



OFFICE OF THE MAYOR, 230 NE Second Street, McMinnville, Oregon 97128
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March 25, 2019

House Committee on Human Services and Housing
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Re: City of McMinnville Support for HB 2997

Chair Keny-Guyer, Vice-Chair Noble, Vice-Chair Sanchez and Members of the House
Committee on Human Services and Housing:

The City of McMinnville urges the committee to support HB 2997 with a “do pass” recommendation. We would like to thank Vice-Chair Noble for his efforts as the Chief Sponsor of HB 2997. This bill provides an important amendment to the current inclusionary zoning statute in ORS 197.309 to provide more meaningful local control in addressing workforce housing needs. Workforce housing is a critical issue for McMinnville, and this would provide an additional option to consider to allow for a balanced and multi-faceted approach to meeting workforce housing needs. Workforce housing is an economic development issue as well as a housing issue for the City of McMinnville.

Why Are We Requesting the Amendment?

Between 2000 and mid-2018, the City of McMinnville permitted approximately 3,040 new dwelling units. Due to the narrow applicability of the current inclusionary zoning enabling law as adopted in 2016, the law would have applied to zero of those new units built. The law only applies to a multi-family structure with 20 or more units. While almost 1,000 new multi-family units were built in McMinnville over that time, we identified only one *building* with 20 or more units, to which the law would otherwise apply. However, that was a 50-unit Low Income Housing Tax Credit (LIHTC) development built by the Housing Authority of Yamhill County, and that development already provided housing at a more affordable level than the definition of “affordable housing” in the legislation. Therefore, the current statute as adopted in 2016 would have added no new affordable housing units in McMinnville over the last 18-20 years, had it been in place prior to 2000.

As we look forward for the next 20 years and beyond, this amendment would provide an important tool available to local jurisdictions to have a meaningful impact in addressing workforce housing needs. McMinnville is forecast to add approximately 5,000 new residential units by 2041, with a preliminary forecast that approximately 21% of those will be needed for households earning between 80-120% of median income.

Current Law

The legislature took an important step with SB 1533 in 2016 in returning local control to decision-making regarding inclusionary zoning. This is a tool which is widely available to municipalities in other states to address housing affordability and workforce housing needs. However, until passage of SB 1533, Oregon law prohibited local governments from utilizing inclusionary zoning.

SB 1533 provided authorization for a very narrow definition of inclusionary zoning that predominantly applies to larger cities.

- First, the authorization defines “affordable housing” as housing that is affordable to households with incomes **equal to or higher than** 80 percent of median income.
- Second, it was only authorized for **multi-family structures containing at least 20 housing units**.

Issues with Current Law

In all but the largest cities, it is likely that many multi-family structures with 20 or more units being built today are subsidized housing, often built with low-income housing tax credits (LIHTC) to serve households with incomes **less than 80% of median income**. Further, in smaller communities, new multi-family structures with 20 or more units are likely rare. Therefore, the current law is not typically a useful tool to address critical workforce housing needs in these communities.

In McMinnville, it has been close to a decade since a multi-family structure with 20 or more units was constructed, and that structure was a LIHTC development built by the Housing Authority of Yamhill County to serve households with incomes below 80% median income (specifically, below 50% median income). While there has been an increase in multi-family housing in McMinnville in recent years, including market-rate rentals, the current inclusionary zoning provisions wouldn't apply to most of them, because the individual multi-family buildings within these complexes often have fewer than 20 units. Therefore, in those cases, the current inclusionary zoning legislation would not apply.

Further, it is possible that the current legislation is creating externalities, potentially changing the design of development proposals by reducing the number of units in a structure to fewer than 20 to avoid the requirements of the legislation.

In addition, the current legislation only applies to a subset of multi-family housing, which itself is a subset of all housing. Multi-family housing represents only 31% of all housing units built in McMinnville since 2000. Even if inclusionary zoning applied to all multi-family housing, which it doesn't, that would mean at most it would only be based on 31% of new housing constructed. 20% of all new housing would be representative of workforce housing, whereas 20% of new multi-family housing would only represent about 6% of total new housing units in McMinnville since 2000. While the current legislation provides local discretion to set the percentage anywhere at or below 20% of multi-family units, it doesn't allow for any percentage of single-family detached or attached housing to be accounted for in the calculation. This excludes nearly two-thirds of housing built since 2000 in McMinnville.

Benefits of HB 2997

HB 2997 makes adjustments to the current law to make it useful and more applicable to smaller cities as an option to consider in meeting workforce housing needs. It is a simple and elegant fix. HB 2997 broadens the definition of "housing development" to which inclusionary zoning provisions may apply.

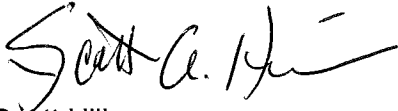
- It still provides local decision-making as to whether to use inclusionary zoning, with no state mandate to use the tool.
- It provides meaningful inclusionary zoning for the type of housing being built in smaller communities.
- It closes the loophole that exempts multi-family housing complexes with more than 20 units located in multiple buildings, each building with fewer than 20 units.
- It makes it more likely that local builders can utilize incentives for workforce housing ownership products and smaller "middle housing" multi-family housing types.
- HB 2997 retains the current definition of affordable housing, which is focused on workforce housing for households with incomes equal to or higher than 80% of median income. This provides an important tool to address a segment of workforce housing that most other programs don't address.
- Further, this definition continues to provide certainty to developers that any authorized inclusionary zoning mandates won't require steeper subsidies to address affordable housing for households earning below 80% median income. However, the voluntary provisions and incentives currently in the statute remain in place, should local governments wish to incentivize, without mandates, higher levels of affordability or a higher percentage of affordable units within housing developments.

Letter Re: McMinnville Testimony in Support of HB 2997
Date: March 25, 2019

Page 4

Again, the City of McMinnville urges the committee to support HB 2997 with a “do pass” recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Hill". The signature is fluid and cursive, with a long horizontal stroke at the end.

Scott Hill
Mayor

Cc: Representative Cheri Helt
Representative Mark Meek
Representative Tiffany Mitchell
Representative Sheri Schouten
Representative Anna Williams
Representative Jack Zika