AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan
Advisory Committee Meeting #3

11/16/2022

5:30 – 5:45 PM	**Review of Homeownership Assistance Programs** ▪ Program Types ▪ Considerations
5:45 – 6:15 PM	**Discussion of Additional Funding Sources** o Affordable Housing Trust Fund o Alternative Funding Sources
6:15 – 6:45 PM	**Equity Considerations** ▪ Demographic Overview ▪ Impacts
6:45-7:00 PM	**Next Steps**

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DATE: November 2, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Homeownership Assistance Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing these actions. The final section outlines potential next steps for the City of Tualatin to consider.

Homeownerships Assistance

Overview

This memorandum focuses on strategies that address housing stability for existing homeowners and current renters who wish to become homeowners. Keeping Tualatin an affordable place to live may require assisting existing residents with programs that help them stay in their homes. Alongside that, helping renters become homeowners can provide stability and the potential to build wealth.

Housing Rehabilitation: Older housing often needs improvements to continue to be safe and livable, which can be unexpected costs for some households.

Weatherization: Home improvements that make buildings more energy efficient to reduce utility costs and contribute to climate goals, as well as help to proactively extend the life of housing units for existing homeowners.

Down Payment Assistance: Some households may have the ability to pay for a mortgage but lack the savings necessary to pay for an upfront down payment on a house. Low-interest loans or grants can help households overcome this barrier to homeownership.

Rehabilitation and Weatherization Programs

Many available programs for rehabilitation and weatherization in Oregon target low- to moderate-income homeowners, typically for owner-occupied single-family dwellings or middle housing such as duplexes. Some of these tools can also be used for preserving existing affordable multifamily housing to benefit renters, but they typically do not apply to market rate buildings. Tenants typically do not have the same flexibility or incentive as homeowners to pursue rehabilitation or weatherization of their units, though some programs related to accessibility are available to individual renters. Here our analysis focuses on single households accessing programs directly rather than benefitting through a third-party owner making upgrades.

Rehabilitation programs typically serve low-income households, often those that have owned homes for a long time but need to make repairs to keep them up to the city code (including roof replacement, plumbing, and other critical needs). Many repair programs also cover accessibility upgrades such ramps, doorway modifications, or handrail installation for disabled residents.

For residents on a fixed income, large one-time repairs may not appear viable within their current budgets.

Weatherization assists households in proactively modifying their homes to reduce the cost of utility bills while increasing energy efficiency. Projects that these programs often cover include replacing windows, adding insulation, or upgrading heating and cooling systems.

Homebuyer Assistance Programs

Barriers to homeownership are often costs which are outside of regular monthly housing expenses (such as a mortgage and utility bills) that would figure into a household's budget. A down payment on a new home, physical upkeep work, weatherization, and accessibility additions can all become financial obstacles for residents who are otherwise able to afford housing costs but require a larger lump sum.

Typically homeownership programs are able to reach households at 80% of median family income, while rental programs are more efficient at targeting deeper levels of affordability.[1]

A variety of tools can be used to remove homeownership barriers for households by reducing upfront costs for purchasing a home (typically through loans or grants) or maintaining the quality of housing over time, allowing residents to remain compliant with local code.

The actions in this memorandum support stability for existing homeowners below the area's median income as well as support for more relatively low income households to become new homeowners. Potential tools associated with this strategy include low interest loans, publicly funded grants, and technical support for weatherization or healthy home projects.

Fiscal Impacts/Who Pays

Tools for homeownership assistance can come from a variety of local, state, and federal funds. They can be spread out to different grants, levies, bonds, and other sources, then streamlined into a single homeownership program. A local Affordable Housing Trust Fund could also be a mechanism that combines local contributions and supplies funding for such programs.

Some of the tools discussed in other memoranda for the Housing Implementation Plan that provide the city with revenue earmarked for affordable housing could also be used towards funding for rehabilitation programs and downpayent assistance (such as a new Construction Excise Tax). Urban renewal revenue typically cannot be used for downpayment assistance or is difficult to implement, but could potentially be used more readily for directly funding renovation work.

Exhibit 1 below provides a summary of four types of homeownership assistance programs with details about our findings from case study research. This includes who is served by each type of

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[1] US Department of Housing and Urban Development, "The HOME Program: HOME Investment Partnerships," September 20, 2017, https://www.hud.gov/hudprograms/home-program.

assistance, the typical range of funding that is provided per household and potential funding sources that other programs in Oregon have accessed.

Exhibit 1. Summary of Homeownership Assistance Program Types
Source: ECONorthwest analysis

Program Type	Who is Typically Served	Typical Assistance Provided per Household*	Potential Funding Sources**
Down Payment Assistance	First time home buyers (current renters) below 80% MFI	$25,000-$110,000	US HUD (CDBG), OHCS (HOAP and CET), Community Frameworks
Home Repairs	Existing low-income homeowners at or below 80% MFI	$10,000-$50,000	US HUD (CDBG, HOME), OHCS funds (Repair Health and Safety Program), CET revenues
Weatherization	Existing low-income homeowners at or below 80% MFI	$10,000-$25,000	US HUD (CDBG, HOME), public purpose charges
Accessibility Improvements	Existing homeowners at or below 80% MFI, seniors, people with disabilities	$7,500-$10,000	US HUD (CDBG, HOME)

*These ranges are derived from case studies in this memorandum but not exhaustive of programs in Oregon
**If over $100,000 of state CDBG funds are used for administration costs they must be matched, but otherwise would not carry a matching requirement[2]

Pros and Cons

Pros:

- Providing accessible paths to homeownership through down payment assistance helps to stabilize existing renter households and provides them with the opportunity for long-term equity in their homes.
- Improving existing housing provides better environmental quality, is typically associated with lower carbon emissions, and ensures that older housing is consistent with the city code.
- Partnership between government entities and nonprofits has been successful for funding and administering homeownership assistance programs in Oregon, providing models that could be used by Tualatin. There are multiple programs already operating at the state and county level where the City could begin building new relationships.

