

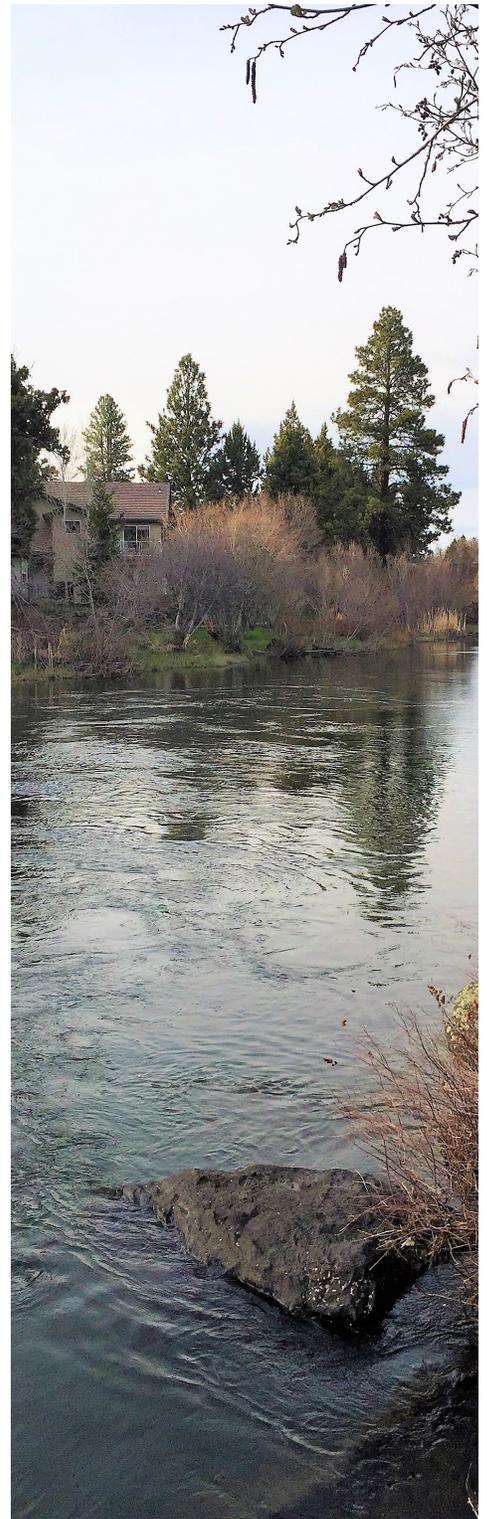
## AN OVERVIEW: THE REGIONAL HOUSING NEEDS ASSESSMENT

Housing affordability in Central Oregon has become a barrier impacting individual households, business and economic development, transportation patterns, public health, and other aspects of life in the region. High housing costs may limit the ability of workers to move to the region or, in some cases, to live in reasonable proximity to their jobs. In many communities, low-income families are facing increasing difficulty finding homes that are both safe and affordable, and homelessness is becoming more widespread.

To assist local partners in developing an action plan for working collaboratively to improve housing conditions in Central Oregon, the Regional Housing Needs Assessment (RHNA) explores housing affordability and housing needs in the region.

The RHNA has been prepared for Housing For All (H4A), a multi-stakeholder regional housing consortium formed to help address affordability and other housing needs in Central Oregon. Coordination and staff support for H4A are provided by the Central Oregon Intergovernmental Council.

