

Public Testimony: January 22, 2019

As the Planning Commission continues to consider public comments about the future development of the Westside of Hood River, I would like to offer comments that I hope the Commission, the City Council, and residents of the city concerned about both affordability and the environment will consider.

The points I'd like to make are:

- 1) We should be sure the public is aware of development that has already taken place since the publication of the Westside Area Concept Plan.
- 2) The Commission, Council, and town should be aware that the lack of Neighborhood Design guidelines in line with the Westside Area Concept Plan, plus the existing development (point #1), has already led to private development that significantly affects many of the goals and vision for the Middle Terrace Neighborhood (p 18, Westside Area Concept Plan).
- 3) Even though the difficulty of achieving a worthwhile goal shouldn't be a reason for failing to pursue it, the public's high interest in the creation of a range of housing for families across multiple income levels and multiple life stages means that City leaders should be transparent about the high degree of difficulty in achieving this, given factors including:
 - The high cost of land in Hood River
 - The high cost of construction – including interest rates, development costs, fees, etc – which makes “low cost” apartments unlikely without funding assistance from federal, state, county, city, or non-profit sources.
 - Factors outside the control of the City of Hood River
- 4) Reducing lot sizes and amending the zoning code so that denser housing **can** be built onto smaller lots DOES affect the portion of construction costs involved in land acquisition. But as stated throughout the Plan, those changes do not **guarantee** lower cost housing, and do not **guarantee** that current Hood River residents will be able to purchase those units, if built. Those changes don't guarantee low-cost rental housing either.
- 5) The aspirational code ideas and visions incorporated into the Westside Area Concept Plan describe building forms that complement neighborhoods and allow the natural landscape beauty to remain. They also suggest (Appendix D, Westside Area Concept Plan) a variety of housing types that might help contribute to more affordable housing, but do not guarantee that housing will be built. So far, Oregon developers (along with developers in most desirable areas) find that the economics of acquiring property and building units makes it almost impossible to create new unsubsidized low-income housing. Hood River will need to do more than upzone to change this reality. A wish to do something does not translate into the ability to do something.

Following is additional information in support of my points above.

1) Inventory of Land on the Westside – 4 years out – Development already happening

The concepts and visions laid out in the Westside Area Concept Plan are admirable, but let's see what the state of the land is in 2019. That current status will affect the reality of what our new Westside might look like.

Plan elements included:

- Neighborhoods connected to nature
- Streets, trails, and paths that are walkable, connected, and green
- Neighborhood design that celebrates the landforms, views, and magnificent landscape of Hood River
- Open spaces and parks that support community gathering and a connection to nature
- Henderson Creek as a connecting open space (p15)
- A proposed new trail along Henderson Creek (p36)
- The Westside Area's parks and open spaces are envisioned to form a connected system of natural areas (tree groves, ridgelines, and Henderson Creek), parks (three neighborhood parks), P 38
- A riparian corridor and off-street path adjacent to Henderson Creek, preliminarily sized at 25 feet on both sides of the creek, measured from the centerline.

We should compare housing inventory, population projections, and development that have taken place since 2015 to understand what areas remain likely to be shaped by the plan. Only will that current inventory of our land allow us to see how much of the Westside Area Concept plan is likely to be implemented.

2) What's the reality in 2019?

An example of the difference between the vision in the Area Concept Plan and what is happening in real time comes from looking at the lots north of Sherman near 30th (mentioned by Wendy Boglioli during public comments before the 2019 City Council Planning Day, January 12).

As of January 22, the current property owner has removed most of the trees, leaving a barren landscape of downed branches and partially cut off trunks.