[2] US Department of Housing and Urban Development, "State CDBG Program Eligibility Requirements," n.d., https://www.hudexchange.info/programs/cdbg-state/state-cdbg-program-eligibility-requirements/.

Cons:

- Staff capacity for administration or funds required to support nonprofit partnerships can be limiting factors for the scope of these homeownership assistance programs.
- Availability of grant funding and external sources may be unpredictable from year-to-year, making programs inconsistent over time.
- Down payment assistance still comes with requirements that are hard for some households to fulfill, such as personal savings for earnest money and closing costs.
- Federal funding sources may come with program requirements that make it difficult for some households to participate, such as debt-to-income ratio. They may also trigger prevailing wages in some cases, depending on the size and source of funding.

Summary of Homeownership Assistant Tools Analysis

For this analysis we used a case study approach to understand how comparable cities to Tualatin provide tools for homeownership through rehabilitation or down payment assistance. We explored examples from around Oregon to understand their respective approaches to homeownership assistance. Our team used these key questions to analyze the intent, structure, and impact of these programs:

- What programs are available for rehabilitation and/or down payment assistance?
- What is the City's role in this strategy?
- How are the programs structured and funded? How are recipients prioritized?
- Who is eligible to use the program? Is the program targeted to help specific groups of people (for example, seniors, households below 60% MFI, etc.)?
- What are the reporting requirements to ensure compliance with the program?

City-Nonprofit Partnerships for Down Payment Grants

Overview

Several jurisdictions in Washington County partner with the nonprofit organization Proud Ground to provide down payment assistance for residents. The cities of Beaverton, Hillsboro, and Tigard are all participants who use local Community Development Block Grant (CDBG) dollars to fund homeownership assistance alongside funding from Oregon Housing and Community Services (OHCS) and Community Frameworks.

Role of the City

The cities' role in these programs is as a partner rather than the ongoing administer for down payment grants. Specifically, cities in Washington County have allocated portions of their federal funding that are eligible for the program, but do not have to contribute ongoing staff capacity for monitoring, distribution, and outreach.

Program Details

The amount that local programs offer differs between each city; Beaverton[3] and Tigard[4] currently offer up to $110,000 for qualified buyers and Hillsboro[5] offers up to $90,000. Grant recipients for Proud Ground administered programs must be first-time home buyers that meet extensive qualifications for income and their plans to purchase a home.

Eligibility

For participating buyers' household income must match CDBG guidelines from 80% of median family income (MFI) in line with federal requirements - currently in Washington County this is $85,200 for a family of four. In order to verify income, program users must provide federal tax returns and W-2 forms. Eligibility is on a first-come, first-served basis when funds are available.

Buyers must also qualify for a minimum total mortgage of $350,000 with a lender from the organization's list. They must also have at least $3,000-5,000 in personal savings depending on the jurisdiction to cover earnest money, inspections, and closing costs. They must also have a credit score above 620, a debt-to-income ratio below 10%, and two years of steady employment history that is verifiable through paystubs, benefit statements, child support forms, or other formal documentation.

Takeaways

Partnerships can be an efficient way to deliver homeownership support without exceeding capacity of city staff to process applications and verify income information. There is likely an opportunity for Tualatin to pursue a similar program, including one with the same configuration as its peer cities in Washington County, though Proud Ground does not currently serve any cities in Clackamas County.

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[3] ◎Proud Ground. "City of Beaverton Down-Payment Assistance." Accessed October 19, 2022. https://proudground.org/properties/affordable-pending/90000-beaverton-homebuying-opportunity-pool/227.

[4] ◎Proud Ground. "City of Tigard Down-Payment Assistance." Accessed October 19, 2022. https://proudground.org/properties/affordable-pending/110000-tigard-down-payment-assistance-grant/250.

[5] ◎Proud Ground. "City of Hillsboro Down-Payment Assistance." Accessed October 19, 2022. https://proudground.org/properties/affordable-available/90000-down-payment-assistance-grant/366.

County-Administered Low Interest Loans for Rehab, Weatherization, and Accessibility

Overview

In Oregon, counties and regional bodies sometimes provide homeownership resources that cities can leverage for their residents. Clackamas and Washington County are examples of larger scale government agencies that provide grant and loan programs for home rehabilitation, weatherization, and accessibility that are already applicable in Tualatin.

Role of the City

For regional low interest loan programs, cities are partners with other government bodies rather than directly delivering a program. City staff can direct local residents to appropriate resources and promote them for targeted groups, but do not track ongoing compliance or process applications. Some larger jurisdictions like Beaverton and Hillsboro within the county opt out in favor of their own nonprofit partnerships for home repairs and accessibility.

