



# PLANNING COMMISSION

## WEDNESDAY, FEBRUARY 9, 2022

### II. WORK SESSION:

- A. Frog Pond East and South Master Plan (Pauly) (60 Minutes)



## PLANNING COMMISSION WORK SESSION STAFF REPORT

<b>Meeting Date:</b> February 9, 2022		<b>Subject:</b> Frog Pond East and South Master Plan	
		<b>Staff Member:</b> Kim Rybold, Senior Planner Daniel Pauly, Planning Manager	
		<b>Department:</b> Community Development	
<b>Action Required</b>		<b>Advisory Board/Commission Recommendation</b>	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date: <input type="checkbox"/> Ordinance 2 <sup>nd</sup> Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable <b>Comments:</b> N/A	
<b>Staff Recommendation:</b> Provide requested input regarding affordable housing, accessory dwelling units, and a neighborhood commercial center.			
<b>Recommended Language for Motion:</b> N/A			
<b>Project / Issue Relates To:</b>			
<input checked="" type="checkbox"/> Council Goals/Priorities: Expand home ownership	<input checked="" type="checkbox"/> Adopted Master Plan(s): Frog Pond Area Plan	<input type="checkbox"/> Not Applicable	

### ISSUE BEFORE PLANNING COMMISSION:

Provide feedback and input on components of the master planning for Frog Pond East and South, specifically regarding affordable housing, accessory dwelling units, and evaluating a neighborhood commercial center. In using the term affordable housing in this context, staff is referring broadly to both market-rate housing that is economically attainable for moderate-

income households as well as housing that is subsidized for lower-income households. Where the report refers to a specific sub-set of affordable housing it is indicated.

## **EXECUTIVE SUMMARY:**

Following designation of the subject land as an urban reserve in 2010, the City adopted the Frog Pond Area Plan in 2015 to set the stage for additional planning and eventual development to meet identified local housing needs. Besides the urban reserve area, the Frog Pond Area Plan also established a vision for growth for undeveloped land already within the City's Urban Growth Boundary (UGB) now known as Frog Pond West. In 2017, a Master Plan and implementing zoning code was adopted for Frog Pond West. The Master Plan provided the necessary regulatory framework for the residential neighborhood currently under development north of Boeckman Road and west of Stafford Road.

In 2018, Metro expanded the UGB to include the subject land. As part of the Metro Ordinance adopting the UGB expansion, Metro required Wilsonville to complete master planning to make the area development ready, from a regulatory standpoint, by December 2022. Similar to past master planning efforts, such as Villebois and Frog Pond West, this master planning effort will identify the types and locations of the homes, other land uses, parks, open spaces, streets, trails and neighborhood amenities to be built over the next 10-20 years. To support implementation of the plan, the process also identifies water, sewer, stormwater, and transportation infrastructure needs and funding sources.

The Planning Commission held their first work session on the master plan in October focusing on overall project scope and the outreach plan. A second work session in December asked for initial feedback on the needs and opportunities for affordable housing and housing variety in Frog Pond East and South; in addition, staff provided an update on the outreach plan and schedule. This third work session returns to the topic of housing needs for more detailed feedback and direction. Housing will be the main topic of discussion. In addition, this work session seeks initial feedback on an evaluation of a neighborhood commercial center.

## **Housing-Detailed Feedback and Direction**

As discussed in the previous work session, the affordable housing efforts as part of the Frog Pond East and South Master Plan build upon the Equitable Housing Strategic Plan (EHSP) adopted by the City in June 2020. The EHSP includes a specific action item to define equitable housing approaches in new urban growth areas. The summary of the action item further explains, *"As part of the master planning requirements for Frog Pond East and South, the City will establish goals or targets for accessibility to services/amenities, unit types, and unit affordability levels. The targets for affordability levels (number of units and depth of affordability for those units) should be reasonably achievable, allowing for sufficient market-rate development to support key infrastructure investments. This approach will provide a methodology and framework that can be applied in other growth areas beyond Frog Pond."*

Attachment 1, Affordable Housing Analysis, provides an important tool in fulfilling this action item by presenting information and analysis to assist City decision-makers in setting an informed affordability target for Frog Pond East and South. This work session will allow the Planning

Commission to review the information and analysis and provide a recommendation to City Council on the target the City should pursue in Frog Pond East and South.

The conclusion of the analysis proposes an affordable housing target with a relatively small amount of affordable housing in Frog Pond East and South for households with incomes under 80% MFI compared with the City's or region's household makeup. See Section 5 of Attachment 1 beginning on page 11. The relatively small amount of affordable housing stems from expected market-rate demand for the land coupled with the cost to develop the land, and the limited ability of the City and affordable housing providers to purchase or control sites for affordable housing. This relatively low level of affordable housing production likely in Frog Pond East and South for households with incomes less than 80% MFI reiterates the multi-pronged approach presented in the EHSP. The City needs to take a variety of actions which, by themselves, do not make huge impacts on the housing crisis, but collectively add up to significant progress. Examples of other equitable housing efforts the City has made progress on include the Middle Housing Project, vertical housing tax credits, and the TOD project near the WES Station.

One important factor for the affordable housing target, reflected in the current City Council goals as well as by recent comments by the City Council in a work session, is affordable home ownership. The Affordable Housing Analysis discusses a number of barriers and opportunities to support home ownership for households at different levels of income below 80% MFI. Barriers, beyond those applying to all affordable housing, include a lack of funding, especially federal, for ownership compared to rental programs, difficulty qualifying for mortgages, even with government support, for many households with incomes below 60% MFI, as well as legal and construction financing barriers to condos and co-op housing construction, which are housing types that would likely be most attainable for first-time homebuyers and households with incomes 60-80% MFI. As noted in the analysis, these are difficult barriers to overcome in the short to medium term and are generally beyond the City's control. Opportunities noted include partnering with home ownership support programs such as community land trusts or Habitat for Humanity and the Homebuyers Opportunity Limited Tax Exemption (HOLTE) program. Keeping in mind the opportunities and restraints for home ownership programs, the project team would like the Planning Commission's specific feedback on the balance of rental and ownership focus in the proposed affordable housing target.

In connection to discussing the appropriate affordable housing target, the Affordable Housing Analysis outlines the following strategies for the City's consideration as likely to have the greatest impact for Frog Pond East and South in producing housing affordable for low to moderate income households:

- Zone for all housing types
- Acquire land for affordable housing
- Partner with a community land trust
- Waive, reduce, or defer SDCs for income-restricted affordable units
- Incentivize smaller and lower-cost middle housing
- Reduce multi-family parking requirements
- Incentivize housing with accessible or visitable units

Another strategy with the potential to provide affordable housing is production of accessory dwelling units (ADUs). This includes affordable ownership opportunities as the code updates adopted with the Middle Housing Project allows many ADUs to be sold separately from the primary dwelling without going through a condo process. As the accessory dwelling unit memo (Attachment 2) outlines, the City already has policies in place in support of ADUs including broad allowance of ADUs and waivers of SDC fees. The memo lists the following additional regulatory actions that could further encourage ADU production in Frog Pond East and South and/or elsewhere.

- Provide additional flexibility and exemptions to lot coverage and setbacks for ADUs
- Allow ADUs with townhouses regardless of lot size. Currently the City code only allows ADUs with townhouses if the townhouse lot meets the minimum lot size for detached single-family units in the zone.
- Allow larger ADUs to provide more options for developers. Example changes could be to match the cottage cluster size of 900 square feet or slightly larger 1,000 square feet. The sizes are still less than would be built as typical single-unit on lot development or 2-unit cluster. However, 800 square feet is a limit consistent across many Oregon jurisdictions.

A decision needs to be made on whether to pursue any of these additional regulatory actions. The project team would particularly like to understand any concerns with these actions that would be reasons not to pursue.

#### Discussion questions:

1. Does the Planning Commission feel an affordable housing target in line with that proposed in the Affordable Housing Analysis is the correct direction for the Frog Pond East and South Master Plan and is reasonably achievable? If yes, what refinements or additional guidance would the Commission suggest? If no, what affordable housing target would the Commissioners recommend and why?
2. Does the affordable housing target proposed in the Affordable Housing Analysis appropriately balance affordable rental and ownership opportunities based on what we know about available financing and support programs and other restraints?
3. Does the Planning Commission agree the affordable strategies described in Section 6 of Attachment 1 (beginning on page 21) help achieve desired outcomes including the proposed affordable housing target and should be further pursued? What is Planning Commission's guidance for further refining these strategies?
4. Should the City pursue and refine any or all of the additional regulatory actions related to ADUs listed in Attachment 2? Are there any concerns with these actions?

#### **Neighborhood Commercial-Initial Feedback and Direction**

The Frog Pond Area Plan presented the idea of a neighborhood commercial center in Frog Pond East. Part of the scope of the Frog Pond East and South Master Plan is to further evaluate a neighborhood commercial center. The evaluation includes such things size, location, types of potential retail, and level of mix with residential. The area plan specifically calls for the location and level of mixed-use residential to be further evaluated. The size and type of retail is necessary to evaluate to identify the amount of land to plan for. The Neighborhood Commercial Evaluation: Initial Feedback slide deck (Attachment 3) provides background and an overview of

the intended evaluation. The project team has the following questions for the Planning Commission to get initial feedback and direction as the evaluation begins. The next Planning Commission work session in April will provide more information and solicit more detailed feedback.

Discussion questions:

1. What thoughts does the Planning Commission have on overall purpose and vision of the commercial center to provide small scale retail and be a community gathering place? Anything the Planning Commission would suggest adding?
2. The location at the corner of Advance and Stafford is not set. What thoughts does the Commission have about location of the commercial center? What should be considered in determining planned location?
3. What additional items does the Planning Commission want included in the upcoming commercial center evaluation beyond (1) location, (2) size of retail, (3) type of retail, and (4) evaluation of mixed-use residential with retail?

**EXPECTED RESULTS:**

Feedback and direction from the Planning Commission on affordable housing and a neighborhood commercial center in Frog Pond East and South Master Plan project.

**TIMELINE:**

This is the third in a series of work sessions for the Planning Commission. The next work session is planned for April. Most components of the project must be completed by December 2022.

**CURRENT YEAR BUDGET IMPACTS:**

The main consultant contract is for \$350,000 funded through a Metro grant. Work began during FY 20/21. Unused portions have been rolled over and the City anticipates spending \$260,000 by the end of FY 21/22. The remaining \$90,000 is planned to be budgeted during FY 22/23 to conclude the project. Staff is in the process of incorporating an additional \$162,000 in State grants into the contract and work program for additional affordable housing analysis and work related to infrastructure funding and SDCs. Staff, with City Council's support, submitted the grant requests to further enhance the depth of the affordable housing and infrastructure project components.

**COMMUNITY INVOLVEMENT PROCESS:**

The project has a community engagement plan which lays out a robust public engagement program that will include meaningful and impactful involvement of people who identify with historically marginalized communities. In addition, City staff continues work with consultants and the DEI committee to establish a framework for broad community involvement.

**POTENTIAL IMPACTS or BENEFIT TO THE COMMUNITY:**

Well-designed neighborhoods with a variety of housing options for current and future Wilsonville residents.

**ALTERNATIVES:**

At this early point in the project, the Planning Commission may provide a range of alternatives for the project team to consider.

**ATTACHMENTS:**

- Attachment 1 Affordable Housing Analysis Memo from EcoNorthwest (January 31, 2022)
- Attachment 2 Accessory Dwelling Unit Memo from EcoNorthwest (January 31, 2022)
- Attachment 3 Neighborhood Commercial Evaluation: Initial Feedback slide deckSlide deck on neighborhood commercial evaluation (January 31, 2022)

DATE: January 31, 2022  
TO: Dan Pauly, Kim Rybold, City of Wilsonville  
FROM: Becky Hewitt, Kaitlin La Bonte, and Ariel Kane, ECONorthwest  
SUBJECT: Frog Pond East and South Affordable Housing Analysis

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## Section 1. Introduction

### Purpose

The Frog Pond East and South areas are important for the City of Wilsonville’s efforts to meet future housing needs and provide equitable housing options for residents. The City’s 2020 Equitable Housing Strategic Plan (EHSP) recognized this, and called for the Frog Pond East and South Master Plan to establish targets for affordability, specifically:

*“As part of the master planning requirements for Frog Pond East and South, the City will establish goals or targets for accessibility to services/amenities, unit types, and unit affordability levels. The targets for affordability levels (number of units and depth of affordability for those units) should be reasonably achievable, allowing for sufficient market-rate development to support key infrastructure investments. This approach will provide a methodology and framework that can be applied in other growth areas beyond Frog Pond.”*

This memorandum is intended to implement that direction from the EHSP and identify affordable housing targets and strategies to ensure these targets are met.

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**Key Term: Affordable Housing**

This memo addresses “affordable housing”. As used here, we are referring broadly to both market-rate housing that is economically attainable for moderate-income households as well as housing that is subsidized or otherwise supported for lower-income households. Where the memo refers to a specific sub-set of affordable housing it is indicated.

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### Background and Policy Direction

The EHSP also directs the Frog Pond East and South master planning effort to:

- Integrate affordable housing into the overall master plan, with access to amenities
- Identify specific properties that could help meet affordable housing targets
- Evaluate relationships to the infrastructure funding plan
- Engage affordable housing developers and other stakeholders to refine strategies

These efforts will be part of the planning process for Frog Pond East and South.

Other past policy guidance related to housing targets and mixes for this area are summarized below.



- Metro’s Conditions of Approval for Wilsonville’s 2018 Urban Growth Boundary expansion required the City to:
  - **Plan for at least 1,325 homes in the expansion area.**
  - **Allow townhomes, duplexes, triplexes, and fourplexes** (now referred to as “middle housing”) in all zones that permit single-family housing within the expansion area. (The requirement related to allowing middle housing in zones that allow single-family housing is now also required by the state under House Bill 2001 and the implementing administrative rules.)
- The 2015 Frog Pond Area Plan established direction for housing mix, lot size, and where different housing types would be allowed within the expansion area. The unit distribution options from the Area Plan are shown in Exhibit 11 and Exhibit 12 on page 17. At a high level, the Area Plan sets direction that the East neighborhood should provide for single-family detached housing on small to large lots, as well as townhomes, cottage lots, and duplexes, while the South neighborhood should provide only small- to large-lot detached housing. It also states that neighborhood-scale mixed use with residential above retail in the commercial center could be considered during the Master Plan process. Other types of housing, including apartments, were not identified as part of the final plan for the Frog Pond area. Note, however, that the Area Plan’s direction pre-dates and is no longer consistent with the Metro conditions of approval summarized above or with the requirements of House Bill 2001.

