

# Housing in Hood River



# Housing Market History and Market Values Over Time

For the November 19, 2018 Hearing, I'd like to review some information from existing housing in Hood River and other communities. The purpose is to suggest that upzoning is unlikely to be a way to ensure the outcomes desired.

- Housing costs in Hood River have risen faster than inflation. Market costs of new homes built in 2019 will reflect those changes.

Changes in median Home Prices in Hood River, 2008 to 2018

		Inflation-Adjusted
- Existing homes built prior to 2006;	+43.2%	+24.1%
- All new homes built 2008 to 2018:	+51.3%	+32.2%
- All new homes, lots <4K:	+47%	+27.9%
- All new homes, lots > 4K	101%	+81.9%

- New housing appreciates faster and becomes more expensive faster than existing housing stock
- The experience of other communities with “upzoning” without detailed codes suggests risks and unintended consequences. Without clear codes and thoughtful design, we have urban clutter.



The Westside Area Concept Plan documents concerns expressed in the primary plan, Open Houses and testimony including:

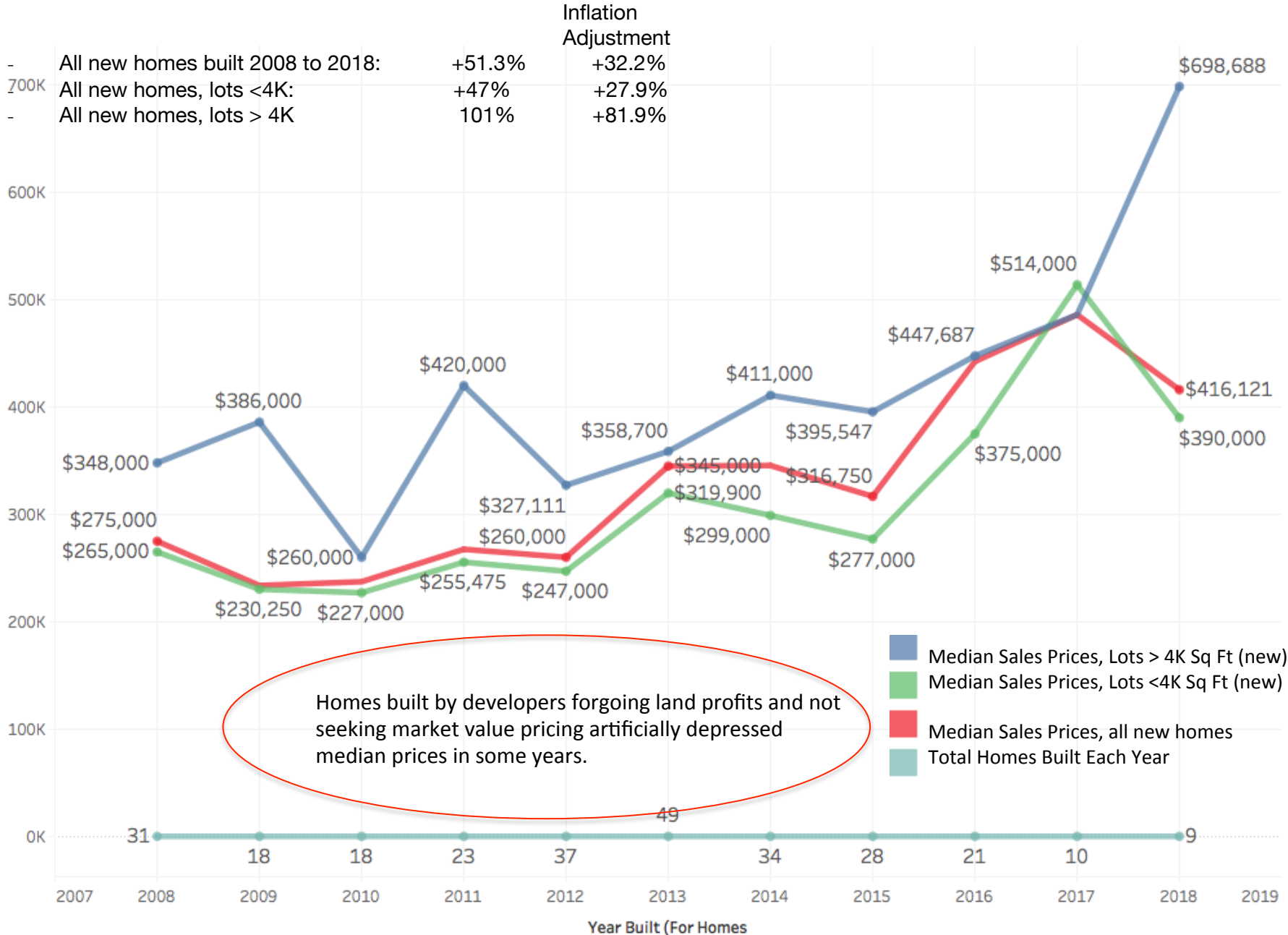
- *The need to regulate and manage “secondary and short-term rental housing”*
- *Concerns that “when developers come in to develop a high-density area, they’re not going to build government-subsidized affordable housing, they’re going **to build market value housing**, which will appeal more to second home buyers”*
- *The population forecast used in the Housing Needs Analysis (HNA) has been adjusted downwards **from 2% to 1.4% through 2035.***
- *Changing land use strategy will “**enable (but does not ensure)** workforce and affordable housing” (page 15)*
- *“...how can the City **ensure** that workforce and affordable housing will be built, not merely allowed by the updated zoning?” (p44)*

Median Sales Price  
Existing Homes in Hood River  
Built Prior to 2006

2008 to 2018 – 43.2% increase



# Changes in median Home Prices in Hood River New Construction, 2008 to 2018



## Market Prices for Homes Built in the Future

Developers will continue to be affected by land prices, and real market values of housing (along with interest rates) will impact the prices of new homes.