Program Details

Both Clackamas County and Washington County offer low interest loans for home rehabilitation, including additional outright grants for accessibility projects. Both counties prioritize funding for the most critical health and safety projects (such as dangerous electrical systems, roof leakage, and structural problems) ahead of nonemergency repairs or upgrades (such as weatherization).

Clackamas County structures their home repair loan program as a 3% simple low interest loan with deferred payments for owner-occupants. The eligible amount varies depending on project type: up to $15,000 is available for a single purpose health or safety items like water, septic or roof repair, $25,000 for exterior repairs, and $35,000 for complete repairs that meet Community Development Block Grant rehab standards. Outright grants are not given for home repairs but are available for accessibility improvements.[6]

Washington County has two programs depending on the income level of participants. The Home Access and Repair for Disabled and Elderly (HARDE) provides outright grants targeted at very low-income residents up to $10,000. The Deferred Interest-Bearing Loan (DIBL) is provided for moderately low-income residents up to $25,000 with a similar structure to Clackamas County, accruing 3% interest for up to ten years that does not need to be paid monthly. Up to 10% of DIBL funds may be used for 'nonessential' projects like Homeowners who qualify for DIBL assistance may use up to 10% of the loan amount for non-essential items like lighting fixtures or floor upgrades.[7]

Eligibility

Both Clackamas and Washington County homeowners are eligible for home repair loans at or below 80% MFI who have sufficient equity in the property. Taxes and mortgage payments must

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[6] ◎Clackamas County. "Home Repair Loans and Home Accessibility Grants." www.clackamas.us. Accessed October 19, 2022. https://www.clackamas.us/communitydevelopment/repair.html.

[7] Washington County Office of Community Development, "Housing Rehabilitation Program Policies," 2022, https://www.washingtoncountyor.gov/commdev/housing-rehabilitation.

also be current in both jurisdictions, and applicants must have a sufficient debt-to-income ratio. Both programs used deferred low-interest loans where the owner does not have to make monthly payments; the loan is then repaid when the home is sold or transferred.

Washington County's HARDE program is available for residents below 50% MFI who are disabled or over the age of 62. Although it is primarily targeted at homeowners, renters may also apply for accessibility improvements. The DIBL is for homeowners between 50-80% MFI.

Takeaways

Programs provided at a higher level like a county or regional body can cover a wide area and serve multiple jurisdictions with programs for home rehabilitation. These programs are often funded through CDBG and must be compliant with their regulations.

Washington and Clackamas Counties offer program which Tualatin residents could use, while jurisdictions like Beaverton and Hillsboro have operated their own independent options. Tualatin could work with the County to increase participation or set up their own separately to give them more latitude over allocation of their CDBG funding for other projects.

City-Administered Assistance for Down Payments and Rehabilitation

Overview

Some cities in Oregon choose to administer their own programs for homeownership assistance rather than partnering with a nonprofit organization to work with individual households. Springfield and Corvallis are examples of local jurisdictions that offer this direct support, including home repair support and down payments (in Springfield).

Role of the City

With city administered programs, staff directly work with homebuyers and homeowners. Springfield and Corvallis are located in Lane and Benton Counties respectively, neither of which have an alternative county-level program. There are additional nonprofit organizations providing resources with coverage in both areas. Like cities who use a partnership model, both of these programs also utilize federal funding from the US Department of Housing and Urban Development, including the CDBG and HOME (for multifamily building rehab projects).

Program Details

Springfield offers up to $25,000 in interest-free loans for down payments, with repayment not required until the home is sold, refinanced, or transferred. It is not intended for full coverage, as homebuyers must contribute at least 50 percent of the required down payment. The city also provides funding for rehabilitation up to $10,000, targeted at urgent home repairs and those that will enhance health, safety, or accessibility. It does not cover weatherization improvements but refers residents towards a nonprofit operating in Lane County. All rehab work must be performed by licensed and bonded contractors hired and paid by the City.[8]

Corvallis only provides local rehab funding but covers weatherization and accessibility improvements. The loan is structured with two options: program participants between 50-80% MFI accrue no interest with their monthly payments, and those below 50% as well as disabled homeowners and seniors can defer payments until the homeowner moves or sells the house.[9]

Eligibility

Springfield's income requirements are set slightly higher than other jurisdictions surveyed in this memo, with residents qualifying for the home repair program at 50% MFI in 2022. The City also limits the rehab program based on the value of the home, which must be under $334,000 according to the Lane County Assessor. For its down payment program, buyers must be prequalified, below 80% MFI, and first-time home buyers. Additionally, the property must be vacant or occupied by either the buyer or seller to avoid renter displacement.

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[8] City of Springfield, "Homeowner Programs," accessed October 21, 2022, https://springfield-or.gov/city/development-public-works/homeowner-programs/.

[9] City of Corvallis, "Housing Repair and Rehabilitation Loans," accessed October 21, 2022, https://www.corvallisoregon.gov/cd/page/housing-repair-and-rehabilitation-loans.

Corvallis requires that residents are below 80% MFI for their weatherization, rehab, and accessibility loans, but offers additional help for those under 50% MFI. Requirements are also similar to county and nonprofit programs.

