
Scaling System Development Charges and Layering Incentives for Housing Production

City of West Linn Housing Production Strategy

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To City of West Linn
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INTRODUCTION

This memo provides additional information on system development charges (SDC) and layering incentives and subsidies to promote low- to moderate-income housing productions. The memo describes options for scaling SDCs and shares various case study examples for SDC scaling and layering incentives. This memo supplements the information and recommendations in the Draft West Linn Housing Production Strategy (HPS).

Scaling System Development Charges

Draft HPS Strategy #3 (Update SDCs) includes recommendations for the City to modify the SDC fee schedule so that it is tied more directly to dwelling size. Currently, the City charges a uniform fee that applies the same rates for all single-family homes regardless of size. Each unit of a townhouse is also charged the same single-family fee. Multi-family and middle housing is charged a lesser fee per unit for parks and sewer SDCs.

Scaling SDC fees to dwelling size would better match a development's charges to its actual cost or impact on the system. Smaller housing units, including some middle housing types, typically have less impact on water, sewer, or transportation facilities, given the reduced average size and occupancy of these units. This is not fully reflected in West Linn's current SDC schedule, although the current schedule does include lower fees for multi-family and middle housing units.

To help ensure SDC fees correlate with dwelling size, the city can either tier SDCs by dwelling size or scale SDCs based directly on dwelling size. Dwelling size can be measured by total square footage or the number of bedrooms. Some examples other jurisdictions use for SDC tiering or scaling are summarized below with examples of jurisdictions using each approach noted:

- Single/middle housing:
 - **Tiered** based on dwelling size: Tualatin Hills Park and Recreation District, City of Eugene, City of Portland, City of McMinnville (DRAFT), City of Lake Oswego (DRAFT)

- **Scaled** based on dwelling size (square feet): City of King City, City of Albany
- **Multifamily housing:**
 - Scaled based on **bedrooms**: City of Eugene
 - **Tiered** based on dwelling size: City of Portland
 - **Scaled** based on dwelling size (square feet): City of King City

A tiered SDC scaling approach may be most appropriate for the City of West Linn. The City of Lake Oswego is currently exploring updates for their parks SDC methodology for residential development. Table 1 below is an example of how Lake Oswego is considering applying SDCs based on square footage tiers.¹ Each tier would correspond to an SDC fee that represents a percentage of the current SDC fee that is uniformly applied to single-unit dwellings. The City of West Linn could consider a variation of this tiered approach when updating the SDC methodology.

Table 1. Lake Oswego Parks SDC Tiers (DRAFT)

Square Footage Tier	% of current uniform SDC
< 2,000	68%
2,000 - 2,600	88%
2,600 - 3,600	104%
3,600 +	113%
Overall	100%
Source: ECONorthwest Analysis of 2022 5-year PUMS Data, Redfin for Lake Oswego	

In addition, the City of McMinnville is also considering a tiered approach for updates to their parks SDC methodology.² As shown in Table 2, the methodology that McMinnville is considering assumes a certain number of residents per household for each tier, with the assumption that lower tiers of dwelling size have fewer residents and therefore would include a lower SDC fee per unit. Similar to Lake Oswego and McMinnville’s approach, West Linn will likely need to use the latest US Census and/or PSU population data to help inform local household size assumptions.

¹ Note – the example in the table is a simplified version of Lake Oswego’s working draft SDC methodology, which also accounts for persons per household and number of bedrooms. The simplified version is being shared for discussion purposes. There is limited information on Lake Oswego’s working methodology, as it is still in the process of being updated.

² City of McMinnville City Council Work Session on Parks SDC Updates, 2024. https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/city_council/meeting/24962/cai.mig_mcminnville_park_sdc_council_update_draft.2024_0312.pdf

