
Landscape Report

Bend 2030

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Bend 2030

REPORT

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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That assistance notwithstanding, ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of housing economics and real estate finance, and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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Purpose

Housing affordability is an increasingly important economic development need in Bend. Median for-sale home prices have increased rapidly over the past several years, and now rival prices in the much larger market in Portland. The situation is affecting all of Bend's residents, from those who earn wages at the lowest end of the income spectrum and are struggling to find any housing at all, to families in the upper-middle part of the spectrum who find home ownership increasingly out of reach. Employers are also affected, and experience challenges attracting and retaining the talent they need for growth because attainable housing is increasingly unavailable.

The City and its partners have made significant strides in addressing the affordable housing need for those at the low end of the income spectrum (below 60% of area median income, or about \$35,600 in 2015). In July of 2016, the City announced a combined investment of about \$5 million in local contributions to affordable housing. While more is needed, the combination of federal funds, organized non-profits actions, and local funding provide a framework for response to these needs. In contrast, mid-market housing, defined in this context as housing that is financially attainable to those making between \$40,000 and \$90,000 per year, lacks a similar framework for action.

A collaborative housing workgroup of roughly 25 stakeholders was created in June 2016 at the Bend Livability Conference for the purpose of developing and advocating for recommendations of housing tools and policies that would lead to the building of additional mid-market housing in Bend. This report provides an overview of the mid-market housing landscape in Bend, describing some of the key barriers to housing development. Its purpose is to describe the challenge from a market perspective, and support the workgroup's conversations as it develops a framework for action.

The Mid-Market Housing Challenge

By the numbers:

Median incomes for renters have increased **4.8%** since 2012, while rents have increased **36%** in that time.

Median incomes for home-owners have increased **8.3%** since 2012, while for-sale prices have increased **42%** in that time.

More than 1/3 of households are cost burdened. Cost-burdening occurs across mid-range income earners as well as low-income residents.

For rent vacancy: **1%**

For-sale vacancy: **2%**

Median home sale price (Q4 2016):
\$355,000

Average rent 2 br apt (Q4 2016):
\$975

Bend's housing market has been changing rapidly in the past several years as the economy has rebounded from the Great Recession. While availability of housing affordable to those making below about 60% of area median income (or \$35,640 per year) has long been a challenge in Bend, market changes have resulted in shortages of mid-market housing, defined in this report as housing that is financially attainable to those making between about \$40,000 and \$90,000, or 80 – 175% of area median income (AMI) for a family of four.¹

Throughout much of Bend's history, mid-market housing was provided through a process known to housing economists as *filtering*. Filtering occurs as the owners of older housing units upsize to newer, more expensive units, and make available their now depreciated units for new residents at more affordable price points. For a variety of reasons explored in this report, this process is no longer adequately serving Bend's housing market, resulting in a need for a coordinated policy response.

To support policy priorities regarding the challenge of providing enough mid-market housing for all of Bend's residents, this section

reviews some basic facts about Bend's current residential landscape and the demographics of Bend residents. It emphasizes the differences between the renter and homeowner populations, which are consequential to policy action. There is a considerable difference in the median incomes of owner and renter households. For homeowner households, the current median income is \$66,053 compared to only \$34,087² for renter-occupied households. This difference in incomes will determine what policies and incentives will best serve the needs of each segment of Bend's residents.

The Bend housing market has seen rapid price increases that affect renters and homeowners at all but the highest income brackets.

The market price of homes for sale in Bend has rapidly increased by an average of nearly 14% per year since 2012. As seen in Exhibit 1, prior to the Great Recession, Bend's housing market experienced a considerable run up in prices. As of November 2016, Bend's median price for detached single-family houses was \$382,000. For all homes, the median

To afford the median home for sale in Bend, a home-buyer would need to make **\$81,400** per year.

To afford median rent for a 1-bedroom unit, a household would need to earn **\$36,600** per year.

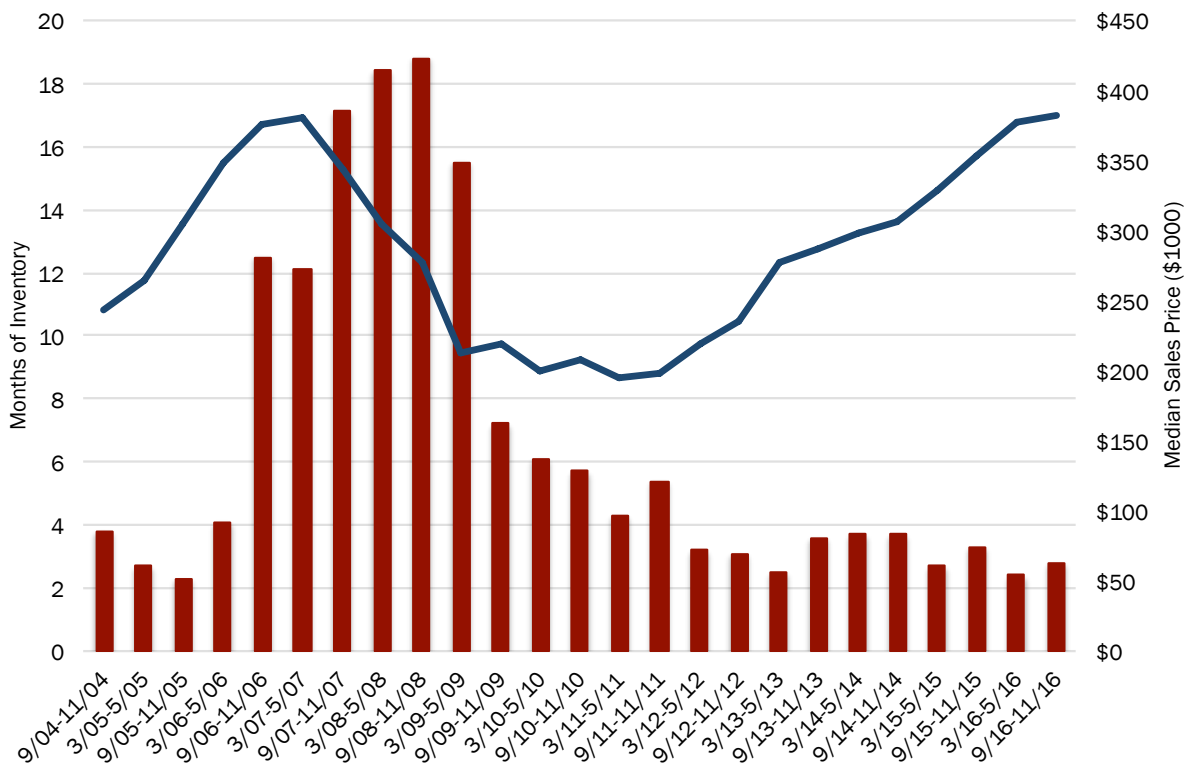
The median household income is **\$59,400**.