As of the end of 2021, the City of Wilsonville had 11,587 dwelling units with approximately 730 more planned to be built in the near future between Villebois and Frog Pond West. Frog Pond East and South will represent an approximately 10% plus increase in the number of dwellings in Wilsonville. The City also has roughly 450 government-subsidized housing units as of 2018.<sup>1</sup>

## Section 2. The Housing Spectrum: Meeting a Range of Housing Needs with New Housing

Delivering new housing affordable to a range of incomes requires a range of different approaches, as summarized in Exhibit 1.

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### Key Term: Median Family Income

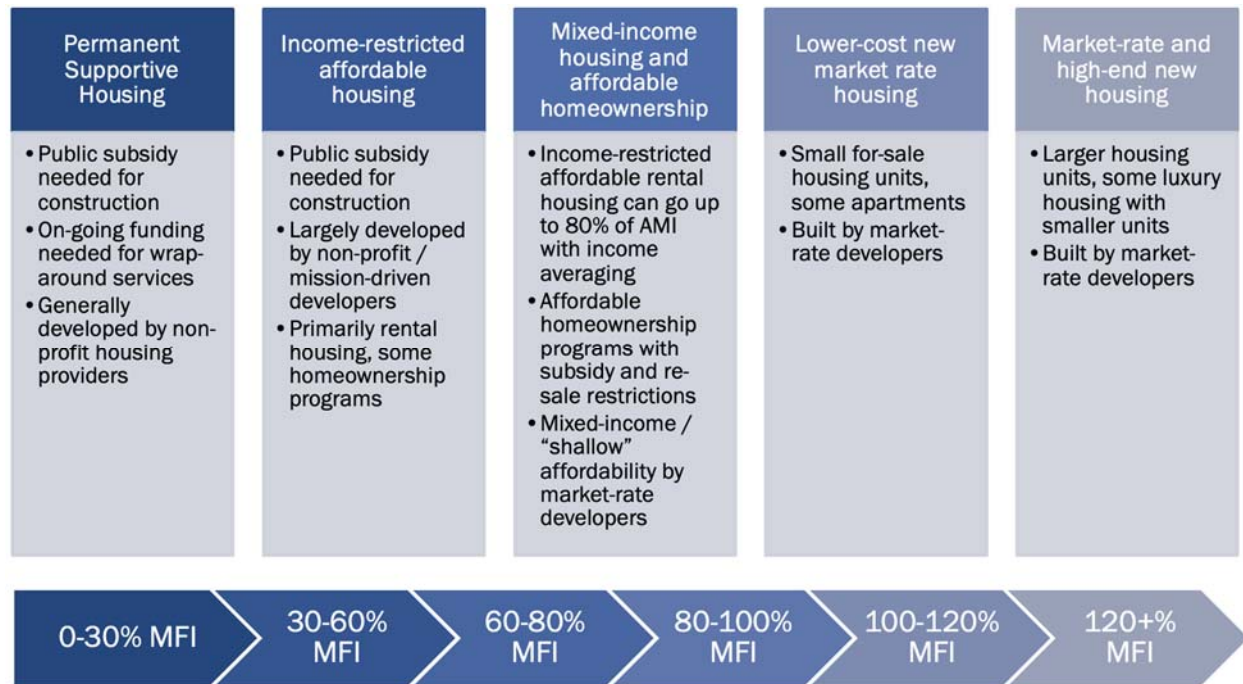
In setting affordability targets and requirements, it is common to express them in terms of a percentage of the Median Family Income (MFI), since this is how eligibility is established for income-restricted affordable housing. MFI is typically set at a regional level. In Wilsonville, the MFI is based on the three-county Portland region. In other words, the MFI for Wilsonville and Clackamas County is the same as that for the region overall. The MFI for a family of four in the Portland region as of 2021 is \$96,700. The U.S. Department of Housing and Urban Development (HUD) considers housing affordable to a given income level if housing costs (including utilities) account for no more than 30% of a household’s income.

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<sup>1</sup> Clackamas County Regional Housing Needs Analysis, ECONorthwest, 2018, page 199.

## Exhibit 1: Approaches to Delivering New Housing by Income Range

Source: ECONorthwest



### Housing for 60% of MFI and below

Meeting the housing needs of households earning less than 60% of MFI nearly always requires public subsidy. Development of income-restricted affordable housing typically relies on funding from the State, region, or County, in addition to any support from the City and other partners.

- **Affordable Rental Housing:** Even within publicly supported housing, most housing for this income range is rental housing. The Low Income Housing Tax Credit (LIHTC) program—the largest funding program in the US for affordable rental housing—largely serves households in the 30-60% of MFI range. While there are some for-profit developers who build income-restricted affordable housing, most is built by non-profits or Public Housing Authorities. Affordable rental housing development in suburban parts of the Portland region typically takes the form of three- to four-story apartments with surface parking.
- **Affordable homeownership:** There are some homeownership support programs (e.g., Habitat for Humanity, some Community Land Trusts, and down-payment assistance programs) that serve households earning as little as 35% of MFI (\$30,000-\$35,000). These programs tend to receive much less state and federal funding in aggregate than affordable rental housing.

To serve households earning less than 30% of MFI often requires additional subsidy beyond that needed to build housing for 60% of MFI due to the lower rents that are required. It also

sometimes requires support to provide wrap-around services that help residents remain in their housing. Sometimes tiny homes or cottage clusters are used for housing at this income level, but apartments are more common.

## Housing for 60% to 80% of MFI

Housing for households earning between 60% and 80% of MFI often comes in the form of older housing that has depreciated and become more affordable over time; however, delivering new housing in this affordability range can be challenging due to limited sources of public subsidy and the cost of building new market-rate housing. Options include:

- **Mixed-income and “shallow” affordability by market-rate developers:** Incentive programs and inclusionary zoning requirements can sometimes deliver units affordable to households earning less than 80% of MFI as part of a market-rate development if calibrated to align with market conditions. The affordability tends to be “shallow” in the sense that the private market generally cannot absorb rents or sales prices that are far below market rate without substantial incentives or subsidies. The most common form for mixed-income development by private developers is market-rate apartments that include some income-restricted affordable units.<sup>2</sup> However, affordability incentives for middle housing (primarily rental) may be able reach this income range in some circumstances.
- **Affordable homeownership:** Some affordable homeownership development targets this income range (e.g., Habitat for Humanity), using a mix of funding sources to subsidize costs. In the Portland region, this typically takes the form of either small detached housing or townhome-style attached housing.
- **Affordable rental housing with income averaging:** Low Income Housing Tax Credits, the largest funding program for affordable rental housing, allows developments to use income averaging to provide housing for households earning up to 80% of MFI as long as the average for the development overall remains at or below 60% of MFI. As noted above, this would typically be in the form of apartments.

## Housing for 80% of MFI and above

Households earning between 80% and 120% of MFI can often afford at least some of the existing market-rate housing stock in the community, such as apartments, older homes, or townhouses, though in very tight housing markets their options may be limited. For new construction, some smaller and lower-cost market-rate housing can be affordable in the 80-120% of MFI range, but most larger housing units and high-end small housing units tend to be affordable only to those earning at least 120% of MFI. (The expected pricing for market-rate housing in the Frog Pond East and South areas is described further in Section 4.) There are some local incentives and

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<sup>2</sup> Inclusionary Zoning can only be applied to multifamily housing (buildings with 20 or more units) under current Oregon law.

affordability programs that can support housing affordable at 80% to 100-120% of MFI, though state and federal funding is limited.

## Section 3. Opportunities and Constraints for Affordable Housing

There are several considerations and challenges for building affordable housing in the Frog Pond East and South area, including:

- **Infrastructure costs:** While vacant land at the urban fringe tends to cost less than land in already developed areas, this is largely because the cost of building the infrastructure needed to serve urban development is factored into land value and land sales prices. This project will: identify the infrastructure needed to support the East and South Neighborhoods; prepare a funding plan for that infrastructure; and consider the relationship between the need to fund infrastructure and the ability to deliver affordable housing.
- **Site control / property ownerships:** Acquiring property in a competitive market can be a substantial challenge for affordable housing developers. The City does not currently own any land within the Frog Pond East and South areas. The only City-owned land is land designated for a future park. The ability to secure land could be one of the biggest challenges for delivering affordable housing in the area.
- **Past policy guidance on housing types:** The final Frog Pond Area Plan did not include apartments as part of the housing mix for Frog Pond East and South. This limits the potential housing options in several ways:
  - As noted above, most affordable rental housing, which is the primary housing that serves households earning less than 60% of MFI, is built as apartments. The Area Plan notes potential for housing above commercial space, but while some affordable housing includes community spaces on the ground floor, there are financing challenges associated with building affordable housing as true mixed-use development with ground-floor commercial space. If apartments are not allowed in the area, this will significantly constrain the options and sources of funding for building affordable housing and limit the number of income-restricted affordable units that can realistically be developed in the area.
  - Market-rate multifamily housing (apartments or condominiums) can also provide housing affordable to households earning roughly 80% to 100% of MFI. Building apartments or condominiums as part of a mixed-use building increases costs and can make development infeasible or require higher rents or sales prices to justify the additional expense.
- **Challenges for affordable and low-cost homeownership options:** Income-restricted affordable homeownership models can work within a small detached or townhouse-style development, but there is limited state and federal funding for affordable homeownership programs, which means a relatively small number of subsidized

affordable homeownership units could realistically be built in the area. Other methods of providing lower-cost homeownership options without a subsidy, such as condominiums and co-op housing, face legal and financing challenges that make them difficult for many private developers to build. Addressing these legal and financing issues would require action at the state level and is beyond the City's control. However, there are developers working in the region who are willing to build condominiums despite the challenges, some of whom may pursue development within Frog Pond East and South.

**The opportunity for Frog Pond East and South is that the City is in a position to address many of these challenges in ways that can influence the outcome.** At a minimum, in the short term, the City can set land use regulations that allow for a broader range of housing types so that there are more options for market-rate and subsidized affordable housing development now and into the future. The City can establish requirements associated with annexation, which could allow for more specific agreements between the City and property owners seeking to annex. The City can also establish an infrastructure funding plan that limits the infrastructure cost burden on any income-restricted affordable housing built in the area. If financial resources allow, the City can negotiate with property owners to acquire suitable land for affordable housing that can then be transferred at little or no cost to affordable housing developers, or provide funding to support affordable homeownership development by a local Community Land Trust or a provider like Habitat for Humanity. These and other strategies to help deliver affordable housing in this area are addressed further beginning on page 21.

## Section 4. Expected Pricing of Market-Rate Housing

### For-Sale Housing: Market Sale Prices for Single-Family Homes, Townhouses, and Condominiums

Data from recent home transactions<sup>3</sup> for relatively newer housing<sup>4</sup> in Wilsonville and surrounding areas provides an indicator of likely pricing for new housing in Frog Pond East and South. The estimated range of home prices by housing type and unit size is shown in Exhibit 2. The estimated income needed to afford these purchase prices, given standard lending assumptions,<sup>5</sup> is shown as a percentage of the MFI for a four-person household<sup>6</sup> in Exhibit 3. The relevant data is summarized in table form in Exhibit 4.

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<sup>3</sup> Sales transaction data is from Redfin for sales between October 2020 and October 2021.

<sup>4</sup> Data includes detached homes and townhouses built since 2010 as well as condominiums built since 2006 (to provide a larger sample size since there are few recently-built condominiums).

<sup>5</sup> Assumes 20% down payment, a 30-year fixed-rate mortgage at 3.5% interest, with estimates for property taxes and homeowners' insurance. Estimated homeowners' association fees are factored into total monthly housing costs based on averages for similar housing from recent sales transactions.

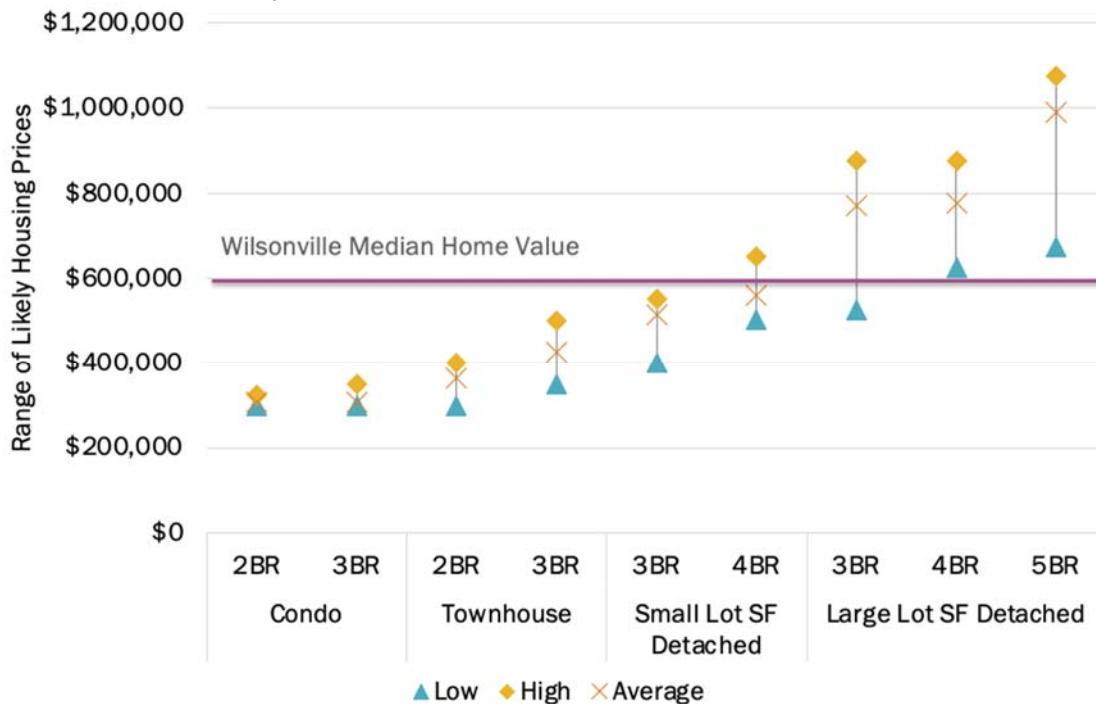
<sup>6</sup> In setting maximum allowed rents by unit size / bedroom count, HUD uses an assumed household size and multiplier relative to the MFI for a family of four. However, to allow for comparison to the income distributions, which are not adjusted for household size, we use the MFI for a four-person family throughout.

