

RESOLUTION NO. 2971

A RESOLUTION OF THE CITY OF WILSONVILLE ESTABLISHING THE WILSONVILLE VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ) PROGRAM AND LOCAL CRITERIA.

WHEREAS, Goal 10 of Oregon’s Statewide Planning Goals and Guidelines directs local jurisdictions to “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”; and

WHEREAS, the Oregon Legislature created the Vertical Housing Development Zone program in 2003 to increase the supply of housing by encouraging and incentivizing mixed-use, multi-story development projects throughout the State; and

WHEREAS, in the Oregon Legislature adopted and the Governor signed SB 310 (2017), codified as ORS 307.841 to 307.867, pertaining to the Vertical Housing Development Zone program; and

WHEREAS, SB 310 (2017) transfers Vertical Housing Development Zone program administration and oversight from the Oregon Housing and Community Services Department to local governments; and

WHEREAS, in 2019 the City of Wilsonville (“City”) approved Ordinance No. 835 adopting the Town Center Plan; and

WHEREAS, the Town Center Plan includes exploration of VHDZ as an economic development strategy to offer a financial incentive for the targeted construction of vertical mixed-use buildings consistent with Plan goals making construction of these buildings more financially feasible; and

WHEREAS, in 2020 the City adopted Resolution No. 2820 approving the Wilsonville Equitable Housing Strategic Plan (EHSP), which seeks to improve equitable access to a range of housing in Wilsonville; and

WHEREAS, a policy objective of the EHSP is to create “Targeted housing opportunities in areas with access to services and public transit”; and

WHEREAS, Implementation Action 1D of the EHSP is to “Create Housing Tax Abatement Programs to Achieve Housing Diversity and Affordability” which includes VHDZ as a tool to help

make construction of mixed-use buildings, which provide services in close proximity to housing, more financially feasible; and

WHEREAS, City Council's 2021-2023 Goals include continued implementation of the EHSP, with a focus on financial incentives including VHDZ; and

WHEREAS, the Villebois Village Center and Town Center are the City's primary areas planned for mixed-use development; and

WHEREAS, City Council has provided direction regarding local VHDZ program implementation, zone boundaries, and administrative rules during five work sessions throughout 2021 and early 2022; and

WHEREAS, the VHDZ boundaries and local criteria identified in **Exhibit A** seek to implement City Council's direction to incentivize the creation of publicly accessible, active ground floor spaces in the City's mixed-use centers; and

WHEREAS, the City sent written notice of the City's intention to designate a VHDZ program to the local special districts having taxing authority within the proposed VHDZ boundaries, as required by Oregon Revised Statutes; and

WHEREAS, the City has not received notice of an intent or decision to opt out of the VHDZ program from any affected taxing district within the statutorily allowed timeframe; and

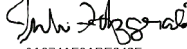
WHEREAS; the City has considered the potential for displacement of households within the proposed vertical housing development zone boundaries, as required by ORS 307.844(5), and such consideration has been memorialized in the Displacement Analysis memo in **Exhibit B**.

NOW THEREFORE, THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

1. The Wilsonville City Council hereby establishes the Wilsonville Vertical Housing Development Zone (VHDZ) Program, intended to incentivize the development of multi-story mixed-use projects in targeted areas of the City.
2. The VHDZ program, including but not limited to boundaries, application processes, project eligibility determination, and project certification, shall be administered under locally applicable rules as articulated in **Exhibit A**, in addition to baseline statewide rules found in ORS 307.841 to 307.867.


3. At the time of application, the City will collect a \$1,000 application fee as allowed by ORS 308.857(10) to offset the cost of administering the application and certification process.
4. The Wilsonville City Council directs staff to further develop additional administrative rules as may be deemed necessary, and which are aligned with previous Council direction, in order to effectively implement and administer the VHDZ program.
5. This resolution is effective upon adoption.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 2nd day of May, 2022, and filed with the Wilsonville City Recorder this date.

