



TO: Mayor Hammerstad and City Councilors
Doug Schmitz, City Manager
Planning Commissioners

FROM: Dan Vizzini, Task Force Chairperson

RE: Final Report of the Affordable Housing Task Force

DATE: July 7, 2005

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The Affordable Housing Task Force respectfully presents its final report on housing needs in Lake Oswego. The report is the culmination of more than 12 months of work, involving more than a dozen business meetings and four major public events. Perhaps more important than the report itself, the Task Force has initiated an important public discussion about the future of Lake Oswego, and the need for greater housing choices for people who wish to live and work in our community.

The report contains ample demographic, economic and housing statistics to demonstrate a manifest need for comprehensive housing strategies for Lake Oswego. A persistent run-up in land values and the current rash of tear-downs threaten the balanced mix of housing options envisioned in the Lake Oswego Comprehensive Plan and required by Oregon's Statewide Land Use Goals.

Current housing trends raise particular concerns for seniors, employees of local businesses and public agencies, persons with disabilities, first-time homebuyers, and single parents. Responding to the needs of these targeted populations will require community-based initiatives that leverage market forces, and coordinate the efforts of private and non-profit housing developers, county and state housing agencies, local financial institutions, and faith-based organizations.

Effective housing strategies will respect the diverse characteristics of Lake Oswego neighborhoods, provide flexibility for developers while increasing safeguards to protect community quality of life, preserve existing housing stock wherever practical, provide incentives for new affordable housing units, establish design specifications that ensure clean and safe housing environments, and impose strict requirements on the management of housing developments, regardless of their affordability.

Lake Oswego has long recognized its social, economic, legal and moral responsibilities to provide housing options for people who wish to live and work in our community. The 1994 Comprehensive Plan update established detailed affordable housing policies to meet local housing needs and comply with statewide land use goals. Unfortunately, little has been accomplished since 1994 to comply with these policies.

The challenges that lie ahead are substantial. Long term success will require a consensus of community support, the investment of City resources and talents, and the coordinated cooperation of community groups, employers, developers, financiers, religious organizations and individual property owners. The Task Force report provides substantial documentation of the need for action, and provides a wealth of ideas and strategies to fulfill the community vision embodied in the Lake Oswego Comprehensive Plan.



CITY OF LAKE OSWEGO

**Final Report
Affordable Housing Task Force
City of Lake Oswego, Oregon
July 7, 2005**

ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

This is the final report of the Lake Oswego Affordable Housing Task Force. It represents more than a year of study, debate, and careful consideration by the members of the Task Force and many other members of the community.

On April 20, 2004, the Lake Oswego City Council adopted Resolution No. 04-28 (Appendix A), establishing the Ad Hoc Affordable Housing Task Force. The Council directed the task force to identify the segments of the population that need housing assistance, identify efforts that would benefit these populations, research the efforts of other communities, consult with metropolitan area housing experts, and make recommendations to achieve compliance with Title 7 of the Metro Urban Growth Management Functional Plan. Given that the City of Lake Oswego has planning responsibility for all of the area within the City's Urban Service Boundary (USB), including land that is outside the City limits, the proposals and recommendations presented in this report are intended to apply to the entire planning area.

As a result of this process the Task Force has reached a number of conclusions. These include:

- There is a need for more affordable housing in Lake Oswego. "Affordable housing," for purposes of this study, is defined as "living accommodations for low and moderate income households where they pay no more than 30 percent of their income on housing costs."¹ However, many existing residents are paying in excess of that amount for the housing that they have. Also, many people who work in the community cannot afford to live here. Five segments of the population have been identified by the Task Force for focused attention:
 1. First-time homebuyers, including the children/grandchildren of current residents;
 2. Single parents;
 3. Senior citizens;
 4. Employees of local businesses, organizations, public agencies and schools; and
 5. Low income individuals with disabilities, and families of people with disabilities.
- There are a surprising number of affordable housing units in the community, but many (probably most) of those existing units are threatened with destruction and replacement by more expensive housing.
- The trend of tearing down and replacing existing housing is a matter of serious concern to many members of the community. This issue overlaps concerns about affordability and is also a quality of life issue in many neighborhoods.

¹ This definition is based on guidelines established by the federal Department of Housing and Urban Development (HUD). For renters, 'housing costs' include rent and utilities. For homeowners, "housing costs" include principle, interest, taxes, and property insurance, if applicable.

- The portion of the City of Lake Oswego that is zoned for residential development is almost entirely built out. This fact contributes to higher prices and adds to the pressure for infill development – including the destruction of existing affordable units.
- Conventional housing, receiving no government subsidy or assistance, can be provided at affordable prices in other parts of the region. Given the scarcity of land and the land values of Lake Oswego, however, it is extremely unlikely that new housing can be constructed here and made available to households earning less than 80% of the region’s median income level without some form of subsidy.
- The City’s Comprehensive Plan has for some years contained language supporting housing diversity and encouraging affordability. Those Comprehensive Plan provisions have been only partially implemented.
- Federal funding for housing programs is being reduced, at the same time as the demand for such funds is increasing.
- There is a limited amount that the City can do to support the development or maintenance of affordable units in the community. This report lists a number of options that should be considered by the City Council. Some combination of these proposals could have a positive effect on affordability for at least some households in the targeted demographic groups. What the City can do to address the housing needs of the community, it should do.

PRIORITY RECOMMENDATIONS

The following list represents the actions recommended by the Task Force for priority consideration. A more complete list of the options considered by the Task Force can be found beginning on page 20 of this report. The Task Force also requests that this report be read in full by anyone interested in housing affordability, and that all options to increase housing affordability be considered:

- ❖ Establish an affordable housing trust fund that could be used to create, preserve, or maintain affordable housing in the community. Consider all possible sources of money that might contribute to the fund.
- ❖ Implement the City’s existing Comprehensive Plan policies to support a wide range of housing options. This includes a creative approach to both the types of housing and the manner of ownership. Complete a thorough review of all Community Development Code standards to determine whether they unnecessarily limit or preclude the provision of affordable housing. Having a more user-friendly Code would be of benefit to the providers of affordable housing and to the community overall while helping to implement the Comprehensive Plan. Maintain a commitment to periodically review and update both the Comprehensive Plan and Community Development Code, even if the State no longer requires such reviews.
- ❖ The Affordable Housing Task Force was formed as an ad hoc group to offer recommendations. Given that the Task Force has been meeting for a year in the preparation of this report, it is clear

that an on-going housing effort is needed within the City. The Task Force has suggested that a Housing Board or Commission be formed and that it be a broad-based community group, with adequate staff assistance, to carry out the implementation of this report and to continue to recommend housing policy to the City Council.

- ❖ Work with and support the efforts of community development corporations or other non-profit housing providers. The Clackamas County Housing Authority, Northwest Housing Alternatives, Clackamas Community Land Trust, Lake Oswego Transitional Shelter Ministry, Innovative Housing, Inc., and Habitat for Humanity are among the organizations providing these services in our area. Form partnerships with schools, service groups, or other organizations that may share an interest in affordable housing and the people it serves. A local foundation could be created, using the assistance of these groups. We can also seek the assistance of service clubs. They often have time, money, and expertise that can be used -- especially with such things as self-help housing, or housing rehabilitation programs.
- ❖ Establish through the Lake Oswego Redevelopment Agency (LORA) a minimum percentage of affordable units in all developments that receive the assistance of LORA. Note that the Portland Development Commission has set its standards for affordable units as high as 36% (and typically requires 20%) in its urban renewal areas.
- ❖ Work towards a goal of “no net loss” of existing affordable housing and explore incentives to preserve the community’s existing stock of affordable housing. Consider imposing a “tear-down fee” for housing that is razed, unless it is found to be uninhabitable. If affordable housing units cannot be retained, find ways to assure that displaced tenants with modest incomes are able to find equivalent housing in the community. Consider conditioning the conversion of rental housing to unit ownership on the availability of adequate replacement units for those tenants. Consider the same sort of dislocation/relocation program for the tenants of any affordable housing that is torn down or converted in a way that makes it no longer affordable to the tenant. Note that the City does not yet have a complete baseline of information about all of the affordable units that exist within the community. Such information will need to be retained and regularly updated if the City is to implement this sort of policy.
- ❖ Replace the current discretionary process in the review of secondary dwelling units (SDUs) with a set of ministerial (clear and objective) standards that address neighborhood differences. The only discretion in the current system really has to do with assuring the privacy of neighboring properties and that could be addressed through clear and objective standards. The current discretionary process unnecessarily discourages property owners from applying for SDUs. When the Code standards for SDUs are met, these units often go unnoticed in existing neighborhoods. Note the need for housing units to accommodate one or two-person households. Also note the language of the Comprehensive Plan which supports the creation of SDUs. Note that a sub-committee has been formed by the Task Force and is expected to recommend a comprehensive program to assist property owners in the creation of secondary dwelling units (see Appendix I).

- ❖ In implementing the Comprehensive Plan, assure that the differences from one local neighborhood to another are addressed in the process. Given the diversity of Lake Oswego neighborhoods, a “one-size-fits-all” approach is not likely to be successful.
- ❖ Support local efforts to establish employer-assisted housing to accommodate people who are employed in the community. A growing number of employers are realizing that assisting their employees to secure good quality, affordable housing near the workplace is good for business and good for the community. Note that Home Street Bank, with a branch in Lake Oswego, provides loans that help employers with workforce housing.

ANALYSIS OF NEED

Introduction

Although the average household incomes in Lake Oswego are considerably higher than the regional average, the fact remains that many Lake Oswego residents have difficulty affording suitable housing. The federal Department of Housing and Urban Development (HUD) determines the median income of each region of the country. For 2005, HUD established the official household income in the Portland area, for a family of four as \$67,900. In Lake Oswego, the median household income for a family of four is now believed to be in excess of \$95,000 (\$94,587 in the 2000 census).

The statistics also show that the income range of the population is wider than generally perceived. The 2000 Census noted that 223 Lake Oswego families had incomes below the poverty level. In addition, the 2000 census showed that 161 individuals over the age of 65 are living in Lake Oswego with incomes below the poverty level. Public elementary schools in the Lake Oswego School District provide lunches to lower income students as part of the federally funded National School Lunch program. Three schools provide lunches through that program to at least 10% of their students and one school within the district provides those meals to more than 15% of the student body. These facts are indications that high average incomes do not mean that every Lake Oswego resident has the ability to afford quality housing without some sort of assistance.

Based on the needs analysis presented below, the Task Force has identified five major population groups who have special housing needs and would benefit from housing assistance initiatives in Lake Oswego. These groups include low- and moderate-income persons including first-time homebuyers, single parent households, senior citizens, employees of businesses, service organizations, public agencies and schools, and persons with disabilities.

Definition of Affordable Housing

“Affordable housing,” for purposes of this study, is defined as housing that costs no more than 30% of the gross income of households making no more than 80% of the regional medium income. (For renters, ‘housing costs’ includes rent and utilities. For homeowners, ‘housing costs’ include principle, interest, taxes, and property insurance, if applicable.) For example, affordable housing for a family of four earning 80% of the \$67,900 regional median income, or \$54,320/year, would not exceed \$1,358/month. (.8 x \$67,900 = 54,320 x .3 = \$16,296 divided by 12 = \$1,358.)

For households earning 50% of regional median income, or \$32,900, housing that is affordable does not exceed \$822.50/month. Those households earning a minimum wage (in 2005), or approximately 21% of regional median income, can only afford housing that is at or below \$356/month. Finally, households living off of social security income alone, or roughly 17% of regional median income, cannot afford housing costing more than \$289/month.

Constraints or barriers to affordable housing in Lake Oswego

The single biggest impediment to the development or retention of affordable housing in Lake Oswego is the value of local real estate. Because the land costs so much, a large portion of the funds that could otherwise go for the development of new affordable units would have to be used for property acquisition. The few remaining affordable units face the prospect of demolition and replacement by more expensive homes. Even extremely solid and relatively expensive homes in Lake Oswego are routinely demolished and replaced by larger and more expensive units.

Partly because of the frequency with which smaller, older homes have been replaced by newer, larger units, Lake Oswego neighborhoods have become very sensitive to “infill development.” This also tends to complicate any efforts to provide new affordable units.

Lake Oswego also provides a limited range of geographic options for housing developers. With a limited, and largely developed Urban Growth Boundary area outside the current City limits, and relatively few vacant properties within the City, all sorts of housing development tend to be more expensive here than in communities where outward expansion can meet growth needs.

State Requirements

Statewide Planning Goal 10 (Housing) requires every city and county in Oregon to provide opportunities for housing at varied price ranges and rent levels, based on local needs. This goal specifies that each city and county must plan for and accommodate needed housing types (typically, multifamily and manufactured and subsidized housing). It requires local governments to inventory buildable residential lands, project future needs for such lands, and plan and zone enough buildable land to meet those needs. It also prohibits local plans from discriminating against needed housing types.

Metro Requirements

Metro requires local governments in the region to:

Adopt voluntary affordable housing production goals; the goals would serve as a guide to measure each local government’s progress.²

² The voluntary affordable housing production goals established by Metro for Lake Oswego between 2001 and 2006 were 185 housing units for households with incomes less than 30% of the regional median income and 154 units for households in the 30% to 50% income category. None of those units are anticipated to be provided by the end of that five-year period. Depending on the specific actions implemented by the City Council after the acceptance of this report, it should be possible to adopt a set of affordable housing production goals for Lake Oswego over the next 20 years. Many variables will have to be considered. For instance, is a given area going to be redeveloped as part of an urban renewal district? If so, will the

Adopt comprehensive plan changes that ensure a diverse range of housing types, maintain the existing supply of affordable housing, increase opportunities for new affordable housing and increase opportunities for households of all income levels to live within their individual jurisdictions in affordable housing; each local government determines how these are accomplished and could include the specific tools listed below.

Consider adopting affordable housing land-use tools and strategies such as:

1. allowing density bonuses;
2. providing for replacement housing;
3. encouraging voluntary inclusionary zoning;
4. allowing for transfer of development rights;
5. addressing elderly/disabled housing needs;
6. correcting existing regulatory constraints; and
7. reviewing surface parking requirements.

Provide affordable housing progress reports to Metro. Please see Appendix H for a copy of the progress report filed on January 2004, including an analysis of the seven tools and strategies listed above.

Adopted Comprehensive Plan

The following are the housing goals of the City of Lake Oswego's adopted Comprehensive Plan:

The City shall:

- a. Provide the opportunity for a variety of housing types in locations and environments to provide an adequate supply of safe, sanitary, energy efficient housing at price and rent levels appropriate to the varied financial capabilities of present and future City residents;
- b. Protect the character of existing neighborhoods; and,
- c. Provide for needed housing while protecting environmentally sensitive areas, using land and public facilities as efficiently as possible, and facilitating greater use of alternative transportation modes.

The complete text of the Goals, Policies and Recommended Action Measures of the Housing section of the adopted Comprehensive Plan can be found in Appendix C.

Samples of Data Collected

In order to get a more precise picture of the affordable housing needs in Lake Oswego, the Task Force gathered data and information from a variety of sources, including the U.S. Census, real estate

Redevelopment Agency require that a minimum percentage of housing units in the area be available at specific prices or rent levels? If so, how many units will be developed in the area?

databases, the Lake Oswego School District, and local churches who provide services to people in need. The following sections are a summary of the findings.

