

Memo

DATE: 10/09/2014

TO: Normal Neighborhood Plan Working Group

FROM: Brandon Goldman, Senior Planner

RE: Affordable Housing Requirements and Annexation

The City of Ashland Comprehensive Plan, including the Housing Element, establishes the goal of ensuring that a variety of dwelling types and housing opportunities are available for the total cross-section of Ashland's population, consistent with preserving the character and appearance of the City. Further, under Goal 10 of Oregon's Statewide Planning Goals & Guidelines (OAR 660-015-0000(10)) jurisdictions shall encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.

In consideration of these goals the City Council has previously determined that neither the private market, nor the public sector, has yet provided the levels of housing affordability necessary to maintain a balanced community, therefore the City has taken an active lead to ensure an adequate supply of housing for residents and working people of all income levels.

The City has developed specific land use policies to foster the development of affordable housing. Since preparing its original Affordable Housing Plan (1990), the City has implemented and refined a number of regulatory strategies to promote affordable housing including:

- Requiring that annexations, and zone changes, include affordable housing units.
- Allowing for the development of accessory residential units as a conditional use in single-family residential zones, and as a permitted use in Multi-family zones. *(note the Unified Land Use Ordinance amendments currently under review include proposed amendments to reduce the regulatory barrier to providing accessory residential units by eliminating the requirement for conditional use permits in single family zones).*
- Establishing a density bonus for development of affordable housing units. A one- percent bonus is allowed for each percentage of affordable units developed *(note the Unified Land Use Ordinance amendments currently under review include proposed amendments to this provision to increase incentives for to providing affordable housing).*
- Allowing for mixed use developments (housing over commercial uses) in commercial zones.
- Requiring a percentage of units to remain affordable when apartment complexes are converted into condominiums.



The terms “affordable” and “low-income” housing are often used interchangeably. In reference to the City’s Affordable Housing Program *affordable housing* simply refers to households’ ability to find housing within their financial means. Households that spend more than 30% of their income on housing and certain utilities are considered to experience *cost burden*. As such, any household that pays more than 30% experiences cost burden and does not have *affordable* housing. Thus, affordable housing applies to all households in the community. Specifically Ashland’s Affordable Housing Program can qualify units as affordable when targeted to households earning up to 120% the area median income, or approximately \$74,000 annual income.

Low-income housing refers to housing for “low-income” households. HUD considers a household low-income if it earns 80% or less of median family income. Ashland’s affordable Housing Program identifies low-income housing as those dwellings affordable to households that earn 80% or less of area median income (AMI) for ownership, and 60% AMI or less of area median income for ownership for rental housing. A “low income” household earning 80% the area median income earns less than \$50,000 annually depending on household size.

Annexation and Zone Change Ordinance

Land use practices that require affordable housing units to be built along with market rate housing, typically in new developments, is commonly referred to as “inclusionary zoning”. Although the State of Oregon began prohibiting municipalities from enacting mandatory inclusionary zoning policies in 1999, annexations and zone changes are voluntary actions in which property owners request an increase in residential development potential. In exchange for the increased development potential the requisite affordable housing is provided.

The City’s Annexation and Zone Change Ordinance establishes an “equivalency value” for affordable housing units as a means of providing greater flexibility in the mix of income levels targeted by a development. Prior to the annexation ordinance amendments adopted in 2008, a project requiring affordability would have to target all of the designated affordable housing units to a specific income level. The introduction of “*equivalency values*” allowed developers to cater their products to households of various incomes.

Section 18.106.030 G(1)

The total number of affordable units provided to qualifying buyers, or to qualifying renters, shall be equal to or exceed 25% of the base density as calculated using the unit equivalency values set forth herein:

- a. Ownership units restricted to households earning at or below 120% the area median income shall have an equivalency value of 0.75 unit*
- b. Ownership units restricted to households earning at or below 100% the area median income shall have an equivalency value of 1.0 unit.*
- c. Ownership units restricted to households earning at or below 80% the area median income shall have an equivalency value of 1.25 unit.*
- d. Ownership or rental units restricted to households earning at or below 60% the area median income shall have an equivalency value of 1.5 unit,*

To satisfy the affordable housing requirements for annexation an applicant could simply provide all the required affordable housing units at a one of the individual income levels as illustrated in the table below (next page).



100 unit annexation example with all of the required affordable units are targeted to only a specific income level (not mixed)	
120% AMI = 0.75 unit (ownership only)	34 total units (34 x .75 = 25.5 unit equivalency value)
100% AMI = 1 unit (ownership only)	25 total units (25 x 1.0 = 25 unit equivalency value)
80% AMI= .1.25 units (ownership only)	20 total units (20 x 1.25 = 25 unit equivalency value)
60% AMI= 1.5 units (ownership or rental)	17 total units (17 x 1.5 = 25.5 unit equivalency value)

Alternatively an application for annexation could propose to provide a distribution of units within each of the designated income levels (*very low-income (60% AMI), low-income income (80%AMI); median income (100% AMI); and up to 120% Area AMI*). This method enables the development of a mixed income project and greater variation in housing types while meeting the requirements of the current ordinance based on each affordable unit’s *equivalency value*.

