CITY OF MOLALLA
PLANNING COMMISSION MEETING REGULAR MEETING
AGENDA

Civic Center | 315 Kennel Ave
Wednesday, March 5, 2025 | 6:30 PM

NOTICE: Planning Commission Meeting will hold this meeting in-person and through video Live-Streaming on the City's Facebook Page and YouTube Channel. Written comments may be delivered to City Hall or emailed to recorder@cityofmolalla.com. Submissions must be received by 12:00 p.m. the day of the meeting.

This institution is an equal opportunity employer.

1. CALL TO ORDER AND FLAG SALUTE

2. ROLL CALL

3. CONSENT AGENDA

A. Planning Commission Meeting minutes - February 5, 2025

4. PRESENTATIONS, PROCLAMATIONS, CEREMONIES

5. PUBLIC COMMENT

6. PUBLIC HEARINGS

A. SDR01-2024 – 721 W Main St - New 5,888 Office and Warehouse Building For Pool and Spa Covers Business. (Zinder)

7. ORDINANCES AND RESOLUTIONS

8. GENERAL BUSINESS

A. Housing Production Strategies *DISCUSSION* (3J Consulting/Zinder)

B. Parkland Dedication or fee in lieu *DISCUSSION* (Viveiros/Zinder

9. STAFF COMMUNICATION

10. COMMISSIONER COMMUNICATION

11. ADJOURN

City of Molalla
Planning Commission - Regular Meeting Minutes
February 05, 2025
Molalla Civic Center | 315 Kennel Ave. | Molalla, OR

CALL TO ORDER
The Molalla Planning Commission Meeting of February 05, 2025 was called to order by Chairman Doug Eaglebear at 6:38 pm.

COMISSIONER ATTENDANCE
Present: Commission Chair Doug Eaglebear, Commissioner Connie Sharp, Commissioner Clint Ancell, Commissioner Martin Ornelas, Commissioner David Potts, Commissioner Brady Rickey.
Absent: None.

STAFF IN ATTENDANCE
Present: Assistant City Manager, Mac Corthell, Community Development Technician, Jessica Wirth, and Associate Planner, Jamie Viveiros.
Absent: Senior Planner, Dan Zinder, Senior Engineer, Sam Miller, and Engineer, Landon Sheckard.

CONSENT AGENDA
A. Planning Commission Meeting Minutes – January 7, 2025

ACTION:
Commissioner Ancell moved to approve the Consent Agenda for January 7, 2025 Meeting Minutes; Commissioner Potts seconded.
AYES: Sharp, Ancell, Ornelas, Potts, Rickey, Eaglebear. **Motion passed 6-0-0.**
NAYS: None.
ABSENTIONS: None.

GENERAL BUSINESS
A. 2025 Planning Commission Chairman and Vice Chairman Appointments.

ACTION:
Commissioner Sharp nominated Commissioner Eaglebear to be the Planning Commission Chairman; Commissioner Ornelas seconded.
AYES: Ancell, Eaglebear, Potts, Sharp, Ornelas, Rickey. **Motion passes 6-0-0.**
NAYS: None.
ABSENTIONS: None.

ACTION:
Commissioner Sharp nominated Commissioner Ancell to be the Planning Commission Vice Chairman; Commissioner Rickey seconded.
AYES: Sharp, Ornelas, Rickey, Eaglebear, Potts, Rickey. **Motion passed 6-0-0.**
NAYS: None.
ABSENTIONS: None.

B. Efficiency Measures Update/UGB Studies Update.

Senior Planner, Dan Zinder was absent due to illness.
Assistant City Manager, Mac Corthell presented the staff reports. Mr. Corthell summarized that City Staff recommendation is to change ADU's to a type 1 process to make it easier for people. This allows people to utilize their land and lower the administrative burden.

Mr. Corthell stated the other thing we wanted to talk about is the city's rezoning process. Staff has anticipated this will occur as part of the Urban Growth Boundary process in order to correct the urban design to the extent that we can with the underutilized properties.

Mr. Corthell presented the staff report for UGB Studies Update. Exhibit A – Current Comprehensive Zoning Map. Currently if you have land inside the city's urban growth boundary and annex your property in, this map shows what your land will be zoned as. If your land was to get redeveloped, this map shows you what it would need to be redeveloped in accordance to the zoning standard. Exhibit B – Proposed Change Areas, currently industrial lands that are underutilized. Exhibit C - The proposed map shows the City Boundaries and the Urban Growth Boundary with the proposed changes, swapping a few industrial properties to residential, a few industrial properties to commercial, and one that's Comp Plan zoned commercial proposing a swap to residential. Total acreage changes implications on that map; 80.8 unconstrained residential acres added, 22.56 unconstrained commercial acres added, and 103.36 unconstrained industrial acres removed. Exhibit D – Exception Lands, Mr. Corthell explained the 1, and 1.5 mile buffers for study lands that could be brought into the UGB. He then explained that the gray colored chunk on the map is the Urban Growth Boundary, the tan colored chunk of the map are the cities exception lands, where we have to go first when considering adding land to the UGB.
Mr. Corthell stated the idea is to move the industrial land need, rezone as much of the commercial and residential land need as we can inside the current UGB, focusing on moving the industrial area all to the south so there's more of an industrial section of town. Corthell noted the other thing to consider is the constrained lands in the exception lands map are very difficult to develop into industrial because of access and many factors. Corthell mentioned that the wetland overlay in these areas could potentially be zoned to public and semi-public in order to preserve Green Space; they're not buildable but they're very valuable wetlands. In total, Mr. Corthell added, the idea would be to move as much residential lands into the city, as much industrial lands down to the south creating that industrial base with a good buffer of Molalla Forest Road and the natural wetlands between the residential and industrial.

Mr. Corthell read the questions for Planning Commission from the presentation and these were the commissioner's responses.
Commissioner Ancell indicates it's just a step in the right direction for Molalla. Ancell asked if the City of Molalla should adopt a set of plans pre-approved by the state as an option for the applicants on an ADU. Ancell states it makes it easier for the applicant, the set of plans are pre-designed so there's a cost savings there, pre-approved so an administrative cost savings, and it's over the counter. Ancell's only concern about ADU's is parking; he doesn't think the City should enforce parking but rather let them figure out their own situation.

Chairman Eaglebear asked where we stand on the mixed-use options and stated that he is for mixed-use. Eaglebear would like to explore the options of expanding mixed use.

Commissioner Potts questioned subdivisions with rules such as "no ADU's", if State Law trumps that. Commissioner Ancell answered yes, and added that Homeowner's Associations (HOA) regulations have nothing to do with the state and cannot stop anything that the state regulates. Ancell mentioned House Bill 1145, and wants to protect out mixed-use if we're going to expand on it.

Mr. Corthell asked if there were any other properties of interest to consider for rezoning. No properties were mentioned.

Ancell stated he really likes the industrial is going to try to go to one location rather than being scattered around town, especially if there's an access road that could be put into HWY 213.Mr. Corthell agreed with Commissioner Ancell about the access road and that it would benefit the city in more ways because with the way industrial is scattered around town now, you have to beef up all those roads for durability of the use of trucks which is very costly.

Commissioner Sharp asked if the heavy industrial zones changing to residential means houses, or multi-family housing. Mr. Corthell answered that it's a mix based on the results from the Housing Needs Analysis. Ancell added that it's not bad because the residential will be new-build and will all be centrally located as opposed to being scattered around town.

Mr. Corthell asked if there are any areas on the map that should not be rezoned. No properties were mentioned.

Commissioner Ancell stated that he thinks using the exception lands to account for housing lands deficit are a plus, incorporating different lands in the correct direction. Ancell did question if the property to the West (located in the exception lands) is the Airport and doesn't want to see the city go that direction, everybody loves the airport. Ancell then asked for clarity on where the industrial lands and residential lands will be moving to. Corthell asked where they would like to see it and clarified if the current industrial lands noted on Exhibit B, would be changed to mixed-use residential, moving the industrial lands south.

Mr. Corthell brought up one of the questions that may have been missed. "Which areas would be best for considering higher density housing, as required to meet HNA quotas?" Corthell added that this was what Commissioner Sharp was asking and added that mixed-use would be some of all; H1, H2 & H3. Chairman Eaglebear added in that it would make sense to put it in the centralized location on the map because it makes it slightly more walkable, closer to the school and the core. Eaglebear also added that it's safer because of all the sidewalks and work the city has already done in that area. Corthell added that if the city does move the industrial down and change the current spots on the Exhibit C map, it would essentially break it all up like Commissioner Sharp was interested in doing. Eaglebear added that once that area starts getting developed, the developers will have to start mapping out sidewalks and access.

Commissioner Ancell asked if R-1 was still 5k lot size or if it lowered to 3,500. Corthell asked for clarification, Ancell rephrased to ask, if the lot size for R-1 is 5K square feet or if it has dropped down. Associate Planner Jamie Vivieros looked up the code and Corthell verified that it's 5K for single family unattached and 2,500 for common wall housing in R-1. Ancell raised awareness of the new codes and laws with the split of the lots and the fear of it getting ugly on the sewer side of things. Corthell added that housing is nice but when you flush your toilet, you need a pipe that's big enough to carry everything for everyone. Corthell added that it's kind of looking at one side of the issue and not the whole problem but he's seeing more people understand the bigger issue.

Mr. Corthell summarized saying he has heard from Sharp's concerns about the "Pod approach" on the mixed-use housing and from Eaglebear about having the higher density housing in that more central area.

PUBLIC COMMENT

None.

PUBLIC HEARINGS

None.

STAFF COMMUNICATION

Assistant City Manager, Mac Corthell mentioned that Chief Yelkus park is out to bid, phase 1. The Wastewater Treatment Plant has broken ground 1/17/25 but we've had a real issue finding the right rock, but moving along. Lola Water Sewer Storm and Street will be going out to bid in March. The new police facility is looking good, actually looking like a building.
Associate Planner Jamie Vivieros Introduced herself, happy to be here with a short commute from home. Viveiros is a certified planner and a certified flood plain manager.
Community Development Technician, Jessica Wirth, reminded all of the Community Visioning Survey, closing on 2/15. Share the Love is happening the month of February in Molalla, check out the events happening around town if you're wanting to support the cause.
Assistant City Manager, Mac Corthell added that this survey is to update the community vision of Molalla 2020-2030. It's really the city's strategic plan. The City Council adopts a strategic plan and policies with goals underneath that, and we're running out of strategic plan goals since the City Staff has been so productive.

COMMISSION COMMUNICATION

- **Commissioner Ancell** nothing to report.
- **Commissioner Rickey** nothing to report.
- **Commissioner Sharp** explained the back story of Share The Love for Jamie.
- **Commissioner Ornelas** nothing to report.
- **Commissioner Potts** nothing to report.
- **Chair Eaglebear** New designs for the new middle school will be held Tuesday 2/11 at 5:30pm at the middle school.

ADJOURNMENT

Chair Eaglebear adjourned the meeting at 7:28pm.

PLANNING COMMISSION MEETINGS CAN BE VIEWED IN ITS ENTIRETY ON YOUTUBE
"MOLALLA PLANNING COMMISSION – FEBRUARY 5, 2025"

______________________________	______________________
Doug Eaglebear, Planning Commission Chair	Date
Submitted by: ______________________________ Jessica Wirth, Community Development Technician	______________________ Date
Attest: ______________________________ Mac Corthell, Assistant City Manager	______________________ Date

Meeting Minute Attachments:

Mr. Zinder's Efficiency Measures Update Presentation.
Mr. Zinder's UGB Studies Update Presentation.
Community Visioning Survey

SDR01-2024 – New Office/Inventory Building and Retail Use 721 W Main ST

Planning Commission

March 5, 2025

With this presentation, Staff submits the written City Staff Report and exhibits into the meeting record.

Application Overview

Site Design Review;

The Applicant seeks land use approvals for a new ±5,888 square-foot retail office and inventory building for a new retail pool and spa cover sales and installation business on a property located at 721 W Main ST in Molalla.

Completeness

Application was submitted on December 5, 2024 and deemed complete in accordance with Section 17-4.2.040 on January 3, 2025.

Public Notice and Comment

- Mailed on 1/28/2025
- Posted on the property on 2/20/2025
- Posted in the Pioneer on 2/19/2024

The City received no written public comment on this application.

Approval Criteria

Site Design Review

17-4.2.050 Approval Criteria;

Site Location – 721 W Main ST

Surrounding Zoning And Land Use

Proposed Use

- **Application describes building as "Office and Warehouse Building"**

- **Warehousing is not an allowed use in the C-2 zone**

- **Staff had a conversation with the Applicant on 2/25/2025 regarding use. Stated office would be a sales/retail office and remainder of the building would be used for inventory and light parts assembly prior to delivery to the consumer.**

- **No parts manufacturing onsite.**

Staff Use Determination

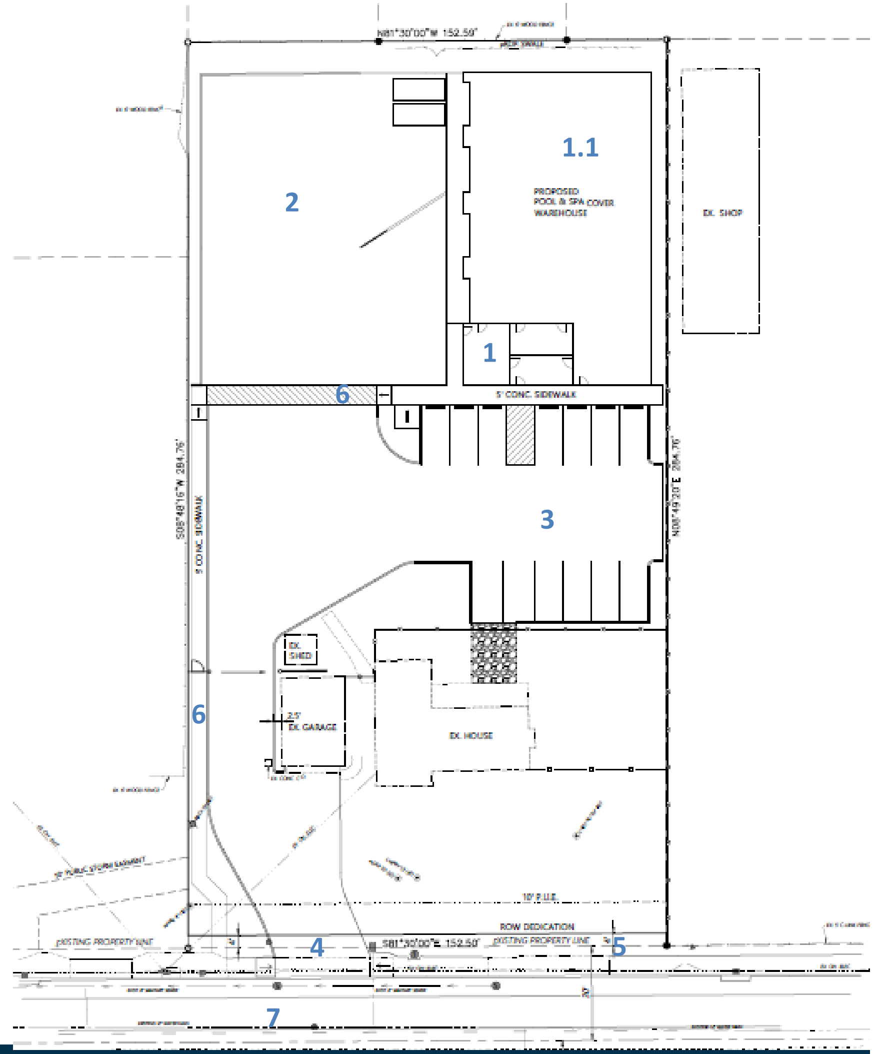
- Our code defines "Warehouse, freight movement and distribution" as follows: The storage or movement of goods, except as accessory to a primary permitted use on the subject site.

- Staff considers the retail office use as the primary use. The inventory use would qualify as accessory to the primary use. Inventory is going direct to the consumer.

- We applied the "Artisanal and Light Manufacture Uses in Commercial zones" use and special use standards to the project. Primary use as retail/office.

Site Plan

1 – Proposed Building – Retail Office Primary Use
1.1 – Proposed Building – Inventory Accessory Use
2 – Proposed Loading Area
3 – Proposed New Parking And Truck Turnaround – Extended To Property Line For Potential Future Connection For Adjacent Property
4 – Existing Access Point To Remain And Build To Commercial Standards
5 – Existing Access Point To Be Closed and sidewalk replaced
6 – Proposed Walkway To Site
7 – Applicant To Extend Utilities From OR-211



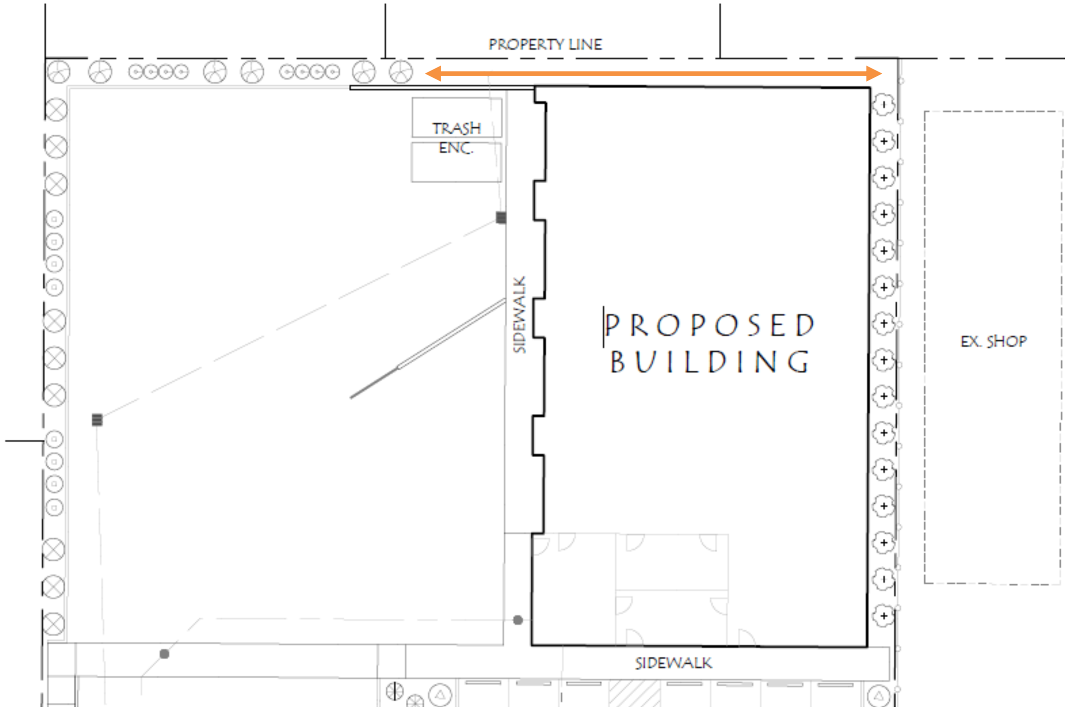
Conditions of Approval

Conditions - No Modifications

- Building Permits, Engineering Plan Approvals, and CofO Required
- Meet all building design and lighting elements, as indicated in the staff report
- Walkways to meet 6’ minimum, contrasting materials on aisle crossing
- No onsite parts manufacturing
- Deliveries limited to between 7AM-9PM