DocuSigned by:

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Julie Fitzgerald, Mayor

ATTEST:

DocuSigned by:

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Kimberly Veliz, City Recorder

SUMMARY OF VOTES:

Mayor Fitzgerald	Yes
Council President Akervall	Yes
Councilor Lehan	Yes
Councilor West	Excused
Councilor Linville	Yes

Exhibits:

- A. Wilsonville Vertical Housing Development Zone—Local Criteria
- B. Displacement Analysis



Wilsonville Vertical Housing Development Zone—Local Criteria

For a project to be certified for VHDZ, it must be located within the identified boundaries as shown on the attached maps and meet the following requirements:



(1) In addition to the project certification requirements under ORS 307.858 related to ground floor nonresidential use, the following criteria apply to ground floor interior spaces intended to qualify as nonresidential use:

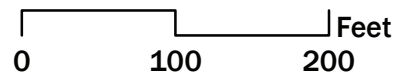
- **Direct street access required:** Each space must have a direct entrance to/from the primary public street.
- **Commercial/mixed-use design required for ground floor:** The ground floor must meet all applicable design standards for commercial/mixed-use ground floor spaces and any applicable architectural standards related to commercial/mixed use buildings and storefront design.
- **Design of live/work space:** The nonresidential area of ground-floor spaces that meet building code requirements for live/work units may qualify as a nonresidential use, provided the following criteria are met:
 - The nonresidential area is adjacent to and accessible from the entrance to the primary public street.
 - The nonresidential area is or can be separated from the residential area (e.g., with walls, half-walls, different levels, etc.).
- **Commercial or community-serving space required:** Each building must include at least one (1) nonresidential space that fronts the primary public street and meets one of the following criteria:
 - Commercial space designed for use by an entity engaged in the exchange of goods or services with the public, excluding live/work space.
 - Community-serving space that provides access and benefits to the broader community beyond building residents and their guests.

(2) The project must demonstrate consistency with the applicable goals, policies, and/or objectives in adopted Master Plans for the project site, to the City's satisfaction.



Vertical Housing Development Zone Villebois Village Center

-  VHDZ Area
-  Tax Lots





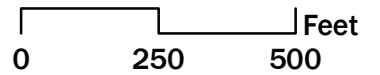
Map Date - February 2022



Vertical Housing Development Zone

Town Center

-  VHDZ Area
-  Tax Lots



Vertical Housing Development Zone (VHDZ) Tax Lots

*Note – Tax lot listing as of April 2022. If any of these parcels are subject to a partition or subdivision application, the entirety of the parent tax lot will remain within the VHDZ.

Villebois Village Center

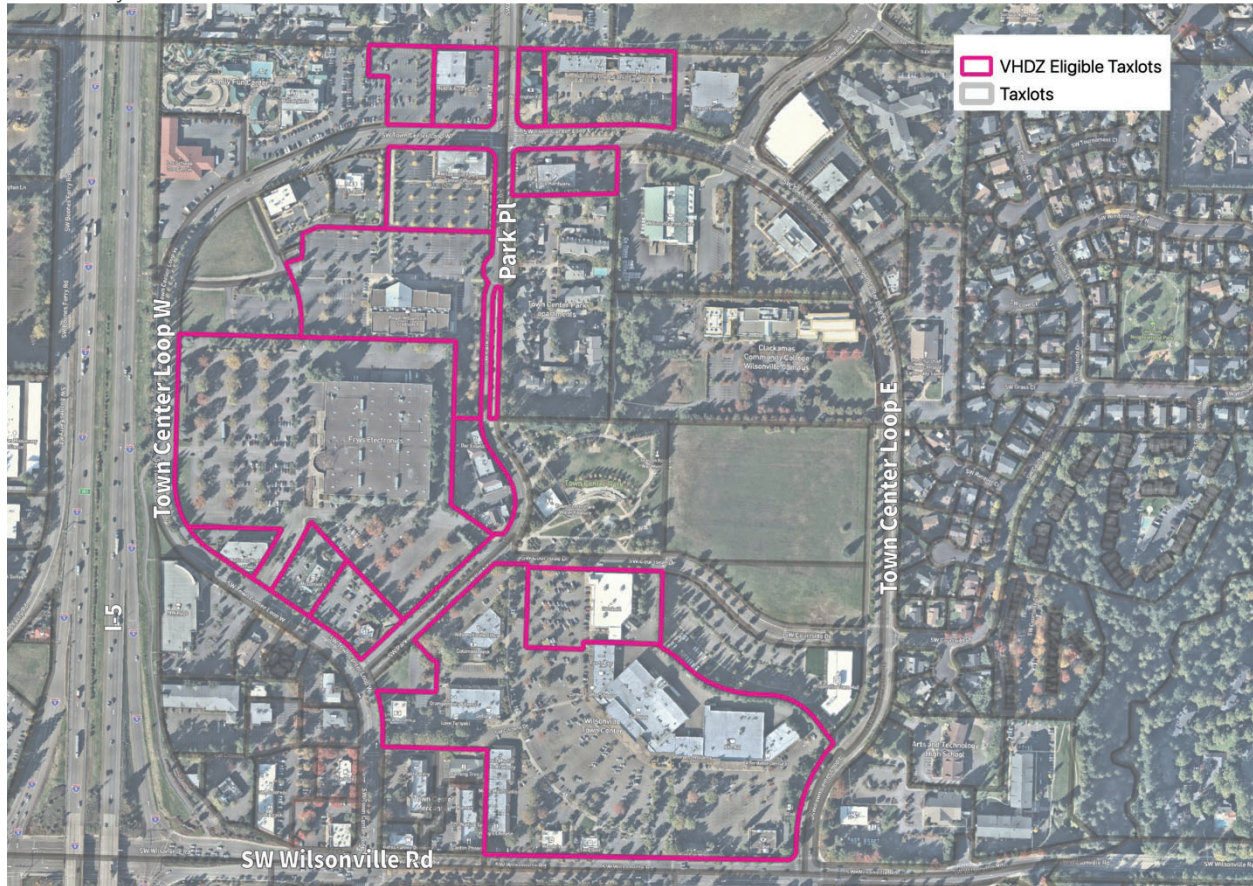
Taxlot ID	Property Address		
31W15AC02100	NO SITUS	WILSONVILLE	97070
31W15AC02800	NO SITUS	WILSONVILLE	97070