Takeaways

The amount offered in cities that administer their own program may be lower than in jurisdictions that partner with a nonprofit or county. Although it is a small sample size, this may be due to the costs of administration. Local programs also allow city staff flexibility in setting stronger MFI provisions and adding measures to avoid displacement.

Conclusions and Next Steps

- The City should consider the extent to which it wants to directly provide programs or establish on partnerships for administration based on current capacity.
- Federal funding from HUD’s Community Development Block Grants or state funds from OHCS are typically what other places in Oregon use to fund homeownership assistance programs for down payments and rehabilitation work. If Tualatin has these available, it should leverage them and explore partnerships with established programs.
- Given its location in Washington and Clackamas Counties, there are resources that can be used already in Tualatin for home rehabilitation work. However, residents may need help navigating which programs apply for their needs and understanding the criteria. The City could increase guidance available for individuals to find existing resources rather than building new programs.
- The City could also help to put together resources for some of the other requirements that existing programs use, such as building sufficient credit for a down payment grants or identifying eligible contractors to perform rehab work within the parameters of available grants.

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DATE: November 7, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Affordable Housing Trust Fund and Additional Funding Tools Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing these actions. The final section outlines potential next steps for the City of Tualatin to consider.

Additional Funding Tools

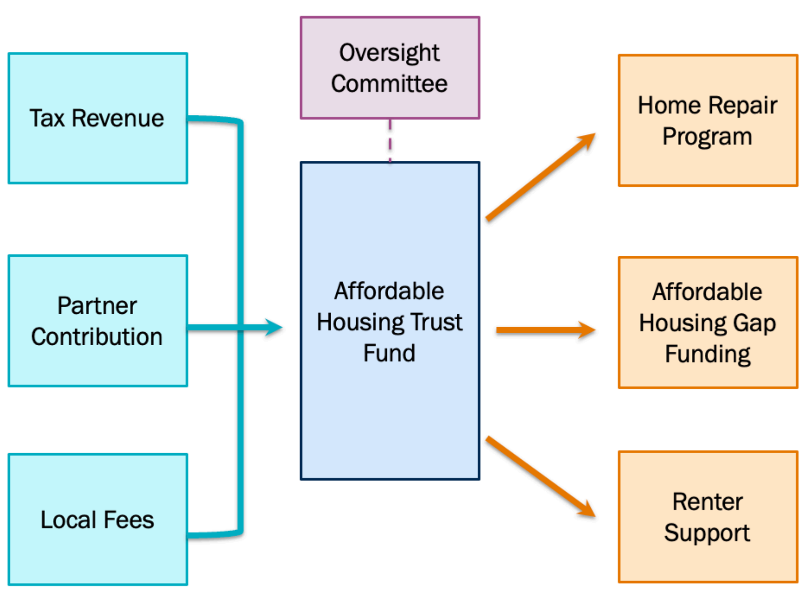
Overview

There are many potential strategies for creating new revenue sources or directing existing sources towards affordable housing, including new taxes or fees, local bonds and levies, partner contributions, and more. Some of the tools covered in other Housing Implementation Plan memorandums could contribute revenue to the city in order to financially support targeted types of housing. This analysis expands on those additional funding sources and how the city could use them in an Affordable Housing Trust Fund.

Affordable Housing Trust Fund: Trust Funds provide a single location to collect a variety of local contributions and other funds for affordable housing. They are typically managed by a combination of city staff and a steering committee who ensure the funds are distributed to fulfill priority housing goals.

An Affordable Housing Trust Fund is a mechanism that can centralize revenue sources into a collective account and distribute money for housing in the city. Although most of the sources analyzed can also be used independently, this structure could be useful for affirming that projects that receive public funding go towards meeting

Exhibit 1. Affordable Housing Trust Fund Structure
Source: ECONorthwest



priority needs. Trust funds are typically steered by a committee who work alongside city staff to formulate the application criteria and administer the approval process. However, these funds only work if there are sufficient inputs in the form of tax revenue, fees collected, bonds, etc.

Fiscal Impacts/Who Pays

These tools can leverage a variety of local, existing revenue sources; they are typically spread out to different funds, levies, and bonds to accumulate a larger sum. The fiscal impacts depend on the source, but in general it means that the City is choosing to allocate money towards housing projects in lieu of spending it elsewhere. In some cases, sources may also stipulate that funds can only be used for certain types of projects which may restrict how the trust can distribute its money. These may prohibit their use in the fund altogether: for example, urban renewal funds cannot be use outside of the boundaries of a district and are primarily used for supporting new capital projects, limiting their use for citywide goals or programmatic elements.

Pros and Cons

Pros:

- An affordable housing trust fund would allow the City to make investments in the specific types of housing that are needed in Tualatin. The City could configure the criteria and eligibility standards to a specific affordability level or unit/tenure type.
- The fund can combine multiple funding sources and lower dependence on a single revenue stream to fund affordable housing. It could also reduce the strain on any one source.
- Some sources that have low potential now because of political viability or legal status in Oregon may become more feasible over time with changes to state legislation that enable more tools to be used for affordable housing. For example, vacancy taxes have not been legally tested in the state but could be in the future.

