions	Variable	Low		BHT
32. Recalibrate housing SDC's to encourage "missing middle housing"	Variable	Low		BHT
33. Create a better path for future utility delivery to sites in the Buildable Lands Inventory	Variable	High		BHT
34. Add pre-approved ADU plans	Variable	Moderate		WG
35. Identify new Revenue sources for Affordable housing units	High	High		WG
36. Expand Eugene's land banking program for Affordable housing; Identify more flexible funding sources	High	Moderate		WG
37. Develop a homeless shelter	N/A	High		WG
38. Delay the collection of SDCs until a property is ready to receive its certificate of occupancy	Low	Medium		WG/BHT
39. Create clear "small house" (800 sf or less) path that tracks through SDC's and permitting	Low	Low		BHT
40. Review tree valuation and revise removal fees for "not permissible" trees	Low	Moderate	In-Progress	BHT
41. Use local government bonds to fund the construction of Affordable housing developments	High	High		WG

\*Options in the Land Use code category could be identified through the Land Use Code Audit.



# EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



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## Housing Tools and Strategies-Construction Excise Tax

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Meeting Date: January 14, 2018  
Department: Planning and Development  
[www.eugene-or.gov](http://www.eugene-or.gov)

Agenda Item Number: A  
Staff Contact: Denny Braud  
Contact Telephone Number: 541-682-8817

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### ISSUE STATEMENT

Housing affordability and availability is a long-standing and growing problem in Eugene. In response to multiple work sessions on the topic, Council directed staff to implement a six-month process to identify potential tools and strategies available to the City to address housing affordability, availability, and diversity for all income levels. A key tenet of the direction was to include broad stakeholder engagement in the process. Staff summarized the community engagement process, the outcomes from that process, and recommended next steps for Council in early December 2018.

This Housing Tools and Strategies process identified a number of options to increase the inventory of affordable housing, including establishing a Construction Excise Tax (CET). Today's work session is focused on the option of establishing a CET as a local source of funding for an Affordable Housing Fund.

### BACKGROUND

The community and Council have clearly stated, in a variety of public engagement processes and policy documents, that an adequate supply of housing is a high-priority goal. One of the seven Envision Eugene Pillars is:

*Provide housing affordable to all income levels.*

The City has many programs and tools that aim to increase the supply of housing across the income spectrum. The problem, however, continues to grow.

In the first half of 2018, Council had multiple work sessions that focused on housing supply issues, covering accessory dwelling units, missing middle housing types, state laws that affect housing, and a construction excise tax. In these different work sessions, City Council asked for information that would provide actions to achieve specific outcomes:

- Reduce the cost to build diverse housing types at various levels of affordability;
- Establish a local funding source for affordable housing; and
- Support the Envision Eugene pillars.

At the end of May, Council directed staff to implement a process that would tie together the many overlapping initiatives and proposals that address housing issues. The goal of the process was to

provide Council with an objective, fact-based work product informed by stakeholder perspectives and to guide future policy decisions to achieve the above outcomes.

Staff implemented the Housing Tools and Strategies (HTS) project to meet this Council directive. The HTS project has had three basic elements:

- Identify housing issues through stakeholder engagement;
- Identify potential tools, strategies, and actions; and
- Evaluate potential tools, strategies, and actions.

Staff contracted with two consultants to support the HTS project: a professional facilitator (Carrie Bennett of *Learning Through Difference, LLC*) to implement the stakeholder engagement process and an economics firm (*Strategic Economics*) to provide technical analysis of the tools and strategies that can address the affordability of housing in Eugene.

### *Engagement Process*

The engagement process focused on assembling a Working Group of 36 stakeholders representing three broad categories: housing affordability, development barriers, and community values. The Working Group members agreed that the challenge of housing affordability in Eugene is indeed a problem and one that the City can and should act to address. The group agreed that the impacts of housing (un)affordability extend far beyond those experiencing the problem directly with negative impacts rippling throughout the community.

In all, the working group discussed and evaluated 83 different options of ways that the City might increase the affordability, availability, and diversity of housing in Eugene. The options fell into four broad categories:

- Strategy 1: Remove Land Code Barriers
- Strategy 2: Reduce the Time and Cost Burden for Development of Housing
- Strategy 3: Increase Inventory of and Access to Affordable Units
- Strategy 4: Other

In addition to the direct engagement with the Working Group, staff conducted research regarding best practices to address housing affordability. Staff looked both at best practices from other cities and collaborated with *Better Housing Together*, a community-led initiative with over 40 member-organizations working to increase the affordability, diversity and supply of housing in Lane County.

*Better Housing Together* conducted extensive outreach in 2018 with individuals who play a direct role in bringing housing to the market, including real estate professionals, affordable housing developers, architects, private builders, and others. They provided insight into how the City's policies and administrative procedures affect the cost and type of housing production in Eugene.