Town Center

Taxlot ID	Property Address		
31W13CB00700	29020 SW TOWN CENTER LOOP E	WILSONVILLE	97070
31W13CB00800	29028 SW TOWN CENTER LOOP E	WILSONVILLE	97070
31W13CB00900	29029 SW TOWN CENTER LOOP E	WILSONVILLE	97070
31W13CC00400	8229 SW WILSONVILLE RD	WILSONVILLE	97070
31W13CC00600	8275 SW WILSONVILLE RD	WILSONVILLE	97070
31W14D 00107	29025 SW TOWN CENTER LOOP W	WILSONVILLE	97070
31W14D 00109	NO SITUS	WILSONVILLE	97070
31W14D 00220	29400 SW TOWN CENTER LOOP W	WILSONVILLE	97070
31W14D 00221	29585 SW PARK PL	WILSONVILLE	97070
31W14D 00223	29300 SW TOWN CENTER LOOP W	WILSONVILLE	97070
31W14D 00230	29100 SW TOWN CENTER LOOP W	WILSONVILLE	97070
31W14D 00302	29660 SW TOWN CENTER LOOP W	WILSONVILLE	97070
31W14D 00405	29682 SW TOWN CENTER LOOP W	WILSONVILLE	97070
31W14D 00411	29690 SW TOWN CENTER LOOP W	WILSONVILLE	97070

Exhibit 2. Proposed VHDZ Eligible Tax Lots in Town Center

Source: City of Wilsonville



Summary of Key Findings

In brief, we find that there is no risk of displacement directly from adoption of VHDZ for the boundaries proposed for the Villebois Village Center or Town Center, and little or no impact to displacement risk for residents of adjacent rental housing. The analysis supporting this conclusion is documented in the following sections.

Displacement Risk Evaluation

Approach

What do we mean by displacement, and who is at risk?

Displacement occurs when a household is forced to relocate due to circumstances beyond household-specific disruptions. Risk of displacement primarily derives from the intersection of two interrelated factors: (1) changes in market conditions that result in rising rents and/or increasing redevelopment potential, and (2) household characteristics that lead to increased susceptibility to changing market conditions.