Cons:

- A trust fund requires administrative capacity from the City and will likely require support from a volunteer committee to oversee the application and approval processes.
- If goals and eligible project types are not clear from the outset of the trust, funding could go towards lower priority types of projects and/or cause public controversy.
- Other challenges might arise with requirements depending on the funding source within the trust fund, such as restrictions on the types of projects that can be funded by certain revenue sources, requirements for prevailing wages, or annual fluctuations in availability.

Summary of Additional Funding Tools Analysis

ECONorthwest evaluated a number of revenue sources that could contribute funding to an affordable housing trust fund. Exhibit 1 summarizes these sources and provides rationale for their recommended inclusion or exclusion in the Housing Implementation Plan.

An affordable housing trust fund could also collect revenue from other tools that ECONorthwest evaluated for this plan, such as revenue from a Construction Excise Tax. This analysis includes those explored in other sections of the Housing Implementation Plan and integrates ideas from the previous Housing Production Strategy.

Exhibit 2. Summary of New Funding Sources Evaluated

Revenue Source	Potential to Implement	Description	Assessment
Most Common Local Sources			
Tualatin-specific Construction Excise Tax (CET)	High	A tax levied on new construction of commercial, industrial, and/or residential buildings	Likely a high source of flexible local revenue
General Fund Revenue	Low	Contribution from the city's general budget	Can contribute directly but competing with other city priorities
Tualatin-specific or regional General Obligation (GO) Bond	High	Increases property taxes to pay back the amount of bonds taken out by the city for capital projects In 2018, voters approved a regional GO Bond for housing for the Metro region. Funds from that bond are being use to create permanently affordable housing. Metro may consider issuing an additional GO Bond.	Requires a public vote but could provide long term stable source Tualatin could be the recipient of additional funding from a new Metro GO Bond.
Local Option Levy	Medium	A time-limited property tax issued as a rate used for capital projects, operations, or programs	Also requires a public vote but GO bond is probably better
Increases to Existing Taxes and Fees			
Lodging Tax	Medium	An increase to the city's current lodging tax levied on hotels, motels, and short-term rentals, paid by visitors	Uses of revenue are restricted by the state; majority (70%) for tourism
Marijuana Tax	Medium	A targeted change in the city's current marijuana tax levied on marijuana purchases, paid by consumers	Marijuana tax revenues may already be at their maximum for Oregon
Building and Planning Permit Fee Surcharge	Low to Medium	An additional charge added to the city's existing fee for staffing and operational costs	The City has relatively low fees now, but increasing them would not help to incent new housing development

Utility Fee Surcharge	Low to Medium	An additional fee on utility bills, similar to the city's current parks utility fee	Potential nexus with infrastructure to support affordable projects
System Development Charges (SDCs)	Low	An increase to the city's existing one-time fees charged on new buildings, paid by developers	Conflicts with strategy to exempt SDCs for certain affordable development
New Taxes and Fees			
Business License Fee	Low	An additional fee issued with new business licenses	Could hinder economic development goals
Food and Beverage Tax	Low	A tax added to food and beverage sales within the city, paid by consumers	Unlikely to be politically viable
Real Estate Transfer Tax	Low	A tax levied on real estate transactions, paid by property owners	Not proven legal in Oregon
Sales Tax	Low	A tax on retail goods purchased within the city, paid by consumers	Unlikely to be politically viable
Payroll/Business Income Tax	Low	A tax for local business revenue, paid by business owners	Likely to face pushback from business community
Vacancy/Second Home Tax	Low	A tax levied on homes that are unoccupied for a certain period of time, paid by property owners	Likely not legal in Oregon or enough vacation homes
Other Funding Sources			
Donations and Gifts	Medium	Funds given by private foundations, firms, or individuals	Could have a mid-sized to low impact and likely to fluctuate
Grants	Medium	Funding from public agencies or companies for a specific purpose that the city applies for	Dependent on grant writing capacity and changing availability
State Funding	Medium to High	Oregon Housing and Community Services provides a number of funding opportunities for which Tualatin would be eligible including grants and CET	Mostly available as one-time contributions but can be spread out over years

The City's Highest Potential Revenue Sources Are Construction Excise Tax (CET) Revenue and Property Taxes.

CET is a Promising New Option, with Multiple Configurations Available.

Construction Excise Taxes (CET) is increasingly popular for funding affordable housing in Oregon, as SB 1533 passed in 2017 permits cities to adopt a tax on the value of new construction projects explicitly for the purpose of raising funds for affordable housing projects. The tax is limited to 1% of the permit value on residential construction with no cap on the rate applied to commercial and industrial construction. For residential, 50% of revenue must go to developer incentives like backfilling SDC abatements or forgone MUPTE revenue, 15% goes to OHCS programs, the city can use the remaining 35% flexibly (including adding to a trust). For commercial and industrial CET, 50% of revenue has to be used for housing related programs and could also flow into the trust, while the other half is unrestricted and could also go to other city programs.

A Local Option Levy or General Obligation Bond Would Require a Public Vote.