From the 2016 Oregon Statewide Housing Summit, Mike Kitts, Hood River Affordable Home Developer describes his concerns: :

“Our business plan is a little different. To try to . . . go out and get money from a bank would be very difficult, so we’re self-financed. . . . [W]e do all the infrastructure work, we do all the engineering . . . Because we don’t make any money on the land, basically that’s a wash, we don’t try to make any money on the lot, **that’s the only way you can do an affordable housing project now.**”

“. . . If you try to go out and buy a lot, it’s just impossible. I mean, the median price of a home in this town [as of May 2016] is inching up into the \$400,000 range, and the last couple projects we did, we were showing houses for \$240 to \$275. You know, 1,000 to 1,400 square-foot homes. So we’re **well under the market value** of what you [could] actually sell those homes for . . .



Source:

Oregon Statewide Housing Summit, Hood River, OR  
(Organized by PSU College of Urban and Public Affairs)  
<https://www.youtube.com/watch?v=mbvSjklR-vA&feature=youtu.be>  
(at approx. 3:25 to 4:30 minutes)

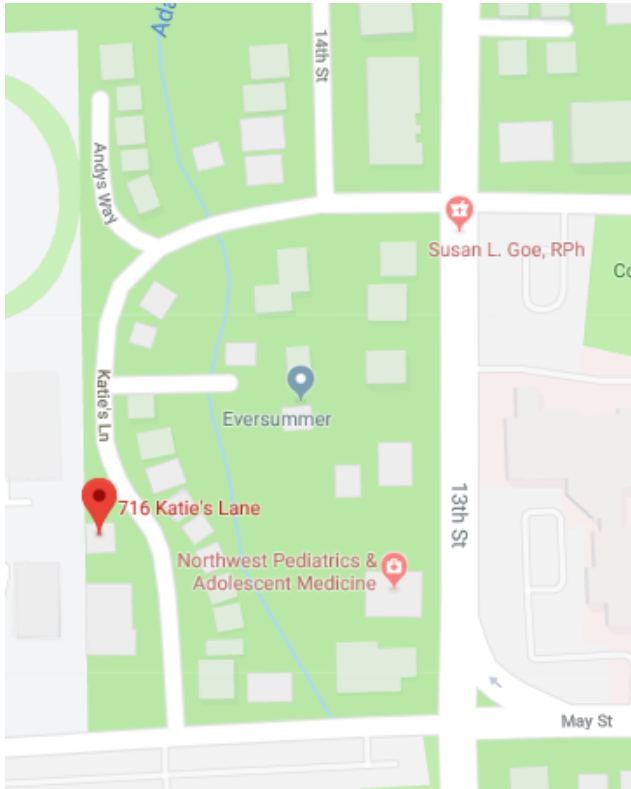
May 27, 2016  
11/19/18

# Changes In Median Prices Over Time

## A Sample Of Developed Areas

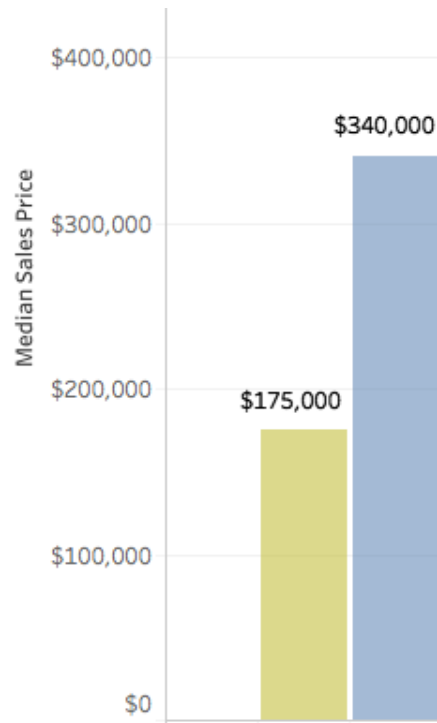


# Katie's Lane and Andy's Way



These 10 homes were built to provide affordable housing.

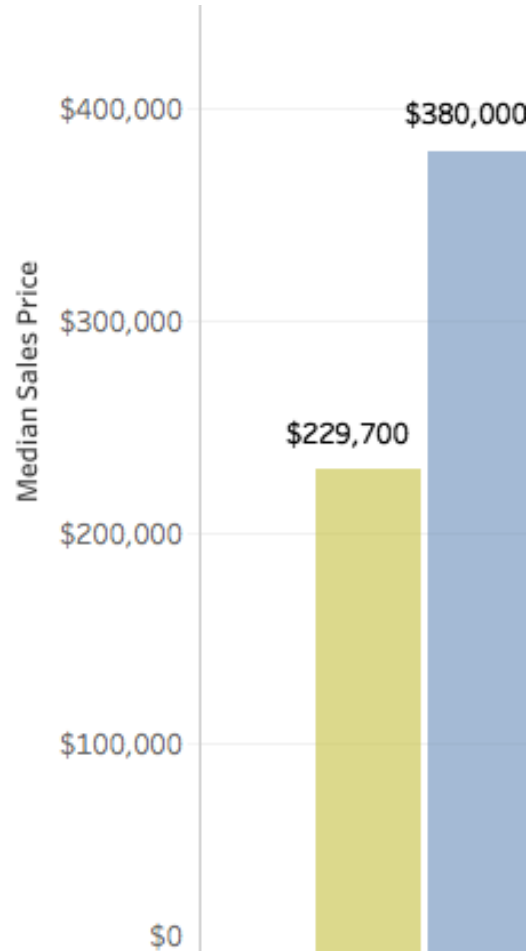
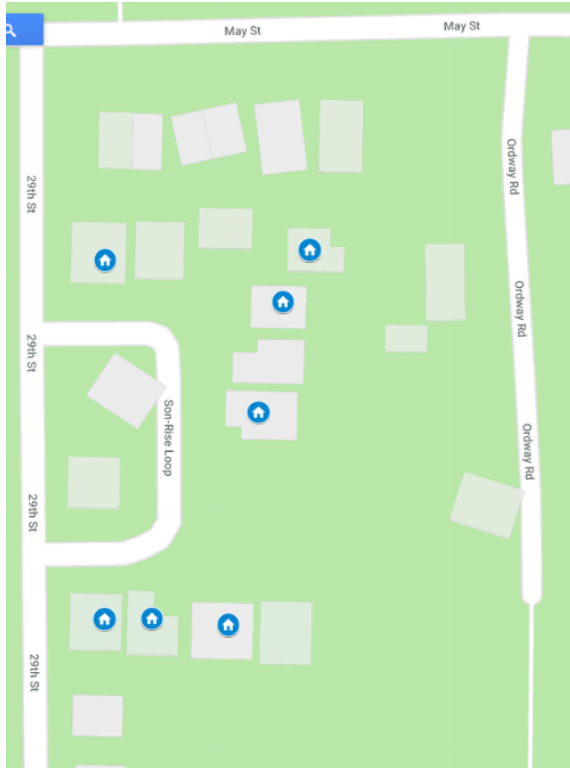
- Built in 2005 and 2006
- Average lot size: 2,940
- Median Price When Built: \$175,000
- Estimated Market Price in 2018: \$340,000
- Home prices increased 94% since construction