Our analysis of displacement focuses on households that rent because they are more directly affected by changing market conditions than those that own their property, because they are subject to the decisions of the property owner about redevelopment, remodels, rent increases, etc. Property owners in Oregon are largely insulated from the financial effects of market changes due to the property taxation system, which decouples market value from taxable value, meaning that rising property values only impact the owners' property taxes in very limited circumstances. While Oregon state law limits the amount a landlord can raise residential rents annually for most older market-rate rental housing, these increases can still reach about 10 percent per year.¹

Among households who rent, those who face disadvantages or discrimination in the real estate market tend to be at greater risk of displacement and to experience more harm if they are forced to move. These include low-income and cost-burdened households (spending more than 30% of their income on rent), people without college degrees, people of color, people who do not speak English, immigrants and refugees, seniors, and people with disabilities:

- Low-income, cost-burdened renters are at greatest risk of being forced to move due to rising rents, since they have little ability to absorb further rent increases, and may already be facing trade-offs between paying rent and covering their household's other basic needs.
- Adults without college degrees have less ability to increase their income to cover higher housing costs and may have to work multiple low-wage jobs to make ends meet.
- People of color—particularly people who are Black, Indigenous, and/or Latinx—tend to face greater housing discrimination and may have a harder time finding other housing if they are forced to move.
- Seniors and people with disabilities may have specific housing needs (e.g., accessibility features) that may make it harder to find another suitable place to live if they are forced to move.
- People who do not speak English, immigrants, and refugees may have more difficulty asserting their rights as tenants if the landlord is seeking to make them move.

Rent increases or redevelopment of rental housing that are likely to affect populations who may be more vulnerable to or impacted by displacement is a greater cause for concern.

About the Analysis

Our analysis focuses exclusively on residential displacement, as this is the focus of the statutory requirement. Our first step is to identify existing unregulated rental housing in and near the proposed VHDZ. (Regulated affordable housing is unlikely to be affected by changing market conditions or to be redeveloped with market-rate development.) If unregulated rental housing

¹ ORS 90.600 and related provisions in ORS 90.323; rent stabilization provisions were added in 2019 by Senate Bill 608. See this summary from Oregon Law Center for details: <https://www.oregonhousingalliance.org/wp-content/uploads/2019/03/Oregon-Law-Center-Detailed-Outline-SB-608-cites-and-page-numbers-Final.pdf>.

is present in or near the VHDZ, we evaluate several potential sources of displacement risk for residents of that housing, as described below.

- **Direct Physical Displacement Risk (Redevelopment):** Whether / how many rental properties in the potential VHDZ area might be at risk of redevelopment directly supported by VHDZ, potentially causing physical displacement of current residents.
 - **Rationale:** VHDZ provides an incentive that can increase the feasibility of mixed-use development. If a VHDZ redevelopment project occurs on a site with existing rental housing, current renters could be displaced.
 - **How we evaluate risk:** The potential for physical displacement directly caused by VHDZ is limited to properties eligible for VHDZ—located within the VHDZ area and zoned for mixed-use. Older single-family homes (or duplex/triplex/fourplexes) with low property values and larger lots are at higher risk, particularly if they are part of a group of adjacent properties under common ownership. Manufactured home parks may also be at risk of redevelopment, despite some state protections. If there are vacant properties or properties that could be easier to redevelop nearby, existing housing may be less likely to redevelop. If existing rental housing appears to be relatively redevelopable based on age and property value, it may also provide lower rents and be more likely to serve lower-income households who are more vulnerable to displacement.
- **Indirect Physical Displacement Risk (Redevelopment) in Adjacent Areas:** Whether / to what extent successful mixed-use development resulting from VHDZ could increase redevelopment potential for any adjacent sites with existing rental housing.
 - **Rationale:** It is possible that new mixed-use development resulting from VHDZ could demonstrate the potential of an emerging market area or create an amenity that would increase demand for housing or commercial space nearby, potentially spurring other redevelopment projects over the long-term.
 - **How we evaluate risk:** Whether this is likely to be an issue depends on whether there is adjacent rental housing zoned to allow more intensive uses and how redevelopable those properties are compared to other property in the area (based on availability of vacant land and the factors noted above).
- **Economic Displacement Risk (Rent Increases):** Whether / to what extent successful mixed-use development resulting from VHDZ could increase the likelihood of rent increases at nearby rental properties, which could cause economic displacement of current residents.
 - **Rationale:** Economic displacement can occur when rents increase above what existing residents can afford to pay. Public and private investments can make an area more appealing to households and businesses that can afford higher rents, which can potentially encourage owners of existing rental properties to increase rents for existing tenants when renewing leases (or those paying month-to-month), in addition to trying to appeal to tenants willing to pay more when spaces are

vacated for other reasons. The impact of VHDZ on rents at adjacent properties is difficult to isolate—VHDZ is often used in areas where other public and private investments are happening within the same time period. Further, adding new housing supply to absorb demand from higher-income households can help reduce market pressure on older rental properties in the aggregate, though this may not protect housing in that immediate area. However, to provide a comprehensive assessment of displacement risk, we consider whether there are properties adjacent to the proposed VHDZ that could potentially be affected by an increase in desirability from a successful mixed-use project in the area.

