

## Appendix E- Potential Additional Investment Opportunities

Two potential additional investment opportunities include: 1) City fee assistance for Income Qualified Housing projects and 2) increasing downtown housing units. Below is general information about each.

### Opportunity #1: Potential City Fee Assistance for Income Qualified Housing Projects

During the HIP creation process, City Council approved an initial investment in City Fee Assistance using ARPA funds. More details on that are below in the "approximate cost & outcome" section.

*Background:* Income qualified housing encompasses housing that is set aside for families making 0-100% of the area median income and includes Permanent Supportive Housing, other types of Affordable Housing, and Moderate Income housing. Income qualified housing requires new residents to verify their income eligibility before moving in. The City partners with and supports public agencies, for-profit, and non-profit developers who leverage multiple funding sources to build income qualified housing. If the City provided additional assistance for the creation of Income Qualified Housing, more units could be developed. As with all affordable housing developments, projects need to be heavily subsidized in order to make them economically viable. Subsidies often come from a combination of federal, state, and local sources. Typical contributions the City offers can be divided into three buckets: Land bank site donated to the project, HOME/AHTF funds,<sup>1</sup> and the Low-Income SDC Exemption Program. The City can also provide a 20-year property tax exemption for rental projects (LIRHPTE).

Several years ago, the Oregon State legislature made new funds available through the Oregon Housing and Community Services Department (OHCS) for affordable housing development and other changes increased local resources for development. As a result, the number of multi-family affordable housing developments proposed in Eugene increased significantly resulting in a high demand for the Low-Income SDC exemption program's limited resources.<sup>2</sup> The Eugene Code imposes a cap on the total amount of exemptions available annually for all projects within Eugene. This cap amount is adjusted annually proportional to changes to the SDC base fee. The annual affordable housing SDC exemption cap is currently \$238,000. With this cap, an exemption is not guaranteed for all Affordable Housing developments that qualify. For perspective, the annual cap on low-income housing SDC exemptions is less than the average SDC fees for a 50-unit project. In FY20 and FY21, Council provided City fee subsidies in the form of allocating General Funds to pay SDC fees for specific Affordable Housing projects, most recently in the December 2020 Supplemental Budget. However, the appropriation process and timing through the supplemental budget process does not allow for the timely planning of project financing and thus creates uncertainty for affordable housing developers.

*Opportunity:* The availability of subsidies and predictability of the funds directly impacts the creation of new affordable units. Most Low-Income Housing Tax Credit or Permanent Supportive Housing type developments need all the subsidy layers to reach the target affordability. The City could use general funds and/or other resources to develop an ongoing City fee assistance program that could

---

<sup>1</sup> HOME program units can be rented to income qualified households at or below 80% AMI. AHTF program units can be rented or sold to income qualified households at or below 100% AMI. For both the specifics are dependent on the particular RFP criteria and awarded proposals.

<sup>2</sup> The program can support rental units at or below 60% AMI and homeownership units at or below 80% AMI.

cover fees related to construction of Income Qualified Housing projects. This would create an additional and needed subsidy for the projects, while also continuing to fund the programs and activities those fees pay for (such as the infrastructure capacity for new growth). For example, the Transportation System Plan and Parks and Rec System Plan, and their companion SDC project lists, not only provide capacity for new development, they serve as integral plans to meeting the goals of Envision Eugene, the Climate Recovery Ordinance and the Climate Action Plan 2.0.

One consideration could be that the City provide fee assistance to enhance affordability in projects supported with other City investments, such as for every project awarded HOME and Affordable Housing Trust Fund dollars. An example of the need for this is the Grove on Garden Way, a 123-unit development proposed by Cornerstone Community Housing (CCH). The development was awarded State 9% Low Income Housing Tax Credits and other State resources. In May, Council awarded local Affordable Housing Trust Funds, and CCH will apply for a Low-Income Rental Housing Property Tax Exemption (LIRHPTE). Even with the subsidies already awarded, based on the estimate of total development cost, additional resources are needed to complete the development financing. Without additional resources, the development may not be able to start construction.

Another option could be for the City to invest in a certain number of units each year that do not have other City direct contributions to the cost of development. An example of this type of investment is the Sarang, which is one site in a two-site Homes for Good development called RAD2. There were no federal HOME resources available to subsidize the development because HOME funds were used for other projects. The 49-unit development received a local subsidy of over \$280,000 in both SDC exemptions under EC 7.725 and SDC assistance from the 2019 December Supplemental Budget. The development received State resources and Federal resources available to public housing authorities, but no other local subsidies. The SDC assistance was critical to completing the development financing.

*Approximate Cost & Outcome:* The cost would depend on the goals the City wants to reach. If the City were to make an additional investment in Income Qualified Housing projects through a commitment of funds to be used to assist developers to pay fees associated with construction, more units in the pipeline would no longer be contingent units (as shown in Appendix C) but instead be presumed to have all the funding needed to start construction.<sup>3</sup> To secure those contingent Income Qualified units (approximately 700 over the HIP Period as shown in Appendix C) and fund 50 units a year in projects (a total of 225 units) that only receive fee assistance from the City, an estimated \$1.3M would be needed on average per year during the HIP Period.

Council provided an initial investment in City Fee Assistance with ARPA funds of \$2,287,000 in December 2021 (in the FY22 Supplemental Budget) to 1) enhance affordability in income qualified projects supported with other City investments, such as projects receiving HOME and Affordable Housing Trust Fund dollars, and 2) invest in other income qualified units such as projects eligible to participate in the Low-Income SDC Exemption Program. The projects that receive these funds will create units that will likely come online during the HIP period. Additional funding for projects in later years could be part of future budget conversations.