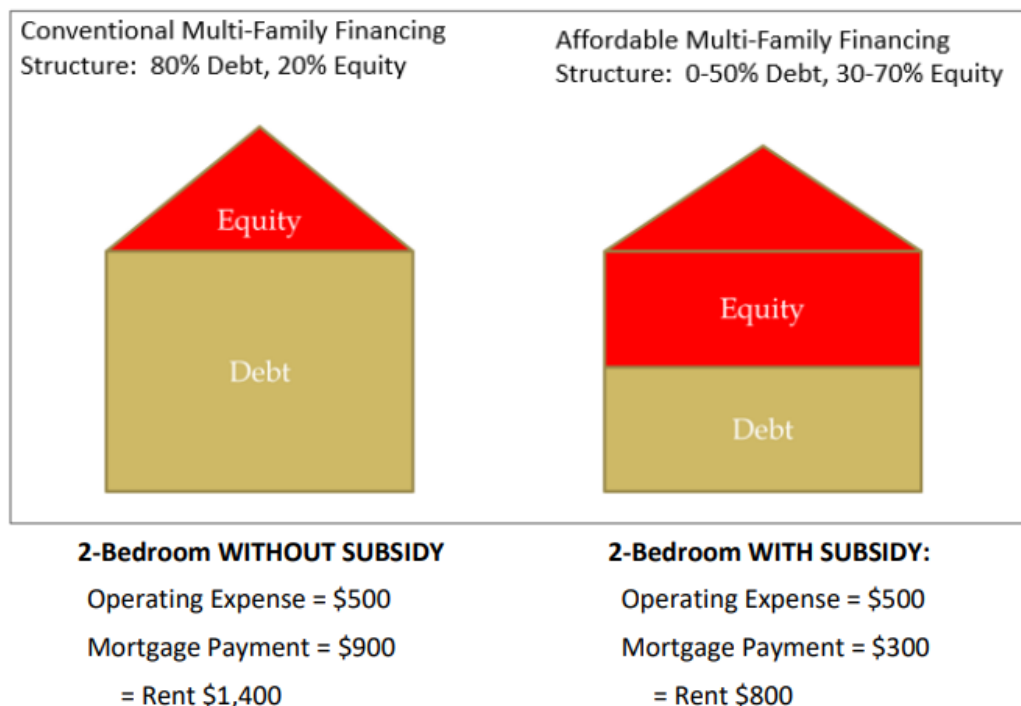
Table 2. McMinnville Parks SDC Tiers/Methodology (DRAFT)

Type of Development	Adjusted Cost per Person	Population per Occupied Unit	Park SDC per Unit
Residential			
Less than 500 sq ft	\$4,740.96	x 1.22 dwelling unit =	\$5,802.55
500 to 999 sq ft	\$4,740.96	x 1.94 dwelling unit =	\$9,181.32
1,000 to 1,999 sq ft	\$4,740.96	x 2.53 dwelling unit =	\$12,016.84
2,000 to 2,999 sq ft	\$4,740.96	x 2.80 dwelling unit =	\$13,272.08
3,000 to 3,999 sq ft	\$4,740.96	x 3.04 dwelling unit =	\$14,433.39
4,000 or more sq ft	\$4,740.96	x 3.16 dwelling unit =	\$14,958.79
Nonresidential			
Industrial/Manufacturing	\$4,740.96	x 0.0006 square foot =	\$2.66
Warehousing	\$4,740.96	x 0.0002 square foot =	\$0.75
Retail/Restaurant/Hospitality	\$4,740.96	x 0.0007 square foot =	\$3.33
Office	\$4,740.96	x 0.0006 square foot =	\$2.84

Layering Incentives and Subsidies for Low- to Moderate-Income Housing

The majority of affordable housing projects across the Metro region and Oregon rely on a combination of incentives and subsidies in order for the projects to be financially feasible. Figure 1 illustrates an example of how public funding is used to reduce debt on an affordable housing project. The saving on debt is passed on in the form of reduced rents (or home mortgage for ownership models) over a minimum period – typically 30 to 50 years.

Figure 1. Market Rate/Conventional vs. Subsidized Housing



Metro's Affordable Housing Bond program page includes a profile for each affordable housing project that received Metro Bond funding.³ Each of these project profiles includes details on all of the funding sources and incentives that helped bring the affordable housing project to fruition. Many of these projects included incentives and funding sources that are being considered as a part of the West Linn HPS, including SDC waivers, construction excise tax (CET), tax increment financing (TIF), land acquisition/banking programs, and various public-private partnership tools. For funding tools to support moderate-income housing, the City should explore the state's new Moderate-Income Revolving Loan Fund (MIRL).⁴

The 2023 Metro Housing Bond Report also catalogues the funding distribution for every Bond project that had been approved as of 2023, as shown in the Table 3 (Exhibit D in the Report).⁵ Some of the Bond case study examples of relevant projects are included below. For more examples and information, explore the [Metro Bond webpage](#).