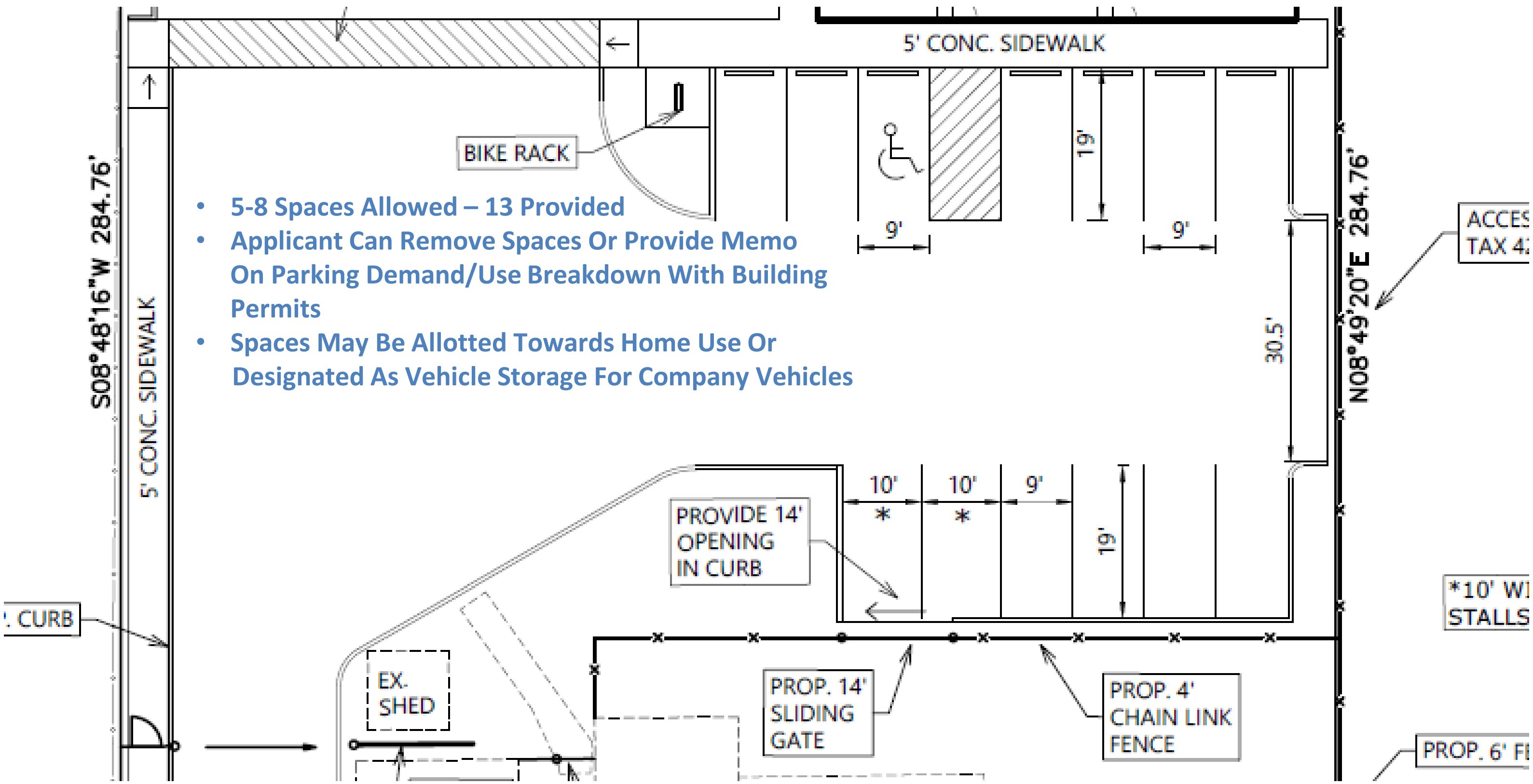
Conditions - No Modifications

- **2b/c – Applicant to provide screening along rear wall of building where none is provided and maintain 10' setback to residential zones**



Conditions - No Modifications

- **2i – Applicant's proposed parking area is in excess of the maximum parking limit.**



- 5-8 Spaces Allowed – 13 Provided
- Applicant Can Remove Spaces Or Provide Memo On Parking Demand/Use Breakdown With Building Permits
- Spaces May Be Allotted Towards Home Use Or Designated As Vehicle Storage For Company Vehicles

Proposed Modifications To Conditions of Approval

Condition 3e

As Written:

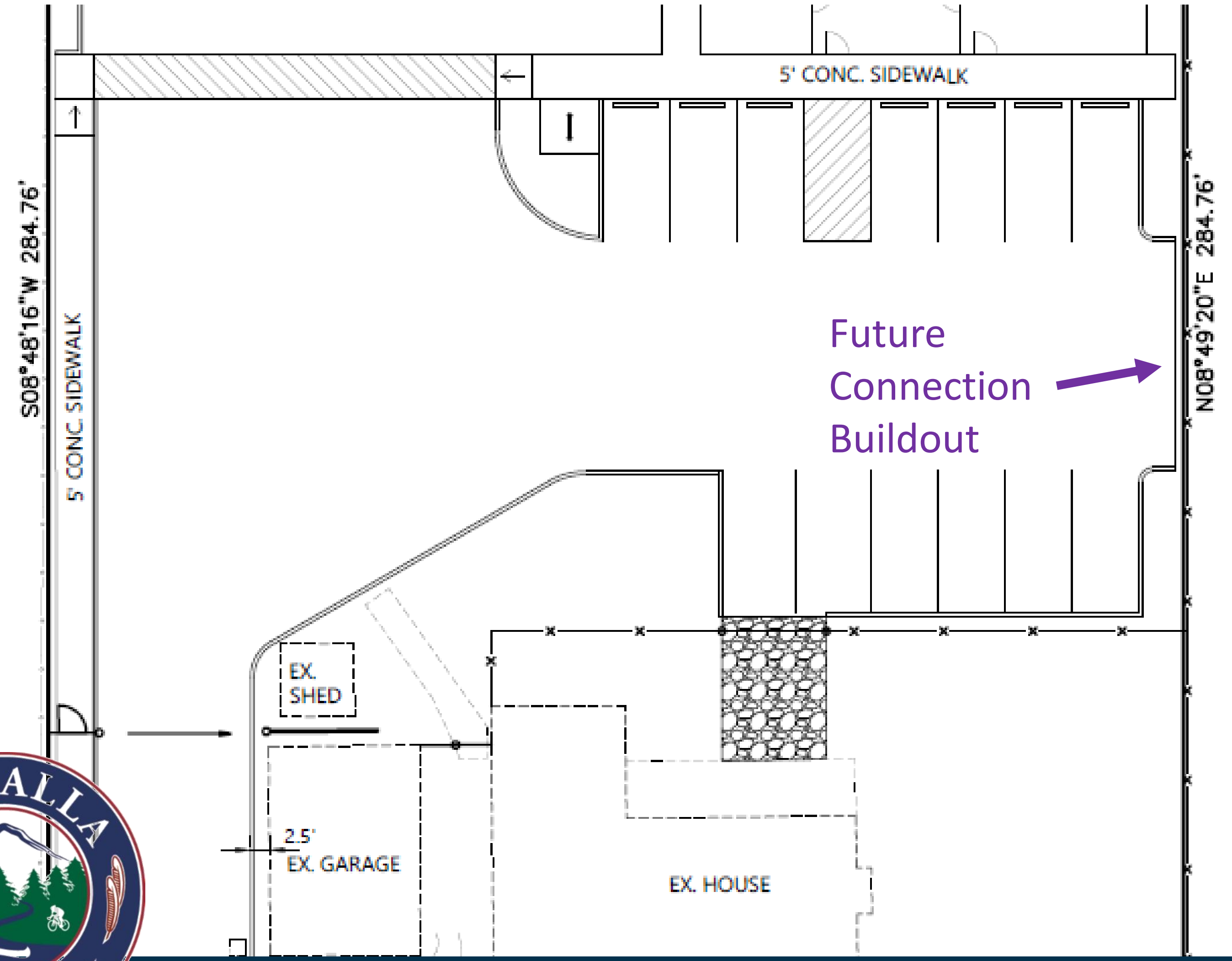
Applicant shall provide and maintain 13 parking spaces as shown on the Preliminary Site Plan.

Proposed Modification:

Strike condition

Reasoning:

This condition contradicts parking allotment mentioned in condition 2i, which is consistent with the staff report analysis.


5' CONC. SIDEWALK
S08°48'16"W 284.76'
5' CONC. SIDEWALK
N08°49'20"E 284.76'
Future
Connection
Buildout
EX.
SHED
2.5'
EX. GARAGE
EX. HOUSE

Recommendation

Based on the Findings and Conclusions in Exhibit A of the submitted staff report, City staff hereby recommends that the Planning Commission **APPROVE** the Applicant's proposed Site Design Review (City File #SDR01-2024) subject to the conditions of approval found in Title III of the Staff Report as modified by the recommended changes found in this presentation.

Molalla Housing Production Strategy

February 2025 DRAFT

Acknowledgements

This work was funded through the Department of Land Conservation and Development (DLCD) Grant Program.

Molalla City Council

Scott Keyser, Mayor
Jody Newland, Council President
Leota Childress
Terry Shankle
Eric Vermillion
RaeLynn Botsford

Molalla Planning Commission

Doug Eaglebear, Chair
Connie Sharp
Clint Ancell
Martin Ornelas
David Potts
Brady Rickey

Project Advisory Committee

Clint Ancell, Project Manager Aldercrest Development.
Jeffrey Bivens, Director of Development Cold Harbor, LLC
Rae Botsford, Molalla City Council
Mike Keller, Nazarene Church
Leah Fisher, Clackamas County, Built & Natural Environment Analyst
Daniel Haun, Habitat for Humanity
Ravin Lopez, Todos Juntos

Technical Advisory Committee

Martha Fritzie, Clackamas County
Glen Bolen, ODOT
Kelly Reid, DLCD
Syringa Volk, PGE
Vince Stafford, Molalla Fire
Chris Stevenson, DSL
Jevra Brown, DSL
Troy Klein, NW Natural
Ryan Quigley, Dyer Partnerships
Tony Mann, Molalla River School District

Molalla City Staff

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Dan Zinder, Senior Planner

Consultant Team

Steve Faust, Planning Director, 3J Consulting
Violet Brown, Senior Planner, 3J Consulting
Natalie Olivier, Planner, 3J Consulting
Beth Goodman, Senior Policy Advisor, ECONorthwest

Executive Summary

As required by state law (OAR 660-048-0050), this Housing Production Strategy (HPS) for the City of Molalla utilizes data from the 2023 Molalla Housing Needs Analysis (HNA) and explores diverse options for how the city will promote development to meet the housing need identified in the HNA. The strategies aim to enhance housing affordability, improve access and choice, minimize displacement, and promote housing stability in Molalla. They reflect collaboration with the community through stakeholder interviews, public and technical committees, public meetings, and surveys conducted from 2023-2024. The process involved a thorough review of the city's policies, past actions, and future housing needs, alongside an analysis of populations at risk of marginalization within the current housing landscape.

Molalla's Housing Need: The findings of the 2022 HNA included the following:

1. Forecasted population for Molalla in 2042 is 15,660, which is an increase of 5,432 people. That translates to 1,996 net new dwelling units based on an assumed vacancy rate of 4% and 2.83 persons per household.
2. Future demand anticipates a greater share of medium and high-density housing compared to the current inventory:
    - Single-family detached homes (includes manufactured homes): 55% (1,143 units)
    - Medium density housing (townhouses, plexes): 25% (519 units)
    - High density housing (multi-family apartments): 20% (415 units)

Some segments of the population are particularly vulnerable to increasing housing costs and may have special housing needs. The HPS includes actions that work together to achieve equitable outcomes for all residents of Molalla, with an emphasis on improving outcomes for underserved communities, lower-income households, and people in state and federal protected classes.

The Contextualized Housing Need Memo (Appendix A) highlights:

- 7% of Molalla is living at or below the poverty line, suggesting economic challenges for a substantial number of residents.
- 46% of rental-occupied housing is considered affordable, with households paying less than 30% of income in rent.
- 24% of Molalla identifies as a minority, with 16% identifying as Hispanic or Latino, and homeownership rates are lower for many minority groups compared households overall.
- 16% of Molalla's population is living with a disability, which is higher than county and national averages.
- 410 people were experiencing houselessness in Clackamas County during 2023 Point-in-time counts.

3. **Community Engagement**: Project input helped to shape the strategies in this HPS and included collaboration with Department of Land Conservation and Development (DLCD) staff, Molalla Planning Commission, City Council, County staff, project advisory committee formed with local agencies, faith-based organizations, developers, and advocacy groups, along with one-on-one interviews with both housing producers and housing consumers, online surveys, and public meetings.

4. **Actions to Meet Future Needs**: These strategies reflect six distinct categories, as established by DLCD guidance documents:[1]

- Zoning and Code Changes
- Reduce Regulatory Impediments
- Financial Incentives
- Tax Exemption and Abatement
- Land Acquisition, Lease, and Partnerships
- Custom Options

Discussion of each action includes a description of and approach for the action, implementation considerations, timeline, an estimate of magnitude action's impact, and some suggestions for measuring progress on implementation.

5. **Achieving Fair and Equitable Housing Outcomes:** The actions included in the HPS are evaluated in terms of their impacts on:

- Location of Housing
- Fair Housing and Housing Choice
- Housing Options for Residents Experiencing Homelessness
- Affordable Homeownership and Affordable Rental Housing
- Gentrification, Displacement, and Housing Stability

[1] OAR 660-008-0050 Attachment B

I. Introduction

Oregon Legislature passed House Bill 2003 (2019) to help communities find ways to meet their housing needs. This law requires cities to study their housing needs and develop actions to promote housing production. Cities in Oregon must update their Housing Capacity Analysis (HCA), formerly referred to as a Housing Needs Analysis (HNA), every six years if they are within the Portland Metro Boundary or every eight years if they are outside it. Each city must also adopt a Housing Production Strategy (HPS) within one year of completing their HCA. The HPS outlines actions, such as regulatory changes or financial incentives, to encourage the development of necessary housing types.

An HCA determines if cities have enough land to meet projected housing needs for the next 20 years. If there is a shortfall, cities must amend their Urban Growth Boundary (UGB), allow more housing within the existing UGB, or both. Cities with populations over 2,500 must plan for various housing types, including multi-unit housing, manufactured homes, and government-assisted units, collectively known as "needed housing."

An HPS includes specific plans and policies to address housing needs identified in the HCA, with a timeline for implementation. The Department of Land Conservation and Development (DLCD) reviews and approves each HPS. Cities must evaluate their HPS progress every three or four years based on their HCA schedule. In 2020, DLCD developed rules to help cities comply with HB 2003, defining necessary components for an HPS report and criteria for cities that fail to meet their housing needs.

The City of Molalla, situated in Clackamas County, Oregon, is poised for significant growth and development. To proactively address the city's evolving housing needs, the HPS aims to guide Molalla in achieving a balanced, sustainable, and equitable housing market that supports economic vitality and community well-being. Prior to this work, the city engaged in other housing planning efforts to address concerns of access, quality, and affordability.

In 2023, the Molalla HNA and Buildable Lands Inventory (BLI) reviewed the 20-year growth projections compared to available residential buildable land inside the UGB and found a deficit. A Sequential UGB process was approved, setting the stage for a potential UGB expansion. Building on this progress, the HPS reviewed current conditions in Molalla to inform strategic policies aimed at achieving equitable outcomes for all residents, with an emphasis on improving conditions for underserved communities.

A list of relevant current housing policies can be found in Appendix B.

II. Molalla’s Housing Needs

Housing Needs Analysis

The population forecast for 2042 shows Molalla's population will reach 15,660, marking an increase of 5,432 residents. This population growth necessitates the addition of approximately 1,996 dwelling units. An inventory of the city’s buildable land for housing found an insufficient supply of land to accommodate the housing need, so the city initiated a Goal 14 UGB expansion.

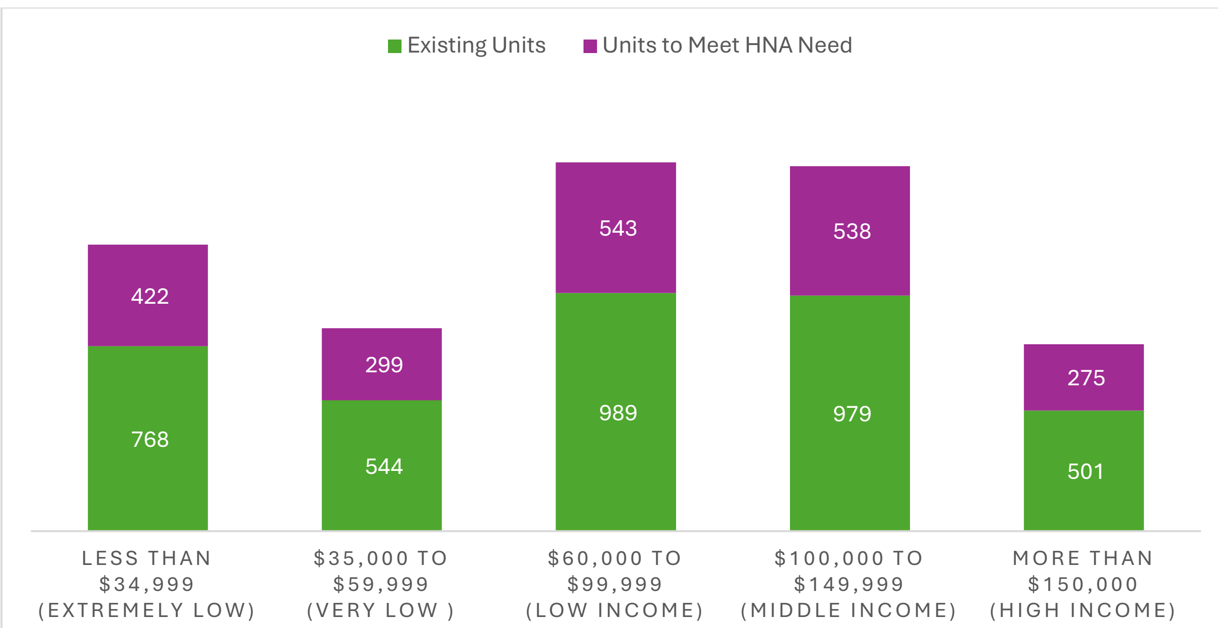
Expectations for future housing demand in Molalla have shifted towards a greater share of medium and high-density housing compared to the current inventory. Single-family detached homes, including manufactured homes, will continue to play a significant role, comprising 55% of the new housing units, which translate to about 1,143 units, reflecting their enduring appeal to homeowners.