Lake Oswego Census Data

The 2000 U.S. Census provides ample information about the actual need for affordable housing for Lake Oswego residents: According to the U.S. Census, there were a total of 17,776 family and non-family households in Lake Oswego (zip codes 97034 and 97035) in 2000. The following is additional detail pertaining to need among the population in Lake Oswego:³

- 2,033 households, or 22% of homeowners, had monthly homeownership costs that exceed 30% of household income.
- 1,461 households, or 35% of renters, had monthly rental costs that exceed 30% of household income.
- 223 families were living below the federal poverty level.
- 1,864 persons between the ages of 21 and 64 were disabled.
- 1,253 persons over age 64 were disabled.
- 1,163 households were headed by persons over age 64, up from 904 in 1990, a 29% increase.
- 4,121 households (28% of the total) consisted of a single person.

The following is additional 2000 Census data focused on housing for the 97034 and 97035 zip codes combined:

- Total Housing Units: 18,866
- Units in Structure: 67% of residential structures are detached single-family dwellings. The second highest percentage is 5-9 unit structures at 7%.
- The most common rent range is \$800-899 at 17%, followed by \$1,000-1,249 at 15%.
- The median gross rent in 97034 was \$853 and in 97035 it was \$824.

Household Size Census data:

- The biggest percentage increase in households from 1990 to 2000 is of one-person households. From 1990 to 2000, the number of one-person households has increased from 3,164 to 4,121, from 25% to 28% of all households.
- From 1990 to 2000, the number of two-person households increased from 4,584 to 5,303, but they dropped in percentage from 37% to 36% of all households. Still two-person households are the highest percentage of households in Lake Oswego.
- From 1990 to 2000, the number of family households has increased from 8,544 to 9,665, but their percentage of all households has decreased from 68% to 65%.
- From 1990 to 2000, the number of non-family households has increased from 3,943 to 5,104 or from 32% to 35% of all households.

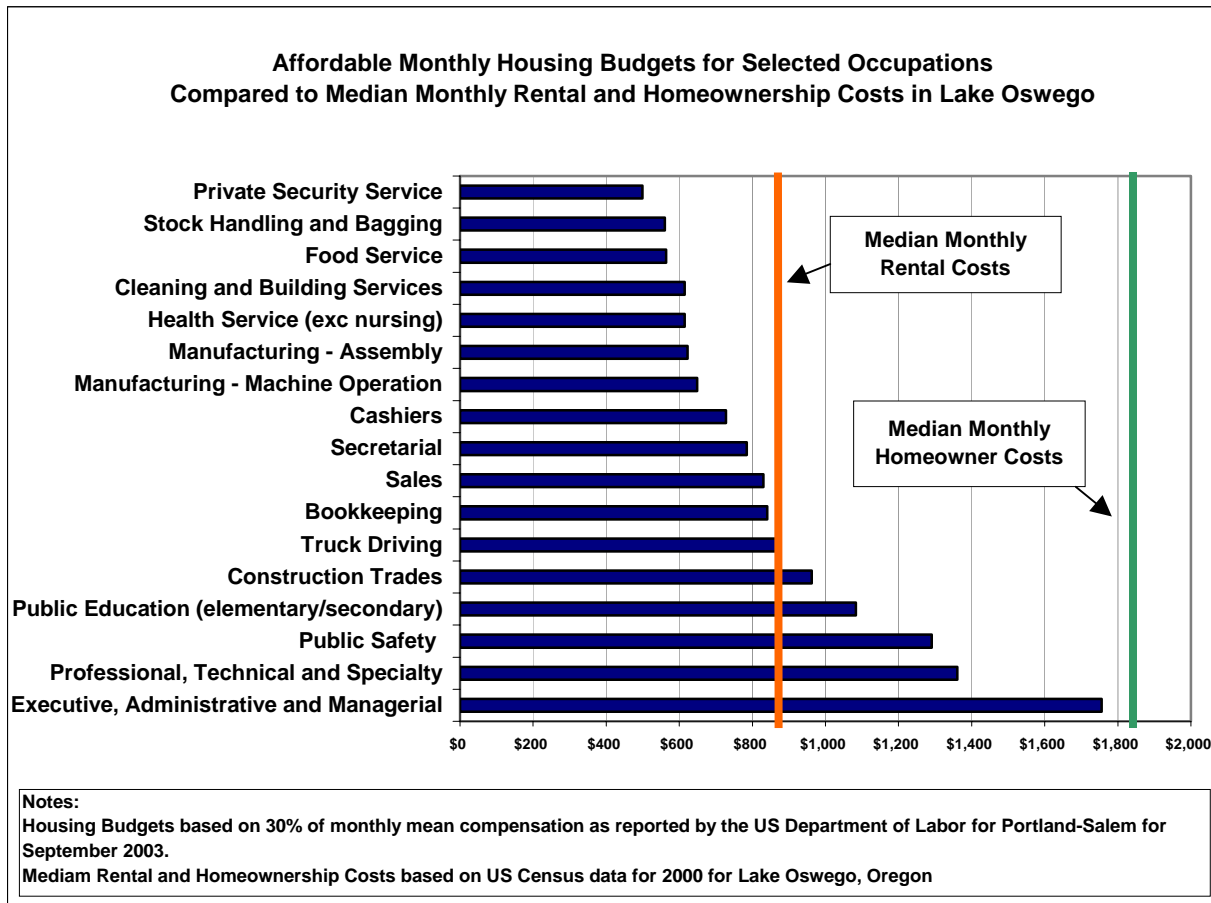
³ Note that these statistics are from 2000 and the population has since increased. Data at this level of detail is available only through the decennial U.S. Census. However, the total population for Lake Oswego in 2000 was 35,278 according to the U.S. Census, and the estimated population for July 1, 2004 is 35,930, according to the Oregon Annual Population Report published by the Population Research Center at Portland State University.

Employment and Income Data

Average annual employment in Lake Oswego totaled 17,578 in 2002 according to the Oregon Employment Department. That same year, the sectors employing the largest numbers of people in Lake Oswego were administrative and support services at 1,781, according to the 2002 Economic Census, followed by retail trade with 1,610, and accommodations and food service with 1,573. An undetermined number of these persons cannot afford to live in Lake Oswego, close to their places of employment. Census data reveal in fact that more than 84% of full-time City employees and 64% of School District employees live outside of the Lake Oswego area (97034 or 97035 zip codes).

This data spurred the Task Force to review the annual compensation of 17 typical occupations based on data provided for the Portland-Salem area by the U.S. Department of Labor’s National Compensation Survey. The data revealed that median homeownership costs in Lake Oswego would be unaffordable for persons in all 17 categories, and median rental costs in Lake Oswego would be unaffordable for persons in 11 of the 17 categories.

A chart illustrating this data is below.



Note: Assumes a single income source per household.

Data from the Lake Oswego School District

As stated in the introduction, four public elementary schools in the Lake Oswego School District provide lunches to lower income students as part of the federally funded National School Lunch program. To gather additional detail about this program, the Task Force looked at Title I data from the Lake Oswego School District to identify the percentage of disadvantaged students in the community and their needs. Title I is a federally funded program to help disadvantaged students meet the same high expectations of all students.

In Lake Oswego, there is one school which qualifies and receives this funding, the River Grove Elementary School, because it has the largest population of students who receive free or reduced cost lunches in the school district. The percentage of students at River Grove who receive free or reduced cost lunches is 20%, or 58 students out of a total of 296. The district average of students who received free or reduced cost lunches is 6.5%. Students qualify for free or reduced cost lunches based on household income. For example, a student in a household of four qualifies if the household annual income is \$34,873 or below.

At River Grove, the school is considered a “targeted-assisted school,” meaning that specific areas are targeted for student improvement. Reading and math have been designated as targets for supplemental instruction. In addition, the school provides social services to students in need as part of this program.

Statistics show that the number of students in Lake Oswego who qualify for this program is steadily increasing but the program’s budget is decreasing. The budget for Lake Oswego’s targeted assisted school program is \$164,000 for the current school year, while three years ago the budget was \$220,000. However, seven years ago, the percentage of students qualifying for this program at River Grove was 7% as opposed to today’s 20%. In addition, seven years ago, the district average of students receiving free or reduced cost lunches was 2%; today it is 6.5%.

Another component of the program is that school districts receiving Title I funding are required to collect data on the number of students who are homeless. Homelessness is defined as including a family living with another family because they do not have a home of their own. According to the Lake Oswego School District, there were 31 homeless students enrolled in January 2005.

The information from the Lake Oswego School District described above demonstrates that there is a growing population of households that would benefit from greater availability of social services and affordable housing opportunities.

ANALYSIS OF EXISTING HOUSING SUPPLY

Introduction

One key source of information used to determine future affordable housing needs is an analysis of the existing housing stock in Lake Oswego. To accomplish this, the Task Force conducted an inventory of the existing supply of housing in Lake Oswego, ranging from single-family homes to apartment

buildings. A priority for the Task Force in this effort was to gather data on the existing stock of multi-family rental housing, which in many communities, including Lake Oswego, is a primary source of affordable housing for low to moderate-income households.

The data below were gathered by a combination of methods, including the retrieval of real estate records provided by both the City of Lake Oswego and private realtors, and U.S. Census data. In addition, a telephone survey was conducted of managers of rental properties containing five units or more. It should be noted that the information presented below should not be considered a “definitive” housing inventory of Lake Oswego, as the data were gathered from several sources using different methods.

Single Family Homes

The 2000 Census showed that the housing values in Lake Oswego were among the highest in the region. For instance, the median housing value in Lake Oswego was \$296,200 and in the City of Portland it was \$157,900.⁴ According to Portland Oregon Housing Information and Statistics, a realtor-sponsored online newsletter, the average sales price in May 2001 in the Portland metro region was \$201,400. (The Portland metro region is defined by this organization to include Clackamas, Multnomah, Washington, Yamhill and Columbia counties.) In the Lake Oswego/West Linn area the average price was \$320,000. The same source reported that the Portland metro average sales price in May 2005 was \$278,100. In the Lake Oswego/West Linn area the average price was \$476,500. More recent reports indicate that the disparity between housing prices in Lake Oswego and those of the region continues to widen.

Additional findings for Lake Oswego based on 2005 geographic information service (GIS) data provided by the City:

- There are a total of 13,310 single-family residences within the Lake Oswego Urban Services Boundary (USB).
- 473 residences are valued less than \$150,000 (located in Lake Forest, Rosewood, Palisades and McVey)
- Average building sizes range from 1,629 square feet in Rosewood to 4,030 square feet in Stafford.
- Average lot sizes range from 7,375 square feet in Oak Creek to 54,511 square feet in Stafford.
- There are 1,200 condominium units.
- Average year built ranges from 1948 to 1990, depending on the neighborhood.
- 2,450 residences have land values in excess of building values.
- 2,157 residences were built prior to 1954

2-4 unit residences in zip codes 97034 and 97035

The following summarizes the total number and average values of duplexes, tri-plexes and four-plexes located in the 97034 and 97035 zip codes. According to this list, these residences could fall within an affordable price range.

⁴ The data on the following pages include both medians and mean averages. Median is defined as the middle value of a set of numbers arranged in increasing order. Mean average is defined as the value obtained by dividing the sum of a set of quantities by the number of quantities in the set.

Authority. The Section 8 program also includes “project based” housing whereby specific units in a privately-operated building are designated as subsidized housing. This is a separate program from publicly owned housing. The Clackamas County Housing Authority has jurisdiction over the Section 8 program for Lake Oswego.

According to the Clackamas County Housing Authority, there are 75 renter households in Lake Oswego who receive Section 8 housing vouchers. Plus, there is one Section 8 property in Lake Oswego, Hollyfield Village, which has 30 one-bedroom units for very low-income seniors over 62. They have a waiting list of 28, which projects to about two years.

Condominium Conversions

The State of Oregon Real Estate Agency provided the Task Force information on the number of filings for condominium conversions since 1998 in Lake Oswego. According to these data, 162 units have converted from rentals to condominiums since 1998. This breaks down to two buildings in 1999, one in 2001 and two in 2000. Given the limited affordable rental housing stock, these conversions over time are contributing to a loss of affordable housing, especially for those who cannot afford homeownership.

Information from other communities

Systems Development Charges (SDCs)

Several cities throughout Oregon have programs in place to either defer or waive systems development charges for affordable housing developments. Below are examples of four cities in Oregon that have adopted several measures to defer systems development fees for affordable housing developments. Other cities with SDC deferrals or waivers include:

- **Ashland.** The City currently defers SDCs for affordable housing projects for the initial developer/buyer. The SDC is secured by a second mortgage that is recorded, treated as a loan and accrues interest each year. If the home is sold to a subsequent non-qualified buyer, the principal and interest are due.
- **Salem.** SDCs are waived for housing provided by the Salem Housing Authority and any unit that receives city administered federal housing funds and is affordable to families below 80% of the Salem area’s median household income (MHI).
- **Eugene.** SDCs are waived for rental housing for low-income persons (less than 60% MFI) and owner-occupied housing for persons with less than 80% MFI.
- **Portland.** SDCs are waived for housing developments that are guaranteed to be affordable for 50 years, including fees for parks, transportation, water, sanitary sewer and storm water.

It should be noted that the policies above result in a loss of revenue to cities, and that local decision-makers need to take this into account and implement alternative solutions to prevent potential budget shortfalls.

Portland Urban Renewal Areas and affordable housing:

In Portland's Interstate Urban Renewal Area (URA), the URA Plan targeted 25% of the urban renewal resources for housing-related developments. (In Lake Oswego, no urban renewal funds to date have been targeted for affordable housing.)

Portland's River District Urban Renewal Area divided its affordable housing goals by income groupings, a 20-year target of 20-25% of units affordable to low and extremely low income households (1-50% MFI), and 20-30% of units affordable to moderate income households (51-80% MFI). According to a Portland Development Commission (PDC) report, 293 more units are needed to meet their production goals for households at 0-80% MFI.

COMMUNITY FORUMS SPONSORED BY THE TASK FORCE

The following section includes summaries from four meetings the Task Force held for the purpose of gathering information from different segments of the community.

Summary of Panel Discussion with housing experts: August 11, 2004

The following is an excerpt of the notes taken during a panel discussion sponsored by the Task Force on August 11, 2004.

Panelists: Norma Heyser, Trell Anderson, Martha McLennan, Nancy Yuill, Betty Dominguez, and Diane Luther

I. Purpose

The evening's panel discussion was conducted to give the Task Force and the community an opportunity to hear from six panelists with a wealth of creative ideas and personal experiences.

II. Comments

Norma Heyser – Lake Oswego resident and neighborhood activist, Norma presented her plan to encourage the development of small detached homes in clusters, within single-family neighborhoods. Norma showed photos of existing large and small homes in the First Addition Neighborhood. She also showed examples of older homes that fit the model, including Craftsman styled homes of 600 to 900 square feet, built in the 1920s and before. Norma pointed out that most families actually use a relatively small portion of their homes on a daily basis and can live comfortably in homes that are smaller.

Trell Anderson – Senior Program Manager for Portland's Bureau of Housing and Community Development, Trell spoke about many different programs in use by the City of Portland to encourage the construction and retention of affordable housing. He recommended that Lake Oswego create an "affordable housing infrastructure" including converting the Task Force to a standing committee to deal with these issues over the long term. Trell emphasized that the Task Force will need to choose

some areas as a focus and not allow itself to be pulled in too many different directions. Portland's housing programs are funded primarily by HUD programs and tax increment funds (TIF -- generated through urban renewal programs). He also talked about the potential to use a one-time bond as a source of "seed money" to leverage other housing investments. He mentioned the potential for tax abatement programs as an incentive, saying that the State allows for five different types of tax abatement programs for different situations. Trell talked about using the City's resources as collateral to secure the financing needed by non-profit housing providers. He also suggested possible zoning changes to allow more housing options (including clusters such as suggested by Norma, skinny lot subdivisions, allowing duplexes on corner lots, etc.)

