

Sisters Housing Plan Update

REVISED DRAFT - AUGUST 2022



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EXECUTIVE SUMMARY

The following table summarizes the recommended strategies recommended for the City of Sisters to pursue and their priorities, along with additional notes. Details about these strategies can be found later in this report, and examples of code language or other items related to specific strategies are included in Appendix A.

| STRATEGY | PRIORITY |
|--|---|
| 1. Zoning and Code Changes | |
| 1.1 Ensure Land Zoned for Higher Densities is Not Developed at Low Densities | High. This is an important strategy to preserve land for multi-dwelling housing units (typically rental units), both inside the City today as well as in new areas that may be brought into the Sisters UGB in the future. |
| 1.2 Increase Allowed Density in MFR Zone | High. This is an important strategy to increase the financial viability of affordable and market-rate multifamily developments. Current density allowances in the MFR zone are prohibitively low. |
| 1.3. Increase Building Height Maximum for Habitable Area in MFR Zone | Moderate/High. This is a strategy to increase the financial viability of affordable and market-rate multifamily developments. |
| 1.4 Zoning Incentives for Affordable or Workforce Housing | Moderate/High. This strategy provides incentives (additional density, smaller required lot sizes, etc.) for development that meets certain affordability requirements. These bonuses can help balance the need for more affordable housing with community livability and aesthetic concerns that could arise if all market rate development were developed in this manner. |
| 1.5 Facilitate Middle Housing Types | Moderate/High. While Sisters is not considered a “medium-sized city” and is not subject to the middle housing requirements of House Bill 2001, the City can allow and encourage middle housing as a way to increase its housing supply. |
| 1.6 SRO Housing | Low/Moderate. This strategy is unlikely to have significant support from the public and decisionmakers. If other housing strategies are implemented and the City feels it ought to go further in allowing new housing for very low income households, this strategy would be appropriate to revisit. SRO housing could also be part of employer-assisted housing development (see Strategy 5.3). |
| 1.7. Allow Residential-Only Development in Commercial Zones | High. Decisionmakers, staff, and stakeholders have identified portions of the Downtown Commercial and Highway Commercial zones that are appropriate for residential uses at multifamily density. This allowance (or rezoning certain parcels, see Strategy 2.1) could allow for significant residential development in the City’s walkable and amenity-rich downtown core. |
| 2. Reducing Regulatory Impediments | |
| 2.1 Rezone and Redesignate Land | High. There are specific opportunities to make better use of land for needed housing within the Sisters UGB. Assuming property owners are willing, the City should pursue this strategy to enable additional residential development at multifamily densities. |

| STRATEGY | PRIORITY |
|--|---|
| 2.2 Surplus land | Moderate/High. The Sisters School District owns land within the City that may be appropriate for residential development, potentially with a focus on housing educators specifically. |
| 2.3 Annexation agreements | High. There is little to no land unannexed land within the Sisters UGB today, however based on recent Portland State University population forecasts a future UGB expansion is possible. As the City of Sisters grows, establishing a policy basis and set of expectations from annexed properties can help guide the development of needed housing. |
| 2.4 Expedite permitting for Affordable Housing | Low/Moderate. Timelines for permitting decisions were not cited as among the most pressing of concerns for affordable housing developers, however expedited permits can help reduce development costs overall. |
| 3. Financial Incentives | |
| 3.1 SDC Deferrals, exemptions, or reductions | Moderate. As the City continues to plan for the future and assesses how to pay for new projects, it should evaluate how SDC methodologies affect financial incentives for housing. |
| 3.2 Modify SDC Methodologies/Schedules | Moderate. As the City continues to plan for the future and assesses how to pay for new projects, it should evaluate how SDC methodologies affect financial incentives for housing. This strategy should be implemented over the long term, with SDC methodologies being updated as the parks plan, stormwater master plan, etc. are updated. |
| 4. Financial Resources | |
| 4.1 GO Bonds | Low. Further study and potential long-term implementation recommended. |
| 4.2 Tax Increment Financing | High. The City currently has a TIF district with housing as one of its stated goals. Continuing to utilize this tool is a high priority. |
| 4.3 Housing Trust Fund | Low. This is one potential use of funding raised through other strategies in this section, however establishing and administering the fund would be a large administrative lift for the City of Sisters. |
| 4.4 Tax Abatements | Moderate/High. Tax abatements are an important component of affordable housing development, though the program has associated costs and requires administration. |
| 4.5 Construction Excise Tax | Moderate. This is a potential means of raising funds to implement other strategies in this section. A potential CET was not approved by voters when put on the ballot several years ago. |
| 5. Land Acquisition, Leases, and Partnerships | |
| 5.1 Community Land Trusts | High. Housing providers who use the Community Land Trust model to create permanently affordable home ownership options are interested in developing homes in Sisters. This type of development would be an appropriate use of funding generated by other strategies in this report. |
| 5.2 Employer-Assisted Housing Programs | Moderate/High. Partnering with employers in Sisters, including the School District, may help address needs for workforce housing and the need for seasonal employees in some industries. |
| 5.3 Preserving Low Cost Rental Housing | Moderate. This strategy may have greater importance in the future as the City's housing stock ages and owners of homes and apartment buildings look to |