¹ The stakeholder group addressing mid-market housing issues defined this income range as the range of interest for this report.

² US Census Bureau, ACS 2015 5-year Estimates

was \$355,000 which is more than \$25,000 higher than in Deschutes County at large, and about \$150,000 higher on average than nearby Crook County.

Exhibit 1. Median Sale Price and Average Days on Market, Single Family Detached in Bend, 2016



Source: Multiple Listing Service of Central OR and Central OR Association of Realtors

At the same time, renters are also experiencing large price increases. The multifamily rental vacancy rate in the Bend metro area is only 1.1% according to a rental survey conducted by Central Oregon Renter Owners Association (COROA) in 2016, which is down from 2.6% in 2015. Scarcity of inventory in the market has driven rents up.

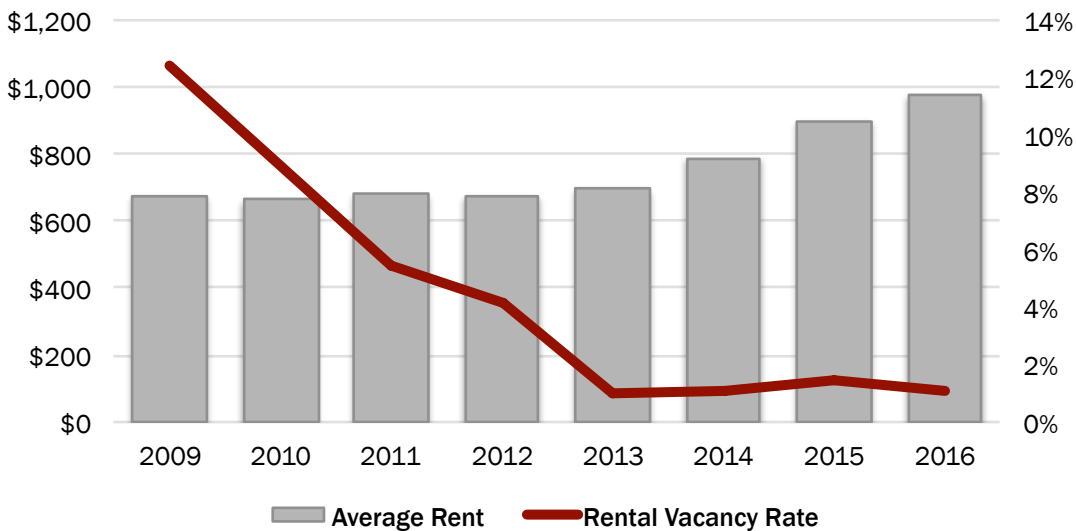
The average one bedroom apartment rent has climbed quickly over the past three years. In 2013, the monthly rent for a one-bedroom apartment in a large complex was \$571 and in 2016, the average was \$768, representing an average increase of 12% per year. Similarly, as illustrated in Exhibit 2, two bedroom apartments increased in average rent from \$695 in 2013 to \$975 per month in 2016, an average yearly increase of 12%.

This increase in prices can be partially explained by the influx of new residents and population growth in general. Since 2013, Bend’s population has grown by almost 10%, meaning the City has gained about 8,000 new residents.

These trends are likely to continue into the future. Nationally, demand for rental housing is projected to increase, especially among those with specific demographic characteristics (older adults and millennials). These same demographic characteristics are growing in Bend. The fastest growing segments of Bend’s population over the next decade will be Baby Boomers,

older adults, and Hispanic immigrants. Older adults, in particular, will be looking to downsize from larger homes, and are projected to seek homes close to downtown in high amenity neighborhoods.³

Exhibit 2. Average rent 2-bedroom apartment and Bend rental vacancy



Source: Central Oregon Renter Owner Association, 2009-2016

Price increases affect mid-market housing in both direct and indirect ways. Middle-income households in Bend are being squeezed in the housing market from above and below.

Understanding how these price increases affect mid-market housing attainability requires an understanding of the demographics of Bend’s current residents, both renters and homeowners.