Betty Dominguez – Regional Advisor to the Director of Oregon's Department of Housing and Community Services, and past President of the Portland Habitat for Humanity operation, Betty made a number of suggestions about housing programs that could be implemented in Lake Oswego. She stressed the importance of using architects and other skilled design professional to make sure that any new housing looks attractive and fits in with neighborhoods. Betty also pointed out that successful housing programs have to include other services (e.g., training programs for first-time buyers or people with disabilities, etc.). She said that she thinks Lake Oswego has great opportunities for future housing, including affordable housing, in the Foothills area. She suggested working with the Oregon Downtown Development Association as the City considers options for downtown redevelopment. Betty said that the City may wish to lobby for the creation of a "community incentive fund" through the State Legislature. She supported Trell's comments about tax abatement programs, recommended funding SDC waivers, and use of TIF funds for affordable housing. Betty pointed out that it is politically difficult, but sometimes the City Council must be willing to condemn property for public purposes, including housing development.

Martha McLennan – Executive Director of Northwest Housing Alternatives (NHA) said that her organization would consider it to be a major accomplishment to develop some affordable housing in Lake Oswego. NHA has developed over 1200 rental housing units serving different segments of the population in 14 counties. Martha pointed out that the increasing density of development and increasing traffic congestion throughout the region are reasons why the City needs to be concerned about providing affordable housing near places of employment. She referred to "cohousing" as one approach to the types of clustered housing advocated by Norma. Martha talked about three ways to increase housing affordability: 1) provide funds (including different forms of debt/equity packaging, leveraging investments, etc.); 2) reduce costs of development (including fee waivers, providing land, etc.); and 3) reduce costs of long-term maintenance or operation (including tax abatements, etc.). Martha went on to talk about different ways that the City may be able to leverage affordable housing development. These included using tax foreclosed properties, land owned by the City or by private utilities, and air rights over other properties. Martha noted that developers often seek the City's assistance and when that happens the City should use its leverage to negotiate for affordable housing.

Nancy Yuill -- Executive Director of the Clackamas Community Land Trust, an organization that provides an opportunity for lower income households to purchase homes, where the land trust continues to hold title to the land under the homes. Nancy explained the details of how the Land Trust works, noting that her organization was spun off of NHA about five years ago, to focus on affordable home ownership. She talked about the problems facing lower income renters, including

their tendency to move often, which also leads to problems for the schools and poorer education for the students. The Land Trust model helps to provide more stability for such households, at not much more cost than rentals. Nancy said that most of their clients have been single mothers who are employed and who qualify for conventional mortgages. Nancy added that Lake Oswego should be looking to models from other communities to address its housing situation. She recommended that the City consider charging a “tear down fee” (based on a Chicago requirement) to generate housing funds when homes are torn down and replaced with new houses. She also recommended that the City should study “employer assisted housing” such as that being used by the school district in the San Juan Islands.

Diane Luther – Housing Director for Multnomah County and Task Force member, focused on the regional responsibilities shared by all local governments in the region. She said that everyone ought to be able to live in the community where they work. She also emphasized the unmet need for “special needs housing” in Lake Oswego. Diane pointed out that many people with disabilities must live on a total income of \$560/month, when that will not even cover the cost of rent in most places. Diane agreed with many of the comments of the other panelists.

Summary of Meeting with Neighborhood Associations: January 26, 2005

On January 26, 2005, the Affordable Housing Task Force (AHTF) held a public meeting to receive comment and learn more about the perspectives of neighborhood associations and community leaders. At that public forum over two-dozen interested citizens provided feedback on fifteen neighborhoods. Profiles of the types of housing unique to each area and the neighborhood association issues and concerns are summarized under *Summary of Neighborhood Comments* included in Appendix D. That initial meeting has been followed by active emails and regular attendance at subsequent AHTF meetings by neighborhood representatives. Clearly, their feedback and support have helped the process and provided clarity for a larger strategy for the City of Lake Oswego going into the future.

The themes and concerns listed below and in Appendix D demonstrate that the range and differences of neighborhoods in Lake Oswego are significant, yet commonalities are evident as well. There is particular sensitivity to the development and redevelopment of the Foothills, First Addition and Lake Grove areas. While these areas may provide opportunity for development of affordable housing, there are neighborhood concerns that the City will focus on the development of affordable housing solely in these areas.

The common themes and concerns heard from the neighborhood representatives have included:

- 1) Tear-downs. There is increasing pressure to destroy serviceable homes on extremely valuable land in order to build very large new homes. There was also the recognition that some tear-downs are removing dilapidated homes beyond repair, and are justified.
- 2) Diversity. A number of representatives affirmed the City’s Comprehensive Plan to assure a variety of housing types to serve a more diverse citizenry. As one neighborhood association president said “I don’t want to be part of a city that doesn’t honor a diversity of residents by ethnicity and income.”

- 3) SDUs. There was general resistance to secondary dwelling units, primarily in defining any changes to the current code without significant dialog. Feedback was more to the “how” rather than the “why” of SDUs. There was also concern about secondary dwelling units evolving into non-owner occupied residences and about duplexes in SFR zones.
- 4) Smaller units for seniors. On several occasions, seniors made a strong plea for “right sizing” of housing that would allow elderly residents to stay in Lake Oswego and live independently, but in smaller, affordable units.
- 5) Growth boundaries. There was concern that, as unincorporated areas are brought within the City limits and receive extended City services, many of the existing affordable homes would become “targets” for replacement. Also, the costs of system development charges and sewer hookups may have a significant negative impact on long-time, elderly residents.
- 6) Density. There was a strong sense that minimum density requirements are placing increasing pressures on property values, resulting in more tear-downs of existing affordable units.
- 7) Preservation. There was a strong voice for preservation of existing housing in the neighborhoods. The pressure of tear-downs and larger new homes is a major concern of the neighborhoods.
- 8) Outside pressures. Representatives noted increased solicitation activity in First Addition, Evergreen, and Uplands by developers soliciting homes for renovation and new development.
- 9) Living Wage definition. There was an interest in clearly defining income levels for the City’s residents and employees and an alignment of living wages and modest incomes to available housing within the City limits. (See chart on Page 8.)
- 10) Existing multi-family. Several neighborhoods have considerable density of multi-family housing, including both rentals and condominiums. Neighborhood representatives asked for more information and clarity on the current inventory of affordable rental units. There was also concern about the conversion of existing multi-family inventory to condos and a strategy to preserve the existing inventory of affordable multi-family housing.
- 11) Neighborhood plans. Representatives recognized there is a lot of work to be done establishing neighborhood plans that align with the City’s Comprehensive Plan. The neighborhoods want to be part of the discussion on citywide affordable housing.
- 12) Neighborhood sensitivity. Because of the range and diversity of neighborhoods in Lake Oswego, representatives asked for sensitivity and flexibility on any changes in housing preservation strategies, zoning changes, secondary dwelling units, and concentration of affordable units.

Overall, the neighborhood associations have been supportive of the work and goals of the Task Force, and for maintaining a diversity in population and housing options in Lake Oswego.

Summary of meeting with faith-based community: February 10, 2005

The Task Force has found that local churches in our community play an important role in providing assistance to families in need. Representatives of the Lake Oswego Transitional Shelter Ministry (LOTSM) and other local churches made a presentation at the February 10, 2005 meeting of the Task Force, where they described the requests for assistance they receive along with the services they provide to low-income residents of Lake Oswego and Clackamas County.

The Lake Oswego Transitional Shelter Ministry is a volunteer-run coalition of seven local churches that operates two transitional housing units for families referred by Clackamas County Social Services. The typical stay for each family is usually three to six months. Volunteers work with the families throughout their stay and there is also a mentoring program where volunteers regularly keep in contact with the families after they leave the shelter. It was noted that while all of the families are placed in permanent housing in the region, there is virtually no rental housing available in Lake Oswego that is affordable to them.

In addition to the transitional shelter, the churches on an individual basis provide one-time financial assistance to households in need; the funding is provided by donations from congregations. To cite an example, one church provides \$2,000-3,000 per year in financial assistance.

The churches regularly receive calls for assistance for a variety of needs. Among the key needs they identified in our community are:

- One church receives 2-4 requests a month for rent assistance and twice as many calls for utility assistance.

- Even though local churches do not advertise their services, they receive a steady stream of requests for assistance.

- One church has doubled its food giving in the past year.

- The majority of people who call are from Lake Oswego and surrounding areas of Clackamas County.

- The majority of calls for assistance are from families and single parents, while 25% are elderly.

- A significant percentage of the requests are from people who are employed, or are in a transitional situation (e.g., starting a new job).

- Medical bills and lack of health insurance are key reasons assistance is requested.

LOTSM would like to expand its programs further in order to provide opportunities for housing within Lake Oswego for families that are ready to move out of their transitional shelters.

Another group has formed a working group to begin the process of applying for funding for the development of housing in Lake Oswego for low income seniors, such as Federal Housing and Urban Development (HUD) Section 202 funds. The needs of an aging population were identified as a key issue for the community, particularly the need for housing that is both affordable and geared to their needs. To demonstrate the need, the Clackamas County Housing Authority has 5,339 people on the waiting list for subsidized housing (Section 8 housing vouchers) and there are three subsidized housing communities for seniors countywide. Nationwide, 20% of seniors depend solely on Social Security for income.

The possibility of the City of Lake Oswego working in partnership with LOTSM and the group working on a senior housing development in implementing these efforts is currently under discussion. It should be noted that, although a faith-based organization could be playing a lead role in this effort, a development receiving HUD funds or City support would be open to all qualifying people regardless of race, creed, color, religion, etc.

Summary of Open House: May 31, 2005

The Affordable Housing Task Force held a Community Open House for the purpose of soliciting public comment before submitting its final report to the City Council. The Task Force provided a list of policy options as a handout at the meeting, which was also distributed before the meeting through an email distribution list and on the City's website. In addition, the policy options were divided up by category and were posted on large paper on tables and on easels throughout the room so people could review the options before and during the meeting. Comment sheets were also provided, allowing attendees to give detailed comments both during and after the meeting.

About 40 people attended the meeting. After a brief introduction, everyone divided up into small groups at tables with different categories. The categories were:

- Preserving Existing Affordable Housing
- Developing New Affordable Housing
- Organizing Effective Partnerships and Increasing Public Awareness
- Financing Affordable Housing Initiatives
- Developing Housing Policies/Administering Housing Programs
- Advocacy Options

Each group was asked to discuss the options listed under each of the above categories, and to offer opinions as to which ones were favored or not, and why. Members of the Task Force served as note-takers at each table.

The discussions were lively and there were differing opinions about the need for affordable housing in Lake Oswego and the work of the Task Force. The responses ranged from support of policies promoting affordable housing to strong opposition.

The following is a sample of comments provided at the discussion tables and on the comment sheets:

Comments in support of the work of the Task Force

- “There are issues for seniors when they leave their homes and go into a care-giving place. The impacts can be devastating on this type of change. How do we help more seniors stay in similar housing rather than be institutionalized?”
- “All the neighborhoods are different, and need to be treated differently.”
- “People opposed to affordable housing are being short-sighted/selfish and failing to understand how economies work. Many negative consequences result when individuals who work in the community can't live in the community.”

“Can’t tell what is right. How do we protect our neighborhoods without taking away property rights of owners?”

“Are there funds for remodeling or upgrades and how do we manage this? Still, we want incentives to remodel and no tear-downs. “

“Concern about multi-family housing as existing single family maybe rezoned as multi-family, forcing out existing homeowners in affordable housing.”

“Charge a high teardown fee as a deterrent to land grabs.”

“Create an independent audit process to determine if an existing home is serviceable or warrants being torn down.”

“Develop new housing above existing buildings.”

“Feeling like being pushed out of neighborhood.”

“I would really like to see the City get involved in land banking.”

“Diversity of neighborhood very important.”

“Would like to see them (Task Force) do something with the Clackamas Community Land Trust. I think that could be sold to this community.”

“Faith based efforts are good. We need to encourage alternatives like granny flats, higher densities/zoning and remove restrictions on property rights.”

“There’s a generational shift. Therefore, we need to encourage/have more apartments.”

“Protect existing housing, maybe with an historic district.”

“Create opportunities for co-housing. Maybe provide a ‘roommate matching service.’”

“Need Section 202 and Section 811 housing. Housing for seniors. Boomers are aging. Need is huge.”

“Developing affordable housing—please do. I enjoy living here and would like to stay but cannot afford housing in LO after my home is destroyed.”

“Several citizens supported the use of tax increment funds to be used for affordable housing in or near redevelopment (urban renewal areas) and felt it was a valid and important option.”

Comments in opposition of the work of the Task Force:

“The City of Lake Oswego should not be addressing affordable housing.”

“This process is a sham as you already have your agenda and minds made up.”

“The input at this meeting will not change anything you’ve already planned.”

“We don’t need affordable housing in Lake Oswego.”

“Has anyone calculated the cost if we have affordable housing – crime?”

“Building affordable housing will attract all the wrong elements.”

“With affordable housing crime will go up, and we’ll pay for that.”

“If someone can’t afford to live here, they can live somewhere else.”

“It’s not our responsibility to provide affordable housing to folks who work here.”

“If a fireman works here, he can live somewhere else. It’s his choice.”

“This City does not need to be making handouts to the poor.”

“People have a choice of what they can afford and where they live.”

“No one gave me a hand-out, I made it on my own. Others can too.”

“Property is expensive in parts of Portland; Lake Oswego is a bargain.”

“We have no obligation to assure local workers live in Lake Oswego.”

“There’s no reason to be writing this stuff about diversity.”

“The majority of Lake Oswego residents are opposed to affordable housing.”

“Let the free market decide what is and is not affordable.”
“I live here but work out in Gresham. That’s my choice.”
“This is social engineering by the City, the Mayor and this task force.”
“If some people receive housing assistance, others suffer a competitive disadvantage.”
“This work needs to stop now.”
“There is no way I will increase my taxes to subsidize affordable housing.”
“Public funding for housing puts restrictions on the community that will not be conducive to the character and growth of this community for over 60 years.”
“This has been a well-hidden secret by the City, with a great deal of time and energy by the Task Force and City Council and staff to slide this through. By the time it goes to the Council, they will grease this even more.”
“Let the marketplace take the initiative and do what it needs to determine housing costs in Lake Oswego.”
“Perpetual renters = irresponsible people.”
“Government subsidy = more people = burden on schools. Therefore, it's a bad idea.”
“Negative feedback on the use of HUD funds due to the restrictions and red tape involved.”

All of the people expressing their views at the meeting were encouraged to participate in the process and they were assured that their comments would be conveyed in this final report.

AFFORDABLE HOUSING OPTIONS

The following is a list of possible options to encourage the provision of more affordable housing. It is by no means a list of all possible options, but it does represent the wide range of options discussed by the Task Force. Some of the options are more likely to be viable and effective than others. The list of options has been discussed in some length by the Task Force and all are offered for consideration by the City decision-makers.