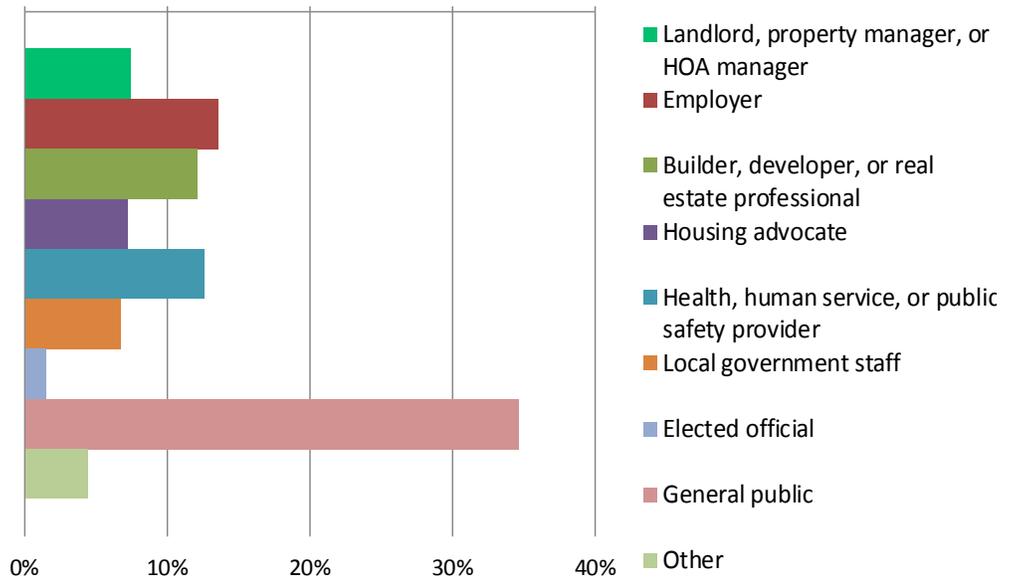
To learn more about Housing For All, please visit <https://coic2.org/community-development/housing-for-all/>.



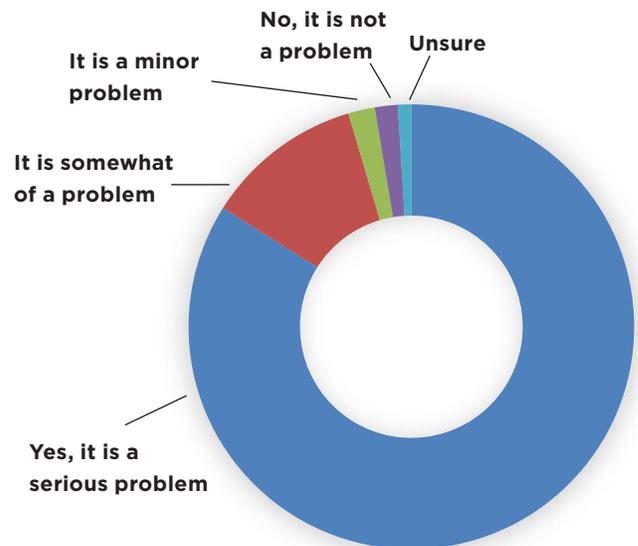
# PUBLIC ENGAGEMENT PROCESS

## Broad Cross-Sector Input and Participation

A total of 772 people completed the RHNA survey, representing the general public, but also critical housing-related professional fields such as builders, developers, landlords, property managers, housing advocates, social services workers, local government staff, elected officials, and major employers within the region. An additional 75 people attended a RHNA workshop and contributed to the development of locally-viable strategies and best practices. H4A members provided input and guidance throughout the project, and reviewed drafts of the RHNA.



## Survey participants' responses regarding whether housing affordability is a problem in Central Oregon



**Other key survey findings included:**

- Nearly 62% of respondents named the region's top unmet housing need as rental housing for low-income households with incomes between \$25,000 and \$45,000 per year.
- When asked which types of housing the region needs more of, more than 75% said small single family homes; 74% said more affordable workforce apartments are needed.
- More than 56% of respondents identifying as builders or developers indicated that incentives such as density bonuses and loosened height restrictions would be helpful in incentivising production of additional affordable housing.

## IMPACTS OF THE REGIONAL HOUSING CRISIS

“Family Access Network advocates are providing support to parents who have never needed support before. There are parents who are working and earning decent wages that are needing help. After paying for rent they lack money for other basic needs.”