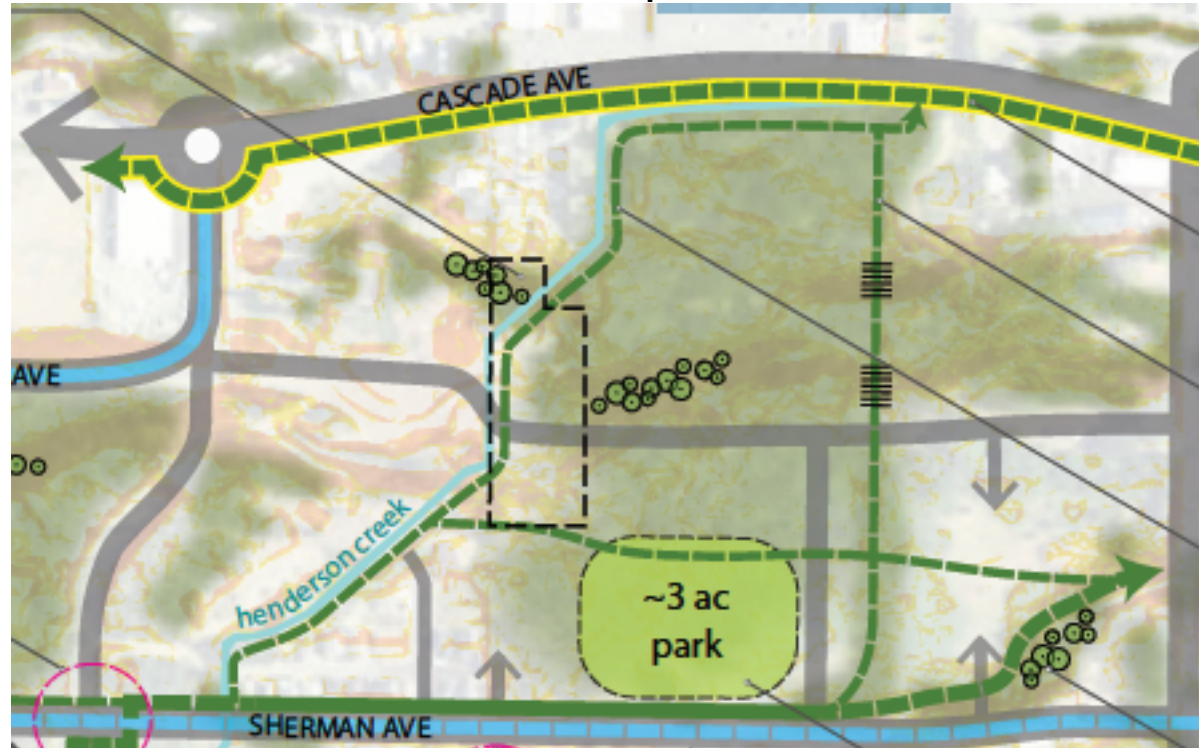
Before:

The area was envisioned as part of the location for a potential 3-acre park. Among other amenities, the plan described:

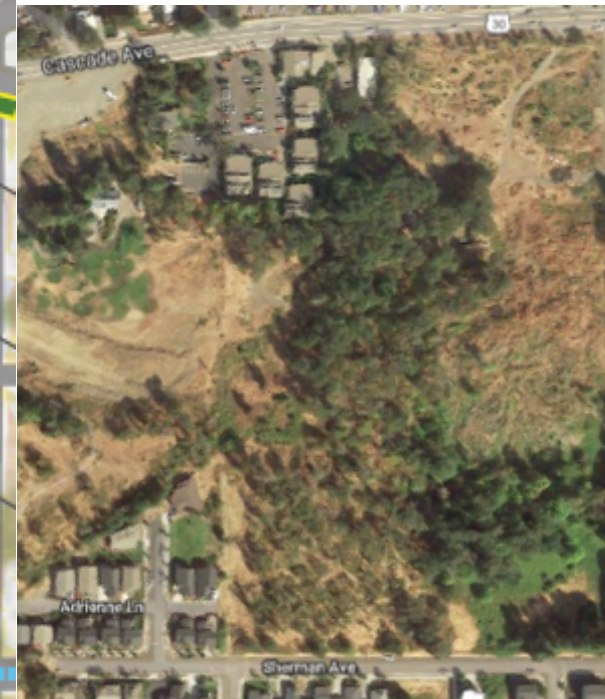
- Henderson Creek open space/trail corridor
- [A goal to] Focus development away from tree cover and terrace edges

The areas in green on the map from the Westside plan are described as “Existing Tree Cover” – see below.