Given the recent escalation in home prices, new construction coming to market is likely to sell closer to the top end of the range seen among recent transactions for newer housing. Housing prices will likely continue to escalate over the coming years (though not to the extent seen in the past year), increasing the expected home values over time. However, the comparison between prices of new homes and the median price of existing homes or between new homes and regional average incomes are more likely to remain roughly consistent going forward. Based on these trends, we estimate the following ranges for affordability of new for-sale housing in Frog Pond East and South:

- New large-lot detached housing in Wilsonville will likely be affordable only to households earning more than 120% of MFI, and more expensive than most existing homes.<sup>7</sup>
- New small lot detached homes (on less than 4,500 SF lots) may sell for close to the median value of existing homes and are likely to be affordable mostly to households earning between 100% and 130% of MFI.
- New condominiums and townhouses will almost certainly sell for less than the median value of existing homes in Wilsonville and are likely to be affordable to households earning between roughly 70% and 100% of MFI depending on unit size.

**Exhibit 2. Typical Sales Prices for Recently Built Housing by Housing Type, Wilsonville and Surrounding Area**

Source: ECONorthwest Analysis of Redfin Data, October 2021

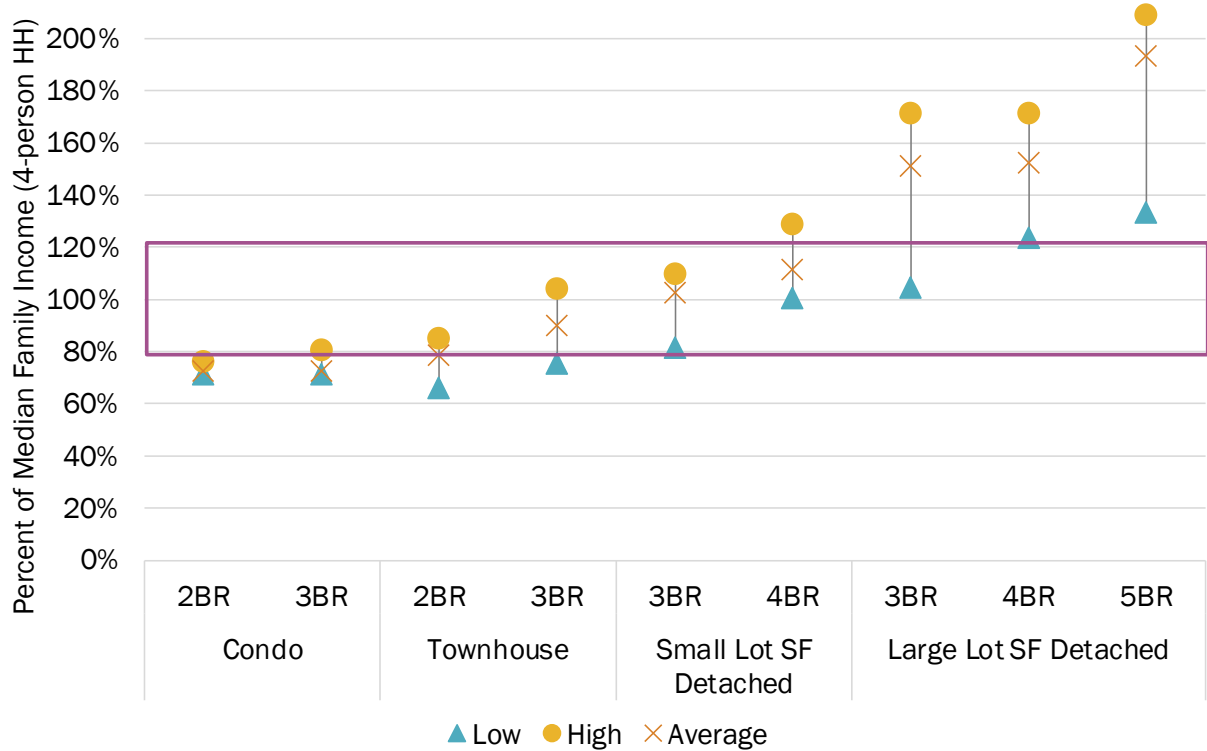


<sup>7</sup> The median value of existing homes in Wilsonville is around \$600,000, affordable to homeowners at 122% of the area MFI for a family of four, or an annual income of \$118,220.

**Exhibit 3. Housing Affordability as a Percent of Median Family Income\* by Housing Type for Recently Built Housing, Wilsonville and Surrounding Area**

Source: ECONorthwest Analysis of Redfin Data, October 2021'

\* Median family income from HUD for Clackamas County for a four-person household



**Exhibit 4: Sales Price, Income Required, and Income as a Percent of MFI for Newer Housing in and near Wilsonville, by Housing Type, 2021**

Source: ECONorthwest Analysis of Redfin Data, October 2021

	Condo		Townhouse		Small Lot SF Detached		Large Lot SF Detached		
	2BR	3BR	2BR	3BR	3BR	4BR	3BR	4BR	5BR
<b>Low Sales Price</b>									
Sales Price	\$300,000	\$300,000	\$300,000	\$350,000	\$402,500	\$502,500	\$525,000	\$625,000	\$675,000
Annual income needed to afford mortgage	\$69,110	\$69,110	\$64,110	\$73,290	\$78,940	\$97,310	\$101,440	\$119,810	\$128,990
Annual income needed as a percent of MFI*	71%	71%	66%	76%	82%	101%	105%	124%	133%
<b>High Sales Price</b>									
Sales Price	\$325,000	\$350,000	\$400,000	\$500,000	\$552,500	\$652,500	\$875,000	\$875,000	\$1,075,000
Annual income needed to afford mortgage	\$73,700	\$78,290	\$82,480	\$100,850	\$106,490	\$124,860	\$165,730	\$165,730	\$202,470
Annual income needed as a percent of MFI*	76%	81%	85%	104%	110%	129%	171%	171%	209%
<b>Average Sales Price</b>									
Sales Price	\$307,700	\$307,400	\$365,300	\$426,700	\$513,800	\$560,000	\$769,900	\$775,800	\$990,600
Annual income needed to afford mortgage	\$70,520	\$70,470	\$76,110	\$87,390	\$99,380	\$107,870	\$146,420	\$147,510	\$186,970
Annual income needed as a percent of MFI*	73%	73%	79%	90%	103%	112%	151%	153%	193%

\*As compared to 100% MFI for a four-person household in Clackamas County. Orange indicates less affordability; blue indicates greater affordability.



## Rental Housing: Market-Rate Apartments

Looking at the range of rents and unit sizes for apartments built in Wilsonville since 2010, there is a wide range of unit sizes and rents, as shown in Exhibit 5.

### Exhibit 5: Wilsonville Apartment Unit Sizes, Mix, and Rents, Developments Built Since 2010

Source: ECONorthwest analysis of CoStar data, November 2021

Unit Type	Most rent for	Average rent is	Most units are	% of Units
Studios	\$1,123	\$1,123	544 SF	4%
1 bedroom	\$1,277-\$1,667	\$1,599	1,275 - 1,630 SF	28%
2 bedrooms	\$1,651-\$1,902	\$1,778	1,020 - 1,110 SF	57%
3 bedrooms	\$2,154-\$2,263	\$2,203	2,150- 2,265 SF	5%
4 bedrooms	\$2,664-\$3,284	\$2,871	2,664 - 3,284 SF	5%

Converting these rents to the percent of MFI needed to afford them<sup>8</sup> shows that even at the top end, apartment units in newer buildings are generally affordable at or below 80% of MFI for a four-person household, and often around 80% of MFI, as shown in Exhibit 6. Very small studio units may be even more affordable, while very large four-bedroom units may be less affordable, but the bulk of units in newer apartments in Wilsonville would be considered affordable for households earning between 65% and 90% of MFI. New apartments would typically be expected to rent for near the upper end of this range (roughly 80% to 90% of MFI), assuming they have good access to amenities.

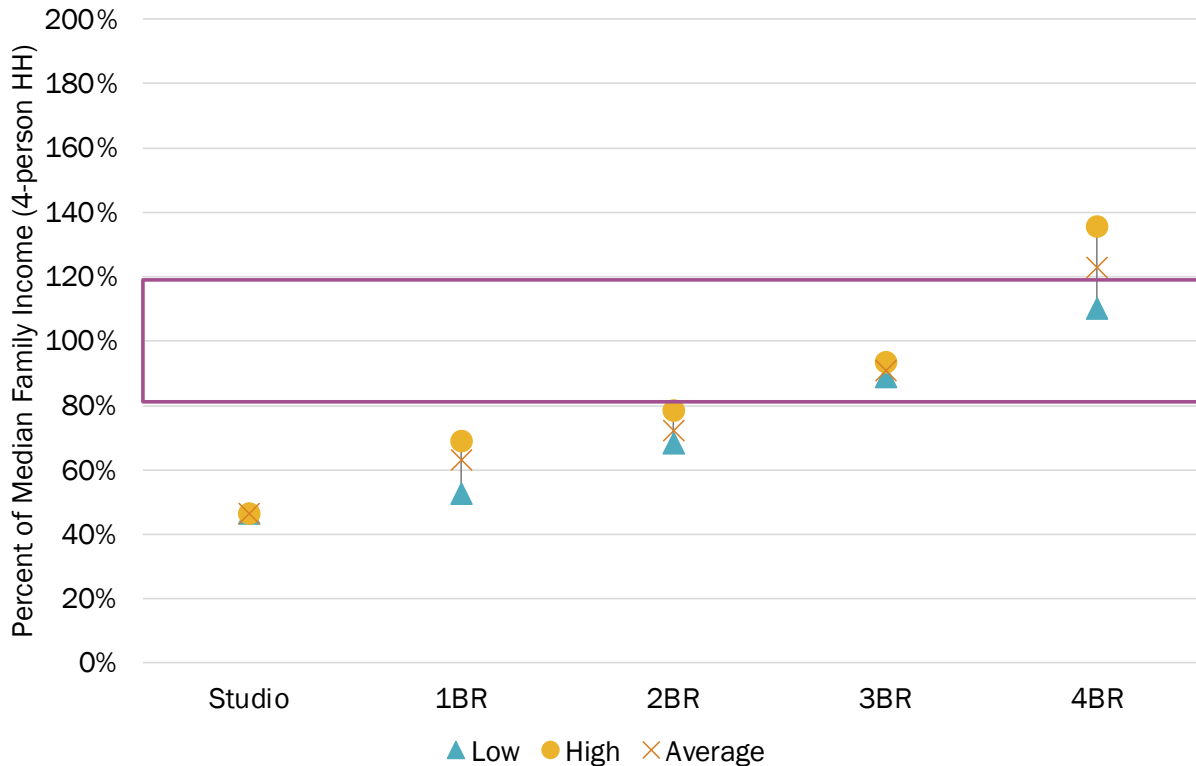
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<sup>8</sup> In setting maximum allowed rents by unit size / bedroom count, HUD uses an assumed household size and multiplier relative to the MFI for a family of four. However, to allow for comparison to the income distributions, which are not adjusted for household size, we use the MFI for a four-person family throughout even though it is not realistic to expect a four-person family to occupy a studio apartment.

## Exhibit 6: Wilsonville Apartment Rent Affordability as a Percent of Median Family Income\* by Unit Size, Developments Built Since 2010

Source: ECONorthwest Analysis of CoStar Data, November 2021

\* Median family income from HUD for Clackamas County for a four-person household



## Section 5. Affordable Housing Targets

The City does not control housing pricing and affordability directly, but there are many factors that the City does control that affect how much housing is likely to be produced within different affordability levels. Setting reasonably achievable affordable housing targets for the Frog Pond East and South neighborhoods is intended to guide the City’s strategies and policies for this area so that the resulting neighborhoods offer housing options for households at a range of income levels.

### Reference Points

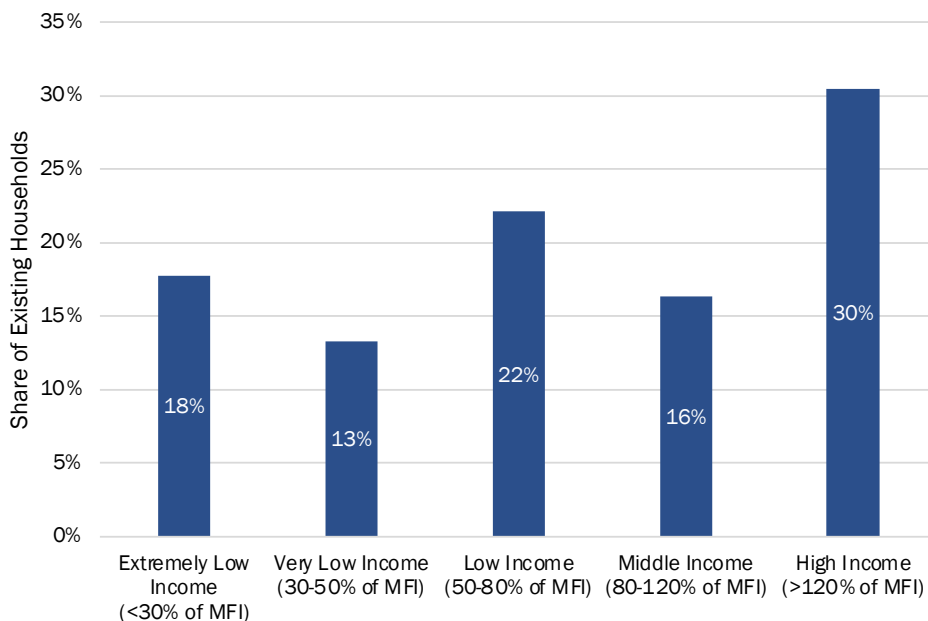
In setting an appropriate and achievable affordable housing target, it is helpful to consider multiple reference points that inform the distribution of housing that may be needed and that may be possible. This section outlines several reference points for housing distribution by affordability level: current income distribution in Wilsonville, current regional income distribution, existing housing gaps at the City and County scale, and the distribution expected based on prior plan policy direction and existing affordable housing tools. These reference points are intended to inform establishing achievable affordable housing targets for Frog Pond East and South, which will ultimately be determined by City Council.