Price increases **directly** affect mid-market attainability, as home prices have increased more rapidly than incomes for both renters and homeowners.

Price increases also affect mid-market attainability **indirectly**, as cost-burdening for lower-income residents reduces the availability of homes.

First, home prices have increased much more rapidly than incomes. Since the Great Recession, incomes in Bend have been stagnant except at the highest end of the income scale. Between 2013 and 2015, households earning more than \$150,000 per year grew by more than 14% while the share of households earning middle incomes between \$40,000 to \$90,000 only grew by about 1%. While the number of people in Bend earning above 175% of AMI is small, it is the fastest growing segment of the population.

Exhibit 3 provides an overview of what median income residents can afford in today’s housing market. Median income homebuyers earn enough to afford a home in Bend priced at \$250,000. However, supply at this level is very constrained. Only about 15% of the homes sold in Bend in 2016 had closing prices at or below that price. Median renters earn substantially less, and can afford only \$850

³ Bend Housing Needs Analysis, 2016.

per month in housing costs. Until just recently, the median renter could afford the average unit available in the Bend market, but as of 2016, this is no longer the case.

Exhibit 3. What can median income earners afford?

	Median Income	What Can They Afford?
Renters	\$34,087 <i>(Pharmacy tech, office clerk)</i>	\$850/month
Homeowners	\$66,053 <i>(Accountant, computer programmer)</i>	\$250,000 <i>(including taxes, insurance, utilities)</i>
Median Resident	\$59,400 <i>(Elementary school teacher, firefighter)</i>	\$1,485 monthly expense

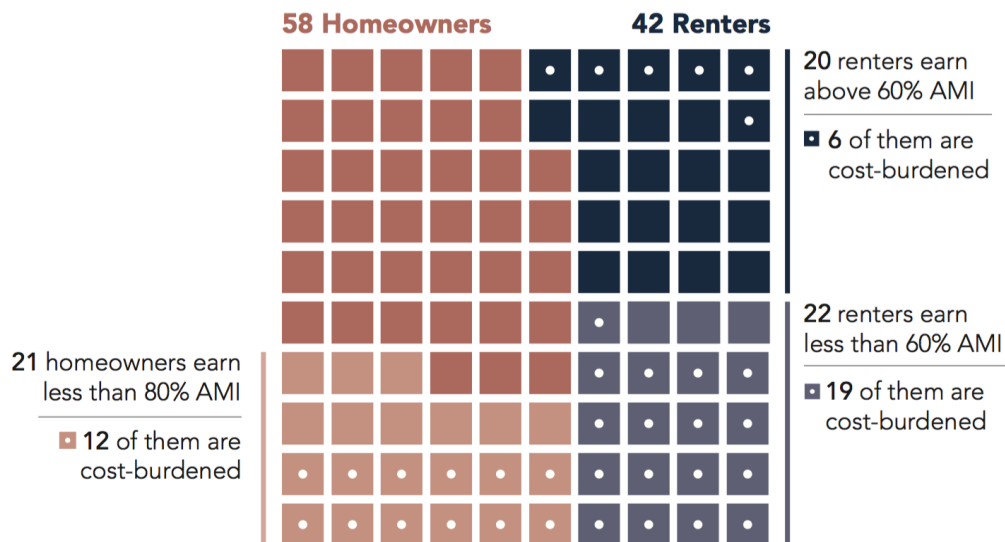
Source: ECONorthwest, based on HUD Housing Affordability schedule, 2015.

Exhibit 4 provides another way of visualizing the residents accessing Bend’s housing market. This visualization illustrates the need for rental housing priced to be affordable for people earning 60% of AMI and below. Eighty-five percent of renters earning less than about \$35,000 are paying more than 30% of their incomes in housing costs. More than half of all renters are cost burdened.⁴ Fifty five percent of renters in Bend pay more than the recommended 30% in housing costs, because there is a significant undersupply of homes for rent that are affordable to incomes below 60% AMI. Those residents are thus forced to find housing that costs more than they can afford, and contend with significant cost-burdening.

The graphic also highlights that many homeowners, including mid-market homeowners, are struggling. Most homeowners who are earning less than 80% of AMI are cost burdened. This cost-burdening reduces the supply of units available for those in the mid-market, because they are probably occupying units that could otherwise be available to those in the mid-market. Overall, more than 1 in 5 homeowners in Bend still pay more than 30% of their monthly income in housing-related costs, including insurance, property taxes and utilities.

⁴ HUD defines housing as “affordable” if total housing related expenses, including utilities and insurance, do not exceed 30% of a household’s monthly income. When housing costs exceed 30% the household is considered “cost-burdened.” https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/

Exhibit 4. If all of Bend's Residents were 100 households...



Source: US Census Bureau, ACS 5 year estimates 2011-2015.

Using HUD's definition of housing affordability levels for a family of four in Bend, Exhibit 5 shows the corresponding sale prices of homes resulting in monthly mortgage payments in each range.

Exhibit 5. Home ownership affordability by income level, including property taxes, utilities and insurance

Bend, OR MSA		Affordable Sale Price Range	
FY 2015 MFI	Monthly payment	20% down payment	5% down payment
60%-80%	\$890- \$1,190	\$128,000-\$188,000	\$97,200-\$143,000
80%-100%	\$1,190-\$1,480	\$188,000-\$245,000	\$143,000-\$186,200
100%-125%	\$1,480-\$1,860	\$245,000-\$320,000	\$186,200-\$243,200
125%-150%	\$1,860-\$2,230	\$320,000-\$395,000	\$243,200-\$300,200
150%-175%	\$2,230-\$2,600	\$395,000-\$470,000	\$300,200-\$360,000

Source: ECONorthwest, based on HUD Housing Affordability schedule, 2015.

