



JUNE 25, 2019

DRAFT HOUSING MEASURES REPORT

SISTERS, OREGON





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1. Introduction and Overview

Having affordable, quality housing in safe neighborhoods with access to community services is essential for all Oregonians. Like other cities in Oregon, the City of Sisters is responsible for helping to ensure that its residents have access to a variety of housing types that meet the housing needs of households and residents of all incomes, ages and specific needs. Towards that end, the City has conducted a Housing Needs Analysis and is currently completing a Buildable Lands Inventory to update the Housing Element of its Comprehensive Plan; complete an updated, realistic assessment of future residential land needs and supply; and make amendments to the City's Comprehensive Plan and Development Code to support housing needs. Statewide Planning Goal 10 (Housing) states that each city must:

“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.”

This report includes the following information intended to help the City update its Comprehensive Plan:

- Draft narrative and findings associated with existing and future housing needs which can be incorporated into narrative sections of the City's Comprehensive Plan.
- Recommended new or updated Comprehensive Plan policies for housing
- Recommended measures that the City can consider in the future and use to help meet future housing needs

The first two elements above would be incorporated into the City's Comprehensive Plan as part of a subsequent update. This report, along with the associated Housing Needs Projection Report and Buildable Lands Inventory maps and a summary memo or report would be referenced in the Comprehensive Plan and as supporting or ancillary documents to the Comprehensive Plan.

This report along with the accompanying Housing Needs Projection and Buildable Lands Inventory (BLI) maps (in progress), was prepared in coordination with Sisters City staff, a the City's Housing Policy Advisory Board (HPAB), and members of the Sisters Planning Commission and City Council, and community members who attended advisory committee, Planning Commission, City Council and public meetings and commented on the draft reports and presentation materials. The project was funded by a grant from the Oregon Department of Land Conservation and Development (DLCD) and DLCD staff participated in managing the grant and reviewing materials prepared for the project. A variety of data sources have been used to prepare these reports and analyses, including US Census data, populations projections from the Portland State University Population Research Center, Deschutes County (base GIS data), and third-party data providers. These sources represent the most current, reliable sources of available data for these types of analyses.

2. Housing Conditions and Trends (Comprehensive Plan Narrative and Findings)

The following is a summary of data and findings from the “Housing and Residential Land Needs Assessment” report which can ultimately be incorporated into the Sisters Comprehensive Plan as supporting narrative for the Housing Chapter.

Introduction

Having affordable, quality housing in safe neighborhoods with access to community services is essential for all Oregonians. Like other cities in Oregon, the City of Sisters is responsible for helping to ensure that its residents have access to a variety of housing types that meet the housing needs of households and residents of all incomes, ages and specific needs. Towards that end, the City has undertaken and will continue to implement and update a variety of activities to meet current and future housing needs:

- Conduct and periodically update an analysis of current and future housing conditions and needs. The City most recently conducted this analysis in 2019. The results are summarized in this element of the Comprehensive Plan and described in more detail in a supporting Housing and Residential Land Need Assessment Report.
- Conduct and periodically update an inventory of buildable residential land (BLI) to ensure that the City has an adequate supply of land zoned for residential use to meet projected future needs. The City most recently conducted this analysis in 2019. The results are summarized in this element of the Comprehensive Plan and described in more detail in a supporting Buildable Lands Inventory Report.
- Adopt and amend, as needed, a set of housing-related Comprehensive Plan policies to address future housing needs.
- Update the City’s Housing Plan to reflect the information and recommendations from the 2019 HNA, BLI and Housing Measures Report.
- Regularly update and apply regulations in the City’s Zoning and Subdivision Ordinances to meet housing needs identified in the Comprehensive Plan and supporting documents.
- Implement additional strategies to address housing needs in partnership with state and county agencies and other housing organizations. Potential strategies are described in more detail in a Housing Strategies Report prepared as part of the Housing Needs Analysis in 2019.

The remainder of this chapter summarizes these topics in more detail.

Demographic Trends

Following is a brief summary of demographic conditions and trends in Sisters, along with accompanying tables and charts, as described in the Housing Needs Analysis prepared for the City in 2019. Additional information about demographic and housing conditions and trends can be found in that document which is a supporting document of the Comprehensive Plan.

- Sisters is a City of an estimated 2,767 people, located in Deschutes County in Central Oregon.
- Based on the population, Sisters is roughly the 103rd largest city in the state by population, though is within range of many other similarly sized cities. Within Deschutes County, Sisters is modestly sized in comparison to Bend, Redmond and the population in unincorporated areas.
- Sisters has experienced strong growth, with the population growing roughly 185% since 2000, and increase of nearly 1,800 people. In contrast, Deschutes County and the state experienced population growth of 59% and 21% respectively. No other part of the county grew at a similarly high rate.
- The Sisters UGB was home to an estimated 1,144 households in 2018, an increase of roughly 660 households since 2000. The percentage of family households has grown between 2000 and 2018 from 63% to 70%. The city has a larger share of family households than Deschutes County (67%) and the state (63%).
- Sisters' estimated average household size as of the 2010 Census was 2.39 persons, less than in 2000. This is lower than the Deschutes County average of 2.5 and the statewide average of 2.47.
- Sisters' estimated median household income was \$56,800 in 2018. This has risen significantly from the estimated median in 2010 and is slightly lower than the Deschutes County median of \$59,150.
- Relatively few jobs are held by local residents (208), while nearly 1,470 employees commute into the city from elsewhere. This pattern is fairly common among many communities although it is more pronounced in Sisters than in many urban metropolitan communities in closer proximity to other places to live or work.

FIGURE 1.1: SISTERS DEMOGRAPHIC PROFILE

POPULATION, HOUSEHOLDS, FAMILIES, AND YEAR-ROUND HOUSING UNITS					
	2000	2010	Growth	2018	Growth
	(Census)	(Census)	00-10	(PSU)	10-18
Population ¹	974	2,069	112.5%	2,767	33.7%
Households ²	386	862	123.0%	1,144	32.7%
Families ³	244	567	132%	802	41%
Housing Units ⁴	515	1,126	119%	1,476	31%
Group Quarters Population ⁵	4	10	150%	34	240%
<i>Household Size (non-group)</i>	2.51	2.39	-5%	2.39	0%
<i>Avg. Family Size</i>	3.04	2.92	-4%	2.98	2%
PER CAPITA AND MEDIAN HOUSEHOLD INCOME					
	2000	2010	Growth	2018	Growth
	(Census)	(Census)	00-10	(Proj.)	10-18
Per Capita (\$)	\$17,847	\$25,422	42%	\$25,025	-2%
Median HH (\$)	\$35,000	\$49,306	41%	\$56,809	15%

SOURCE: Census, PSU Population Research Center, and Johnson Economics

Census Tables: DP-1 (2000, 2010); DP-3 (2000); S1901; S19301

¹ From PSU Population Research Center, Population Forecast Program, final forecast for Deschutes Co. (2017)

² 2018 Households = (2018 population - Group Quarters Population)/2018 HH Size

³ Ratio of 2018 Families to total HH is based on 2016 ACS 5-year Estimates

⁴ 2018 housing units are the '10 Census total plus new units permitted from '10 through '18 (source: Census, Cities)

⁵ Ratio of 2018 Group Quarters Population to Total Population is kept constant from 2010. Group Quarters total does not include 62 units of assisted living soon to be completed at The Lodge development.

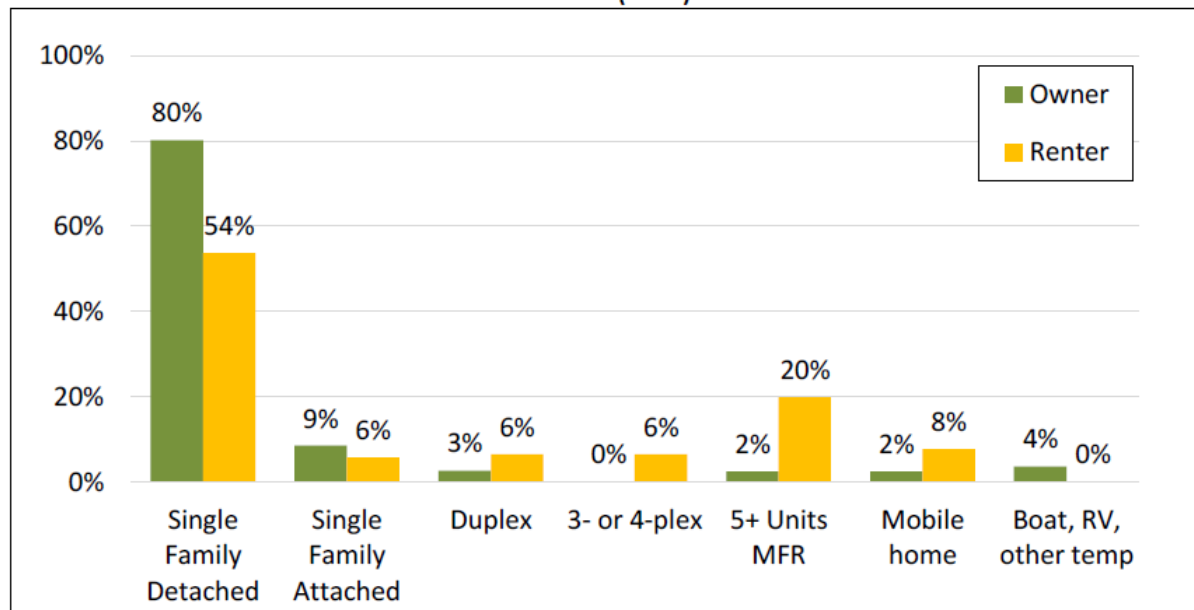
FIGURE 3.1: CURRENT HOUSING PROFILE (2018)