– Mara Stephens, Deschutes County Homeless Liaison for Deschutes County Public School District

“Central Oregon has seen significant in-migration of people from the Bay area, Seattle, Portland and elsewhere, who sell their house and are able to buy a house here with money left over. However, younger people who are starting out earlier in their careers are having a harder time. The wages people earn and the price to buy a home or rent is out of balance.”

– Jon Stark, Senior Director of Redmond Economic Development, Inc.

“A \$25 an hour wage used to be a solid standard of living, now even people making \$25 an hour struggle to find a place to live. Then when they find something they have to be on a tight budget. This is less of an issue for mid to higher level professionals.”

– Trevor Janeck, St. Charles Talent Acquisition Manager

“Myself and my two young children shared a bedroom in a house because it was the only place we could find that was affordable. It was stressful. It didn't feel healthy or safe for my children. After a year I found a place of our own. I now pay over half of my wages in rent. It's hard to afford but I needed a secure home for my children.”

– Ofelia Figueroa, Latino Community Association-Madras

As rent and home purchase prices have increased, many rural and urban Central Oregonians are paying a greater percentage of household income towards housing costs, while others have had to relocate to less expensive areas. Nearly half of Central Oregonian renters are housing cost burdened, meaning they spend more than 30 percent of their income on housing expenses. Over one quarter of renter households spend more than 50 percent of their income on housing. Housing cost burden makes it difficult for households to save money or accrue assets. This financial vulnerability puts families at greater risk for bankruptcy, foreclosure, or eviction.

To compensate for the increased costs, some Central Oregonians are working longer hours or multiple jobs. High home prices have made it hard for people who work in Central Oregon to afford to buy a home. This prevents many people, and young adults, from becoming more rooted within their communities.

The housing crisis does not affect everyone equally. Low-income households, young adults, veterans, children, seniors, ethnic and racial minorities, and people with disabilities, mental illness, and chronic medical conditions often experience greater difficulties in obtaining secure and affordable homes. These populations are at greater risk of housing instability, displacement, rent burden, and homelessness.

Many young adults are struggling to carve out a future in Central Oregon due to the high cost of housing. Central Oregon loses talent when young people move to more affordable areas to start their careers.

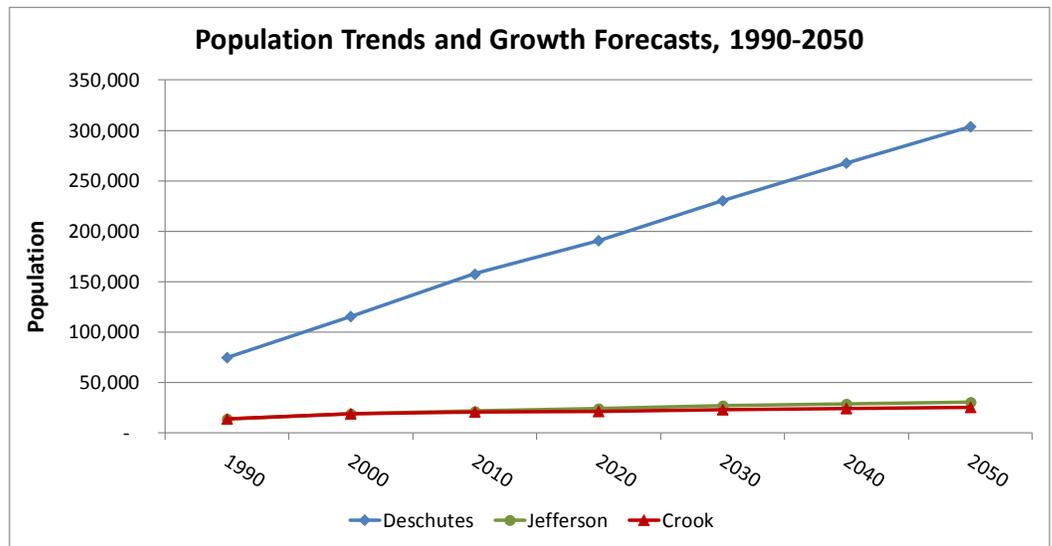
A comment from Beth Erikson, a behavioral health consultant at La Pine Community Center, captured a primary challenge to addressing this regional crisis. She said that while “driving through La Pine you don't see people living in substandard housing. If you don't see it, it's easy to assume that everything is good.” Many of the impacts of the housing crisis are invisible, but the RHNA's research, data, and input from community members is intended to increase the visibility of the challenges that face the Central Oregon region.