Sources: Hood River County sales records; Inflation data from Minneapolis Federal Reserve Bank <https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>. Map data ©2018 Google". Sales estimates from Zillow.com



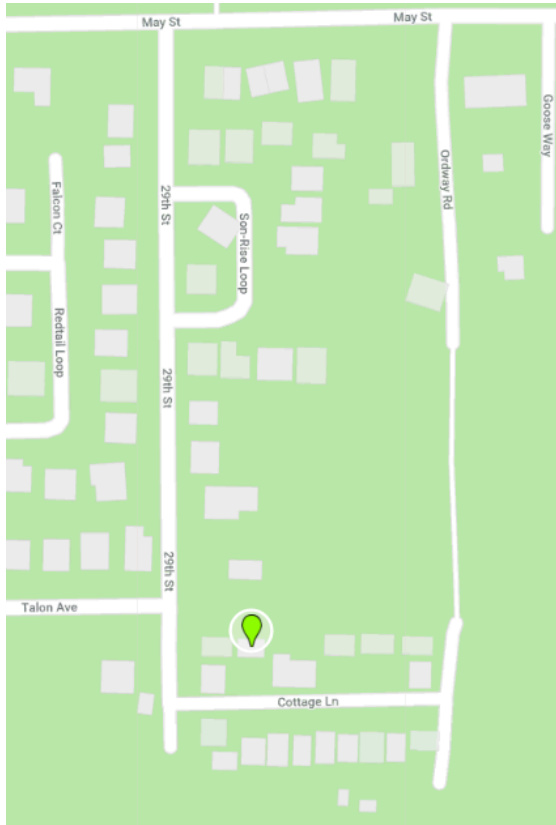
# Son-Rise Loop



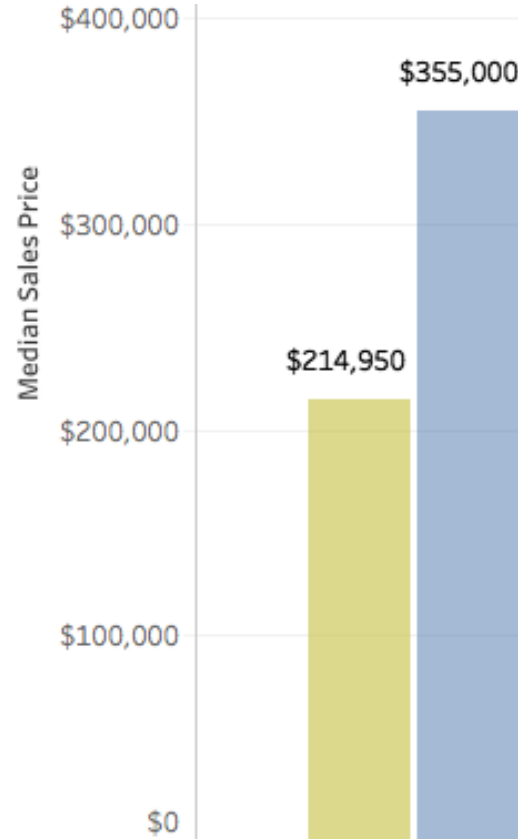
- Built between 2004 and 2005
- Median Lot Size: 4,574 sq feet
- Median Price When Built: \$229,700
- Estimated Market 2018 Price based on sales and Zillow: \$380,000
- Home prices up 65% since construction

Sources: Hood River County sales records; Inflation data from Minneapolis Federal Reserve Bank <https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>. Map data ©2018 Google". Sales estimates from Zillow.com

# Cottage Lane



- Built in 2007 and 2008
- 15 homes
- Median Lot Size: 1,377 square feet
- Median Price When Built: \$214,950