- **How we evaluate risk:** We evaluate a range of factors for market-rate apartments or other rental housing that is potentially impacted, including property age, size, and condition or current rents (if known).
 - Newer rental housing (less than 15 years old) is not covered by Oregon’s rent regulations.² Rents for newer apartments tend to track the market overall, but also tend to start out with rents that are closer to the top of the market. While rising rents could affect current residents, those able to afford rents at a relatively high-end property may be able to absorb the rent increase, and are more likely to be able to find other housing they can afford if they cannot absorb the rent increase.
 - Older, large apartment developments with more amenities tend to be professionally managed and upgraded over time as units turn over, which decreases the risk that tenants will be displaced due to property-wide upgrades. However, rents at these properties are also more likely to track the market over time, meaning that tenants may experience rent increases (within the limits set by state law) as the market changes. If these properties are allowed to become dated, they can experience bigger rent increases when upgrades are made.
 - Older, smaller apartment developments with few amenities are less likely to be professionally managed and upgraded over time. They can become deteriorated and potentially need major upgrades that would require tenants to move out. They can be targets for “repositioning” through cosmetic improvements and/or changes to the marketing strategy that are often associated with more dramatic rent increases, but tend to be slower to raise rents in the absence of upgrades. In many communities, they are among the most affordable unregulated housing (if they have not been recently remodeled), and may serve lower-income households who are more vulnerable to displacement.

² ORS 90.600 and related provisions in ORS 90.323; rent stabilization provisions were added in 2019 by Senate Bill 608. See this summary from Oregon Law Center for details: <https://www.oregonhousingalliance.org/wp-content/uploads/2019/03/Oregon-Law-Center-Detailed-Outline-SB-608-cites-and-page-numbers-Final.pdf>.

If we find that VHDZ could potentially increase the likelihood of redevelopment or rent increases for existing rental housing broadly within an area, we consider surrounding area demographics to evaluate how great a concern the redevelopment or rent increases may be.

Displacement Risk Assessment for Villebois Village Center

Direct Physical Displacement Risk within the Villebois Village Center

Because the VHDZ area in the Villebois Village Center is currently vacant and has no existing housing, physical displacement due to redevelopment is not a concern within the potential VHDZ in Villebois.

Indirect Physical Displacement Risk in Adjacent Areas of Villebois Village Center

The Villebois Village Center is a relatively new master planned community with a diversity of housing types. Because of this new development and high-valued homes, existing housing near the proposed VHDZ area is unlikely to redevelop.

Economic Displacement Risk (Rent Increases) in Villebois Village Center

Exhibit 4 below shows the presence of regulated affordable housing and market-rate apartments near the proposed VHDZ area. There are 4 multifamily rental properties which include market-rate apartments and regulated affordable housing within a quarter mile of the proposed VHDZ area. A breakdown of the count of units by housing type is listed in Exhibit 3, below:

Exhibit 3. Multifamily Properties within a Quarter Mile of the Villebois Proposed VHDZ Area

Source: ECONorthwest using data from Metro's Regional Land Information System (RLIS) and Google research for current names

Property Name	Housing Type	Number of Units	Built Year
Domaine at Villebois Apartments	Market-rate Apartments	274	2008
The Charleston Apartments	Regulated Affordable	52	2011
Rain Garden Apartments	Regulated Affordable	30	2009
Renaissance Court	Regulated Affordable	21	2009

The regulated affordable housing is not a concern for market-driven rent increases. The one market-rate apartment is a newer, large property with many amenities³ where existing renters are likely to be less impacted by any rent increases specifically driven by new mixed-use development in the surrounding area.

Some of the single-family homes, townhouses, and condominium units in the area may also be rented out by the individual owners. However, given that all the housing in the area is

³ <https://domaineatvillebois.mgproperties.com/>

relatively new, there are unlikely to be units that are providing low-cost rental housing in the area.

In addition, the Village Center was always planned to include mixed-use development. Development that would result from VHDZ is not likely to radically change the market conditions in the adjacent area, though bringing additional amenities and businesses to the area could make the existing housing somewhat more desirable.