Future demand anticipates a greater share of medium and high-density housing compared to the current inventory:

a. Single family detached homes (includes manufactured homes): 55% (1,098 units)
b. Medium density housing (townhouses, plexes): 25% (499 units)
c. High density housing (multi-family apartments): 20% (399 units)

Recognizing and addressing these trends is crucial to understanding the potential impact on housing costs and ensuring that Molalla can accommodate its diverse and expanding population in a way that is affordable to people at all income levels. Figure 1 below shows existing housing units by income bracket and allocates the 1,996 units of needed housing discussed above across those same income brackets based on the assumption that existing ratios will hold.

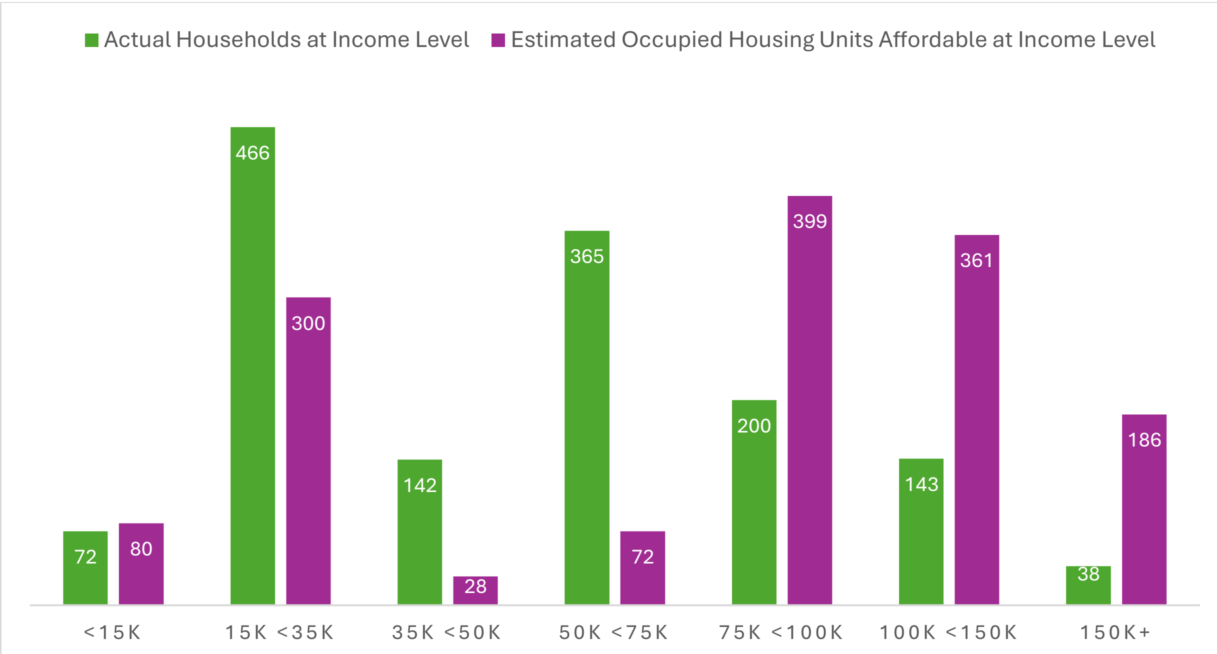
Figure 1: Molalla Housing Units by Income Bracket



Source: Calculations based on ACS 2022 (5-year estimates) in Table B19001 in 2022 Inflation Adjusted Dollars for the City of Molalla with approximate correlation to the 2023 MFI for the Portland-Vancouver-Hillsboro Region. New housing units are reported in the HNA.

Molalla's housing market includes a disconnect between the number of households existing at each income bracket and the supply of housing units with reported costs below 30% of the income for that bracket. Figure 2 illustrates the lack of supply below.

Figure 2: Comparing Rental Households Incomes with Occupied Units Affordable at Each Income Level



Source Calculations based on U.S. Census, ACS 2022 (5-year estimates) Tables B25118 Tenure by Household Income in the Past 12 Months (In 2022 Inflation Adjusted Dollars) and B25063 Gross Rent for Renter-Occupied Housing Units.

When occupied housing units reported within a specific income bracket well exceed the number of existing households in that bracket, those additional households are lower income households paying over 30%, and sometimes over 50% of their income to secure housing. Families making less than $75,000 per year in Molalla compete in the local housing market where the supply of available housing is mostly only affordable to those making well over $75,000 per year, as the figure above illustrates.

Contextualized Housing Need

As detailed in Appendix A, the housing needs of key demographics are considered with emphasis placed on how those needs may be met through policies recommended in the HPS. Key demographics analyzed include:

Rent Burdened Households: There is a clear need in Molalla for supporting development of affordable housing through multifaceted solutions. Market rate housing is unaffordable for members of the community in the lower income segments of the population. Renters are at a higher risk of housing insecurity and may be more susceptible to eviction or homelessness if their financial situation worsens.

Molalla has a total of 3,781 occupied housing units, with about 12% (approximately 461 units) occupied by households earning less than $20,000 annually, indicating significant economic hardship compared to Clackamas County's 6%. Additionally, 7.0% of Molalla's population lives near or below the poverty line.

Out of 2,355 owner-occupied housing units, 24% of homeowners spend 30% or more of their monthly income on housing costs, slightly lower than the county's 26%, yet still indicative of financial strain and housing vulnerability.

Among the 1,426 renter-occupied units, 49% of renters spend 30% or more of their income on housing, compared to 54% in Clackamas County. Additionally, 20% of Molalla renters are severely cost burdened, meaning they are paying more than 50% of their income in rent. This highlights a substantial affordability issue that affects the ability of some households in Molalla to meet their essential needs.

People of Color: The Molalla housing market reflects broader national trends where economic hardship and racial disparities intersect, particularly in the access to housing stability and generational wealth. Homeownership rates in Molalla reveal disparities across racial and ethnic groups. Of the total 3,578 occupied housing units 65% are owner occupied and 35% are renter occupied. African American households, have a high homeownership rate of 90% and represent 0.28% of occupied housing and 0.39% of owner-occupied housing.

American Indian/Alaska Native households have a 46% homeownership rate, and Asian households have a 71% rate. Native Hawaiian/Pacific Islander households exclusively rent. Hispanic/Latino households, comprising 10% of Molalla's population, have a 48% homeownership rate. While small sample sizes are subject to high margin of error, it is important to continue to monitor the relationship between race and access to homeownership as Molalla continues to grow.

People Living with a Disability: One in six residents in Molalla lives with a disability. Disabilities that may be relevant to housing needs and housing choice include ambulatory difficulties (challenges with walking or moving around safely), cognitive difficulties (issues with memory, problem-solving, or concentration), and vision or hearing difficulties (ranging from partial to total hearing/vision loss). About 16% of the Molalla population reports experiencing a disability, compared to 13% in Clackamas County.2 This prevalence emphasizing the need for inclusive and accessible community services, infrastructure, and policies.

People Experiencing Houselessness: In 2023, Point-in-Time (PIT) reports identified 410 people experiencing houselessness in Clackamas County. The 2022-2023 McKinney-Vento Report for Molalla River School District noted 42 children living doubled-up with other families. These findings highlight the need for more emergency shelters, transitional housing, and support services in Clackamas County, as well as collaborative efforts among local authorities and community partners to address houselessness effectively.

[2] Catholic Charities rehabilitated Molalla Gardens, a NOAH financed development built in 1973 and expanded it to 47 total homes across 6 buildings with units set aside for seniors and those fleeing domestic violence as their target population. Community engagement indicated that many residents there are living with disabilities.

III. Community Engagement

Over the course of two rounds of community engagement, the City conducted online surveys, public meetings, stakeholder interviews, and convened a Technical Advisory Committee (TAC) and a Project Advisory Committee (PAC).

Stakeholder Interview Summary

Throughout July 2024, the city interviewed key stakeholders with experience relevant to both housing producers and consumers, such as developers, housing advocates, and consumer representatives for priority populations, including renters, low-income households, displaced households, people with disabilities, and seniors. Housing producers helped to identify barriers and opportunities to facilitate the development of more affordable housing options. Housing consumers shared their experiences attaining affordable housing and the barriers to doing so. The following housing stakeholders were interviewed in connection with this HPS:

- Ant Farm Youth Services
- Molalla Adult Community Center
- Green Light Development
- Plaza Los Robles Apartments
- Mt. View Property Management
- Todos Juntos

The interviews consisted of questions aimed at understanding current and future housing needs for members of the Molalla community. The question sets were personalized for either housing producers or consumers.

Current Housing Types	Specialized Housing Needs	Needed Housing Options
Single family detached	Seniors	Single family detached
Duplex/triplex/fourplex	People with disabilities	Accessory dwelling unit
Apartment/condominium	People with mental illnesses	Manufactured home
Multi-generational	People experiencing homelessness	Duplex/triplex/fourplex
	Lower income families	Apartment/condominium
	Single people Lower income individuals	Aging in place
	People fleeing domestic violence	

Themes Heard During Stakeholder Interviews

Infrastructure Challenges:

- Lack of infrastructure and regulatory complications with state highway regulations.
- Poor city record-keeping on infrastructure improvements.
- Overworked city staff and a perceived lack of a collaborative mindset.

Regulatory and Process Barriers:

- Issues with the amount of time to gain the city's approval and permitting processes.

- Regulatory impediments such as demands for extensive studies and improvements.
- High System Development Charge (SDC) fees.

Opportunities in Zoning:

- There is flexibility in the zoning code allowing for various housing types.
- Interest in opportunities for smaller lots, greater density, and middle housing types.

City Collaboration:

- A need for improved communication and support from city leadership.
- Desire for property tax exemptions, SDC, and permit waivers to facilitate affordable housing development.

Barriers and Solutions:

- Suggestion to expand city boundaries.
- Proposals for mixed-use developments and policies to reduce evictions and keep people in their homes.

Housing Availability and Affordability:

- Difficulty in finding affordable housing that meets their needs (i.e. families, seniors, accessibility).
- Long waiting lists for affordable and senior housing.
- People living in cars due to lack of affordable options.

Specialized Housing Needs:

- Emphasis on the need for housing for seniors, people with disabilities, mental illnesses, and those experiencing homelessness.
- Lower income families and individuals fleeing domestic violence require easier and faster housing application processes.

Desired Housing Types:

- Need for more single-family detached homes, duplexes/triplexes/fourplexes, and aging-in-place accommodations.

Public Meeting

On October 14th, 2024, the City of Molalla held its second public meeting as part of the Housing Production Strategy process. Notice of the meeting was placed on the Molalla Current[3], the city's Facebook page, and an email blast was sent to those subscribed to project updates. The meeting was attended by approximately 10 participants. It began with a project overview, presenting key findings from the HNA and introducing the proposed housing production actions. Participants placed green or red stickers on posters displaying the actions, indicating their support or opposition. Throughout the event, attendees discussed the actions directly with city and consultant staff. Key questions raised during the event included how this process relates to UGB expansion, the status of newly constructed apartments and their rental occupancy, who is responsible for bringing affordable housing projects to the city, and how tax credit properties are monitored for accountability with income restrictions.

[3] https://current.cityofmolalla.com/

The proposed actions were spread across six posters and organized according to their category of action type. Zoning Code Changes, Reduce Regulatory Impediments, Financial Resources, Tax Exemption, Land, Acquisitions, Lease and Partnerships, and Custom Options.

The proposed actions with the most support from meeting attendees were:

- Promote cottage cluster housing
- Create short term rental regulations
- Address impediments to home ownership
- Federal HOME Program
- Sidewalk infill and improvement grant
- Modify SDC fee schedules based on size
- Affordable housing options library of information.

An additional idea proposed by an attendee was to build more income-based properties.

Online Survey

The results of the first two surveys in the city's prior round of engagement combined, revealed the following key themes:

- Molalla residents value residential affordability and support diverse housing options within existing neighborhoods, provided these options prioritize ownership opportunities over rentals.
- Ensuring off-street parking for all housing types in new developments is a key priority.
- Many community members believe there is an overabundance of apartments and rental properties, but a shortage of affordable homeownership opportunities.
- Reserving land for future parks and schools is a top priority for most survey respondents.

The third and most recent survey received 36 responses and revealed that the community is cautious about growth and deeply invested in preserving its small-town character. While there is moderate satisfaction with some actions, many residents express significant concerns over the impact of high-density and affordable housing on Molalla's infrastructure and quality of life. Fears about overcrowded schools, increased traffic, and potential crime underscored a strong preference for single-family homes and senior housing options that align with Molalla's rural aesthetic.

Respondents also voiced skepticism toward government incentives for developers, favoring market-driven approaches to housing. Many feel that incentives risk prioritizing developer interests over community needs, advocating instead for policies that allowed modest, sustainable growth while preserving green spaces and farmland.

Market Factors Highlighted During Engagement

- Interest rates have increased quickly and impact on a developer's ability to secure financing.
- High construction costs limit profit margins and make some projects untenable.
- Molalla is competing with other jurisdictions within the Portland Metro Area that may be experiencing higher rates of growth and thus offer more profitable development opportunities.

How Was Input Considered?

The housing production actions outlined in this plan were directly shaped by community engagement conducted throughout the process. Feedback from the survey, public meeting, advisory committee, and stakeholder interviews emphasized the community's priorities, concerns, and aspirations, providing valuable guidance for action development.

All strategies were vetted by the PAC, which proposed several additional policies, namely Promote Cottage Cluster Housing, Code Revisions for Accessory Dwelling Units, Reduce or exempt System Development Charges for Needed Housing, Low Income Housing Tax Credits (LIHTC), HOME Program from HUD, Affordable Housing Options Library of Information, and Partnerships with Faith Based landowners.

Through every form of engagement, community members called for increased access to needed housing types. This influenced the inclusion of actions such as Code Revisions for ADU's, Develop Standards for Cottage Clusters, and Encourage Lower-Cost Housing Types.

IV. Actions to Meet Future Needs

This section describes the actions that Molalla is including in its HPS to help increase the overall housing supply. These strategies are separated into the six categories, established in OAR 660-008-0050 Exhibit B:

- Zoning and Code Changes
- Reduce Regulatory Impediments
- Financial Incentives
- Tax Exemption and Abatement
- Land Acquisition, Lease, and Partnerships
- Custom Options

The project involved evaluating the community's interest in a wide range of actions. The strategies selected are presented below in Table 1 and organized into the above categories. Strategies considered, but not selected for implementation at this time, are presented later in the document for future consideration.

Table 1. Summary of Actions in the HPS

Zoning and Code Changes			
Number	*Action*	*What is it?*	*How does it help?*
1	Code Revisions for ADUs	Revising development code on ADUs: 1. To make ADU standards less restrictive, and 2. Reduce system development charges (SDCs) below the 1 EDU threshold to be commensurate	Expands affordable, flexible housing options and increases density.

		with actual impact of development.	
2	Develop Standards for Cottage Clusters	Revising development code to add special use standards for permitted cottage cluster housing.	Increases density with multiple small homes on a single lot, offering more affordable and diverse housing options especially for seniors and people experiencing disabilities, while preserving community-oriented living and efficient land use.
3	Small Dwelling Unit Developments	Updating the Development Code to define what qualifies as a "small dwelling unit" as under 2,000 sf. Allow smaller lots than normally permitted if the proposed home fits within the definition of a small dwelling unit.	Increases the number of affordable, smaller homes that can be built on limited land, making efficient use of space and diversifying housing options.
4	Modify Requirements for Ground-floor Retail/Commercial	Allowing flexibility in areas where zoning requirements mandate ground-floor retail, such as in mixed-use zones.	Allows more flexibility in development and financing, potentially reducing costs and promoting more affordable housing.
5	Regulate Short Term Rentals	Updating Development Code to manage and limit the use of housing units for short-term rentals.	Helps preserve long-term rental housing availability and affordability for residents.
Reduce Regulatory Impediments			
Number	*Action*	*What is it?*	*How does it help?*
6	Address Impediments to Home Ownership	1. Comprehensive review of impediments to the development of homeownership opportunities. 2. Development of actionable steps to remove those impediments.	Encourages home ownership among lower-income residents, promoting stability and equity in the housing market.
7	Remove Impediments for Conversions/Duplex parking	Reducing parking requirements that may hinder the conversion of single-family homes to duplexes or similar housing types.	Lowers development costs and makes it easier to create more housing in established neighborhoods.
Financial Incentives			
Number	*Action*	*What is it?*	*How does it help?*

8	Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing	Take advantage of the LIHTC available to encourage private investment in affordable housing by providing investors with a dollar-for-dollar reduction in federal income tax liability in exchange for investment in qualifying new construction and rehabilitation projects.	Makes affordable housing projects financially viable and encourages private investment in affordable units.
Land Acquisition, Lease, and Partnerships			
Number	*Action*	*What is it?*	*How does it help?*
9	Address unmaintained "zombie" housing	Developing policies to repurpose or redevelop neglected, vacant properties, often in disrepair, for new housing.	Converts unused properties into affordable housing, revitalizing neighborhoods and increasing housing stock.
10	Land Owned by Faith-Based Organizations for Affordable Housing	Partnering with faith-based groups that have unused land, potentially for affordable housing development.	Utilizes underused land resources for community benefit, helping to address local affordable housing needs.
Custom Options			
Number	*Action*	*What is it?*	*How does it help?*
11	Provide public improvement assistance to housing developers within the Urban Renewal Area	Financial assistance for infrastructure improvements, such as roads and utilities, to support housing developments in targeted areas.	Reduces development costs, encouraging housing growth in underdeveloped or strategic areas.
12	Modify SDC fee schedules based on size	Adjusting System Development Charges (SDCs) so that fees are lower for smaller, affordable units and higher for larger homes.	Lowers costs for affordable housing units, making them more financially accessible to builders and buyers.
13	Affordable Housing Options Library of Information	A publicly available resource with information on affordable housing programs, financing options, and other resources for developers and residents.	Provides residents and developers with easy access to affordable housing resources, increasing awareness and support.
14	Collaborating with Clackamas County	Partnering with Clackamas County to align resources, strategies, and programs aimed at preventing homelessness and supporting individuals and families currently experiencing homelessness.	Leverages county expertise and funding while ensuring the city plays an active role in addressing local needs.

Evaluation Criteria for Actions in the HPS

In developing the Housing Production Strategy (HPS), we evaluated each proposed action using specific criteria. While these criteria helped guide our assessment, none were used to entirely exclude an action from the future action list. The following tables summarize the evaluation criteria per action.

- Approach: Assesses how effectively the action addresses Molalla's unmet housing needs.
- City Role: Evaluates whether city staff would lead the implementation or if the city would collaborate with other organizations.
- Potential Impact on Housing Development: Considers the action's likely scale of impact on housing, indicating whether it would result in significant or minimal changes in the housing market.
- Administrative Complexity: Looks at staff time required to implement and manage the action, as well as its overall difficulty or cost of administration.
- Tenure: Determines whether the action primarily benefits renters, homeowners, or both.
- Income Level Served: Focuses on supporting households earning below 120% of the Median Family Income (MFI), aiming to assist those most likely to struggle with housing affordability.