These options have been divided into the following six categories:

- A. Preserving Existing Affordable Housing**
- B. Developing New Affordable Housing**
- C. Organizing Effective Partnerships and Increasing Public Awareness**
- D. Financing Affordable Housing Initiatives**
- E. Developing Housing Policies/Administering Housing Programs**
- F. Advocacy Options**

Note: *The priority recommendations as designated by the Task Force on Page 2 are flagged below with two asterisks (**). The priority options are also organized in a different format (a matrix addressing the targeted demographic groups) in Appendix F.*

A. Preserving Existing Affordable Housing

1. ****** Work towards a goal of “no net loss” of existing affordable housing and explore incentives to preserve the community’s existing stock of affordable housing. Consider imposing a “tear-down fee” for housing that is razed, unless it is found to be uninhabitable. If affordable housing units cannot be retained, find ways to assure that displaced tenants with modest incomes are able to find equivalent housing in the community. Consider conditioning the conversion of rental housing to unit ownership on the availability of adequate replacement units for those tenants. Consider the same sort of dislocation/relocation program for the tenants of any affordable housing that is torn down or converted in a way that makes it no longer affordable to the tenant. Note that the City does not yet have a complete baseline of information about all of the affordable units that exist within the community. Such information will need to be retained and regularly updated if the City is to implement this sort of policy.
2. Continue to encourage opportunities for home occupied businesses. More and more people are working at home. We may be able to help some people to pay for their housing while also reducing their other costs of living (especially transportation costs, if they don’t have to drive to work). It has been estimated that each car costs a family an average of about \$7,000/year. By reducing the number of vehicles per household, that amount could go towards the cost of housing. At the same time, businesses operated out of homes should be subject to standards that protect the livability of neighboring properties.

B. Developing New Affordable Housing

1. ****** Support local efforts to establish employer-assisted housing to accommodate people who are employed in the community. A growing number of employers are realizing that assisting their employees to secure good quality, affordable housing near the workplace is good for business and good for the community. Note that Home Street Bank, with a branch in Lake Oswego, provides loans that help employers with workforce housing.
2. ****** Replace the current discretionary process in the review of secondary dwelling units (SDUs) with a set of ministerial (clear and objective) standards that address neighborhood differences. The only discretion in the current system really has to do with assuring the privacy of neighboring properties and that could be addressed through clear and objective standards. The current discretionary process unnecessarily discourages property owners from applying for SDUs. When the Code standards for SDUs are met, these units often go unnoticed in existing neighborhoods. Note the need for housing units to accommodate one or two-person households. Also note the language of the Comprehensive Plan which supports the creation of SDUs. Note that a sub-committee has been formed by the Task Force and is expected to recommend a comprehensive program to assist property owners in the creation of secondary dwelling units (see Appendix I).
3. Continue to work with Metro and the State of Oregon to establish a region-wide system to encourage the development of affordable housing. As with many other issues, housing

affordability is an issue that goes beyond the City limits. It should be noted that a given sum of housing money will result in significantly more housing units in one part of the region than another. Given Lake Oswego's land costs, housing funds spent here will tend to create or preserve fewer affordable units than in some other parts of the region.

4. Expand the density bonus provisions for affordable housing units in our Community Development Code, if the development meets special design criteria that can be specified (and made clear and objective). Provide a density bonus for housing developments accommodating the elderly, and persons with disabilities. Allow for reduced parking standards where the demographics of the proposed use do not warrant the typical parking standards.
5. Allow lot-size averaging in new subdivisions and land partitions, where affordable housing is to be provided. Such averaging is currently only permitted in Planned Development subdivisions. A way to increase housing diversity would be to allow lot size averaging while still requiring the development to meet applicable minimum and maximum density standards. (Instead of a 7,500 square foot minimum lot size in R-7.5, the City could require a range of lot sizes from 5,000 to 10,000 -- averaging 7,500.) Conditions of approval would need to assure the continued affordability of the subject housing units over time.
6. Encourage higher residential densities in mixed-use commercial areas. This could go beyond allowing such housing, to providing incentives to promote housing above commercial uses in more areas than Lake Oswego's downtown. Another option would be to require such mixed-use development in certain locations.
7. Encourage the conversion of under-utilized commercial or industrial areas to residential uses or mixed uses. This is now under consideration in parts of the Foothills and Lake Grove neighborhoods.
8. Within a given development, allow a mix of housing types or financing alternatives that meet density standards. (Instead of ten detached single-family dwellings on two acres, we might end up with ten townhouse units and a day care center on one acre, with the other acre retained as a park or open space). Allow for maximum flexibility in housing types, as long as density requirements are met. Note that Lake Oswego has examples where this sort of clustering of development has proven to be very successful.
9. Publicly-owned or church-owned properties may provide opportunities for the development of affordable housing. The City could research these opportunities and ask local churches for their assistance. Although property tax foreclosures by Clackamas County are rare in Lake Oswego, the City should monitor these things for future housing opportunities.

C. Organizing Effective Partnerships & Increasing Public Awareness

1. ******Work with and support the efforts of community development corporations or other non-profit housing providers. The Clackamas County Housing Authority, Northwest Housing Alternatives, Clackamas Community Land Trust, Lake Oswego Transitional Shelter Ministry, Innovative Housing, Inc., and Habitat for Humanity are among the organizations providing these

services in our area. Form partnerships with schools, service groups, or other organizations that may share an interest in affordable housing and the people it serves. A local foundation could be created, using the assistance of these groups. We can also seek the assistance of service clubs. They often have time, money, and expertise that can be used -- especially with such things as self-help housing, or housing rehabilitation programs.

2. Support the provision of transitional shelters for families. If properly managed, they are indistinguishable from other homes. Note the success of the Lake Oswego Transitional Shelter Ministry in operating church-based shelters. Provided that they have no more than one family, these units are not regulated any differently than other dwelling units. It should also be noted that transitional shelters are only successful where there is more permanent affordable housing available to the occupants when they are ready to move out of the shelter. On-going programs are also needed to assist shelter families.
3. Work with developers who are seeking to obtain low-income housing tax credits for providing affordable units in this community.
4. Continue to seek the assistance of housing experts. This could mean consultants, non-profit organizations, the State Housing office, nearby cities, or the County Housing Authority.
5. Work with local builders, developers, lenders, realtors, neighborhood representatives, and others with expertise in this field to identify obstacles to housing development. If the experts tell us that changes to City regulations or programs would result in more affordable housing, we should seriously consider their suggestions.
6. Continue to work with the community to improve the design of individual housing developments. Many of the objections raised about affordable housing developments in other communities have been design-based.

D. Financing Affordable Housing Initiatives

1. ******Establish an affordable housing trust fund that could be used to create, preserve, or maintain affordable housing in the community. Consider all possible sources of money that might contribute to the fund.
2. Establish through the Redevelopment Agency a minimum percentage of tax increment funds to be used for affordable housing in or near in redevelopment (urban renewal) areas. Note that the State of California requires that a minimum of 20% of tax increment funds generated by redevelopment agencies in that state be used to assist in the provision of affordable housing.
3. Continue to explore the use of HUD funds and other State or Federal funds for housing. Support current efforts to establish a housing development for lower income seniors through the HUD 202 program. Explore the Risk Sharing Loan Program for elderly and disabled housing provided by Oregon Housing and Community Services and other financial programs offered by that agency.

4. Pension and public investment funds can be a source of housing money. Such funds are being used to finance housing for the elderly in many cities and could also be used to provide workforce housing. Lake Oswego land costs will tend to discourage these investments, but it could happen here under the right set of circumstances.
5. Bequests or donations could provide another source of money or land that could help to provide affordable housing.

E. Developing Housing Policies/Administering Housing Programs

1. ****** Implement the City’s existing Comprehensive Plan policies to support a wide range of housing options. This includes a creative approach to both the types of housing and the manner of ownership. Complete a thorough review of all Community Development Code standards to determine whether they unnecessarily limit or preclude the provision of affordable housing. Having a more user-friendly Code would be of benefit to the providers of affordable housing and to the community overall while helping to implement the Comprehensive Plan. Maintain a commitment to periodically review and update both the Comprehensive Plan and Community Development Code, even if the State no longer requires such reviews.
2. ****** In implementing the Comprehensive Plan, assure that the differences from one local neighborhood to another are addressed in the process. Given the diversity of Lake Oswego neighborhoods, a “one-size-fits-all” approach is not likely to be successful.
3. In order to promote the preservation of affordable housing, create a low-interest (or possibly deferred payment or zero-interest) loan program for rehabilitating the homes of lower income persons. This can help to postpone or prevent those units from becoming “tear-downs.” A successful rehab program can also keep those units from becoming eyesores and can help the occupants to feel invested in the community (financially and otherwise). Clackamas County has such a program in place, using Community Development Block Grant (CDBG) funds, but the CDBG program is now in danger of being removed from the Federal budget. The City could contribute financially to replace or augment CDBG funds and join in efforts to secure continued funding for the federal CDBG program, especially to fund housing programs to assist people with modest incomes.
4. Monitor and analyze the effects of growth in all Lake Oswego neighborhoods over time. This includes consideration of the density of development, tear-downs of existing units, displacements (especially of modest income households), conversions (e.g., rentals to condos), housing types, rent levels and prices. Study changing demographics, cultural changes, changes to family structure, and local employment/income structures. Consider national, state, and regional changes, as well as changes to local circumstances. Note, for instance, that most of the households in the region contain either one or two persons; yet relatively little of the new housing that is being constructed is intended for very small households. Take a long-term view of housing needs without losing sight of immediate circumstances.

5. Provide priority processing of development applications that include a given percentage of affordable units. If possible, use other funds to defray the permit costs for affordable units.
6. ** Establish through the Lake Oswego Redevelopment Agency (LORA) a minimum percentage of affordable units in all developments that receive the assistance of LORA. Note that the Portland Development Commission has set its standards for affordable units as high as 36% (and typically requires 20%) in its urban renewal areas.
7. ** The Affordable Housing Task Force was formed as an ad hoc group to offer recommendations. Given that the Task Force has been meeting for a year in the preparation of this report, it is clear that an on-going housing effort is needed within the City. The Task Force has suggested that a Housing Board or Commission be formed and that it be a broad-based community group, with adequate staff assistance, to carry out the implementation of this report and to continue to recommend housing policy to the City Council.
8. If the City establishes a program that requires affordable rent levels or prices for a period of time, a commitment must be made to the long-term administrative processes that go with such programs. For instance, it is common for programs that assist people in buying homes to require that a certain percentage of the equity be returned to the program if the house is later resold (equity sharing), rather than creating a windfall profit for the seller at the public's expense. Such programs require an on-going administrative commitment from the City.
9. Study the potential for using property tax abatement or tax deferral as a means of encouraging the development of affordable units. These tools are in common usage in other communities as a way to increase the affordability of specific housing developments.
10. As much as possible, make sure that affordable units are spread throughout the community, rather than having those units concentrated.
11. Continue to allow developers of affordable units to pay off Systems Development Charges (SDCs) and other fees over time, rather than requiring them to be paid before the start of construction. Allow for fee waivers or deferrals where warranted by the number and cost of affordable units to be provided. At the same time, develop policies to address the loss of revenue to the City's budget.
12. Develop sliding scales, fee waivers or grant programs to reduce the costs of obtaining City permits for qualified housing projects.
13. Support affordable housing efforts such as self-help housing, first-time buyer programs, co-op housing, co-housing, renter buy-outs, etc. Housing co-ops and co-housing developments are creative approaches that could help to provide affordable units in the future, along with the wide range of other housing choices.
14. The City currently allows for density transfers on a given site, in order to work around natural barriers or other development constraints. The City could expand this to allow for such transfers to adjoining properties under some circumstances. Although it would be a major administrative

commitment, consider the creation of a transfer of development rights (TDR) system that supports the creation of affordable housing and allows the transfer of development densities from one part of the community, or region, to another.

15. Provide a clearinghouse of housing information. In some cases, elderly people living alone would prefer to live in smaller, less maintenance-intensive housing, thereby making a bigger, older home available to a family. If the City establishes an on-going housing program, that program should include referral services and information on both housing availability and social service programs. Note that some people lack the necessary information and do not know how to live independently without some assistance. Also note that some of the people who would benefit from this clearinghouse information may not have access to computers, cell phones, or other communication devices.
16. Review standards for day care in residential areas and allow for adult day care on the same basis as day care for children. (Remember the high percentage of single-parent households, and households with one or more dependent parent that need these services.) Having day care services in close proximity to housing can increase the employment and housing options for people of nearly all income levels. Adult foster care is also an important aspect of housing that needs to be available in the community at affordable rates.
17. Remain open to creative options that would alter the Community Development Code for common sense. There may be types of housing that become popular in the future that are not even anticipated in our current Code.
18. The City regularly reviews the language of proposed deed restrictions (CC&Rs) for new developments to assure compliance with City requirements. The review of proposed deed restrictions (CC&Rs) could be expanded to assure that they do not prevent small homes, secondary dwelling units, affordable housing, etc.
19. Continue to enforce the standards of the Americans with Disabilities Act (ADA). Given both national and local demographics, it is clear that a growing segment of the population will need the access accommodations provided by the ADA and that housing, generally, will need to accommodate an aging population. Consider providing incentives to the developers of affordable housing as a means of assuring that housing is developed (beyond that which is required by the law) to accommodate persons with special needs.

F. Advocacy Options

1. Advocate for the State to expand the options available to local governments that are attempting to expand affordable housing opportunities.
2. Advocate for the State to allow for more different funding options for affordable housing programs.

3. Seek changes to the regulations applying to the use of public investment funds to encourage community reinvestment in affordable housing, even if greater financial return on those investments could be achieved by investing elsewhere.
4. Advocate for Clackamas County to focus the investment of Community Development Block Grant (CDBG) funds on affordable housing, rather than on other grant-qualifying activities.
5. Advocate for the continued allocation of CDBG funds for housing-related activities from the federal government.
6. Work with Metro and the State of Oregon to fund affordable housing programs at the regional level.

Appendix A: Council Resolution 04-28
Affordable Housing Task Force Charge Statement

The Task Force serves at the request and direction of the City Council, for the purpose of providing the Planning Commission (and City Council) with information, advice and recommendations regarding affordable housing.

The City Council directs the Task Force to:

Make recommendations to achieve compliance with Title 7 of the Metro Urban Growth Management Functional Plan.

Determine which segment of the population, if any, are in need of assistance in order to find affordable housing in Lake Oswego.

Determine if there are segments of the population who would benefit from specific efforts or programs that can be administered by the City of Lake Oswego or other groups working cooperatively with the City, and recommend such efforts or programs.

Study the efforts made by other communities to address these issues and determine whether any of them could serve as models for local actions.

Draw upon the expertise of housing providers in the Portland area, and elsewhere, if available.

Decision Process:

Consensus among Task Force Members, while desirable, is not necessary. Rather, it is important to have the Task Force develop well-reasoned options and alternatives for Planning Commission and City Council deliberation. It is expected that the Task Force members will address issues in a timely manner and will report to the Planning Commission at a regular meeting in fall 2004.

All meetings will be open to the public, but public participation in Task Force deliberations will be managed with an allotted time specified for public comment.

Member Responsibilities:

Responsibilities and procedures of the Task Force include:

Members will meet with their constituent groups outside of Task Force meetings to identify positions and resolve issues.

Members will be expected to attend Task Force meetings

Members will be committed to development of reasonable recommendations for Planning Commission and City Council consideration.

If votes are taken, each member will have one vote. Members must be present to vote.

Appendix B: Definition of Affordable Housing and Indicators of Need

Housing is considered affordable when the costs are no greater than 30% of the gross income of a household earning no more than 80% of median household income in the metropolitan Portland region. Housing costs include rents or mortgage payments, insurance premiums and utilities. The following table reports the maximum affordable housing costs for a family of four based on various household income levels:

Family of Four earning...	Gross Annual Household Income	Maximum Affordable Housing Costs per Month ⁶
80% of Regional Median Income (MHI)	\$54,320	\$1,358
50% of Regional Median Income (MHI)	\$33,950	\$849
Minimum Wages (21% of MHI)	\$14,259	\$356
Social Security Income (17% of MHI)	\$11,543	\$289

Examples of what is affordable to low and moderate income households in Lake Oswego:

\$174/month is an affordable rent for an individual living on SSI disability benefits at \$579 per month.

According to our research, there are 0 rental units available in LO at \$174/month.

\$377/month is an affordable rent for an individual working full-time earning minimum wage at \$1,257/month (Oregon minimum wage is now \$7.25/hour).