Vision from Westside Area Concept Plan – 2015



Google Maps



Reality – January 2019



Before - Above

The reality as of January 22, 2019, is that the tree cover is gone. The trees have been cleared and bulldozed. Any trees needed for the area will be new ones, not the existing tree cover – and we likely won't see the same diversity of tree cover again. As the Westside Area plan concedes, the plan **cannot guarantee or ensure anything**. If a park is “planned” but no land purchased, the owner may sell that land or develop it. Indeed, on page 39, the plan states: “The Westside Area neighborhoods will take many years to build out fully. The City should establish a goal for “by-when” parks are in place, in order to serve Westside residents and **ensure that parks are delivered before all available land is otherwise committed**. A reasonable goal would be to have parks in place by the time 50% of the residential units have been built in a given neighborhood.”

Current View-Right
(January 2019)



Current View – Middle Terrace Neighborhood



It's too late for a substantial section of the Middle Terrace neighborhood to be developed in line with the aspirations of the Westside plan. What other development has already happened that substantially affects the Westside plan's goals for environmental and landscape protection? Lots in what is called the Country Club Road District are also under development now, in contrast to what page 12 of the Plan calls "largely undeveloped commercial and industrial lands."

Property has already been bought or developed with little reference to the Westside plan. If this is the case with a significant area for the Middle Terrace neighborhood plan, what are developers of private property likely to do when they're given the ability to put up more units with even less landscaping or developmental control?

Without ways to control the look of the development, we're in for an urban landscape transplanted to a rural area, still not "affordable" for many, and with **40% or more of the homes owned for vacation or seasonal use**, based on the current % of housing stock used that way.

3) Affordability Issues:

Recent letters to the editor in the HR News mention a desire for folks with low-paying jobs to be able to get housing (actually, that desire goes back at least 10 years or more, based on new archives). That's a great goal that many people desire. However, we should be realistic about the costs of land, labor, materials, and capital (interest rates set by the Fed, for instance).

The annual wages of certain positions makes home purchases or even rentals without a government, charitable, or industry subsidy (i.e. Microsoft providing \$500 million – including \$250 million to loan \$ at subsidized rates to non-profit builders) difficult. That's a fact that upzoning doesn't change substantially.

I took the annual estimated wages (using positions mentioned in a recent Letter to the Editor in the HR News), along with the estimated cost to purchase a home to consider the likelihood that the market alone could produce “affordable” housing here. The amount of “home that can be afforded” is based on online calculators from Trulia, Zillow, Bank of America, and Chase. I assumed a significant down payment (10-20%), 30-year mortgage at 4.5%, and \$100 monthly in credit card and auto payment maximum. Other assumptions may shift the cost the home to be afforded up or down.

- Gas station attendant: Estimated hourly pay of \$10.98/hr. = \$22,926 annual salary= **\$68,339 home price**
- Hospital tech (sterile processing): Estimated hourly pay of \$24.06/hr. = \$50,237 annual salary = **\$220,181**
- Grocery Clerk: estimated hourly pay of \$15/hour=\$31,320 annual salary = **\$118,074 house price**

Will upzoning the Westside **ensure** that affordable homes are built? It's highly unlikely.



There was very limited new construction I could find in Oregon that was either cottage, or multi-family, within those price ranges. I did find a few cottages in Bend, called Hiatus Homes. This cottage development in Bend features:

- **22 cottages** built on **3.2 acres** of land
- Cottage sizes are **1 bedroom, 1 bath, and about 475 square feet**
- The cost of each cottage is \$229,000 to \$249,000

- So far, I think 3 have been built (the project began in 2017)

I'm still researching the cost of the 3.2 acres of land the developer used (Bend has far fewer constraints on land surrounding the area than Hood River). However, one should note that these homes would be most suitable for purchasers with 1 or 2 family members in total, and less suitable for families with children. And of the 3 jobs mentioned by our writer in the HR News, only one yields a salary that might allow purchase of the cottage (as priced in Bend – unknown what Hood River costs might be).



3 bed 2+ bath 1,244 sqft
2375 SE 16th St, Gresham, OR 97080

What about apartment buildings? Duplexes, triplex, 4-plexes?

These are housing types that the Housing Needs Analysis (HNA) suggests are needed to supply workforce and affordable housing. Can they be built so that they are “affordable” – either for low-income residents or for the “missing middle” – the teachers, firefighters, new engineers, etc.?

I was able to find a DR Horton product called “Express Homes.” DR Horton usually relies on purchasing a substantial quantity of land, then producing the same model repeatedly and quickly in order to keep costs down. Gresham is the first place in Oregon they’ve built; other developments are in California’s Inland Empire, Las Vegas, Texas (Dallas, Fort Worth, Houston, etc.).