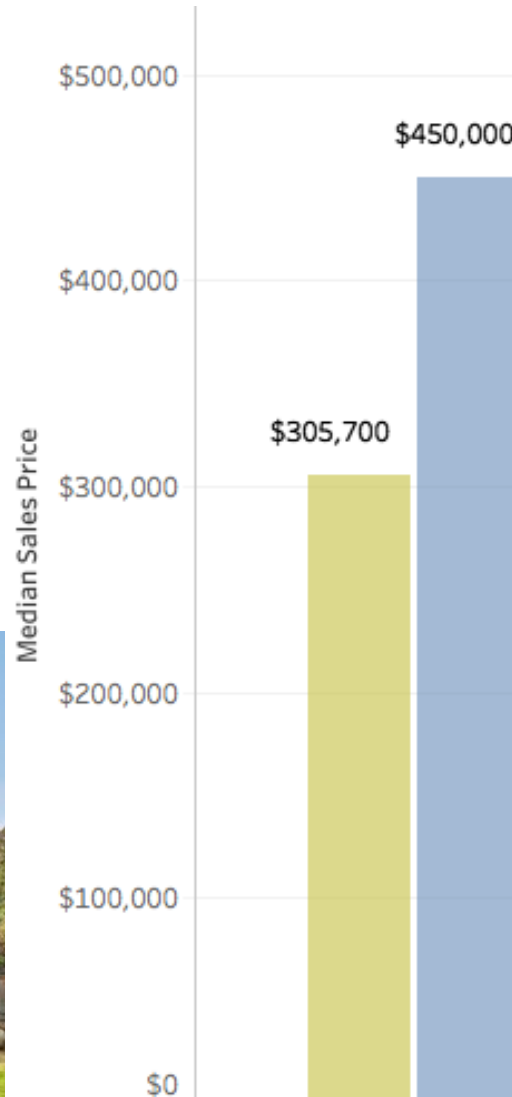
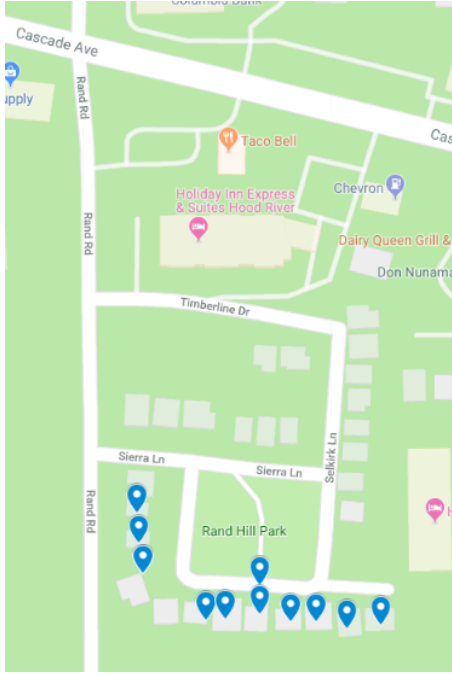


Estimated Median Value Today: \$355,000

Prices increased by 65% since initial construction

Sources: Hood River County sales records; Inflation data from Minneapolis Federal Reserve Bank  
<https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>. Map data ©2018 Google". Sales estimates from Zillow.com

# Mt Rainier Loop Homes



- Built between 2011 & 2014
- 10 homes with median lot size of 3,485 sq ft
- Median prices when built: \$305,700
- Median estimated 2018 prices: \$450,000
- (Actual 2017 sale at \$459,000)
- Prices increased by 47% since initial construction
- Inflation from 2011 to 2018 is up 14%

Sources: Hood River County sales records; Inflation data from Minneapolis Federal Reserve Bank  
<https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>. Map data ©2018 Google".