CURRENT HOUSING CONDITIONS (2018)		SOURCE
Total 2018 Population:	2,767	PSU Pop. Research Center
- Estimated group housing population:	34 (1.2% of Total)	US Census
Estimated Non-Group 2018 Population:	2,733 (Total - Group)	
Avg. HH Size:	2.39	US Census
Estimated Non-Group 2018 Households:	1,144 (Pop/HH Size)	
Total Housing Units:	1,476 (Occupied + Vacant)	Census 2010 + permits
Occupied Housing Units:	1,144 (= # of HH)	
Vacant Housing Units:	332 (Total HH - Occupied)	
Current Vacancy Rate:	22.5% (Vacant units/ Total units)	

Sources: Johnson Economics, City of SISTERS, PSU Population Research Center, U.S. Census

*This table reflects population, household and housing unit projections shown in Figure 1.1

FIGURE 3.3: PROFILE OF CURRENT HOUSING SUPPLY BY TYPE (2018)



Sources: US Census, JOHNSON ECONOMICS, CITY OF SISTERS

In coming decades, some of the demographic trends that are likely to affect future housing needs include:

- As demand increases, prices rise, and remaining land within the UGB is developed, denser forms of development and creative reuse of parcels through infill and redevelopment become more

economically viable. Communities like Sisters which face a future of growing within limited boundaries are likely to see increased pressure to generate denser housing than they have historically experienced in some parts of the community. This may occur through a mixture of market forces, policy choices and state planning mandates.

- Baby boomer households will have a preference towards aging in place as long as possible, particularly for homeowners, and will on average be healthier longer than previous generations. When they do transition to other housing, their stock of older existing single-family homes will be attractive starter and move-up homes to younger family households.
- Sisters can plan ahead for younger generations. Consequently, opportunities to walk and bike will also be attractive. However, attractive local employment opportunities will likely be the greatest factor in keeping and attracting young households. Many of these households will seek good first-time home buying opportunities, meaning a stock of existing and new homes in low- to middle price ranges. The younger and lower income members of this generation will need a sufficient stock of multi-family rentals.
- Sisters, like many communities, currently has a persistent shortage of housing available to the lowest-income households.

Current and Projected Housing Needs

Following is a brief summary of current and projected housing needs in Sisters, along with accompanying tables and charts, as described in the Housing Needs Analysis prepared for the City in 2019. Additional information about demographic and housing conditions and trends can be found in that document which is a supporting document of the Comprehensive Plan.

- There is a projected need for 1,057 new housing units by 2039, which would represent 72% growth over the current estimated supply.
- Of the new units needed, roughly 66% are projected to be ownership units, while 34% are projected to be rental units. This is due to the forecast of a higher homeownership rate in the future as well as the second home market, leading to marginally more need for ownership units than rental units.
- There is an estimated need for some ownership housing at the low-end of the pricing spectrum, which is difficult to supply but might include some new mobile home/manufactured home supply, as well as smaller unit types such as condo flats. There is remaining need at higher price points reflecting rising local incomes and the second home market.
- 65% of the new units are projected to be single-family detached homes, while 30.5% is projected to be some form of attached housing, and 4.5% are projected to be mobile homes.
- Single-family attached units (townhomes on individual lots) are projected to meet 10% of future need. These are defined as units on separate tax lots, attached by a wall but separately metered, the most common example being townhome units.
- Duplex through four-plex units are projected to represent nearly over 11% of the total need. Duplex units would include a detached single-family home with an accessory dwelling unit on the same lot, or with a separate unit in the home (for instance, a rental basement unit.)
- 10.5% of all needed units are projected to be multi-family in structures of 5+ attached units.

- 4.5% of new needed units are projected to be mobile home units, which meet the needs of some low-income households for both ownership and rental.
- Of ownership units, 75% are projected to be single-family homes, and 3% mobile homes. Nearly 11% are projected to be attached single-family housing
- 46.5% of new rental units are projected to be found in new attached buildings, with the remainder being single-family or mobile home units.
- A high need for rental units is found at the lowest price points from \$0 to \$600. There is also a need for some single-family homes for rent at higher price points. The middle of the rent spectrum is where most current rental units are located (i.e. “market rent level”) so there is not a finding of more units needed in that range.

FIGURE 4.1: FUTURE HOUSING PROFILE (2039)

PROJECTED FUTURE HOUSING CONDITIONS (2018 - 2039)		SOURCE
2018 Population (Minus Group Pop.)	2,733	PSU
Projected Annual Growth Rate	2.61%	OR Population Forecast Program PSU
2039 Population (Minus Group Pop.)	4,690	(Total 2039 Population - Group Housing Pop.)
Estimated group housing population:	58	Share of total pop from Census US Census
Total Estimated 2039 Population:	4,749	
Estimated Non-Group 2039 Households:	1,963	(2039 Non-Group Pop./Avg. Household Size)
New Households 2018 to 2039	819	
Avg. Household Size:	2.39	Projected household size US Census
Total Housing Units:	2,533	Occupied Units plus Vacant
Occupied Housing Units:	1,963	(= Number of Non-Group Households)
Vacant Housing Units:	127	
Vacation Home, 2nd Home, Seasonal:	444	
Projected Market Vacancy Rate:	5.0%	(Vacant Units/ Total Units)
Projected Vacation Rate, 2nd Home:	17.5%	(US Census, Johnson Economics est.) US Census

Sources: PSU Population Research Center Oregon Population Forecast Program, Census, JOHNSON ECONOMICS LLC

*Projections are applied to estimates of 2018 population, household and housing units shown in Figure 1.1

FIGURE 4.3: PROJECTED FUTURE NEED FOR NEW HOUSING UNITS (2039), SISTERS

OWNERSHIP HOUSING									
Unit Type:	Single Family Detached	Single Family Attached	Multi-Family			Mobile home	Boat, RV, other temp	Total Units	% of Units
			2-unit	3- or 4-plex	5+ Units MFR				
Totals:	523	75	33	14	32	18	0	695	65.7%
Percentage:	75.2%	10.8%	4.8%	2.0%	4.6%	2.6%	0.0%	100%	

RENTAL HOUSING									
Unit Type:	Single Family Detached	Single Family Attached	Multi-Family			Mobile home	Boat, RV, other temp	Total Units	% of Units
			2-unit	3- or 4-plex	5+ Units MFR				
Totals:	165	28	31	31	79	28	0	362	34.3%
Percentage:	45.7%	7.7%	8.5%	8.5%	21.9%	7.7%	0.0%	100%	

TOTAL HOUSING UNITS									
Unit Type:	Single Family Detached	Single Family Attached*	Multi-Family			Mobile home	Boat, RV, other temp	Total Units	% of Units
			2-unit	3- or 4-plex	5+ Units MFR				
Totals:	688	103	64	45	111	46	0	1,057	100%
Percentage:	65.1%	9.8%	6.1%	4.2%	10.5%	4.4%	0.0%	100%	

Sources: PSU, City of Sisters, Census, EnviroNics Analytics, JOHNSON ECONOMICS

Buildable Land Supply and Capacity

A buildable lands inventory (BLI) was conducted for the City in 2019 as part of the City’s Housing Needs Analysis study. The approach for the study included the following steps:

- Identify properties that are potentially buildable, including vacant and partially vacant properties zoned for residential use.
- Subtract constrained properties or constrained portions of properties based on the presence of floodplains and the City’s airport runway zones. Remaining areas represent the supply of “gross buildable acres” of land.
- Further subtract areas which would be needed for or already are committed or used for roads, other infrastructure or utilities, or open space to arrive at “net buildable acres” of land.
- For each residential plan designation, divide the net buildable acres of land by estimated average development densities to estimate the capacity of the buildable area in terms of future new housing units in each residential designation. For properties with approved subdivision or other development plans, capacity is based on the number of housing units approved.

The results of this analysis are summarized in the following tables and also are described in more detail in the City’s BLI Report which is adopted as a supporting element of this Plan. It is important to

note that this information is based on a point-in-time analysis and conditions likely have changed since the analysis was completed in June, 2019.