Only 13% of households in Bend earn between 125 to 175% of the AMI (about \$75,000-\$100,000) and yet, almost 50% of the homes sold in 2016 closed in that price range.

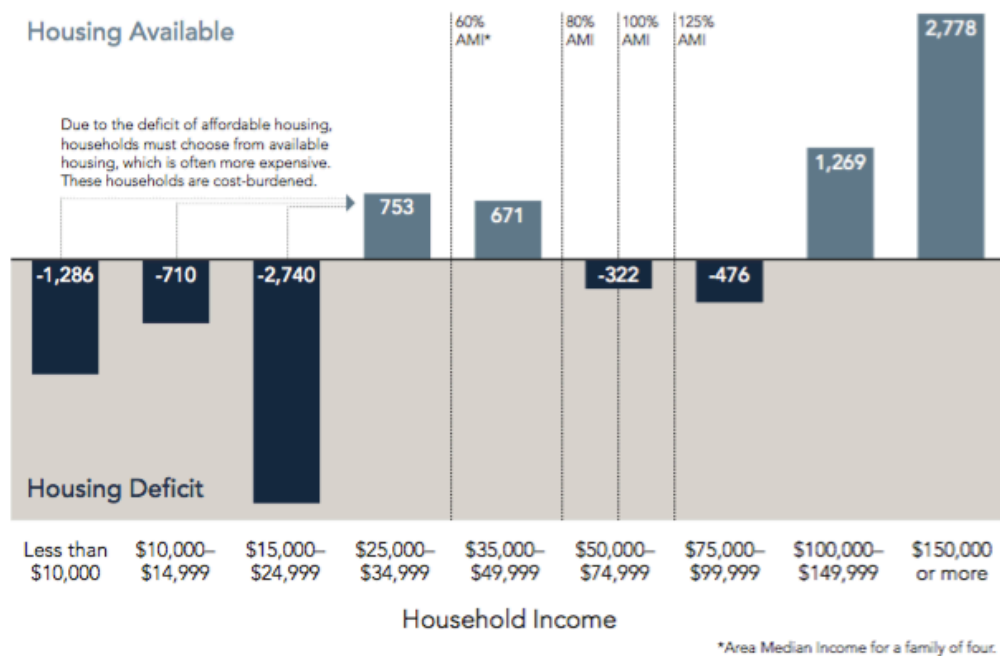
Exhibit 6 highlights the deficit of housing affordable to low-income households and the pressure this puts on housing availability at all other price ranges. Bend lacks more than 4,700 units of housing affordable to households earning less than \$25,000 per year. These households are then increasingly burdened by having to double up (or share housing), or pay a larger and potentially unsustainable share of their income for housing (cost burden). As a result, much of the "surplus" of units attainable to

middle-income residents is likely being used by those at lower incomes, who are cost-burdened by their housing costs.

Housing units are not available at the price points that are demanded in the current market. Only 13% of households in Bend earn between 125 - 175% of the AMI (about \$75,000-\$100,000) and yet, almost 50% of the homes sold in 2016 closed in that price range. This reflects the strength of the second home or investment market, as well as Bend’s attractiveness to higher income people from outside the area. In 2016, a full 30% of homes were classified as ‘non-owner occupied’ meaning that the property is likely an investment property such as a rental or second home.

Exhibit 6.

Affordable Housing Costs and Units by Income Level, Bend, 2015



Source: US Census Bureau, ACS 5 year estimates 2011-2015.

Exhibit 6 also demonstrates that while the number of overall housing units in Bend may be in line with the population, there is a mismatch in need and affordability. The price distribution makes much of the market impossible for middle-income families to reach. The vast majority of surplus housing is on the market at a price point affordable only to households earning more than \$150,000 per year, above 250% of AMI for a family of four.

Unless trends change, multi-family and single-family unit production will not be sufficient to meet future demand, placing further pressure on mid-market housing availability.