³ Metro Bond Funding Progress Page. <https://www.oregonmetro.gov/public-projects/affordable-homes-greater-portland/progress#Affordability>

⁴ OHCS Moderate Income Revolving Loan Fund. <https://www.oregon.gov/ohcs/rental-housing/housing-development/development-resources/pages/moderate-income-revolving-loan.aspx>

⁵ 2023 Metro Housing Bond Report. <https://www.oregonmetro.gov/sites/default/files/2024/06/25/2023-Metro-Housing-Bond-Annual-Report.pdf>

Table 3. Metro Housing Bond Summary of Leveraged Capital Funding Sources (Exhibit D in 2023 Annual Report)

Jurisdiction	Project	LIHTC equity	Grants	Permanent loan	Metro housing bond	Sponsor contribution	Other
Beaverton	Elmonica Station	42.8%	3.7%	16.4%	34.9%	2.2%	0.0%
	Mary Ann	54.9%	16.8%	14.6%	13.7%	0.0%	0.0%
	Scholls Ferry	36.1%	15.3%	28.7%	11.3%	7.0%	1.6%
	Senior Housing on 5th	44.9%	9.3%	15.8%	20.8%	6.8%	2.4%
Clackamas	Fuller Road Station	42.8%	3.8%	31.7%	18.1%	3.6%	0.0%
	Good Shepherd Village	32.3%	6.0%	20.8%	30.1%	9.2%	1.6%
	Hillside Park A & B	33.0%	13.7%	14.5%	26.9%	6.7%	5.2%
	Hillside Park C	34.5%	1.2%	27.7%	22.0%	7.6%	6.9%
	Lake Grove	41.6%	4.0%	15.7%	33.7%	5.0%	0.0%
	Las Flores	33.1%	1.6%	36.5%	25.6%	3.1%	0.0%
	Marylhurst Commons	43.5%	10.3%	29.2%	7.1%	5.9%	4.0%
	Shortstack Milwaukie	0.0%	43.7%	47.0%	9.3%	0.0%	0.0%
	Tukwila Springs	29.1%	10.9%	21.3%	25.2%	11.6%	1.8%
	Wilsonville TOD	40.4%	7.1%	29.9%	14.6%	7.9%	0.0%
Gresham	Oak Row	0.0%	0.0%	46.5%	52.6%	0.9%	0.0%
	Rockwood Village	36.3%	6.6%	40.9%	7.9%	8.3%	0.0%
	Terracina Vista	40.0%	20.2%	28.6%	5.8%	5.3%	0.0%
	Wynne Watts Commons	40.7%	0.4%	22.1%	24.9%	11.9%	0.0%
Hillsboro	The Dolores	41.5%	0.6%	21.9%	30.4%	5.6%	0.0%
	Nueva Esperanza	43.7%	0.8%	21.5%	31.4%	2.5%	0.0%
Home Forward	Troutdale	36.2%	0.0%	19.5%	36.2%	8.2%	0.0%
Portland	Abbey Townhomes	0.0%	31.5%	43.3%	23.6%	1.7%	0.0%
	Aldea at Glisan Landing	34.5%	15.0%	17.3%	26.3%	6.9%	0.0%
	Albina One	41.5%	10.1%	14.4%	21.1%	10.1%	2.9%
	Barbur	37.9%	9.6%	13.6%	31.8%	7.1%	0.0%
	Beacon at Glisan Landing	31.0%	25.0%	11.1%	27.5%	5.4%	0.0%
	Carey Boulevard	0.0%	14.4%	56.7%	25.7%	3.2%	0.0%
	Carter Commons	41.5%	7.0%	11.7%	21.2%	5.8%	12.8%
	Dekum	41.4%	0.0%	20.4%	25.4%	12.8%	0.0%
	Dr. Darrell Building	45.7%	0.5%	20.4%	28.6%	4.9%	0.0%
	Findley Commons	0.0%	60.6%	7.2%	27.9%	4.3%	0.0%
	Garden Park	52.7%	5.6%	14.9%	6.5%	10.1%	10.4%
	Hattie Redmond	40.2%	36.7%	0.0%	18.4%	4.7%	0.0%
	Hollywood Hub	43.2%	15.2%	11.5%	3.1%	9.5%	17.5%
	Meridian Gardens	42.8%	8.3%	0.0%	43.8%	5.1%	0.0%
	PCC Killingsworth	48.2%	24.4%	15.9%	5.3%	6.1%	0.0%
	Portland Value Inn	43.8%	5.7%	14.6%	23.8%	9.6%	2.4%
	Powellhurst Place	43.0%	1.3%	18.5%	15.6%	2.8%	18.8%
	Strong Site	43.8%	3.0%	17.7%	29.4%	6.1%	0.0%
	Tistilal Village	48.8%	10.5%	11.1%	12.6%	2.2%	14.8%
	Waterleaf	34.4%	38.2%	17.2%	2.4%	7.7%	0.0%
Washington	Alongside Senior Housing	34.8%	7.7%	22.6%	24.5%	10.4%	0.0%
	Cedar Rising	42.7%	10.5%	11.7%	30.4%	3.2%	1.5%
	Goldcrest	41.6%	0.1%	15.1%	29.5%	9.6%	4.1%
	Heartwood Commons	0.0%	7.6%	0.0%	92.4%	0.0%	0.0%
	Opal Apartments	33.8%	5.3%	28.4%	26.2%	6.2%	0.0%
	Plambeck Gardens	44.6%	7.5%	14.6%	22.3%	8.7%	2.3%
	Plaza Los Amigos	34.3%	5.2%	23.4%	28.3%	4.7%	4.2%
	Terrace Glen	42.6%	0.9%	18.8%	32.3%	5.4%	0.0%
	The Valfre at Avenida 26	30.4%	3.7%	35.3%	27.9%	2.8%	0.0%
	Viewfinder	34.8%	0.8%	27.2%	35.2%	2.1%	0.0%
Woodland Hearth	34.9%	2.1%	22.4%	26.8%	10.4%	3.4%	