I’m not sure we have the many acres they usually require, and the Westside Area Concept plan suggests that housing types be varied throughout neighborhoods, rather than hundreds of homes that are identical, which is closer to the DR Horton Express business model. Our builders are likely to build relatively smaller developments, and the goal in the Plan included housing diversity (P. 22, 44,53, 66). This will make production of units below the DR Horton costs unlikely.

The single “upzoning” solution alone won’t offset all the other economic factors that make producing multi-family housing expensive. The City will need to consider bond measures (and the increase in taxes to pay for those bonds), tax incentives for builders (which also have a cost to tax payers), changes to permitting processes, assistance with financing, and much more. Let’s be transparent – upzoning is not remotely a magic bullet, and when we consider how developers now use the land in many of the projects around the town, let’s be realistic that we are likely to use the green space we claim to value so much.

4) Factors Affecting Affordability Besides Upzoned Land

In March 2018, Michael Anderson, a Portland based urban policy reporter, wrote a 2-part series for KGW looking for ways to make Portland apartments cheaper. The articles can be found here: <https://www.kgw.com/article/money/economy/growth/why-are-new-apartments-so-expensive/533579537?c=n> Some of his findings and conclusions won't apply in Hood River because we are unlikely to allow an apartment building with the scale of 100+ apartments. However, looking at a \$2000/per month rental cost and considering how to reduce that for renters led Mr. Anderson to research the effect on monthly rental costs of these cost cutting measures:

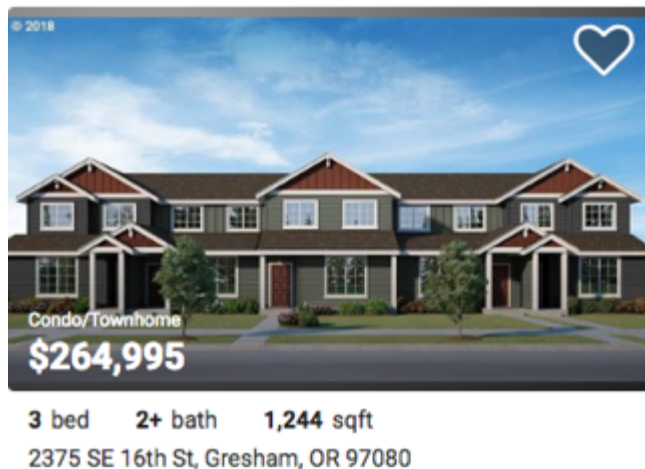
- 1) Let developers spread out fee payments - Saves \$8/month
- 2) Make building permitting process more efficient = Saves \$13/month
- 3) Use cheaper materials = Saves \$17/month
- 4) Get investors to demand smaller returns = Saves \$27/month (this required investors seeking only 15% returns vs. a standard 25% return)
- 5) Reduce car ownership = \$31/month
- 6) Reduce pay to developers and architects = \$35/month
- 7) Reduce taxes and public services: = \$94/month
- 8) Re-legalize small apartment buildings: \$148/month (Portland doesn't allow two-story wood frame apartment buildings)
- 9) Reverse Portland's population growth: \$253/month

When all was calculated, the writer found that he could still only get the cost of a **“newly-built one bedroom down to \$1,375 per month.”** He went on to write: **“That's the other great challenge of modern housing: It's essentially impossible to build housing to today's standards cheaply enough for poor people to afford a newly built apartment.”** (<https://www.kgw.com/article/news/local/9-ways-to-make-apartments-in-portland-cheaper/283-533599685>)

So again ... let's not bet that smaller lots and small duplexes and 4-plexes will create housing that the “missing middle” can afford here in Hood River. In addition to the costs of land and construction and permitting and design, we should remember that:

- Out of town buyers will continue to compete with local residents in the housing market. Cottages, duplexes, and apartment units will be just as attractive, if not more so, to the seasonal vacation buyer. About 40% of our homes are owned by out of town residents right now, based on current county records for 2018.
- New construction typically can command higher prices than older units, for both rental or purchase units.