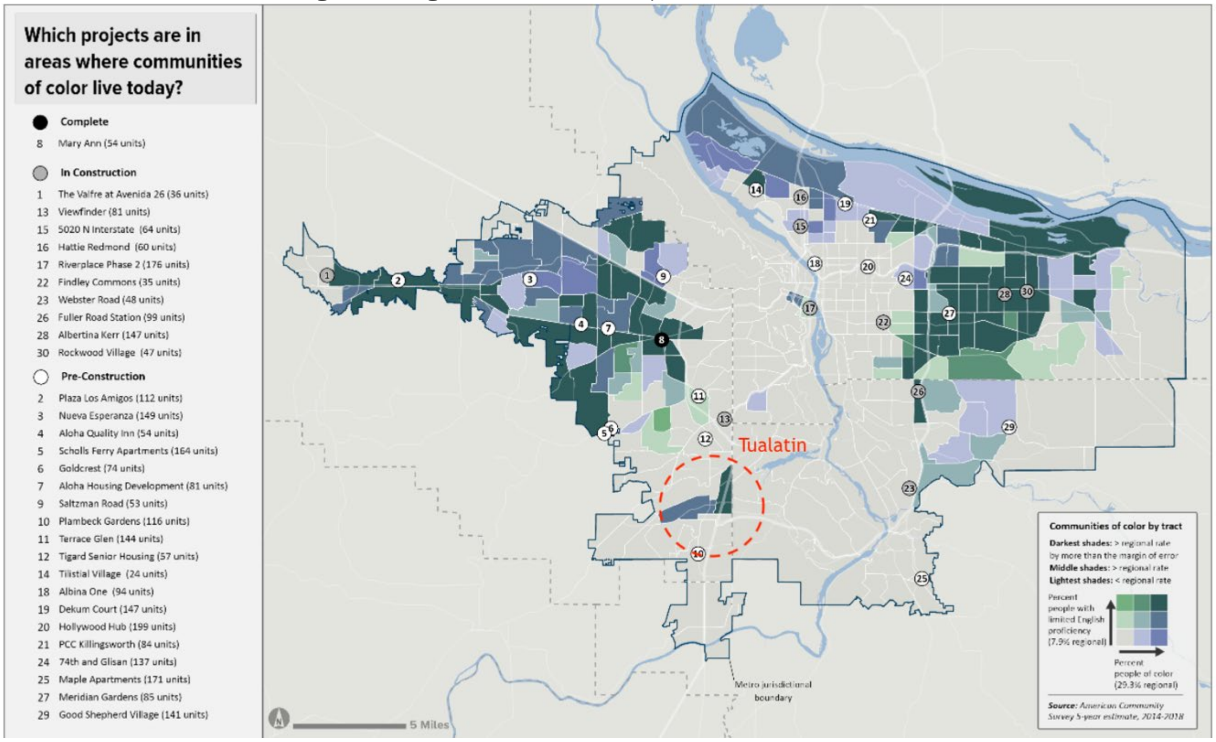
A new local option levy (ORS 280.040-280.145) or general obligation bond (ORS Chapter 456) would be a powerful tool but require an extensive public process and vote in order to pass. Depending on which route the city pursued, it would either take out a bond to be repaid by a property tax increase or increase the property tax rate for a fixed period of time to add towards housing. Both require a local public vote to implement.

The existing Metro GO Bond which Tualatin residents already pay property taxes towards covers Washington, Multnomah, and Clackamas County and is estimated to generate $652.8 million for housing and homes for approximately 12,000 people.[1] Although Tualatin currently does not have an allocation for projects within the city, the intent of the bond is to be distributed regionally to provide more affordable units across all three counties with considerations for racial equity and existing access to regulated affordable housing.[2]

[1] Metro, "Affordable Housing Bond Program," February 8, 2018, https://www.oregonmetro.gov/public-projects/affordable-housing-bond-program#:~:text=In%202018%2C%20Metro%20partnered%20with.

[2] Metro, "Metro Affordable Housing Bond Program 2021 Annual Report," June 30, 2021, https://www.oregonmetro.gov/public-projects/affordable-homes-greater-portland/oversight.

Exhibit 3. Metro Housing GO Bond Projects in Areas Where Communities of Color Live Today
Source: Metro Affordable Housing Bond Program 2021 Annual Report



The city's tracts with relatively high share of people with limited English proficiency and people of color compared to the region (shown in Exhibit 2) and lack of current funding provided from the bond revenue could make Tualatin a strong candidate to receive funding within this regional equity framework. Like other cities (including Portland[3]), Tualatin could seek to partner with the Metro Housing Bond, set goals for adding affordable units, and solicit proposals for new affordable development.

General Fund Revenue is Powerful but Competitive with Other Resources.

The City could decide to reallocate a portion of its general fund revenue as it chooses, which could potentially provide a large contribution towards housing projects and programs. However, using the city budget would likely mean reallocating funds from where they are currently going and competing with other city priorities.

Increasing and Allocating Existing Taxes and Fees Has Limitations.

Increasing or reallocating revenue from existing taxes and fees may be more politically viable than introducing new ones in Tualatin. However, for existing funds and fees, the city typically

[3] Portland Housing Bureau, "Metro Housing Bond," 2022, https://www.portland.gov/phb/metro-housing-bond.

already has earmarked where they are going to be spent and would need to evaluate if they want to divert resources from other projects or increase the tax and allocate the additional revenue to housing.

