

City of Hood River
City Council – Special Meeting
February 8, 2021

Council: Mayor Kate McBride, Mark Zanmiller, Megan Saunders, Tim Counihan, Jessica Metta, Erick Haynie, Gladys Rivera

Staff: City Manager Rachael Fuller, Finance Director/ACM Will Norris, City Attorney Dan Kearns, Fire Chief Leonard Damian, Police Chief Neal Holste, Public Works Director Mark Janeck, City Engineer Wade Seaborn, City Recorder Jennifer Gray, GIS Analyst Jonathan Skloven-Gill

Absent:

I. CALL TO ORDER

Mayor McBride called the meeting to order at 5:00 p.m.

II PRESENTATION

1. Policy options for affordable housing, Lorelei Juntunen, EcoNorthwest

Fuller stated City Council has long recognized that the cost in housing in Hood River is a burden for many families, community members and It makes it difficult for employees to recruit and keep workers. This is one reason City Council invested more than a million dollars this past year to purchase land at 780 Rand Road, to develop affordable housing. The 2021 Council Work Plan includes a project to develop an affordable housing strategy that would outline various tools available to developers, willing to commit to building housing that is affordable to certain income levels.

Fuller introduced Lorelei Juntunen from EcoNorthwest. The City is very pleased to have Juntunen this evening to discuss policy options and why this is important in a market like Hood River.

Juntunen presented a PowerPoint presentation. PowerPoint has been added to the record. She reviewed indicators of how the housing market is currently performing. There will be discussion regarding the role of the public sector in encouraging development and specifically in housing affordability. It is still the case the market provides the vast majority of housing and will continue to do so. Understanding what the market does well and does not do well, is critical to having a strong affordable housing strategy.

Juntunen shared information about how incomes and demographics are changing. See PowerPoint for details. Almost 12% of the housing stock in Hood River is second homes. They did an analysis on this information with the help of Planning Director Dustin Nilsen. Only 23% of the work force lives inside of City limits. This is lower to comparable cities that are in the 30's. New residence are earning \$12,000 more a year, than existing County residence.

Juntunen spoke about housing under production. As a ratio to the number of households to the number of units, there needs to be more than one unit for every household because there are vacancies, people moving, demolitions and other things going on. Nationally the ratio is about 1.14. For every household, there is 1.14 units. In Hood River the number is 1.09. Oregon is tied for last place for states ratio of households to units; its rated at 1.07 and has one of the worse housing crises in the country. She wanted to put this in the context of thinking about the second home number. If they assume the same portion of new units were second homes and not available to households, the number drops to 1.02. This is a strong indicator of under projection. The City does not have the supply keeping up with the demand, and its on par with what is happening with the rest of Oregon. She reviewed indicators of affordability. Sale and rental prices have increased dramatically. While medium incomes have also increased, they have not increase sufficiently to keep pace with what is happening with the housing stock. When supply is not keeping up with the demand, housing prices rise and the people who are most affected by that are the people who are in the lower income bracket; renters who experience cost burdening. What they are seeing in Hood River is the existing residence are simply getting squeezed out. People who work in Hood River, can no longer afford to live here and they moving to other places.

Juntunen spoke about how developer's think about approaching forward with new units and how they think about feasibility; what the implications of that are for the public sector role in supporting housing affordability. She reviewed the piece's developers need and consider when taking on a development project. Rents and sale prices must exceed construction costs. If everything lines up, development can occur. She introduced the concept of the housing market continuum because this gets into where the market functions well and where it needs help from the public sector. See PowerPoint showing the spectrum from very low-income housing to top luxury housing. The market does a good job producing at the top end of the spectrum. At the low end, the market is never going to function to build new units on its own that are affordable to people in the 0-30 MFI and up to the 50-60 MFI. If you have market-based housing income that is affordable to someone making 30 MFI, it probably has some serious health, life, and safety issues. These are units that are publicly supported, that are rent restricted and usually built with state or federal dollars. In the middle is a cross over zone. Overtime the luxury construction the market has built, will depreciate and might become more affordable to people in the middle end of the spectrum and provided supply. If that happens a good portion of the middle area will be met by the market over time. There are places where construction costs or land costs are very high where that will simply not happen, or supply is not keeping up. In Hood River, less than 20% of the housing stock is affordable to those making less than 100 MFI. There is roughly half of the family households in Hood River that are trying to squeeze into 20% of the stock. That is not functional. The supported environment in Hood River as a result need to meet the needs for these families; the bar needs to extend forward. Everyone knows about Hood Rivers land constraints. That almost requires an increase in density to meet the needs of a growing population. In addition to that, the market is going to need some help to take care of the middle and lower end.

Juntunen stated there are a series of steps a developer has to go through to get to a place where there is a constructed and operated building. The public sector role interfaces with all of those steps, which gives the public sector a fair amount of leverage. Purchase of land, making land available, setting the building envelope through zoning and making investments in place to help create neighborhoods where people want to be, can support good high-quality development. The City also helps provide infrastructure to support

development. On the project design permitting piece of it, the City controls every aspect of that. Including the permitting timeline and design SDC fees that can add costs. The financing side typically happens on the private side, that is their job. Grants and loans is a place where the public sector has some leverage. On the construction side, the City can influence parking costs through building, zoning codes, infrastructure costs and other aspects of construction. Operations side, the City can provide tax abatements or influence the total amount of rentable space, through setting a building envelope.

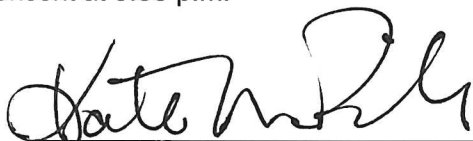
Affordable housing is a little different, the market does not build it. All of the policy levers apply and are going to be helpful in encouraging the development of affordable housing, but they might be insufficient. That puts the City in a place where they need to think about partnerships and recourses available to leverage. Who are the partners out there, land trusts, and local housing authority that can help leverage the resources the City can bring to the table, to fill the gaps in development so affordable housing can move forward. What are the resources the City can bring to bear and are grants a possibility?

What does a comprehensive housing strategy look like if your goal is to focus on affordability? They should not underestimate the importance of the market environment. That total construction brings up the ratio of number of units that are being constructed, to the number of people who are moving into town. This is a critical piece to bring down the price increases. The way to think about doing that is through zoning and land supply which are complicated due to Hood River's land constrained. This pushes them into difficult conversations around density. Parking and infrastructure are critical components of this, as well as SDC's and placemaking. All of those need to be set in the right way to not create barriers to development, and to encourage development to occur at the highest rate possible and acceptable. When thinking about the supportive environment; housing units that can be rent restricted and be available to people at the lower end of the income spectrum. Use resources to make sure that is what is being built. That is where money should be spent if you have it. Target incentives to make those things occur. If you control the land, you control the destiny.

Council spent time asking Juntunen additional questions and had further discussion.

III ADJOURN – Adjourned by unanimous consent at 5:55 p.m.


Jennifer Gray, City Recorder


Kate McBride, Mayor

Approved by City Council on 2/22/2021