## DEMOGRAPHIC AND ECONOMIC CONDITIONS

### A Rapidly Growing Region

The Central Oregon region is still a predominately rural area; the cities of Bend and Redmond are the only communities exceeding 20,000 in population. However, the region has been experiencing enormous population growth in the last few decades, with Deschutes County far outpacing Crook and Jefferson counties in terms of overall numbers and percentage growth. This trend is expected to continue, with the regional population forecasted to grow 60% between 2020 and 2050, most of it in Deschutes County. This rapid population growth has impacted housing availability at every income level, and strained regional infrastructure and services.



The regional population is forecasted to grow by 60% between 2020 and 2050, with the majority in Deschutes County. Rapid population growth impacts housing availability at every level, and rural communities will gain residents displaced from Bend or Redmond by high housing costs.

In all three counties and Warm Springs, the percentage of the population over the age of 65 has grown from 2010 to 2017. Forecasts indicate that this age cohort will continue to grow, making up at least 30% of each county by 2043.

The large majority of the population in all three counties and the state are non-Latino White residents. Crook and Jefferson Counties are more diverse than Deschutes and have become more diverse since 2010. In Jefferson County, Latino residents make up about 20% of the population.

All areas in Central Oregon outside of Deschutes County have significantly higher poverty rates than Oregon and U.S. averages. Children under 18 experience poverty at significantly higher rates than the rest of the population.

Central Oregon has seen considerable growth in key family-wage paying industries such as aviation/aerospace, bioscience, brewing, high tech, and value-added food products.

The service sector is among the largest employers in Central Oregon. The predominately low-wage leisure and hospitality sector is disproportionately large, but the region's draw as a tourist destination also contributes to the attraction of businesses and labor.

The benefits of economic growth are not distributed evenly across the region. Economic performance in Bend and Redmond is simply not matched in many rural areas.

Over the next 10 years, Central Oregon is projected to add nearly 15,000 jobs. Job gains are expected to be concentrated in health care and social assistance, construction, professional and business services, and hospitality.

# HOUSING MARKET ANALYSIS

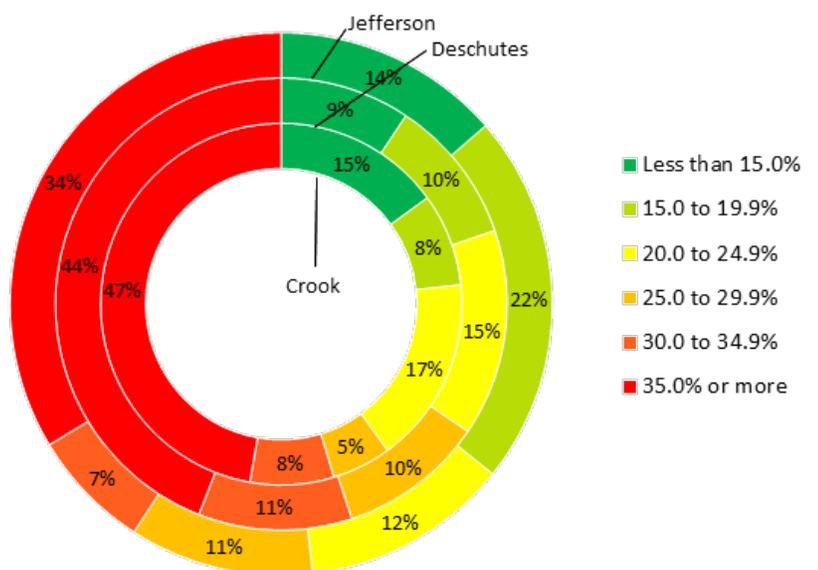
To determine Central Oregon's current and future housing needs, an understanding of the existing housing stock in the region and its communities is critical. Central Oregon – including Crook, Deschutes, and Jefferson Counties – is home to 85,000 households and has about 103,000 housing units. By far, Deschutes County is the most populous county, with about 68,000 households and 83,000 housing units, or about 80% of the region's total. Population centers include Bend, the region's largest city with 34,068 households, and Redmond, with 10,696. The remaining two incorporated areas in Deschutes County – La Pine and Sisters – are notably smaller at about 800 households each. There are also significant population clusters in unincorporated rural Deschutes County, including Tumalo, Terrebonne, the Sunriver area, and the area around Sisters. The more rural Jefferson and Crook Counties have about 10,000 housing units each. Madras, the largest city in Jefferson County, is home to about 2,260 households, and Prineville, the only incorporated area in Crook County, is home to 4,123.

