



Sage Land Use
Services, Inc.

Sisters Housing Plan

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Sisters Housing Plan

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1. Executive Summary

Introduction & Purpose of the Sisters Housing Plan

Providing housing for many residents within the City of Sisters has become a challenge, particularly over the past decade as rising land costs, the popularity of Central Oregon as a home and vacation place, and disproportionate increases in income levels in the City and Deschutes County have created a housing market that is not attainable for some families and workers, without experience significant financial burden. In response to the need for more affordable housing in the community, in early 2008, the Sisters City Council provided direction to develop the Sisters Housing Plan. The City's concerns regarding the lack of affordable housing ranged from lack of workforce housing, to a lack of housing for families, and, additionally, the lack of affordable housing was hindering efforts for economic development.

The purpose of the Sisters Housing Plan is to develop an action plan to ensure that Sisters' long term housing supply is affordable to a variety of income levels through the planning period of 2025, consistent with existing policy direction from the Sisters Comprehensive Plan. Comprehensive Plan Policy 10.4(2) provides:

"The City shall develop a coordinated and comprehensive Housing Plan that will provide housing choices to all income levels in the City. The following objectives shall be incorporated into the plan:

Tasks-

a. The Housing Plan shall explore and recommend how one in 10 of all new housing units built in the City by 2005 can be made affordable to families with low incomes.

b. The Housing Plan shall explore and recommend the use of appropriate tools including, but not limited to: accessory dwelling units, annexation policies, development incentives, fee waivers for deferrals, down payment assistance programs and gap financing, employer housing assistance (non-residential development), equity pool or shared equity programs, land trusts, land banking, mixed use, mobile home parks, residential density bonuses and increases, flexible zoning, affordable housing trust funds, and UGB expansions.

c. The Housing Plan shall address how affordable housing can be dispersed throughout the City." (page 62, Sisters Comprehensive Plan)

Additionally, Statewide Planning Goal 10, Housing (OAR 660-015-0000(10)), provides guidance "to provide for the housing needs of citizens of the state", specifically, "Buildable lands for residential use shall be inventoried and plans shall encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type, and density."

The Sisters Comprehensive Plan complied with Goal 10, by implementing proactive strategies to encourage affordable housing, including the following:

- Allowing accessory dwelling units;
- Allowing smaller lots in Master Planned developments and through lot size averaging;

- Providing a density and height bonus for developers of affordable housing;
- Implementing Sisters Development Code Chapter 2.1.200(L), Income and Rent Controlled Housing; and
- For all newly annexed residential property, developers are required to provide a ratio of 1-in-10 affordable units for new dwelling units proposed.

Of the above measures, the density and height bonuses are offered exclusively to those developing affordable housing. Accessory dwelling units, smaller lot sizes, and lot size averaging are allowable within market-rate housing developments as well. The City Planning Department estimates that approximately 50 accessory dwelling units¹ have been constructed over the past four years, and through the 1-in-10 affordable unit requirement, 15 dedicated affordable units have been planned for master planned communities in Sun Ranch and North Park Commons. The density and height incentives are located in Development Code Section 2.1.200(L), which provides the provisions for “low income and rent controlled housing”. Many users and City staff find this Code section difficult to interpret and implement. A recommendation of the Housing Plan is to rewrite this section of the Development Code following adoption of the Housing Plan for greater clarity and ease of use, and to provide an additional menu of incentives for developers of affordable housing.

An additional strategy the City has implemented is in the Sisters City Charter, which provides that Systems Development Charges (SDCs) may be waived for providers of affordable housing. The specific language reads as follows:

“The City of Sisters may waive system development charges for affordable housing provided by non-profit organizations. In exchange for a waiver, the housing shall be affordable for a period of fifty (50) years. Violation of this agreement shall require full payment of system development charges.”

While the City has implemented these strategies, they have not been entirely effective in meeting the housing price needs of City some residents. Median housing prices within the Sisters area (not limited to the City limits, but the Sisters school district) have continued to escalate, increasing by roughly 95 percent between the years 2001 and 2006. During this period, average payroll in Deschutes County increased by only 17.9 percent². More recently, median home prices in Sisters area have declined to \$367,450 in 2008, a reduction of nearly 11.5 percent from 2007. As illustrated in

Table 1, median prices have not declined as significantly in Sisters as the declines experienced in Bend or Redmond.

Table 1. Median Home Prices, Sisters (Area, not City Limits), Bend, Redmond, 2001-2008

| Area | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | % Change 2007-2008 |
|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|
| Sisters | \$235,000 | \$247,500 | \$270,000 | \$308,500 | \$394,250 | \$460,000 | \$415,000 | \$367,450 | -11.46% |
| Bend | \$168,950 | \$183,500 | \$195,000 | \$227,500 | \$279,900 | \$351,978 | \$345,000 | \$289,450 | -16.10% |
| Redmond | \$125,000 | \$135,125 | \$148,567 | \$158,500 | \$198,818 | \$262,749 | \$250,000 | \$216,000 | -13.60% |

Source: Central Oregon Realtors Association, www.centraloregonrealtors.com

¹ Although accessory units have been constructed, they may be used as home offices, and not necessarily rented by the owners for housing purposes.

² Oregon Covered Employment, Oregon Employment Department.

Why is Affordable Housing Important to Sisters?

Throughout the development of the Housing Plan, comments were raised regarding the need to look at Sisters' need for affordable and workforce housing in a larger context and the need for housing efforts to be a coordinated effort with economic development. In general terms, a lack of affordable housing can:

- Cause distress on families who cannot easily find a place to live;
- Reduce supplies of low-cost labor sources;
- Create difficulties for employers recruiting and retaining their workforces (Nurses, City Dept. Heads, Teachers);
- Negatively affect economic development efforts;
- Reduce local school enrollment;
- Increase demands on transportation systems (as workers travel longer distances between jobs and affordable housing); and
- Contribute to an unstable local economy.