100 unit annexation example showing how 20 actual units, with a distribution of the units across various income ranges, would satisfy the 25 unit “ <i>equivalency value</i> ” required to be affordable.	
120% AMI = 0.75 unit (ownership only)	2 units (2 x .75 =1.5 equivalency units)
100% AMI = 1 unit (ownership only)	2 units (2x 1 =2 equivalency units)
80% AMI= .1.25 units (ownership only)	10 units (10 x 1.25 =12.5 equivalency units)
60% AMI= 1.5 units.	6 units (6 x 1.5 = 9 equivalency units)
Combined total	20 units (25 equivalency units)

Land transfer option

According to the land Use ordinance if a developer does not wish to build the affordable units they have the option of transferring adequate land to a qualified non-profit affordable housing developer.

18.106.030(G)(2)

As alternative to providing affordable units per section 18.106.030(G)(1) the applicant may provide Title to a sufficient amount of buildable land for development through transfer to a non-profit (IRC 501(3)(c)) affordable housing developer or public corporation created under ORS 456.055 to 456.235 for the purpose of complying with subsection 18.106.030(G)(1)(b).

- a. The land to be transferred shall be located within the project meeting the standards set forth in 18.106.030(G)4, 18.106.030(G)5 and 18.106.030(G)6*
- b. All needed public facilities shall be extended to the area or areas proposed for transfer.*
- c. Prior to commencement of the project, Title to the land shall be transferred to the City, an affordable housing developer which must either be a unit of government, a non –profit 501(C)(3) organization, or public corporation created under ORS 456.055 to 456.235,*
- d. The land to be transferred shall be deed restricted to comply with Ashland’s affordable housing program requirements.*



System Development Charges

The City of Ashland's currently assesses System Development Charges (SDCs) for water, sewer, storm sewer, parks and transportation facilities, as well as a separate utility connection fee. Fees vary by size of residential unit. For single-family housing units, they average approximately \$10,000 with a range of between \$6,500 for a 1,000 square foot home and \$13,000 for a 3,000 square foot home, not including permit, community development and engineering fees.

The City currently waives SDCs for qualified affordable housing projects when units are sold or rented to low-income persons. A resale Restriction Agreement is recorded on the property receiving the SDC waiver thereby securing that the covered unit will remain affordable for a minimum of 30 years (60 years for an annexation). During this period the City regulates the covered units to ensure they are only sold or rented only to qualified household. The City Housing Program maintains a table of maximum rent levels and sale amounts and updates this table annually to reflect changes in median income over time. The table below shows the current (2014) qualifying incomes, and maximum sale and rental prices based on area median incomes:

Qualified Affordable Housing Units (May 2014)

60% AMI	studio	1bdr	2bdr	3bdr	4bdr
Rental*	\$512	\$548	\$658	\$760	\$848
Purchase*	\$70,750	\$82,300	\$105,500	\$124,250	\$133,400
Incomes	\$22,200	\$25,400	\$31,700	\$36,800	\$39,400

80% AMI	studio	1bdr	2bdr	3bdr	4bdr
Purchase*	\$100,100	\$115,900	\$147,800	\$173,350	\$186,150
Incomes	\$29,650	\$33,850	\$42,300	\$49,100	\$52,500

100% AMI	studio	1bdr	2bdr	3bdr	4bdr
Purchase	\$130,250	\$150,400	\$190,500	\$222,900	\$239,000
Incomes	\$37,100	\$42,400	\$52,900	\$61,400	\$65,600

120% AMI	studio	1bdr	2bdr	3bdr	4bdr
Purchase	\$186,300	\$214,900	\$270,900	\$316,400	\$339,500
Incomes	\$44,400	\$50,800	\$63,400	\$73,600	\$78,800

* Affordable units qualified at the 60%AMI level for rent and sale, and at the 80%AMI level for sale also qualify for deferral of System Development Charges



Community Development and Engineering fees waivers

In addition to the waiver of SCDs for qualifying ownership or rental units required through annexations, or other land use approval, the City will also waive Community Development and Engineering Fees for qualifying ownership or rental units voluntarily provided as affordable to low income households.

Community Development and Engineering Fees are based on the value of the project and can therefore vary, but are approximately \$3000 per single family home. Units that are required to be affordable (to meet the annexation criteria, are not eligible for the automatic waiver of Community Development and Engineering Fees but must request such a waiver from the City Council on a case by case basis.