Potentially Buildable Acres by Zoning Designation

Zoning Designation	Partially Vacant or Vacant Parcels	Gross Vacant Acres			Net Vacant Acres ¹
		Partially Vacant	Vacant	Total	
Residential	203	5	47	51	39
Multi-Family Residential	89	1	53	54	43
Sun Ranch Residential	50	0	10	10	7
Subtotal	342	6	110	116	91
Net Buildable Acres²	--	5	85	91	--

Housing Unit Capacity by Zone, Residential Zones

Zoning Designation	Estimated Housing Unit Capacity		
	Net Vacant Acres	Projected DU/Net Acre	Projected Housing Capacity
R – Residential	39	5	284
MFR – Multi-Family Residential	43	15	506
SRR – Sun Ranch Residential	7	4	45
Total	91	--	835

Comparison of Projected Need and Buildable Land Supply

There is a total forecasted need for roughly 1,057 units over the next 20 years based on the PSU forecasted growth rate, with an associated land need of approximately 167 acres of net residential land to accommodate this growth based on the mix of housing and estimated average densities identified in the projection of housing need. There is a supply of approximately 91 net buildable acres of land within the City’s urban growth boundary (UGB). The majority of is this land is approximately evenly split between the City’s Multi-Family Residential and Residential zones.

Average net densities of five (5) and 15 units per acre are assumed for the city’s single-family and multi-family residential zones, respectively. These densities are based on a consideration of densities

¹ Subtracting 25% of acreage to account for public utilities and open space, as well as .25 acres for “partially vacant” properties.

² The calculated total for net vacant acres and net buildable acres is the sum of each individual parcel’s net buildable acres (75% of gross of each parcel added up), rather than 75% of the sum of “gross vacant acres”.

allowed in these designations by the Sisters development code in combination with guidance from the Oregon Department of Land Conversation and Development (DLCD) simplified urban growth boundary methodology. While the analysis incorporated the provisions of Division 38 of OAR 660 for assumed densities and constraints, the assumed densities also are consistent with densities allowed by the City of Sisters’ Development Code and also are consistent with the provisions of Division 24 of OAR 660.

The following tables summarize the results of the comparison of land need and supply. They indicate that there is a potential shortage of land available for single-family detached housing units and a surplus of land zoned for multi-family residential development. The single-family development gap or shortage is equivalent to approximately 395 units or approximately 79 acres of net residential land. The multi-family surplus is 172 housing units or approximately 11.5 acres of net residential land.

The multi-family surplus would not make up for the single-family deficit and as a result, the analysis indicates that there may be an insufficient supply of residential land within the Sisters urban growth boundary (UGB) to accommodate the projected future housing need. These findings will help guide further discussion of potential housing policies and measures to address these deficits, including a possible combination of efficiency measures and/or an amendment to the City’s UGB.

FIGURE 5.4: COMPARISON OF FORECASTED FUTURE HOUSING UNIT NEED (2039) WITH AVAILABLE CAPACITY

<u>NEED vs. LAND SUPPLY</u>	<u>Unit Type</u>		<u>TOTAL</u>
	Single Family Detached	Multi-Family	
New Housing Unit Need by 2039:	724	334	1,057
Housing Unit Capacity:	329	506	835
Surplus Unit Capacity (or Need):	-395	172	-222

Sources: City of Sisters, Johnson Economics

FIGURE 5.5 FORECASTED HOUSING UNIT NEED (2039) CONVERTED TO ACREAGE

<u>NEED vs. LAND SUPPLY</u>	Residential Land Class		<u>TOTAL</u>
	Single Family Detached	Multi-Family	
Surplus Unit Capacity (or Need):	-395	172	-222
Estimated Avg. Density:	5	15	
Surplus Acreage Capacity (or Need):	-78.9	11.5	-67

Sources: City of Sisters, Johnson Economics

For more detail on these findings please refer to the “Housing and Residential Land Needs Assessment Report” and the Buildable Lands Inventory (BLI) Memo and maps prepared for the city.

Strategies to Accommodate Future Housing Needs

Because the City has a potential deficit of land zoned for residential use inside the UGB, specifically a deficit of land needed for single-family detached housing, some combination of strategies will be needed to address this deficit in order to accommodate housing needs over the course of the planning period. In general, these measures could include:

- Increase the efficiency of land use within existing residential areas through some combination of increased allowed densities, establishment of minimum densities, or allowing for or encouraging types of housing that can be developed using less land.
- Rezone land from low or high density (multi-family) residential to lower density (single-family) residential use.
- Plan for potential residential uses on the US Forest Service property in Sisters. Some future residential use of that property is assumed but the property is not currently zoned for residential use and therefore is not included in the inventory of buildable residential land.
- Rezone land from employment to residential designations, assuming such a rezoning would not compromise the needed supply of future employment lands.
- Evaluate the need for an urban growth boundary amendment and pursue an amendment if warranted.

In addition to these strategies, the City can consider a variety of other strategies in the future to further provide opportunities for a wide range of housing choices, efficient land use, and development of housing affordable to people with low and moderate incomes. Potential strategies are summarized in the following table and described in more detail in the Housing Strategies Report prepared by the City as part of its Housing Needs Analysis project in 2019.

Strategy	Primary goal
<p>1. Urban Growth Boundary Amendment (UGB) Amend the city’s UGB if the supply of land within the UGB cannot accommodate the amount needed for future development. Prior to pursuing an expansion, the city must consider measures to improve the efficiency of future land use within the existing boundary.</p>	<p>Ensure an adequate land supply for future residential development</p>
<p>2. Rezone Land Rezone land from other residential designations and/or from commercial, industrial or institutional designations to meet specific housing needs, assuming there is an adequate supply of land available to meet non-residential needs.</p>	<p>Ensure appropriate zoning and supply of land for housing</p>
<p>3. Increase the Allowed Density or Range of Housing Types Increase the allowed density or reduce the minimum allowed size of lots in one or more zones to allow for more compact development and/or a wider range of housing types in specific areas; expand the range of housing types allowed in one or more zones.</p>	<p>Ensure appropriate zoning and supply of land for housing</p>
<p>4. Minimum Densities In order to ensure that land in these zones is not consumed by lower density development, the City could consider adopting minimum density requirements.</p>	<p>Ensure appropriate zoning and supply of land for housing</p>
<p>5. Code Amendments for Small Housing Types Zoning code and other regulatory amendments to increase housing choices and reduce barriers to development for accessory dwelling units (ADUs), tiny homes, cottage clusters, townhomes, and other “missing middle” housing types.</p>	<p>Remove regulatory barriers</p>
<p>6. Reduce Unnecessary Barriers to Housing Development Some regulations may constrain housing development to a degree that the corresponding public benefits of the regulation do not outweigh the effect on housing development. These regulations may include off-street parking requirements, architectural design standards, landscaping standards, or other development standards such as setbacks and height regulation.</p>	<p>Remove regulatory barriers</p>
<p>7. Inclusionary Zoning A tool used to produce affordable housing within new market-rate residential developments. Typically implemented through an ordinance mandating that a minimum percentage of units remain affordable for a set period of time.</p>	<p>Promote construction of new affordable housing units</p>
<p>8. Short-Term Rental Housing Rules or Regulations The City already monitors and regulates short-term rental housing, including administering a licensing program and limitation on the number of rentals through Chapter 2.15.2700 of the City’s Development Code.</p>	<p>Ensure an adequate supply of long-term rental housing</p>
<p>9. Incentive Zoning Creates incentives to developers to provide a community benefit (such as affordable housing), in exchange for ability to build a project that would not otherwise be allowed by the development code.</p>	<p>Increase development flexibility / reduce housing costs</p>