| STRATEGY | PRIORITY |
|---|--|
| | upgrade or replace their buildings. Programs to preserve low-cost housing may be an appropriate use of funds generated through other strategies in this report. |
| 5.4 Provide Information and Education to small developers | Low/Moderate. This is a low effort strategy that will likely only have modest effect on housing in Sisters. However, to the extent that other strategies are implemented and opportunities are available for small developers and homeowners, those opportunities should be promoted by the City in various ways. |

INTRODUCTION

ISSUE STATEMENT

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 needs of households and residents of all incomes, ages, and abilities.

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.”

By themselves, local governments cannot guarantee that every person in their community has access to the type and cost of housing they need and can afford. Many factors that affect the cost of housing and the ability of people to reasonably afford to buy or rent housing are beyond a city’s control. These include the cost and supply of materials and labor, wages of local workers, the cost of land, and the short-term availability of properties that are zoned for housing. However, cities and counties in Oregon and other states have tools at their disposal they can use to help allow for and/or encourage the development of housing for community members. These include the regulation or zoning of land use; the pace of increasing the supply of land through expansion of city boundaries; control over selected fees that contribute to housing costs; the ability to provide tax incentives or abatements; access to state and federal grants; and technical, political and financial support for housing developers or providers. It is essential for cities to use the tools they have to address housing costs and needs to the extent they can, while balancing these efforts with meeting a variety of other community goals related to economic development, infrastructure provision, potential or natural and scenic resources, and others.

The Sisters Housing Plan was prepared in 2010 and is currently being updated in 2022. This report serves as a preliminary updated draft of the Housing Plan and includes the following information:

- Overview of the Plan update process
- Summary of key demographic and housing data, including housing affordability
- Detailed review of and preliminary recommendations associated with strategies to address current and future housing needs

This document will be updated after review by City staff, decision-makers and other community members to provide additional details regarding potential implementation of high-priority strategies.

HOUSING PLAN UPDATE PROCESS

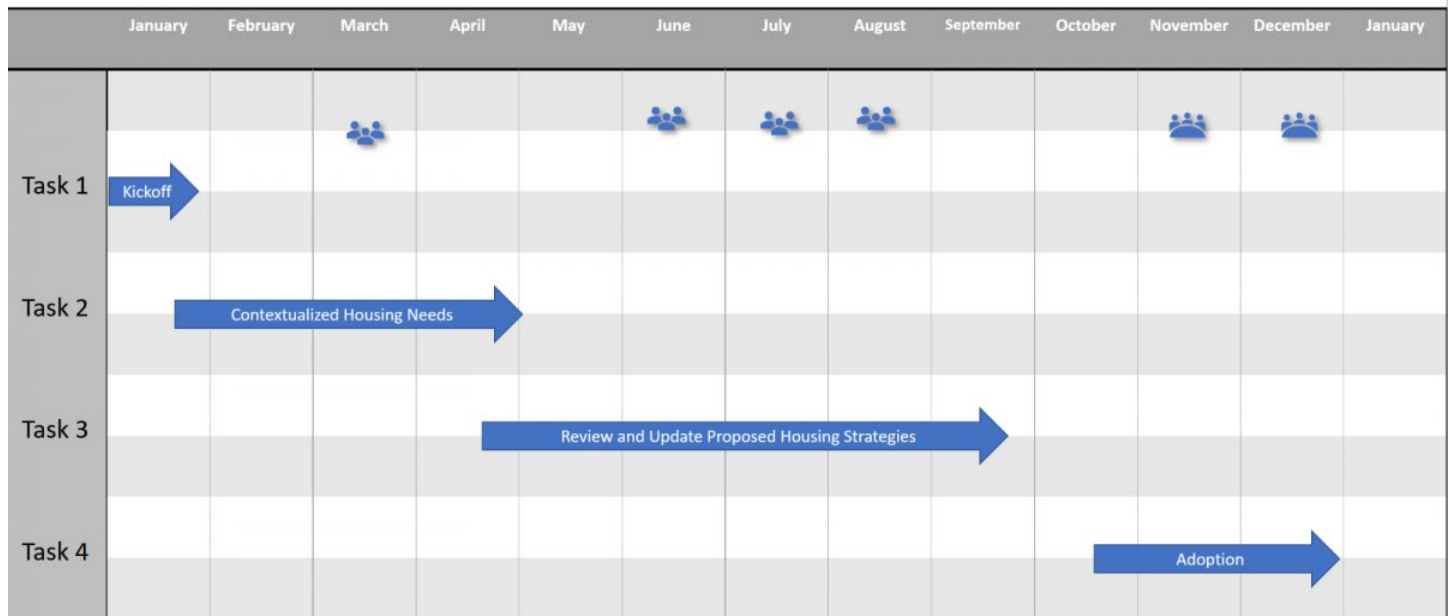
The following graphic summarizes the process of updating the Housing Plan in 2022. The City worked closely with a consulting team led by MIG|APG to update the Plan. The Sisters Planning Commission served as the primary advisory group for the process. The Planning Commission’s guidance was supplemented by additional stakeholder interviews and meetings, an online survey of residents (to be undertaken after review of the current draft of this document), briefings with the Sisters City Council, and additional community engagement and comments.