## City of Wilsonville Income Distribution

This reference point offers one way of understanding what it would look like for this area to contribute proportionately to meeting overall housing needs for the city. However, this approach does not consider the specific types of housing needs that may best be met in the new growth area versus other areas of the city, and it does not account for changing demographic needs or needs that are not currently met in the city. The current distribution of Wilsonville households based on how their household income compares to the MFI for Clackamas County for a four-person household is shown in Exhibit 7.

### Exhibit 7. Wilsonville Households by Percentage of MFI, 2021

Source: American Community Survey, 2019, 5-year estimates

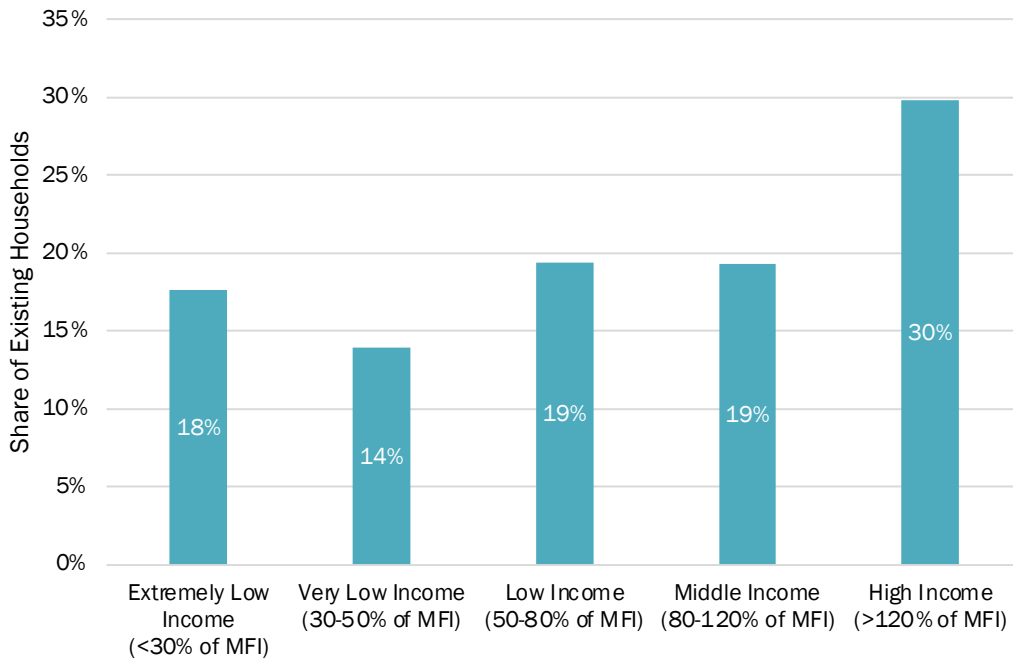


## Regional Income Distribution

Looking at overall regional income distribution can be useful to highlight housing affordability levels and incomes that may be under-represented in Wilsonville compared to the region as a whole. It provides a sense of what mix of housing affordability levels would best meet the needs of people living in the region as a whole. The current distribution of households by income level in the three-county Portland region is shown in Exhibit 8. In the region overall, the share of middle-income residents is somewhat higher than in the city of Wilsonville, while the share of low-income residents is somewhat lower. The share of extremely low income and very low-income residents is similar in the City and in the region overall.

### Exhibit 8. Portland Region Households by Percentage of MFI, 2021

Source: American Community Survey, 2019, 5-year estimates

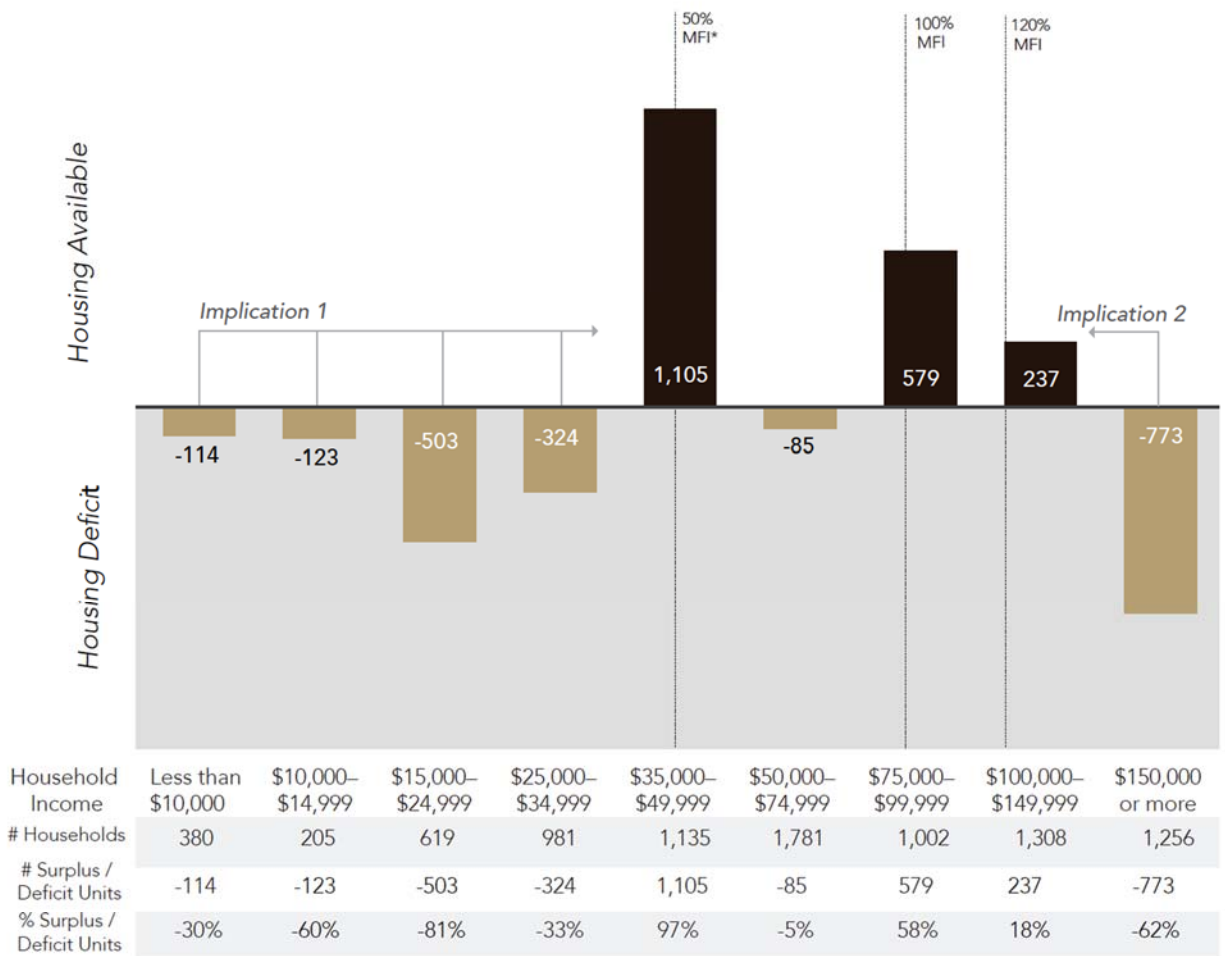


### Current City and County Housing Gaps

Based on the most recent Housing Needs Analysis for the City of Wilsonville (which was done as part of a county-wide Housing Needs Analysis in 2018), there is a deficit of housing units for households earning less than \$35,000 per year, but also a deficit of high-amenity housing for households earning more than \$150,000 per year.

### Exhibit 9: Affordable Housing Costs and Units by Income Level, Wilsonville, 2018

Source: Clackamas County Regional Housing Needs Analysis, page 281



\*Median Family Income for a family of four

**Implication 1**

Some lower-income households live in housing that is more expensive than they can afford because affordable housing is not available. These households are cost burdened.

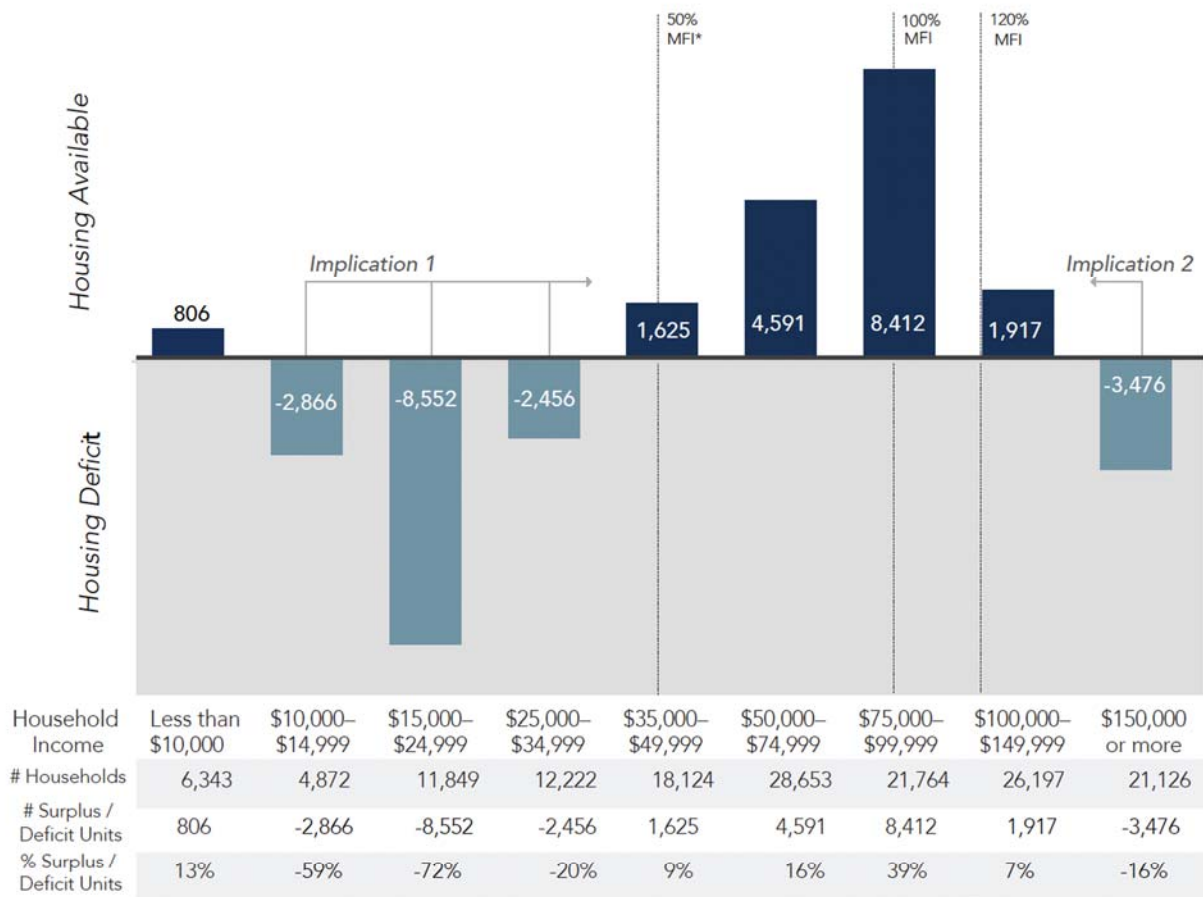
**Implication 2**

Some higher-income households choose housing that costs less than they can afford. This may be the result of the household's preference or it may be the result of a lack of higher-cost and higher-amenity housing that would better suit their preferences.

The overall housing gaps for Clackamas County also show a deficit of housing for households earning less than \$35,000 per year and high-amenity housing for households earning \$150,000 or more.

**Exhibit 10: Affordable Housing Costs and Units by Income Level, Clackamas County Overall, 2017**

Source: Clackamas County Regional Housing Needs Analysis, page 74



\*Median Family Income for a family of four

**Implication 1**

Some lower-income households live in housing that is more expensive than they can afford because affordable housing is not available. These households are cost burdened.

**Implication 2**

Some higher-income households choose housing that costs less than they can afford. This may be the result of the household's preference or it may be the result of a lack of higher-cost and higher-amenity housing that would better suit their preferences.

This reference point suggests a focus on expanding housing supply at the top and bottom of the income spectrum. Providing high-amenity housing for higher-income households can reduce upward pressure on prices for older homes that could be remodeled, while providing housing affordable to lower-income households can reduce cost-burdening and allow households more resources to meet their other needs and remain more stable in their housing.

**Prior Area Plan Policy Direction & Existing Affordable Housing Tools**

This reference point anticipates the outcomes that would be most likely for this area if the City maintains the policy direction from the Area Plan and does not implement any additional strategies to support affordable housing in this area. It provides a reference point for a policy baseline to see how much intervention may be required to achieve the City's equitable housing

goals in this area. The distribution of housing units by type / density established in the Frog Pond Area Plan is summarized in Exhibit 11 and Exhibit 12. As described in the Area Plan:

*At the time of adoption there were two general proposals regarding residential land use in the East and South Neighborhoods. The first proposal was the Planning Commission-recommended option (Option G), with the condition to re-examine the R2.5 densities and commercial site location at a future date of master planning. The second proposal was that there should be a minimum lot size of 4,000 square feet. The Council considered these proposals carefully, along with all of the rationale, implications and issues. Working from the premises that: (1) both points of view should be honored and represented in the Plan; (2) many years will pass before final decisions need to be made; and (3) the range of housing choices and price ranges should increase in the future when these neighborhoods are developed – the Council struck a balance. The balance was to include both options in the Plan with a commitment to revisit the densities and commercial site in the future as part of master planning. An additional idea was added to consider, during Master Planning, neighborhood scale mixed use, where residential would be allowed over the retail in the commercial center.<sup>9</sup>*

The primary difference for purposes of this document is that Option G included an allowance for attached / cottage single-family, with lots between 2,000 and 3,000 square feet. Neither option included an allowance for multifamily housing. As noted above, the City must provide for at least 1,325 units in this area (Option H would provide only 1,258) and must allow attached / cottage single-family and other middle housing types in any zone that allows single-family housing.<sup>10</sup> Thus, ECONorthwest used Option G as a starting point for this scenario, since it aligns better with recent requirements.