<p>10. System Development Charge (SDC) Deferral</p>	<p>Reduce development costs</p>
<p>Deferral of SDCs for affordable housing. Can be applied to regulated affordable housing and/or specific housing types (such as ADUs).</p>	
<p>11. Expedited Development Review</p>	<p>Reduce development costs / remove process barriers</p>
<p>Variety of strategies to reduce review and processing times for regulated affordable housing development, such as formally adopting shortened review timelines for applications or giving priority in scheduling hearings and meetings with staff.</p>	
<p>12. Tax Abatements or Exemptions</p>	<p>Reduce development costs</p>
<p>Tax exemptions or abatements offer another financial incentive to developers that can improve the long-term economic performance of a property and improve its viability. This can be a substantial incentive, but the City will forego taxes on the property, generally for ten years. Other taxing jurisdictions are not included, unless they agree to participate. Tax exemption programs are authorized by the state for specific purposes: Vertical Housing; Multiple-Unit Housing; Non-Profit Low-Income.</p>	
<p>13. Community Land Trust</p>	<p>Reduce land costs / develop long-term affordable housing</p>
<p>A model wherein a community organization owns land and provides long-term leases to low or moderate-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. Housing recently built by Habitat for Humanity is a local example.</p>	
<p>14. Public-Private Partnerships (PPPs)</p>	<p>Promote construction of new affordable housing</p>
<p>Arrangements between public and private entities to create more and/or affordable housing. PPPs can promote a variety of affordable housing programs or projects and include partnerships from multiple entities (public, private, and non-profit). The ClearPine / Habitat partnership using state funding is a good local example of this strategy.</p>	
<p>15. Tenant Protection Programs and Policies</p>	<p>Protect affordable units and reduce displacement</p>
<p>Local regulations and enforcement programs that provide protections for tenants of existing affordable housing and low cost market rate housing against evictions, excessive rent increases, discrimination, and health and safety violations.</p>	
<p>16. Land Acquisition and Banking</p>	<p>Reduce land costs</p>
<p>Land acquisition is a tool to secure sites for affordable housing. Land banking is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be used for affordable housing.</p>	
<p>17. Construction Excise Tax</p>	<p>Provide source of funding for other affordable housing programs</p>
<p>Adopt a tax on new construction of between 1 and 3% to help pay for other affordable housing strategies identified here. The tax is a one-time tax assessed on new construction. State law requires it to be spent on specific types of programs and activities.</p>	
<p>18. Financial Assistance Programs</p>	<p>Protect affordable units and reduce displacement</p>
<p>A range of tools that can be used to maintain housing affordability or to help keep residents in their homes. Possible tools include rent assistance, loans for homeowners, or assistance to low-cost apartment owners for repairs and upgrades.</p>	

3. Comprehensive Plan Housing Policies

It is essential that the Comprehensive Plan of every city in Oregon include a robust set of policies directed at meeting the current and future housing needs of community members.

APG reviewed the Comprehensive Plan to assess whether it includes the following types of supportive policies:

- **Supports Statewide Planning Goal 10.** Comprehensive Plans typically do and should include a general policy that mirrors Statewide Planning Goal 10 (Housing), stating that the overall goal of the jurisdiction is to *“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.”*
- **Emphasizes affordable housing needs.** Given that meeting the needs of low and moderate-income households often requires public intervention or subsidy, it is important to include policies emphasizing the needs of these households.
- **Supports partnerships.** Most Comprehensive Plan housing elements include policies aimed at supporting other public agencies, non-profits and market rate developers who focus on meeting the needs of low and moderate-income households and community members with special housing needs.
- **Encourages a variety of housing types.** In addition to a broad goal or policy about meeting a full range of housing needs, Plans often include policies noting the need for a variety of housing types, including single-family attached housing, duplexes, triplexes, multi-family housing and townhomes, as well as less traditional forms of housing such as cottage cluster housing and accessory dwelling units.
- **Affirms Fair Housing goals.** Local governments are required to ensure that their housing policies and standards do not discriminate against or have adverse effects on the ability of “protected classes” to obtain housing, consistent with the federal Fair Housing Act.
- **Supports mixed use development.** Some Plans explicitly support the development of mixed-use projects, which typically include upper story housing located above retail or commercial uses.
- **Supports accessory dwelling units.** Comprehensive Plans may include policies specifically referencing support for this form of housing. Recent Oregon legislation requires all cities below a certain size to allow for this form of housing outright in all zones where single-family detached housing is allowed.
- **Addresses land supply goals.** Many Comprehensive Plans include policies which reference the need to ensure that adequate land is zoned to meet identified housing needs, and to periodically update the jurisdiction’s inventory of such lands.

- **Supports maintenance and rehabilitation of existing housing.** Many comprehensive plans emphasize maintenance of existing housing stock as a method to prevent unsafe conditions and keep affordable housing available within the community.
- **Supports development of manufactured homes.** Oregon law requires that all zones that allow for “stick built” single-family detached homes also allow for manufactured homes on individual lots. Each jurisdiction must also allow for manufactured home parks in at least one residential zone.
- **Regulates short term rentals.** Many communities, particularly those with high levels of tourism, regulate short-term rental housing to reduce its impact on the supply and affordability of long-term rental housing.

Table 1 summarizes recommended policy amendments for the City of Sisters to address these gaps. A preliminary draft set of proposed adoption-ready Comprehensive Plan policy amendments is provided below. The City may refine these policies as part of the adoption process.

10.4. Policies

1. All residential developments shall retain and respect the physical characteristics of the site pertaining to existence of endangered species, significant natural features, soils, slope, geology, erosion, flooding and natural vegetation to the greatest extent possible. These developments shall be designed to be safe and aesthetically pleasing, recognizing and respecting the character of the area in which they are located.
2. ~~The City shall implement the housing strategies from the Sisters Housing Plan (2009)~~ provide a full range of housing choices to all income levels of existing and future residents in the City, including housing that is affordable to low- and moderate-income households. Towards this end, ~~Following adoption of the Plan,~~ the City shall consider, refine, and implement the housing strategies from the Sisters Housing Strategies Report (2019) through the following process:
 - a. Update the Sisters Housing Plan.
 - b. Prepare and adopt an annual budget for ongoing implementation of the ~~Housing Plan~~ strategies through a ~~Housing Coordinator position~~ or appropriate level of staff support.
 - c. ~~Establish~~ Continue to use a Housing Policy Board to provide ongoing direction to the City ~~Housing Coordinator~~ leadership regarding affordable housing strategies, programs, and opportunities, and to assist the Housing Coordinator in developing an Action Plan and implementation strategy for affordable housing.
 - d. ~~Establish~~ Maintain, with the Housing Policy Board, a schedule to implement ~~each of~~ the strategies recommended in the Sisters Housing Plan.
3. Modular and manufactured homes shall be permitted on individual lots, as part of a modular and manufactured home park, or in planned unit developments.

4. All residential development shall be provided with orderly extension of City services including sewer and water.
5. Limited and appropriate non-residential uses such as public and community facilities (utility substations, transformers, sewer pump stations) and small-scale commercial uses such as home occupations are necessary and should be permitted within Residential Districts. Their location, size, and design shall be compatible with their surroundings and intended for the convenience and safety of the people.
6. ~~Areas dedicated or provided as public, semi-public, or private open space as part of a residential development, as provided by the Development Code, shall be counted as part of the total area when computing residential densities for any given development. The gross size of the parcel will be used when calculating the minimum and maximum residential density allowed on a lot or parcel.~~ It is the policy of the City to achieve a range of residential densities from 3-8 units per gross acre for standard residential and from ~~9-20~~ 9-24 units per gross acre for multi-family residential. *(Note: The first part of this policy is more appropriately defined in the City's Development Code.)*
7. Mixed use zoning districts that include a residential component shall contain mechanisms to ensure compatibility between residential and underlying commercial or industrial uses.
8. The City shall strengthen efforts to increase supplies of multi-family housing, in order to meet the demand for additional multifamily units, to provide additional workforce housing, and to increase the supplies of rental units.
9. The City shall seek partnerships with non-profit housing developers and other agencies to create the opportunity to provide moderate-and low-income housing development and rehabilitation activities within the City.
10. The City shall employ strategies that support federal and state Fair Housing laws and other federal and state fair housing requirements to affirmatively further fair housing.
11. The City shall allow and continue to support the development of Accessory Dwelling Units in all residential zones where single-family detached homes are allowed, as required by State law.
12. The City shall encourage efficient use of residential land within the Urban Growth Boundary.
13. The City shall regularly monitor its supply of buildable land and shall provide a sufficient amount of residential land to accommodate residential growth.
14. The City shall continue to regulate short term rentals to reduce their impact on availability and long-term affordability of housing.



1.1.1 Table 1. Comprehensive Plan Policy

Policy Topic	Existing Goal Language	Example Additional or Alternative Language to Consider
Supports Statewide Planning Goal 10.	Partially addressed Policy 2 states: <i>The City shall implement the housing strategies from the Sisters Housing Plan (2009) to provide housing choices to all income levels in the City.</i>	<ul style="list-style-type: none"> The City of Sisters shall encourage development of a full range of housing types that meet the needs of all income groups of existing and future residents.
Emphasizes affordable housing needs	Not addressed explicitly. See Policy 2 above. Policy 9 states: <i>The City shall strengthen efforts to increase supplies of multi-family housing, in order to meet the demand for additional multifamily units, to provide additional workforce housing, and to increase the supplies of rental units.</i>	<ul style="list-style-type: none"> The City shall provide opportunities for the development of housing that is affordable to low- and moderate-income households.
Supports partnerships	Not addressed (N/A)	<ul style="list-style-type: none"> The City shall seek partnerships with non-profit housing developers and other agencies to create the opportunity to provide moderate-and low-income housing development and rehabilitation activities within the City.
Encourages a variety of housing types	N/A	<ul style="list-style-type: none"> The City shall encourage development of higher density and multifamily housing within areas designated for this use and limit low-density housing in these locations. The City shall provide opportunities for the development of a variety of housing choices that meet the needs and preferences of current and future households.