# Young Lane and Dana Lane: Homes built 2010 to 2013



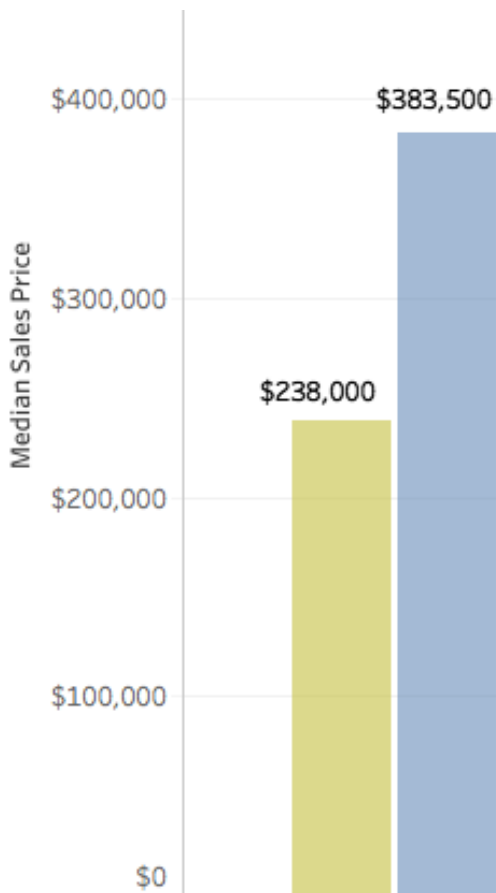
Median lot size: 2,614

Median Price When Built: \$238,000

Estimated Market Price in 2018: \$383,500

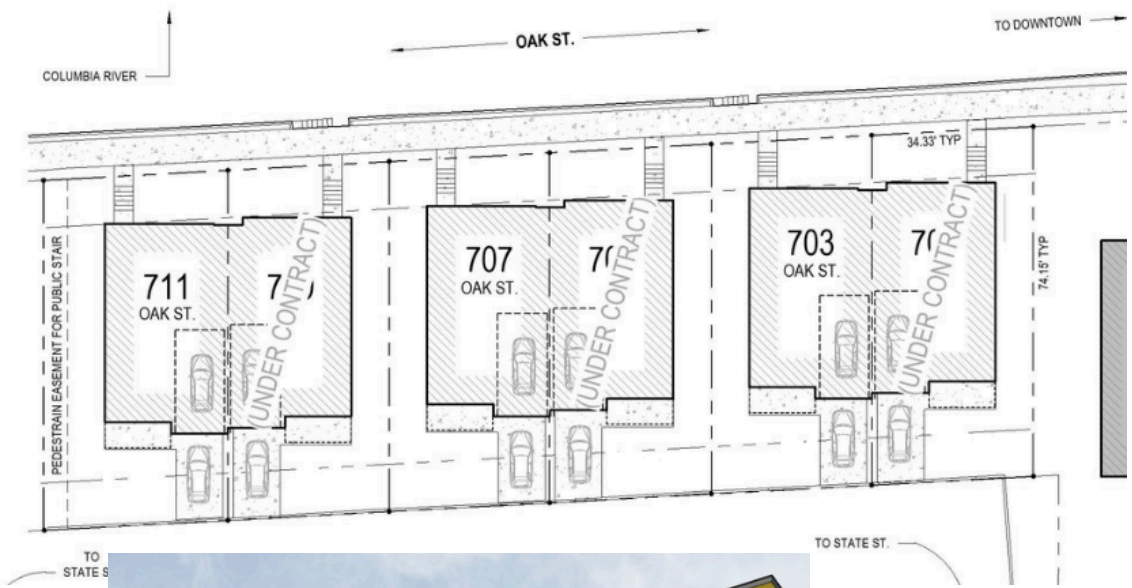
(Note: Pending sale at \$410,000 in October 2018)

Prices increased by 61% since initial construction



Sources: Hood River County sales records; Zillow.com; Images from Zillow.com; Map data ©2018 Google”.





703 to 711 Oak: Built 2017 to 2018

6 homes

Average Lot: Approx 2900 sq ft.

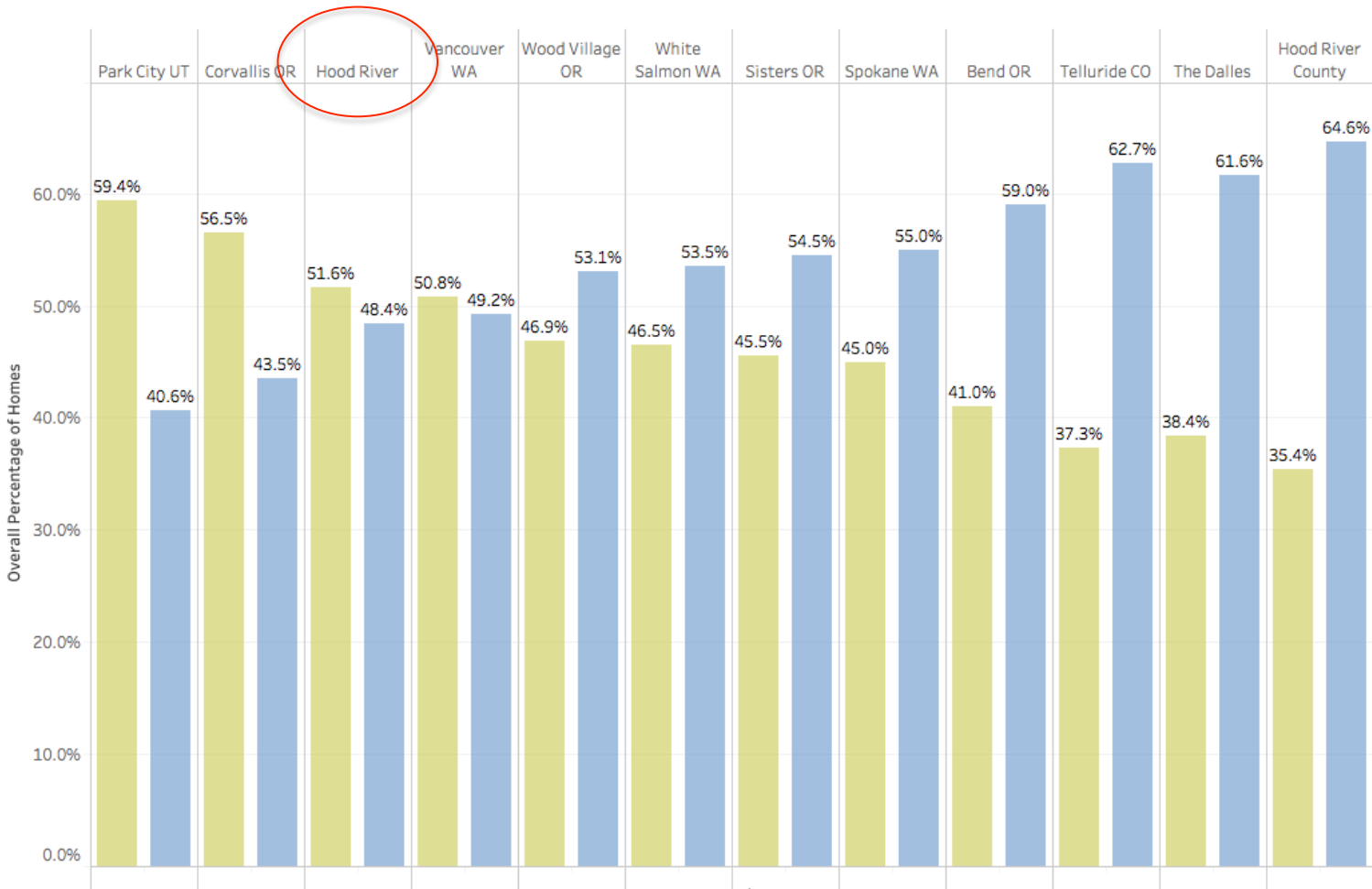
List price: \$989,000



Data and graphics from [www.cascadiatownhomes.com](http://www.cascadiatownhomes.com)

# Hood River is a Rental Community

Source: US Census Bureau, 2016 American Community Survey



■ Renters  
■ Owners

Let's understand where our home ownership now stands:

- 51% of homes are occupied by renters
- Unclear how many homes are owned by residents outside Hood River

We are attempting to get facts on overall residency of owners.