According to our research, there are 0 rental units available in LO at \$377/month.

\$767/month is an affordable rent for an individual working as a first-year teacher for the Lake Oswego School District at \$30,701 per year.

According to our research, there are approximately 138 studios, 1015 one-bedrooms, 602 two-bedrooms, and five 3-bedrooms under \$767/month.

\$1053/month is an affordable rent for an individual working as a full-time Lake Oswego first-year Police Officer at \$42,120 per year.

There are approximately 138 studios, 1215 one-bedrooms, 1500 two-bedrooms, and 138 3-bedrooms under \$1053/month.

⁶ For renters, 'housing costs' include rent and utilities. For homeowners, it includes principle, interest, taxes, and property insurance, if applicable.

Indicators of Need

The 2000 US Census for Lake Oswego reports the following statistics...

- 2033 households had monthly homeownership costs that exceed 30% of household income.
- 1461 households had monthly rental costs that exceed 30% of household income. 223 families were living below the federal poverty level.
- 1864 persons between the ages of 21 and 64 were disabled.
- 1253 persons over age 64 were disabled.
- 1163 households were headed by persons over age 64.
- 4121 households consisted of a sole person.
- Homeownership costs grew 46% faster than household income from 1990 to 2000.
- Rental cost grew 16% faster than household income from 1990 to 2000.
- The percentage of households in Lake Oswego in unaffordable housing was only 13% lower than the Oregon average despite the fact that household income in Lake Oswego was 76% greater.

Local public agencies report low levels of local residency among employees...

- 84% of full-time City employees do not live in Lake Oswego.
- 64% of Lake Oswego School District employees live outside the 97034/97035 zip code areas.

Other local employment impacts (See chart on Page 12.)...

- Homeowner costs are unaffordable for average employees in 17 regional job categories.
- Rental costs are unaffordable for average employees in 11 regional job categories.

School enrollment and special needs indicators...

- Between October 1997 and October 2004, school attendance grew 2.2% in Oregon and 6.1% in Clackamas County. In Lake Oswego, public school enrollment fell by 4%. Participation in LO school lunch programs increased by 62%.
- 444 children receive free or reduced school lunches in Lake Oswego public schools.
- In 1998, the percentage of participating children was 2%. In 2005, the percentage is 6.5%.

Housing Inventory

Total Single Family Residences

- 13,310 residences within the Urban Services Boundary
- Average Lot Sizes range from 7375 SF in Oak Creek to 54,511 in Stafford
- Average Building Sizes range from 1629 in Rosewood to 4030 in Stafford
- Average Year Built ranges from 1948 in Old Town to 1990 in Westlake
- Average Land Values per Square Foot range from \$5.37 in Stafford to \$37.70 in Lakewood
- Average Land/Building Value Ratio runs from 40% in Westlake to 240% in Lakeview-Summit
- 473 residences are valued less than \$150,000 (Lake Forest, Rosewood, Palisades, McVey)
- 2,450 residences have land values in excess of building values (Bryant, Blue Heron, FAN)
- 2,157 residences were built prior to 1954 (FAN, Lake Forest, Bryant, McVey)

Multi-Family Housing Developments

65 developments within the Urban Services Boundary (USB)
Concentrations in Waluga, FAN, Bryant and Mountain Park
7 Retirement Developments, 2 Low Income Housing Developments and nearly 1200 Condominium Units.

Vacant Lots

1,152 vacant properties within the USB
Concentrations in Palisades, Bryant, Oak Creek and Forest Highlands
Lot Sizes average 63,830 square feet – Median Size is 15,000 square feet
Average Land Value per Square Foot ranges from \$2.56 in Stafford to \$13.12 in Oak Creek

Survey of 2 to 4 Unit Parcels in the 97034 and 97035 zip code areas

312 housing units have an average assessed property value of \$117,000 and a median assessed property value of \$118,757.
81 duplexes have an average value of \$118,029 per unit and a median value of \$118,474 per unit.
2 triplexes have an average value of \$76,185 per unit and a median value of \$76,185 per unit.
36 fourplexes have an average value of \$118,420 per unit and a median value of \$121,847 per unit.

Appendix C: Lake Oswego Comprehensive Plan

Note: the Comprehensive Plan is the City’s official policy document to guide the growth and development of the community. Lake Oswego’s Comprehensive Plan was originally adopted in 1978 after four years of public involvement. The Plan has been periodically amended through a public process involving the Planning Commission, City Council, and all citizens who have chosen to take part since 1978. The last major revision of the Comprehensive Plan was completed in 1994.

Goal 10: Housing

Summary of Major Issues

Following are some of the issues and changed circumstances and conditions that were considered in the update of this element of the Comprehensive Plan.

Many of the directives in the Housing Element of the original Plan have been accomplished and are now contained in the Zoning Ordinance, Development Code and other standards.

GOALS, POLICIES AND RECOMMENDED ACTION MEASURES

GOAL

The City shall:

Provide the opportunity for a variety of housing types in locations and environments to provide an adequate supply of safe, sanitary, energy efficient housing at price and rent levels appropriate to the varied financial capabilities of present and future city residents;

Protect the character of existing neighborhoods; and,

Provide for needed housing while protecting environmentally sensitive areas, using land and public facilities as efficiently as possible, and facilitating greater use of alternative transportation modes.

POLICIES

1. Maintain the following residential land use designations and locational criteria which support the above goal:

- a. Low Density Residential
Density Classification Minimum Square Feet of Area per Unit
R-15 15,000 sq. ft. R-10 10,000 sq. ft. R-7.5 7,500 sq. ft

Low Density is intended for areas:

- i. Which are currently developed at low density;
- ii. Where transportation routes are primarily limited to collectors and local streets;
- iii. Where public services are adequate but development constraints may exist; and,
- iv. Where sensitivity to the natural environment or the existence of natural hazards

indicates a reduced density.

- b. Medium and High Density Residential [PA 1-96/ZC 1-96-1187; 12/17/96]

Density Classification Minimum Square Feet of Area per Unit

R-6	6,000 Sq. ft.
R-5	5,000 Sq. ft.
R-3	3,375 Sq. ft.
R-2 and R-0	(FAR) Maximum

Medium and high density residential areas may be designated in areas:

- i. Which are currently developed at medium and high density;
- ii. Where there are public services and few development constraints; and,
- iii. Near arterials or major collector and transit service, and particularly for high

density residential, areas in close proximity to commercial areas and/or employment concentrations.

2. Require design review to determine the actual number of units permitted on a development site through an inventory of site conditions which demonstrates how proposed development is compatible with the site, surrounding uses, other Plan policies and capacity of public facilities.
3. Assure that residential densities are appropriately related to site conditions, including slopes, potential hazards and natural features.
4. Require mitigation of adverse impacts such as noise, traffic and visual aesthetics, on differing, adjacent land uses through site and building design.
5. Require mitigation of adverse impacts such as traffic noise, degraded air quality and congestion, on all residential development along freeways, major and minor arterials and major collectors, through site and building design and other measures.
6. Assure that residential density is appropriately related to the capacity of public facilities, especially residential streets. Developments shall not generate traffic exceeding the capacity of adjacent streets or intersections. (Also see Transportation Chapter, Goal 1, Policy 1, Goal 4 and Figure 16.)
7. Provide for safe, comfortable, visually attractive streets in new developments.
8. Link housing density and location to reduce automobile travel by locating high density residential (R-0, R-2 and R-3) and mixed use developments within walking distance of bus lines or transit centers, and preferably clustered so as to avoid strip development. [PA 1-96/ZC 1-96-1187; 12/17/96]

9. Encourage energy efficient site and building design, and use of renewable building materials.
10. Provide for an interconnected street system to encourage pedestrian, bicycle and transit travel and to reduce vehicle miles traveled to local destinations thus reducing energy use, pollution and congestion.
11. Place higher density residential, employment and shopping opportunities and public facilities, such as transit and parks, within close proximity where feasible.
12. Assure an orderly transition from one residential density to another through design and development standards such as landscaping, buffering and screening.
13. Provide for the active involvement of neighborhood residents and property owners in decisions affecting their neighborhood.
14. Provide a wide range of housing types to meet the needs of various lifestyles and family types.
15. Provide low to moderate cost housing opportunities to meet Lake Oswego's fair share of local and regional housing needs including single family, multifamily, manufactured housing, special use housing and residential care facilities.
16. Assure equal access to housing for all.
17. Support public and private actions which increase housing choices and reduce housing construction costs.
18. Actively participate with Metro and Clackamas County in formulating and carrying out the Comprehensive Housing Affordability Strategy.
19. Allow special use housing for elderly, including frail elderly, persons with medical disabilities, disabled families and other special needs populations identified in the Clackamas County Comprehensive Housing Affordability Strategy, in all zones in proportion to the local share of regional need.
20. Maintain a cooperation agreement with Clackamas County authorizing provision of rent supplement assistance within the City and enter into agreements with the County Housing Authority* to control rents in assisted units, if opportunities arise.

RECOMMENDED ACTION MEASURES

- i. Encourage primary access to a collector or arterial street for R-0, R-3, and R-5 developments.
- ii. Require developers to be responsible for their proportionate share of costs of providing required public facilities and services including recreation facilities and park land.

- iii. Comprehensively evaluate all major developments to adequately analyze site design, solar access, building placement, significant features, factors relating to surrounding uses, pedestrian and traffic circulation, drainage and energy conservation, plus any special protections needed to mitigate any adverse impacts of increased density.
- iv. Encourage site and building design considerations for developments which are proposed adjacent to differing land uses which include use of building materials for noise reduction, visual screening through use of increased setbacks, building bulk and height modulation, building placement or landscaping and analysis of traffic patterns.
- v. Encourage site and building design considerations for residential developments proposed adjacent to major streets which include noise mitigation through the use of appropriate building materials, landscaping, sound deadening structures, appropriate setbacks or other measures to assure a quality living environment.
- vi. Design residential streets to accommodate residential speeds and volumes, to reduce noise levels, increase land use efficiency and reduce impervious surface.
- vii. Preserve natural features, avoid hazard areas and reduce development costs by allowing new development to:
 - a. Cluster units;
 - b. Utilize flexible lot sizes;
 - c. Construct a variety of housing types; and,
 - d. Transfer density to more suitable areas of a site.
- viii. Actively pursue an effective enforcement program to enforce the City's zoning, development, tree and sign standards as a means of maintaining and enhancing livability.
- ix. Monitor and regulate home occupation* activity to prevent adverse impacts on residential areas caused by incompatible activities or appearance problems.
- x. Utilize screening and buffering, setbacks, landscaping and modulation of building bulk between different residential densities within neighborhoods to reduce the potential for conflicts such as noise and visual encroachment.
- xi. Require increased setbacks for residential uses along Boones Ferry and Kruse Way and require trees and other vegetation which will provide a compatible living environment.
- xii. Promote the planting and maintenance of street trees and other landscaping in residential areas, and require walkways, where appropriate, to provide for pedestrian comfort and safety.
- xiii. Consider traffic management devices and other traffic management techniques for established residential areas which have experienced decreased safety and increased traffic volumes over the years which exceed those recommended in the Transportation Element of the Comprehensive Plan.

- xiv. Allow secondary (accessory) dwelling units* to provide opportunities for affordable rental units, offset housing costs for the primary unit or act as transitional housing without changing the character and quality of single family areas.
- xv. Cooperate with the Clackamas County Housing Authority in locating sites suitable for special use housing. Provide density bonuses, where and when appropriate, to encourage special use housing.
- xvi. Establish an agreement with Clackamas County to allow the development of federally assisted low-to moderate cost housing units.
- xvii. Encourage Clackamas County to utilize federally funded Community Development Block Grants for provision of housing assistance and housing rehabilitation for which individual Lake Oswego residents could be eligible.
- xviii. Encourage elimination of barriers which limit housing choice for the handicapped.
- xix. Encourage innovative housing construction technologies which decrease development costs.
- xx. Encourage and assist the continuing maintenance of existing residential properties for safety, sanitation and structural integrity.
- xxi. Encourage neighborhood cleanup and maintenance of the exterior of dwellings and landscaping.
- xxii. Encourage home occupations and develop regulations requiring home occupations to be compatible with the character of residential neighborhoods.

Appendix D: Summary of Neighborhood Comments

The following is an additional summary of the themes that were heard at the January 26, 2005 public meeting:

Neighborhood Themes

- Each neighborhood is unique and their unique characteristics should be addressed in terms of the recommendations of the Task Force.
- Density requirements are taking away affordability, driving up housing costs
- There is a lack of hard data available regarding neighborhood housing characteristics.
- There is a mix of housing types in the neighborhoods.
- There are concerns about tear-downs, resulting in a loss of affordability.
- Preserve existing housing stock.
- Aging population and fewer children.
- SFD is most common housing unit.
- Rapid increase in land values.
- Older apartment buildings threatened with redevelopment.
- A mailing list of neighborhood chairs needs to be compiled to send out information.
- There is a concern about owner/renter balance in some neighborhoods.
- There is absentee ownership in some neighborhoods.
- There are many commercial conversions.

Recurring Themes

- The impact of tear downs on affordability.
- The increases in land values in recent years.
- The final report must be based on high-quality data that clearly support the findings, conclusions, and recommendations.
- The Task Force needs to seek ways to retain the existing affordable housing that exists in the community, rather than focusing solely on the construction of new affordable units.
- Recognize that the neighborhoods are unique and that there should not be a “one size fits all” approach.
- Funding for affordable housing is needed and the Task Force should look at what other communities are doing.
- The need to add housing preservation/retention to the Matrix.
- Increasing density is causing higher housing costs.
- Save existing modest/affordable housing stock.
- Rezoning to R 7.5 upon annexation may work to encourage re-development and large expensive homes where there were affordable ones!

Summary of Neighborhood Comments (Organized by Neighborhood)

Evergreen

- Mix of housing types—some housing types are not obvious.
- Suggested the Task Force contact service providers to get more information from those serving special needs populations.

FAN

- It was noted that the following numbers are a few years old:
- Number of Single Family Dwellings (SFDs): 515
- Multi-family dwellings/duplexes: 215
- Commercial/institutional: 140
- Concerns about owner/renter balance.
- It was suggested that the Task Force get information on the Morton Development at 5th & A as an example of affordable housing.
- There are new units on the east side of 2nd, at B St.
- There are a lot of tear-downs but some older places are being renovated.
- The market for FAN houses goes all the way to Phoenix, AZ

Westlake

- MFDs: 525
- SFDs: 516
- There is an aging population, but also a demographic mix.
- Those living in apartments are primarily singles and couples.

Old Town

- It is the smallest neighborhood in LO.
- It has a diverse population
- 2:1 renters to owners.
- There are a lot of replacements happening and concerns about tear-downs.
- The apartments at Church and Durham may be threatened.
- There was a question on what constitutes affordable housing.

Lake Forest

- It is considered an unincorporated area: 60% county, 40% city.
- Old (1920s) big lots
- Mostly SFDs—many rent for \$800 to \$1300/month, generally.
- It is a diverse neighborhood, which is part of the appeal.
- Not all of L.O. is high income.
- Decisions need to be based on data and facts, not assumptions.

Rosewood

- 815 properties, mostly SFDs.
- It is considered a more affordable area.

Lake Grove

- Predominately SFDs.
- Cost ranges from \$210K to \$1.2 million sales.
- Large lots are in demand.

- Most tear downs are small houses that are not maintained, without foundations. These “fall downs” are selling for \$250K and up.
- Land values

Blue Heron

- Mostly owner occupied homes.
- The most expensive homes are at the lake front.
- There are a few granny flats.
- There are expensive waterfront houses.
- Dry-rot problems are common.
- There is new development on small lots. Houses sell for \$700K and up, and are being bought by families.