In response to the lack of housing to serve not only low income households, but additionally, workforce housing, the City initiated the Sisters Housing Plan in January 2008.

Defining “Affordable Housing”

“Affordable Housing” is defined as housing in which residents spend no more than 30 percent of their gross household incomes on housing-related expenses. Households are considered “cost-burdened” if they pay more than 30 percent of total household income on housing costs. Housing-related expenses are defined by HUD as follows:

- For homebuyers, housing-related expenses include mortgage principle and interest, taxes, property insurance, mortgage insurance, and essential utilities;
- For renters, housing-related expenses include rent and utilities.

Based on these definitions, for a for-sale home to be considered affordable in Deschutes County, based on 2008 AMI (\$58,200), it would need to be less than \$180,500.

Findings from Background Reports and Research

The Sisters Housing Plan and earlier reports provided in the Appendices of the Plan summarize background data, housing related activity in the City report addresses existing population, regional economic, and housing conditions in the City of Sisters, and additionally, provide varying strategies for the City to begin implementing to address the lack of affordable and workforce housing. *Appendix A, Residential Inventory Analysis and Update* (April 1, 2008) provides detailed information on housing density, regional economic trends, and Sisters demographics. *Appendix B, Housing Strategies, Barriers to Affordable Housing* (July 21, 2008), provides analysis of strategies to encourage affordable housing, as well as an audit of the City's existing documents and recommendations for removal of regulations that impede efforts towards affordable housing.

The primary findings of the background reports are as follows:

- The Comprehensive Plan encouraged provision of affordable housing through development code regulations that encouraged smaller lot sizes, and thus, smaller homes, in hopes that affordable housing opportunities would result. However, while residential densities have increased dramatically since adoption of the Sisters Comprehensive Plan, this has not resulted in more affordable housing choices within the Sisters jurisdictional boundary.
- There has been a significant increase in the density of the single family lots constructed within the City between the years 2003 and 2007. The average density figure for single family homes has steadily increased from 5.3 units per net acre in 2003, to 8.8 units per net acre through July 2007, nearly approaching the lower end of the R-MFSD required density of 9-20 units per acre. The increased density evidenced by analyzing building permit data is consistent with the direction from the Sisters Comprehensive Plan, and furthermore illustrate the trend toward smaller single family detached home lot sizes, townhome lots, and division of older lots for infill development, such as in the Davidson Addition and within the Edge O' the Pines subdivisions.
- For estimating future housing demand and needed units through the planning period of 2025, the Comprehensive Plan land needs estimates were based on densities much lower than what has been evidenced since adoption. Compared to the average densities listed in the Residential Land Supply and Demand Analysis (RLA, March 2005, Appendix to the Sisters Comprehensive Plan) estimated densities of approximately 5 units/net acre for Residential land, and more recent densities have averaged between 6.1 and as high as 9.5 for the Residential District. The RLA estimated an average density of 10 units/ net acre for R-MFSD land, while more recent densities developed in this sub-district has ranged from 9.4 to 15.8 units/ net acre.
- Although densities have increased, and the City appears to be meeting its objectives to encourage smaller lots, home prices have still steadily risen to the point where a household would need to be earning \$102,048 to afford a home in Sisters priced at the median home price, \$314,900 (based on January, 2008 MLS listings data). In other words, smaller lot sizes do not necessarily equate to more affordable homes.

Possible reasons include the following:

1. Although lot sizes have gotten smaller, home sizes have not. According to the Deschutes County GIS database, average home sizes by year have risen from 1,604 square feet in the year 2000, to 2,106 square feet in 2006; additionally, interior finishes are likely more costly, adding to the cost of a home;
 2. Land prices and construction costs have steadily risen; and,
 3. Central Oregon continues to be a desirable place to live, increasing home prices.
- Economic forecasts indicate that although job growth will continue to grow to the year 2014 in Central Oregon, it will be at a slower pace than previously experienced, and most of the job growth is expected to be in lower-paying service industry sectors such as Leisure and Recreation and Retail Trade. Job growth in service industry sectors offers relatively lower-paying jobs that are necessary for the Sisters tourist-based economy.
 - The larger private employers within the City of Sisters fall in the Leisure and Hospitality employment sectors. In Deschutes County in 2006, this sector reported an average annual pay of \$16,773. Other primary employment sectors in Sisters are in Government, Retail, and in Education and Health Services. The average government sector salary in Deschutes County in 2006 was \$39,520; the average salary in the Retail industries was \$26,120; and in Education

and Health Services the average salary in 2006 was \$40,643. Deschutes County Area Median Income (AMI) in 2008 was \$58,200, for a household size of four. Based on estimates of 6.0 percent interest, and a \$5,000 down payment, a household earning Deschutes County AMI could afford a home of no more than \$180,500. The January 2008 MLS listings for the City of Sisters did not have any homes available at this price level out of 77 listings, and in October 2008, there were six listings priced below \$190,000 out of 90 listings.

- In assessing strategies that would be effective in the City of Sisters, other cities in Oregon and nationwide were consulted. All the strategies, if implemented, come with pros and cons-for this reason, it is likely that implementing a combination of strategies is necessary to adequately serve the projected housing needs by income level within the City. Additionally, each strategy implemented requires some initial administrative start up work. The strategies listed in this Plan were reviewed by the Sisters City Council in August 2008, and were developed from a larger menu of strategies provided in the Appendix B report.