Supports mixed use development	<i>Mixed use zoning districts that include a residential component shall contain mechanisms to ensure compatibility between residential and underlying commercial or industrial uses. (Policy 8)</i>	<ul style="list-style-type: none">• Adequately addressed.
Affirms Fair Housing Goals	N/A	<ul style="list-style-type: none">• The City shall employ strategies that support the Fair Housing Act and other federal and state fair housing requirements to affirmatively further fair housing.
Supports ADUs	N/A	<ul style="list-style-type: none">• The City shall continue to allow and support the development of Accessory Dwelling Units in all residential zones as required by State law.
Addresses Land Supply Goals	N/A	<ul style="list-style-type: none">• The City shall encourage efficient use of residential land within the Urban Growth Boundary• The City shall regularly monitor its supply of buildable land and shall provide a sufficient amount of residential land to accommodate residential growth.• The City shall ensure that the City has an adequate housing supply with enough land to support the community's growth.
Supports Development of Manufactured Homes	<i>Modular and manufactured homes shall be permitted on individual lots, as part of a modular and manufactured home park, or in planned unit developments. (Policy 3)</i>	<ul style="list-style-type: none">• Adequately addressed.
Supports maintenance and rehabilitation of existing housing	N/A	<ul style="list-style-type: none">• The City shall encourage maintenance and rehabilitation of the existing housing stock.



**Regulates Short
Term Rentals**

N/A

- As necessary, the City shall continue to regulate short term rentals to reduce their impact on availability and long-term affordability of housing.
-

4. Other Housing Measures

As noted previously, analysis of future housing needs and land supply indicates that the City does not have an adequate supply of land to meet its overall housing needs, including a deficit of lands in the single-family residential zone. Some combination of the following strategies can be implemented by the city to address that deficit:

- Increase the efficiency of land use within existing residential areas through some combination of increased allowed densities, establishment of minimum densities, or allowing for or encouraging types of housing that can be developed using less land.
- Rezone land from low or high density (multi-family) residential to lower density (single-family) residential use.
- Plan for potential residential uses on the US Forest Service property in Sisters. Some future residential use of that property is assumed but the property is not currently zoned for residential use and therefore is not included in the inventory of buildable residential land.
- Rezone land from employment to residential designations, assuming such a rezoning would not compromise the needed supply of future employment lands.
- Evaluate the need for an urban growth boundary amendment and pursue an amendment if warranted.

In addition to these strategies, the City can consider a variety of other strategies in the future to provide opportunities for a wide range of housing choices, efficient land use, and development of housing affordable to people with low and moderate incomes. Potential strategies are summarized in the following pages. These measures have been organized into the following categories.

Land Supply and Regulatory Strategies

- Rezone Land
- Urban Growth Boundary Expansion
- Increase Allowed Density Range or Housing Types
- Minimum Density Standards
- Code Amendments for Small Housing Types (e.g., “cottage cluster” housing, duplexes, triplexes and accessory dwelling units)
- Inclusionary Zoning
- Short-Term Rental Housing Regulation

Incentives

- Incentive Zoning
- Remove Unnecessary Barriers to Development
- System Development Charge Deferral
- Expedited Development Review
- Tax Exemptions or Abatements

Funding Sources and Uses

- Construction Excise Tax
- Public Private Partnerships
- Community Land Trust
- Land Acquisition and Banking
- Financial Assistance Programs
- Tenant Protection Programs and Policies

The remainder of this section describes these potential measures in more detail.

Land Supply and Regulatory Strategies

1. Rezone Land

One potential strategy to address the deficit of land for single-family residential land would be to rezone land from the city's multi-family designation to the single-family designation. Alternatively, the City could consider redesignating commercial, industrial or institutional land to the single-family designation. In considering the most appropriate location for rezoning land, the city should use the following criteria or factors:

- Adequate supply of commercial and industrial land. Prior to redesignating any land from employment to residential use, the City will need to ensure that it has an adequate supply of land for future commercial and industrial uses. This will likely require an update to the City's inventory of employment lands and its Economic Opportunities Analysis.
- Proximity to services. Ideally, new residential areas should be reasonably close to supporting commercial and other services (schools, parks, etc.) to help ensure that residents can easily access these services and daily needs by walking, biking or driving.

- **Size.** The size of any area proposed for rezoning should be large enough to provide opportunities for efficient use of the site for future residential development. At the same time, the total supply of existing vacant or partially vacant multi-family area is relatively limited.

The US Forest Service site in Sisters represents a specific opportunity for rezoning. Previous planning efforts for this property have assumed that it will be redeveloped and that certain portion of the property will be designated and used for housing. This site could provide the capacity for 100+ residential units. The site is currently zoned for Public Facilities. Other possible opportunity sites potentially could include school district and church properties in the Heavenly Acres area.

2. Urban Growth Boundary Expansion

Given that the findings of the Housing Needs Analysis and BLI studies indicate a deficit of residential land, an expansion of the City's UGB may be warranted. Prior to pursuing an UGB expansion, the city would need to consider and adopt efficiency measures to ensure that land inside the UGB is being used efficiently. Many of the development code update recommendations identified for this project are efficiency measures and the City has already considered and implemented a number of those strategies to some degree.

In evaluating alternative areas for a potential future UGB expansion, the City will need to address a variety of state requirements, including the following:

- **Location of expansion areas.** The location of the land to be added to replace the land being removed. First, use OAR 660-024-0065 to determine appropriate study areas. For a city with a UGB population less than 10,000, the city must consider all land within ½ mile of the existing UGB boundary.
- **Exclusion areas.** In considering expansion areas, the city can exclude areas that cannot be reasonably serviced with public facilities, are subject to significant natural hazards, have some a high level of environmental or natural resource value, or are federal lands.
- **Prioritization.** The city needs to prioritize potential expansion areas in terms of rural residential "exception" lands vs. farm and forest lands, with exception lands having first priority.
- **Criteria for evaluating expansion areas.** Cities must look at alternative expansion areas and evaluate them using the four factors for location of UGB expansions found in Goal 14. These include 1) efficient urban form, 2) public facilities, 3) ESEE consequences, and 4) impact on adjacent farm and forest activities in rural areas. The city's analysis must consider and analyze all four factors, but the city can weigh and balance those factors based upon a set of findings and policy judgments which, unless they are without merit, will be upheld on judicial review.

In addition to meeting these state requirements, the City will want to consider other factors in this process such as:

- Will potential expansion areas have direct access to roads, sewer or water lines or will they be even more difficult or costly to serve with these facilities than land proposed to be removed from the UGB?
- Will areas proposed for inclusion be in relatively close proximity to commercial and other services? This is particularly important if new areas are proposed for higher density development.
- Will the areas have any other practical barriers or impediments to residential development or conflict with other strategies to meet future housing needs?

3. Increase the Allowed Density or Range of Housing Types

An alternative or complementary action to rezoning land to address the city's identified deficit of – single-family residential land would be to increase the allowed density or range of housing types in the City's residential zones. This could increase the range of housing options available to residents as well as the efficiency of land use within the City and potentially reduce the projected need for a UGB expansion.

Currently, the City's single-family Residential District (R) permits single-family detached, zero lot line, SF attached (two units), duplexes, manufactured dwellings/parks, cottage developments and accessory dwelling units. The gross residential density in this district is a minimum of three (3) dwelling units per acre and maximum of seven (7) dwelling units per acre. This represents a fairly broad range of housing types and a reasonable range of densities for a single-family residential zone and potential changes to allowed used and densities in this zone are likely to generate fairly minimal gains in development efficiency or housing choice. The one potential exception would be to allow triplexes in the R zones.

Although the overall densities allowed in the R zone are reasonable, minimum lot sizes required in the City's Development Code are relatively high and in a number of cases either likely prevent developments from achieving allowed densities or make certain types of housing financially infeasible or challenging to build. The following changes to minimum lot sizes are recommended:

- Single-family detached dwellings: Reduce to 5,000 sf
- Single-family attached dwelling (townhomes): Reduce to 2,500 or 3,000 sf; reduce minimum lot width to 25-30 feet
- Duplexes: Reduce to 7,500 sf (total, or 3,750 sf per unit)

The City's Multifamily Residential District (MFR) permits single-family detached housing, single-family attached housing (townhomes), zero lot line housing, duplexes, triplexes, four-plex's, apartments, manufactured dwellings/parks, cottage developments and accessory dwelling units. The gross residential density in this district is a minimum of seven (7) dwelling units per acre and maximum of 15 dwelling units per acre. The range of housing types allowed in this district is very broad and there are limited opportunities to expand the list of housing types. However, the densities are relatively low for a multi-family residential zone and there may be an opportunity to increase both the minimum and maximum density. It is recommended that the City consider increasing the maximum density in this zone to 25-30 net units per acre (approximately 19-22 gross units per acre). In addition, the City could consider prohibiting or limiting development of new single-family detached housing in this zone.

Other zones in the City also allow residential development. The Downtown Commercial (DC) and Highway Commercial also allow residential units in a mixed commercial master plan. The North Sisters Business Park (NSBP) allows limited live-work units.