Knowing current state can help predict whether new homes are purchased by local folks, or people looking for 2<sup>nd</sup> homes or vacation properties.

If new construction is purchased by people for 2<sup>nd</sup> homes, then upzoning doesn't answer needs of existing community.

# WEST MAY STREET DEVELOPMENT PROPERTY

\$379,000



High Land Costs Are Affected by Our Geography and Demand

- At \$379,00 for 0.59 acres, we have land costs at \$642,500 per acre

Other Properties:

Woods Ct 03N10E:  
\$600,000 for .50 acres

801 Hazel Ave; 5000 sq  
ft lot; \$399,000



780 Rand Rd., 7.1 acres,  
zoned R1 and R3: \$2  
million asking price; 299  
days on Zillow  
(\$281,690 per acre)

## Cottage Design Risks



- “Monotony results when the same form is repeated without variation”
- “The bleakness often associated with density stems from homogeneity and lack of green space.”
- “At higher densities, overuse of one building design creates a tiresome uniformity.”
- Design matters: “What really matters is how the streets are laid out, how the land is subdivided, how the buildings are arranged and detailed, whether trees are planted, where the sidewalks lead. These are all functions of design.”
- Yards and parks can mitigate density: “Diversity in architecture is key. [Green infrastructure](#) in the form of parks, greenways, or tree-lined streets offers the connection with the natural world we all crave.”

- Source: <http://datatoolkits.lincolnst.edu/subcenters/visualizing-density/>
- Images copyright The Lincoln Institute of Land Policy



# Cottage Housing

While “cottage housing” or cottage “clusters” can sound like an appealing solution to providing beautiful, smaller homes that use less land and are available to people buying a first home or retirees wanting to downsize, there is a big risk in implementing zoning changes that allows those structures but doesn’t simultaneously write cottage housing codes.

“The surest way to destroy public support for cottage development would be to build cheap little boxes that add density while degrading the aesthetics of the neighborhood. **While very inexpensive cottages may provide affordability in the short run, such development will inevitably erode support for the higher densities necessary for long-term affordability.**” The Housing Partnership – Seattle, 2000.



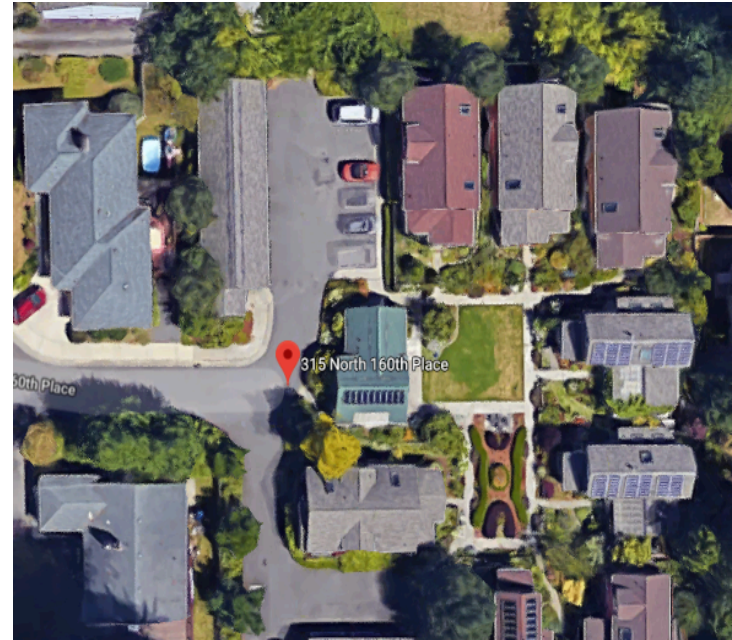
## Cottage housing layout

Cottage housing is generally defined as a development of small, detached single-family dwelling units clustered around a central outdoor common space within a coordinated site plan. The cottage units are smaller than single-family houses and are often oriented toward the common space. While houses share amenities such as open space, gardens, a workshop, or a community building, each cottage house also has its own yard and the privacy of a roofed porch.

- Sources: The Housing Partnership, “Cottage Housing Development,” March 2000.  
<http://mrsc.org/getmedia/d52fdc1e-9090-45f7-9e8b-84a9dba7fcc4/chdev.pdf.aspx>  
<http://datatoolkits.lincolnst.edu/subcenters/visualizing-density/>
- Images copyright The Lincoln Institute of Land Policy

## What Happened With Shoreline WA cottages?

*“The City of Shoreline, Washington, implemented cottage housing and **learned that scaling and density standards are integral to the effectiveness of a cottage housing development.** City officials did not include such requirements in their standards, and as a **result developers utilized density bonuses and built cottage housing developments with double the density intended by the code.** This was compounded by the **lack of separation between cottage developments.** Due to the resulting appearance of overcrowded units, Shoreline decided to **repeal the cottage housing provisions** four years after adopting standards into their code.”*