2. Needs Analysis and Home Prices

A. Needs Analysis

In 2006, Housing Works published the “Central Oregon Workforce Housing Needs Assessment” (Rees Consulting, July 2006, “Workforce Assessment”), which provided valuable information by community regarding not only low-income housing needs, but also workforce housing needs. According to the Workforce Assessment, as shown in **Table 2**, 51.8 percent of households in the City of Sisters are considered low income. Further, “Approximately 37% of the region’s households have incomes equal to or less than 80% of the Area Median Income (AMI), and are therefore considered to be low income. The percentage of households with low incomes ($\leq 80\%$ AMI) is very similar in all three counties. Bend has the lowest percentage of low-income households (38%) and Sisters has the highest (52%) with the other communities falling somewhere in between.” As noted in **Table 2**, the highest percentage of Sisters households earn greater than 120 percent of AMI, followed by those earning between 61 and 80 percent of AMI.

Table 2. Incomes by Community by Percent of AMI, Deschutes County, 2006

| Central Oregon Community | < 30% | 31-50% | 51-60% | 61-80% | 81-100% | 101-120% | 120% + |
|--------------------------|-------|--------|--------|--------|---------|----------|--------|
| Sisters | 11.8% | 12.1% | 10.3% | 17.6% | 10.3% | 6.8% | 31.1% |
| Bend | 9.0% | 10.7% | 5.4% | 13.0% | 12.4% | 10.1% | 39.3% |

| Central Oregon Community | < 30% | 31-50% | 51-60% | 61-80% | 81-100% | 101-120% | 120% + |
|---------------------------------|-------|--------|--------|--------|---------|----------|--------|
| Redmond | 11.0% | 12.1% | 8.7% | 17.2% | 13.3% | 9.8% | 27.9% |
| Deschutes County Unincorporated | 6.2% | 7.1% | 4.4% | 10.9% | 10.1% | 10.0% | 51.3% |
| Deschutes County Total | 8.4% | 9.7% | 5.6% | 12.9% | 11.8% | 10.0% | 41.7% |

Source: 2000 Census, CHAS Tabulations, Workforce Housing Needs Assessment, July 2006

Number of Units Needed through the Planning Period

To determine the current inventory of approved, platted lots or multi-family units, and additionally, the inventory of lots or units that have received preliminary approval (through tentative plan, or Site Plan Review) but have not been through the final development approval stage, a buildable lands analysis was conducted in December 2008 (Appendix C, Memorandum of December 28, 2008).

Based on this research, the combined total of units (both constructed lots and vacant lots) approved through subdivisions that have received final plat or other required planning approval is **1367 units**. Of these, 240 are approved as multi-family units, and 1,127 are approved as single family units. Single family units include both single family attached (townhomes) and single family detached Housing. Of the total approved units, 539 building permits have been issued for construction, and 832 remaining lots have yet to file for building permits.

Additionally, a total of **525 units** are potentially approved for the City, with 159 designated as single family, and 366 designated as multi-family. Using both approved and units that have received preliminary approval, there is a potential for **1892 housing units** in the City.

Based on the adopted Deschutes County Coordinated Population Forecast, 2000-2025, the City of Sisters will require **1,850 residential housing units** in the year 2025 to meet the anticipated demand. **Therefore, using both approved and preliminarily approved units, the City has a sufficient residential inventory now to meet the adopted 2025 demand, with 1,892 total housing units.** The estimate of 1,850 units was estimated to serve a population of 3,747, and as evidenced by population estimates, the City has been growing at a slower rate than anticipated in the adopted Coordinated Population Forecast, illustrated in **Table 3**.

Table 3. City of Sisters Population, actual compared to estimated in 2005.

| Year | City of Sisters Population (Actual) | Estimated Population |
|------|-------------------------------------|----------------------|
| 2005 | 1,660 | 1,768 |
| 2006 | 1,745 | 1,927 |
| 2007 | 1,825 | 2,031 |
| 2008 | 1,875 | 2,119 |

Source: Center for Population Research and Census, Population Estimates for City of Sisters, Appendix 1 Sisters Comprehensive Plan, adopted July 2005.

Because of the slower population growth, the recent economic downturn, and substantial inventory of units either approved or tentatively approved in the City, meeting state land use requirements for adding new land supplies to the City's existing UGB in the planning period will be challenging. Therefore, strategies to encourage affordable housing should be focused on retention of existing housing stock, providing incentives to construct affordable units on lots that are already platted, and for support of existing programs. Although one of the affordable housing strategies the City desires to implement is an Annexation Ordinance, it would likely not be very effective in terms of providing affordable units, at least within the planning period, as a limited amount of land is likely to be annexed for residential uses in the future.

Sisters Existing Inventory of Affordable Housing

Based on the Comprehensive Plan projections of 1850 total housing units needed to meet the demand by year 2025, using a straight "1-in-10" formula to determine the number of affordable units to strive for through the planning period creates a need for 185 total affordable units. The current inventory of dedicated affordable housing units is as follows:

- In terms of dedicated affordable housing within the City Limits, there are currently 26 homes constructed by Habitat for Humanity for home ownership; 33 rental units constructed by Housing Works, and an additional 15 families/households using Housing Works Housing Choice Voucher program for rental units; two private homes providing a total of 10 beds for persons with special needs, and 10 additional beds are provided by the Forest Service on a seasonal basis for persons with special needs. Additionally, there are a total of 15 dedicated affordable housing units approved within Master Plan developments that have not yet been constructed.
- In total, there are currently 59 permanent affordable units and 15 that are approved in Master Plans but not constructed yet, for a total of 74. Additionally, there are 20 beds for persons with special needs, and the opportunity for additional rental units through the Housing Choice Voucher Program.
- Using an estimated demand of 1850 total units to the year 2025, and a rough calculation of 1-in-10 as provided by Comprehensive Plan direction, 185 total dedicated affordable units are needed by the year 2025. With 59 units of permanent affordable housing currently planned or existing in the City, 126 additional affordable units are needed.³

As the City strives to achieve the 126 additional units, it is important to consider that the Comprehensive Plan estimates are based on dated Census data, from the year 2000 before the City installed a municipal sewer system. If the City does choose to pursue a range of housing at varying income levels (60, 80, 100, 120 percent of AML, for example) it is important to base the projections for numbers of units needed in each of these income brackets on the new 2010 Census data. Instead of revising the 10 percent figure at this time, a recommendation is to revisit the figure based on the percentage of low-income residents found in the 2010 Census, and target incentives and other strategies based on the evidenced need at that time.