Potential Partners

Implementing the actions in this strategy will require collaboration from key partners essential to constructing, delivering, and preserving housing units. Table 4 outlines the specific roles each partner would play in supporting these actions.

Zoning and Code Reform Strategies

1. Revisions for Accessory Dwelling Units (ADUs)	
What is it?	Revising development code on ADUs: 1. To make ADU standards less restrictive, and 2. Reduce system development charges (SDCs) below the 1 EDU threshold to be commensurate with actual impact of development.
How does it help?	Expands affordable, flexible housing options and increases density.
Approach	Revise development code to increase allowed density.
Policy Lead	City
Potential Impact	Low impact with increased impact potential with implementation of SDC reduction
Complexity	Low
Tenure	Rental
Affordability Target	Low Income (50% to 80% of MFI)
Long-Term Affordability Considerations	Limited, as ADUs typically do not come with affordability restrictions
Benefits/Burdens	**Benefits**: Low-income households, seniors, and single parents gain flexible housing options. **Burdens**: Neighbors may experience increased density and strain on infrastructure.
City Staffing Implications	Moderate staff time for revisions and monitoring
Funding Needs	Minimal direct funding needs; administrative costs
Department	Community Development
Funding Partners	None
Implementation Partners	Developers and Homeowners
Annual Monitoring	Number of ADUs developed

2. Develop Standards for Cottage Clusters	
What is it?	Revising development code to add special use standards for permitted cottage cluster housing.
How does it help?	Increases density with multiple small homes on a single lot, offering more affordable and diverse housing options while preserving community-oriented living and efficient land use.
Approach	Revise development code to increase density
Policy Lead	City
Potential Impact	Low to Moderate
Complexity	Low
Tenure	Owner
Affordability Target	Middle Income (70% to 120% of MFI)
Long-Term Affordability Considerations	May include affordability terms for a set period
Benefits/Burdens	**Benefits**: Middle-income families, single parents, and aging populations gain access to affordable ownership options. **Burdens**: Existing homeowners may resist due to perceived changes in neighborhood character.
City Staffing Implications	Moderate, due to planning and permitting
Funding Needs	Moderate, depending on incentives provided
Department	Community Development
Funding Partners	None
Implementation Partners	Developers
Annual Monitoring	Number of cottage cluster developments, units constructed

3. Small Dwelling Unit Developments	
What is it	Updating the Development Code to define a "small dwelling unit" as less than 2,000 sf and allow smaller lots than normally permitted, if the proposed home fits within the definition of a small dwelling unit.
How does it help	Increases the number of affordable, smaller homes that can be built on limited land, making efficient use of space and diversifying housing options.
Approach	Revise development code to increase density
City Role	Lead
Potential Impact	Low to Moderate
Complexity	Low
Tenure	Both
Affordability Target	Middle Income (70% to 100% of MFI)
Long-Term Affordability Considerations	Could incorporate affordability requirements
Benefits/Burdens	**Benefits**: Young professionals, low- to middle-income households, and persons with disabilities gain affordable housing options. **Burdens**: Zoning changes may impact existing community dynamics.
City Staffing Implications	Moderate, due to planning and zoning adjustments
Funding Needs	Low to moderate, depending on subsidies or incentives
Role	City lead
Department	Community Development
Funding Partners	None
Implementation Partners	Developers
Annual Monitoring	Number of small dwelling units developed

4. Reassess Requirements for Ground-floor Retail/Commercial	
What is it?	Change to "Revisit zoning requirements that mandate ground-floor retail in commercial zones to allow for more flexible mixed use development in these zones.
How does it help?	Allows more flexibility in development, potentially reducing costs and promoting more affordable housing. Revising ground-floor commercial use requirements increases a residential project's feasibility. This can allow for a smaller portion of the ground floor for active use areas, such as community spaces or plazas, a horizontal mix of uses, and rezoning of select parcels from commercial to residential upon demonstration that rezones further affordable housing opportunities without compromising commercial growth.
Approach	Revise development code to increase housing stock by encouraging mixed use development.
Policy Lead	City
Potential Impact	Moderate
Complexity	Low
Tenure	Rental
Affordability Target	Middle Income (70% to 120% of MFI)
Long-Term Affordability Considerations	Minimal impact on affordability
Benefits/Burdens	**Benefits**: Middle-income renters gain more housing opportunities. **Burdens**: Small business owners and workers in mixed-use areas may face fewer commercial spaces and greater strain on infrastructure.
City Staffing Implications	Low to moderate, depending on scope of reassessment
Funding Needs	Minimal; potential lost revenue from reduced commercial space
Department	Community Development
Funding Partners	None
Implementation Partners	Developers
Annual Monitoring	Number of ground-floor retail/commercial spaces converted or developed

5. Regulate Short Term Rentals	
What is it?	Implementing rules to manage and limit the use of housing units for short-term rentals.
How does it help?	Helps preserve long-term rental housing availability and affordability for residents.
Approach	Revise development code to limit rentals to increase permanent housing stock.
Policy Lead	City
Potential Impact	Low
Complexity	Medium
Tenure	Both
Affordability Target	Low to Middle Income (50% to 120% of MFI)
Long-Term Affordability Considerations	No direct affordability impact
Benefits/Burdens	**Benefits**: Long-term renters, including families and low-income individuals, have greater housing availability. **Burdens**: Tourism-based workers and businesses may see reduced revenue.
City Staffing Implications	Moderate, due to enforcement and monitoring
Funding Needs	Moderate, related to enforcement costs
Department	Community Development
Funding Partners	None
Implementation Partners	Homeowners
Annual Monitoring	Number of short-term rental licenses issued, or violations resolved

Reduce Regulatory Impediments

6. Address Impediments to Home Ownership	
What is it?	1. Comprehensive review of impediments to the development of homeownership opportunities. 2. Development of actionable steps to remove those impediments.
How does it help?	Encourages home ownership among lower-income residents, promoting stability and equity in the housing market.
Approach	Increase affordability by removing impediments particularly with condominium development
Policy Lead	City
Potential Impact	Moderate
Complexity	Medium
Tenure	Owner
Affordability Target	Middle Income (70% to 120% of MFI)
Long-Term Affordability Considerations	Could promote long-term affordability through ownership stability
Benefits/Burdens	**Benefits**: First-time buyers, low-income families, and people of color gain pathways to homeownership. **Burdens**: High costs and program complexity could burden the city if uptake is low.
City Staffing Implications	Moderate to High, depending on the number of impediments identified, outreach required, and program management
Funding Needs	High, as it may require significant financial assistance programs
Department	Community Development
Funding Partners	None
Implementation Partners	Nonprofits
Annual Monitoring	Number of households assisted in overcoming homeownership barriers (e.g., down payment assistance, financing)

7. Remove Impediments for Conversions/Duplex parking	
What is it?	Reducing parking requirements that may hinder the conversion of single-family homes to duplexes or similar housing types.
How does it help?	Lowers development costs and makes it easier to create more housing in established neighborhoods.
Approach	Increase stock to make conversions of existing homes into middle housing options more affordable by reducing the need for additional driveways or garages.
City Role	Lead
Potential Impact	Low to Moderate
Complexity	Low
Tenure	Rental
Affordability Target	Low Income (50% to 80% of MFI)
Long-Term Affordability Considerations	May include affordability terms for new units
Benefits/Burdens	**Benefits**: Low-income renters and individuals with limited mobility gain access to more affordable housing. **Burdens**: Homeowners may resist changes to parking and increased strain on neighborhood infrastructure.
City Staffing Implications	Moderate, for planning and regulatory adjustments
Funding Needs	Minimal direct funding; administrative costs
Department	Community Development
Funding Partners	None
Implementation Partners	Developers and Homeowners
Annual Monitoring	Number of conversions to duplexes or parking requirement adjustments made

Financial Incentives

8. Federal Low Income Housing Tax Credit (LIHTC) Program	
What is it?	Taking advantage of the LIHTC available to encourage private investment in affordable housing by providing investors with a dollar-for-dollar reduction in federal income tax liability in exchange for investment in qualifying new construction and rehabilitation projects.
How does it help?	Makes affordable housing projects financially viable and encourages private investment in affordable units.
Approach	Provide Financial Assistance by providing investors with a dollar-for-dollar reduction in federal income tax liability in exchange for investment in qualifying new construction and rehabilitation projects.
Policy Lead	City partnership working with private developers seeking federal financing
Potential Impact	Moderate with potential for higher impact
Complexity	Medium
Tenure	Rental
Affordability Target	Extremely Low to Low Income (less than 50% of MFI)
Long-Term Affordability Considerations	Supports long-term affordability for a fixed period
Benefits/Burdens	**Benefits**: Extremely low- to low-income households and communities of color gain access to stable rental housing. **Burdens**: Market-driven nature may limit broader geographic reach.
City Staffing Implications	Low, as it leverages external funding
Funding Needs	High, but sourced from federal funding
Roles	Partner
Department	Community Development
Funding Partners	Federal Government
Implementation Partners	Developers
Annual Monitoring	Amount of funding allocated through LIHTC; number of affordable units built

Land, Acquisition, Lease, and Partnerships

9. Address unmaintained "zombie" housing	
What is it?	Developing policies to repurpose or redevelop neglected, vacant properties, often in disrepair, for new housing.
How does it help?	Converts unused properties into affordable housing, revitalizing neighborhoods and increasing housing stock.
Approach	Increases habitable housing stock by reducing vacant housing.
Policy Lead	City
Potential Impact	Moderate
Complexity	High
Tenure	Both
Affordability Target	Low to Middle Income (50% to 120% of MFI)
Long-Term Affordability Considerations	No direct affordability impact, unless program directly tied to affordability targets.
Benefits/Burdens	**Benefits**: Families, individuals experiencing homelessness, and communities of color gain rehabilitated housing. **Burdens**: High rehabilitation costs and legal challenges burden the city.
City Staffing Implications	High, due to enforcement and rehabilitation management
Funding Needs	High, particularly for rehabilitation and legal processes
Department	Community Development
Funding Partners	None
Implementation Partners	Developers and Nonprofits
Annual Monitoring	Number of "zombie" homes rehabilitated or demolished

10. Land Owned by Faith-Based Organizations for Affordable Housing	
What is it?	Partnering with faith-based groups that have unused land, potentially for affordable housing development.
How does it help?	Utilizes underused land resources for community benefit, helping to address local affordable housing needs.
Approach	Increase stock by adding new units through future development.
Policy Lead	Partnership with faith based organizations
Potential Impact	Moderate to High
Complexity	Medium
Tenure	Both
Affordability Target	Very Low to Middle Income (30% to 120% of MFI)
Long-Term Affordability Considerations	Can include long-term affordability requirement
Benefits/Burdens	**Benefits**: Very low- to middle-income families, including underserved populations, gain access to new housing. **Burdens**: Dependence on partnerships may delay progress.
City Staffing Implications	Moderate to high, due to partnership management
Funding Needs	Low to moderate, depending on partnership agreements
Department	Community Development
Funding Partners	None
Implementation Partners	Developers and Faith-Based Organizations
Annual Monitoring	Number of projects developed on faith-based owned land

Custom Options

11. Provide public improvement assistance to housing developers within the Urban Renewal Area	
What is it?	Financial assistance for infrastructure improvements, such as roads and utilities, to support housing developments in targeted areas.
How does it help?	Reduces development costs, encouraging housing growth in underdeveloped or strategic areas.
Approach	Reduces development costs by assisting with infrastructure costs.
Policy Lead	City
Potential Impact	Moderate to High
Complexity	Medium
Tenure	Rental
Affordability Target	Low to Middle Income (50% to 120% of MFI)
Long-Term Affordability Considerations	Enhance affordability indirectly by supporting future development.
Benefits/Burdens	**Benefits**: Low- to middle-income renters and underserved communities gain housing opportunities. **Burdens**: Financial cost to the city.
City Staffing Implications	High, due to planning and coordination
Funding Needs	High, dependent on urban renewal funding
Department	Community Development
Funding Partners	None
Implementation Partners	Developers
Annual Monitoring	Amount of public improvement funding allocated; number of projects supported

12. Modify SDC fee schedules based on size	
What is it?	Adjusting System Development Charges (SDCs) so that fees are lower for smaller, affordable units and higher for larger homes.
How does it help?	Lowers costs for affordable housing units, making them more financially accessible to builders and buyers.
Approach	Reduce development costs for smaller/more affordable development
Policy Lead	City
Potential Impact	Moderate to High
Complexity	Low
Tenure	Both
Affordability Target	Low to Middle Income (50% to 120% of MFI)
Long-Term Affordability Considerations	Could promote affordability for smaller units
Benefits/Burdens	**Benefits**: Developers of affordable housing, small households, and low-income renters benefit from reduced costs. **Burdens**: City services may face revenue impacts, with no guarantee that savings will be passed on to buyers/renters, unless required.
City Staffing Implications	Moderate, due to fee structure management
Funding Needs	Moderate, with potential revenue loss
Department	Community Development and Public Works Departments
Funding Partners	None
Implementation Partners	Developers and County
Annual Monitoring	Number of developments benefiting from modified SDC fees

13. Affordable Housing Options Library of Information	
What is it?	A publicly available resource with information on affordable housing programs, financing options, and other resources for developers and residents.
How does it help?	Provides residents and developers with easy access to affordable housing resources, increasing awareness and support.
Approach	Increase information by providing resources to the community housing programs
Policy Lead	City
Potential Impact	Low to Moderate
Complexity	Low
Tenure	Both
Affordability Target	Low Income (50% to 80% of MFI)
Long-Term Affordability Considerations	Indirect impact by increasing awareness
Benefits/Burdens	**Benefits**: Low-income families, seniors, and non-English-speaking residents gain better access to resources. **Burdens**: Minimal risks to the city.
City Staffing Implications	Low, primarily for content creation and updates
Funding Needs	Low, mainly administrative costs
Department	Community Development
Funding Partners	None
Implementation Partners	Nonprofits and Housing Organizations
Annual Monitoring	Number of resources accessed; number of individuals/households assisted

14. Collaborating with Clackamas County to Address Homelessness/Houselessness	
What is it?	Partnering with Clackamas County to align resources, strategies, and programs aimed at preventing homelessness and supporting individuals and families currently experiencing homelessness.
How does it help?	Leverages county expertise and funding while ensuring the city plays an active role in addressing local needs.
Approach	Increase affordability by aligning local efforts with regional goals
City Role	Partner
Potential Impact	Low to Moderate
Complexity	Low
Tenure	Both
Affordability Target	Low Income (50% to 80% of MFI)
Long-Term Affordability Considerations	Helps stabilize housing for vulnerable populations, reducing long-term costs associated with homelessness.
Benefits/Burdens	**Benefits:** Low-income individuals, families, veterans, seniors, and other vulnerable populations gain access to coordinated services, housing options, and supportive programs. Protected classes disproportionately impacted by homelessness, such as people with disabilities and people of color, will benefit from targeted interventions. **Burdens:** Administrative coordination may increase workload for city staff; potential community resistance to new programs or housing developments.
City Staffing Implications	Moderate, requiring staff time for coordination, participation in regional planning efforts, and monitoring program outcomes.
Funding Needs	Moderate to high, depending on the city's financial contribution to joint initiatives, but with opportunities to leverage county and state funding.
Department	Community Development Department
Funding Partners	State of Oregon
Implementation Partners	Developers and County
Annual Monitoring	Track the number of individuals transitioned to existing or new permanent housing and those referred for eviction prevention.

Implementation Considerations

This section provides an assessment of the potential limitations, risks, and funding or revenue implications associated with implementing each action. Any of these factors could influence the city's ability to adopt a particular action. Table 3 below summarizes key implementation considerations for each action:

- Long-Term Affordability: A primary goal for the city is to maintain affordable housing over the long term. Many incentive programs and tax exemptions require affordability for a defined period, after which units may revert to market rates. This criterion evaluates whether an action ensures long-term affordability or specifies the duration of required affordability.
- Risk: Implementing housing actions may involve trade-offs, potentially affecting residents, development patterns, transportation, or city revenue streams. Some actions depend on successful partnerships for effective execution. This criterion identifies potential challenges or impacts associated with each action.
- City Staffing Implications: The execution of HPS actions will require varying levels of staff time and capacity. This criterion considers the staff resources needed for each action, ensuring that implementation demands are feasible given the city's staffing levels.
- Funding Implications: Some actions will require significant or ongoing funding, while others may not need additional financial resources. Notably, actions like Urban Renewal and the Construction Excise Tax (CET) could generate funding to support the implementation of other HPS initiatives.

Funding Sources

One of the primary challenges to implementing the HPS in Molalla is the availability of adequate funding. Financial resources are essential not only to construct new housing units, preserve existing affordable housing, and provide equitable housing access but also to support the staffing and administrative efforts required to implement the strategy. Identifying sustainable and realistic funding sources is critical for achieving Molalla’s vision for affordable housing.

A successful housing program requires funding sources that are stable, flexible, and specifically dedicated to housing preservation and development. While Molalla can leverage some existing funding options, pursuing additional funding mechanisms will be necessary to fully support the HPS initiatives. Potential funding sources include:

- **Urban Renewal Area (URA):** Public improvement assistance to housing developers within the Urban Renewal Area.

- **Construction Excise Tax (CET) Revenues:** State statutes allow CET funds to be used for a range of housing-related activities, including at least 50% for developer incentives, up to 4% for administrative costs, 15% for statewide homeowner programs, and up to 35% for flexible local affordable housing programs. If Molalla establishes a CET, the city will need to create a clear plan for allocating these funds to support affordable housing development effectively.

- **Affordable Housing Trust Fund (AHTF):** Molalla could establish an AHTF to provide direct financial resources for affordable housing projects targeting low-income households. Potential funding sources for an AHTF include a construction excise tax, general obligation bonds, transient occupancy taxes, the sale of surplus city property, or dedicated contributions from marijuana tax revenues. The fund could also benefit from one-time contributions, such as bequests or grants.

Monitoring and Implementation

This HPS serves as an update to the HPS started for the City of Molalla in March of 2023. Table 5 looks at the metrics the City will use to evaluate their progress on implementing the actions, with the understanding that annual monitoring of outcomes is only one way to assess the efficacy of housing policies. Market trends and the level of interest shown by developers could indicate that a policy is favorable, even if it does not result in measurable units in a given year.