INTRODUCTION

Sisters Housing Plan
Update
2022

 Advisory Committee Meeting

 Public Hearing



COMPREHENSIVE PLAN

The City of Sisters’ Comprehensive Plan provides foundational policies related to housing and a variety of other topics. The Plan was last updated in 2021 and incorporated extensive update to the City’s housing policies. These policies in turn built on previous work conducted as part of a recent update of the City’s Housing Needs Analysis, as well as preparation of the Sisters Country Vision. Overarching goals related to housing in the Comprehensive Plan are summarized below. For each of these goals, the Plan includes a variety of more specific policies. Those policies are included as an attachment to this document. Consistency with Comprehensive Plan housing goals and policies is described further in subsequent sections of this report.

POPULATION GROWTH PROJECTIONS

Like all communities in the State of Oregon, Sisters relies on the Portland State University (PSU) Population Research Center (PRC) to forecast growth rates over the coming decades. The Center generates forecasts for all counties and cities in Oregon. The state is broken in to four regions, with the forecasts for each region updated every three years. The PRC updated forecasts for Region 1, which includes Deschutes County and the City of Sisters, in June 2022.

Sisters’ most recent Housing Needs Analysis (HNA) was completed in 2019 and updated in 2021. That analysis was based on the last PSU forecast completed in 2018. A comparison of the prior forecast, and the new forecast is presented below.

Figure 1. Comparison of 2018 and draft 2022 Population Forecasts

| | Population | | | | Housing Units (Estimated) | | |
|-----------------------------------|------------|-------|------------------|--------------------|---------------------------|-------|------------------|
| | 2020 | 2040 | 2042 (Estimated) | Annual Growth Rate | 2020 | 2040 | 2042 (Estimated) |
| Census 2020 (City Limits): | 3,064 | | | | 1,661 | | |
| 2018 PSU Forecast (UGB): | 3,018 | 4,867 | 5,066 | 2.4% | 1,689 | 2,540 | 2,644 |
| 2022 PSU Forecast (UGB): | 3,141 | 6,665 | 6,888 | 3.6% | 1,757 | 3,479 | 3,595 |
| Difference: | 123 | 1,798 | 1,822 | | 69 | 939 | 951 |

Source: Census, Portland State University Population Research Center, Johnson Economics

Over the study period of 20 years, the difference between the two forecasts is significant:

- The 2022 proposed forecast features a higher population growth rate than the prior 2018 forecast, with the annual growth rate adjusted upwards from 2.4% per year to 3.6% per year.
- The actual population annual growth rate between 2010 and 2020 was estimated to be 4.2% by the Census, which is supportive of the higher future forecast.
- By 2042, the new adjusted forecast would mean an additional 1,822 residents in Sisters in comparison to the 2018 forecast used in the HNA.
- Johnson Economics has made preliminary estimates of the number of housing units needed to accommodate the adjusted forecasted population. Over the next 20 years, the higher growth forecast can be expected to indicate the need for roughly 950 more housing units than the 2018 forecast.
- The 2021 update of the HNA projected a need for 1,100 new housing units to accommodate the forecasted population under the old forecast. The new forecast would indicate a need for over 2,000 new units over the same period.