- The existing market rates for rentals and housing affects the price developers may set, unless the developer chooses to be altruistic and forego profits (and typically in that case, his or her financing had better be independent, or investors and/or banks will inquire about the project’s fiscal soundness). Our existing market as of January 2019 shows the following rental costs (based on Rentometer)
 - 2 bedroom: \$1,450 median; 60% at \$1,050 to \$1,600
 - 3 bedroom: \$1,863 median; at the 60% percentile, \$1,550 to \$2,150



Online descriptions of how landlords set rental property rates (aside from looking at market rates, amenities in the apartment, etc.), use the cost of the unit, and suggest rents typically fall into a range of 0.8% to 1.1% of the property’s value. **That means the \$249,000 1 bedroom newly constructed cottage in Bend would rent for between \$1,990 and \$2,490 monthly.**

The rate for the DR Horton Express tri-plex (see left) could be around \$2,100 to \$2,640 per month.

Rental rates that are too low don’t allow the property owner to recover both monthly costs and the payback costs over the years. As the property ages, maintenance costs will climb, for instance.

The upshot of KGW’s investigation on housing construction seems to show that it’s exceedingly difficult to build “affordable” (the government definition) apartment housing now given the economics of labor costs for construction, permitting costs, ROI, cost of capital (including rising interest rates), land costs, and other development costs.

All these articles, and the basic economics of new construction in Hood River, and the basics of a market-driven economy, make it highly likely that upzoning the Westside will not GUARANTEE affordable housing will be built. The housing units may be less expensive than some (but not all) housing units built from 2014 to 2018, but even those units will (unless they are subsidized for people with low incomes) be available for purchase by anyone, and Hood River’s desirable location, proximity to Portland, and status as a popular summer and even winter destination spot means that purchasers who do remote work, telecommute to Portland/Vancouver, or vacation here will continue to find those new units as attractive as ever. There may be some less costly housing built, but all buyers will compete in the housing market to purchase those units, and that competition will also affect pricing.

- 40% or so of current housing stock is owned for either secondary homes or rentals (LT or ST).
- Hood River housing rentals have increased per the US Census:

- 2008-2012: 59.9% owned; 40.1% rentals
- 2013-2017: 45.9% owned; 54.1% rentals
(factfinder.census.gov)

5) Housing Forms and Neighborhood Characteristics

Lastly, although the Westside Area Concept plan aspires to preserve the natural landscape and hopes to avoid the monotony of repeated housing forms, we've already seen that ongoing developments leave those ideas behind. I will continue to express the hope that whatever development takes place in the Westside, and indeed throughout the city and urban growth area, we avoid the visually disastrous landscapes that prevail now through many urban and suburban areas.

From "Visualizing Density":

- **Density** is the number of people in a given space, while **crowding** is the subjective perception that the number is too high.
- **Monotony** – it's a risk when:
 - Standardization brings down the cost of construction but breeds monotony.
 - The same building form is repeated relentlessly across a broad area, it provokes a response that there are "too many" structures.

All too often, the term "density" evokes an image of repetitive, featureless housing developments with little greenery and no privacy.

- Good design can compensate and help overcome some of the drawbacks of density.
 - Clearly defined private gardens vs. large, blank lawns
 - Diversity in architecture is key.
 - Green infrastructure
 - Dense housing can be bleak if it's architecturally monotonous. "When the same building type is repeated up and down identical streets, the result is tedious to look at."

- “The best dense neighborhoods include a lively mix of uses, housing types, architectural styles, and public spaces. There is more to observe and more to do. Most important, a broad range of people live in them. Variety on every level is what keeps dense neighborhoods from feeling oppressive.”
- ...”an assortment of buildings, a coherent street network, “
- Green space should weave through town – every resident should have a direct connection to nature.
- In dense neighborhoods architectural design matters – construction details: big windows for light, sound insulation to avoid hearing neighbors, shielded streetlights, trees.

We know that **upzoning will not guarantee affordability** on the Westside. It certainly **won't allow building of low-income housing without public subsidies**. Let's assume that all residents also want attractive, interconnected neighborhoods. Let's promote design as well as density. And let's remember that we've already lost some of our land to ugly development, while other park land (Morrison Park) remains at risk. We are losing parks and green space permanently, without being able to purchase any land to hold in trust for future parks.

Appendix

View of the property that was suggested as a natural corridor, and potential park, for the Middle Terrace Neighborhood.