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<sup>9</sup> Frog Pond Area Plan, A Concept Plan for Three New Neighborhoods in East Wilsonville, 2015, page 24.

<sup>10</sup> While Option G did not assume that middle housing would be allowed throughout the East and South neighborhoods, the total percentage of middle housing and small lot detached housing, at roughly one third of all housing units, remains a reasonable estimate of the amount of middle housing and small-lot detached housing that the market might deliver in this area after accounting for HB 2001.

### Exhibit 11. Land Use Metrics and Capacity "Option G"

Source: Frog Pond Area Plan, A Concept Plan for Three New Neighborhoods in East Wilsonville, 2015

Residential Designation	Average Lot Size (SF)	Max Units/ac net	East Neighborhood Units	South Neighborhood Units	East+ South Units	% of East + South Units
Future R-8 Single Family (7,000 - 9,000 SF)	8,000	5.40	120	28	148	11%
Future R-6 Single Family (5,000 - 7,000 SF)	6,000	7.30	125	162	287	22%
Future R-4 Single Family (3,000 - 5,000 SF)	4,000	10.90	165	286	451	34%
Future R-2.5 (2,000 - 3,000 SF)	2,500	17.40	436		436	33%
<b>Total Units</b>			<b>846</b>	<b>476</b>	<b>1,322</b>	<b>100%</b>

### Exhibit 12. Land Use Metrics and Capacity ("Option H" - No R2.5 in East Neighborhood)

Source: Frog Pond Area Plan, A Concept Plan for Three New Neighborhoods in East Wilsonville, 2015

Residential Designation	Average Lot Size (SF)	Max Units/ac net	East Neighborhood Units	South Neighborhood Units	East+ South Units	% of East + South Units
Future R-8 Single Family (7,000 - 9,000 SF)	8,000	5.40	120	28	148	13%
Future R-6 Single Family (5,000 - 7,000 SF)	6,000	7.30	125	162	287	25%
Future R-4 Single Family (3,000 - 5,000 SF)	4,000	10.90	437	286	723	62%
Future R-2.5 (2,000 - 3,000 SF)	2,500	17.40				0%
<b>Total Units</b>			<b>682</b>	<b>476</b>	<b>1,158</b>	<b>100%</b>

To translate this housing mix into an expected distribution by income level, ECONorthwest used the expected pricing of market-rate housing by housing type summarized in Section 4:

- The Future R-2.5 units are assumed to be primarily middle housing similar to townhouses based on the density and housing types described for this zone. Given estimated pricing, these units would generally be affordable to households between 80% and 120% of MFI.
- Small-lot detached housing ranges slightly above and below 120% of MFI. Half of the R-4 housing units are assumed to be affordable at 80-120% of MFI, while the other half are assumed to be affordable to households at 120% or more of MFI.
- Medium- to large-lot single-family is affordable only above 120% of MFI. All of the R-6 and R-8 units plus half of the R-4 units are assumed to be affordable to households earning 120% or more of MFI.

Because Option G did not include multifamily housing in the land use metrics, this reference point assumes that no regulated affordable rental housing or market-rate multifamily are built

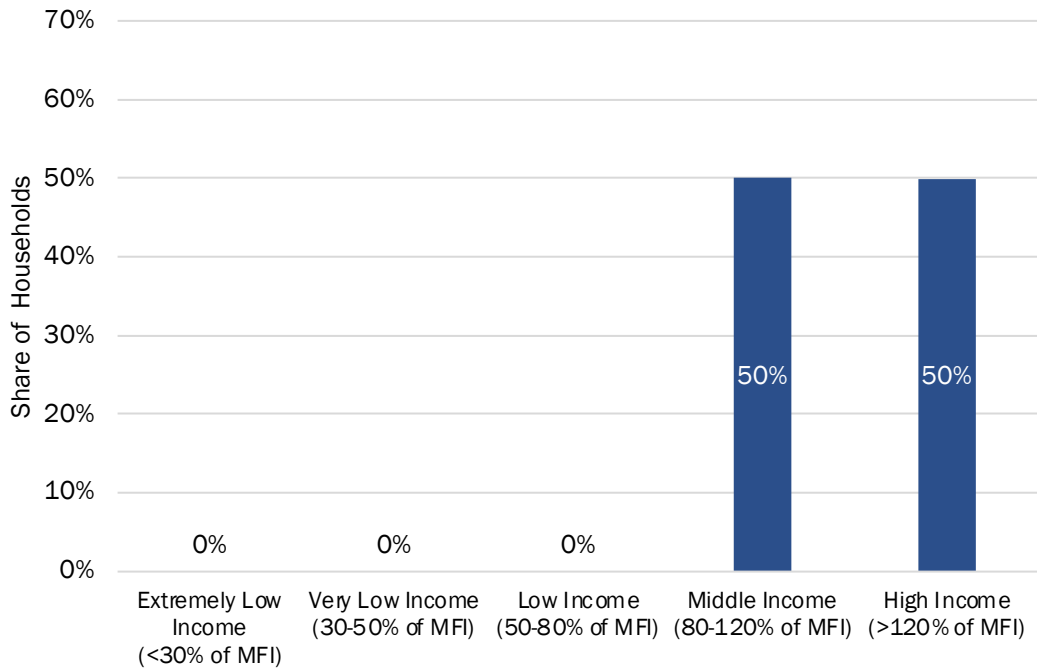


in the area. While some affordable homeownership housing is possible under existing policy guidance, the City has no existing programs in place to support this, so the assumption is that this would not occur without additional support. These factors mean that the current policy guidance and existing programs would be unlikely to deliver housing to serve households earning less than 80% of MFI.

The expected distribution of housing by income level under existing policy is shown in Exhibit 13.

**Exhibit 13: Expected Distribution of Housing by Affordability Level Under Existing Policy**

Source: ECONorthwest calculations based on Frog Pond Area Plan Option G and market pricing



### Proposed Affordable Housing Targets

The proposed affordable housing targets are intended to provide achievable goals for this area if the City addresses the constraints noted previously and implements a set of feasible strategies to support affordable housing. The types of strategies needed to meet these proposed targets are described in Section 6.

Given the context and the scale of the area, the City could target the following for publicly supported, income-restricted affordable housing development:

- One affordable multifamily rental development serving households earning up to 60% of MFI, or an average 60% of MFI, with income averaging that offers some units for households earning up to 80% of MFI. This would likely be between 120 and 180 units and roughly 30 units per acre based on typical development of this type, requiring four to six acres of land.

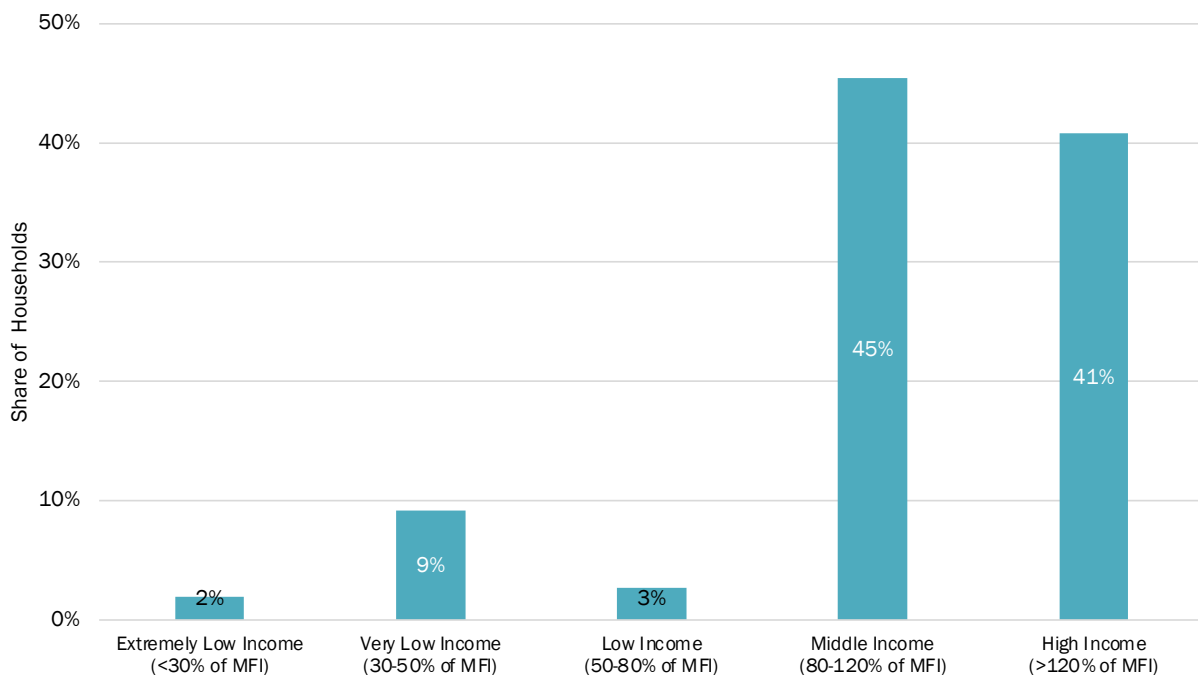
- One small cottage/tiny home/courtyard development for households earning less than 30% of MFI, low-income seniors, veterans, or people with disabilities. This could be between 5 and 50 units and might require between a quarter of an acre and two acres, depending on scale and design.
- One to two townhome or cottage cluster affordable homeownership developments for households earning 35% to 80% of MFI (e.g., Habitat for Humanity or Proud Ground). This could be between 10 and 40 units and might require between one and two acres, depending on scale and design.

In addition to these goals for income-restricted affordable housing, the City can target providing a mix of housing within the market rate development that offers roughly half of units that are likely to be affordable to households earning less than 120% of MFI. This could mean a similar mix of housing types as identified in Option G in the Area Plan (even if the locations for middle housing are no longer restricted), resulting in a roughly even split between housing for households earning 80% to 120% of MFI and households earning more than 120% of MFI for the market-rate for-sale housing. Allowing opportunities for some market-rate apartment development without ground floor commercial space to further expand the range of housing options for households earning less than 100% of MFI.

**Error! Reference source not found.** provides an illustrative example of the approximate distribution of housing by income level based on the ranges of units above and rough estimates of the amount of market-rate housing that could be built if the land above were dedicated to affordable housing. These estimates are preliminary and may be refined through the planning process.

**Exhibit 14: Approximate Distribution of Housing by Income Level for Affordable Housing Target**

Source: ECONorthwest

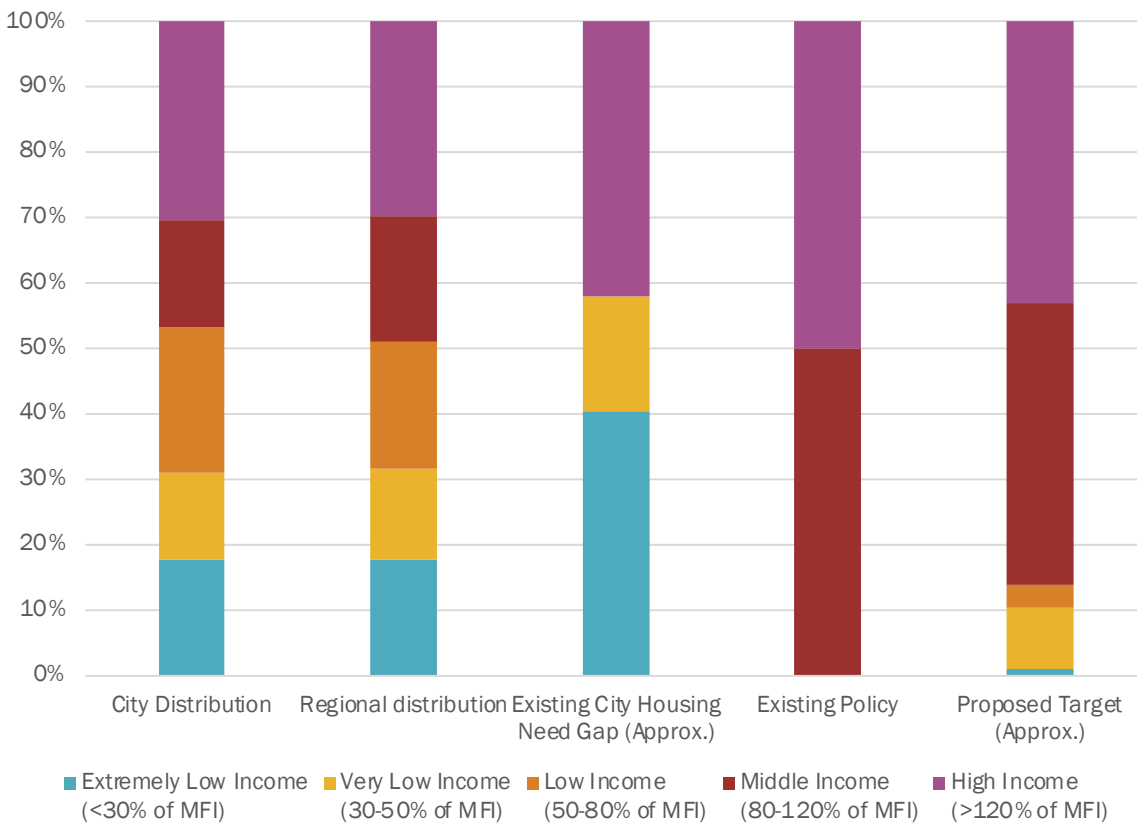


## Comparison to Reference Points and Implications

**Error! Reference source not found.** summarizes the unit counts that would result from applying the distribution for each scenario to the 1,325 housing units required by Metro. (As noted previously, the total unit count may vary between the scenarios or be refined through the process of establishing land use scenarios—these unit counts are illustrative only at this stage.) Exhibit 15 illustrates the comparison between the scenarios in terms of the income distribution in each.