LOCAL INCOMES, HOUSING COSTS, AND AFFORDABILITY

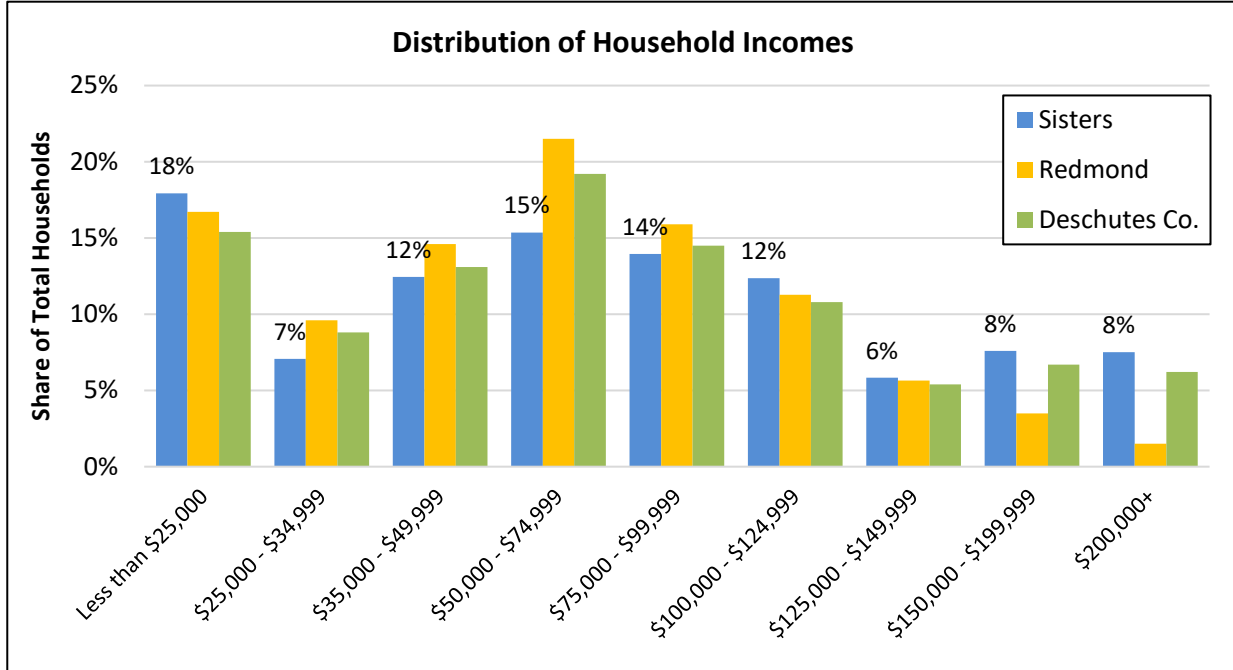
Following is a summary of current available data related to local incomes, the cost of housing in the Sisters area, and the relative affordability of housing for Sisters residents.

Figure 1.2 shows the share of households in different income bands in Sisters and comparison geographies.

INTRODUCTION

According to Census data, Sisters has a lower median household income than in Deschutes County (\$60,300 vs. \$67,000)¹. Compared to the County and neighboring Redmond, Sisters has a higher share of households with incomes over \$150,000, and incomes lower than \$25,000 indicating that there is some bifurcation in the market.

Figure 1.2: Distribution of Households by Income, Sisters, Redmond and Deschutes Co.