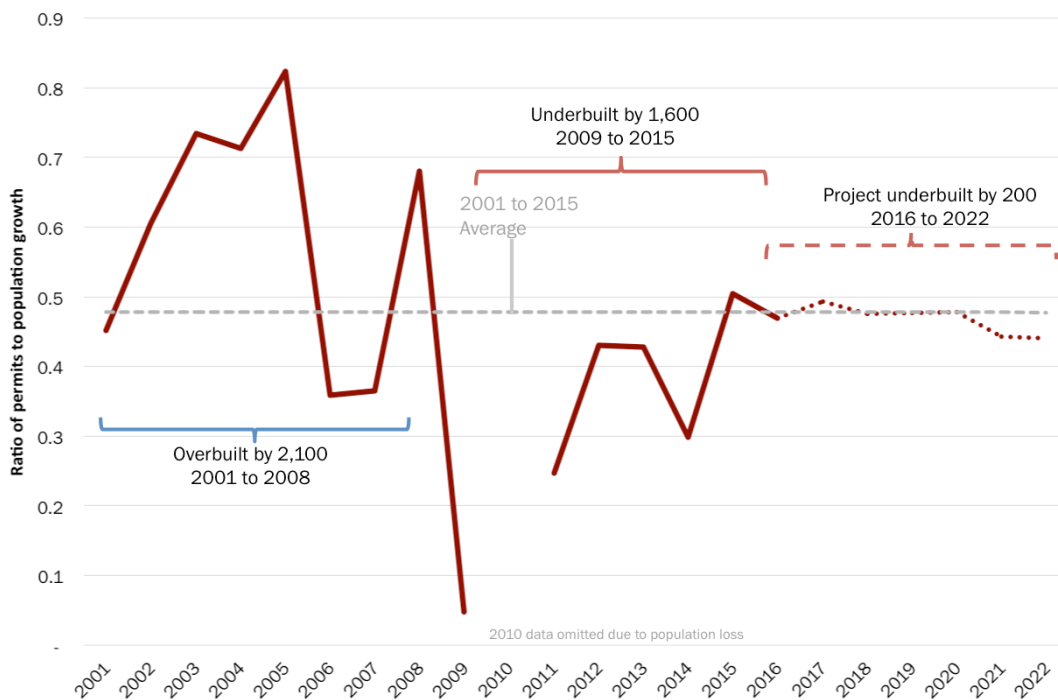
Following the fundamentals of economic theory, prices increase when supply is insufficient to meet demand at the needed price points. In Bend, the extremely low vacancy rates are an indication of an insufficient supply of new units to meet the needs of current and new Bend

residents. While Bend has seen a substantial increase in permit activity since 2012, it has not kept up with demand. Exhibit 7 shows the ratio of permits to population growth, over the past nine years, and also projected forward five years using average population growth and permit approval rates from the 2013-2015 time period. Bend’s housing market will continue to fall behind because at this moment the number of permits being approved for new housing units are not keeping up with the rate of population growth. Since in-migration of higher income households is likely to continue in the near future, this shortage of housing production is likely to heavily impact and cost-burden middle income households.

About This Graphic

The gray dotted line represents the average ratio of permits to population growth, that is, the level at which enough housing is being built to meet new demand. When the red line showing the actual ratio drops below the average ratio, fewer housing units are issued permits in that year than demanded by the amount of population growth. When the red line rises above the average ratio line, more units are issued permits than needed to meet population growth. As is evident, the pre-Recession period building boom resulted in a surplus of about 2,100 housing units given the amount of population growth. However, from 2009 to 2015, the Recession and recovery featured a dramatic slow down in lending for new housing starts, therefore permitting and construction fell behind demand.

Exhibit 7. Bend Projection of New Housing Construction and Population Growth



Source: US Census Bureau, ACS 5 year estimates 2011-2015, and City of Bend Building Department.

The costs of construction and financing are driving new construction prices above what is affordable for mid-market homebuyers, even for townhomes.

Developers highlighted high land cost, permitting fees and systems development charges, and

high costs of construction as key drivers of development feasibility. ECONorthwest conducted some high-level assessments of development feasibility for various building typologies, and found that, even given rising rents, the high cost of land and construction in Bend creates development feasibility challenges for both multi-family and affordable single-family home ownership. It should be noted that these are estimates for this specific point-in-time, and the true costs of any project are always site-specific.

ECONorthwest performed a pro forma analysis of a for-sale townhome product to check feasibility assuming a range of cost assumptions based on the current Bend market. Specifically, we modeled a 6-unit townhouse project and found that with current land, construction, and development costs⁵, the project would begin to be attractive to developers at a sale cost of about \$190 per square foot (PSF) or about \$380,000 for a 2,000 square foot townhouse. Housing at this price is unaffordable to families earning less than about \$90,000 per year.

To be affordable to families earning \$75,000 (or 125% of AMI), townhomes would need to sell for less than \$320,000. New construction is very challenging (if not impossible) to pencil at that sales price.

To be affordable to a family of four earning \$75,000 (125% AMI), the townhomes would need to be sold for prices at less than \$320,000; however, our model showed negative residual land value at that price point. This means that the costs of building the home are higher than the sales price, and the project would be unlikely to attract a developer.

Most new multi-family construction will not be affordable to the vast majority of Bend's renters.

For multifamily rental developments, the story is slightly different. New developments, even assuming low land costs representing neighborhoods outside the city center, were not feasible at rental rates affordable to the majority of renters, who generally have lower incomes than homebuyers in Bend. We found that the land, construction, and development costs were likely to lead to rental rates of at least about \$1.40 per square foot for new construction apartments, a rate that is equivalent to about \$1,370 for a 1000 square foot apartment. A family of four in Bend earning 80% of AMI (about \$47,500) can only afford \$1,190 in monthly rent, below the average rent of a 2-bedroom apartment built in Bend after 2009.

Based on the assumptions in our pro forma⁶, we found that new development was likely to be very attractive to developers at the current average rents of about \$1.50 PSF. As discussed above, that is a rate that is only affordable to families earning more than the area median income, particularly given the average footprint of multifamily units in Bend. Overall, without support and incentives, new construction will not serve Bend's lower middle-income residential market needs.

⁵ We tested results at an assumed \$15-\$25 PSF for ready-to-go developable land, \$100 – 110 PSF hard costs, and soft costs 15%-20% of hard costs. While individual projects range beyond what we tested, these starting place assumptions are roughly consistent within the Bend market, based on interviews and input from Workgroup members.

⁶ For the multi-family pro forma, we assumed a stick-built residential only construction type. We assumed lower land costs (not in central city) of \$10 PSF, a cap rate of 5%, operating costs of \$6 PSF, and 1 parking stall per unit. Other assumptions were consistent with the ranges tested for townhomes.

