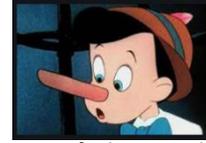


**Middle Housing Affordability  
FAQ (Frequently Asked Questions) ...  
& FMA (Frequently Misleading Answers)<sup>1</sup>**



**Question 1: Can the City require that new middle housing units be affordable to people in certain income ranges?**

**Informative Answer:** Yes. The City can require that a developer can take advantage of the financial benefit of smaller lots, larger structures, and less parking *only if they provide a City-specific number of dwellings (even all dwellings) at a rental rate or purchase price that is affordable to Low Income (LI), Very Low Income (VLI), or Extremely Low Income (ELI) households (as defined by the U.S. Department of Housing and Urban Development (HUD).*

While the City may not be able to mandate that *all* middle housing development provide at least some affordable dwellings, it can adopt a *quid pro quo* requiring affordable dwellings in order to have less stringent lot and development standards.

The City can also adjust its recently adopted Construction Excise Tax to favor lower-cost dwelling units and capture more money from investors in luxury housing, which would increase affordable housing funding.

**Misleading Answer:** State law does not allow jurisdictions to require all new middle housing to be affordable at a specific income level. Imposing affordability requirements on private development (known as "inclusionary zoning") is allowed by Oregon law only for development with at least 20 units per building, and only if certain incentives are offered in exchange. This would also be prohibited by House Bill 2001 because it would almost certainly constitute an unreasonable cost that is not applied to single-family housing. The City **could make density bonuses, lower parking ratios, or other code incentives that go beyond minimum compliance** available only for development that meets certain affordability criteria but must allow middle housing subject to standards consistent with HB2001 regardless of pricing.

**How is this misleading?** The Planning Division (PD) staff are recommending that all the "bonuses" listed simply be given to developers *without requiring any community benefit*. Instead, the code amendments should allow *only* what HB 2001 dictates, and all further levels of deregulation should require a community benefit, particularly more affordable dwellings.

New middle housing is likely to be affordable to a broader range of households than new single-family detached homes ...

**How is this misleading?** The PD staff recommendation leaves *all* decisions of the housing type, cost, location, and tenancy (homeowner or rental) to investors. Compelling evidence, both national and local has been submitted to the PD staff and Planning Commissioners that the extreme deregulation they are proposing, which goes far beyond the HB 2001 requirements, will

---

<sup>1</sup> The five questions and "misleading answers" were presented by Eugene Planning Division staff to the Eugene Planning Commission (EPC) in response to testimony presented to the EPC with substantial evidence that the staff recommendation for code amendments would worsen, rather than improve, housing affordability. Not surprisingly, staff's "answers" do not provide any evidence to support their misleading "arguments." Interested citizens can find solid evidence for the "informative answers" at [Housing-Facts.org](http://Housing-Facts.org).

## Middle Housing Affordability FAQ and FMA

create powerful financial incentives to investors to demolish lower-cost houses and replace them with expensive, luxury rentals. Staff's claim is somewhat of a "bait-and-switch." It is undeniable (and obvious) that the total construction cost per dwelling, counting the cost of the land, can be less for a duplex, triplex, or fourplex than a single, detached dwelling on the same sized lot. But that does not mean that investors would build such new plexes as affordable as these cost savings would allow.

... however, it is very difficult to deliver new housing (of any form) that is affordable to the City's lowest income residents without public subsidy. Even if it were legal, requiring middle housing to offer below-market rents or sales prices without providing public subsidy or incentives would likely make it impossible for the private market to develop.

**How is this misleading?** This posits an extreme case – the "lowest income residents" (ELI category, with household income less than 30% of the Median Family Income) are not the only ones who face housing cost burdens. Not only would it be possible, but it is also being done in other cities where – *without financial subsidies* – a residential development (e.g., a fourplex or rowhouse development) has a combination of relatively expensive apartments and apartments that are affordable to Low Income households (household income between 50% and 80% of the Median Family Income).

It would also mean that middle housing would face even greater obstacles compared to single family development. Nearly all for-profit developers would likely continue to build single family homes. Some non-profit or affordable housing builders would be able to build middle housing, but it would rarely be delivered by the private market.

**How is this misleading?** This is pure conjecture and contrary to evidence in other jurisdictions.

### **Question 2: Are there ways for the City to provide incentives or other strategies to make middle housing more affordable?**

**Informative Answer:** Yes. But the PD staff and Planning Commission have explicitly refused to propose code amendments that would take advantage of the available strategies. See the "Informative Answer to Question 1, above.