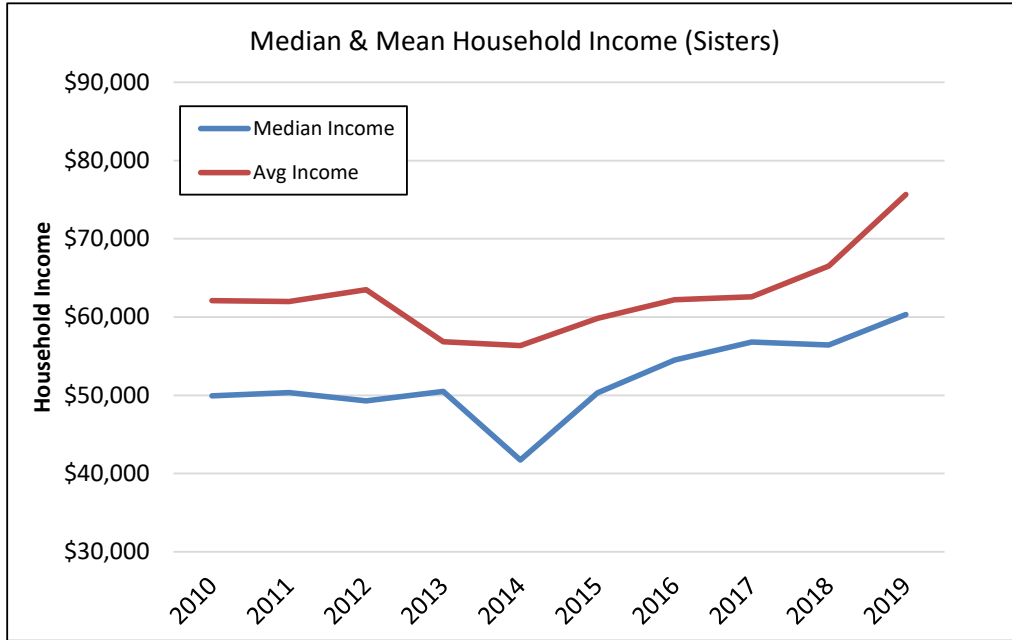


Source: US Census, 2019 ACS 5-Year estimate, Table S1901

The local median household income has grown from roughly \$50,000 annually in 2010, to \$60,000 in 2019 (most recent data available), a growth of 21%, or 2% per year. The mean income was an estimated \$75,650 as of 2019, with the most rapid growth seen in recent years.

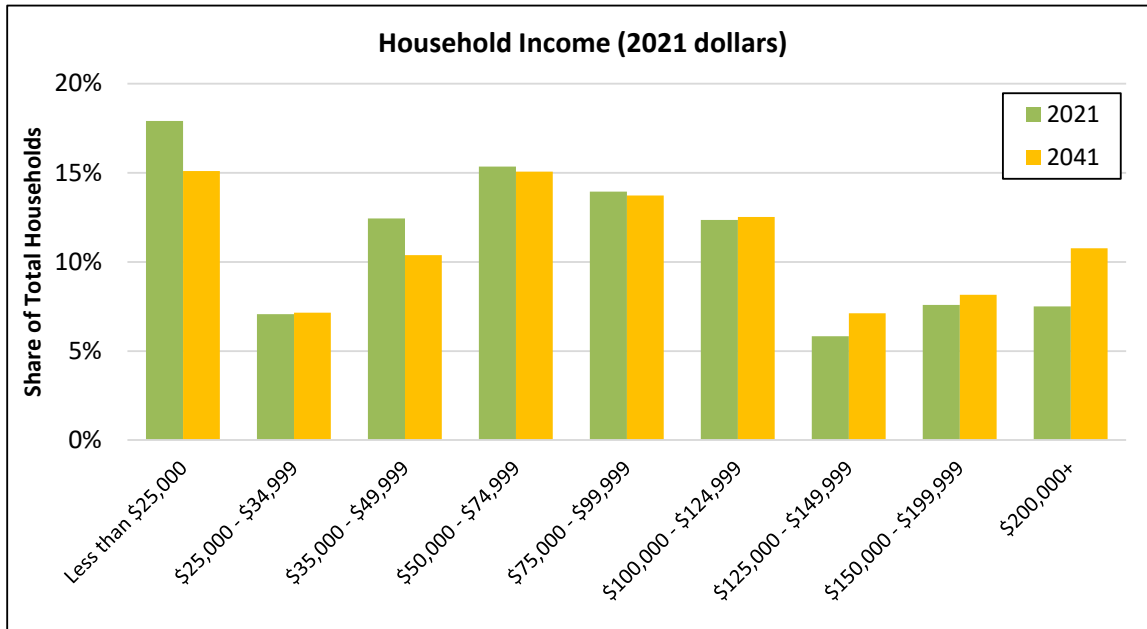
¹ Most recent Census data: 2019 American Community Survey, 5-Year Estimate, Table S1901

Figure 1.2: Median and Average (Mean) Household Income, Sisters



Source: US Census, ACS, Table S1901

Figure 1.3: Distribution of Households by Income, Sisters, 2021 and 2041 (Projected)



Source: City of Sisters Housing Needs Analysis 2019; Updated growth projections 2021