Over the last decade, the Great Recession and subsequent economic recovery have impacted homeownership rates, which have declined about 2.5% since 2010. Present and historical data indicate unmet demand for rental and for sale units, with a strong rental market regionally and an extremely tight market in several areas, particularly Crook County. When housing supply is limited, costs typically move up as landlords raise rents and sellers increase prices. A tenant household that is unable to pay a higher rent may look for more affordable housing elsewhere, although with few units available, this may not be a viable option, leading households to spend ever-larger shares of their income on housing.

A mix of housing types and sizes is necessary to provide options to meet the needs of all residents. Multifamily housing such as apartments or condominiums may be more affordable and require less maintenance than detached single-family homes. Overall, most housing in Central Oregon is either single-family detached, small multifamily property (under 20 units) or a mobile home. In the single-family homes and mobile homes, tenure is mixed between owners and renters; small multifamily properties are nearly all renter-occupied. Central Oregon's larger, more urban centers offer smaller unit types, with studio, one, and two bedroom units while the for-sale market offers larger units with two, three, or four bedrooms. In rural communities, larger rental units (typically single-family homes) are more common than they are in larger cities.

Home values increased considerably across Central Oregon since 2000. The trend in all counties is toward a more expensive housing stock.

**Gross Rent as a Percentage of Household Income**



Compared to state and national averages, Central Oregon has a high percentage of vacant housing units. Of the 103,028 total housing units in the region, 15% are vacant but not for sale or rent. These units are for seasonal, second home, recreational, or other uses and not available for full-time occupancy.

In some areas, a limited supply of smaller units may require some residents such as singles, couples without children, and seniors to compete with families for larger units at higher price points.

More than half of renter households in Crook and Deschutes Counties have a housing cost burden, meaning they spend more than 30% of their income on housing.

## CURRENT AND FUTURE HOUSING NEED

Redmond is home to the region's highest rates of renter cost burden, where over 57% of renter households live in housing they cannot afford.

Black homeowner and renter households have disproportionate rates of housing problems, as do Latino renters.

More families in the 31-60% HAMFI income range – both homeowner and renter households – are impacted by housing needs than any other income cohort.

Housing needs generally increase as household income decreases, however, in most jurisdictions, rental housing needs are eliminated or fall off dramatically for households with incomes over 120% HAMFI, even while homeowners within this band may continue to face needs.

Over 14,000 households with incomes between 31% and 60% HAMFI are expected to face housing needs by 2028.

More than four in five households at 0-30% HAMFI are projected to face housing needs by 2028, yet housing for this population is often the costliest to provide.

Home prices outpaced wage growth over the last three decades. For example, from 1985 to 2016, average home prices in Bend increased by 277%, while average earnings per job grew by 24%.



Current levels of need are based on households experiencing problems such as cost burden, overcrowding, and substandard housing conditions. The current needs are projected out 10 years to 2028 based on population estimates from Portland State University.