**Misleading Answer:** Yes, the City has discussed and is considering several options for encouraging or incentivizing development of middle housing that would be affordable to a wider range of residents. These include:

- Allow for development of middle housing with smaller lot sizes and/or more units on each lot, to reduce land cost per unit.
- Offer a density bonus if property owners want to keep some units affordable to people earning limited incomes.
- Encourage smaller middle housing unit sizes by reducing lot area requirements and eliminating off-street parking mandates when units are smaller than 900 square feet.
- Reduce city fees, property taxes, and/or the cost of associated public facilities for middle housing units that are affordable to people with lower incomes.

## Middle Housing Affordability FAQ and FMA

**How is this misleading?** The City has simply *given away* the first three “incentives” in the extreme deregulation that goes far beyond what HB 2001 requires, without actually requiring any investor or developer to use the financial benefit of these “incentives” to produce housing at rental rates or purchase cost that passes to the renter or buyer a sizable portion of the theoretically reduced cost. Instead, the evidence is clear that investors are not stupid or charitable, to the reduced costs are simply exploited for greater profit margins.

Similarly, hypothetically reducing development fees, property taxes, and developer requirements for public improvements (e.g., sidewalks) all accrue to the financial benefit of the investor without any required community benefit.

In contrast, the City could revise the Construction Excise Tax to encourage lower-cost housing and capture more funding for affordable housing from luxury apartment development.

### **Question 3: How else will the City’s proposed middle housing standards address City equity and affordability goals?**

**Informative Answer:** The proposed extreme deregulation leaves all decisions to investors regarding the location, housing type, tenancy, and price, which is going to “address City equity” by making it worse. Some well-off households will benefit from more housing choices and perhaps lower prices. However, lower-income households will be worse off from demolitions, displacement, and rising rents as investors “cannibalize” lower cost homes that are in “high amenity” neighborhoods (e.g., the lower cost houses in the “flats” north of East 29<sup>th</sup> Ave. and east of South Willamette and Donald Sts.).

**Misleading Answer:** Implementation of the proposed middle housing code updates will enhance housing equity and affordability in the long-term in a variety of ways.

- Increasing the overall supply of housing in the City will help keep housing costs from escalating faster than incomes as the City grows. This will have a positive effect on affordability of all housing over time.

**How is this misleading?** This is contrary to the evidence of the effect of free-market-based deregulation/upzoning on LI, VLI, and ELI households when the upzoning is not accompanied with affordability requirements or protection against displacement.

The well-established “supply-and-demand” behavior in the housing market is limited to the various submarkets (by location, type, and price). Increasing the supply of expensive housing does not have a beneficial effect on lower cost housing. And where upzoning results in redevelopment/gentrification of neighborhoods with lower-cost housing, the effect is displacement and/or increasing rental rates.

- Allowing middle housing in the City's low-density residential zones creates opportunities to expand the supply of moderate-cost housing in the City.

**How is this misleading?** See the previous debunking of this claim. Fundamentally, upzoning low-density residential areas also creates “opportunities to expand the supply of *expensive* housing in the City”; and local and national evidence clearly demonstrates that is exactly what investors will develop because the return on their investment is higher.

## Middle Housing Affordability FAQ and FMA

- Reducing lot sizes for middle housing will reduce the cost of development associated with land, which allows middle housing to be developed in more situations and potentially at more affordable price-points.

**How is this misleading?** This is just a different version of the first claim in the misleading answer to Question 2. Here, the operative word is “potentially,” which would be more accurately stated as “unlikely.”

- Allowing for middle housing broadly across the City will help improve the equitable distribution of middle housing in a wider range of neighborhoods and provide a greater variety of housing options, including homeownership and wealth building opportunities, in more parts of the City.

**How is this misleading?** This claim earns five “Pinocchios.” First, the extensive areas of low-density zoning that are covered by Covenants, Conditions, and Restrictions (CC&Rs) that limit a lot to no more than one dwelling are *entirely exempt* from the proposed upzoning.

Second, investors can make a much greater profit by redevelopment of Eugene’s close-in, low-density neighborhoods on flat ground than they can in hillside neighborhoods in the arc around the southeast/south/southwest hills below the ridgeline. “Allowing” has no relevance at all to what the market response will be.