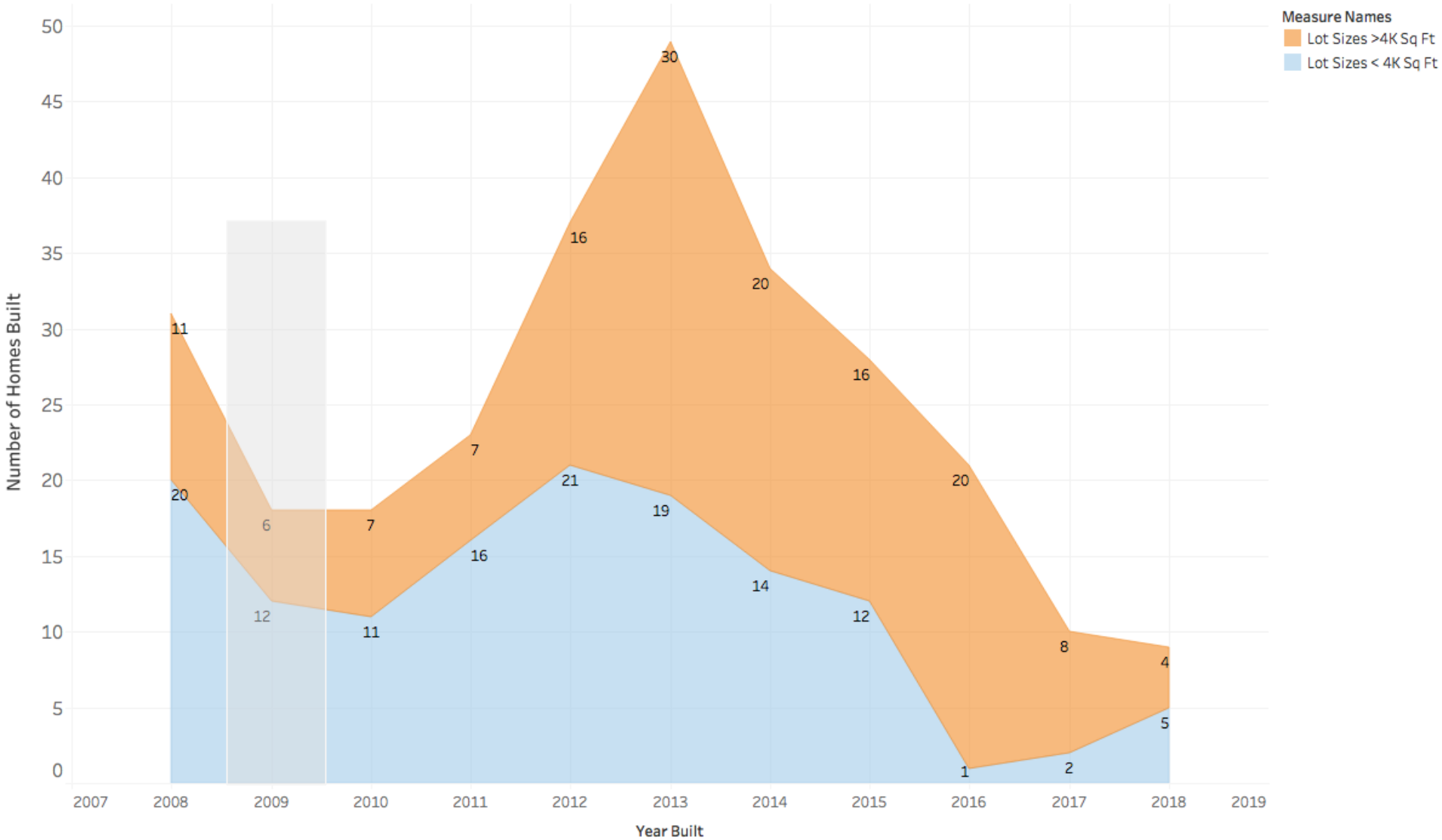
[https://www.oregonmetro.gov/sites/default/files/2014/05/11/wood\\_village\\_case\\_study.pdf](https://www.oregonmetro.gov/sites/default/files/2014/05/11/wood_village_case_study.pdf)

Map Data © 2018 Google Maps

# Appendix

Following pages include additional data points and examples

# Total Homes Built in HR Each Year: 2008 to 2018

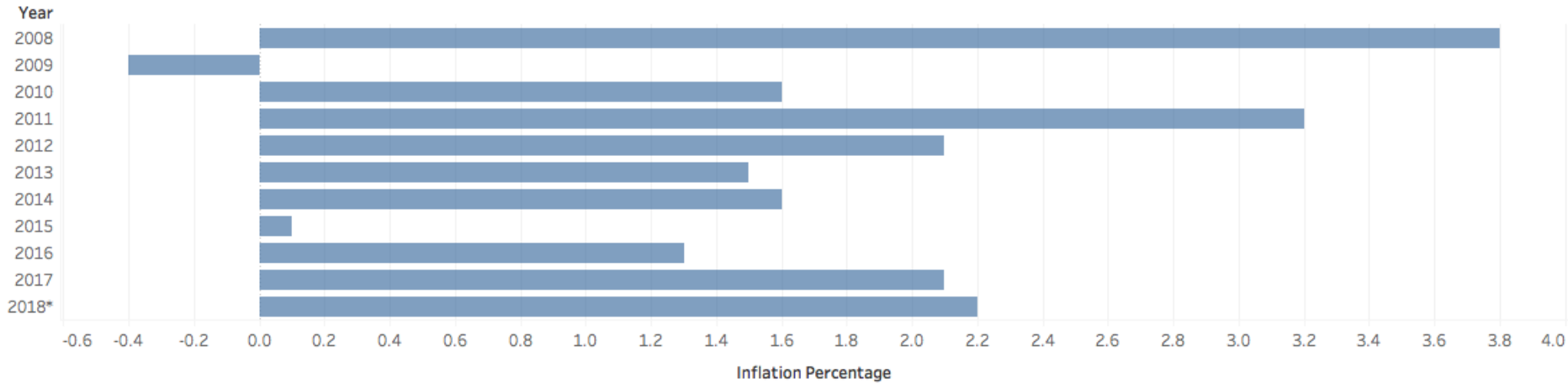


Gray shaded area indicates US recession

Data Source: Hood River County Records of all homes sales (Class 101 Residential) from 2008 to September 2018

Inflation from 2008 to 2018: 19.1%

### Annual Inflation 2008 to 2018



Young Lane/Dana Lane: Aerial view of homes showing density, green space, similarity in design and orientation



# High Land Prices (and inflation for new housing) Pushes Home Prices Higher

## Factors impacting home prices:

- Supply and Demand: Supply can be impacted by geography, including limitations on where an area can expand
- Local and overall economy
- Interest Rates
- Area Desirability
- Political forces (i.e. tariffs on lumber or steel; zoning regulations that restrict housing types and sizes)

Sources: City Lab “Blame Geography for High Housing Prices?”