4. Minimum Densities

As noted in the previous section, the City currently has minimum gross density standards of three (3) units per acre and seven (7) units per acre in its Residential and Multi-Family Residential (MFR) zones, respectively. The standard for the Residential zone is reasonable for a smaller community in Oregon and no changes to that standard are recommended. However, the minimum density standard for the MFR zone is relatively low in comparison to both the current and proposed maximum density standard and could be increased. Typical best practices recommend that minimum densities be set at approximately 50-80% of the maximum density. A minimum density of 9 or 10 gross units per acre (about 12-14 net units per acre) would be consistent with the low end of this range and also would be consistent with the densities at which most housing types allowed in this zone are developed. For example, rowhouses are typically constructed at net densities of 14-16 net units per acre. While this would be a helpful best practice, it also would result in a gap in allowed densities, given that the City only has two residential zones and may not need to increase the maximum allowed density in the R zone. This gap would have to be addressed somehow if the City were to increase the minimum density in the MFR zone.

5. Code Amendments for Small Housing Types

Small housing types typically include accessory dwelling units (ADUs), duplexes, triplexes, fourplexes, townhomes and cottage cluster housing. Many of these housing types can be relatively compatible with single-family detached housing, while providing a wider range of housing options for smaller households and at lower costs to develop. The City of Sisters already allows most of these types of housing in its R zone and allows all of them in its MFR zone. The City has specific standards for Cottage Cluster housing which are consistent with best practices for this type of housing.

The City has specific requirements for ADUs in section 215.300 of its Development Code. The City could update its Code to include the following types of provisions to reduce barriers to the development of ADUs and ensure that it has clear and objective standards for them.

- **Size:** The size limit of 800 sf could be revised to be 800 sf or 50% of the primary dwelling whichever is greater, and also could allow for a full floor of a dwelling to be used for the ADU.
- **Number:** The City could consider allowing for two ADUs, if one of the ADUs is internal to the primary dwelling.
- **Parking:** Many cities do not require an additional parking space for an ADU. Sisters could consider relaxing the existing requirement to provide a parking space for each ADU.
- **Owner-occupancy standard.** It is recommended that the City eliminate this standard.
- **Design compatibility:** Sisters requires that ADUs have “exterior finish materials, roof pitch, trim, window proportion and orientation, and eaves for the accessory dwelling must be the same or visually match in type, size and placement, the exterior details of the primary dwelling on the lot.” We recommend that the City eliminate this standard altogether or incorporate a shorter list of clear and objective standards for ADUs.

Figure 2: Diagram and Examples Images of Accessory Dwelling Units (ADUs)

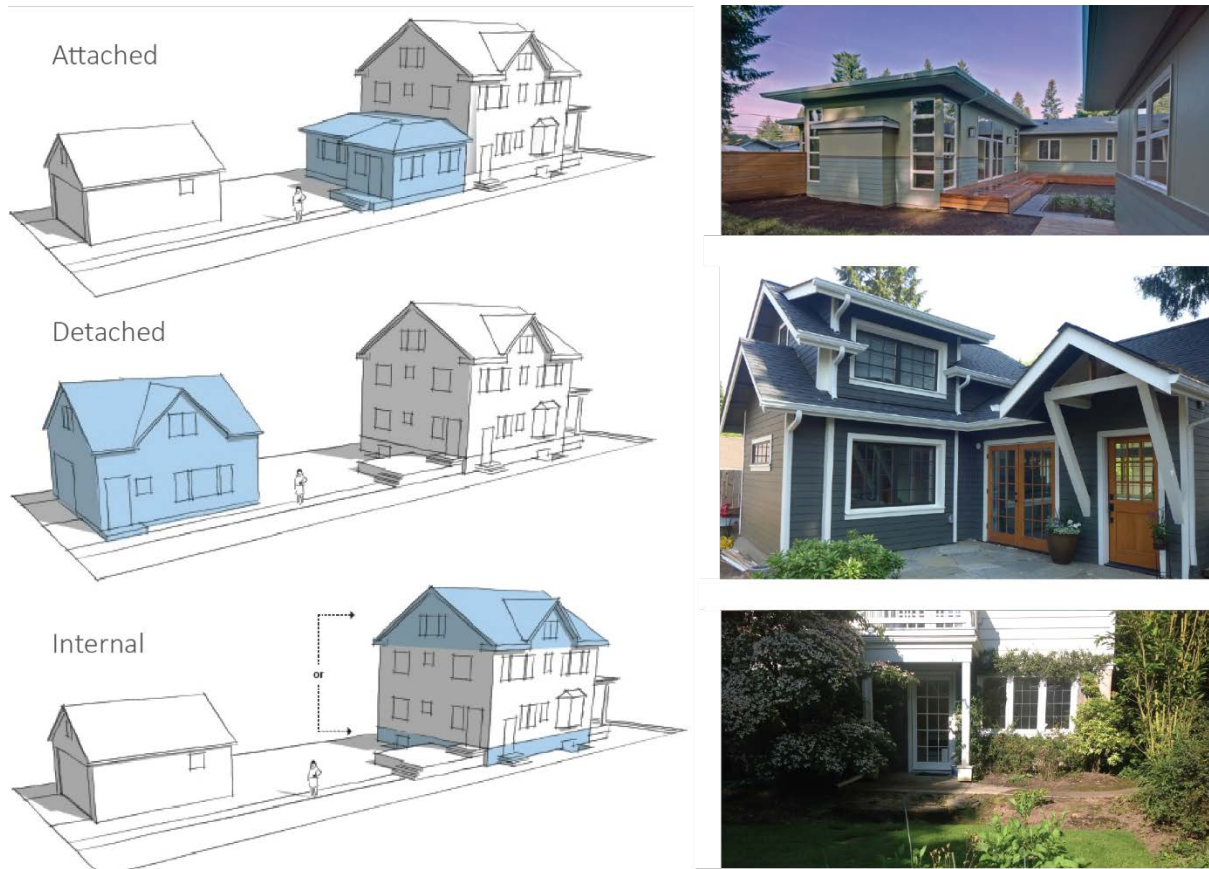


Image Credits: City of Minneapolis, AccessoryDwellings.org

6. Inclusionary Zoning

After being prohibited in Oregon since 1999, legislation allowing jurisdictions to adopt inclusionary zoning was passed in the Oregon Legislature in 2016. However, this legislation came with a number of limitations that are being regarded by affordable housing providers and advocates as challenging to implement this strategy in most small- and medium-sized jurisdictions in the state. The requirements only may be applied to multifamily housing development of 20 units or more. In addition, jurisdictions must provide “finance-based incentives” (e.g., property tax exemptions, fee waivers, development bonuses) to offset the cost of providing affordable units, but in an undetermined amount. They also must provide developers with the option to pay a “fee in lieu” instead of providing affordable units. Cities may also establish a local excise task to help fund inclusionary housing program.

These provisions are expected to limit the applicability and extent of the application of inclusionary housing programs and result in administrative and financial hurdles to implementation, particularly for smaller communities. Relatively few communities are expected to have the financial and

administrative resources to establish inclusionary zoning programs. That said, Sisters may wish to explore the relative costs and benefits of establishing inclusionary zoning requirements. In addition, the City could explore implementation of inclusionary housing on a voluntary basis either as part of a negotiated process through annexation of land into the City or through use of incentives such as those described earlier in this report. The cities of Bend and Hillsboro have used these types of processes with specific annexation areas and developments in the past. This voluntary approach to inclusionary zoning may avoid some of the pitfalls of the mandated approach allowed by the recent state legislation.

The following actions are recommended to assess the feasibility of a mandatory approach to inclusionary zoning:

- Identify the approximate benefits of establishing a set of inclusionary zoning provisions based on the expected number of developments that would be subject to the standards and the approximate number of resulting new units.
- Estimate potential excise fee revenues that could be applied to covering the cost of implementing inclusionary zoning standards.
- Estimate the cost of establishing and administering the non-code-based elements of an inclusionary zoning program, including a fee-in-lieu program and other finance-based incentives.
- Determine if the expected benefits outweigh the costs of establishing an inclusionary zoning program.
- If the costs outweigh the benefits and the City decides to move forward with the program, establish needed code requirements and other administrative and financial procedures and protocols needed for implementation.

The following steps could be undertaken to explore a voluntary approach to inclusionary zoning.

- Identify programmatic opportunities for implementation (e.g., annexation agreements, incentives such as building height or density bonuses or parking reductions).
- Determine appropriate ratios or requirements for the number or percentage of affordable units to be incorporated in applicable developments.
- Develop sample annexation agreement language and/or other implementing procedures.
- Undergo initial implementation through one or more test cases.
- If test cases are successful, implement more broadly.

7. Short-Term Rental Regulation

Short-term rental housing can have an impact on the supply and cost of long-term rental housing if it becomes a significant portion of the rental market. The City of Sisters already monitors and regulates short-term rental housing, including administering a licensing program and limits on their number

through Chapter 2.15.2700 and other related requirement of Section 5.50 of the City's Development Code.