(Source: County GIS Map <http://gis.cityofhoodriver.com:81/Html5Viewer/Index.html?viewer=Public>)

These 2 properties are registered at the same mailing address, though they use different corporate names. The current laws on the books in the city of Hood River apparently do not address the way this land is being developed. The vision in the Westside plan was insufficient to preserve tree cover, riparian corridors, or any of the other landscape amenities suggested. Property owners have a right to develop and sell their land as they choose within existing code. If the town fails to save land for parks, it will vanish.

The “development” currently taking place means that the vision from 2015 of the Middle Terrace neighborhood has likely already lost the park & natural landscape that was envisioned.

Copyright info/sources:

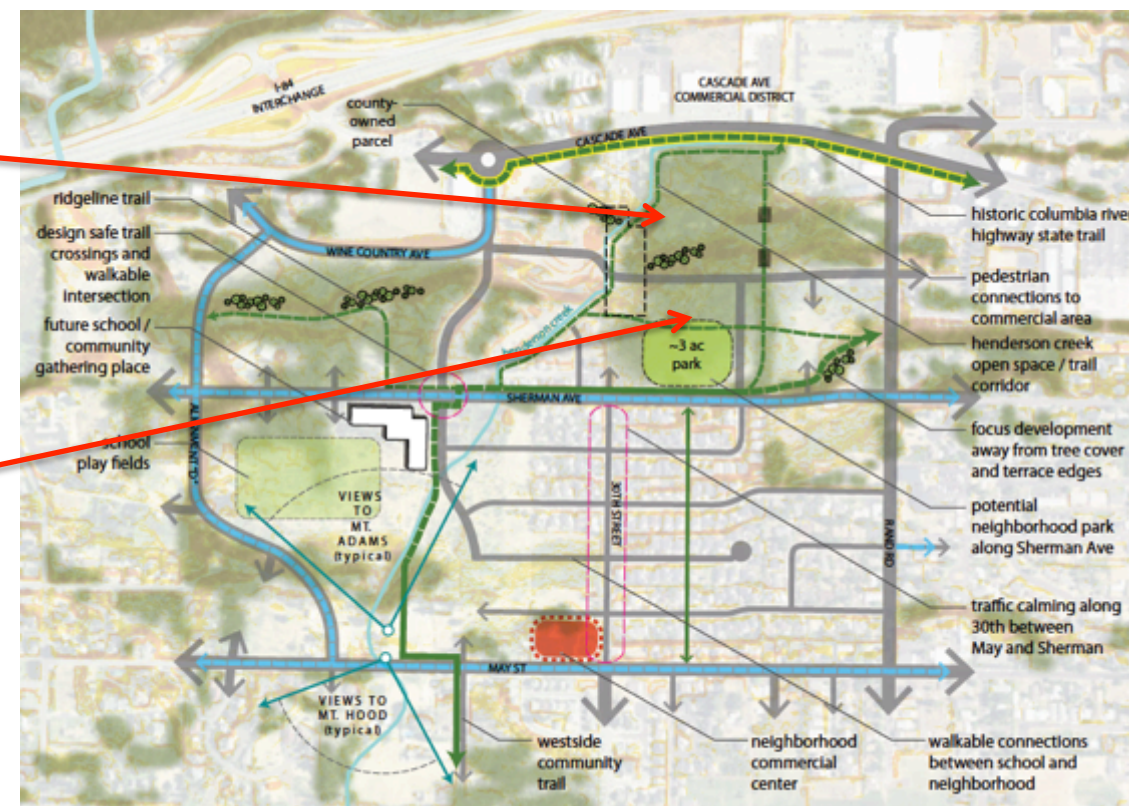
- Maps of Middle Terrace Neighborhood: <http://www.hrwestsideplan.com/>
- Google Maps: Map Data © 2018 Google
- Hiatus Homes: <http://tongueandgroovehomes.com/> and realtor.com
- DR Express Home in Gresham: [Realtor.com](http://realtor.com)

Taxlot

03N10E26CB0
1400,
3.45 acres

Taxlot

03N10E26CC0
1001,
8.53 acres



Note: These diagrams are conceptual and for study purposes only

- Campoli, Julie and Alex S. MacLean. *Visualizing Density*. Cambridge: Lincoln Institute of Land Policy, 2007.