Lake Oswego School District

- It is facing declining enrollments, other than Forest Hills Elementary.
- Young families are selecting more affordable suburbs to live in.
- 30% of school district staff lives in the school district.

Forest Highlands

- In 1995, change began from affordable to big lots being divided up.
- There are many new families; up until 8 years ago there was an older population.
- There are concerns about taxes and sewer costs.
- There is a lack of connector roads and paths.
- Erosion concerns.
- Mostly SFDs.
- Annexation triggers higher density zoning.

Foothills

- Big demand by young families—rentals are \$800 to \$1300 per month.
- There are 112 owner-occupied condos, and the complex is 80% occupied.
- There are more children on the school bus.
- Oswego Point, rental apartments, was developed in response to demand for higher densities.
- Most condos are not subject to FEMA flood standards.

Palisades

- There are 1500 households and 6,000 residents.
- It is almost entirely SFDs.
- Rentals range from \$1100 to \$1400 per month.
- Most housing in the neighborhood was built in the last 25 years.
- The least expensive homes sell for 225-250K.
- There is a lack of hard data.

Birdshill

- 360 tax lots, mostly SFDs.
- Homes were built in 3 time periods, starting in the 1920s.
- Land values are far exceeding house values, especially homes built on “sweat equity.”

Waluga

- There are a lot of commercial conversions
- SFDs near the center of the neighborhood, surrounded by MFDs and commercial development.
- 20% of homes are rentals.

- Housing stock is being bought by out of state speculators.
- 4:1 ratio MFD:SFD
- Aging population and few children.
- \$350K town homes proposed adjacent to park.
- There is a high absentee ownership, but they are investing in remodeling.

Uplands

- Mostly SFDs on 1/3 to 1/2 acres
- Rapid price escalation, especially in land value.
- More teardowns.
- Several parcels available for density but likely to go to another large home.

Appendix E: Demonstration of Need for Subsidy for Affordable Rental Housing in Lake Oswego

A former Affordable Housing Task Force member presented data that assessed the impact various programmatic tools would have on the affordability of a hypothetical rental development project. Appendix E demonstrates how rental prices in this hypothetical development could be reduced through the use of various tax and fee waivers, an interest rate subsidy, and a land contribution. One obvious conclusion that can be reached as a result of this analysis is that it is not possible in Lake Oswego to construct new affordable rental units of the type proposed in this model without some form of subsidy.

This theoretical development project, which is based on estimates, includes:

- 100 housing units at 950 square feet in size with a total development size of 105,000 square feet.
- Total construction costs of \$7,875,000 and total indirect development costs (SDCs, etc.) of \$2,310,206, with total development costs of \$13,685,206.
- Total financing cash flow of \$1,158,843.

At market rate, the average monthly apartment rent comes out to \$1,794, which is 106% of regional Median Household Income (MHI). This market rate can be reduced through programmatic tools. Below are example programmatic tools and their cumulative impacts on the rental price.

- Exemption from property taxes reduces the monthly rent to \$1,627, or 96% of regional MHI.
- SDC exemptions further reduce the rent to \$1,547, or 91% of regional MHI.
- A land contribution reduces the rent again to \$1,253, or 74% of regional MHI.
- Finally, an additional 3.5% interest rate subsidy reduces the rent to \$1,050, or 62% of MHI.

Five tables describing these subsidies in detail are shown on the following pages:

LAKE OSWEGO AFFORDABLE HOUSING TASK FORCE

SITE ACQUISITION AND DEVELOPMENT ASSUMPTIONS

Density	20 Units/Acre
Number of Units	100
Area	5 Acres
Price/Acre	\$ 700,000
Price/Unit	\$ 35,000
Price	\$ 3,500,000

DEVELOPMENT CONFIGURATION AND COSTS

Average Unit Size (SF)	950
Total Living Area	95,000
Other Space	10,000
Total Development Area (SF)	105,000
Construction Cost (SF)	\$ 75,000
Total Construction Costs	\$ 7,875,000

INDIRECT DEVELOPMENT COSTS

Architectural and Engineering	\$ 590,625
Financing	767,813
Misc. Fees and Other	276,690
Water SDC	\$ 70,250
Sanitary Sewer SDC	64,040
Surface Water SDC	1,288
Transportation SDC	316,500
Parks and Recreation SDC	223,000
Total SDCs	675,078
Total Indirect Costs	\$ 2,310,206
TOTAL DEVELOPMENT COSTS	\$ 13,685,206

MARKET-RATE RENTAL HOUSING

Average Monthly Apartment Rent	\$ 1,794
Affordability Level	106%
Gross Operating Income	\$ 2,208,205
Operating and Maintenance Expenses	\$ 678,004
Property Taxes (1.5% of Cost)	205,278
Total Expenses	\$ 883,282
Net Operating Income	\$ 1,324,923
Mortgage Amount (80% of Cost)	\$10,948,164
Annual Debt Service (6.5%/30/10 yr)	\$ 830,398
Equity Requirement	\$ 2,737,041
Expected Equity Rate of Return (12%)	\$ 328,445
Total Financing Cash Flows	\$ 1,158,843

Total Cost/SF	\$ 130
Total Cost/Unit	136,852

ATTACHMENT A: DEVELOPMENT PROJECT CASE STUDY

SITE ACQUISITION AND DEVELOPMENT ASSUMPTIONS

Density	20 Units/Acre
Number of Units	100
Area	5 Acres
Price/Acre	\$ 700,000
Price/Unit	\$ 35,000
Price	\$ 3,500,000

DEVELOPMENT CONFIGURATION AND COSTS

Average Unit Size (SF)	950
Total Living Area	95,000
Other Space	10,000
Total Development Area (SF)	105,000
Construction Cost (SF)	\$ 75,000
Total Construction Costs	\$ 7,875,000

INDIRECT DEVELOPMENT COSTS

Architectural and Engineering	\$ 590,625
Financing	767,813
Fees and Other	276,690
Water SDC	\$ 70,250
Sanitary Sewer SDC	64,040
Surface Water SDC	1,288
Transportation SDC	316,500
Parks and Recreation SDC	223,000
Total SDCs	675,078
Total Indirect Costs	\$ 2,310,206
TOTAL DEVELOPMENT COSTS	\$ 13,685,206

**PROPERTY TAX EXEMPT
MARKET-RATE RENTAL HOUSING**

Average Monthly Apartment Rent	\$ 1,627
Affordability Level	96%
Gross Operating Income	\$ 2,002,926
Operating and Maintenance Expenses	\$ 678,004
Property Taxes	Exempt
Total Expenses	\$ 678,004
Net Operating Income	\$ 1,324,923

Mortgage Amount (80% of Cost)	\$10,948,164
Annual Debt Service (6.5%/30/10 yr)	\$ 830,398
Equity Requirement	\$ 2,737,041
Expected Equity Rate of Return (12%)	\$ 328,445

Total Financing Cash Flows	\$ 1,158,843
Market-Based Rent	\$ 1,794
Reduction (Monthly Rent)	\$ 167
Reduction (Percentage)	9.3%

Total Cost/SF	\$ 130
Total Cost/Unit	136,852

ATTACHMENT A: DEVELOPMENT PROJECT CASE STUDY

SITE ACQUISITION AND DEVELOPMENT ASSUMPTIONS

Density	20 Units/Acre
Number of Units	100
Area	5 Acres
Price/Acre	\$ 700,000
Price/Unit	\$ 35,000
Price	\$ 3,500,000

**PROPERTY TAX and SDC EXEMPT
MARKET-RATE RENTAL HOUSING**

Average Monthly Apartment Rent	\$	1,547
Affordability Level		91%
Gross Operating Income	\$	1,904,124
Operating and Maintenance Expenses	\$	644,558
Property Taxes		Exempt
Total Expenses	\$	644,558
Net Operating Income	\$	1,259,566

DEVELOPMENT CONFIGURATION AND COSTS

Average Unit Size (SF)	950
Total Living Area	95,000
Other Space	10,000
Total Development Area (SF)	105,000
Construction Cost (SF)	\$ 75,000
Total Construction Costs	\$ 7,875,000

INDIRECT DEVELOPMENT COSTS

Architectural and Engineering	\$	590,625
Financing		767,813
Misc. Fees and Other		276,690
Total SDCs		Waived
Total Indirect Costs	\$	1,635,128
TOTAL DEVELOPMENT COSTS	\$	13,010,128

Mortgage Amount (80% of Cost)	\$	10,408,102
Annual Debt Service (6.5%/30/10 yr)	\$	789,435
Equity Requirement	\$	2,602,026
Expected Equity Rate of Return (12%)	\$	312,243
Total Financing Cash Flows	\$	1,101,678

Market-Based Rent	\$	1,794
Rent with Property Tax Exemption		1,627
Reduction from Market-Based Rent	\$	247
Reduction from Property-Tax Exempt Rent	\$	80
	Amount	Percentage
		13.8%
		4.9%

ATTACHMENT A: DEVELOPMENT PROJECT CASE STUDY

SITE ACQUISITION AND DEVELOPMENT ASSUMPTIONS

Density	20 Units/Acre
Number of Units	100
Area	5 Acres
Price/Acre	
Price/Unit	
Price	None

DEVELOPMENT CONFIGURATION AND COSTS

Average Unit Size (SF)	950
Total Living Area	95,000
Other Space	10,000
Total Development Area (SF)	105,000
Construction Cost (SF)	75.00
Total Construction Costs	\$ 7,875,000

INDIRECT DEVELOPMENT COSTS

Architectural and Engineering	\$ 590,625
Financing	531,563
Misc. Fees and Other	276,690
Total SDCs	Waived
Total Indirect Costs	\$ 1,398,878
TOTAL DEVELOPMENT COSTS	\$ 9,273,878

RENTAL HOUSING: PROPERTY TAX and SDC EXEMPT with LAND CONTRIBUTION

Average Monthly Apartment Rent	\$	1,253
Affordability Level		74%
Gross Operating Income	\$	1,542,246
Operating and Maintenance Expenses	\$	644,403
Property Taxes		Exempt
Total Expenses	\$	644,403
Net Operating Income	\$	897,843

Mortgage Amount (80% of Cost)	\$	7,419,102
Annual Debt Service (6.5%/30/10 yr)	\$	562,725
Equity Requirement	\$	1,854,776
Expected Equity Rate of Return (12%)	\$	222,573

Total Financing Cash Flows	\$	785,298
Market-Based Rent	\$	1,794
Rent with Property Tax Exemption		1,627
Rent with Property Tax/SDC Exemption		1,547
Reduction from Market-Based Rent	\$	541
Reduction from Property-Tax Exempt Rent	\$	374
Reduction from Property Tax/SDC Rent	\$	294
	Amount	Percentage
		30.2%
		23.0%
		19.0%

LAKE OSWEGO AFFORDABLE HOUSING TASK FORCE

SITE ACQUISITION AND DEVELOPMENT ASSUMPTIONS

Density	20 Units/Acre
Number of Units	100
Area	5 Acres
Price/Acre	
Price/Unit	
Price	None

DEVELOPMENT CONFIGURATION AND COSTS

Average Unit Size (SF)	950
Total Living Area	95,000
Other Space	10,000
Total Development Area (SF)	105,000
Construction Cost (SF)	\$ 75,000
Total Construction Costs	\$ 7,875,000

INDIRECT DEVELOPMENT COSTS

Architectural and Engineering	\$ 590,625
Financing	531,563
Fees and Other	276,690
Total SDCs	Waived
Total Indirect Costs	\$ 1,398,878
TOTAL DEVELOPMENT COSTS	\$ 9,273,878

RENTAL HOUSING: PROPERTY TAX and SDC EXEMPT, LAND CONTRIBUTION and 3.5% INTEREST RATE SUBSIDY

Average Monthly Apartment Rent	\$ 1,050
Affordability Level	62%
Gross Operating Income	\$ 1,292,794

Operating and Maintenance Expenses	\$ 619,800
Property Taxes	Exempt
Total Expenses	\$ 619,800

Net Operating Income	\$ 672,994
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Mortgage Amount (80% of Cost)	\$ 7,419,102
Annual Debt Service (3%/30/10 yr)	\$ 375,351

Equity Requirement	\$ 1,854,776
Expected Equity Rate of Return (12%)	\$ 222,573

Total Financing Cash Flows	\$ 597,924
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Market-Based Rent	\$ 1,794
Rent with Property Tax Exemption	1,627
Rent with Property Tax/SDC Exemption	1,547
Rent with Tax/SDC/Land Equity	1,253

	Amount	Percentage
Reduction from Market-Based Rent	\$ 744	41.5%
Reduction from Property-Tax Exempt Rent	\$ 577	35.5%
Reduction from Property Tax/SDC Rent	\$ 497	32.1%
Rent with Tax/SDC/Land Equity	\$ 203	16.2%

Appendix F: Matrix of Priority Recommendations

Housing Strategies for Lake Oswego, Oregon:

Priority Recommendations of the Affordable Housing Task Force

1. Land Use and Community Development Strategies

Policy or Action	Population	Strategy	Funding	Discussion
Comprehensive Plan	All	Policy Development	CDD Budget	Implement the City’s existing Comprehensive Plan policies to support a wide range of housing options. This includes a creative approach to both the types of housing and the manner of ownership.
Community Development Code	All	Policy Development	CDD Budget	Complete a thorough review of all Community Development Code standards to determine whether they unnecessarily limit or preclude the provision of affordable housing. Having a more user-friendly Code would be of benefit to the providers of affordable housing and to the community overall while helping to implement the Comprehensive Plan.
Periodic Review	All	Policy Development	CDD Budget	Maintain a commitment to periodically review and update both the Comprehensive Plan and Community Development Code, even if the State no longer requires such reviews.
Neighborhood Plans	All	Community Diversity	CDD Budget	In implementing the Comprehensive Plan, assure that the differences from one local neighborhood to another are addressed in the process. Given the diversity of Lake Oswego neighborhoods, a “one-size-fits-all” approach is not likely to be successful.
No Net Loss	All	Preservation Operating and Maintenance Costs	CDD Budget	Work towards a goal of “no net loss” of existing affordable housing and explore incentives to preserve the community’s existing stock of affordable housing. Consider imposing a “tear-down fee” for housing that is razed, unless it is found to be uninhabitable. If affordable housing units cannot be retained, find ways to assure that displaced tenants with modest incomes are able to find equivalent housing in the community. Consider conditioning the conversion of rental housing to unit ownership on the availability of adequate replacement units for those tenants. Consider the same sort of dislocation/relocation program for the tenants of any affordable housing that is torn down or converted in a way that makes it no longer affordable to the tenant. Note that the City does not yet have a complete baseline of information about all of the affordable units that exist within the community. Such information will need to be retained and regularly updated if the City is to implement this sort of policy.
Secondary Dwelling Units	All	Development Costs	CDD Budget	Replace the current discretionary process in the review of secondary dwelling units (SDUs) with a set of ministerial (clear and objective) standards that address neighborhood differences. The only discretion in the current system really has to do with assuring the privacy of neighboring properties and that could be addressed through clear and objective standards. The current discretionary process unnecessarily discourages property owners from applying for SDUs. When the Code

Policy or Action	Population	Strategy	Funding	Discussion
				standards for SDUs are met, these units often go unnoticed in existing neighborhoods. Note the need for housing units to accommodate one or two-person households. Also note the language of the Comprehensive Plan which supports the creation of SDUs. Note that a sub-committee has been formed by the Task Force and is expected to recommend a comprehensive program to assist property owners in the creation of secondary dwelling units.