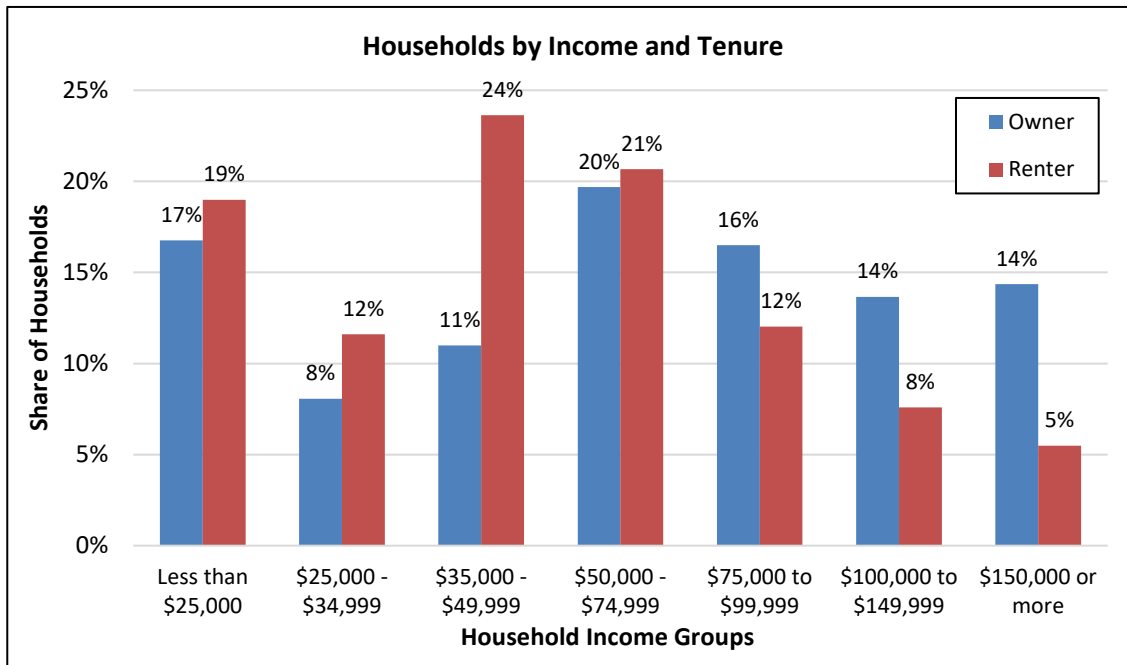
Figure 1.3 shows the estimated current and projected distribution of households by income. Over time, there is projected to be a smaller share of lower-income households, and a growing share of those earning over \$100k.

INTRODUCTION

However, by 2041 there is still expected to be a sizable share of households earning 25k or less (in 2021 dollars.) Lower-earning households are often seniors, or those on fixed income.

Broken down by tenure (renters and owners), the Census data estimates that most renters (54%) have incomes of less than \$50k. Most owners (64%) have incomes of \$50k or more. In each case, roughly 18% of the households have income of less than \$25k (Figure 1.4). (The data in Figure 1.4 reflect the most recent available Census estimates, and will differ slightly from those from the HNA.)

Figure 1.4: Distribution of Households by Income & Tenure, Sisters



Source: US Census, 2019 ACS 5-Year estimate, Table B25118

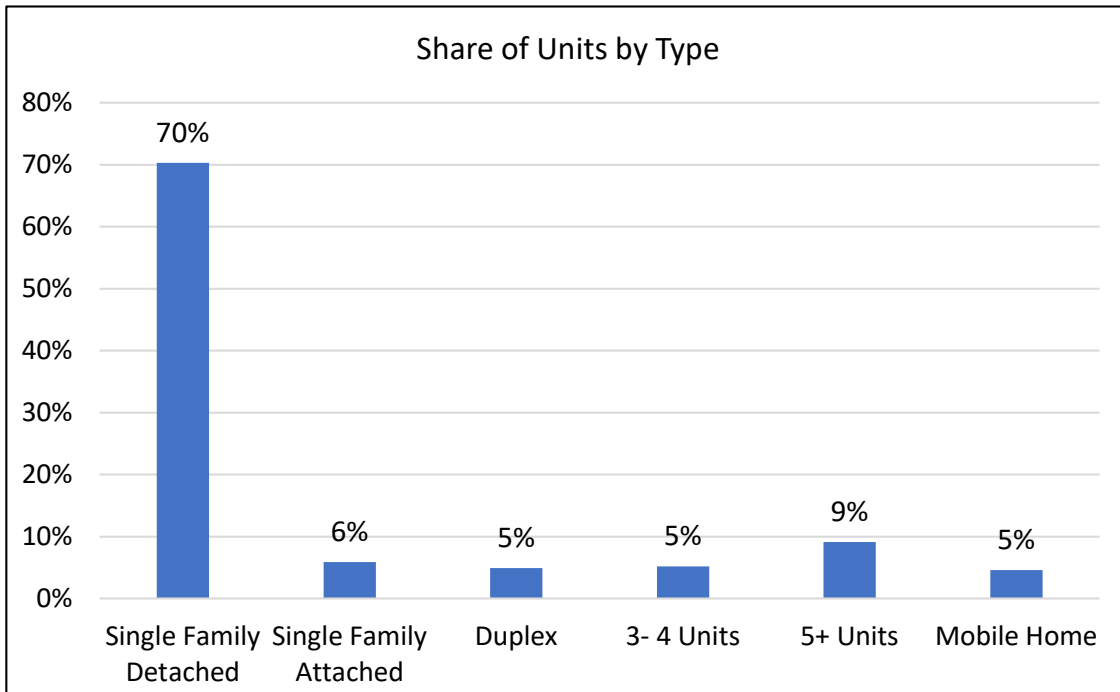
Housing that serves the lowest income residents tends to be older and/or substandard rental housing or subsidized affordable rental housing. Homeowners in the lowest income group have often paid off their home, or have a low longtime payment, or live in lower cost options such as mobile homes, inherited, or substandard housing.