At a glance

Total development cost:
\$82.76 million

Metro bond funds: \$21 million

Bond funds per unit: \$143,000

Project type: mixed construction

Developer/owners: Home Forward

Architect: LEVER Architecture

General contractor: Walsh Construction

Local implementation partner:
Portland Housing Bureau

Other funding: Low-Income Housing Tax Credits (LIHTC), tax exempt bonds, Home Forward equity, private funding, SDC waivers, AHCET exemption, multimodal incentive fee reduction

Construction begins:
Stage 1: March 2022
Stage 2: April 2023

Anticipated completion:
Stage 1: April 2023
Stage 2: January 2025

oregonmetro.gov/housing

Dekum Court

NE 27th Avenue and NE Saratoga Street - Portland - Home Forward

Dekum Court is a redevelopment project that replaced 40 existing affordable homes and added 147 new affordable homes in Portland’s Concordia neighborhood. The project will be built in phases to avoid displacing current residents, allowing them to move directly into new units upon completion. The complex provides a range of apartment sizes from studios to four bedrooms. Walkable streets, bike paths and nearby frequent service bus lines connect residents to employment and education centers, parks, shopping and other necessities. Faubion Elementary School is two blocks away.

Planned amenities at Dekum Court include outdoor play spaces, community gardens, and off-street parking. A centralized community center will offer a community room and kitchen, laundry room, staff offices, and other flexible spaces. Community Advisory Committee input played a significant role in the final project design, leading to the inclusion of laundry hookups in each apartment, a covered basketball court, and a revised parking layout. The Committee also expressed a strong interest in using a portion of the site for affordable home ownership. To that end, 18% of the site was land banked for future affordable home ownership development. Additional site space is reserved for future educational programming.

Home Forward anticipates that the households living in the redeveloped Dekum Court will likely reflect current residents, of whom 63% are people of color, 49% are under 18 years old and 69% are very low income. Numerous coordinated services will be available at Dekum Court, including basic needs assistance, family and youth services, financial counseling, health services, legal services, job training, domestic violence advocacy and educational support.