2. Partnerships

Policy or Action	Population	Strategy	Funding	Discussion
Community Development Corporations Non-Profit Housing Providers Lake Oswego School District Community Service and Faith-Based Organizations Local Housing Foundation	All	Financing Costs Development Costs Operations and Maintenance Costs	TBD	<p>Work with and support the efforts of community development corporations or other non-profit housing providers. The Clackamas County Housing Authority, Northwest Housing Alternatives, Clackamas Community Land Trust, Lake Oswego Transitional Shelter Ministry, Innovative Housing, Inc., and Habitat for Humanity are among the organizations providing these services in our area.</p> <p>Form partnerships with schools, service groups, or other organizations that may share an interest in affordable housing and the people it serves.</p> <p>A local foundation could be created, using the assistance of these groups. We can also seek the assistance of service clubs. They often have time, money, and expertise that can be used -- especially with such things as self-help housing, or housing rehabilitation programs.</p>
Employer-Assisted Housing	Local Employees			Support local efforts to establish employer-assisted housing to accommodate people who are employed in the community. A growing number of employers are realizing that assisting their employees to secure good quality, affordable housing near the workplace is good for business and good for the community. Note that Home Street Bank, with a branch in Lake Oswego, provides loans that help employers with workforce housing.

3. Financing Strategies

Policy or Action	Population	Strategy	Funding	Discussion
Affordable Housing Trust Fund				Establish an affordable housing trust fund that could be used to create, preserve, or maintain affordable housing in the community. Consider all possible sources of money that might contribute to the fund.
				Establish through the Lake Oswego Redevelopment

Policy or Action	Population	Strategy	Funding	Discussion
Minimum Housing Goals for Urban Renewal Areas				Agency (LORA) a minimum percentage of affordable units in all developments that receive the assistance of LORA. Note that the Portland Development Commission has set its standards for affordable units as high as 36% (and typically requires 20%) in its urban renewal areas.

4. Ongoing Policy Development and Administration

Policy or Action	Population	Strategy	Funding	Discussion
Establish a Lake Oswego Housing Commission	All	All	General Fund Housing Trust Fund	The Affordable Housing Task Force was formed as an ad hoc group to offer recommendations. Given that the Task Force has been meeting for a year in the preparation of this report, it is clear that an on-going housing effort is needed within the City. The Task Force has suggested that a Housing Board or Commission be formed and that it be a broad-based community group, with adequate staff assistance, to carry out the implementation of this report and to continue to recommend housing policy to the City Council.

Appendix G: Affordable Housing Resources

The following is a list of websites containing information on affordable housing issues and other housing-related topics at a local, regional and national level, many of which were used as references for this report:

<http://www.designadvisor.org/>

Affordable Housing Design Advisor

<http://www.aocdo.org>

Association of Oregon Community Development Organizations

www.portlandonline.com/bhcd

Bureau of Housing and Community Development, City of Portland, Oregon

<http://www.ci.santa-cruz.ca.us/pl/hcd/ADU/adu.html>

City of Santa Cruz, California, Accessory Dwelling Unit Program

www.cdnportland.org

Community Development Network

www.hud.gov

Department of Housing and Urban Development

http://policy.rutgers.edu/eah/schwartz_comingofage.html

Employer Assisted Housing, Rutgers University

www.housingconnections.org

Housing Connections, affordable housing locator for Portland metro region

<http://www.innovativehousinginc.com>

Innovative Housing

<http://www.metro-region.org/> (home page)

<http://www.metro-region.org/article.cfm?articleid=417>

Metro Regional Affordable Housing Strategy

<http://www.realtor.org>

National Association of Realtors

<http://www.friends.org/house.html>

1000 Friends of Oregon, affordable housing page

<http://www.ocpp.org> (home page)

<http://www.ocpp.org/cgi-bin/display.cgi?page=nr040905>

Oregon Center for Public Policy, The State of Working Oregon 2004 (includes section on housing costs)

<http://www.ohcs.oregon.gov/>

Oregon Housing and Community Services

<http://www.pdx.edu/prc/>

Population Research Center, Portland State University

<http://www.portlandalliance.com/pdf/NewFundsforAffordableHousing.pdf>

Portland Alliance New Funds for Affordable Housing Report

www.pdc.us (home page)

http://www.pdc.us/pubs/type_list.asp?id=48 (PDC housing reports)

Portland Development Commission

<http://www.reachone.net/~pdxpro/housing.html>

Portland, Oregon Housing Information and Statistics (realtor-sponsored website)

www.census.gov

U.S. Census Bureau

Appendix H: Title 7 Status Report

Annual Report to Metro City of Lake Oswego

Regional Affordable Housing Strategy Implementation January 2004

Note: Some of the data presented in this appendix was updated in the main body of this report.

A. Background

On January 18, 2001, the Metro Council adopted amendments to the Regional Framework Plan and the Urban Growth Management Functional Plan to further the implementation of the Regional Affordable Housing Strategy. The adoption of these amendments culminated more than a year of work by a multi-jurisdictional Housing Technical Advisory Committee (HTAC). The work of HTAC and the recommendations that were finally adopted were based on certain premises established by HTAC.

HTAC Definition of Affordable Housing and “Equitable Distribution”

“Affordable housing” was defined by HTAC as: “living accommodation for low and moderate income households where they pay no more than 30 per cent of their income on housing costs. (For renters, housing costs include rent and utilities. For homeowners, housing costs include principle, interest, taxes, and property insurance, if applicable.)”

It was the objective of HTAC to ensure that all of the jurisdictions in the Metro region provide their “fair share” of affordable housing units and that there be an “equitable distribution” of affordable housing in the region.

The five principles of “equitable distribution” were defined as:

- A diverse range of housing types available within the region and within cities and counties inside the urban growth boundary.
- Sufficient and affordable housing opportunities available to households of all income levels that live or have a member working in each jurisdiction and sub-region.
- An appropriate balance of jobs and housing within sub-regions.
- The current and future need for and supply of affordable housing in the region is addressed in the distribution.
- Concentrations of poverty are minimized.

The regional median income for a family of four in 2003 was \$65,800. Income levels are defined as follows:

- Extremely Low Income: Not more than 30% of regional median income
- Low Income: From 30 to 50% of regional median income
- Low-Moderate Income: From 50 to 80% of regional median income
- Moderate Income: From 80 to 120% of regional median income.

Lake Oswego’s Fair Share Benchmark for Affordable Housing to 2017

Affordable Housing benchmarks were established by HTAC for each jurisdiction in the region, for the year 2017. These figures were based on projections of the number of households in the four income groups noted above, using Metro’s Urban Growth Management Functional Plan numbers, and crediting jurisdictions with existing affordable housing. 10% of that total number was recommended by HTAC as a five-year production goal.

In the case of Lake Oswego, those figures are as follows:

	Estimated Households in Each Income Group 1998				Households in Each Income Group 2017				Units Needed by 2017 (Difference Between 1998 & 2017)			
	<30	30-50	50-80	80-120	<30	30 - 50	50-80	80-120	<30	30-50	50-80	80-120
% of Median Income												
# of Households	42	284	2,823	3,683	1,892	1,826	3,307	3,044	1,850	1,542	484	(639)

Metro’s data indicated that in 1998 Lake Oswego had 42 units available to extremely low income households with income levels at or below 30% of median household income, 284 units for low income households, 2,823 units for low-moderate income households, and 3,683 units available to moderate income households (those with incomes from 80 to 120% of median).

By 2017, Metro projections indicate a deficit of 1,850 affordable housing units for very -low income households, a deficit of 1,542 units for low income households and a deficit of 484 units for low-moderate income households. Metro’s 2017 projections estimate an excess of 639 units for moderate income households. The complete listing of jurisdictions and how they rank for available housing units is attached as Exhibit A (Benchmark Affordable Housing Need to 2017, HTAC, December 7th, 1998).

For Lake Oswego, the target five-year goal (to the end of 2006) can be found by multiplying each of the figures listed above (the 2017 targets) by 10%.

The production goals for all Metro jurisdictions are attached as Exhibit B.

B. Statistically, How Lake Oswego Compares to the Region

Household Income

For 2003, the HUD's official regional household income for a family of four was \$65,800. In Lake Oswego, the median household income for a family of four is now approximately \$95,000 (\$94,587 in the 2000 census).

Cost of Housing/Demographics of Lake Oswego

The 2000 Census showed some of the demographic differences between Portland and Lake Oswego and how they relate to housing affordability. For instance, the median housing value in Portland was \$157,900. In Lake Oswego, it was \$296,200. According to Portland Oregon Housing Information and Statistics, the average sales price in May 2001 was \$201,400. In the Lake Oswego/West Linn area the average price was \$320,000. More recent reports indicate that the disparity between housing prices in Lake Oswego and those of the region continues to widen.

Although the average household incomes in Lake Oswego are considerably higher than the regional average, the fact remains that many Lake Oswego residents have difficulty affording suitable housing. The 2000 census noted that 223 Lake Oswego families had incomes below the poverty level. In addition, the 2000 census showed that 161 individuals over the age of 65 are living in Lake Oswego with incomes below the poverty level. Public elementary schools in the Lake Oswego School District provide lunches to lower income students as part of the federally funded National School Lunch program. Three schools provide lunches through that program to at least 10% of their students and one school within the district provides those meals to more than 15% of the student body. These things are indications that high average incomes and the availability of many beautiful homes do not mean that every Lake Oswego resident has the ability to afford quality housing without some sort of assistance.

Available affordable housing programs in Lake Oswego

Most affordable housing programs that are currently offered in Lake Oswego are the result of work done by Clackamas County. The Housing Authority of Clackamas County provides county-wide assistance through a housing voucher program that provides assistance to families that rent units in the private rental housing market. To qualify for the voucher program, the household income must not exceed 50 percent of the area median income (the "low" or "extremely low" income categories noted above).

There is also a program that assists local private sector landlords in making renovations and improvements to single- and multi- family rental units, bringing them into specified housing quality standards. In these units rent is based on income, with tenants paying 30% of their adjusted gross income. Using federal funds provided by HUD, the Housing Authority pays the difference.

The Housing Authority has also acquired large multi-family projects within Clackamas County and has a goal of achieving rents 10% to 20% below market rates within five to 10 years of

ownership. This portfolio of rental properties includes multi-family complexes in Clackamas, Molalla, and Wilsonville. Note that none of those units are located in the Lake Oswego area.

Clackamas County also provides housing for the homeless through allocation of HUD funding through a full range of facilities and services, emergency shelters, transitional housing and permanent supportive housing for persons of disabilities, etc.

Community Development Block Grant (CDBG) funds, administered through Clackamas County, can be used to revitalize and preserve existing housing and improve accessibility and safety in low income homes in both owner-occupied and rental units.

Additional to various rental assistance programs, the County also has a program to provide funds to increase home ownership through the Clackamas Homebuyer Assistance Program.

Constraints or barriers to affordable housing in Lake Oswego

The single biggest impediment to the development or retention of affordable housing in Lake Oswego is the value of local real estate. Because the land costs so much, a large portion of the funds that could otherwise go for the development of new affordable units tend to be used on property acquisition. The few remaining affordable units face the prospect of demolition and replacement by more expensive homes. Even extremely solid and relatively expensive homes in Lake Oswego are routinely demolished and replaced by larger and more expensive units.

Partly because of the frequency with which smaller, older homes have been replaced by newer, larger units, Lake Oswego neighborhoods have become very sensitized to “infill development.” This also tends to complicate any efforts to provide new affordable units.

Lake Oswego also provides a limited range of geographic options for housing developers. With a limited, and largely developed Urban Growth Boundary area outside the current City limits, and relatively few vacant properties within the City, all sorts of housing development tend to be more expensive here than in communities where outward expansion can meet growth needs.

C. Metro Requirements

Metro’s Regional Affordable Housing Strategy has now been codified in Section 3.07.730 of the Metro Code (attached). It includes the following requirements:

- A. Cities and counties within the Metro Region shall ensure that their Comprehensive Plans and implementing ordinances:
 1. Include strategies to ensure a diverse range of housing types within their jurisdictional boundaries.

2. Include in their plans actions and implementation measures designed to maintain the existing supply of affordable housing as well as increase the opportunities for new dispersed affordable housing within their boundaries.
 3. Include Plan policies, actions, and implementation measures aimed at increasing opportunities for households of all income levels to live within their individual jurisdictions in affordable housing.
- B. Cities and counties within the Metro region shall consider amendment of their Comprehensive Plans and implementing ordinances with the following affordable housing land use tools and strategies identified below.
1. Density bonus;
 2. Replacement housing;
 3. Inclusionary housing;
 4. Transfer of development rights;
 5. Elderly and people with disabilities;
 6. Local regulatory constraints, discrepancies in planning and zoning codes, local permitting or approval process;
 7. Parking.

D. City of Lake Oswego Consideration and Responses

In response to Metro Code Section 3.07.730 (A), regarding Lake Oswego’s Comprehensive Plan and implementing ordinances, the following are noted:

Although exempted from the State’s Periodic Review requirements as a result of recent statutory changes, the City of Lake Oswego intends to complete the thorough review and update of both the local Comprehensive Plan and implementing ordinances. The City’s Planning Commission has taken the lead in this process and has already conducted numerous public meetings. The City Council has asked the Planning Commission to address the various recommendations of this annual report on affordable housing within the process of reviewing the City’s Comprehensive Plan and ordinances.

The *Housing Goal* of the *Comprehensive Plan of the City of Lake Oswego*, states:

The City shall:

- a. *Provide the opportunity for a variety of housing types in locations and environments to provide an adequate supply of safe, sanitary, energy efficient housing at price and rent levels appropriate to the varied financial capabilities of present and future City residents.*
- b. *Protect the character of existing neighborhoods; and,*
- c. *Provide for needed housing while protecting environmentally sensitive areas, using land and public facilities as efficiently as possible, and facilitating greater use of alternative transportation modes.*

Other relevant housing policies from the *Comprehensive Plan* include:

- *Provide a wide range of housing types to meet the needs of various lifestyles and family types.*
- *Provide low to moderate cost housing opportunities to meet Lake Oswego's fair share of local and regional housing needs including single-family, multi-family, manufactured housing, special use housing and residential care facilities.*
- *Assure equal access to housing for all.*
- *Support public and private actions, which increase housing choices and reduce housing construction costs.*
- *Actively participate with Metro and Clackamas County in formulating and carrying out the Comprehensive Housing Affordability Strategy.*
- *Allow special use housing for elderly, including frail elderly, persons with medical disabilities, disabled families and other special needs populations identified in the Clackamas County Comprehensive Housing Affordability Strategy, in all zones in proportion to the local share of regional need.*
- *Maintain a cooperation agreement with Clackamas County authorizing provision of rent supplement assistance within the City and enter into agreements with the County Housing Authority to control rents in assisted units, if opportunities arise.*

Applicable Recommended Action Measures from the *Comprehensive Plan* include:

- *Allow secondary (accessory) dwelling units to provide opportunities for affordable rental units, offset housing costs for the primary unit or act as transitional housing without changing the character and quality of single-family areas.*
- *Cooperate with the Clackamas County Housing Authority in locating sites suitable for special use housing. Provide density bonuses, where appropriate, to encourage special use housing.*
- *Establish an agreement with Clackamas County to allow the development of federally assisted low-to moderate cost housing units.*
- *Encourage Clackamas County to utilize federally funded Community Development Block Grants for provision of housing assistance and housing rehabilitation for which individual Lake Oswego residents could be eligible.*
- *Encourage elimination of barriers, which limit housing choice for the handicapped.*
- *Encourage innovative housing construction technologies, which decrease development costs.*
(Excerpted from *City of Lake Oswego Comprehensive Plan, Goal 10 Housing*)

As evidenced above, the current *Comprehensive Plan* contains the policy language to encourage a diverse range of affordable housing, maintain the existing housing stock and increase the opportunity for affordable housing.