³ This number does not include the 15 units that are approved in Master Plans that have not yet been through Final Plat processes yet.

C. Summary of Housing Conditions/Trends in the Market

Home Ownership Housing

The Central Oregon Realtors Association tracks housing-related activity in Central Oregon, including the Sisters area (not specifically limited to the Sisters City Limits). As illustrated in **Table 4**, sales prices in the Sisters area in 2008 have fallen since 2006 and 2007, depending on the type of residential housing.

The data in Table 5 illustrates that while home prices have fallen in the Sisters Area, owning a home in Sisters without experiencing cost burden is not possible for a family earning AMI, or even 120 to 150 percent of AMI. As noted previously in this Plan, the maximum purchase price for a household earning Deschutes County AMI without experiencing cost burden is \$180,500. Based on Central Oregon Realtors Association statistics, even bare residential lots in the Sisters Area have been unattainable since 2005 for a household earning 100 percent of the 2007 Deschutes County AMI.

Although residential housing prices have fallen, reflective of the nationwide economic downturn, property sales statistics illustrate that prices are still not attainable to some Sisters residents.

Table 4: Sisters Area Property Statistics, Year to Date Sales through 3rd Quarter by Year, 2004-2008

| YTD Solds through 3rd Qtr. | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| <i>Single Family Detached</i> | | | | | |
| Total Sold | 102 | 131 | 103 | 78 | 62 |
| Avg. Sales Amount | \$353,410 | \$443,544 | \$490,450 | \$520,383 | \$440,706 |
| Median Sales Amount | \$302,500 | \$386,000 | \$445,900 | \$411,000 | \$374,750 |
| Average DOM* | 138 | 131 | 140 | 154 | 224 |
| <i>Townhome/Condo</i> | | | | | |
| Total Sold | 14 | 32 | 20 | 7 | 13 |
| Avg. Sales Amount | \$215,841 | \$264,338 | \$252,011 | \$378,286 | \$302,170 |
| Median Sales Amount | \$157,750 | \$259,250 | \$256,100 | \$389,000 | \$230,000 |
| Average DOM* | 187 | 172 | 95 | 153 | 150 |
| <i>Manufactured Home</i> | | | | | |
| Total Sold | 8 | 7 | 10 | 10 | 5 |
| Avg. Sales Amount | \$165,574 | \$160,843 | \$240,378 | \$244,740 | \$233,800 |
| Median Sales Amount | \$182,020 | \$165,000 | \$230,000 | \$231,450 | \$225,000 |
| Average DOM* | 237 | 141 | 78 | 147 | 189 |

| YTD Solds through 3rd Qtr. | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| <i>Residential Lots</i> | | | | | |
| Total Sold | 44 | 57 | 21 | 6 | 6 |
| Avg. Sales Amount | \$138,332 | \$157,499 | \$290,629 | \$414,117 | \$186,917 |
| Median Sales Amount | \$127,400 | \$137,500 | \$250,000 | \$249,000 | \$193,750 |
| Average DOM* | 249 | 245 | 121 | 153 | 139 |

*Days on the Market.

Source: Central Oregon Realtors: www.centraloregonrealtors.com

Rental Housing

According to the 2000 Census, out of 397 occupied housing units, 58.4 percent were owners and 41.6 percent were occupied by renters. The percentage of owner-occupied units is lower in Sisters than the state percentage, 63.2 percent in 2003, and than that of the nation, which was 66.8 percent in 2003 (State of Oregon Progress Board 2005 Benchmark Report). Given that Sisters has a relatively large percentage of renters, specific strategies focused on encouraging rental housing should be developed as the Housing Plan strategies are implemented. Following release of the 2010 Census, more timely data concerning the number of renters in the City will be available, and strategies can be implemented at that time.

Housing Works tracks and monitors average rents by community in Central Oregon through an annual rental survey. As of this writing, the 2009 rental survey has not been completed, and the most recent rental data for Sisters is from the first quarter of 2007. Although the rental survey was completed in 2008, the Sisters sample was relatively small. As illustrated in **Table 5**, a comparison of 2007 average rents for 2 and 3 bedroom units, compared to average wages for selected high demand occupations, illustrates the gap in rental prices within the City. Only when a worker is earning close to \$14/hour does the person not experience cost burden, according to the data compiled in the rental survey and by Housing Works.

Table 5: Comparison of Sisters Wages and Average Rents, 1st Quarter of 2007

| | Food/ Bev. Worker | Motel Clerk | School Custodian | City Utility Worker | Construc- tion Worker | Teacher (Av. Wage) | Veteri- narian | Bank Mgmt. |
|---------------------------------|-------------------------|----------------|---------------------|---------------------------|-----------------------------|-----------------------|-------------------|---------------|
| Hourly rate | \$7.80 | \$8.67 | \$13.61 | \$14.00 | \$15.36 | \$22.01 | \$27.05 | \$38.46 |
| Median annual income [1] | \$16,224 | \$18,034 | \$28,309 | \$29,120 | \$31,949 | \$45,782 | \$56,264 | \$80,000 |
| Gross monthly income (GMI) | \$1,352 | \$1,503 | \$2,359 | \$2,427 | \$2,662 | \$3,815 | \$4,689 | \$6,667 |
| Housing ratio (HR) (30%) [2] | \$406 | \$451 | \$708 | \$728 | \$799 | \$1,145 | \$1,407 | \$2,000 |