Finally, in the Eugene housing market, investors are not going to buy large \$500,000 homes and knock them down to develop a fourplex. There are far too many available lower cost rental houses, in attractive neighborhoods around the University, in the Jefferson Westside area, and the Whiteaker, to name just a few “high target” areas.

The tragic irony of this misguided PD staff and planning commissioner claim is that well-informed “housing justice” advocates strongly advocate for protecting existing lower-cost houses (and plexes and apartments) that are interspersed in “high opportunity” areas because this provides true “spatial diversity” in contrast to the economic segregation that is typical of new developments.

### **Question 4: Is increased regulation of middle housing beneficial in creating more housing opportunities?**

**Informative Answer:** Evidence-based and context-appropriate regulation of housing is one of the essential components of ensuring safe, healthy, and affordable housing that has the same benefits for lower-income households that are available to households in expensive housing areas.

The other essential component is the well-established need for “[land value capture](#),” which in short means that when a community (e.g., Eugene) upzones areas and/or funds improved infrastructure, services, and local businesses, the increase in land value should be “captured” for community benefit. Capturing this community-generated value for community benefit is the most powerful way to ensure housing equity.

There are many ways to implement land value capture, one of which is to require some concrete “community benefit” (such as affordable housing) from investors who profit from the community’s increase in the value of the land that the investors develop. Eugene could also capture more value through adjustments to its Construction Excise Tax.

## Middle Housing Affordability FAQ and FMA

**Misleading Answer:** In general, imposing more regulation on the development and design of any form of housing tends to increase the cost of producing and providing that housing. While it is important to continue to regulate certain aspects of housing development in a reasonable, fair and consistent manner, too much regulation can constrain housing production in ways that drive up housing costs overall. However, if calibrated carefully to the local housing market so that new development remains viable, regulations that limit the size of new homes (including single-family detached homes as well as middle housing) can help prevent very large homes that are more likely to be expensive from "out-competing" smaller and lower-cost housing options.

**How is this misleading?** It is patently (and obviously) false that any form of increased regulation increases costs. This claim is even contradicted in the final sentence, *i.e.*, placing a maximum floor area on dwellings inarguably *reduces* costs – although investors who want to maximize their profits might still object, because investors are not interested primarily in *costs*, their decisions are based more on potential profits and risk.

This misleading answer simply fabricates what “can help” with no evidence of what *has happened* in other communities when there has been extreme deregulation and all decision are left to the investors’ analysis of how best to maximize profit while managing potential risk. As local development already demonstrates, investors are maximizing profit by building expensive new rentals, whether luxury student housing or larger apartments.

**Question 5: What else can the City do to support development of housing affordable to people with limited means?**

**Informative Answer:**

1. Limit the deregulation of zoning to the minimum necessary to comply with the HB 2001 dictates.
2. Concurrently with HB 2001 mandated deregulation, adopt the most stringent regulations to prevent and/or mitigate demolition and displacement.
3. Assess the number of dwellings needed in each category of housing types, tenancy, and ranges of rental costs in order to provide housing that is affordable to Middle Income, LI, VLI, and ELI households and limit zoning “bonuses” for market-rate development of middle housing to those categories.

Obviously, some investors would still develop housing affordable only to middle- and upper-income households. However, a number of individuals and organizations have indicated they would develop housing for LI and VLI households if plexes were allowed more broadly.

4. Implement “[Land Value Capture](#)” regulations and programs.
5. Implement “[Community Land Trust](#)” programs and funding.

**Irrelevant (and misleading) Answer:** The City can continue to work with non-profit and market rate developers of all forms of housing that are affordable to people with low incomes. This includes continuing to implement a variety of strategies including: use of publicly owned land, reduction of system development charges or other fees, implementation of property tax abatement programs, provision of technical assistance by City staff, use of state and federal funds for subsidies, and others.

## Middle Housing Affordability FAQ and FMA

**How is this misleading?** Obviously, all of the ideas listed by staff are purely hypothetical and have no relevance to the extreme, market-based deregulation that staff is actually recommending for adoption.

But much of the staff answer is also misleading. Using public land, lowering development fees, and tax abatement are all financial benefits to investors. All of these should have a commensurate requirement for community benefit, rather than being given away as so-called “incentives” for housing affordability.

**Last question: Which answers can a Eugene citizen rely on?**

**Informative Answer:** Listen to credible, in-the-ranks advocates for “housing justice.” You’ll find three compelling witnesses at the following webpage: [Housing-Facts.org/voices](https://Housing-Facts.org/voices)