Existing taxes and fees considered include the city's lodging tax, marijuana tax, building and planning permitting fees, and system development charges (SDCs). In the case of lodging and marijuana taxes, it may be possible to eventually increase the current rate but the effectiveness of both is dependent on state legislative decisions.

Increases to SDC rates are not conducive to increasing housing feasibility and may cause challenges for attracting development. These rates are also typically set by service districts for infrastructure rather than by the City for funding other initiatives. However, the City's existing building and planning permit fees are comparatively lower than surrounding cities. Adding a surcharge that is linked to the cost of staff capacity for working on affordability initiatives may have a stronger nexus with the affordable housing trust fund and create less of a challenge for feasibility. Similarly, a surcharge to the City's utility bills like the existing park utility bill could be applied towards supporting infrastructure for new affordable projects.

New Taxes and Fees May Be Difficult to Implement.

There are many theoretical options for adding new taxes or fees within the city, but most of them face challenges of political feasibility, legal issues, or hindering other goals. Taxes or fees could apply to a range of different parties, broadly including consumers, property owners, and business owners in the city. See this document's Appendix for detail on taxes and fees.

Taxes and Fees Paid by Consumers Could Lack Political Viability.

New taxes and fees paid by consumers often face challenges of political viability. Both of those considered could have pushback from the business community and residents because they could be seen as disincentives to spending within the city.

Taxes and Fees Paid by Property Owners Could Face Legal Challenges.

Local option levy and general obligation bonds would already add to existing property taxes, but there are other taxes that would apply primarily to property owners. Both options included here are likely to face legal challenges in Oregon and are not tested in the state.

Taxes and Fees Paid by Business Owners Could Hinder Other Economic Goals.

Taxes levied on businesses are another option that the city could enact, but this could also discourage new small firms from establishing in Tualatin. Available options for these taxes and fees can also often be transferred on to consumers when businesses add on the cost for paying the tax to the price of their goods and services.

Most Grants and Partner Contributions Have Short Term Impact.

One-Time Grants and Partner Contributions Have Been Used in Other Funds.

Grants and partner contributions can have an impact but are likely not ongoing sources that could be used for continued programs or an AHTF. Cities like Newberg have relied on them as a part of their trust fund,[4] but they don't always produce enough contributions to be effective for long term programs. The city could explore funding campaigns for donors and grant writing efforts, but this is typically more effective for specific projects than open-ended funding.

State Funding Could Add More Opportunities for Specific Goals.

Oregon Housing and Community Services (OHCS) offers a range of grant programs and tax credits that can be used for affordable housing development. Individual projects could utilize programs like the Oregon Affordable Housing Tax Credit (OAHTC), while the city could utilize the General Housing Account Program (GHAP) Capacity Building program to build out the affordable housing trust. The state's share of locally collected construction excise tax can also be used for down payment assistance programs.[5] The state Housing Development Grant Program ('Trust Fund') could be used by projects in Tualatin to match local funds.[6]

[4] City of Newberg, "Affordable Housing Commission Home, Newberg Oregon," www.newbergoregon.gov, accessed October 31, 2022, https://www.newbergoregon.gov/ahtfc.

[5] Oregon Housing and Community Services, "Down Payment Assistance," accessed November 4, 2022, https://www.oregon.gov/ohcs/homeownership/pages/downpayment.aspx.

[6] Oregon Housing and Community Services, "Grants & Tax Credits," www.oregon.gov, accessed November 4, 2022, https://www.oregon.gov/ohcs/development/Pages/grants-tax-credit-programs.aspx.

Affordable Housing Trust Fund Case Study: Eugene

Affordable Housing Trust Funds are fairly common for cities in Oregon. Eugene, Portland, Ashland, Newberg, and Bend are all examples of jurisdictions who have established such funds, but their impact typically varies based on how much funding they are able to provide. Some may also be subject to vary over time based on their revenue sources.

Eugene has been successful in creating an Affordable Housing Trust Fund (AHTF) in 2019 when the City Council passed Ordinance 20609. The fund receives revenue from the city's Construction Excise Tax (CET) and the Council General Fund. CET revenue collects 0.5% on construction and additions in Eugene which makes it subject to fluctuation, but in FY22 it produced $1.1 million that went towards the city's AHTF projects.[7]

An advisory committee oversees Eugene's AHTF and makes recommendations to staff about how funds should be used. Eligible types of expenditures include gap financing and acquisition for affordable development (which accounts for 75% of funds) and direct assistance for renters and home down payments (25%).[8]

Exhibit 4. 'Peace Village' Project Funded by Eugene's AHTF
Source: Cultivate Architects

In the past three years, the fund has spent $1.3 million and supported the creation of over 200 new units, including 122 rental units, 70 owner-occupied tiny homes, and 10 transitional units. AHTF money was also used for rental assistance and foreclosure prevention in response to the COVID-19 pandemic. More recently the City has begun to use the fund for down payment assistance, a tenant hotline, and rental housing navigation sources.

[7] City of Eugene, "Affordable Housing Trust Fund," www.eugene-or.gov, 2022, https://www.eugene-or.gov/4232/Affordable-Housing-Trust-Fund.

[8] City of Eugene, "Affordable Housing Trust Fund Advisory Committee | Eugene, or Website," www.eugene-or.gov, accessed October 31, 2022, https://www.eugene-or.gov/4256/Affordable-Housing-Trust-Fund-Advisory-C.