| | Food/ Bev. Worker | Motel Clerk | School Custodian | City Utility Worker | Construc- tion Worker | Teacher (Av. Wage) | Veteri- narian | Bank Mgmt. |
|--------------------------------|-------------------------|----------------|---------------------|---------------------------|-----------------------------|-----------------------|-------------------|---------------|
| Available for housing w/o debt | \$406 | \$451 | \$708 | \$728 | \$799 | \$1,145 | \$1,407 | \$2,000 |
| Sisters - 2 bedroom unit [3] | | | | | | | | |
| Average rent | \$721 | \$721 | \$721 | \$721 | \$721 | \$721 | \$721 | \$721 |
| Excess/(Shortage) per month | (\$315) | (\$270) | (\$13) | \$7 | \$78 | \$424 | \$686 | \$1,279 |
| Sisters - 3 bedroom unit [3] | | | | | | | | |
| Average rent | \$860 | \$860 | \$860 | \$860 | \$860 | \$860 | \$860 | \$860 |
| Excess/(Shortage) per month | (\$454) | (\$409) | (\$152) | (\$132) | (\$61) | \$285 | \$547 | \$1,140 |

Source: Housing Works, Redmond Oregon, 2007.

(1) Oregon Employment Dept. Region 10 High Demand Jobs & Survey of Sisters employers.

(2) HR is the maximum percentage of a borrower's income that can be used to make the monthly mortgage payment. It is preset depending on loan type, usually 25% and 33%. Affordable Housing is commonly defined as when a household spends no more than 30% of GMI on housing-related costs.

(3) 2007 1Qtr07 Central Oregon Rental Survey for Sisters: includes average of apartments, multiplexes, house or manufactured homes rents.

Although the rental data is approximately two years old, it is generally still accurate, based on a review of available Sisters rentals in local newspapers. Consequently, following adoption of the housing plan and formation of a Housing Policy Board to review and make recommendations on implementation of various strategies, a focus on rental-related incentives should be considered. Based on the economic forecasts that indicate the Sisters economy will be based primarily on tourist focused, retail and leisure services, strategies to provide additional supplies of rental housing for low income workers is important for the City's future.

3. Specific Housing Strategies

Summary and Timing for Implementation

The following section of the Housing Plan discusses strategies, recommends timing and followup steps necessary to implement each strategy. In the past, strategies that the City has implemented to encourage affordable housing has focused on low-income (less than 80 percent of AMI) and very-low income (less than 50 percent of AMI). Given that many Sisters households earn between 80 and 120 percent of AMI, the City Council is now focusing strategies on those earning less than 120 percent of AMI, to bridge some of the need for workforce housing.

In general, comments received during the development of the Housing Plan have stressed the importance of addressing the housing issue in Sisters as a community issues, rather than placing all the burden for affordable and workforce housing on new development. Strategies have been developed that attempt to provide incentives where feasible, to promote retention of existing housing, and that provide support to existing housing programs. Additionally, the need for ongoing monitoring, representation of the City at regional discussions, and flexibility have been considered in forming the strategies.

In discussions with the Planning Commission, developers, and residents of the City, there is an apparent need to approach the strategies in two categories: one for those earning less than 80 percent AMI, and one for those earning between 80 and 120 percent of AMI.

Recommended timing for the strategies is as follows:

- Immediate- short-term, within next 3-12 months;
- Short-term- within next 1-3 years; and
- Long term- within next 3-6 years.

Table 6 summarizes the recommended strategies to assist in providing more affordable housing and workforce housing in the Sisters jurisdictional boundary.

Table 6. Summary of Strategies/Action Items and Timing

| Strategy | Timing | Responsibility/Follow Up |
|--|---|--|
| 1) Develop organizational capacity to implement housing programs, housing strategies, and to monitor regional and statewide activity concerning housing efforts. | Immediately. | Planning Department; City Council to designate, or provide backing for organizational capacity. |
| 2) Establish a Housing Trust Fund and use other existing sources of City funding on a limited basis. | Short-term. | Examine use of urban renewal; develop ordinance for Housing Trust Fund. Investigate support for assessment in the future. Planning Dept., Urban Renewal Board for follow up. |
| 3) Develop a comprehensive incentive program for developers of affordable housing. Target less than 80% for some; 80-120% AMI for others. (See detailed description) | Immediately, timed with Development Code Update. | Planning Department. Implement with Development Code Update. |
| 4) Upon release of 2010 Census data, revise the Comprehensive Plan target of “1-in-10” affordable units, to develop targets based on real data. | Short to long-term, depending on timing of release of data. | Planning Department. |
| 5) Examine existing public policies to ensure that regulations do not hinder affordable housing efforts. | Immediately. | Planning Department, implement provisions that are feasible as part of Development Code Update. |
| 6) Preserve Existing Housing Stock by Promoting Existing Housing Programs and Countywide Resources, which generally target up to 80% AMI. | Immediately. | Planning Department, RDI. Inventory Existing Housing stock to identify homes in need of repair; target those homes for program. |
| 7) Support and monitor Statewide efforts that encourage affordable housing | Immediately. | Administration and Planning Depts. Identify appropriate contact to represent City at discussions. |

The following section discusses each of the strategies in detail.

Strategy 1: Develop Organizational Capacity to Implement Housing Programs and Strategies, and to Monitor Success in Achieving Housing Goals.

A. Appoint a part-time Housing Coordinator or designate an appropriate staff person to monitor housing related activity and to represent Sisters on a regional level.

Approach: In the past, the City has not had a resource for specifically tracking, monitoring housing inventories, or for representing the City on a regional level. The Housing Coordinator would also be responsible for recruiting and soliciting affordable housing opportunities related to new business development, and generally with public relations for the City's programs.