New multi-family supply is limited, and is not serving the full rental market.

According to the development feasibility trends described above, Bend should be seeing more multifamily permit and construction activity. However, the majority of current development activity is still overwhelmingly for detached single-family homes. The limited number of multifamily units that are permitted are renting at high price points due to restricted supply and record low vacancy rates.

Historically, Bend’s market has been a largely single family market, and recent trends suggest no change in this pattern. In fact, between 2009 and 2012, no new multi-family projects were issued permits (see Exhibit 8). While there was a jump in multi-family unit permitting in 2015, this was followed by a decrease in 2016. Importantly, the new product that is coming on-line is doing so at price points that are well above affordable for most of Bend’s current renters. It is affordable to those making at least 100% of AMI (see sidebar). However, as discussed above, the vast majority of renters earn far less than the area median income. Thirty percent of middle-income renters are still cost-burdened because they are being pushed out of the housing that would be affordable to them and into more expensive units by a lack of supply.

Given that 42% of Bend residents are renters and the vacancy rates are very low, this supply limitation is a significant issue for renters. However, while overall unit production levels may be low, the housing market is producing units that are financially attainable to those in the mid-market range. The level of overall production is simply not enough to meet demand at the middle-income range of 80-125% AMI.

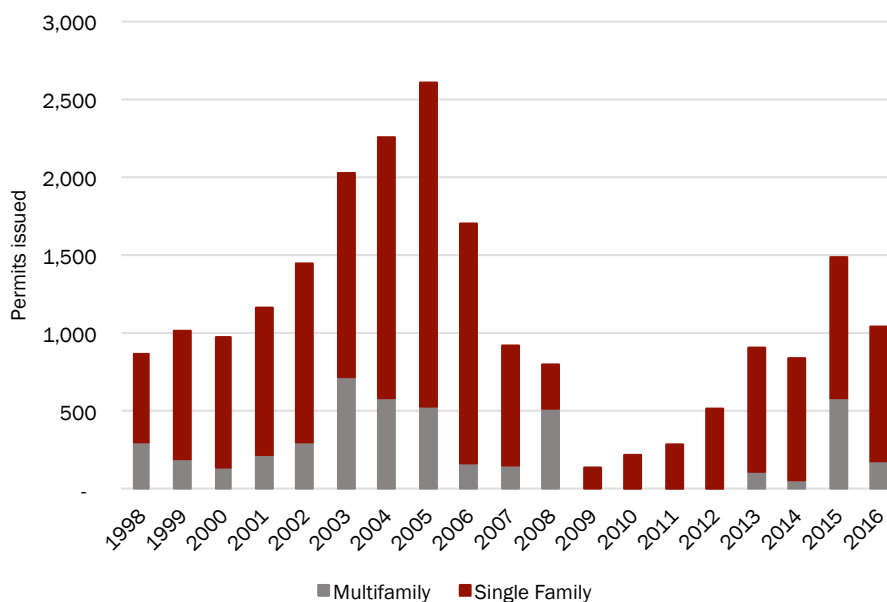
Average rent for a 2-bedroom unit:

Built before 2009 is **\$1037**, and would be affordable to a family of four making 80% of AMI

Built after 2009 is **\$1224**, and would be affordable to a family of four making 100% of AMI

The median renter household can afford **\$890** per month.

Exhibit 8. Permits Issued in Bend, OR 1998-2016

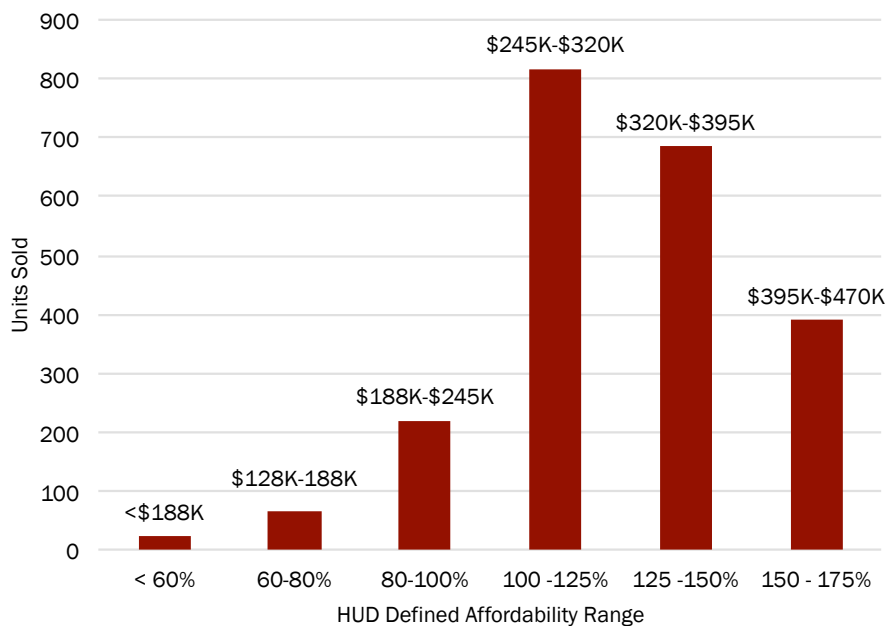


Source: City of Bend Building Department, 2016

At the same time, the available supply of new single-family home ownership product is affordable primarily to upper-income Bend residents. Access to home ownership product is most challenging for those making between about 80% and 100% of AMI.