---

<sup>3</sup> A "contingent" unit is in a project that receives City support but that does NOT have all of the funding needed to start construction. City RFPs that do NOT include City owned land and all PSH projects are assumed to create "contingent" units. Presumed units are not guaranteed units, as any Income Qualified Housing project faces multiple challenges up to its completion.

## Opportunity #2: Potential Investment to Increase Downtown Housing Units

*Background:* Downtown Eugene is the seat of local government and the commercial and cultural core of the region. It is also home to a growing number of Eugeneans. Currently, there are approximately 2,150 housing units in the Downtown Plan boundary, of which more than 20% are Affordable Housing. Despite community benefits from a strong residential presence downtown (see below), new residential construction faces a number of competitive disadvantages, particularly financial challenges, compared with development in other parts of the city:

- Downtown land is more expensive than land in other parts of the city. Developers mitigate this challenge with denser, more vertical projects; however, these buildings typically require a more robust construction type than one or two-story structures. Buildings in close proximity to their neighbors have higher standards for fire rating.
- Downtown sites are often constrained construction sites. The lack of ‘elbow room’ means more complicated logistics for the builder to manage. The sites often don’t have readily available (on-site) staging areas and have a higher likelihood of needing street/sidewalk closures compared to construction in other neighborhoods.
- Subcontractors working in an urban setting increase their bids to cover the added costs of parking off-site and keeping their trucks and equipment locked and secure.
- Even though dense development patterns play an important role in minimizing the need for urban expansion, buildings that fill most or all of their site can have a harder time meeting requirements for impervious surfaces / stormwater management, and may have to use costlier methods for compliance.

Prior support for downtown housing has come in multiple forms, especially 1) Affordable Housing investments, such as HOME funds and tax exemptions from LIRHPTE, 2) tax exemption under the MUPTE program, 3) Urban Renewal, and 4) regulatory incentives, such as the removal of parking minimums in the downtown area. These tools have led to the creation of the majority of the housing units in downtown today, including Broadway Place, First on Broadway, Aurora, and West Town on 8<sup>th</sup>.

Recent City investment in housing downtown includes 1059 Willamette and the Downtown Riverfront.

- 1059 Willamette will be a mixed-income housing development, with at least 51% of the units affordable to households earning 80% AMI. In 2020, the Agency Board passed a motion to make City Council approved deal points for the selected project on October 20, 2021, including the use of \$700K of Urban Renewal funds and \$400K from the Gordon Lofts MUPTE fee to pay for pre-development costs, such as permit fees or system development charges.
- In 2018, the Agency purchased 16 acres of downtown riverfront property from Eugene Water and Electric Board using Riverfront Urban Renewal funds. Redevelopment of this site has been a part of the community’s vision for many decades, reinforced through the 2010 EWEB Riverfront Master Plan. The redevelopment includes the creation of a world-class public park and a high-quality development that provides economic and housing opportunities that range from market rate units to an Affordable Housing development (approximately 425 to 1,000+ units).

*Opportunity:* Eugene’s population is expected to grow, and that new population will need to be housed. The City’s 20-year growth management plan, known as Envision Eugene, anticipates that all new housing

will be built inside the current urban growth boundary on vacant and partially vacant lands and through redevelopment. Encouraging relatively dense housing in the downtown core is one critical way to provide housing for our growing community. Increasing the number of housing units in the downtown achieves other policy goals:

- **Climate recovery.** A high priority action item in the Eugene Climate and Energy Action Plan is to increase density around the urban core and along high-capacity transit corridors. National data show that individuals living in city centers drive fewer miles, on average, than individuals in other parts of a community. Downtown is walkable, has good access to transit, and offers goods and services for residents' daily needs. More residents in the downtown will result in lower per capita carbon emissions and other automobile emissions.
- **Vibrant downtown.** Housing in the downtown core positively affects the economic activity in the city center. New residents in the downtown increase demand for nearby goods and services, supporting a diversity of local businesses. Occupied buildings enhance the overall vibrancy of the downtown, which further attracts more residents and businesses. Residents help to establish a 24-hour neighborhood, putting more eyes and ears on the street, discouraging crime. The relatively low number of residential units downtown has been especially noticeable during the coronavirus pandemic, when community members have spent a significantly larger percentage of their time at home and in their neighborhood.
- **Fiscal sustainability.** Dense development in the downtown core generates substantially more tax revenue per acre than any other part of the city, as shown in the chart below. The dense development costs less to serve—the cost per resident for roads, water, and sewer are significantly lower.

Continued use of the existing tools will likely lead to further increases in downtown housing consistent with the past trend of gradual growth. The City could alter this trajectory to support development of more units in alignment with these policy goals by adding tools.

*Approximate Cost & Outcome:* The cost will depend on the goals the City wants to reach, specifically, how many and what kind of housing units should be added to downtown during the HIP period. Based on the quantity of existing downtown housing units, the current pipeline of projects and the importance of the policy goals noted above, staff has included a working goal of a 50% increase in the Overall Housing Supply goals (page 26). This number could shift up or down depending on the desired impact and the resources available. Given the current mix of downtown housing, these tools could focus on the creation of more mixed-income projects and market rate projects.

Council had an initial discussion about the HIP and downtown housing on December 13 and asked for more information about opportunities for further incentives to support downtown housing.