The City has a wide range of densities available in residential land use districts that provide development opportunities ranging from detached single-family to high-density. Secondary (or accessory) dwelling units are allowed in residential zones and manufactured homes are allowed in four residential zones.

Specialized housing to meet the needs of the elderly and handicapped also is allowed in residential zones. These are groups that may need access to affordable housing that is subject to development standards that differ from those of other types of housing.

A policy option for future consideration would be to expand policies further to support creative housing options. This could include creativity in terms of the type of housing or the manner of ownership.

Language could be added to encourage and support housing co-ops and co-housing that can further assist in providing affordable housing.

Another option is to consider policy and code language that would result in no net loss of affordability when rental units are converted to an ownership situation.

City Council Consideration.

The City Council has considered the following course of action

- In the course of reviewing the Comprehensive Plan, the Planning Commission shall consider whether there are changes to either the Plan or the Development Code that will help to facilitate the development of affordable housing. These may include changes to provide additional support for creative housing options (e.g., co-op housing, cohousing, etc.). The Planning Commission will also be asked to determine whether more can and should be done to increase affordable housing opportunities in the Town Center or other redevelopment areas of the community and asked to make recommendations to the Council through the Comprehensive Plan review process that is now underway.
- See proposed action below on “Replacement Housing.”

In response to Metro Code Section 3.07.730 (B), regarding the seven tools or strategies that the City Council is required to consider, the following are noted:

1. “Density Bonus”

A density bonus is a land use incentive that allows a developer to construct more units than would otherwise be allowed in a specified residential zone, in exchange for the provision of affordable housing units.

The City already effectively provides a density bonus for residential care and congregate care housing by allowing such developments in several zoning districts, without specifying a maximum density.

Code provisions could be revised to give a density bonus for affordable housing units with special design criteria that will facilitate design compatibility.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- In the course of reviewing the Housing Chapter of the Comprehensive Plan, the Planning Commission shall consider whether it is appropriate to make Code amendments to expand density bonuses for affordable housing. The Planning Commission will be asked to make a recommendation to the Council through the Comprehensive Plan review process that is now underway.
- The staff will work with design professionals, citizens, and architecture students to prepare design standards that could be used to accommodate increased density without sacrificing compatibility with the surrounding area. The results of this effort will be presented to the Planning Commission and City Council, as well as the general community.

2. “Transfer of Development Rights”

Transfer of Development Rights (TDR) is a zoning strategy designed to direct development from one site to another in order to preserve a publicly valued (and typically natural) resource. As applied to housing, it allows the transfer of unused density or development potential from one site to another. Strategies identified by Metro include encouraging local governments to consider TDR regulations in Town Centers such as Lake Oswego’s downtown and the Lake Grove area.

Currently, the Code allows for density transfers on a given site in order to work around natural barriers or other development constraints. The Code could be expanded to allow such transfers to adjoining properties under some circumstances.

It should be noted that TDR programs that extend beyond the immediate area of a proposed development tend to be extremely difficult to administer.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- In the course of reviewing the Comprehensive Plan, the Planning Commission shall consider whether it is appropriate to make Code amendments to allow transfer of development rights to properties adjoining proposed development sites when affordable housing will result and design compatibility can be achieved. The Planning Commission will be asked to make a recommendation to the Council through the Comprehensive Plan review process that is now underway.

3. “Replacement Housing”

Replacement housing requires that affordable housing units lost through demolition or conversion must be replaced by an equal number of similarly sized, priced, and located units by the agency or individual deemed responsible for the loss of the original unit.

It is unlikely that this concept would succeed on a City-wide basis in Lake Oswego where “tear downs” of good quality homes are occurring because the value of land is so high. Land costs make the replacement of affordable units in the City very difficult and the concept of replacement housing is not something that the City can effectively mandate, except where the City itself or the Lake Oswego Redevelopment Agency (LORA) are directly involved in the proposed development. In such cases, replacement housing is something the City/LORA should be prepared to address.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- In the course of reviewing the Comprehensive Plan, the Planning Commission shall consider the prospect of adopting a replacement housing policy for affordable units lost through the direct action of either the City or LORA. The Planning Commission will be asked to make a recommendation to the Council/LORA Board through the Comprehensive Plan review process that is now underway.
- The Planning Commission will also consider the potential for additional policies and Code language to assure that, when affordable rental units are converted to ownership (e.g., condo conversions) either those units are available for the renters to purchase through a right of first refusal, or that other rental units are available in the community at comparable rent levels.

4. "Inclusionary Housing"

In its various forms, inclusionary housing is a mandatory requirement or voluntary objective that assigns a percentage of housing units in new residential developments to be sold or rented to lower or moderate-income households at an affordable rate. Mandatory inclusionary zoning is no longer legal in the state of Oregon. Most inclusionary housing programs now rely on a combination of incentives including density bonuses, fee waivers, or reduced impact fees.

Inclusionary housing could be encouraged through granting priority processing of development applications and the use of other City funds to defray the permit costs for the inclusion of affordable units. Consideration could also be given to waiving Systems Development Charges (SDCs) and other fees for affordable housing developments.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- Given that the City and LORA have no designated funding source to defray the costs of fee waivers, such fee waivers will not be considered further at this time. If a designated affordable housing fund should be created in the budget of either the City or LORA in the future, fee waivers for affordable housing will be considered at that time.

5. "Elderly and People with Disabilities"

Metro requires that local governments examine their zoning codes for conflicts in meeting the locational needs of the elderly and those with disabilities.

The Development Code now includes provisions to allow secondary dwelling units (or so-called "granny flats"). Secondary dwelling units (SDUs) often provide an affordable housing option for the elderly. More could be done to encourage the construction of SDUs along with single-family dwellings. These can be compatible with the surrounding area if there is adequate off-street parking and the size and design of these units match the primary dwelling. Current Code standards classify SDUs as "permitted uses" in residential zones, but the Code still requires that all such units undergo the "minor development" review process. This means that the City sends notice to all property owners within 300 feet, and surrounding neighborhood associations for something that is permitted in the zone. This creates an unnecessary burden for the potential applicant and may create a false expectation in the minds of neighbors that they can prevent the development of an SDU.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- The staff will initiate a Code amendment to remove all discretionary standards from the process of reviewing proposed SDUs. If enacted, this will also delete the public notice requirements and otherwise facilitate the development of SDUs.
- In the course of reviewing the Comprehensive Plan, the Planning Commission shall consider whether the Code standards for congregate care and residential care housing adequately address the needs of lower income seniors and people with disabilities in Lake Oswego. The Planning Commission will be asked to report back to the City Council through the Comprehensive Plan review process that is now underway.

6. “Local Regulatory Constraints/Discrepancies in Planning and Zoning Codes/Local Permitting or Approval Process”

It has been a priority in the City to find ways to streamline and expedite the approval process. To this end, codes were consolidated in 2002 to provide a more concise and easier to understand Code. Additionally, staff annually brings forward “housekeeping” proposals for Code amendments to correct errors and provide clarification to the code.

Infill standards are currently being completed for inclusion in the Development Code. Because existing infrastructure is in place, infill development can provide an opportunity for lower cost in housing development. The infill standards that are proposed also provide for specific design standards that will act to keep infill development compatible with the surrounding development.

Other Code revisions that may be considered to provide opportunities for affordable housing include the allowance of averaging lot sizes in all new subdivisions and partitions. Such averaging is currently only permitted in Planned Development subdivisions. As an example, instead of a 7,500 sq. ft. minimum lot size in R-7.5, we could routinely allow a range of lot sizes from 5,000 to 10,000 with an average of 7,500 sq. ft. Lot size averaging is intended to increase the opportunities for infill development and to increase housing diversity.

The Code could also encourage mixed-use developments. Sometimes there are opportunities for housing development in commercial areas that are lost because zoning requires the residential and commercial uses to be separate. Language could be developed that encourages the conversion of under-utilized commercial or industrial areas to mixed uses that include residential development.

Additional input should be obtained from local builders and developers to identify obstacles in the Code to affordable housing development. If builders and developers can recommend specific Code amendments that will result in affordable housing, the City should consider their first-hand knowledge of financing and construction practices by proposing Code changes. As part of this effort, provisions of the Community Development Code should be reconsidered for common sense in dealing with creative housing options. There may be types of housing that the community really needs that are being discouraged by our current code.

There may also be an opportunity to provide for affordable housing for seniors and single-parent households by liberalizing standards for day care in residential areas and allowing for adult day care on the same basis as day care for children.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- The Planning Commission will be asked to make a recommendation to the Council through the Comprehensive Plan review process that is now underway. In the course of reviewing the Comprehensive Plan, the Planning Commission shall consider whether it is appropriate to make Code amendments to do the following:
 - a. Allow lot size averaging in all new subdivisions and partitions where affordable housing will be provided.
 - b. Liberalize standards for day care (including adult day care) to serve residential areas.

- * The staff will work with local builders and developers to solicit their recommendations on ways to provide affordable housing. This information will be reported back to the Planning Commission and City Council in the course of the Comprehensive Plan review process.

7. "Parking"

Parking is an important cost consideration in the provision of affordable housing. Strategies identified by Metro include encouraging local government to review their parking requirements.

The City can undertake a review of our parking requirements to assure that we are not unnecessarily increasing the cost of housing by requiring more parking than is necessary.

City Council Consideration.

Having considered this matter, the City Council has taken the following course of action:

- In the course of reviewing the Comprehensive Plan, the Planning Commission shall consider whether the parking standards of the Code unnecessarily hinder the development of any kinds of affordable housing. The parking standards for congregate care and residential care housing shall be compared with those employed elsewhere in the region. The Planning Commission will be asked to make a recommendation to the Council through the Comprehensive Plan review process that is now underway.

Additional considerations.

As indicated, Metro has established a voluntary housing production goal that each jurisdiction is encouraged to include in its Comprehensive Plan. Lake Oswego's five-year goal (2001 through 2006) was for the addition of 185 units for households in the lowest income category, and 154 units for households earning between 30% and 50% of the regional median income. Although this number of units would appear to be unobtainable based on the application of land use tools alone, it should be noted that our Comprehensive Plan contains a commitment to provide housing opportunities sufficient to meet regional fair share requirements. This should help highlight the need for more affordable housing in the community. Given that the initial five-year goal for affordable housing will have nearly expired by the time the current Comprehensive Plan review process is completed, there appears to be no reason to add that Goal to the Plan. However, the implementation of various new housing policies and standards in the course of this process will make it more feasible to address Metro's 2017 goals within lake Oswego's 2025 Plan update.

The following additional recommendations will be considered by the City to further encourage affordable housing within the community:

- Create a low-interest (or possibly no-interest) loan program for rehabilitating the homes of lower income persons. This can keep those units from becoming eyesores and can help the occupants to feel invested in the community (financially and otherwise). As previously discussed, Clackamas County has programs in place. The City could contribute additional assistance if this was seen as a worthwhile investment.
- The City could seek the assistance of churches and service clubs. They may have time, money, and expertise that can be used, especially with such things as self-help housing and rehabilitation of older units.

- The City can work with Metro and the State of Oregon to establish a region-wide system to encourage the development of affordable housing. As with many other issues, housing affordability is an issue that goes beyond the City limits. This could warrant support for an initiative proposal to allow local governments to impose real estate transfer taxes to support the development of affordable housing.
- Advocate a regional approach to funding and provision of affordable housing as an alternative to the current system that sets separate targets for each individual jurisdiction.
- Research the potential for developers to obtain tax credits for providing affordable units in this community. Research other tax incentives available to developers of affordable housing, including incentives for Transit Oriented Development (along future streetcar and/or commuter rail lines) and housing in downtown redevelopment areas.
- Provide a clearinghouse for housing information. This could be accomplished through a closer working relationship with the Clackamas County Housing Authority.
- Provide a link from the City's web site to HousingConnections.org. This is a new, on-line, user-friendly regional inventory of housing affordable to households earning 80% or less of median income. The system, financed by a federal grant, is designed to help people find affordable housing on their own or with assistance. The type of information provided includes a database of housing services by location in the three-county area. It includes availability, rent, accessibility, maps showing schools, grocery and transit locations and an affordability calculator.
- Explore the purchase of "air rights" over publicly owned properties for use by developers of affordable housing.
- Encourage private property owners to consider making air rights available for affordable housing development.
- Dedicate a percentage of urban renewal (tax increment) funds in new redevelopment areas to the provision of affordable housing.
- Study the feasibility of making City-owned property available to nonprofit affordable housing providers such as Habitat for Humanity, Northwest Housing Alternatives, or other non-profit housing developer.
- Consider setting rental rates based on the incomes of the families residing in the homes that exist on the residential properties that the City owns,
- Pursue partnerships with providers of affordable housing.

Appendix I: Secondary Dwelling Units (SDUs)

The Housing Goal of Lake Oswego's Comprehensive Plan includes a Recommended Action Measure (xiv) that states the following:

“Allow secondary (accessory) dwelling units to provide opportunities for affordable rental units, offset housing costs for the primary unit or act as transitional housing without changing the character and quality of single family areas.”

The Comprehensive Plan defines a secondary dwelling unit as:

“A dwelling unit that has been created within, by means of addition to, or as an accessory structure to, a single family dwelling; with separate parking, kitchen, and bathing facilities.”

Neighborhood plans for First Addition and Lake Grove both include provisions supporting that Comprehensive Plan language, with an emphasis on design and owner occupancy of at least one of the units on the lot.

In the course of working on this report the Affordable Housing Task Force found that the development of SDUs can help to address the housing needs of the elderly and people with disabilities (particularly for family members of the primary dwelling unit on the property) and other one or two-person households (a growing portion of the overall housing demographic).

The City's existing zoning requirements applying to SDUs have led to some confusion about the standards for SDU construction and the procedure for receiving the necessary permits to construct an SDU or convert part of an existing home into an SDU. At the present time, an SDU is listed as a “permitted use” in zones allowing single family development. However, a subsequent code section specifies that proposed SDUs are to be reviewed through a discretionary process (i.e., “minor development”). Further research reveals that the only discretionary aspect of the City's review process involves protecting the privacy of neighbors. It therefore follows that, if the privacy of the neighbors can be adequately protected through a set of clear and objective standards, the permit process for SDUs can be greatly streamlined.

To this end the Task Force created a subcommittee to work on proposed code amendments to simplify the SDU development process. After studying the standards for SDUs employed by other communities the subcommittee recommended a set of amendments to the City's Community Development Code intended to do all of the following:

- Clarify that SDUs are permitted outright in all of the residential zones, subject to the standards of Section 50.30.010 of the Code;
- Limit the development of SDUs within the portions of homes or accessory buildings that are currently nonconforming to zoning requirements;
- Retain the requirement that either the primary dwelling unit or the secondary unit on a lot be owner occupied – and that a statement to that effect be recorded;

- Retain the 800 square foot maximum floor area for SDUs, except in cases where the lot size exceeds the minimum lot size of the zone, in which case larger floor areas would be allowed;
- Utilize the floor area ratio (FAR) limitations of the individual zones and apply them to the combined floor area of the primary and secondary units; and
- Include window size, window location, stair and balcony location and landscaping standards in Section 50.30.010 to address the privacy of adjoining neighbors

The subcommittee also recommends that the City undertake the following to encourage the development of SDUs within the community:

- * A design competition for architects and design students to propose “model” examples that could be used by people considering the development of an SDU;
- * A set of financial incentives (e.g., fee waivers or deferrals, etc.) to encourage SDU development when it addresses the needs of populations identified in the Task Force report;
- * Technical assistance to those interested in the development of an SDU; and
- * Adoption of the Code revisions listed above.