Incentives

8. Incentive Zoning

Some development regulations can present obstacles or add costs to housing developments. In addition to or in lieu of financial incentives, the City can offer concessions on regulatory standards that provide meaningful economic value. The concessions should be offered in exchange for the development dedicating a minimum proportion of the units to be regulated as affordable to people with lower or moderate-income. The incentives typically include relief from certain development standards such as parking, setbacks, or density. Examples include the following:

- **Parking reductions.** In general, research shows that households with lower incomes tend to have lower car ownerships and driving rates, particularly when residents have ready access to shopping and other opportunities and services. A number of jurisdictions in Oregon provide reductions in off-street parking requirements for developments that are affordable to households with low or moderate incomes. Typically, developments must commit to providing affordable units over a significant length of time (20-60 years).
- **Height or density bonuses.** Some cities allow higher density or greater height in exchange for a commitment to provide housing units that are affordable to households with low or moderate incomes. Height bonuses are typically in terms of number of stories (e.g., one story in an area with an existing height limit of 35 or 45 feet). Density bonuses are typically stated in terms of a percentage of units (e.g., 10-20% is a common threshold). The amount of the bonus can be tied to the affordability levels provided and/or to the number of affordable units. Additionally, setback and bulk standards may be allowed to vary to accommodate the added density or to reduce development costs.

9. Reduce Barriers to Development of Affordable Housing

Some regulations may constrain housing development to a degree that the corresponding public benefits of the regulation do not outweigh the effect on housing development. These regulations may include off-street parking requirements, architectural design standards, landscaping standards, or other development standards such as setbacks and height requirements. Following are preliminary ideas related to this strategy:

- **Parking.** In general, the city's off-street parking requirements appear to be reasonable for a smaller city in Oregon. As noted above, reduced parking requirements could be considered for qualifying affordable housing developments.

- **Setbacks.** The City allow for zero lot line developments and side and rear yard setbacks are generally reasonable although rear yard setbacks could be relaxed for single-family attached housing, particular if such developments were alley-loaded.
- **Building heights.** The City could consider allowing for higher building heights for mixed use development (housing over commercial uses) in portions of the Downtown Commercial District to the extent it doesn't conflict with other design objectives in this area.

10. System Development Charge (SDC) Deferral

System Development Charge (SDC) deferrals can be used to reduce the cost of development. Many SDC methodologies are intended to be commensurable with the cost or impact to the system. Some missing middle housing types, such as ADUs (often associated with affordable units), do not fit within the levels within SDC methodologies because the impact of these types of housing on the need for water, sewer or transportation facilities is not equivalent to that of other housing units, given the reduced average size and occupancy of smaller units. Therefore, any reduction that can be justified based on reduced demand or impact (e.g. smaller units, multifamily vs. single-family, housing types that tend to generate less traffic, etc.) is justifiable for reducing or potentially waiving SDCs for these housing types. This type of reduction is generally identified in the SDC methodology and rate setting.

Policy-based reductions, waivers, deferrals, or exemptions that do not have a basis in reduced impacts or costs are not explicitly addressed in Oregon's SDC laws, and local jurisdictions have taken a range of approaches to navigating this ambiguity. Recent state legislation enabling inclusionary zoning (Senate Bill 1533) identifies SDC and permit fee reductions or waivers as incentives that may be offered to development impacted by an inclusionary zoning requirement. This legislation also has been interpreted by some communities as authorizing SDC reductions or exemptions for affordable multifamily development. Several cities in Oregon choose to exempt certain classes of development (including regulated affordable housing) from SDC requirements. Funding strategies such as a Construction Excise Tax can be used to cover the cost of SDC reductions or exemptions. SDC options for Sisters to consider include:

- Reducing required SDCs for Exempting qualifying affordable housing developments based on a commitment to long-term affordability of the units.
- Deferring payment of all or a portion of SDCs for affordable housing developments for a specified period of time.
- Updating the City's SDC methodology so that it better reflects the impacts of smaller housing units on system impacts, and reducing SDCs for those units accordingly.

The City Charter currently allows for use of this strategy in exchange for a 50-year affordability period. The City's Affordable Housing Assistance Grant policy helps implement this program (ORD 495). The Skyview project noted in section 14 is a local example of this strategy.

11. Expedited Development Review

Jurisdictions can search for ways to reduce time and costs of the review and permitting process to developers building desired housing types. This incentive can be accomplished by reducing review times, consolidating steps in the process, and reducing or simplifying submittal requirements. In few industries is the old adage that “time is money” more true than in the development industry. The developer is often tying up capital and/or paying interest on loans during the pre-development process. Any reduction in process time translates into reduced costs and greater certainty to the developer and their partners.

Streamlining the process can also involve an internal audit of the process to ensure it is efficient for both staff and applicants. This might involve making all permits available in one location with one main contact, providing clear and accessible information on requirements, and also allowing enough flexibility to consider innovative or new forms of development. Streamlining the review and permitting process is usually administratively feasible, though the greatest obstacle is often staff resources to expedite some projects when staff is already busy and/or limited in size. While City review processes could be streamlined, other regulatory review processes also impact the length of the permitting process. For example, state permitting of wetland fill or removal would also need to be streamlined to have a meaningful impact on permit review processes where wetlands are potentially impacted.

Recent statewide legislation also requires that cities with a population over 5,000, and counties with a population over 25,000 allow for 100-day review and decision on qualified affordable housing applications.

City staff indicate that they review plans as quickly as possible, consistent with state guidelines on how quickly and certain type of land use application can take to be reviewed. Unfortunately, lengthy appeal processes can result in project subsequent delays. Deschutes County administers the building code on behalf of the City and they also review plan as quickly as possible. Implementation of this strategy for building permits would need to be implemented by the County.

12. Tax Exemptions and Abatements

Tax abatements are reductions in property taxes for affordable housing. Abatements may be provided to non-profit corporations or to private developers in exchange for developing affordable housing. Property tax exemptions/freezes can also be applied to housing in distressed areas, or for rehabilitated housing. Common tax abatement programs include vertical housing programs that provide property tax exemptions for development that reaches a certain height, and multifamily housing tax exemptions.

The City of Beaverton has an Affordable Housing Tax Exemption Program designed to promote construction of affordable rental housing for low-income households (focusing on 60 percent area median income and below). The program allows an exemption of up to 100 percent of property

taxes. The City of Newberg has a Multiple Unit Housing Property Tax Exemption (MUPTTE) that aims to encourage private development of multi-unit housing in transit-oriented areas by providing a ten-year property tax exemption on the residential portion of improvements. Newberg also has a property tax exemption of properties owned by low-income persons or held for the purposes of developing low-income housing.

Even smaller cities, such as Yachats, have applied tax exemption programs to qualifying low-income housing projects.

Funding Sources and Uses

13. Construction Excise Tax

A construction excise tax (CET) is a tax on construction projects that can be used to fund affordable housing. According to state statutes, the tax may be imposed on improvements to real property that result in a new structure or additional square footage in an existing structure. Cities and counties may levy a CET on residential construction for up to 1% of the permit value; or on commercial and industrial construction, with no cap on the rate of the CET.

The allowed uses for CET funding are defined by the state statutes. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:

- 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.)
- 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
- 15% flows to Oregon Housing and Community Services (OHCS) for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted.

To date, eight jurisdictions (Portland, Corvallis, Cannon Beach, Hood River County, Hood River City, and Newport) have passed local CETs under the new state statutes, and many others are considering adopting the tool.

The primary advantage of a CET is that it would provide a source of funding for other programs or measures aimed at helping subsidize the cost of affordable housing in Sisters, either through city-led programs or those implemented by private or non-profit partners. SCD exemptions or reductions are a prime example. In addition, once a CET is established, it would be straightforward to administer through the development permitting process. On the downside, CET increases development costs and can increase the costs of housing more generally. However, by structuring the policy with offsetting incentives or tools to reduce development barriers, the City could potentially limit the impact on feasibility for certain projects.

Establishing a construction excise tax would necessitate that Sisters City Council pass a new City ordinance. The City should work closely with the development and housing community in developing the fee structure. Implementing programs would need to be developed, and possibly coordinated

with housing partners. The City’s Affordable Housing Grant Policy, adopted by Ordinance 495, could serve as a template for these programs.

14. Land Acquisition and Banking

Land acquisition is a tool to secure sites for affordable housing. Public agencies can identify locations where prices are going up and acquire land before the market becomes too competitive, with the intention to use the land for affordable housing. The ability to identify promising sites within these locations and act quickly and efficiently in acquiring them can tip the scales to make an affordable housing development financially feasible.

Land banking is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be developed for affordable housing. Land banks are often quasi-governmental entities created by municipalities to effectively manage and repurpose an inventory of underused, abandoned, or foreclosed property. Public agencies or larger nonprofits may be better equipped than small community development corporations to do both land acquisition and banking.