### Exhibit 15: Distribution of Housing by Income Level for Housing Target Compared to Reference Points, Frog Pond East and South

Source: ECONorthwest



### Implications:

- To reach the affordable housing policy directives from the Equitable Housing Strategic Plan with development in Frog Pond East and South the City will need to allow a full range of housing types and make investments to support affordable housing development.
- Even if the City does make changes to policy and takes action to dedicate funding to support affordable housing, the share of affordable housing is likely to fall short of meeting a proportionate share of overall housing needs at the City or regional level during initial build-out.

- Adding to housing supply across a range of affordability levels in Frog Pond East and South will help meet housing needs overall and would be a one step forward in a larger series of housing-related initiatives by the City, even if it does not match the overall distribution or address all the existing gaps for affordable housing.
- Middle housing and condominiums can offer homeownership opportunities to middle income households without public subsidy, making land use regulations and infrastructure funding decisions that affect the feasibility of multi-family and middle housing an important consideration for affordability.

## Section 6. Affordable Housing Strategies

The City can support development of affordable and mixed-income housing in a number of ways. The EHSP lays out a range of strategies to advance the City’s equitable housing goals. The City will also be required to adopt a Housing Production Strategy (HPS) soon under recent changes to state rules, and will need to identify and prioritize strategies to support housing production across a range of housing needs. This section outlines the strategies that are likely to have the greatest impact for Frog Pond East and South, building on those in the EHSP.

- **Zone for All Housing Types:** Enable a full range of housing types in Frog Pond East and South, including multifamily, to expand first time homebuyer opportunities and to make it possible to build affordable rental housing using common sources of funding. Align zoning for multifamily with areas that are suitable for affordable housing. Flexibility needs to be in place to take advantage of affordable housing opportunities both now and during the longer-term build out of Frog Pond East and South.
- **Acquire Land for Affordable Housing:** Attempt to find willing sellers for suitable properties for affordable housing within Frog Pond East and/or South, to ensure an opportunity to build affordable housing in the area. This would likely require funding, particularly if the City intends to offer the land for affordable housing development for little or no cost to make affordable housing development more viable. However, the City could consider asking the current owner to ground lease the property to the City and have the development pay for it in future, or seek an option on a property rather than acquiring it outright. It would also require staff time to manage the property owner negotiations and (if successful), the land disposition process (e.g., a Request for Proposals for development). With private developers also seeking to secure land or options to purchase property, the sooner the City acts, the better its chances. The City should prioritize sites that meet the following criteria:
  - Close proximity to existing transit (e.g., the stop at Meridian Creek Middle School), or near an area that has a high probability of future transit service upon development.
  - Close proximity to parks, schools, future commercial areas, and other amenities.

- Sites that are between four and six acres of buildable land if targeting affordable rental housing; smaller sites (e.g., half-acre to two acres) for homeownership housing.
- Sites without major development constraints or especially costly infrastructure needs. Sites should not be in the floodplain.
- **Partner with a Community Land Trust:** A community land trust (CLT) such as Proud Ground could help deliver affordable homeownership housing in Frog Pond East and South. If the City is unable to secure land for affordable housing, it could explore other ways to support a CLT in building affordable homes, such as direct subsidy (e.g., using Metro Bond money), SDC waivers, or tax abatements (see further discussion below).
- **Waive, Reduce, or Defer SDCs for Affordable Units:** The cost of SDCs and other infrastructure costs for greenfield development can become prohibitive for affordable housing. Options to reduce SDC cost impacts on affordable housing will be addressed as part of the infrastructure funding plan for Frog Pond East and South to ensure that overall infrastructure needs can be met. Waiving SDCs entirely for income-restricted affordable housing has the greatest impact, but reductions and deferral can also help reduce the funding gap for affordable housing. This requires engagement with other infrastructure providers.
- **Incentivize Smaller and Lower-Cost Middle Housing:** Middle housing will be allowed broadly in Frog Pond East and South, and some developers have expressed interest in middle housing development in the area. Because middle housing generally offers lower price-points than single-family detached housing, it offers middle-income housing options and potential for lower-cost homeownership. There are several incentives that could be effective tools to support middle housing development that is affordable to middle-income households:
  - The Multiple Unit Property Tax Exemption (MUPTE) is a flexible program that can be used to incent multiple-unit rental housing with particular features or at particular price points by offering qualifying developments a partial property tax exemption for 10 years. The City could offer MUPTE for middle housing rental developments with small units that are more likely to be affordable. (The City could also choose to offer MUPTE only in exchange for income and rent restrictions, but would need to be able to monitor compliance with these restrictions over the 10-year abatement period.) This program requires support from overlapping taxing districts.
  - The Homebuyer Opportunity Limited Tax Exemption (HOLTE) program allows cities to offer a 10-year partial property tax exemption on for-sale properties valued at no more than 120% of the median sales price that meet any additional city-imposed income and owner-occupancy requirements. Portland has paired it with an SDC exemption to incentivize new moderately-priced for-sale housing. This program requires support from overlapping taxing districts.
  - SDCs that scale with unit size can also incentivize smaller, lower-cost middle housing units by right-sizing fees to the impacts of different housing types and sizes.

This will be considered through the infrastructure funding plan and requires engagement with other infrastructure providers.

- The City could consider allowing small “multiplex” development (e.g., 6-12 units) on sites that would allow a fourplex under new middle housing rules, if the units are under a certain size limit so that the overall volume of the building is still similar to a fourplex.
- **Reduce Multifamily Parking Requirements:** If the City adopts zoning for Frog Pond East and South that allows multifamily development in portions of the area, it should also evaluate reducing parking requirements for multifamily. (This could be done citywide or applied only within the Frog Pond East and South areas.) Currently, at least one space per unit is required, even for units less than 500 sq. ft.; most units require 1.25 to 1.75 spaces per unit. If parking requirements exceed what is needed to serve affordable housing, this adds cost to build spaces that do not generate revenue and reduces the number of units that fit on site. If land and funding are available for affordable housing, reducing parking requirements can ensure that it can be built efficiently and optimize the amount of housing on the site.
- **Incentivize Housing with Accessible or Visitable Units:** With substantial new housing construction coming for Frog Pond East and South, the City can encourage units designed to be accessible or visitable to better meet the needs of individuals with mobility limitations in the community. The City can apply some of the same incentives noted above to apply to accessible or visitable units, such as tax abatements, SDC reductions, or allowances to build additional units.

## Section 7. Conclusions and Next Steps

If the City does not take further action to support affordable housing and does not change course from prior policy direction on housing types for Frog Pond East and South, there will be few opportunities for affordable housing and little chance that it will get built. If the City allows a full range of housing types and implements additional affordable housing strategies, particularly related to proactive land acquisition, the chances for affordable housing increase substantially. Financial and regulatory incentives could also encourage developers to build smaller, lower-cost housing units with or without income restrictions, or to build units that are accessible or visitable for residents with mobility limitations. These strategies align with those outlined in the EHSP and provide input to a future HPS.

While meeting a proportionate share of citywide or regional housing needs by income may not be possible for greenfield development, there are important opportunities for affordable homeownership and expanding housing options across a range of incomes and housing needs. The proposed housing targets include a mix of market-rate housing at typical price-points and a few affordable housing developments of various scales and forms. These targets are intended to be achievable with implementation of the recommended housing strategies. This area can play an important role in a broader citywide effort to provide needed housing. Additional work will

be needed to meet housing needs in other parts of the City that cannot feasibly be met in this greenfield area.

Next steps within this process include identifying specific properties that could help meet affordable housing targets; evaluating relationships to the infrastructure funding plan of potential SDC reductions or waivers; engaging affordable housing developers and other stakeholders to refine strategies; and subsequent work to learn more about community perspectives/preferences, which could lead to refinements in the targets and strategies laid out in this document.

DATE: January 31, 2022  
TO: Dan Pauly, Kim Rybold, City of Wilsonville  
FROM: Becky Hewitt, Kaitlin La Bonte, Ariel Kane ECONorthwest  
SUBJECT: Frog Pond East and South Accessory Dwelling Units Memorandum

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## Section 1. Introduction

Accessory Dwelling Units (ADUs) offer an opportunity to seamlessly integrate additional, smaller units within neighborhoods while staying with traditional single-family development and financing models. There are many reasons why people may be interested in building or living in ADUs. For residents, ADUs tend to be a more affordable flexible housing option. For homeowners, ADUs provide opportunities to house family members or earn additional income. As ADUs grow in popularity and recognition, many jurisdictions are considering ways to encourage ADU development.

In bringing the Frog Pond East and South areas into the Urban Growth Boundary (UGB), Metro required that the city explore ways to encourage the construction of ADUs in the expansion area. In Frog Pond East and South, the challenges to encouraging ADU development are different from infill development scenarios. Strategies to promote ADU development in an infill context typically focus on facilitating development for homeowners. In a greenfield development context such as Frog Pond, the City's strategies should focus on ways to influence homebuilders' floorplans to encourage building ADUs at the time of construction or encouraging home and lot designs that provide opportunities for ADU additions later.

This memorandum is intended to assist the City of Wilsonville in planning for residential development in Frog Pond East and South in a way that would be supportive of ADU development in the planning area's residential neighborhoods. Using available survey data and stakeholder interviews, this memorandum provides some insight into the likely demand and market for ADUs in the region and describes ways to City could facilitate ADU development as the planning area is built out.

## Section 2. Who do ADUs serve?

### Who wants ADUs and why?

A 2018 American Association of Retired Persons (AARP) Home and Community Preferences Survey<sup>1</sup> found that 33% of adults aged 18 and older who did not have an ADU on their property would consider adding an ADU (27% unsure). As shown in Exhibit 1, of those who would consider adding an ADU, having a place for a loved one to stay who needs care was a major

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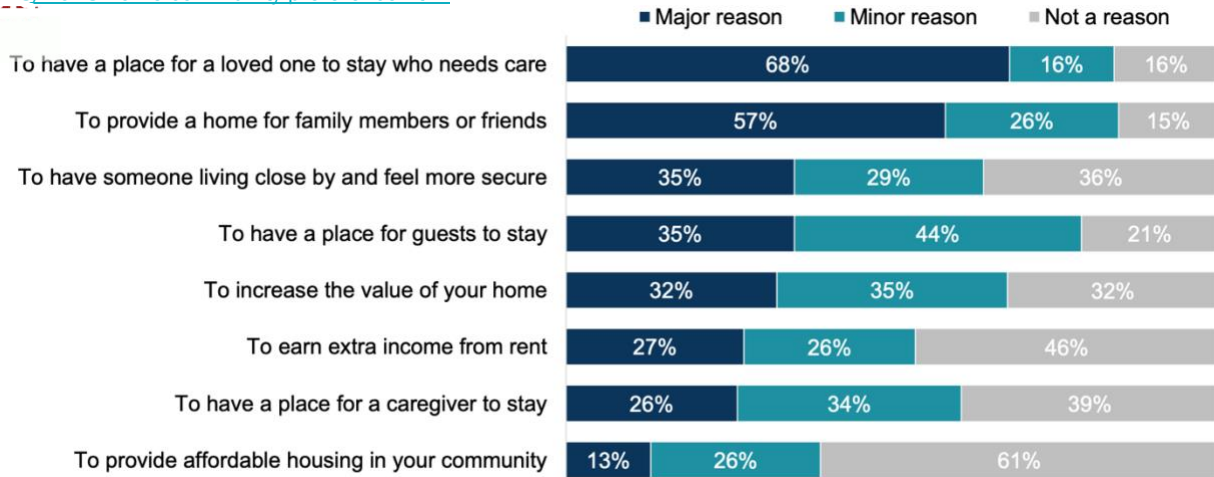
<sup>1</sup> This survey was conducted by NORC at the University of Chicago with funding from AARP in March and April 2018. 2,287 participants completed the survey, the final total of the national sample was 1,947.



reason for 68% of respondents; providing a home for family members or friends was a major reason for 57%.

**Exhibit 1. Major Reasons for Considering Building an ADU**

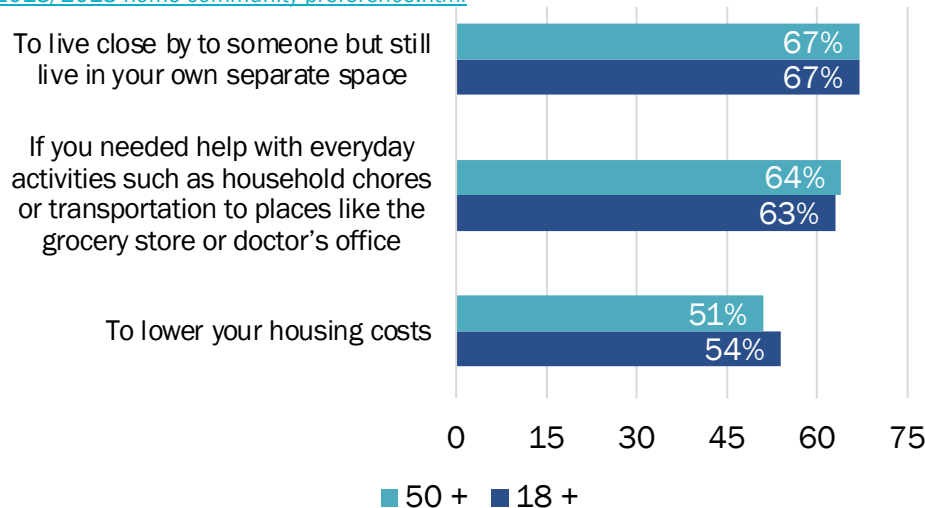
Source: 2018 AARP Home and Community Preferences Survey, [www.aarp.org/research/topics/community/info-2018/2018-home-community-preference.html](http://www.aarp.org/research/topics/community/info-2018/2018-home-community-preference.html)



Out of the adults surveyed, 67% said they would consider living in an ADU to live close to someone but still have their own space, 63% said they would consider it if they needed help with everyday activities, and 54% said they could consider it to lower their housing costs. This is shown in Exhibit 2.