Table 3. Action Monitoring

Actions	Annual Monitoring
Revisions for ADUs	Number of ADUs developed
Reduce SDCs for ADUs	Number of ADUs developed and revenue collected
Develop Standards for Cottage Clusters	Number of cottage cluster developments, units constructed
Small Dwelling Unit Developments	Number of small dwelling units developed
Reassess Requirements for Ground-floor Retail/Commercial	Number of ground-floor retail/commercial spaces converted or developed
Regulate Short Term Rentals	Number of short-term rental licenses issued, or violations resolved
Address Impediments to Home Ownership	Number of households assisted in overcoming homeownership barriers (e.g., down payment assistance, financing)
Remove Impediments for Conversions/Duplex parking	Number of conversions to duplexes or parking requirement adjustments made
Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing	Amount of funding allocated through LIHTC; number of affordable units built
Address unmaintained “zombie” housing	Number of “zombie” homes rehabilitated or demolished
Land Owned by Faith-Based Organizations for Affordable Housing	Number of projects developed on faith-based owned land
Provide public improvement assistance to housing developers within the Urban Renewal Area	Amount of public improvement funding allocated; number of projects supported
Modify SDC fee schedules based on size	Number of developments benefiting from modified SDC fees
Affordable Housing Options Library of Information	Number of resources accessed; number of individuals/households assisted
Collaborate with Clackamas County	Number of individuals transitioned to permanent housing.

Implementation Timeline

Implementing the HPS will be a gradual process, as each action will require further steps, including additional analysis, updates to existing standards or programs, discussions with decision-makers, and public hearings. Table 6 outlines the five-year implementation timeline for each action.

Table 6. Implementation Timeline

Evaluate	Pass Ordinance	Implement

Policy	2025	2026	2027	2028	2029	2030	2031	2032
Code Revisions for ADUs	Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement	Implement	Implement
Reduce SDCs for ADUs		Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement	Implement
Develop Standards For Cottage Clusters		Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement	Implement
Small Dwelling Unit Defined		Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement	Implement
Modify Requirements for Ground Floor Commercial		Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement	Implement
Regulate Short Term Rentals			Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement
Address Impediments to Home Ownership			Evaluate	Evaluate	Pass Ordinance	Implement	Implement	Implement
Remove Impediments to Duplex Parking	Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement	Implement	Implement
Federal Low Income Housing Tax Credit		Implement	Implement	Implement	Implement	Implement	Implement	Implement
Land Owned By Faith Based Organizations				Implement	Implement	Implement	Implement	Implement
Address Zombie Housing				Implement	Implement	Implement	Implement	Implement
Urban Renewal Area Public Improvement Assistance	Implement	Implement	Implement	Implement	Implement	Implement	Implement	Implement
Modify SDCs based on size	Implement	Implement	Implement	Implement	Implement	Implement	Implement	Implement
Affordable Housing Options Library of Information		Implement	Implement	Implement	Implement	Implement	Implement	Implement
Collaborate with Clackamas County			Evaluate	Pass Ordinance	Implement	Implement	Implement	Implement

Future Housing Action for Consideration

The following actions, though important and valuable, will not be included as formal strategies in the HPS. Instead, they will be presented as recommendations for the city to consider in the future or incorporate into another process.

Inclusionary Zoning: Amend the Development Code to include language requiring developers of new housing units within a market rate development to set aside a portion of the new units as affordable housing.

Add Restrictive Covenants to Ensure Affordability: Creating restrictive covenants to ensure affordability at a certain income level for new construction. Covenants are placed on property in exchange for local or state government providing financial contribution to the project.

Provide Pre-Approved Plan Sets for Accessory Dwelling Units: This action would allow the City to speed up the review process and costs for ADUs by providing property owners or developers with pre-approved plan sets.

Reduce Regulatory Barriers to Lot Division: Amends the Development Code to make proposals for land division more attainable by removing certain requirements. Examples of requirements that could be removed are minimum street frontage or driveway requirements.

Flexible Regulatory Concessions for Affordable Housing: Provide flexible provisions for non-profit developers to allow for reduced standards, bonuses to density or structure height, and/or flexibility in the delivery of units for affordable housing developments.

Operating Subsidies for Affordable Housing Developments: Provide annual funding/subsidies to property owners of affordable housing developments to offset the operating costs of the development to keep units affordable. Subsidies can be provided annually or more frequently, as funds allow.

Tax Increment Financing (TIF) Set-Aside: A Tax Increment Financing (TIF) Set Aside is intended for the creation of affordable housing within designated Urban Renewal Area. Essentially, the increase in property tax revenue resulting from new developments is diverted to subsidize the development of affordable housing.

Federal HOME Program: Funding for rental and homebuyer assistance and construction: The HOME program offers funding for rental assistance, homebuyer assistance, and housing construction, with a focus on serving low-income households, including those at risk of homelessness. By supporting the creation and preservation of affordable housing, as well as providing direct assistance to individuals, the program helps expand housing options for people experiencing homelessness, ensuring they have access to stable housing and the resources needed to maintain it.

Eviction Prevention Programs: Eviction Prevention Programs provide financial assistance to help renters on the verge of eviction stay in their homes.

Nonprofit Low-Income Rental Housing Exemption: This tool can provide a simplified way for affordable housing owned and operated by a nonprofit or community land trust to qualify for a property tax exemption.

Homestead Tax: Imposing a tax on second homes and using funds to promote and support the development of affordable housing.

Right of First Refusal for Land Purchase: Affordable housing providers could be offered a Right of First Refusal for City, County, or State-owned land when the land would be used for affordable housing.

Street Construction Alternatives (Gutters): This action would eliminate the requirement for concrete gutter installation when developing new streets for local and neighborhood routes only.

V. Achieving Fair and Equitable Housing Outcomes

This section provides an assessment of the goals and strategic actions aimed at achieving fair and equitable housing outcomes. It also includes a discussion on monitoring the outcomes of Molalla's Housing Production Strategy (HPS).

Evaluation of Policies and Strategic Actions

Per OAR 660-008, an evaluation of the HPS is required to assess its effectiveness in achieving specific outcomes. The following discussion offers a brief overview of each expected outcome related to the policies and actions within the HPS, emphasizing housing opportunities for federally and state-protected classes. This is intended as a high-level summary of the HPS, rather than an exhaustive analysis of each action's impact on these outcomes.

Location of Housing

To diversify housing locations, it is essential to expand options for compact residential development in mixed-use neighborhoods, ensuring accessibility for individuals in state and federal protected classes. This approach also aims to contribute to statewide greenhouse gas emission reduction goals. Actions within the HPS that promote the development of compact, mixed-use neighborhoods include:

- Revisions for ADUs: Expanding opportunities for accessory dwelling units (ADUs) can increase housing options in established neighborhoods, allowing for more equitable access to desirable locations.
- Develop Standards for Cottage Clusters: Supporting the development of cottage clusters creates smaller-scale housing communities that fit within a variety of neighborhoods, offering more diverse housing choices.
- Small Dwelling Unit Developments: Facilitating small dwelling units helps provide affordable and accessible housing options for individuals and families with varied needs.
- Reassess Requirements for Ground-floor Retail/Commercial: Facilitating small dwelling units helps provide affordable and accessible housing options for individuals and families with varied needs.

Fair Housing

Supporting Fair Housing involves expanding housing access for individuals in state and federal protected classes, actively promoting Fair Housing, addressing disparities in housing opportunities for underserved communities, and reducing patterns of segregation or concentrations of poverty. Actions within the HPS that advance Fair Housing policies include:

- Land Owned by Faith-Based Organizations for Affordable Housing: Encouraging the use of land owned by faith-based organizations for affordable housing development can provide additional opportunities for low-income individuals and families to access safe, affordable housing in areas that may otherwise be limited in options. This helps ensure that protected classes have equitable access to housing in diverse neighborhoods, reducing barriers to opportunity.
- Affordable Housing Options Library of Information: Creating a centralized resource for information on affordable housing options can help underserved populations, particularly those

from protected classes, navigate available housing opportunities more easily. This resource would support equitable access to housing, promote informed decision-making, and address barriers such as lack of knowledge or awareness of available programs and opportunities.

Housing Choice

Expanding housing choice means improving access to housing for communities of color, low-income households, people with disabilities, and other groups protected by state and federal laws. This also involves ensuring access to existing or new housing in neighborhoods that offer healthy, safe environments along with high-quality community amenities, schools, and employment opportunities. Actions within the HPS that support increased housing choice include:

- Address Impediments to Home Ownership: By addressing barriers to homeownership, such as high down payment requirements, limited access to credit, and discriminatory lending practices, more individuals from underserved communities, including communities of color and low-income households, can access homeownership opportunities. This expands housing choice by providing pathways to long-term stability and wealth-building in diverse neighborhoods.
- Remove Impediments for Conversions/Duplex parking: Simplifying or removing parking requirements for housing conversions or duplex developments can help increase the availability of affordable housing options in existing neighborhoods. By reducing parking-related barriers, more property owners can create additional housing units, thus increasing the housing stock in areas with high demand, and improving access to safe, well-connected neighborhoods with quality amenities.
- Modify SDC fee schedules based on size

Housing Options for People Experiencing Homelessness

Expanding options for people experiencing homelessness involves collaborating with partners to address homelessness and implementing measures to reduce the risk for households, particularly those with incomes below 30% of MFI, of experiencing homelessness. The HPS includes the following actions to support people experiencing homelessness:

- Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing: The LIHTC program provides financial incentives for the development of affordable rental housing, which can help increase the availability of housing options for people experiencing homelessness. By offsetting the cost of construction, the program makes it more feasible for developers to build affordable housing units, including for extremely low-income households, thus expanding housing options for those at risk of or currently experiencing homelessness.
- Collaborate with Clackamas County: Through this partnership, the city can facilitate the development of transitional housing, permanent supportive housing, and affordable rental units tailored to the needs of vulnerable populations. Programs such as coordinated entry systems and targeted outreach can ensure equitable access to these housing options, prioritizing individuals with the greatest needs, including those with disabilities, veterans, and families with children. By aligning city and county efforts, the collaboration can also streamline funding

opportunities, enabling the construction of new housing units and the repurposing of existing buildings to serve as shelters or supportive housing.

Affordable Homeownership

This criterion emphasizes actions that promote the production of housing affordable for homeownership, specifically targeting housing affordable to households earning less than 120% of MFI. Many HPS actions support affordable homeownership by encouraging the development of lower-cost ownership options, removing regulatory barriers, upholding Fair Housing standards, and making essential capital improvements. Key actions within the HPS that advance affordable homeownership include:

- Small Dwelling Unit Developments: Can help promote affordable homeownership by providing more accessible and lower-cost housing options. The focus on smaller, efficient homes ensures that these developments remain affordable for low- and moderate-income households, supporting first-time homebuyers and those seeking to enter the housing market.
- Address Impediments to Home Ownership: By addressing barriers such as high down payments, limited access to financing, and restrictive zoning laws, this action makes homeownership more accessible for households earning less than 120% of MFI. Removing these obstacles helps increase the availability of affordable homeownership opportunities, enabling more low- and moderate-income families to achieve long-term housing stability.
- Federal Low Income Housing Tax Credit (LIHTC) Program to offset cost of building affordable housing: The LIHTC program provides incentives for the development of affordable rental and homeownership units. By reducing construction costs, it encourages the creation of homes that are affordable to households earning below 120% of MFI. This helps expand the stock of affordable homes for ownership, ensuring that lower-income households can access quality, affordable housing.

Affordable Rental Housing

Supporting affordable rental housing involves actions that promote the production of both income-restricted housing (affordable for households earning below 60% of MFI) and privately developed affordable housing (affordable for households earning between 61% and 80% of MFI). Actions within the HPS that foster affordable rental housing development include:

- Federal HOME Program funding for rental and homebuyer assistance and construction: The HOME program provides funding for the construction, rehabilitation, and rental assistance of affordable housing. This program supports the creation of rental units that are affordable to households earning below 60% of MFI and those earning between 61% and 80% of MFI, thus expanding the availability of affordable rental housing for a range of low- to moderate-income households.
- Property Tax Exemption for Affordable Housing Tied to Level of Affordability: Offering property tax exemptions for affordable housing developers incentivizes the creation of rental housing that remains affordable over time. By tying the exemption to the level of affordability, this action ensures that affordable rental units are available to households at different income levels,

particularly those below 80% of MFI. It also helps developers maintain long-term affordability without passing on excessive costs to tenants.

- Delayed Tax Exemption tied to affordability: A delayed tax exemption program helps developers of affordable rental housing by offering tax relief after a certain period, provided the housing remains affordable. This incentivizes the development of rental units for low- and moderate-income households, ensuring that affordable housing options are preserved over time while helping to keep rental prices within reach for those earning between 60% and 80% of MFI.

Gentrification, Displacement, and Housing Stability

Enhancing housing stability involves actions that help secure the stability of current households and prevent displacement, reducing the impacts of gentrification that may arise from public investments or redevelopment. Areas vulnerable to displacement are generally areas of concentrated poverty, a high level of renters, and property values and rents that make them favorable to development.[4] For Molalla, the most vulnerable area is located between Molalla Elementary and W. Main Street.[5]

Actions within the HPS that support housing stability include:

- Regulate Short Term Rentals: By regulating short-term rentals, this action helps ensure that housing units remain available for long-term residents, particularly in areas where housing affordability is already a concern. It prevents the conversion of rental units into short-term vacation rentals, which can drive up rents and contribute to displacement, helping to stabilize the housing market for existing residents.
- Address unmaintained “zombie” housing: Taking action to address vacant and unmaintained "zombie" housing helps reduce blight in neighborhoods, making them more attractive for current residents and preventing further deterioration that can contribute to displacement. By revitalizing these properties, communities can maintain housing stability and prevent gentrification-driven pressures that might force existing residents out.
- Provide public improvement assistance to housing developers within the Urban Renewal Area: By offering public improvement assistance to developers in urban renewal areas, this action encourages development that aligns with community needs while also preventing the displacement of current residents. The focus on affordable housing ensures that redevelopment projects contribute to stability by creating housing options that remain affordable and accessible to the existing population.

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[4]2018 Gentrification and Displacement Neighborhood Typology Assessment, Key Findings and Methodology Report, Bureau of Planning and Sustainability, City of Portland, Oregon, via https://www.portland.gov/sites/default/files/2020- 01/gentrification_displacement_typology_analysis_2018_10222018.pdf

[5]Vulnerability calculations compare local geographies to regional averages across six variables reported by the US Census. The analysis below uses ACS 2014-2018 (five-year estimates) via Social Explorer reported by state, county, city, census tract, and block group:

- Percent of households that are renters
- Percent of households that are low-income
- Percent of adults (25 or older) without a four-year degree
- Percent of population who identify with a community of color
- Median home value
- Median gross rent

VI. Additional Recommendations

Community feedback during this process highlighted opportunities to enhance engagement efforts and better connect with Molalla's diverse population. To ensure future housing-related outreach is inclusive and effective, the city could consider adopting policies or measures aimed at increasing accessibility and representation, particularly for underrepresented and vulnerable communities. Community feedback further highlighted a need for broader, more inclusive outreach, especially to older and less tech-savvy residents. Residents seek further transparency and engagement processes that ensure Molalla's diverse population is represented and engaged. Ultimately, the survey underscored a community committed to balancing necessary growth with protecting the identity, infrastructure, and quality of life they valued.

Key actions include:

- **Enhancing Accessibility:** Use multiple outreach methods, such as printed surveys, in-person canvassing, and partnerships with trusted community organizations, to reach populations less likely to engage online or through traditional city channels.
- **Clarifying Materials:** Provide plain-language summaries and visual aids to help residents better understand proposed actions and their potential impacts.
- **Fostering Trust and Transparency:** Share how community input influences decisions, through clear reports and updates, to demonstrate the value of participation.

These approaches could serve as a foundation for a broader engagement policy focused on equity and accessibility, ensuring all voices in Molalla are heard in future housing and planning efforts.

For definitions of key terms used in this document, please refer to the glossary in Appendix C.

Appendix A. Contextualized Housing Need Memo

Molalla Housing Production Strategy

December 2024

Introduction

Surrounded by forest and rolling hills, Molalla offers an escape from city life and fosters a tight-knit sense of belonging among residents. With a rich history, Molalla captures the essence of small-town living. This culture has attracted new residents and businesses over recent years, causing Molalla's growth to outpace the rest of Clackamas County.

Against this backdrop, the 2022-2042 Molalla Housing Needs Analysis (HNA) provides a comprehensive overview of Molalla's needed housing, including current and prospective residents. The Molalla community hosts a unique blend of demographics and socioeconomic characteristics, encompassing factors such as age, income, race, ethnicity, and disability, which are a vital context within which to understand the housing need. Steady growth has created need to address the lack of available housing, particularly for rent-burdened households, people of color, people experiencing a disability, and people experiencing houselessness.

Guided by the insights gleaned from the HNA, the Housing Production Strategy (HPS) will bridge the gap between identified housing need and actionable solutions tailored to Molalla's unique context. By aligning unmet housing needs with innovative strategies suited to the distinctive locale and growth, the HPS will pave the way for a brighter, more equitable future for all who call Molalla home.

The first step in bridging that gap is a contextualization and incorporation of information from the HNA that describes current and future housing needs in the context of population and market trends.

At a minimum, a Contextualized Housing Needs Memo must include a discussion of:[6]

- Socio-economic and demographic trends of households living in existing Needed Housing. This must include a disaggregation of households living in existing Needed Housing by race and ethnicity;
- Measures already adopted by the city to promote the development of Needed Housing;
- Market conditions affecting the provision of Needed Housing;
- Existing and expected barriers to the development of Needed Housing;
- An estimate of the number of people or households experiencing homelessness. Estimates must include, as available, the following data sources:
  - An estimate of regional housing need for people experiencing homelessness provided by the state or regional entity;
  - The applicable Housing and Urban Development Point-in-Time count conducted by the Continuum of Care that the city is located within;
  - The applicable Housing and Urban Development Annual Homelessness Assessment Report; and

[6] OAR 660-008-0050

- The applicable McKinney-Vento Homeless Student Data for all school districts that overlap with the city boundary.

- Percentage of Rent Burdened Households;[7]
- Housing tenure, including rental and owner households; and
- Housing needs for people with disabilities, including hearing, vision, cognitive, ambulatory, self-care difficulty, and independent living as provided in the applicable American Community Survey and other data sets, as available.

HNA Highlights

1. Forecasted population for Molalla in 2042 is 15,660, which is an increase of 5,432 people, which translates to 1,996 net new dwelling units based on an assumed vacancy rate of 4% and 2.83 persons per household.

2. Future demand anticipates a greater share of medium and high-density housing compared to the current inventory:

    - Single family detached homes (includes manufactured homes): 55% (1,098 units)
    - Medium density housing (townhouses, plexes): 25% (499 units)
    - High density housing (multi-family apartments): 20% (399 units)

As these numbers indicate, single family detached housing will continue to be a key housing need in the city, accounting for the largest portion of the existing housing and future housing need. While the traditional allure of single family detached housing remains robust, the mosaic of Molalla's population dynamics reflects a burgeoning demand for diverse housing options. About 45% of the future housing need will be a mix of plexes (duplex, tri-plex, quad-plex), townhomes and apartments. Understanding the implications of these trends on housing costs becomes imperative.