This strategy may be a challenge for implementation in Sisters. Key challenges for land acquisition include reliably identifying future areas of gentrification before prices go up, developing the resources necessary to purchase the land, creating mechanisms for easy land transfer and removing the liability associated with holding land. Land banking requires significant up-front investment to acquire land, which typically requires grants, and funding partnerships—with non-profits, public entities, and private financing—to reach necessary funding levels. In addition, while this technique can help address the long-term need for affordable housing, it will not address the current need in the short-term.

A more feasible way to implement this strategy in Sisters would be to assess the potential for any existing city-owned properties to be used for affordable housing development in the future and then seek non-profit or other affordable housing developers to lead the actual development efforts. In exchange for donating or selling city-owned land at a nominal price, the City would require a commitment to long-term affordability of any housing units developed. Other options for Sisters to consider could include:

- Inventory current land holdings and that of other public entities to see if there were any surplus lands that could be acquired for affordable housing.
- Help finance the purchase of property for affordable housing, perhaps setting up a low-interest loan fund that could be accessed by affordable housing builders.

15. Community Land Trust

Community Land Trusts (CLT) is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates, but ensures

that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental housing themselves. Land trusts are typically run as non-profits, with support from the public sector and philanthropy, and could be linked to a land bank. Land trusts can be focused on homeownership or rental units.

The Clear Pine / Habitat for Humanity partnership is a good example of this strategy. In this case, the developer was able to build their affordable housing needs by working with a non-profit organization and using state funding. Another example is the Skyview project developed by Housing Works which resulted in seven affordable detached single-family units using a land trust model. This project also received SDC waivers from the City.

The City's primary role in the CLT model would be to continue to support organizations like Habitat for Humanity or similar organizations, either through financial contributions or through assistance in finding or acquiring properties for development.

16. Public-Private Partnership (PPPs)

The City can implement arrangements between public and private entities to create more and/or affordable housing. These PPPs can promote a variety of affordable housing programs or projects and include partnerships from multiple public, private, and non-profit or other affordable housing organizations such as NeighborImpact or Housing Works. These efforts typically involve utilization of a variety of other housing measures or strategies, including those described in this report. The Skyview project mentioned in the previous section is an example of this strategy. Examples of these types of efforts implemented in other Oregon communities include the following:

- **The Fields Apartments, Tigard, OR.** A recent example of an innovative PPP in Tigard is The Fields mixed-use development, which is planned to include 260 housing units affordable to residents earning 60% AMI or below, including 26 units serving extremely low-income families at or below 30% AMI. The site will also include office development. To help facilitate the project, the City of Tigard worked with the property owner to pursue a grant from the Economic Development Administration that paid for infrastructure improvements to unlock the economic development potential of the site. The City also worked with the property owner to rezone the site, which allowed the apartments to be developed. As mentioned below, the Fields project received a LIFT award to assist with project financing, and the Washington County Housing Authority also contributed financing.
- **Our Coastal Village (Fisterra Gardens), Yachats, OR.** This project included use of several city, county and state programs. This included direct funding from Lincoln County to match other state, federal, and private funding sources bringing this project to fruition; tax abatement by Lincoln County; deferral of SDCs by the City of Yachats, and updates to the City's development code allowing flexible development standards for townhomes.

- **Local Innovation and Fast Track Housing Program (LIFT), State of Oregon.** LIFT is a state-administered program that was approved through legislation in 2016 and provides funding for new affordable housing across the state, including for projects by private developers. The program was developed with the goal of quickly providing affordable housing units to low-income families and has funded numerous projects since its inception, including the Fields Apartments in Tigard (provided \$9.8 million) described above and Cornerstone Apartments in Salem (provided \$4.9 million).

In addition to working with non-profit or other affordable housing developers to produce housing that meets the needs of low and moderate-income households in Sisters, the City also can work with market rate developers to generally support residential development. Private market developers appreciate clarity and certainty in the design and permitting process. Certainty helps the developer save time, make decisions to proceed, and avoid costly surprises further along in the process. In some cases, a developer will prefer the certainty of a clear process even if it has greater requirements and fees, over a complex and unclear process with nominally lower requirements and fees. This means that City development code, review processes, permitting process, fees etc. should be as easy to understand and navigate for the developer as possible.

The City can do this in multiple ways:

- Ensure that primary documents such as the Development Code and design standards are easy to use for a person moderately informed in the design or development process;
- Provide knowledgeable staff to answer questions regarding the entire process from planning to permitting;
- Create additional materials such as one-page handouts that summarize relevant code and process information, even if it is already available in longer documents
- Provide information about code provisions and other strategies described elsewhere in this report that can serve as incentives to develop housing in places with good access to transportation, services and facilities;
- Assign a single contact person to facilitate the development process for key projects, such as a large-scale development, prominent site location, or catalyst project; and
- Provide as much of this information in advance as possible. Try to provide estimates of time, requirements and fees to the extent practicable, while emphasizing that these are all preliminary estimates that may change. Avoid processes which require developers to commit extensive time and money before key requirements or public processes become apparent.

17. Financial Assistance Programs

A range of tools that can be used to maintain housing affordability or to help keep residents in their homes. Possible tools include rent assistance, loans for homeowners, or assistance to low-cost apartment owners for repairs and upgrades. Often these programs are funded by federal and state

housing programs such as the Community Development Block Grant program administered by county housing authorities in partnership with non-profit organizations and local jurisdictions. For example, Habitat for Humanity has a repair program for homeowners in Sisters who earn 60% or less of Area Median Income (AMI) and NeighborImpact provides rental assistance to local residents who qualify for the program. In addition, NeighborImpact is applying for CDBG funding for these types of programs and the city's Affordable Housing Assistance Grant (ORD 495) is an available tool.

The City of Sisters can continue to work with these and other organizations to implement and publicize these types of programs. The City also could consider implementation of financial assistance programs related to utility payments or other city fees and services. For example, the City of Milwaukie, OR provides for reduced municipal utility bill payments for qualified low-income households.

18. Tenant Protection Programs and Policies

Tenant protections include local regulations and enforcement programs that provide protections for tenants of existing affordable housing and low-cost market rate (LCMR) housing against evictions, excessive rent increases, discrimination, and health and safety violations. Tenant protections can also provide various types of assistance to renters. The purpose of these protections is help tenants of affordable units to access and retain their housing, particularly for very low-income and other vulnerable community members. Tenant protections can be implemented through policies and/or programs. The Oregon State Legislature is currently in the process of reviewing Senate Bill 608, which would regulate some tenant protection policies statewide. With the exception of rent regulation, local jurisdictions have the ability create tenant protection regulations that go beyond state requirements as long as they do not conflict with them. Homeowner protection programs could include education as well as financial and technical assistance to stabilize and combat predation of low- and moderate-income homeowners. Rent stabilization legislation was adopted by the State of Oregon during the 2019 legislative session and the state will essentially administer associated programs. The remainder of this section focuses on other types of tenant protection programs.

Notification for No-Cause Evictions. Under the provisions of ORS 90.427, landlords are required to give 30- or 60-day notification of no-cause evictions. Previously, some jurisdictions, including Portland and Milwaukie, increased the no-cause eviction notice to 90-day. However, Senate Bill 608, mandates a 90-day notice for no-cause eviction statewide. Senate Bill 608 was passed on February 28, 2019 and is effective immediately.

Renter Relocation Assistance. These programs require landlords to pay a set amount to assist tenants when lease conditions change—such as no-cause eviction, substantial rent increase, or not receiving the option to renew a lease. Relocation assistance programs have been implemented by the cities of Portland, OR and Vancouver, BC during the last several years. Recent state legislation also addresses these programs.

Rental Registration. These programs allow jurisdictions to keep an accurate inventory of residential rentals. A well-maintained inventory can help improve notification of changes to local landlord-

tenant laws. Also, the program helps monitor and protect tenants while requiring more responsibility and accountability from landlords.

Rental Inspection Program. Rental inspection programs monitor rentals to protect tenants and require more accountability from landlords. Inspection programs can be combined with a registration program or stand-alone. Also, the types of housing or dwellings that a required to register for the program can vary to all housing, affordable housing, multi-family housing, or other criteria. Several Oregon jurisdictions have rental inspection programs, including the cities of Gresham and Salem.

Several of these programs require relatively significant administrative time and resources and may not be appropriate for the City as this time but could be considered for implementation in the future. In addition, the City could consider the following approaches to assisting tenants in Sisters:

- The City has a Dangerous Building Code in place; see Municipal Code Section 8.15.200. The Housing Policy Board should review this code and provide recommendations for its future implementation and potential enhancement.
- The City should ensure that any affordable housing built in the future have a local preference rule, ensuring that the units are offered first to folks who live or work in Sisters. Such provisions would need to comply with In accordance the Federal Fair Housing Act and associated rules and regulations.