Potential Impact: The impact of having a person designated to track housing related programs, monitor affordable housing units, to apply for and track funding opportunities, and participate in regional discussions is substantial, not necessarily in terms of direct numbers of housing units, but in acquiring funds for future affordable housing opportunities, and serving Sisters' interests throughout Central Oregon.

Recommendations: Budget for the position to begin in Fiscal Year 2009/2010. Dependent on existing workload, assign an existing staff person in the immediate and short-term.

Timing: Immediately.

B. Develop a Housing Policy Board to assist the City Housing Coordinator in developing strategies, providing input on housing related policies and regarding housing activity within the City.

Approach: As the City grows, and housing issues become even more important, having a subcommittee to advise the City Housing Coordinator on housing related issues is critical to review strategies, assess the City's progress towards goals, and for forming recommendations on future policy issues for the City Council. The Policy Board would also be responsible for assessing income limits for qualifying for funds or incentives, which would be completed on an annual basis.

Potential Impact: No direct impact in terms of units achieved, but a means to ensure public participation, more local awareness of housing-related opportunities, and a system to continually monitor and review strategies with an ad-hoc group. In the future, as strategies are implemented, the Housing Policy Board would be responsible for reviewing and recommending courses of action for requests for funds, developing strategic plans for prioritizing future use of funds, and generally providing responses to the City Housing Coordinator.

Recommendations: Following adoption of the Housing Plan, and assignment of a City Housing Coordinator, establish a Housing Policy Board to advise the Housing Coordinator on policy-related issues. Initially, the Planning Commission could serve as the Policy Board. Meet only as needed initially, possibly quarterly.

Timing: Immediately.

C. Monitor housing-related activity

Approach: Provide an annual housing activity report to Planning Commission and City Council to keep them informed on housing trends in the City, not only related to prices, but to housing inventory, vacancy rates, and other relevant information.

Potential Impact: Depending on the trends in the City and Central Oregon, the impact of monitoring housing-related activity could be substantial for setting goals for achieving a specific number of units priced in a specific range, etc. Because the City has not been closely following the trends in the market, and reliable demographic data is not readily available, it is difficult to make recommendations on number of units to achieve, or on target prices, and further, recommendations for strategies to achieve housing goals. Additionally, because buildable lands analyses are conducted sporadically, they are time-consuming; developing an annual inventory analysis would make them less time consuming and more consistent. The Housing Coordinator could update and keep current information on a monthly, or as needed basis.

Recommendations: A responsibility of the Housing Coordinator position would be to develop and provide an annual report for the Planning Commission and City Council on housing-related activity, regional and local trends, and inventories. Use the findings of the annual report to refine housing strategies, modify, and revise goals as necessary.

Timing: Short-term.

Strategy 2: Develop a Housing Trust Fund, and use other existing City funding sources on a limited basis.

A. Develop a Housing Trust Fund through a variety of Funding Mechanisms

Approach: Adopt authorization, through ordinance, for the City to implement a Housing Trust Fund (HTF). The HTF could be funded through a variety of potential sources, including but not limited to: sale of land acquired through liens on property; administrative charge for SDC deferrals; private donations; or a limited use of room taxes. Although offering these deferral programs entails increased administration for the City, it is a proactive means for the City to generate some start-up funds for the HTF, or some supplies of land, and, additionally, may stimulate some additional permits during hard economic times.

Potential Impact: The amount of impact of an HTF can be small or large, depending on the amount of funds available. Uses could range from assistance with off-site improvements (sidewalks, parking areas, etc.), to underwriting the cost of land dedicated for affordable housing development. Initially, the HTF assistance would likely not be substantial.

Recommendations/Steps: By law, HTFs need to be adopted by ordinance. It is recommended that the City use a model ordinance, and adopt the authority, a general description of the use for the funds, and target income levels in the ordinance. Authorize the Housing Policy Board to evaluate and make recommendations regarding the use of the HTF funds, through the development of a Strategic or Action Plan.

Timing: Short term.

B. Use a limited amount of Urban Renewal Funds

Approach: Portland, for example, has used a minimum of 30 percent of the City's Urban Renewal funds since 2006 to stimulate development of affordable housing for households earning below 80 percent of AMI. The Sisters City Council, which serves as the Sisters Urban Renewal Board, discussed using a portion of its Urban Renewal Funds for promoting affordable housing, purchasing land for housing, or providing assistance for off-site improvements for affordable housing within the boundaries of the Urban Renewal Plan for a limited time (i.e., 3-5 years).

Potential Impact: The impact could generate 18-30 units, conservatively, in the 3-5 year period. The units would likely be apartments or mixed-use commercial/residential, because of the use of the funds only in the Urban Renewal District.

Recommendations: Authorize the City's Urban Renewal Board to consider a limited use of Urban Renewal funds to encourage development of housing for low-income (up to 80 percent of AMI) residents. The City's existing Urban Renewal Plan provides the authorization for housing in the downtown commercial districts, so the Plan would not need to be amended.

Timing: Short-term.

C. Develop a 5 to 10-year Strategic Action Plan identifying priorities for the allocation of funds.

Approach: Through the Housing Policy Board, develop a 5-to 10-year Strategic or Action Plan which prioritizes projects and priorities for funding, for example: rental housing or home ownership, new housing or homeowner rehabilitation programs, off-site improvements, underwriting the cost of land, or provision of rental subsidies.⁴

Potential Impact: Establishing a Strategic or Action Plan will provide clarity and definition for funding, and enables Fund recipients to know where funding will be targeted in the short and long term.

Recommendations: First establish HTF, and follow with the Housing Committee developing the Strategic or Action Plan, with oversight by the City's Housing Coordinator.

Timing: Long-term.

Strategy 3: Develop a comprehensive incentive program for developers of affordable housing.

Approach: Develop and implement an incentive program for developers of affordable housing, in order to offset some of the requirements for market-rate development.