Despite the fact that the number of Bend households in the 80 - 100% of AMI and the 100 – 125% of AMI categories are almost equal, Exhibit 9 shows that roughly four times as many homes sold in the higher price range. This lack of supply at the lower range has implications for housing choice and stability for households earning even slightly less than the area median income. Today, households in Bend earning 80 - 100% of AMI, who may be interested in home ownership, lack choices and opportunities in the market.

Exhibit 9. Number of Units Sold by Affordability Range in Bend, OR, 2016



Source: Multiple Listing Service of Central OR and Central OR Association of Realtors

Implications for Policy

Overall, the key trends show that mid-market housing is in fact less available than it should be to support mid-range income earners in Bend. The market as a whole is undersupplied. Available rental units continue to make up a relatively small portion of the overall housing stock. For-sale single-family product is practically unattainable for families earning less than 125% of area median income.

The housing landscape suggests the following areas of policy focus:

1. **More housing development is needed** at all price levels, both multi-family and single family, for rent and for sale, to meet demand from current residents and in-migration. The extremely low vacancy rates are evidence of an over-tight market that is driving rapid price increases. These price increases will continue unless supply increases at least in proportion to in-migration. Adding to the supply of multi-family rental units may require focused incentives and other policy supports.
2. Bend specifically needs **more for-sale development aimed at middle-income residents between 80-125% AMI**. Home ownership is the major avenue for wealth attainment in the United States, and is particularly important for middle-income earners seeking stability. Most newly constructed for-sale units are selling at price points that do not serve mid-range wage earners in Bend.
3. **Add new housing types to the Bend market that can provide an entry-point for new homeowners**. It will not be possible or practical to support growth in Bend only through expanding the urban growth boundary. New higher density housing types such as duplexes, triplexes, and quads will also be necessary. These housing types are often referred to as “middle housing” types. Much recent research has focused on how these housing types can be designed to fit into existing neighborhoods seamlessly, while serving a middle-income market and providing avenues to home ownership and wealth attainment.

The remainder of this section provides more details on each of these policy areas, including high-level summaries of work that is already underway at the City of Bend, findings from interviews conducted with Bend-area developers and stakeholders as part of this research, and other details.

Policy Area 1 Details: Increase Supply of Multifamily Rental And Single-Family Ownership Homes

The private development market does not control development on its own. It provides housing units in response to demand and regulations that allow or require density, add new land into an urban growth boundary, and provide funding to support development and provide infrastructure. The public sector, in other words, has a critical role to play in *development readiness*, or creating the physical and regulatory framework that supports new development.

Bend's recently completed Urbanization Report⁷ recognizes and addresses these issues. It concludes that addressing the supply-side issues of housing requires specific policy action: an expansion of the UGB and efforts to support additional infill development. The City is currently pursuing a package of efficiency measures to maximize the capacity of buildable residential lands within the existing Urban Growth Boundary (UGB), enable development of multifamily and attached housing in mixed use opportunity areas, and make it more feasible and likely that the market will achieve the needed housing mix and densities. These measures go a long way toward addressing regulatory and land supply constraints.

However, interviews with developers and other stakeholders conducted as part of this research suggest that these measures might be insufficient, and require additional policy action. More details about the suggested policy actions follow.

Support development in UGB Expansion Areas

Bend recently successfully added 2,380 acres to its urban growth boundary. Much of this land was designated for employment uses, but nonetheless, the expansion adds substantial residential capacity to the City. For these areas to develop, they will need infrastructure (roads, sewer lines, utilities, etc.). Planning for and funding infrastructure in the expansion areas is probably the most important step that the City can take to allow development to occur in UGB expansion areas. Developers and stakeholders stated that a clear and consistent set of strategies for prioritizing areas for infrastructure implementation, and a transparent and reliable funding plan for infrastructure will be a critical next step. Some interviewees also suggested that it is not too early to begin thinking about the next UGB expansion process, especially once an infrastructure funding plan is developed.

Support infill development

Infill development encompasses both multi-family rental and a range of single family to townhome and condo ownership product. The highest need in the rental market is for those in the 30-60% of AMI range. Addressing this challenge can help meet mid-range housing needs for renters by freeing up available units, but additional development supports and incentives (such as policies and tools that reduce development costs and fees or otherwise subsidize developments that meet affordability criteria) will also be helpful to increase the supply of this housing type.

The key issues impeding broadly affordable infill development in Bend generally fall into three categories. First is the high cost of land and development in Bend. Interviewees cited the high cost of land in central neighborhoods in Bend as the primary obstacle, particularly because the lease rates in the Bend market are, on average, lower than they are for comparably priced land in Portland. The effect of the high cost of land was seen in our own pro forma analysis. One developer cited an average rental rate in Bend as \$1.50 PSF whereas that project's costs, due to the price of land and the level of finish required necessitated asking over \$2 PSF for the project to succeed financially. Development costs in Bend are also substantially higher than in many

⁷ Bend UGB Boundary Remand, 2016. <http://www.bendoregon.gov/government/departments/growth-management/urban-growth-boundary-remand>

other communities of its size. This situation suggests that subsidies and incentives could be necessary to support high quality, higher density housing types.

The second issue raised in interviews was the ‘development readiness’ of the city. Some developers expressed a need for more clarity surrounding fees and off-site requirements to increase the predictability of their pro forma estimates. Infrastructure is in some cases lacking to support infill development as well.