**Exhibit 2. Top Three Reasons for Considering Living in an ADU by Age Group**

Source: 2018 AARP Home and Community Preferences Survey, [www.aarp.org/research/topics/community/info-2018/2018-home-community-preference.html](http://www.aarp.org/research/topics/community/info-2018/2018-home-community-preference.html)

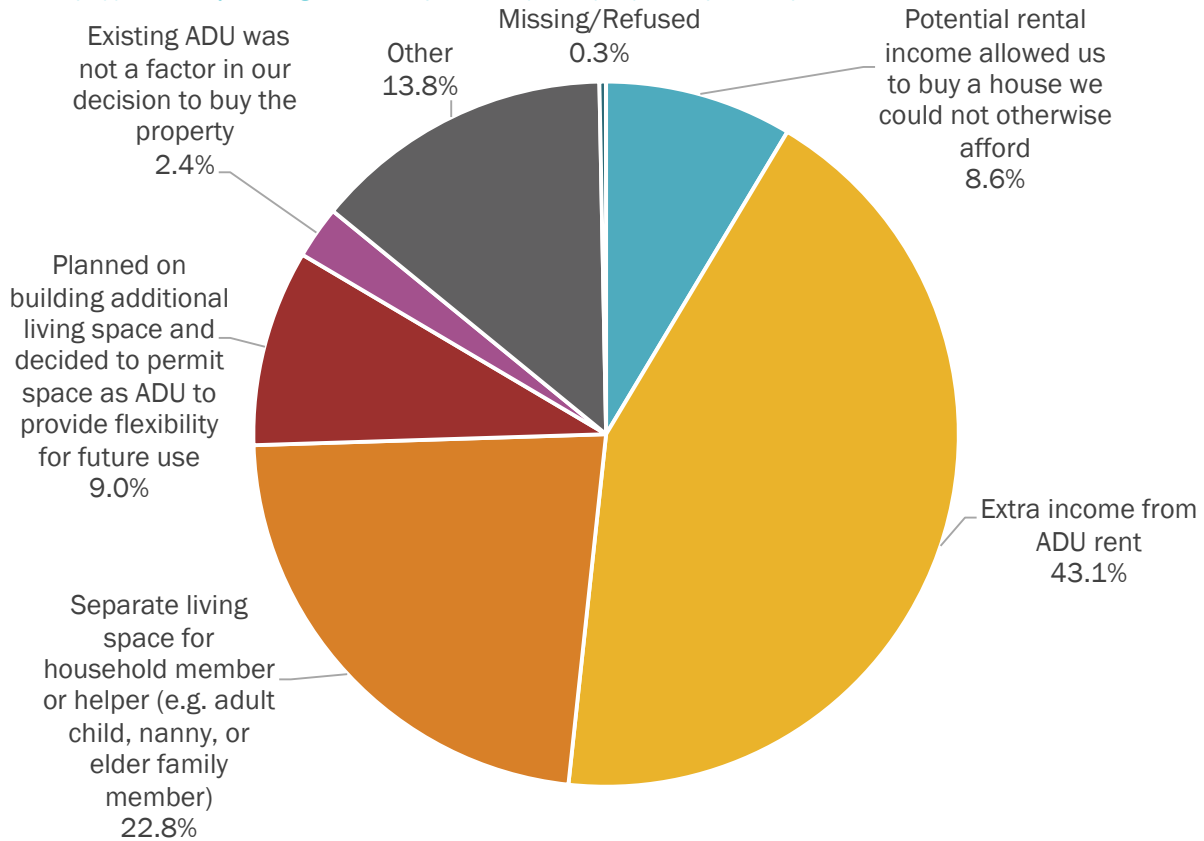


In a 2013 survey of Portland, Eugene, and Ashland homeowners with existing ADUs, 43% of Portland respondents said that the extra income from ADU rent was a primary reason for

building an ADU or for purchasing a property with an existing ADU. Other reasons are shown in Exhibit 3.

**Exhibit 3. Portland Homeowners primary reason for building an ADU or purchasing the property with an existing ADU.**

Source: Accessory Dwelling Unit Survey for Portland, Eugene, and Ashland, Oregon Final Methodology and Data Report, 2013 <https://accessorydwellings.files.wordpress.com/2013/10/adureportfrev.pdf>



### What might an ADU rent for in Frog Pond East and South?

In the 2013 survey of Portland property owners with ADUs, the mean rental income received was between \$811 and \$880 (Exhibit 4). While these rents are now well out of date, the range of rents is worth noting: from as little as \$385 per month, to as much as \$1,800 per month.

#### Exhibit 4. Portland Rent Received Monthly for ADU, 2013

Source: Accessory Dwelling Unit Survey for Portland, Eugene, and Ashland, Oregon Final Methodology and Data Report, 2013 <https://accessorydwellings.files.wordpress.com/2013/10/adureportfrev.pdf>

	N	Minimum	Maximum	Mean	Std. Deviation
How much rent do you receive monthly for your ADU?	143	\$385	\$1,800	\$880.20	\$239.42
If rent includes utilities, how much is the rent without utilities?	78	\$200	\$1,700	\$811.85	\$248.09

Based on analysis of recent ADU listings in Portland, Milwaukie, Canby, Oregon City, Beaverton and Hillsboro, ADU rents were generally between \$1,050 and \$2,000 per month. Rents varied by structure type, number of bedrooms and unit size, with the average rent overall being \$1,540. Detached ADUs tended to have higher rents, with smaller footprints. Basement ADU rents tended to be lower, at an average of \$1,275 (see Exhibit 5).

#### Exhibit 5. ADU Rents in Portland Metro Area by Structure and Bedroom

Source: ECONorthwest Analysis of Craigslist, Apartments.com data, 2021

Structure	Bedrooms	Most rent for	Average Rent	Most units are
Attached	Studio	\$1,475	\$1,475	500 SF
	1 Bedroom	\$1,450 - \$1,625	\$1,540	650 - 800 SF
	2 Bedrooms	\$1,595	\$1,595	610 SF
	Overall	\$1,450 - \$1,625	\$1,540	500 - 800 SF
Basement	Studio	\$1,350 - \$1,450	\$1,400	500 - 750 SF
	1 Bedroom	\$1,050 - \$1,250	\$1,150	500 - 1,500 SF
	Overall	\$1,050 - \$1,400	\$1,275	500 - 1,500 SF
Detached	Studio	\$1,450	\$1,450	450 SF
	2 Bedrooms	\$1,500 - \$2,000	\$1,700	750 - 950 SF
	Overall	\$1,450 - \$2,000	\$1,650	500 - 950 SF
Overall	Studio	\$1,350 - \$1,475	\$1,430	500 - 600 SF
	1 Bedroom	\$1,050 - \$1,625	\$1,350	350 - 800 SF
	2 Bedrooms	\$1,500 - \$2,000	\$1,690	600 - 750 SF
	Overall	\$1,050 - \$2,000	\$1,540	500 - 1,000 SF

Overall, while the variability is high due to a small set of observations spread across a wide area in many different forms and ages of homes, this suggests that ADU rents might be similar to rents for newer market-rate apartments.

### What might an ADU sell for in Frog Pond East and South?

Some ADUs are sold separately from the main home as condominiums rather than being rented out or managed by the owner of the main home. These sales transactions are difficult to isolate, and there are no known examples in Wilsonville or surrounding areas. Examples of new construction small, detached condominium units in Portland have mostly sold for \$300,000 to

\$400,000—roughly 60-70% of the sale price of the main house on the same lot where both were new construction. Given this pattern and the estimated sale prices for new homes in the Frog Pond area with larger lots generally being between \$600,000 and \$800,000, the price range for ADUs in the Frog Pond area may be similar to that seen in Portland. This is also similar to the pricing for newer two- to three-bedroom condominium units in Wilsonville.

## Section 3. Opportunities and Barriers for ADU development

### Regulatory Barriers

The City of Wilsonville recently updated its ADU regulations to comply with state and regional requirements. ECONorthwest reviewed the current regulations to identify any requirements that could still create challenges for ADU construction in Frog Pond East and South. The primary code standards identified as potential obstacles included:

- Lot coverage and setback standards in several existing residential zones may limit the ability to build detached ADUs.
- ADUs are not allowed for townhouses (unless those townhouses meet the single-family minimum lot size). Some developers have created floor plans for townhouses with ADUs that can be sold separately and some with a flexible ground-floor space with separate entrance that can either be used as a home office or an ADU. This model is not currently allowed in Wilsonville, but could be appropriate for portions of Frog Pond East and South.

#### Exhibit 6: Example of townhouse with ADU / ground floor flexible space

Source: Redfin.com



## Financial and Other Factors

ECONorthwest interviewed several homebuilders who are likely to develop portions of Frog Pond East and South when master planning is complete. Some indicated interest in building ADUs. They noted several factors that will influence their decision-making about whether or not to include ADUs in their floor plans:

- When building detached ADUs with single-family homes, this can require a larger lot and push the price-point for the home above what most households can afford. (Providing flexibility for ADUs on lot coverage and setback standards could help address this concern to some extent.)
- Being able to sell the ADU separately helps keep the cost down for both units. One developer's model has been to sell all units with a three-year owner occupancy requirement, including the ADUs, to ensure that they are not used as investment properties. (Another Metro requirement for Frog Pond East and South is that the City ensure that any future homeowners associations will not require owner occupancy of homes that have accessory dwelling units. This could preclude this aspect of the model, and may, ironically, discourage building ADUs for some builders.)
- Local fees are an important factor in whether developers will build ADUs. (Wilsonville does not charge SDCs for ADUs.)

## Section 4. ADU Strategies

### Regulatory strategies:

- Providing greater flexibility on lot coverage and setbacks for detached ADUs could make it easier to add them to a lot with less effect on the size or location of the main home.
- Allowing ADUs with townhouses (regardless of lot size) in areas where higher density is appropriate could expand opportunities to add ADUs.
- Wilsonville already allows land divisions for ADUs to be sold on a separate lot from the main home, which is mostly applicable to detached ADUs, but could be an incentive for homebuilders along with the lack of SDC fees.
- Allowing larger ADUs (the current limit is 800 square feet) could make the existing financial and regulatory incentives stronger, but would also make them even more similar to two-unit cluster housing, which is also allowed.

### Financial strategies:

- The primary financial incentive that has been used to encourage ADU production is waiver of SDCs. As noted above, Wilsonville already has this option in place, and has for many years.

- Establishing a set of pre-approved building plans for homes and townhouses with ADUs, or other similar measures to streamline the review process for development, could make some difference to homebuilders. However, with a greenfield development, there are many other review and permitting processes that will tend to take longer than the building permit review, meaning that streamlining one part of the process is likely to have a minimal impact.
- A marketing approach in which the City would help direct media attention to new homes built with ADUs could provide some incentive for builders, who would benefit from the free publicity, though the City would have to approach this carefully to avoid the appearance of bias towards a particular developer.

## Section 5. Conclusions and Next Steps

ADUs in Frog Pond East and South could provide additional options for small rental and/or for-sale units at price-points similar to multifamily housing but at a neighborhood scale. This makes them an important part of the mix in this area, particularly if opportunities for multifamily development in the area are limited. Past surveys suggest that people value ADUs for intergenerational households, flexible space for guests or family members, and for rental income that can help them afford their own housing costs. These factors primarily apply when ADUs are owned along with the main home and managed by the homeowner, but this may or may not be the case when ADUs can also be sold as separate units. Subsequent additional outreach will gather additional information about community perspectives and preferences which could also influence the City's approach to ADUs.

Frog Pond East and South's greenfield context means that encouraging ADU construction in Frog Pond East and South will require influencing large professional homebuilders rather than individual homeowners. The City already has many important incentives in place, including exempting ADUs from SDCs and allowing land divisions to split them from the main house. While the City has seen little ADU production, this may be a factor of private restrictions that prohibit ADUs in some areas of Wilsonville. These restrictions are no longer allowed, and will not constrain ADUs in Frog Pond East and South.

Removing subtler regulatory obstacles including lot coverage, setbacks, and allowing ADUs with townhouses could help address some of the considerations that homebuilders noted would affect their interest in developing homes with ADUs. Metro's requirement that the City prevent homeowners' associations from requiring owner occupancy for units with ADUs could inadvertently serve as a deterrent to one model of building homes with ADUs that is intended to prevent the homes from becoming investor properties. The City may want to explore with Metro whether this condition could be modified to allow a temporary restriction to owner occupancy for a certain period after initial construction.

# **Neighborhood Commercial Evaluation Initial Feedback Frog Pond East & South**



JANUARY 2022

Planning Commission Meeting - February 9th, 2022  
Frog Pond East and South Master Plan

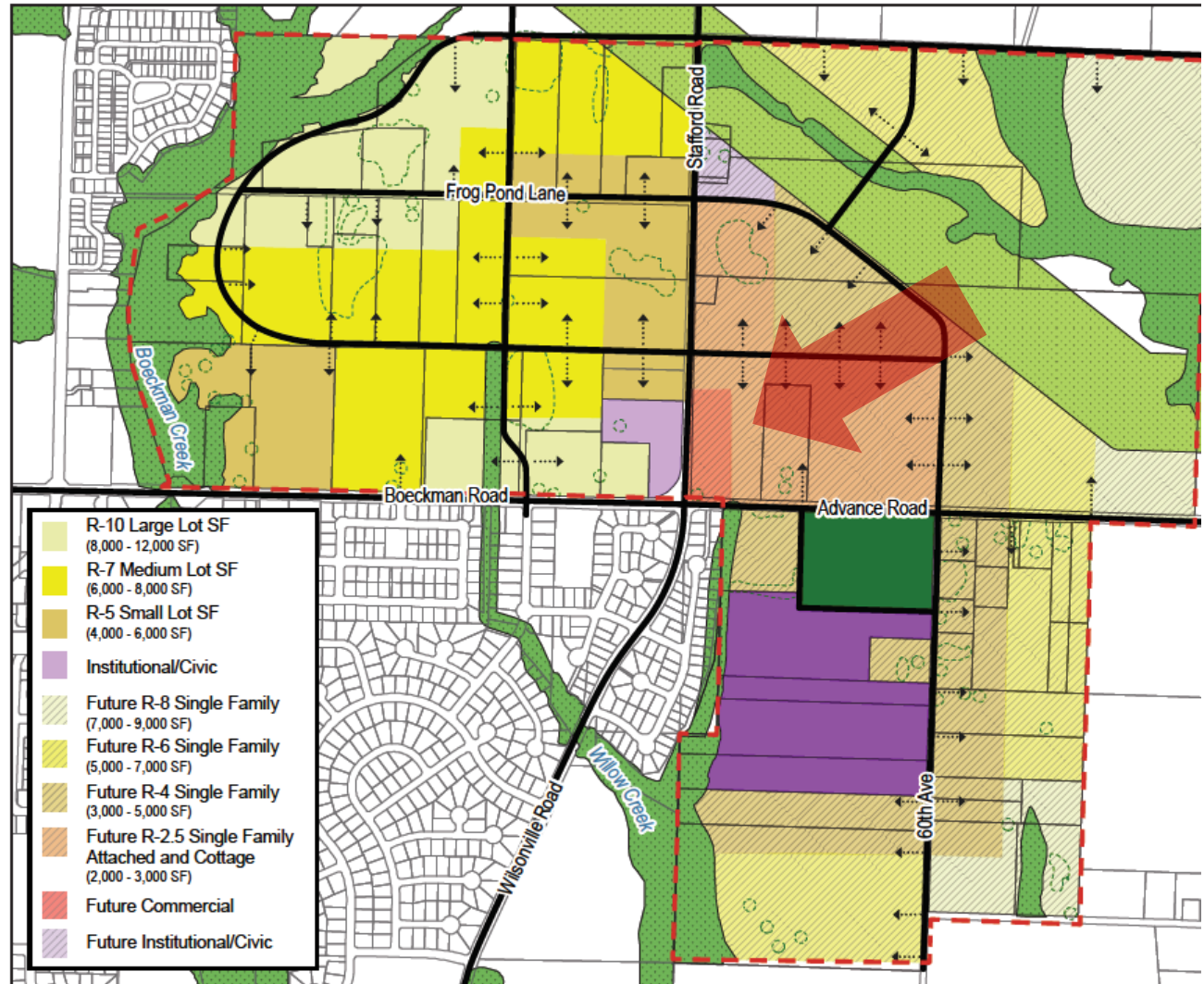
# Overview

- Refresher of Previous Plan/Commercial Analysis
- Overview of the Intended Analysis
- Questions to get early feedback