⁴ A rental subsidy is paid to private landlords who accept low-income tenants. The supplements make up the difference between rental market price and the amount of rent paid by tenants, for example 30% of the tenants income.

A. Following adoption of the Housing Plan, identify which incentives are appropriate for the City of Sisters, and which incentives to provide developers of housing for low-income (less than 80 percent AMI), based on a cost/benefit analysis of each incentive. Provide an additional list of incentives for non-profit housing developers.

Examples of incentives implemented through Development Code provisions, include the following:

- 1) **Planning and Building Fee Exemptions.** All or a portion of Planning Division and Building Division fees could be exempted for qualifying projects, with the exempted fees paid by the City, similar to the City of Bend's existing program. The percentage of fees waived for any project could be proportional to the percentage of units in a development that are affordable.
- 2) **Expedited Review and Permitting Processing.** For any qualifying project, review and permitting processing would be expedited. Although during hard economic times, this would likely not be an effective incentive, the incentive adds to the overall assistance provided by the City to encourage affordable housing and should be adopted to the menu of options for a developer.
- 3) **System Development Charge Deferrals.** For qualifying projects, defer SDCs for up to 1 year. SDCs are due upon transfer of ownership, or at the end of one year from the date the deferral is granted. This strategy varies from the market-rate deferral program (in Strategy 2B, above), in that interest is not charged for the period of deferral for a qualifying project.
- 4) **Off-site Improvement Assistance.** In Bend, developers of qualifying projects are eligible to apply for a grant from the City of Bend to assist with the cost of non-reimbursable off-site improvements. The grants will cover the cost of the off-site improvements required by the City, up to a maximum of \$10,000. This incentive could work with the HTF program, when available.
- 5) **Density and Height Bonuses.** The City does offer a density bonus for providers of "income and rent controlled housing", but the Code language implementing the provision is confusing and leads to disagreements in interpretations, so is not often-used. As part of the City's upcoming Code amendments, Section 2.1.200(L) should be rewritten, with more modern and relevant definitions added, for greater clarity.
- 6) **Minimum Lot Size Exemptions.** Allow qualifying projects an exemption from minimum lot size standards (in Bend, lots are still subject to minimum frontage and other requirements).

Potential Impact: As the economy improves and planning and building in Central Oregon recovers, the incentives will have greater potential to create affordable units.

Recommendations: Based on the housing priorities established by the City, have the Housing Policy Board develop a sliding scale of incentives based on the ratio of affordable housing units to total units to be built by a developer and on how affordable the units are. (For example, if the City wants to increase housing affordable to low wage service workers, it would offer incentives with greater value to a builder for a larger ratio of housing targeted at households making less than 50% of AMI, and incentives with lower value for a smaller ratio of housing targeted at households making more than that.) Depending on priorities of the City, all incentives might be offered to builders that provided a larger amount of affordable housing, and none offered to builders that provided housing at low market rates. It should be one of the first tasks of the Housing Policy Board to develop a menu of incentives linked to the ratio and affordability of affordable housing, to be provided, drawing on the examples of incentives listed above. The goal should be to offer more incentives to builders providing a larger share of affordable housing and to those providing a larger share affordable housing targeted at the lower income groups.

Timing: Immediate.

B. Develop a comprehensive annexation ordinance based on the needs of City residents, with requirements such as percentage of land for each income bracket; construction timing; construction standards; distribution of affordable units; land dedication; and additionally, other requirements such as roads, water, sewer, and other necessary public facilities. A component of the ordinance would be an “in-lieu-of” fee if a developer does not want to develop the housing themselves- the in-lieu-of fee could be used to fund the HTF fund, and support affordable housing efforts elsewhere in the City, as well as a provision for the developer to work with a non-profit affordable housing provider. An alternative to the strict requirement to provide affordable units would be to use an incentivized approach, so a developer would receive incentives for density bonuses, fee deferrals, or other incentive based on the amount of affordable housing provided.

Approach: City staff develops an Annexation Ordinance for adoption into the Sisters Development Code. The annexation ordinance can either require similar affordable housing units in a “1-in-10” ratio that currently exists, or be drafted as more of an incentivized approach. An incentivized approach would provide incentives (density bonuses, transfers, etc.) to a developer that provided “x” number of units. More incentives would be provided based on the amount of affordable or workforce housing that is provided in a given area.

Potential Impact: Because the City’s Buildable Lands Inventory indicates that additional supplies of residential land are not necessary for quantity of units, the impact of the Annexation Ordinance is not likely to provide substantial numbers of affordable units within the next decade. However, as the City grows, it is important to have a provision adopted to guide development in future growth areas.

Recommendations: Draft the Annexation Ordinance following adoption of the Housing Plan.

Timing: Short-term, with revision in Task C, below.

C. Examine a provision similar to the annexation ordinance for zone changes and/or plan amendments, to provide incentives for property owners who desire to provide affordable housing with market rate when choosing to apply for changes to existing zoning or plan designation.

Approach: Provide incentives for those who apply for zone changes, as opposed to making provision of affordable housing mandatory.

Potential Impact: In the past 3 years, 15 units dedicated to affordable housing were provided through zone changes and plan amendments. If an incentive program was provided, additional affordable units could be attained.

Recommendations: Draft the provisions for the Development Code following adoption of the Housing Plan.

Timing: Short term.

Strategy 4: Upon release of 2010 Census data, revise the Comprehensive Plan target of “1-in-10” affordable units, to develop targets based on real data.

Approach: Research completed for the Housing Plan indicates that roughly one-half of City residents are considered low-income, earning less than 80 percent of AMI, yet current City policy strives for a “1-in-10” ratio of affordable units to market rate units for areas proposed for annexation. Using data regarding the percentage of low income residents in Sisters, this ratio should be closer to 4-in-10. Without reliable, current data on residents’ income levels, it is difficult to address housing needs or create targets for various income levels. Immediately following release of 2010 Census data, the City should revise the affordable housing targeted income ranges, and tailor strategies to address documented needs.