### *Triple Bottom Line Framework*

The project addressed the Triple Bottom Line framework (TBL) primarily from the standpoint of considering social equity, through the deliberate involvement of traditionally under-represented populations on the Working Group. Values related to economic prosperity and environmental

sustainability were surfaced by the group members as part of defining housing affordability as a 'wicked problem', and that it requires trade-offs between these values. Economic prosperity was also considered in the work done by Strategic Economics on the project. Participants were, in essence, considering the TBL as they deliberated with each on the various options to address barriers to housing affordability.

At the December 12, 2018 Work Session, Council directed staff to implement 12 items that are administrative in nature that can reduce the cost of constructing housing in Eugene. Staff are focused on moving these items forward as quickly as possible in 2019 and will keep Council updated on progress being made. At that time, Council deferred consideration of a CET until January 2019. Staff will also be bringing back for Council consideration the remaining recommendations identified through the Housing Tools and Strategies process that require Council action to implement.

#### *Construction Excise Tax (CET)*

In 2016, the State of Oregon passed SB 1533, which enabled local jurisdictions to adopt a CET to support the development of affordable housing. A CET is a one-time tax imposed on new construction, where an established tax rate (percentage) is multiplied by the permit valuation of the construction permit. The CET is assessed at the time building permits are issued.

SB 1533 allows up to a 1% tax for residential construction but sets no limit on a tax rate for commercial construction. A CET would apply to the costs of improvements to residential property that result in a new residential structure or a remodel that adds living space and on improvements to commercial and industrial real property that results in a new structure or additional square footage.

Based on Eugene residential and commercial construction activity over the two year period from April 2016-2018, it was estimated that a 0.33% CET would generate almost \$1.0 million, a 0.5% CET would generate roughly \$1.5 million and a 1% CET nearly \$3 million.

To date, at least nine jurisdictions in Oregon have adopted a CET.

#### **RELATED CITY POLICIES**

*There are multiple City plans and policies related to housing. The primary policy documents are briefly summarized below.*

#### **Eugene-Springfield 2015 Consolidated Plan**

The Consolidated Plan provides an assessment of local housing, homelessness, and community development needs, identifies priority needs for use of funds received from HUD, and presents strategies to address the priority needs. The Consolidated Plan adopted by Eugene City Council in 2015 identifies low-income renters as a priority population and includes five specific strategies for expanding affordable housing options and access for people with limited incomes. Staff will begin updating the Consolidated Plan in 2019.

## **Envision Eugene Community Vision**

The seven pillars, or community values, include *Provide housing affordable to all income levels*. Housing strategies in the 2012 recommendation include planning for a higher proportion of multi-family housing in the future, expanding housing variety and choice, assessing the applicability of a housing and transportation affordability index, supporting subsidized affordable housing projects, and continuing existing programs that support preservation and rehabilitation of existing housing stock.

## **Urban Growth Boundary Adoption Package**

Eugene's *Housing Needs Analysis* identifies a need for all housing types and price levels to meet the community's 20-year needs. In order to fit all of the community's needed housing inside the existing UGB, Council directed staff to continue existing incentive programs for higher-density housing downtown and to increase the minimum density requirement in the R-2 medium-density residential zone. Council direction also launched the Clear and Objective standards update, Urban Reserves planning, and a Growth Monitoring program.

## **COUNCIL OPTIONS**

Council options are:

**Option 1.** Direct the City Manager to prepare a draft ordinance for Council consideration and *schedule a Public Hearing* to create a Construction Excise Tax (CET) to support an Affordable Housing Fund. The CET would include the following provisions:

- i. 0.33% tax rate effective July 1, 2019.
- ii. 0.50% tax rate effective July 1, 2020.
- iii. CET rate would apply to residential and commercial types of construction, consistent with state statute.
- iv. In addition to state-mandated exemptions, the following would be exempted from the CET: Affordable housing projects, projects receiving a Multi-Unit Property Tax Exemption (MUPTe), and houses priced at less than \$250,000.
- v. Establish an advisory committee to recommend CET allocations.
- vi. The total CET imposed on any single or multi-phase project would be capped at \$1,000,000.
- vii. During the first two years (July 2019 – June 30 2021), the City will offset the cost of the CET paid by an applicant by an equivalent reduction in Systems Development Charges (SDCs).
- viii. During the first two years (July 2019 – June 30 2021), designate City funds, equivalent to the reduction in SDCs, to the appropriate SDC fund.
- ix. Designate \$500,000 per year of City funds to the Affordable Housing Fund.
- x. Council review of program every two years beginning in 2021.

**Option 2.** Direct the City Manager to prepare a draft ordinance for Council consideration *at a future work session* to create a Construction Excise Tax (CET) to support an Affordable Housing Fund with the provisions in Option 1.

**Option 3.** Amend Option 1 or Option 2

**Option 4.** Take no action at this time.

**CITY MANAGER'S RECOMMENDATION**

City Manager recommends Option 1.

**SUGGESTED MOTION**

Move to direct the City Manager to prepare a draft ordinance for Council consideration and schedule a Public Hearing to create a Construction Excise Tax to support an Affordable Housing Fund that includes the provisions described in Option 1.

**ATTACHMENTS**

None

**FOR MORE INFORMATION**

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