Exhibit 4. Existing Housing in the Villebois Village Center

Source: ECONorthwest using data from Metro's Regional Land Information System (RLIS)



Displacement Risk Assessment for Town Center

Direct Physical Displacement Risk within the Town Center

There is no existing housing within the proposed Town Center VHDZ area. As a result, no renters are at risk of displacement due to redevelopment directly supported by VHDZ.

Indirect Physical Displacement Risk in Adjacent Areas of the Town Center

While the adjacent land to the proposed VHDZ areas allows for both medium- to high-density residential development (based on current zoning), our analysis found that the existing older, single-family housing likely to be rentals are at no risk for redevelopment. This is mostly due to these rental properties being on small lot sizes that limit redevelopment potential of larger multifamily housing. Exhibit 5 shows that there are three multifamily rental residential

properties abutting the proposed VHDZ area. A closer inspection of these properties indicate that major investments have been made in recent years to remodel each property in order to achieve top of the market rents. Given that these properties have received major upgrades it is very unlikely for these rental multifamily properties to redevelop into another use, as they were repositioned to perform better, and it would be financially challenging to replace a high performing residential use with another residential or commercial use. In all, when evaluating the potential redevelopment risk of the area's existing rental housing, we found that there is little to no risk of these properties redeveloping and displacing current residents.

Economic Displacement Risk (Rent Increases) in Town Center

In earlier sections of this memo, we have identified that older, unregulated multifamily housing can sometimes be at risk of rent increases when major public investments and new development has occurred within an area. Exhibit 5 shows the presence of seven multifamily apartment properties within a quarter mile of the proposed VHDZ area. All of these properties are market-rate housing except for two properties which are rent regulated affordable housing. Exhibit 6 provides additional detail about these properties.

Exhibit 5. Existing Housing in the Town Center

Source: ECONorthwest using data from Metro's Regional Land Information System (RLIS)