Contextualized Factors

Population Growth

The housing market in Molalla is shaped by rapid population growth, significant affordability challenges, and disparities in housing accessibility for low-income households, people of color, people with disabilities, and those experiencing houselessness.

Addressing these issues requires comprehensive strategies, including increasing affordable housing supply, seeking and providing tools for house burdened renters, and implementing inclusive policies to support vulnerable populations.

- 7% of the population in Molalla is living near or below the poverty line, suggesting economic challenges for a substantial number of residents and only 46% of all rental-

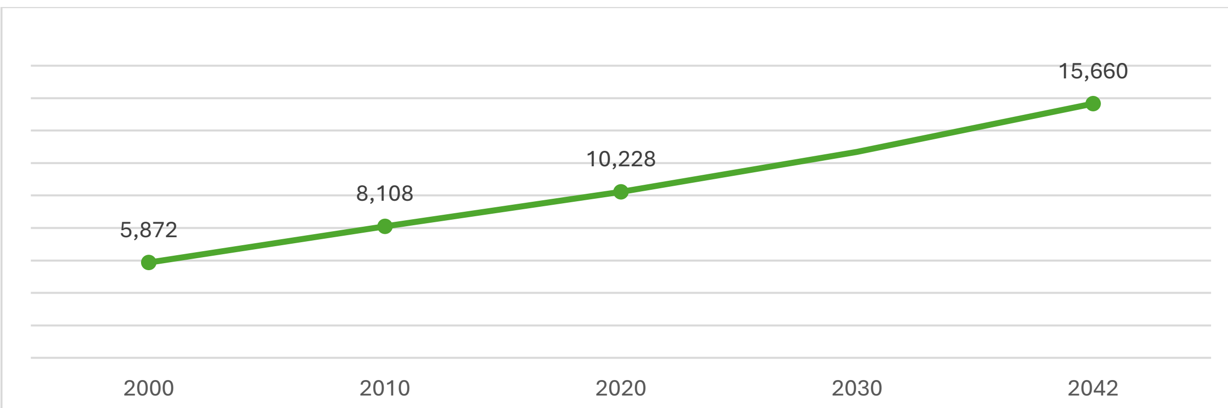
[7] As determined in the report described in OAR 813-112- 0020(2).

occupied housing is considered affordable (commonly defined as paying less than 30% of income in housing costs).

- 24% of Molalla's population identifies as a minority, with 16% identifying as Hispanic or Latino. Homeownership rates are lower for minority groups compared to households overall.
- 16% of Molalla's population is living with a disability, which is higher than county and national averages.
- Point-in-Time counts estimate 410 people were experiencing houselessness in Clackamas County in 2023.

The City of Molalla has experienced steady growth for over twenty years. Figure 1 below shows Molalla's population grew by 2,120 between 2010 and 2020, based on the US Census. This trend is expected to continue over the coming decades with a population projection of 15,660 by 2042.

Figure 1. Molalla Population 2000, 2010, 2020, 2042



Sources: US Decennial Census 2000, 2010, and 2020 and Portland State University (PSU) Population Center 2020 projection for 2042.

As cited in the HNA, this rapid expansion translates to an Average Annual Growth Rate (AAGR) of 2.34% between the 2010 and 2020 Decennial Census reports. In comparison, the State of Oregon saw an AAGR of 1.02% and the Clackamas County as a whole saw 1.13%. [8]

Market Factors

The housing market in Molalla, Oregon, reflects a unique blend of factors that shape its current landscape. Nestled amidst the scenic beauty of the Willamette Valley, Molalla's allure lies in its small-town charm while still being within commuting distance of the rest of the Portland Metro area. Housing in Molalla is in high demand, which is increasing at a higher rate than in the surrounding area.

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[8] Source cited in the HNA was *Oregon REA Project. Oregon.REA.project.org*

The March 2024 Rocket Homes Real Estate Report identifies that Molalla is in a "Seller's Market" meaning, sale prices tend to be higher, and homes sell faster due to high demand. The median sale price was listed in that report as $470,000, which is a 4.4% increase from May 2023. A similar report for Clackamas County listed a median home price just over $600,000, but a slightly lower rate of increase at 2.3% over the last year.

The U.S. Census reports on median home value for all owner-occupied housing. The most recent ACS (5-year estimates) placed the 2022 value for Molalla as $381,300. This figure is generally lower than current sale prices since it reports on assessed value regardless of whether the home was sold recently.

Demographic trends affecting housing demand

In addition to growing more quickly, Molalla residents are comparatively younger. Age can impact housing choice and the decision to rent or buy. The median age is 34.8 years. Oregon's median age is a few years older at 36.5 years, and Clackamas County is even older than Oregon at 41.7 years. The largest age brackets in the City of Molalla are elementary school age children of 5 to 9 (11.2%) and early to mid-career employment age adults of 25 to 29 (10.38%), 30-34 (9.34%), and 40 to 44 (8.93%).[9]

Housing Affordability

Discussion of housing affordability utilize terms defined by the percentage that a household spends on housing costs and the level of cost burden that a household experiences as a result:[10]

1. Affordable: Less than 30% of income on housing
2. Cost Burdened: Spending >30% of income on housing
3. Severely Cost Burdened: Spending >50% of income on housing

Listed below are the various data sets relevant to analyzing local housing affordability for homeowners and renters:

<u>U.S. Department of Housing and Urban Services</u>

The U.S. Department of Housing and Urban Services (HUD) calculates Median Family Income (MFI), also referred to as Area Median Income (AMI). These numbers consider the regional market and delineate incomes by household size. They serve as the income limits for subsidized housing programs.

The Molalla market is part of the Portland-Vancouver-Hillsboro metro region and 2020 income for an average family size of four was $92,010[11] and income rates were as follows:

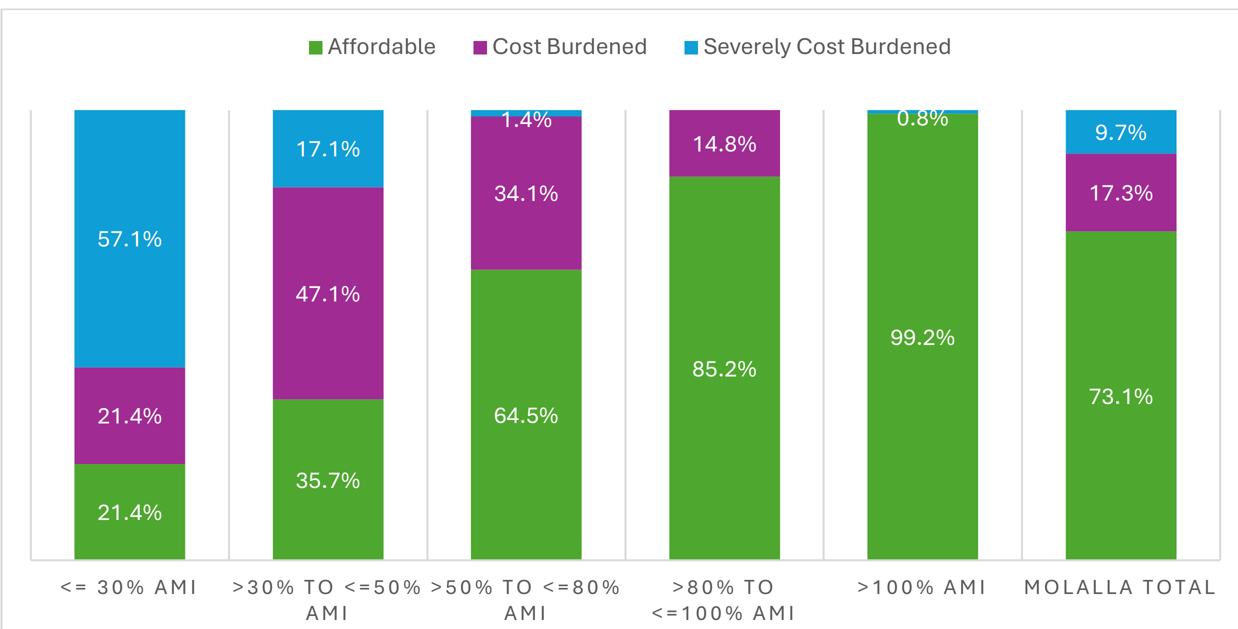
[9] *U.S. Census, American Community Survey 5-year estimates (2018-2022) B01001 Sex by Age.*
[10] U.S. Department of Housing and Urban Development (HUD), Definitions
[11] *https://www.portland.gov/phb/documents/2020-income-and-rent-limits-phb/download*

Extremely Low Income	Less than 30% MFI or $27,630
Very Low Income	30% to 50% of MFI or $27,630 to $46,050
Low Income	50% to 80% of MFI or $46,050 to $73,680
Middle Income	80% to 120% of MFI or $73,680 to $110,520
High Income	120% of MFI or $110,520 or more

MFI/AMI figures are annual and MFI/AMI for a family of four in the Molalla region was increased to $114,400 in 2023.

Figure 2 below shows the most recent HUD CHAS data (2018-2020) which calculates the ratio of housing costs to income. It indicates that while 73% of Molalla is considered affordable overall, the rate of cost burdened and severely cost burdened households is much higher for those living below 100% MFI/AMI.

Figure 2: Molalla Ratio of Housing Cost to Income for Households Based on AMI



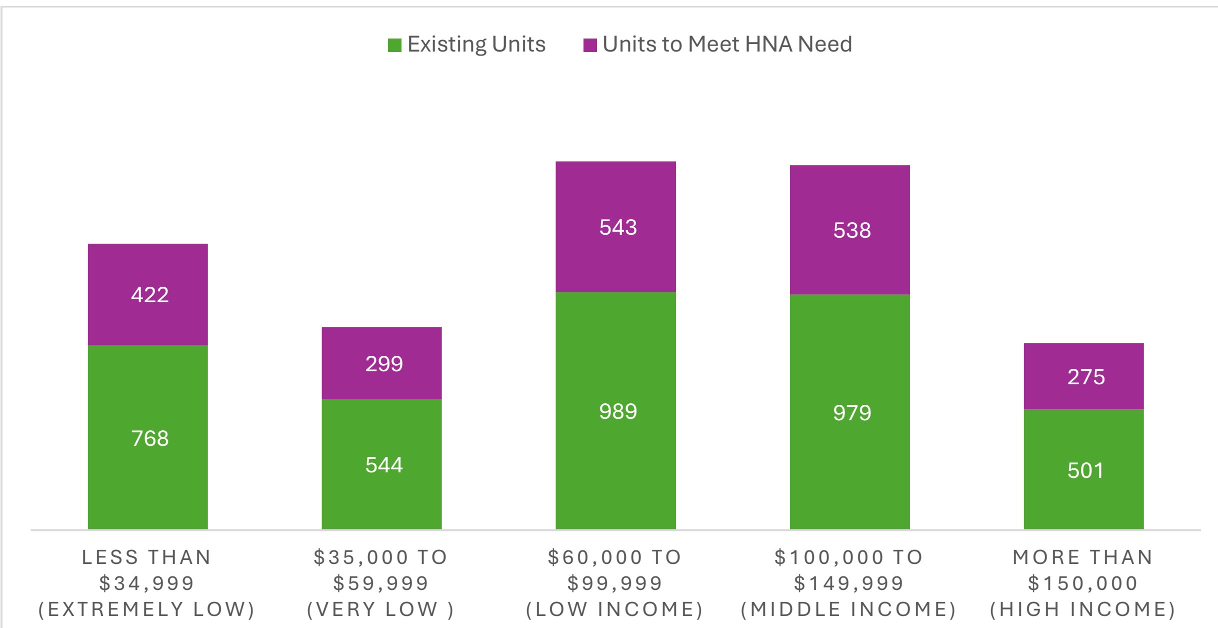
Source: HUD published CHAS data for 2018-2020.

U.S. Census

In addition, US Census reports on median household income (MHI). Molalla has a lower MHI than the surrounding county, but the rate of increase is slightly higher. Molalla's MHI increased from $49,524 (2010) to $77,442 (2022), representing a 56% growth rate. MHI for Clackamas County increased from $62,007 to $95,740 during the same period, a growth rate of approximately 54%.

The Census also reports households by income bracket, showing that most Molalla households have a reported income between $60,000 and $150,000 (2022). Figure 3 below shows the breakdown of existing households by income bracket and allocates an expected number of the new households from the HNA into income brackets assuming current ratios hold.

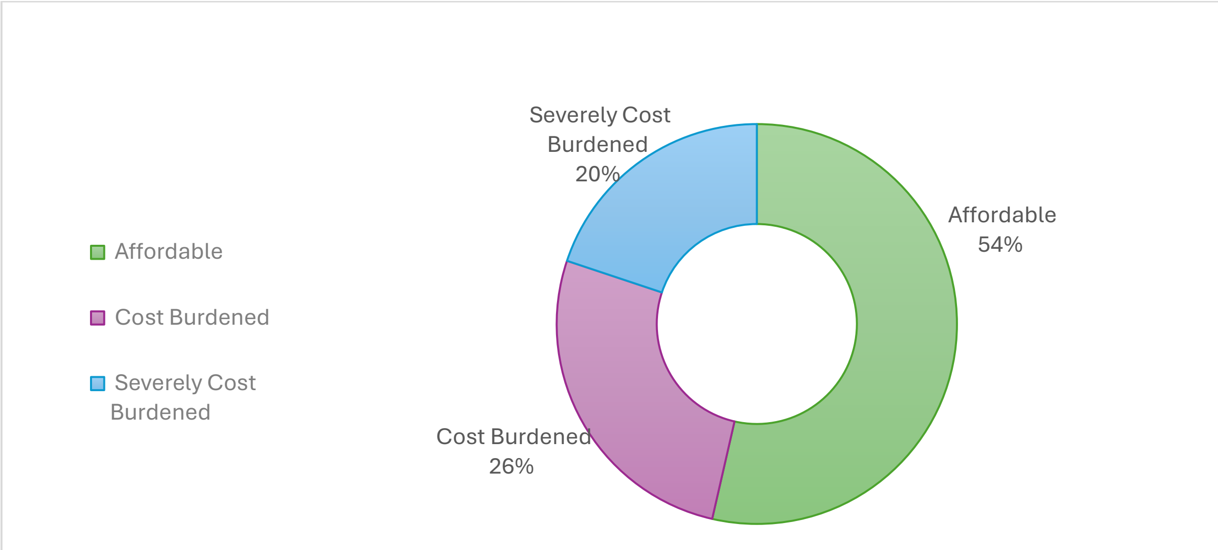
Figure 3: Molalla Housing Units by Income Bracket



Source: Calculations based on ACS 2022 (5-year estimates) in Table B19001 in 2022 Inflation Adjusted Dollars for the City of Molalla with approximate correlation to the 2023 MFI for the Portland-Vancouver-Hillsboro Region. New housing units are reported in the HNA.

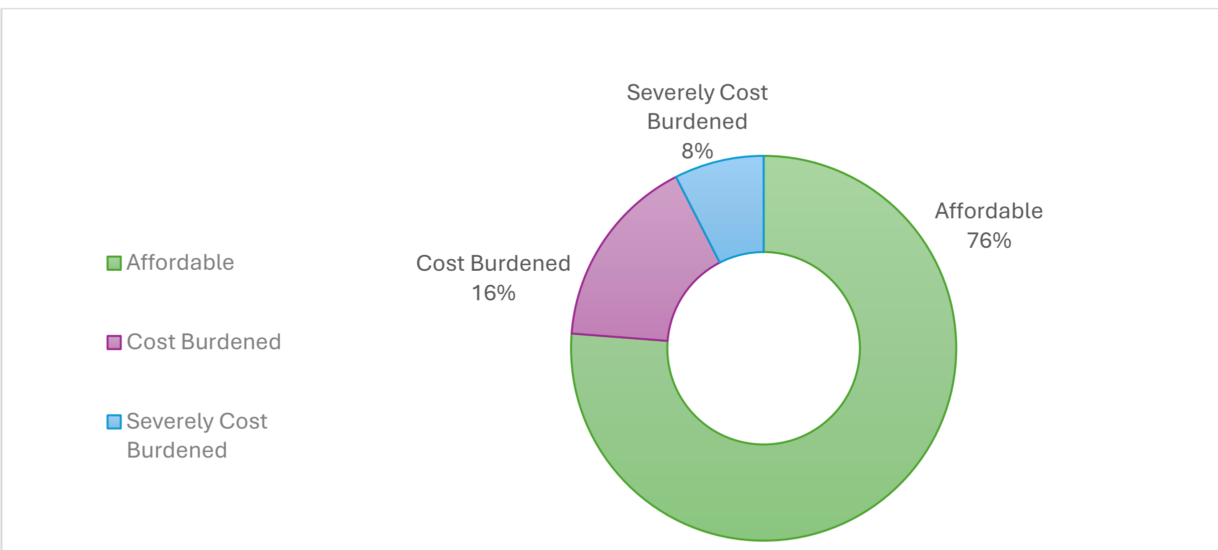
Renter-occupied units spend 30% or more of their income on housing costs more consistently than owner-occupied units. Figures 4 and 5 below illustrate the ratio of housing to income for both renters and owners. For renters, 54% of units pay less than 30% of income on housing costs, while 76% of owners spend less than 30% of income on housing costs.

Figure 4: Molalla Rental Occupied Housing: Ratio of Rent to Income



Source: Calculations based on U.S. Census ACS 2022 (5-year estimates) Table B25070 Gross Rent as a Percentage of Household Income for Renter-Occupied Units.

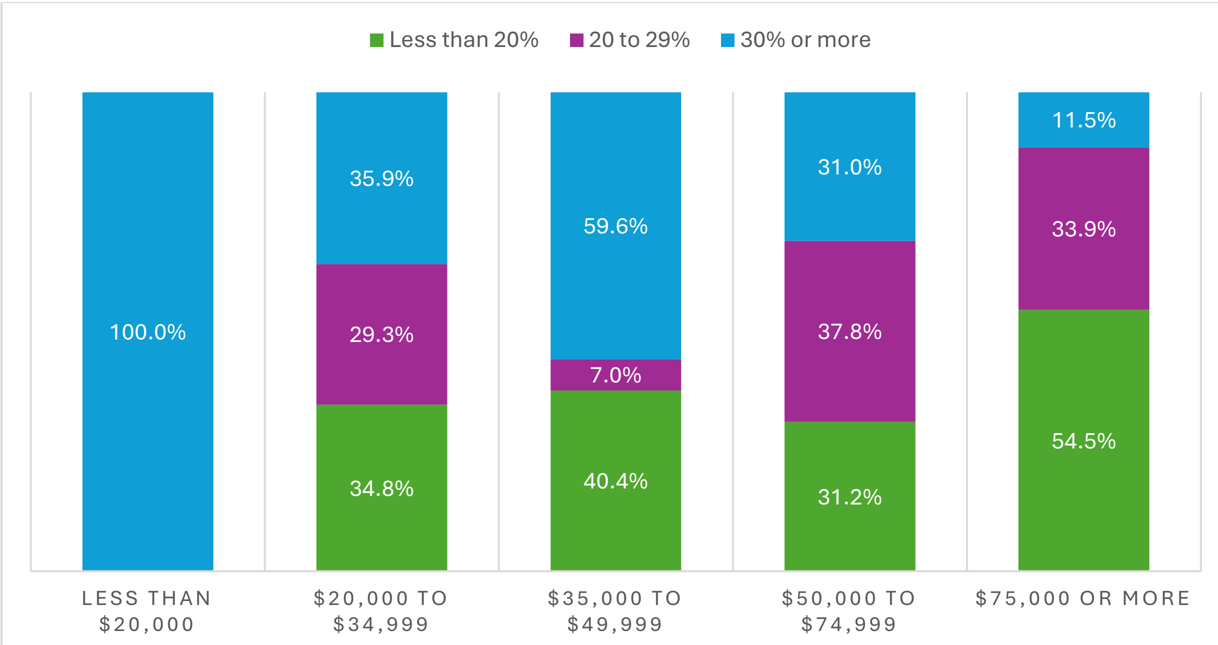
Figure 5: Molalla Owner Occupied Housing: Ratio of Rent to Income



Source: Calculations based on U.S. Census ACS 2022 (5-year estimates) Table B25091 Mortgage Status by Selected Monthly Owner Costs as a Percentage of Household Income for Owner-Occupied Housing Units.