At a glance

Total development cost:
\$147.6 million

Metro bond funds: \$41.7 million

Bond funds per unit: \$188,688

Project type: redevelopment/new construction

Developer/owners: Related NW, Housing Authority of Clackamas County

Architect: Ankrom Moisan

General contractor: Walsh Construction

Partners: Impact NW, Unite Oregon, Community Vision

Other funding: Low-Income Housing Tax Credit (LIHTC), LIFT, Federal Infrastructure Grant, Milwaukie Construction Excise Tax funds, Metro affordable housing bond, Metro Transit-Oriented Development, HOME-ARP and HOME funds

Construction begins: July 2024

Anticipated completion: Sept 2026

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Hillside Park – Buildings A, B, & C

SE Community Parkway - Milwaukie - Housing Authority of Clackamas County and Related NW

Hillside Park is a master-planned redevelopment of an existing public housing site. The proposed redevelopment is a mixed-income housing community that will add 221 new bond-eligible affordable homes ranging in size from studios to three-bedrooms.* Buildings A & B of Hillside Park will include 40 project-based vouchers and 13 permanent supportive housing units, while Building C will include 100 project-based vouchers and eight permanent supportive housing units.

The rapidly increasing cost of living in Milwaukie makes it harder for households with lower income to afford housing. This project will reduce displacement by ensuring long-term housing affordability and providing culturally specific services.

Situated in the Ardenwald neighborhood a mile northeast of downtown Milwaukie, Hillside Park has good access to numerous community amenities. Two grocery stores, several public parks, a natural area, two bus stops and four schools are all within a mile of the property. In recognition of its proximity to a frequent service bus line, this project is also supported by Metro’s Transit-Oriented Development Program.

The Housing Authority of Clackamas County and other key nonprofit partners will provide resident services. Services include housing retention, employment, financial security, benefits navigation, health and wellness, transportation, and family services.

The development team is designing the project to achieve Earth Advantage Gold or higher certification. Hillside Park buildings will be solar-ready and feature all-electric building systems.

*While Hillside Park Buildings A & B, C will deliver 275 total units, only 221 are eligible for bond funding due to the need to replace 54 regulated affordable homes on site.



At a glance

Total development cost:
\$57.1 million

Metro bond funds: \$2.2 million

Bond funds per unit: \$41,000

Project type: mixed construction

Developer/owners: Innovative Housing, Enterprise Communities Fund

Architect: LRS Architects

General contractor: LMC Construction

Other funding: Metro bond, Low-Income Housing Tax Credit (LIHTC), Portland Housing Bureau, SDC waiver, ODOT easement payment, weatherization grants/rebates, Portland Clean Energy Fund grant

Construction begins: June 2023

Anticipated completion:
October 2025

oregonmetro.gov/housing

Garden Park Estates

SE 136th & Powell - Portland - Innovative Housing, Enterprise Communities Fund

Garden Park Estates in outer Southeast Portland’s Powellhurst-Gilbert neighborhood currently comprises 62 two-bedroom apartments and one three-bedroom house. Most of the buildings’ major systems are now reaching the end of their useful life, and the property is in growing need of reinvestment. By better utilizing the generous site, Innovative Housing will add 54 units to the existing site using funding from the Metro affordable housing bond. The new apartments will range in size from studios to three-bedrooms. Garden Park’s newly configured site will provide lower rent levels and a more comprehensive array of unit types than currently offered, including 25 permanent supportive housing apartments for individuals exiting homelessness and additional family-sized units. A phased construction and relocation plan will minimize the impact on existing residents.

Residents will be served by a full-time resident services coordinator, housing support specialist, peer support specialist, and support from the building manager and assistant manager.

Amenities include a children’s play area, on-site management offices, laundry room, community/resident services space, and an outdoor amphitheater performance space that will be used by Innovative Housing’s youth arts program and available to members of the surrounding neighborhood. Garden Park Estates is located near three frequent service bus lines (the #2, #9 and #17) and three major grocery stores, along with other retail and services to meet the needs of residents. The expansive Powell Butte Nature Park is one mile away.