Housing development in Sisters has traditionally been skewed towards single-family homes. Such units make up an estimated 70% of units in the city, and nearly all units since 2010.

Figure 1.5 presents the estimated breakdown of units from the latest Census data. Most units are single-family detached homes, while an additional 16% are in smaller attached forms. Multi-family properties of five or more units make up 9% of all units, and mobile homes make up 5%.

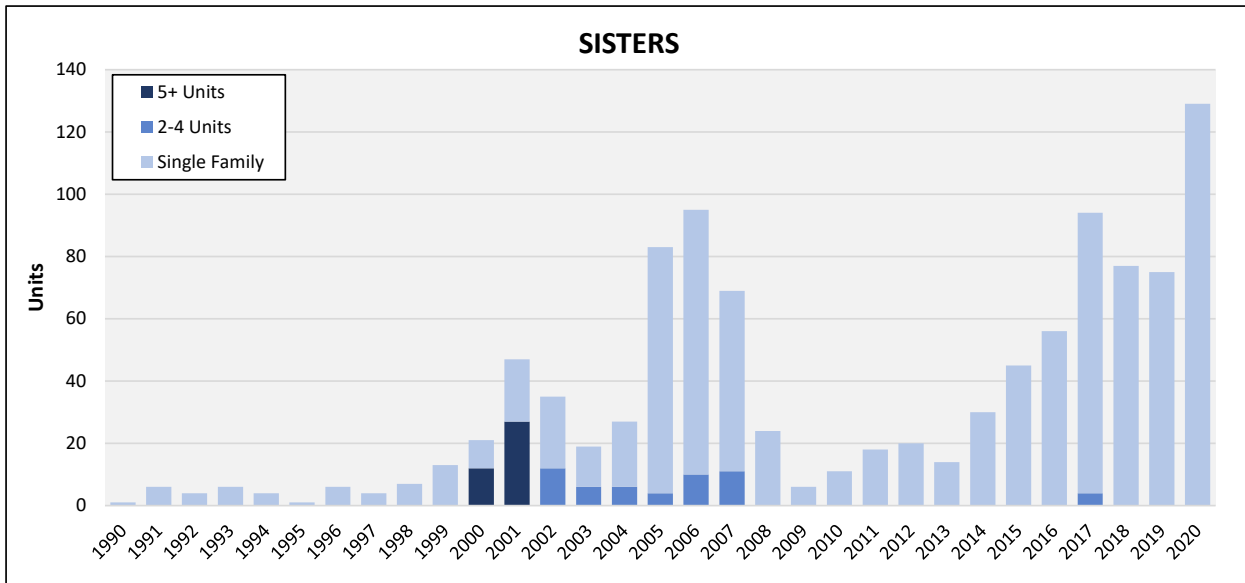
Figure 1.6 shows historic permitting activity in Sisters, where the prevalence of single-family homes is apparent. There has been a steady increase in housing production in Sisters coming out of the post-recession period of 2009/2010. In 2020, nearly 130 units were permitted, a 72% increase over the prior year.