<https://www.citylab.com/equity/2016/04/blame-geography-for-high-housing-prices/478680/> and SF Gate “What Causes Home Prices to Rise in the United States: <https://homeguides.sfgate.com/causes-housing-prices-rise-united-states-56413.html>

## Communities Turn to Cottages and to Housing Developments for Land-Use Efficiency



The Lincoln Institute of Land Policy – a non-profit land-use density advocate – uses language to describe problems that come with density instituted without thoughtful design:

- Monotony results when the same form is repeated without variation
- The bleakness often associated with density stems from homogeneity and lack of green space.
- At higher densities, overuse of one building design creates a tiresome uniformity.
- Design matters: What really matters is how the streets are laid out, how the land is subdivided, how the buildings are arranged and detailed, whether trees are planted, where the sidewalks lead. These are all functions of design.
- Yards and parks can mitigate density: “Diversity in architecture is key. [Green infrastructure](#) in the form of parks, greenways, or tree-lined streets offers the connection with the natural world we all crave.”



## Builder Profits on Home Building

	Average (in Millions)	% of Revenue
Total Revenue	\$16.2	100%
Cost of Sales	\$13.2	81.1
<b>Gross Profit</b>	\$3.1	18.9
Operating Expenses	\$2.0	12.5
<b>Net Profit</b>	\$1.0	6.4

DR Horton reports gross margins of 21.9%

Lennar reports net margins at 5.7%

Higher interest rates in 2019 as rates return to historic levels may add a further constraint on costs, sales, and ability to purchase.

<http://eyeonhousing.org/2016/03/whats-the-average-profit-margin-of-single-family-builders/>

# The Housing Partnership in Seattle Described Size and Land Use for Cottages in 2000

**Size.** Among cottages in the area, the small end of the size range would be found in the Pine Street Cottages in Seattle, which have **about 450 square feet on the main floor, plus a 100 square foot loft.** This space allows for living room, bedroom, kitchen and full bath. At the larger end of the size spectrum, the Ravenna cottages in Seattle will offer about 950 square feet of space in two stories. This allows for two bedrooms and one and a half baths. The Third Street Cottages in Langley, Washington, range from 600 to 650 square feet on the main floor, plus lofts ranging from 100 to 280 square feet.



**Land Use.** The efficiency of land use is gained by clustering the cottages relatively closely together. The Pine Street cottages feature 10 units on about a third of an acre, clustered around a common courtyard. The Ravenna project clusters six cottages plus a garage with three carriage units on about a quarter acre. The Third Street Cottages in Langley provide a little more space, placing eight cottages and two common utility buildings on two-thirds of an acre. These densities range from 12 units/acre to 36 units/acre. The Seattle ordinance requires a minimum of 1,600 square feet per cottage (i.e. no more than 26 units per acre), and 6,400 square feet for the whole cluster (suggesting a minimum of four cottages).



Source: The Housing Partnership, "Cottage Housing Development," March 2000. <http://mrsc.org/getmedia/d52fdc1e-9090-45f7-9e8b-84a9dba7fcca/chdev.pdf.aspx>

Images from <https://seattle.curbed.com> Copyright 2018 Vox Media; Photos by Matt Miner

## Sources Used In This Presentation

- Data set created by query on Hood River County Assessor's Office tax records, RMV Class 101 (Residential Zoned – Improved); 2008 to 2018. Data fields include address, land size, year built, “effective year built” (significant remodels affecting assessed value; sales price, sales date, zone.
- Zillow.com: For images (as noted), and market estimates.
- Westside Area Concept Plan and Appendices A through E: <http://www.hrwestsideplan.com/project-documents>
- Oregon Statewide Housing Summit, Hood River, OR (Organized by PSU College of Urban and Public Affairs)
- <https://www.youtube.com/watch?v=mbvSikLR-vA&feature=youtu.be> (at approx. 3:25 to 4:30 minutes)
- Inflation data from Minneapolis Federal Reserve Bank  
<https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>.
- Map data ©2018 Google
- Photos and sales info on Cascadia Townhomes from [www.cascadiatownhomes.com](http://www.cascadiatownhomes.com)
- Community statistics on owners and renters: United States Census Bureau <https://factfinder.census.gov/>
- West May Street lot details and photo: [www.westmayst.com](http://www.westmayst.com)
- Commentary on density risks <http://datatoolkits.lincolnst.edu/subcenters/visualizing-density/> Images copyright The Lincoln Institute of Land Policy
- Builder Profits: <http://eyeonhousing.org/2016/03/whats-the-average-profit-margin-of-single-family-builders/> Info on DR Horton margins:  
<https://www.bloomberg.com/news/articles/2018-11-08/d-r-horton-tumbles-most-since-2015-as-ceo-calls-market-choppy>
- Seattle Cottages: The Housing Partnership, “Cottage Housing Development,” March 2000. <http://mrsc.org/getmedia/d52fdc1e-9090-45f7-9e8b-84a9dba7fcca/chdev.pdf.aspx>
- Images from <https://seattle.curbed.com> Copyright 2018 Vox Media; Photos by Matt Miner
- Cottage Housing in the City of Wood Village (Shoreline Cottages Info):  
[https://www.oregonmetro.gov/sites/default/files/2014/05/11/wood\\_village\\_case\\_study.pdf](https://www.oregonmetro.gov/sites/default/files/2014/05/11/wood_village_case_study.pdf)
- I also frequently read and referred to Ross Chapin's works on cottages: See <https://rosschapin.com/finding-building-pocketneighborhood/planning-officials/> There are links to other resources.