Appendix: Additional Considerations

- **Increasing Lodging Tax** could be possible as Tualatin currently charges 2.5% locally and other jurisdictions in Oregon have used a portion of their lodging tax towards an affordable housing fund, including Portland.[9] However, only 30% of the tax may be used for purposes other than tourism and workforce housing for employees in the tourism industry does not apply as tourism related expenditure.
- **Increasing the Marijuana Tax Rate** for housing is an increasingly popular strategy in Oregon (including Ashland where revenue is put towards their housing trust)[10] but may not be possible in Tualatin as the city is already levying the maximum tax for local jurisdictions at 3% of sales prices. However, if new legislation raises the maximum local tax rate to 10% the city could consider this increase.[11]
- **Increasing the Building and Planning Permit Fee** would add a cost for developers and may have the effect of discouraging development in general. This could include projects that may have used other incentives like MUPTE or SDC waivers in a market where not many new buildings are currently being delivered. These fees are also typically sized to project valuation and staffing operational costs/capacity so it could be difficult to justify. This has been used in other cities, including Bend,[12] but may be best used in cities with strong demand in current housing markets.
- **Higher System Development Charges** to fund housing projects would be possible, particularly for city-controlled taxes, but conflicts with this project's recommendation to exempt fees for affordable development as it would increases the amount the city would need backfill for any projects utilizing the program.
- **Food and Beverage Taxes** have been passed in other local jurisdiction in Oregon, though not explicitly for affordable housing.[13] To pass the tax requires voter approval, which has been contentious in other cities – most recently Cannon Beach where it did pass.

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[9] Michael Anderson, "Portland Dedicates Short Term Rental Lodging Tax to Housing Investment Fund |," Community Change, 2016, https://housingtrustfundproject.org/portland-dedicates-lodging-tax-to-housing-fund/.

[10] City of Ashland Planning Division, "Housing Trust Fund," www.ashland.or.us, accessed October 21, 2022, https://www.ashland.or.us/Page.asp?NavID=10828.

[11] Joelle Jones, "Cashing in on Cannabis: How Oregon, Washington Are Using Weed Tax Revenue" (KOIN 6, April 6, 2022), https://www.koin.com/local/cashing-in-on-cannabis-how-oregon-washington-are-using-weed-tax-revenue/#:~:text=Oregon%20Cannabis%20Tax&text=State%20School%20Fund%3A%2040%25.

[12] City of Bend, "Affordable Housing," www.bendoregon.gov, accessed October 21, 2022, http://bendoregon.gov/index.aspx?page=99.

[13] Kathleen Stinson, "Prepared Food Tax Is Not New Oregon, Other Communities Have Passed Similar Measures," Cannon Beach Gazette, July 21, 2021, https://www.cannonbeachgazette.com/news/prepared-food-tax-is-not-new-oregon-other-communities-have-passed-similar-measures/article_0a3533f0-eeed-11eb-bf68-3f0b06264caf.html.

- **A Local Sales Tax** is also unlikely to be politically viable as it would require a voting process and is not widely implemented in Oregon. The state does not charge a sales tax, though Josephine County has recently proposed a seasonal sales tax of 3% to use for law enforcement.[14]
- **Real Estate Transfer Taxes** are prohibited in Oregon by ORS 306.815, with the exception of Washington County where there was already a tax in place when the legislation was enacted.[15] Unless there is significant chance to Oregon law this tax is not an option beyond what Washington County already collects in Tualatin.
- **Vacancy Taxes** (sometimes called 'second home' taxes) have been adopted or explored in some large cities with high development pressure, including Oakland, San Francisco, Vancouver, and Los Angeles.[16] However, vacancy taxes have not been legally tested in Oregon. The strength of the housing market in a city also helps to determine whether it will have sufficient impact.
- **A Business Income Tax** would add a local charge on net business income, often for firms that make over a certain amount annually. Metro already charges a 1% business tax in Clackamas, Multnomah, and Washington Counties that goes towards housing services,[17] so an added local tax may be unlikely to gain traction.
- **A Business License Fee** would add a local fee for registering a new business within Tualatin but would likely conflict with other economic development goals in the city. Unless there is a clear line with workforce housing it may also be difficult to establish a nexus with affordable housing.

[14] Jane Vaughan, "Josephine County Sends Seasonal Sales Tax Proposal to Voters," OPB, August 11, 2022, https://www.opb.org/article/2022/08/11/josephine-county-sends-seasonal-sales-tax-proposal-to-voters/.

[15] Lincoln Land Institute, "Transfer Tax - Washington County," LILP, 2018, https://www.lincolninst.edu/real-estate-transfer-charge/transfer-tax-washington-county-oregon-2018.

[16] Camille Squires, "San Francisco Is the Latest City to Consider Tackling Its Housing Crisis by Taxing Empty Homes," Quartz, February 11, 2022, https://qz.com/2125251/cities-are-taxing-vacant-homes-to-create-more-housing.

[17] Metro, "Metro Supportive Housing Services Tax: Frequently Asked Questions: Business Income Tax," November 2021, https://www.oregonmetro.gov/sites/default/files/2021/11/17/FAQ-SHS-Tax-business-Nov-2021.pdf.