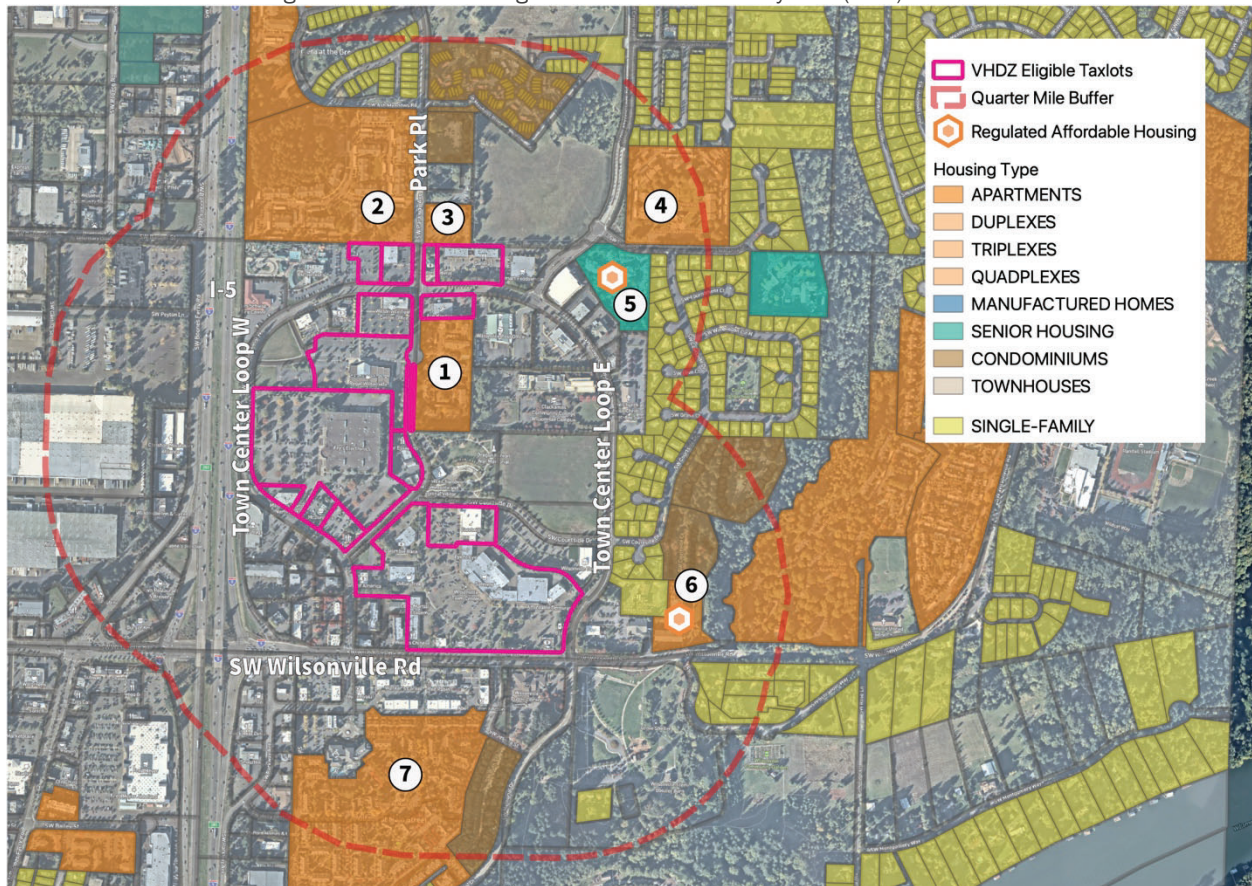


Exhibit 6. Multifamily Properties within a Quarter Mile of the Town Center Proposed VHDZ Area

Source: ECONorthwest using data from Metro's Regional Land Information System (RLIS) and CoStar

Map Number	Property Name	Housing Type	Number of Units	Built Year	Renovated Year
1	Town Center Park Apartments	Market-Rate Apartments	111	1990	2021
2	Jory Trail Apartments	Market-Rate Apartments	324	2012	—
3	The Park at 28 Apartments	Market-Rate Apartments	24	1977	2020
4	Sundial Apartments	Market-Rate Apartments	120	1990	—
5	Brookdale Wilsonville	Regulated Affordable	84	1996	—
6	Creekside Woods Apartment	Regulated Affordable	84	2010	—
7	Village at Main Street Apartments	Market-Rate Apartments	466	1998	—

While there are many market-rate apartment units in the area, displacement risks are relatively low:

- Jory Trail Apartments, just north of the proposed VHDZ, is a newer property where rents will track the market, but are likely already near the top of the market.
- According to CoStar, the Park at 28 Apartments (also immediately north of the proposed VHDZ) and the Town Center Park Apartments (located within the Town Center abutting several properties within the proposed VHDZ), were recently renovated in 2020 and 2021. Major investments into these properties suggest that they have been upgraded to current market conditions and rents may already have increased.
- The Village at Main Street (located south of the proposed VHDZ) and Sundial Apartments (located northeast of the proposed VHDZ) are larger properties with amenities built in the 1990s. The available data does not indicate major recent property upgrades, but they do not appear to be seriously deteriorated. There is some chance that these properties would be affected by new development in the VHDZ—possibly encouraging upgrades to the apartments or encouraging property managers to raise rents more quickly than they otherwise would. However, because they are larger properties, upgrades and rent increases may occur more incrementally over time as units turn over.

Given that the market-rate apartments closest to the proposed VHDZ area are fairly new and/or have been recently renovated, rents are likely already at or near the top of the market. While rents there could increase further if VHDZ helps to transform the Town Center, they do not pose a major concern from a displacement perspective because it is unlikely that they are serving many low-income households who are especially vulnerable to displacement. The

properties that could possibly be affected more by new mixed-use development are not directly adjacent to the proposed VHDZ, which could moderate any potential increase in displacement risk there, and are larger properties where impacts may occur incrementally over time.

Findings and Conclusion

Our analysis shows that:

- **VHDZ in the Villebois Village Center poses no risk of direct physical displacement** as the area is vacant and contains no residential uses where residents could be displaced by future redevelopment.
- **VHDZ in the Villebois Village Center is unlikely to increase displacement risk for residents of adjacent rental housing** due to rising rents or increasing redevelopment potential since the existing housing in the area is fairly new and any rent increases are unlikely to impact households who are especially vulnerable to displacement.
- **VHDZ in the Town Center poses no risk of direct physical displacement** as the area contains no residential uses where residents could be displaced by future redevelopment.
- **VHDZ in the Town Center could have a modest impact on displacement risk for residents of adjacent apartments** due to rising rents. However, the nearest market-rate apartments are fairly new or recently renovated, suggesting rents are likely already near the top of the market, and other nearby apartments are larger developments where upgrades and rent increases may occur more incrementally over time.