In Figure 6, low-income homeowners spend a greater percentage of income on housing costs. Some households may be stuck in a mortgage they can no longer afford due to a change in circumstances or have paid off their mortgage but are struggling to afford increasing property taxes on a fixed income, such as social security and/or pension.

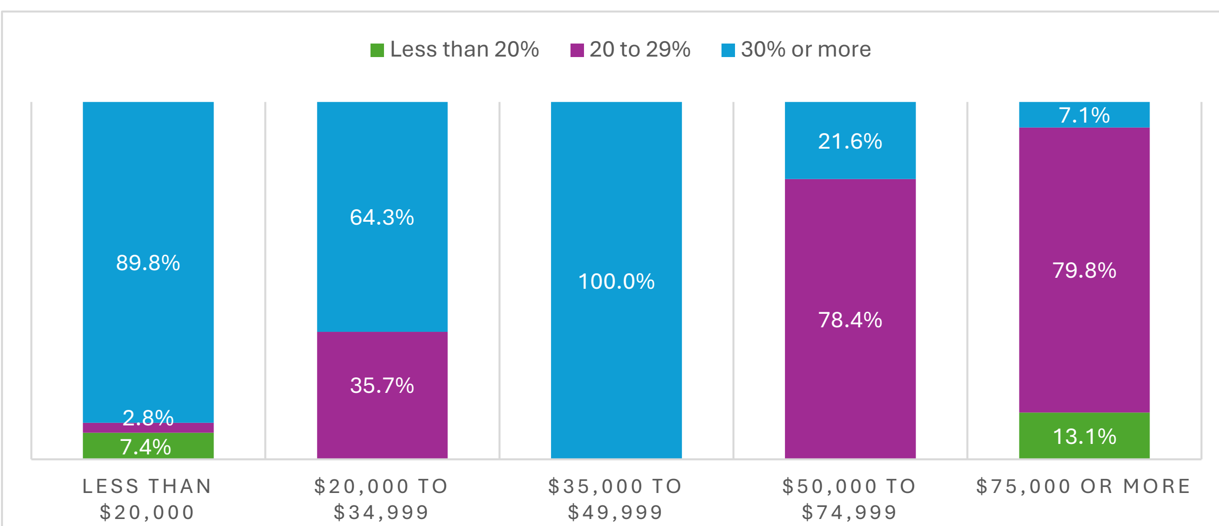
Figure 6: Percentage of Monthly Income Spent on Housing Costs for Owner Occupied Housing by Household Income



Source: Calculations based on U.S. Census, ACS 2022 (5-year estimates) Table B25106.

Rent burdened households are struggling in Molalla and the surrounding county. In Figure 7, most low-income rental households in Molalla spend 30% or more on housing costs. Approximately 85% of the aggregated households with income levels below $50,000 are spending over 30% of their monthly income on housing costs. Clackamas County reports that about 88.2% of households who rent and make less than $50,000 spend 30% or more on housing each month.

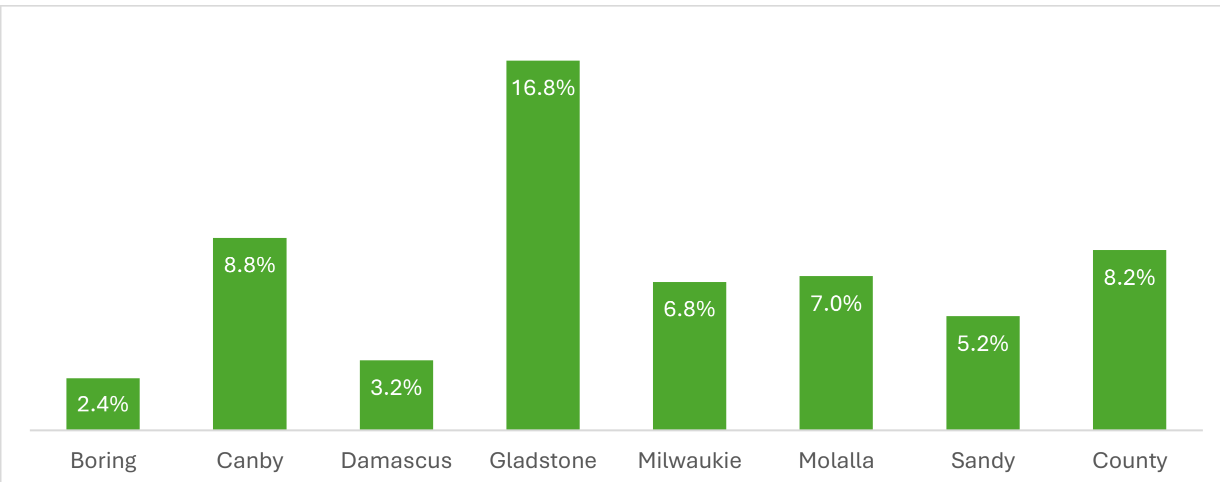
Figure 7: Percentage of Monthly Income Spent on Housing Costs for Owner Occupied Housing by Household Income



Source: Calculations based on U.S. Census, ACS 2022 (5-year estimates) Table B25106.

US Census defines the Federal Poverty Level (FPL) as a set of income thresholds that vary by family size. The average household size in Molalla is 2.8. To measure poverty, this number has been rounded up to 3 persons per household. Based on the FPL, a three-person household has a weighted average threshold of $21,559 annually. The most recent report was able to determine poverty status for 10,012 people in Molalla and 7% were found to be living in poverty which equates to approximately 703 individuals. This is lower than the state average (11.9%)[12], on par with figures for Milwaukie (6.8%) and Clackamas County (8.2%). Figure 8 below shows incorporated areas within the surrounding county that are experiencing greater levels of poverty, which could impact Molalla housing market in the future.

Figure 8: Percentage of Local Population Living Below FPL



Source: Calculations based upon US Census, ACS 2022 (5-year estimates) C17002.

Housing Needs of Cost Burdened Households

There is a clear need in Molalla for supporting development of affordable housing through multifaceted solutions. Market rate housing is unaffordable for members of the community in the lower income segments of the population. Renters are at a higher risk of housing insecurity and may be more susceptible to eviction or homelessness if their financial situation worsens.

Income Levels:

Molalla has a total of 3,781 occupied housing units. About 12% of occupied housing units (approximately 461 units) are households with an annual income of less than $20,000. When

[12] *Calculations based upon US Census, ACS 2022 (5-year estimates) C17002.*

compared to Clackamas County's 6.5%, it is clear that a significant portion of Molalla residents are experiencing economic hardships.[13]

Owner-Occupied Housing:

Molalla has 2,355 owner-occupied housing units. About 23.8% of these homeowners spend 30% or more of their monthly income on housing costs (compared to Clackamas County at 26.4%). Although this percentage is lower when compared to renters and to the county, it still indicates that homeowners in Molalla are facing financial strain due to increasing housing expenses.

Renter-Occupied Housing:

That number is higher for renters. Over half of renters face financial strain due to housing expenses, which can limit their ability to afford other necessities such as food, healthcare, and transportation. There are 1,426 renter-occupied housing units in Molalla, and approximately 48.6% of these renter households spend 30% or more of their monthly income on housing costs. Clackamas County has 54% of renters who are cost burdened or severely cost burdened, which could indicate that costs are on the rise in Molalla.

The lack of low-cost housing creates greater competition for more expensive housing and results in families choosing to pay over 50% of their income in rent (reported as Severely Cost Burdened above in Figure 4 and Figure 5) because there were not sufficient or desirable housing choices affordable at their income level.

Figure 9 (below) shows a disconnect between the number of households existing at each income bracket and the supply of housing units with costs listed below 30% of the incomes included in that bracket. Families making less than $75,000 per year in Molalla compete in a market where the supply of available housing is mostly only affordable to those making well over $75,000 per year.

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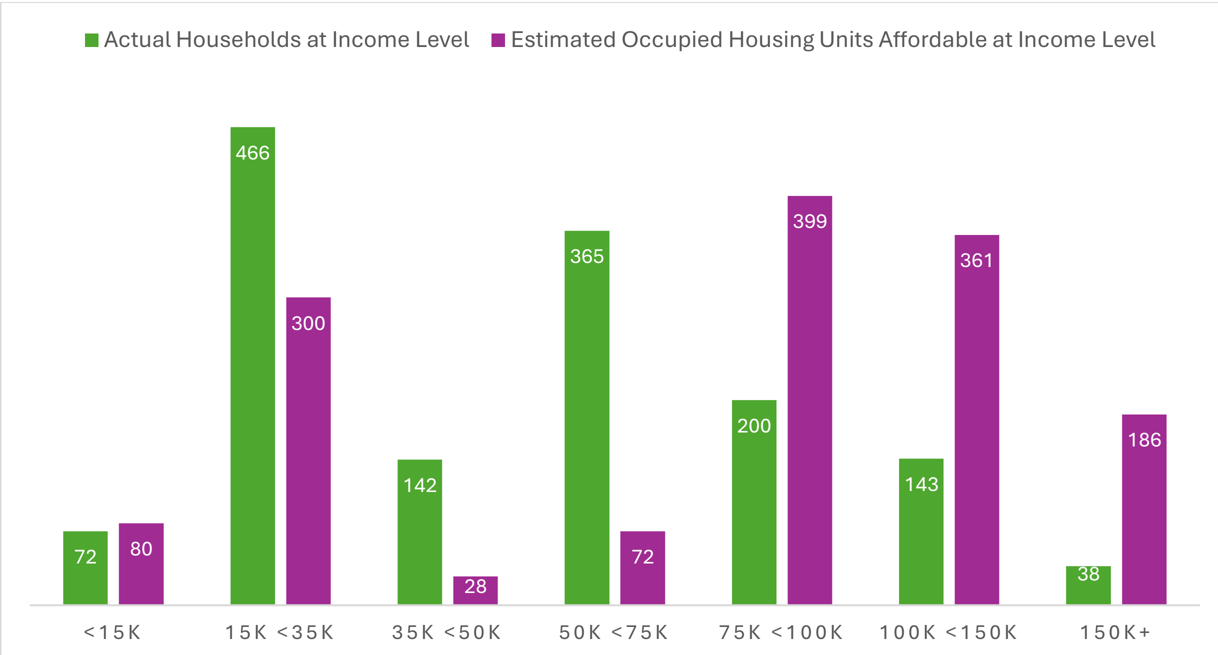
[13] *Calculations based upon occupied housing units reported by the U.S. Census ACS 2022 (5-year estimate) B25106 (Tenure by Housing Cost as a Percentage of Household Income in the Past 12 months) for both Clackamas County and the City of Molalla.*

Figure 9: Comparing Rental Households Incomes with Occupied Units Affordable at Each Income Level



Source Calculations based on U.S. Census, ACS 2022 (5-year estimates) Tables B25118 Tenure by Household Income in the Past 12 Months (In 2022 Inflation Adjusted Dollars) and B25063 Gross Rent for Renter-Occupied Housing Units.

Implications:

1. **Economic Strain on Low-Income Households:** Market rate housing is unaffordable for members of the community in the lower income segments of the population. While earning income, these households are particularly vulnerable to financial instability and may require assistance through social programs or affordable housing initiatives such as the development of income restrictive housing and the promotion of housing voucher programs.

2. **Challenges for Renters:** Such a high percentage of renters spending 30% or more of their income on housing highlights a major affordability issue. Collaboration with county programs for eviction prevention and strategies to protect naturally occurring affordable rent housing in the face of new development are ways to support this segment of Molalla's community.

3. **Homeowners Facing Financial Pressure:** While the situation is different for homeowners, with 24% spending over 30% of their income on housing, it still points to affordability challenges. Cost-burdened homeowners might be at risk of foreclosure, the elderly may be unable to age in place or may have limited disposable income for other needs.

The data underscore the importance of addressing housing affordability in Molalla. The number of both renters and homeowners experiencing housing cost burdens suggests that there is a need for comprehensive strategies to improve housing affordability.

These strategies should include increasing the supply of affordable housing across all income brackets while recognizing the disconnect apparent in Figure 9 (above), providing rental assistance, and implementing policies to support low-income households. Ensuring that more residents can afford their housing costs is crucial for the overall economic health and stability of the community.

Housing Needs of Communities of Color

The Molalla housing market reflects broader national trends where economic hardship and racial disparities intersect, particularly in the access to housing stability and generational wealth.

Table 1 below shows Molalla's population by race. Census data indicates that most of Molalla identifies as White (76%), while the second highest population identifies as Hispanic or Latino (15.8%).

Table 1: Molalla Population by Race

	Population Count	Percentage
White alone	7,780	76.07%
Black/ African American alone	45	0.44%
American Indian/Alaska Native alone	58	0.57%
Asian alone	94	0.92%
Native Hawaiian/ Pacific Islander alone	27	0.26%
Some Other Race alone	53	0.52%
Two or More Races	551	5.39%
Hispanic or Latino	1,620	15.84%

Source: U.S. Decennial Census 2020 Table P9 (Hispanic or Latino and Non-Hispanic or Latino by Race).

Homeownership rates reveal disparities across some racial and ethnic groups. Table 2 examines homeownership rates by race. Within the community, White households make up 76% of the population, 85% of occupied housing, and account for 87% of owner-occupied housing. Black/African American households have a high homeownership rate of 90% and their share of the owner-occupied housing is slightly higher than their share of occupied housing overall. Asian households reflect a similar ratio.

Table 2: Homeownership Rates in Molalla by Race/Ethnicity

Householders	Owner Occupied Housing	Rental Housing	Totals by Race	% Owner-Occupied	% Rental Housing	% of Occupied Housing by Race	% of Owner-Occupied Housing by Race
White alone	2,013	1028	3,041	66%	34%	84.99%	86.92%

Black/ African American alone	9	1	10	90%	10%	0.28%	0.39%
American Indian/Alaska Native alone	18	21	39	46%	54%	1.09%	0.78%
Asian alone	22	9	31	71%	29%	0.87%	0.95%
Native Hawaiian/ Pacific Islander alone	0	3	3	0%	100%	0.08%	0.00%
Some Other Race alone	93	94	187	50%	50%	5.23%	4.02%
Two or More Races	161	106	267	60%	40%	7.46%	6.95%
All Households	2,316	1,262	3,578				

Source: U.S. Decennial Census 2020 Table H10 (Tenure by Race of Householder).

American Indian/Alaska Native households have a 46% homeownership rate, while Native Hawaiian/Pacific Islander households exclusively rent. Ownership rates are lower than the percentage of occupied housing overall and it is important to continue to monitor the relationship between race and access to homeownership. US Census reports Hispanic or Latino homeownership rates in a separate table, making it impossible calculate how many of the households in Table 2 are Hispanic or Latino. These households are 10% of all occupied housing units with a split of 48% are homeowners and 52% renters.[14]

Historical Context and Correlation between Race and Housing

Discriminatory practices like redlining and biased mortgage lending have systematically excluded minority groups from homeownership. Redlining involved denying loans or insurance to entire neighborhoods based on racial composition, while discriminatory lending practices have often led to minorities being offered less favorable loan terms.

These practices have long-term impacts, preventing minority families from building equity and wealth through homeownership, which in turn affects their economic stability and ability to afford housing in the future.

The historical exclusion from homeownership has a direct correlation with current housing affordability issues faced by minority populations. Those without generational wealth or with lower incomes are more likely to be renters and to spend a higher proportion of their income on housing, as evidenced by the high-cost burden among renters in Molalla. Lower

[14] *U. S. Decennial Census 2020, Table H11 (Tenure by Hispanic or Latino) reported separately from H10 (Tenure by Race of Householder), and not reported by the ACS estimates.*

homeownership rates suggest that ongoing disparities in access to housing opportunities still exist.

Implications: Addressing these disparities requires comprehensive strategies, including policy reforms to promote affordable housing across Molalla, initiatives to combat discrimination in lending practices and increase awareness of Fair Housing rules, and programs aimed at supporting minority homeownership. This could involve expanding access to credit, providing down payment assistance, and enforcing fair housing laws to ensure equitable treatment for all residents.

Housing Need of People Living with Disabilities

A substantial segment of the population, nearly one in six residents in Molalla, is living with some form of disability. This figure is nearly double the percentage of Clackamas County. Disability types relevant to housing need include:

- **Ambulatory Difficulties:** Challenges related to walking or moving around.
- **Cognitive Difficulties:** Issues with mental processes such as memory, problem-solving, or concentrating.
- **Hearing Difficulties:** Problems with hearing, which may range from partial to total hearing loss.

About 16% of Molalla's population reported experiencing a disability, compared to Clackamas County at 13%.[15]

Implications: This prevalence underscores the importance of ensuring that community services, infrastructure, and policies promote inclusivity and accessibility to all individuals, regardless of their physical or cognitive functions. Disabilities impact housing decision in a number of ways:

- **Need for Adaptations:** Given the high percentage of people with ambulatory and other disabilities, there is a critical need for accessible housing. This includes features like ramps, wider doorways, modified bathrooms, and ground-floor units to accommodate mobility issues.
- **Universal Design:** Promoting universal design principles in new housing developments can help ensure that homes are accessible to people of all abilities, enhancing independence and quality of life for residents with disabilities.
- **Housing Choice:** People living with disabilities might have a greater need to be near doctors and services, making the choice of neighborhood especially important.

[15] *Calculations based on U.S. Census ACS 2022 (5-year estimates) Table B18101 Sex by Age by Disability Status.*

The data on disability prevalence in Molalla highlights the need for comprehensive strategies to support individuals with disabilities. By addressing housing accessibility, enhancing support services, and promoting inclusive and fair policies, Molalla can work towards becoming a more inclusive and equitable community for all residents. This requires coordinated efforts from government, community organizations, and residents to ensure that the needs of people with disabilities are met and that they can fully participate in all aspects of community life.