# Land Use Framework Map

- **Size:** 3.5-acre site
- **Location:** Stafford-Wilsonville-Boeckman-Advance Road intersection (not final)
- **Vision:** A place that provides **local goods and services** within easy access of local neighborhoods, has a **high quality and pedestrian-oriented design**, and serves as a **gathering place** for the community.



# Previous Program & Location

Based on previous research, a 3.5-acre center in the plan could accommodate **~38,000 square feet of retail, small office, and neighborhood services** such as a day care center.

While LCG suggested a location of the neighborhood commercial site, full consensus was never achieved.

LCG will further evaluate the program and location in this master planning project.

# Overview of the Intended Analysis

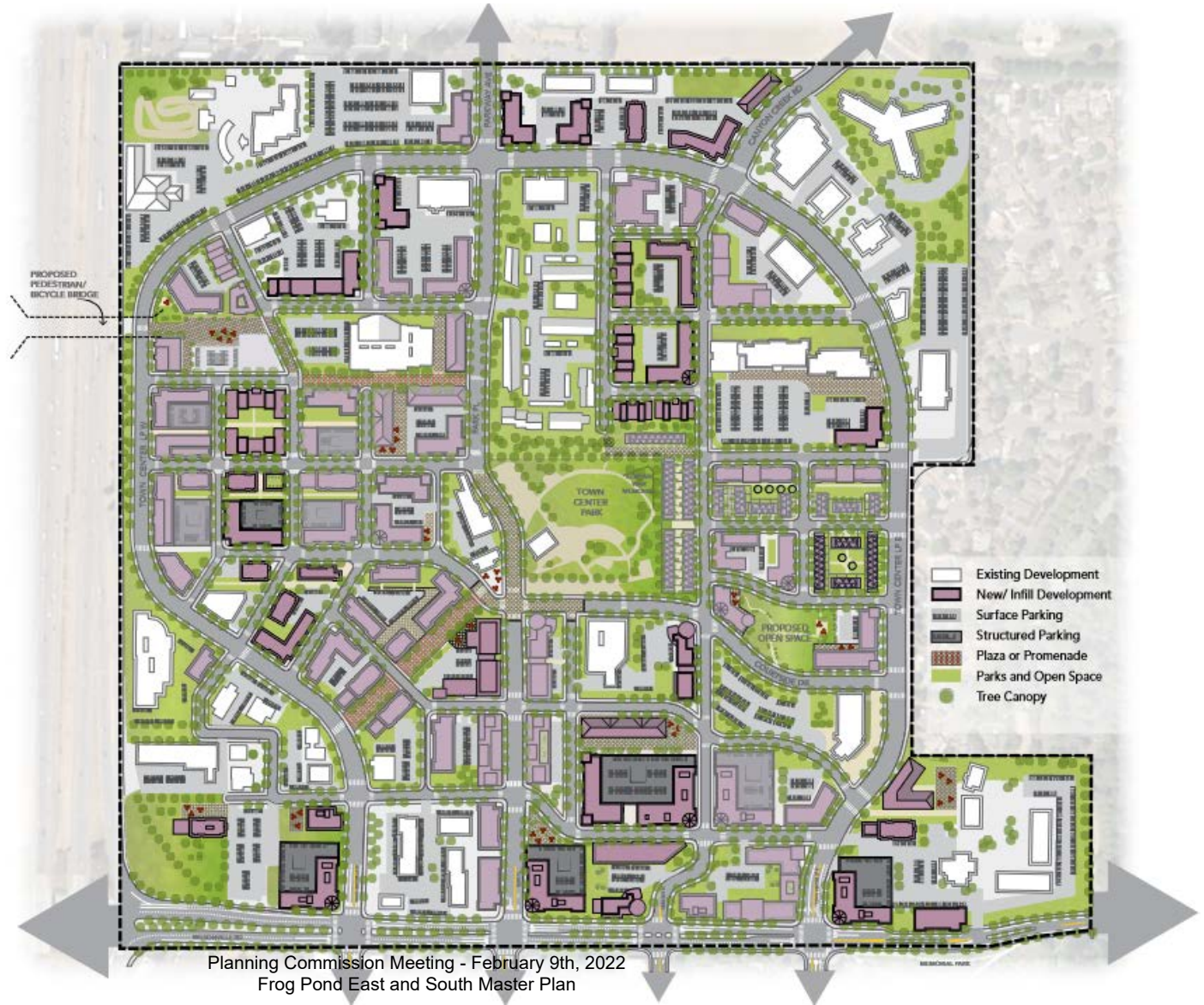
- Review recent commercial market studies and document market trends
- Interview retail developers and/or brokers.
- Analyze the commercial development market, including commercial supply and demand.
- Determine any unmet community needs.
- Detail opportunities by commercial tenant type, square footage, acreage, parking demands, etc.

# Retail Trends and Shifting Consumer Behavior

- Era of unpredictability and risk
- Growing ecommerce market share, "Click and Collect"
- Experience!
- Demand for convenience, walkability, 20-minute neighborhoods
- Pandemic as the "great retail reset"
- More diverse and compelling tenant mixes
- Health-based commercial growth

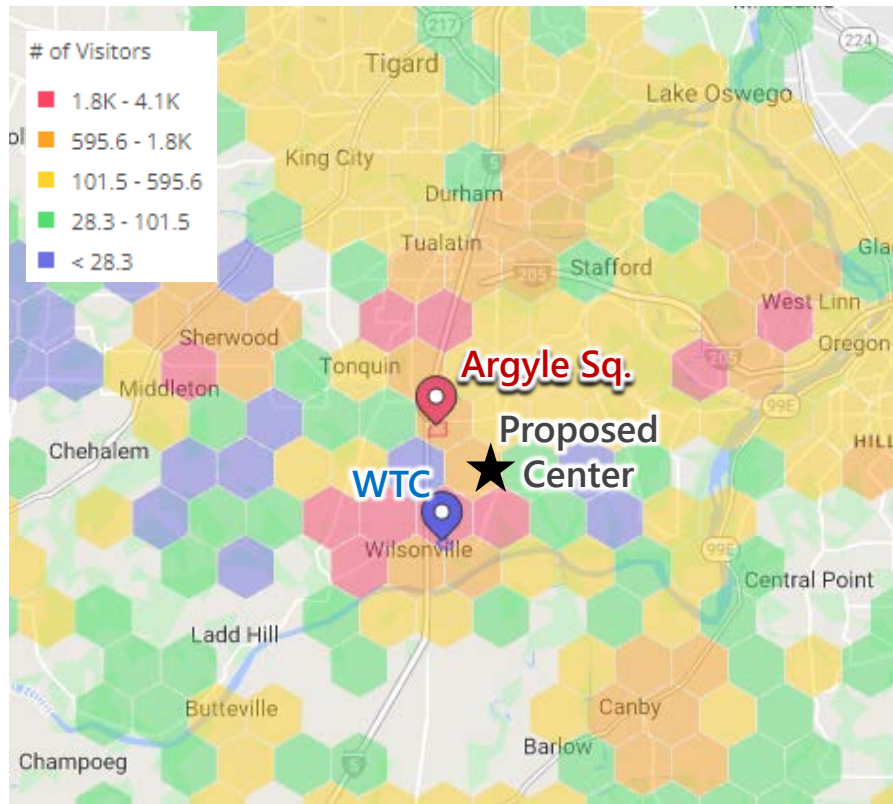
# Retail Supply/Competition

e.g., Wilsonville  
Town Center

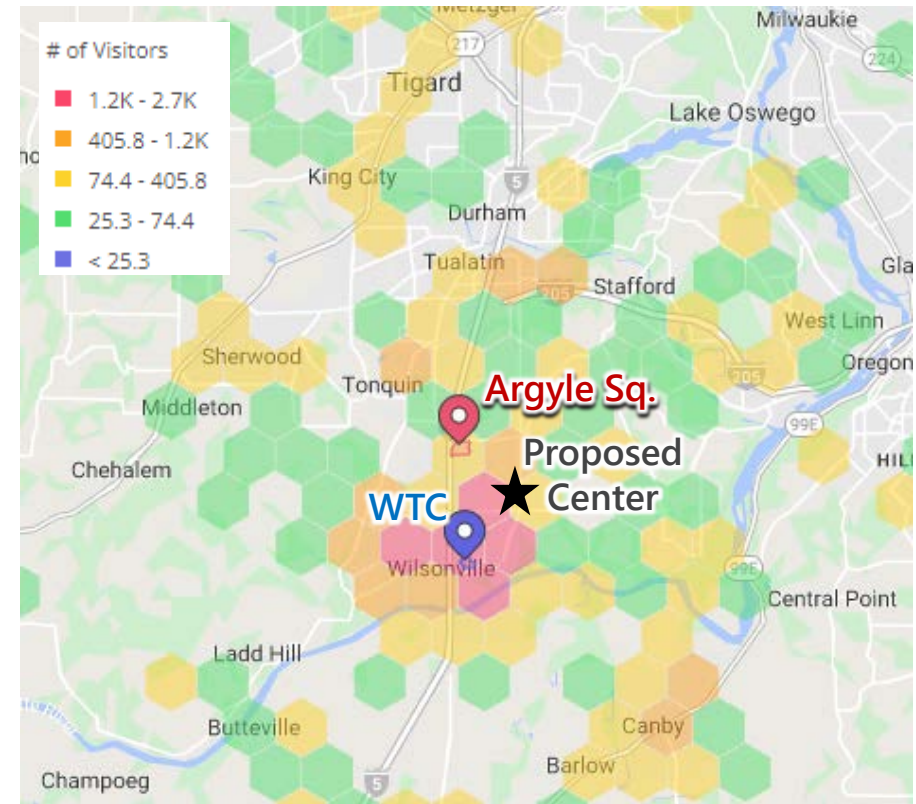


# Nearby Centers Meet Current Demand for Large-Format Retail...

## Argyle Square (Costco, etc.) Trade Area



## Wilsonville Town Center Trade Area



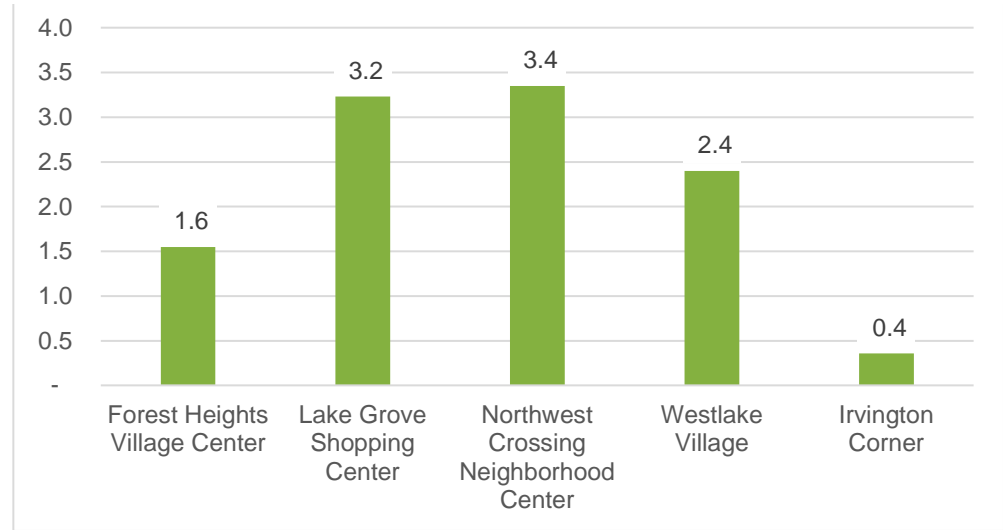
# Case Studies of Neighborhood Retail Nodes

## Forest Heights Village Center

1.6-acre unanchored strip center

Restaurants, convenience store, service businesses

Surrounded by condominiums



# Other Case Studies...

## Village on Scholls Ferry

- Unanchored / Freestanding commercial
- 32,000 SF
- 2.9 acres
- Tenants include restaurants, health care/fitness, white collar/office, salon





# Other Case Studies... Witch Hazel Village, Hillsboro

Commercial/  
Town Center,  
unbuilt

~5 acres

2004 Plan



# Questions

- Has the overall vision for the commercial area changed since 2015?
  - E.g., relationship of Frog Pond to the commercial area
- The location at the corner of Advance and Stafford is not set. What should be considered in determining location?
- Is there anything else you want us to look at?
  - E.g., role of mixed-use and housing in the center, additional case studies to explore, etc.