The following table illustrates the number of Sisters residents within each income bracket, based on a population of 1,875 residents.

| | < 30% AMI | 31-50% AMI | 51-60% AMI | 61-80% AMI | 81-100% AMI | 101-120% AMI | 120% + AMI | Totals |
|-------------------------|-----------|------------|------------|------------|-------------|--------------|------------|--------|
| Percentage of Residents | 11.8% | 12.1% | 10.3% | 17.6% | 10.3% | 6.8% | 31.1% | 100.0% |
| Number of Residents | 221 | 227 | 193 | 330 | 193 | 128 | 583 | 1,875 |

Using this data, ratios of affordable to market rate housing units could be developed, based on units targeted at specific income ranges (or percentage of AMI). For example, instead of 1-in-10, ranges could be as follows:

Targeted AMI:

- Less than 30%= 1-in-7.
- Less than 50%= 1-in-3.
- Less than 60%= 1-in-2.

Potential Impact: Likely not a direct impact, but indirect impact as strategies and policies are better formulated to meet residents’ needs.

Recommendations: Designated Housing Coordinator compiles Census data upon release, and provides recommendations for strategy or policy revisions to Housing Committee for review.

Timing: Short-term.

Strategy 5: Examine existing public policies to ensure that regulations do not hinder affordable housing efforts.

A. Amend Sisters Development Code to remove barriers to development of affordable housing.

Approach: Use inventory of barriers provided in **Appendix B** of this Plan to identify and prioritize barriers.

Potential Impact: Removing barriers would have an indirect impact, but would provide clarity where contradictory policies and regulations currently exist.

Recommendations: Initiate amendments where necessary to streamline regulations, provide greater clarity, and ensure all City regulations are encouraging affordable housing.

Timing: Short-term.

B. Amend/ revise City Charter to remove reference to 80 percent of AMI, and remove reference to SDC “waivers” for affordable housing developers for projects with a 50-year affordability requirement.

Approach: The City Charter, while well-intentioned, contains a provision for SDC waivers for projects that maintain affordability for 50 years, for low-income residents. The legal opinion on this policy is that waiving SDCs is not legal in the State of Oregon. Further, the affordability period of 50 years is difficult to meet. As a result, the SDC waiver has never been used.

Potential Impact: No impact, because the provision has not been used. Revising the provision, following adoption of the Housing Plan and related strategies, would likely provide more effect in the long term.

Recommendations: Revise period of affordability; then revise this provision in the City Charter to “except” non profit housing providers from SDCs; following sales of homes after the required period of affordability, if the home is sold for market rate prices, the profits could go into the HTF (Strategy 2).

Timing: Short-term.

Strategy 6: Preserve existing housing stock by promoting existing housing programs and Countywide resources, which generally target up to 80% AMI.

A. Streamline Review processes, and examine planning and building fee waivers or deferrals for Housing Works, Habitat for Humanity, and other non-profit housing providers within the community.

Approach: A comment throughout the development of the Housing Plan was to support the existing “experts” in the nonprofit housing development field, such as Housing Works and Habitat for Humanity.

Potential Impact: The impact of supporting existing nonprofit housing providers is substantial. Not only does it build organizational capacity for local providers, but it also saves the City resources in terms of saving in administration of new programs.

Recommendations: Following adoption of the Housing Plan, begin to survey existing nonprofit housing providers to identify the type of incentives that would best suit their objectives, and which needs to prioritize first. Following, the City should initiate necessary code amendments, fee deferral programs, or other incentive-based programs to support the growth and sustainability of existing organizations.

Timing: Short-term.

B. Develop Public Information Program for existing Programs or use existing informational resources.

Approach: Preserving existing housing stock, and promoting existing home rehabilitation programs is a relatively easy strategy to implement. Rural Development Initiatives (RDI) in Redmond provides home improvement grants and/or loans to improve or modernize homes for those who qualify as low and very-low income. The lifetime grant limit is \$7,500, and residents must be within household income limits established by Rural Development. For homeowners 62 and over who cannot repay a loan, grants funds are available to remove health and safety hazards or to remodel dwellings to make them accessible to household members with disabilities. NeighborImpact has additional resources as well. The benefit of the existing programs are that it preserves existing housing stock and keeps residents in their homes, and moreover, funding and administration is available through other agencies, so it does not require substantial City resources.

Potential Impact: Likely 5-10 homes annually.

Recommendations: The City could support programs such as these by providing information at City Hall and by inventorying existing housing units that may be in need of repair and getting information to the owners. Alternatively, information on the program could go out in monthly utility bills.

Timing: Immediate.

Strategy 7: Support and monitor Statewide efforts that encourage affordable housing

A. Support efforts to establish a Document Recording Fee in Oregon.

Approach: An additional bill to be introduced is to establish a document recording fee, whereby the proceeds would be added to a State fund to support affordable housing throughout the State. The funds would be allocated as part of the Oregon Housing and Community Services competitive funding cycle.

Potential Impact: The impact is difficult to determine; because funds will be allocated on a competitive, Statewide basis, it will be critical for the Sisters Housing Coordinator to be involved in any regional discussions of potential projects in Central Oregon.

Recommendations: Appoint a Housing Coordinator to represent Sisters, and follow through with other strategies, in order to give Sisters regional representation.

Timing: Immediate.

4. Appendices & Supporting Documents

Appendix A: Residential Inventory Analysis and Update (April 1, 2008)

Appendix B: Housing Strategies, Barriers to Affordable Housing (July 21, 2008)

Appendix C: Memorandum: Update of Buildable Lands Inventory (December 28, 2008)