Housing Need of People Experiencing Houselessness

According to point-in-time (PIT) reports for 2023, there were approximately 410 people experiencing houselessness in Clackamas County. This provides important insights into the housing crisis in the region. These figures indicate a significant houselessness issue within Clackamas County, necessitating attention, intervention, and collaboration between local authorities, social service agencies, and the community.

The McKinney Vento Report for Molalla River School District for 2022-2023 PK-12 reported 42 children living doubled-up with other families and no children in motels, shelters, or unsheltered. To fully understand the implications of the data, it's essential to explain what a PIT count is, its limitations, and what these findings mean for the community.

Understanding Point-in-Time (PIT) Counts:

- **Definition:** A Point-in-Time (PIT) count is a survey conducted to measure the number of people experiencing houselessness on a single night in January. This count is mandated by the U.S. Department of Housing and Urban Development (HUD) and is typically carried out by local Continuums of Care (CoCs), which are regional planning bodies that coordinate housing and services funding for homeless families and individuals.
- **Purpose:** The PIT count aims to provide a snapshot of houselessness in the community, capturing both sheltered (those in emergency shelters or transitional housing) and unsheltered (those sleeping in places not meant for human habitation, such as streets, cars, or abandoned buildings) populations.
- **Temporal Limitation:** Since the PIT count is conducted on a single night, it may not capture the true scale of houselessness over time, missing those who are temporarily housed or not visible during the count.
- **Undercounting:** Certain populations, such as youth, families, and individuals who are couch-surfing or living in hidden locations, are often underrepresented. People may also avoid being counted due to stigma or fear of authorities.
- **Weather and Conditions:** Weather conditions on the night of the count can significantly impact the results. For instance, extreme cold might drive more

people to shelters, while milder weather might see more people staying outdoors.

Implications: While the PIT count has limitations and may underrepresent the true extent of houselessness, it provides a valuable snapshot that can inform policy, resource allocation, and community action. The actual number of people experiencing houselessness throughout the year is likely higher due to the limitations of the PIT count. To effectively address houselessness, a multifaceted approach is needed, focusing on expanding housing options, enhancing support services, and fostering collaboration through coordination with the county, specifically Clackamas County Coordinated Housing Access and among housing partners such as Bridges to Housing, Central City Concern, and Path Home.

- **Shelter and Housing Needs:** The data underscores the need for more emergency shelters, transitional housing, and permanent supportive housing to accommodate and support those experiencing houselessness.
- **Support Services:** Beyond housing, there is a need for comprehensive services, including mental health care, substance abuse treatment, job training, and case management, to address the root causes of houselessness and support individuals in transitioning to stable housing.

Appendix B. Existing Policies

Molalla has implemented several zoning and code changes to efficiently use land within the existing UGB to address housing needs and to promote affordability while ensuring compliance with development standards.

Here is an overview of the city's initiatives:

Establishing Minimum Density Standards

Molalla's development code includes minimum density standards to guide residential development effectively. The lowest allowable density in the R-1 residential zone is set at four units per acre, ensuring efficient land use in this zone. This standard is codified through the city's lot and development standards, as outlined in the municipal code.

Encouraging Lower-Cost Housing Types

Molalla's development code permits various affordable housing types across all residential zones without differentiating between manufactured and stick-built homes. Examples include common-wall developments, cottage clusters, and accessory dwelling units (ADUs). Additionally, ADUs and second-story apartments are allowed in commercial zones, offering flexibility and affordability in housing options.

Expanding the Definition of Housing Units

Molalla accommodates Single Room Occupancy (SRO) units in residential zones, provided they meet building codes. This inclusive approach ensures that SROs are treated similarly to other housing types under the city's development code.

High-Density Requirements for Annexed Land

The city has established unit mix requirements for annexed land, targeting a composition of 55% low-density, 25% medium-density, and 20% high-density housing. These targets align with the Housing Needs Analysis (HNA) and support diverse housing options in newly incorporated areas.

Mixed Housing Types in Planned Unit Developments (PUDs)

Molalla's PUD code facilitates the inclusion of various housing types within planned developments, allowing for greater flexibility and diversity in residential design.

Reducing Regulatory Impediments

Molalla has taken steps to streamline regulatory processes and reduce barriers to development:

- **Parking Requirements:** Minimum parking standards are flexible, allowing applicants to propose alternative standards based on engineered parking demand assessments during design review. The downtown C-1 district has no minimum parking requirement, and other reductions can be approved through the design review process.

- **Streamlining Permitting:** The city offers a comprehensive pre-application process involving outside agency partners to guide projects from conception to completion. Additionally, the transition to an online permitting platform is underway, further enhancing efficiency.

Promoting a Pro-Housing Agenda

While Molalla's agenda is neutral in tone, its development code reflects a commitment to diverse housing options and non-discrimination against affordable housing types. This approach fosters a more inclusive housing environment.

Sidewalk Infill and Improvement Grant

Improving sidewalks and pedestrian infrastructure helps enhance neighborhood walkability and connectivity, making areas more desirable without displacing current residents. This action supports neighborhood revitalization without driving up property values in a way that would force lower-income households to relocate, contributing to long-term housing stability

Supporting Active Transportation

Bike parking requirements for multifamily developments align with DLCD recommendations, requiring 0.5 stalls per unit. This standard is consistent with actual usage patterns and promotes active transportation options.

Addressing NIMBYism

Molalla mitigates opposition to affordable housing by emphasizing adherence to substantive criteria in code language. Regular training for new Planning Commissioners ensures consistent rulings based on established criteria, and quasi-judicial hearing procedures reinforce these principles. This approach has led to decisions that are less likely to be appealed.

Additional Efforts

Molalla has introduced a sidewalk improvement grant program, offering up to $10,400 in funding to enhance pedestrian infrastructure, further supporting accessible and connected neighborhoods.

Appendix C: Glossary

Accessory Dwelling Units (ADUs): Secondary housing units on the same lot as a primary residence, often smaller and designed to increase housing options.

Affordable Homeownership: Housing opportunities that allow lower-income households to own homes, often through subsidies or reduced-cost programs.

Affordable Housing: Housing that costs less than 30% of a household's gross income, ensuring affordability for low- and moderate-income residents.

Area Median Income (AMI): The midpoint of a region's income distribution, used to determine housing affordability and eligibility for housing programs.

Buildable Lands Inventory (BLI): An analysis identifying land available and suitable for residential development within the Urban Growth Boundary.

Community Land Trusts: Nonprofit organizations that acquire and hold land for affordable housing, ensuring long-term affordability.

Cost-Burdened Households: Households spending more than 30% of their income on housing expenses.

Cottage Cluster Housing: A group of small, detached homes sharing a common courtyard, providing affordable and community-oriented housing options.

Density: The number of housing units per acre of land, used to describe the intensity of residential development.

Eviction Prevention Programs: Initiatives designed to help renters avoid eviction, often through financial assistance or legal support.

Fair Housing: Policies and practices ensuring equal access to housing opportunities regardless of race, ethnicity, disability, or other protected statuses.

Federal Poverty Level (FPL): A measure of income used to determine eligibility for government assistance programs, adjusted annually based on household size.

Gentrification: The process by which higher-income individuals move into lower-income neighborhoods, potentially displacing existing residents.

Houselessness: A term used to describe individuals and families who lack stable housing, often emphasizing the systemic causes rather than individual shortcomings.

Housing Capacity Analysis (HCA): An evaluation of a city’s ability to meet future housing needs through available land and development policies.

Housing Production Strategy (HPS): A comprehensive plan outlining actions and policies to meet a community’s housing needs, focusing on affordability and equity.

Inclusionary Zoning: A policy requiring developers to include affordable housing units within new residential developments.

Low-Income Housing Tax Credit (LIHTC): A federal program providing tax incentives to developers for building or rehabilitating affordable housing.

Median Family Income (MFI): Similar to AMI, this figure reflects the income distribution of families in a specific region.

Mixed-Use Development: A type of urban development that blends residential, commercial, cultural, or industrial uses in one space.

Planned Unit Development (PUD): A designed grouping of varied land uses, such as housing, recreation, and commercial centers, in one contained development or subdivision.

Point-in-Time (PIT) Count: An annual survey estimating the number of people experiencing homelessness on a specific night.

Property Tax Exemption: A program reducing property taxes for specific properties, often linked to affordability or nonprofit ownership.

Protected Classes: Groups of people legally protected from discrimination in housing, including race, color, religion, sex, disability, familial status, and national origin.

Rent-Burdened Households: Renters who spend more than 30% of their income on housing costs.

Severely Cost-Burdened Households: Households spending more than 50% of their income on housing expenses.

Short-Term Rentals (STRs): Residential units rented out for short durations, often regulated to preserve long-term housing availability.

System Development Charges (SDCs): Fees imposed on new development to fund infrastructure improvements such as roads, parks, and utilities.

Tax Abatement: A reduction or exemption of property taxes for a specific period, often used as an incentive for affordable housing development.

Transitional Housing: Temporary housing designed to help individuals and families move from homelessness to permanent housing.

Urban Growth Boundary (UGB): A regional boundary set to control urban sprawl and protect rural land by concentrating urban development.

Urban Renewal Area (URA): Designated areas for revitalization, often using tax increment financing to fund infrastructure and housing development.

Vacancy Rate: The percentage of unoccupied housing units within a specific area, used as an indicator of housing market health.

Workforce Housing: Housing targeted at middle-income workers, often close to employment centers, and typically affordable for households earning 60-120% of AMI.

Zombie Housing: Vacant or abandoned properties that have fallen into disrepair, often targeted for redevelopment to increase housing stock.

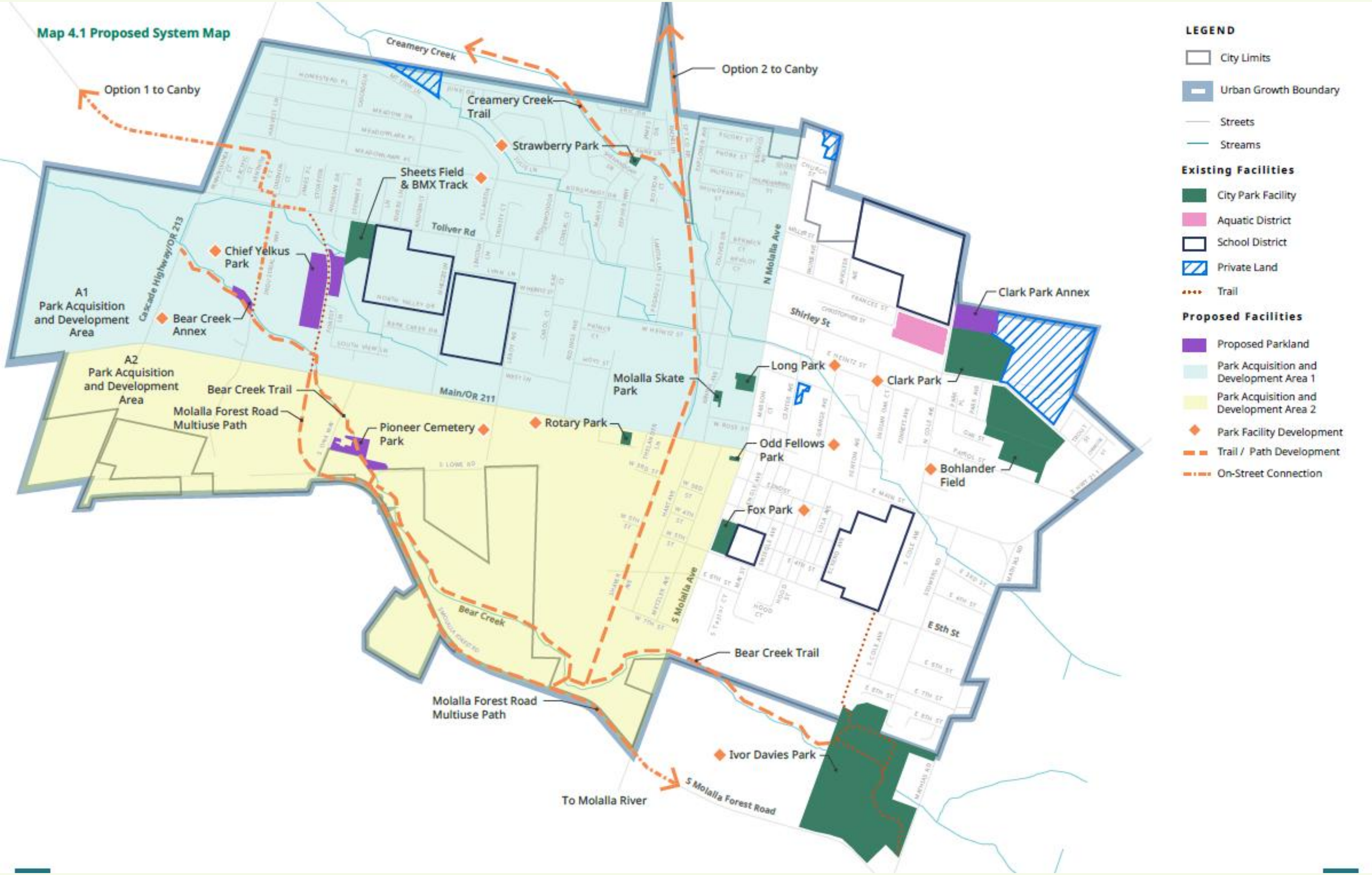
Zoning Code: A set of regulations defining land use and development standards within specific geographic areas.

PARKLAND DEDICATION OR FEE IN LIEU DISCUSSION

March 5, 2025 Planning Commission Meeting

Introduction

- The Parks, Recreation, and Trails System Plan was adopted by City Council on February 12, 2025
- Established a new standard in the City's Comprehensive Plan for providing 7 acres of park land per 1,000 residents
- Developers must meet this standard for new developments
- 2014 Molalla Comprehensive Plan Park and Recreation Policy 2.2
    - Developers shall be required to provide park space or a fee in lieu to ensure parks are available to citizens and/or funds for improvements of existing parks are available.


Map 4.1 Proposed System Map
LEGEND
City Limits
Urban Growth Boundary
Streets
Streams
Existing Facilities
City Park Facility
Aquatic District
School District
Private Land
Trail
Proposed Facilities
Proposed Parkland
Park Acquisition and Development Area 1
Park Acquisition and Development Area 2
Park Facility Development
Trail / Path Development
On-Street Connection
Option 1 to Canby
Option 2 to Canby
Creamery Creek
Creamery Creek Trail
Strawberry Park
Sheets Field & BMX Track
Toliver Rd
Chief Yelkus Park
A1 Park Acquisition and Development Area
Bear Creek Annex
Cascade Highway/OR 213
A2 Park Acquisition and Development Area
Bear Creek Trail
Molalla Forest Road Multiuse Path
Main/OR 211
Pioneer Cemetery Park
Rotary Park
Molalla Skate Park
N Molalla Ave
Shirley St
Long Park
Clark Park
Clark Park Annex
Odd Fellows Park
Bohlander Field
Fox Park
S Molalla Ave
E 5th St
Bear Creek
Bear Creek Trail
Molalla Forest Road Multiuse Path
Ivor Davies Park
To Molalla River
S Molalla Forest Road

Funding Strategies

- Park improvements have historically been funded by the General Fund (which relies on property tax revenue), and the Parks SDC fund

- In the Plan, the following strategies were identified as anticipated funding sources for parks system capital improvements and operation & maintenance
    - System Development Charges (SDCs) Update
    - Grants
    - General Obligation Bonds
    - Local Option Levy
    - User Fees
    - Land Dedication (today's focus)

- Reiterates Park and Recreation Policy 2.2 in the 2014 Molalla Comprehensive Plan

Land Dedication or Fee in Lieu

The Parks, Recreation, and Trails System Plan provides:

- The City should update its development policies to require developers to provide a specific amount of park land, or a fee in lieu of, to ensure parks and/or funds for park system improvements are available

- This funding method was broadly supported by the community during the public engagement process

MMC §17-3.6.030 Public Use Areas

- Dedication of Public Use Areas.
  - Where a proposed park, playground, or other public use shown in a plan adopted by the City is located in whole or in part in a subdivision, the City ***may*** require the dedication or reservation of this area on the final plat for the subdivision

- System Development Charge Credit.
  - Dedication of land to the City for public use areas, voluntary or otherwise, may be eligible as a credit toward any required system development charge for parks

- This section needs to be updated to reflect the new Plan policy to ***require*** developers to dedicate parkland or provide a fee in lieu

Parkland Dedication Requirements

- This will apply to the following types of new development:
  - Residential Land Divisions that could legally result in a future subdivision of 4 lots or more
  - Master Planned Developments
  - Multi-Family Developments

- Land will be required to be dedicated on the final plat. Where a development (such as multi-family) does not have a final plat, land shall be dedicated by recording a deed, easement or other appropriate document prior to building permit issuance

Calculation of Parkland Dedication

- The required parkland acreage to be dedicated shall be based on the following formula:

Required parkland dedication (acres) =
(Proposed # of dwelling units) x (Persons/dwelling unit) x
0.007 (Per person parkland dedication factor)

- Persons/dwelling unit to be calculated at:
  - Single-family dwelling – 3.0 persons/dwelling unit
  - Duplex dwelling – 3.0 persons/dwelling unit
  - Multi-family – 2.0 persons/dwelling unit

Parkland Dedication Additional Requirements

- Developers will be required to clear, fill, and/or grade the dedicated parkland, install sidewalks on the parkland adjacent to any street, and seed the parkland prior to dedication

- For phased developments, the required parkland for the entire development shall be dedicated on the final plat for the first phase

- Dedicated parkland shall not be subject to any other easements or encumbrances

Fee in Lieu of Dedication

- There are instances where it may not be practical or suitable to dedicate parkland, so developers will be required to pay a fee in lieu of dedication

- Examples:
    - The development is in an area that is not designated as Proposed Parkland or within the Park Acquisition and Development Area on the Proposed System Map
    - When the amount of land to be dedicated is less than a suitable size for a park area
    - When substantial private common areas are req.

- Separate from park SDCs and is not eligible for a credit of park SDCs

- To be established by Resolution adopted by City Council

- Rates can be based on tax assessed value of land and be updated annually

Other Applicable Sections of Code to be Updated

MMC § 17-2.3.080 Multifamily Development.

- Requires a minimum of 15% of the site area to be designated as common area or open space

MMC § 17-4.8.060 Concept Plan Approval Criteria (Master Planned Developments).

- Requires a minimum of 20% open space, which may be public, private, or a combination of both

- We don't want to require developers to provide required open space and dedicate parkland, which may be a good instance for fee in lieu

QUESTIONS FOR DISCUSSION

1. Do you agree with the types of development to which this applies?

2. Are there any specific instances in which the City should allow a fee in lieu to be paid?

3. Is a fee in lieu based on the taxed assessment of land appropriate?

4. Who should determine if dedicated parkland is not suitable and a fee in lieu may be allowed instead (Staff, Planning Commission, City Council)?

5. Any other questions or comments?