Interviewees also raised a third issue of density of allowable development in Bend. Some felt that the City is not currently zoned densely enough; others stated that underwriting projects with smaller footprints was a consistent challenge in a City where the average unit size is considerably larger as compared to Portland. One interviewee stated that the open space requirements in RH zoning (high density residential) areas were prohibitive. High parking ratios were also cited as financial barriers that complicate infill development. Finally, interviewees mentioned opposition from neighbors toward infill development, even on parcels owned by the City, as a hurdle facing new projects.

Policy Area 2 Details: Attainable Home-Ownership

This analysis found a significant gap in the housing choices available to middle income households interested in owning a home. Bend should look to other locations that have implemented strategies to address this shortfall in housing supply. Increased access to home-ownership opportunity can be accomplished through two major categories of actions: (1) an intentional focus on increasing the supply of housing available at price-points that are attainable to first-time and middle-income homebuyers; and (2) through programs, such as community land trusts and land banks that reduce the cost of housing for homebuyers. Both are appropriate in Bend.

Supply-side increases can be accomplished through a wide range of tools, including incentives, land write downs and land banking for publicly-owned land, removal of regulatory barriers, and other strategies. Many of these are discussed in more detail in Policy Area 1.

Programmatic approaches include community land trusts and land banking. Community land trusts maintain permanent affordability by selling the property with a deed restriction guaranteeing permanent affordability. This is achieved by only transferring ownership or deed to the building, but retaining ownership of the land in perpetuity. A partnership with Kôr, Bend’s new community land trust nonprofit, could improve support for homeownership opportunities for more households below the median income.

Oregon recently passed legislation allowing local governments to create land banks, which are similar in some ways to community land trusts. The Network of Oregon Affordable Housing recently produced new pre-development financing tools for the acquisition of land for affordable housing development for projects such as land banks. The model revolves around securing, either through purchase, foreclosure, or donation, large parcels of land to be set aside for future development of affordable housing. This strategy requires considerable foresight and planning to devote funding for future actions. Potential times when land banking might be an

important consideration are future UGB expansions, or in the event of another the serious housing market downturn.

Policy Area 3 Details: Add New Housing Typologies

While much of the new housing that is demanded will continue to be single-family detached houses, the significantly lower incomes of large segments of the population suggest that the demand for smaller single-family attached units, as well as multifamily housing will likely increase.

Middle housing is a term that defines a range of multi-unit or clustered housing types that are compatible in scale with single-family homes, and can be seamlessly integrated into lower density neighborhoods. This kind of unit is often available at lower price points, and therefore more accessible for first-time home buyers.

As illustrated in Exhibit 10, the middle housing range begins with duplexes, triplexes and fourplexes, that may be the same size and scale as larger single-family homes. Large single-family homes can also be converted to duplexes or triplexes, giving current residents the opportunity to earn additional income while providing affordable housing and increasing the density of residential neighborhoods.

Exhibit 10. Middle Housing Designs



Source: Opticos Design

Bungalow courts, courtyard apartments, and townhouses are three kinds of slightly higher density middle housing developments that integrate well into single-family home neighborhoods. These consist of a series of small, detached structures, providing multiple units arranged to define a shared court that is typically perpendicular to the street, or, as seen in Exhibit 11, a medium- to large-sized structure consisting of multiple side-by-side dwelling units accessed from a courtyard or directly from the street.

Exhibit 11. Example of Modern Townhouse Design



Source: www.missingmiddlehousing.com

Multiplexes and live/work spaces are higher density and often of a significantly different form than single-family dwellings, however, they can work well to smooth the transitions between lower-density to higher density neighborhoods.

Middle-housing types are typically integrated into existing single-family neighborhoods and along major transportation corridors. As such, it is critical that zoning allow this type of development to occur.

Further impediments come from the public perception of change in their neighborhoods. Many residents are concerned about new development that changes the character of their neighborhood by allowing a different, higher-density development type to occur. A robust conversation about how middle housing can integrate into neighborhoods from a design perspective, as well as a few successfully-implemented demonstration projects, can go a long way to supporting a successful public policy conversation about middle housing typologies.

Finally, there can be market barriers to the production of middle housing typologies. It is a specialized development type with which most developers are unfamiliar. If there are few examples in a community, it can be difficult to find developers and financiers willing to take a risk on developing new units.

Conclusions

A number of factors have led to the current state of Bend's housing market. Bend has experienced a large in-migration since 1990 that accounts for 85% of the City's population growth.⁸ Due in part to the Recession, the pace of development has not kept up with demand. As home construction has fallen behind population growth, the market has tightened with record low vacancy rates and extremely low inventories of for-sale homes. Prices have risen commensurately with the tightening of supply. The increase in home prices in Bend has outpaced income growth for both homebuyers and renters, which has led to an increasing number of households experiencing severe cost-burdening.

Action is needed to spur more development of housing affordable to middle income homebuyers, and all renters, especially those at the lower end of the income scale. Needed actions include subsidies and incentives for developers, development readiness supports, and recognition of the need for more housing types and greater density to meet Bend's quickly growing population. These actions aimed at middle-income Bend residents will complement the policies the City of Bend has already undertaken to begin addressing the need for housing affordability for people at the lower end of the income scale, and will help to alleviate the current housing crunch.

⁸ Bend Housing Needs Analysis, 2016.

https://www.oregon.gov/LCD/docs/planamendments/Bend%202016/Ord.%20Ex%20H_Housing%20Needs%20Analysis%202016.pdf