### Current Housing Needs

Among common housing problems, cost burden affects far more households than any of the others. Nearly half of the region's renters spend more than 30% of their income on housing expenses, while just over a quarter spend more than 50% of their household income on these expenses. Renters are more likely to face a housing problem than homeowners, in particular overcrowding and incomplete kitchen or plumbing facilities, but homeowners are far from immune, particularly to the effects of cost burden. Nearly 30% of the region's homeowners are cost burdened, and more than 13% are severely cost burdened.

In terms of absolute numbers of households experiencing cost burdens, the largest numbers are in Bend, where over 6,100 homeowners and over 7,200 renters spend more than 30% of their household incomes on housing expenses. However, as a percentage of total households, rental cost burdens are greatest in Redmond where over 57% of renter households spend more than 30% of their incomes on housing. Redmond also has the region's highest rates of severe cost burden among renters at 34.2%. Homeowners are most likely to find themselves cost burdened in La Pine than in any other location in the region, with a rate of 37.5%. While not quite as high as Redmond, La Pine also has an exceptionally high percentage of cost burdened renters; 55.6%. More than half of the renter households in La Pine and unincorporated Deschutes County also are affected by cost burden. The region's lowest rates of cost burdening are all found in Warm Springs, where just 28.0% of renters and 9.1% of homeowners are affected, possibly due to larger households with more wage earners.

### Future Housing Needs

Projecting current trends out to 2028 shows that, in general, housing needs, particularly cost burden, for many income cohorts are projected to worsen. Within the next ten years, 14,218 Central Oregon households with incomes between 31-60% HAMFI are expected to have a housing need, followed by 9,422 in the 0-30% HAMFI range and 7,064 households with incomes of 61-80% of the area median. Of the total 40,670 households between 0% and 140% HAMFI that are projected to have housing needs in 2028, 35,152 of them (86%) earn 100% or less of HAMFI. Housing needs generally increase over time for households with incomes over 100% HAMFI as well. In fact, these groups experience a higher percentage growth in housing needs over the period, however, in absolute numbers, these cohorts remain the least affected of the cohorts studied.

## CRITICAL HOUSING GAPS

Gaps in the numbers of affordable units needed at various rent or sales prices to meet the needs of current resident households are identified by comparing the current and projected levels of need with available supply of affordable rental and owner-occupied housing. These gaps are further broken down by community. Results of the regional housing survey are used to round out the data analysis. Issues leading to the development of these gaps and potential solutions are discussed as well.

### **Housing for Very Low-Income Households (<30% AMI)**

Very low-income households, those with incomes up to 30% of the area median, face some of the greatest difficulties finding and affording housing in Central Oregon. Apart from units with deep public subsidies, rent levels necessary to avoid cost burden are nearly impossible to find in Central Oregon. The region has a small supply of publicly supported housing, and the voucher program is limited. When very low-income households are unable to afford housing, homelessness is frequently the result. The solution to the challenge lies at least in part in the provision of additional rental housing targeted so as to be affordable to households with incomes under 30% AMI.

### **Housing for Workforce and Low-Wage Households (<80% AMI)**

Currently over 24,000 low income households (from 0-80% AMI) face one or more housing needs; by 2028, this figure is expected to climb to over 30,000 households. Survey respondents identified housing for this group as the top unmet housing need in Central Oregon. To achieve affordable rents will require both development of additional housing, and possibly more importantly, subsidies to lower housing costs to a point that they become affordable to these households. Additional housing types may also be beneficial.

### **Housing for Moderate-Income Households (80-140% AMI)**

The region's housing options for people of moderate and middle incomes lacks supply to meet current demand and future needs. The supply of vacant and available housing across the region is remarkably low and short-term vacation rentals are thought to consume a portion of the supply that would otherwise be available to residents in some areas. Permit activity for new housing stalled as a result of the Great Recession and was too slow to rebound afterward, lagging behind the rapid population growth in

the region. Increasing production of new units is part of the solution to this gap, but the level of production would need to far exceed current rates, which is challenging because of high development costs. Further, development of particular housing types such as workforce apartments is critical.

### **Rental Housing Quality**

While housing quality issues were not as apparent as cost burden in the housing needs data within this chapter, many stakeholders and survey participants have stated concerns in this area. Asked to identify the top housing maintenance issues in Central Oregon, survey respondents named rental housing maintenance by absentee landlords as the most important. This was followed by the prevalence of temporary housing, such as RVs that people are living in permanently. These types of living arrangements are frequently a response to the lack of affordable standard housing within the region.

### **Contributing Factors**

The critical housing gaps identified are caused by a variety of factors, some more subject to intervention and control than others. Different combinations of the contributing factors below play a causal role in the region's critical housing gaps.

- High Construction Labor and Materials Costs
- Low Effective Vacancy Rates
- Low Land Availability
- Mismatch between Wages and Housing Costs
- Prohibitive System Development Charges (SDCs)
- Restrictive Development Regulations
- Sharp Population Growth
- Short-Term Rentals and Investment Properties Constraining Supply
- Growth in the Elderly and Disabled Populations
- Insufficient Subsidized Housing Options

The region's greatest rental housing gap – a deficit of 6,663 affordable units – is for households with incomes under \$25,000.

The gap in affordable rental units for households with incomes under \$25,000 is present in nearly all Central Oregon communities, equating to a need for units with rents under \$600 per month. The need is greatest in Deschutes County, where the gap for this population is over 6,100 units.

# STRATEGIES AND BEST PRACTICES

This report identifies potential strategies that could be employed within the region to address impacts of the housing crisis. The strategies are drawn from best practices, activities that are currently being undertaken by municipalities in the region, the solutions brainstormed and workshopped at Housing For All's December 2018 Workshop held in Redmond, and responses to the 2018 Central Oregon Regional Housing Survey.

Different communities and organizations within Central Oregon have a variety of needs as well as resources and approaches to apply. Because of this, the strategies here are presented not as a prescription, but as a menu – a range of options from which an organization can choose.

They are grouped here by the level of geographic application. State-level strategies typically involve some degree of advocacy before the state legislature in order to make a type of program or policy available for implementation; regional strategies are policies and programs that would be most effectively implemented across the three-county region. City and county-level strategies are those that do not depend on uniform adoption or application and can be adopted by local governments to work at a local or even neighborhood-scale; success does not depend on wider adoption by other municipalities or counties in the region.

## State-level Strategies

- Employer-Sponsored Downpayment Assistance
- Downpayment Assistance
- Transportation Subsidies
- Weatherization Program to Reduce Utility Costs
- Ban No Cause Evictions

## Regional-level Strategies

- Subsidies to Reduce Land Costs
- Developer and Builder Education
- Incentives for Affordable Employee Housing
- Emergency Payment Assistance
- Reduce Initial Cost Barriers for Renters and Owners
- Property Maintenance Education and Outreach Programs
- Landlord-Tenant Reciprocity Program
- Rental Risk Mitigation Funds
- Master Lease Agreements
- Landlord-Tenant Telephone Help Line
- Low Barrier Shelter
- Youth Shelter and Jobs Program
- Transitional Housing Program
- Navigation Center for Homeless Individuals and Families

Housing affordability in Central Oregon has become a barrier impacting individual and household well-being, business and economic development, transportation patterns, public health, and other aspects of life in the region. The crisis is comprehensive in scope and impact, and addressing it will require the integrated action of many and diverse partners.

## City and County Strategies

- Incentivize Developers to Produce More Affordable Housing
- Subsidies to Reduce Infrastructure Costs
- Inclusionary Zoning Requirements
- Support Development of Diverse Housing Types
- Promote Accessory Dwelling Units (ADUs)
- Allow Employee Housing in Non-Residential Zones
- Regulate Short-Term Rentals
- Targeted Code Enforcement
- "Safe Parking" Areas for People Living out of Vehicles
- Require Local Property Management
- Rental Inspection Program