Figure 1.5: Type and Number of Units in Structure, Sisters



Source: US Census, 2019 ACS 5-Year estimate, Table DP04

Figure 1.6: Permits by Type, Sisters



Source: US Census, 2019 ACS 5-Year estimate, Table DP04

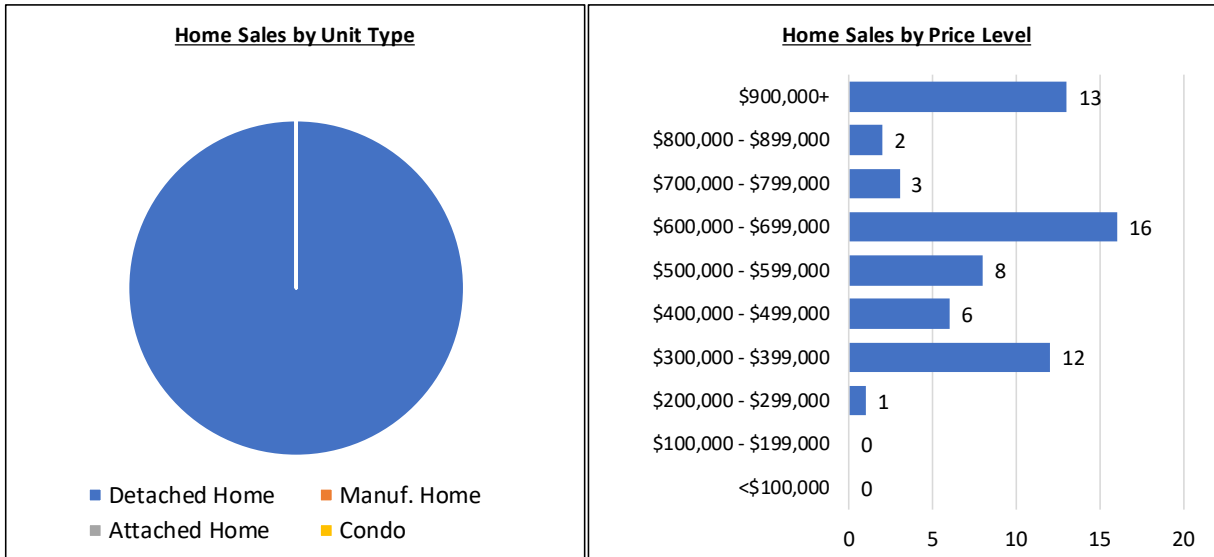
Home Prices

INTRODUCTION

The following chart presents data on home sales in Sisters over the last 36 months from the Regional Multiple Listing Service (RMLS). All of the sales tracked were of single-family homes. The median sale price was \$610k, while the average (mean) was \$763k.

There were next to no sales under \$300k, and 13 sales of over \$900k. The average sale price in 2019 was under \$600k but increased to roughly \$850k in 2020 and 2021 for all homes (new and existing). There is some variety in the price of newly built homes in recent years, but prices tend to range from the \$600k to \$800k range.

Figure 1.7: RMLS Tracked Home Sales, Prior 36 mo.

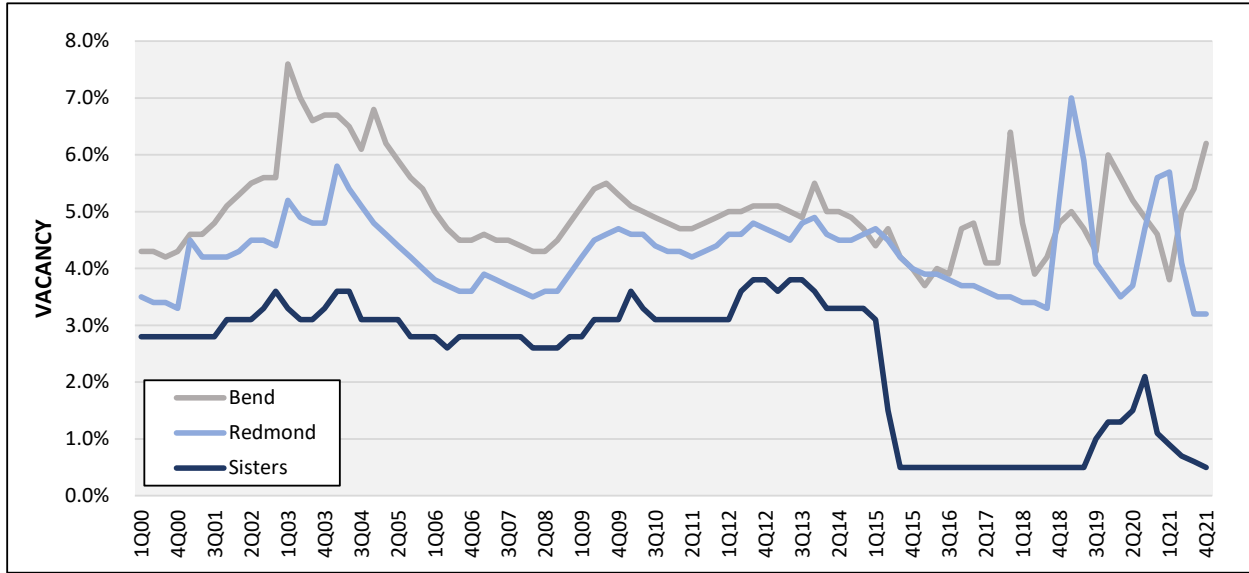


Source: RMLS, Johnson Economics

Rental Apartments

Sisters has experienced very low rental vacancy in recent years, but fairly stable pricing of what is available according to data from CoStar. Figure 1.8 shows that rental vacancy in Sisters has been very low for many years, and lower than other Deschutes County markets. Tracked vacancy is now below 1%, meaning that there is essentially no vacancy and units that become available are absorbed quickly.

Figure 1.8: Rental Vacancy in Sisters and Comparison Markets

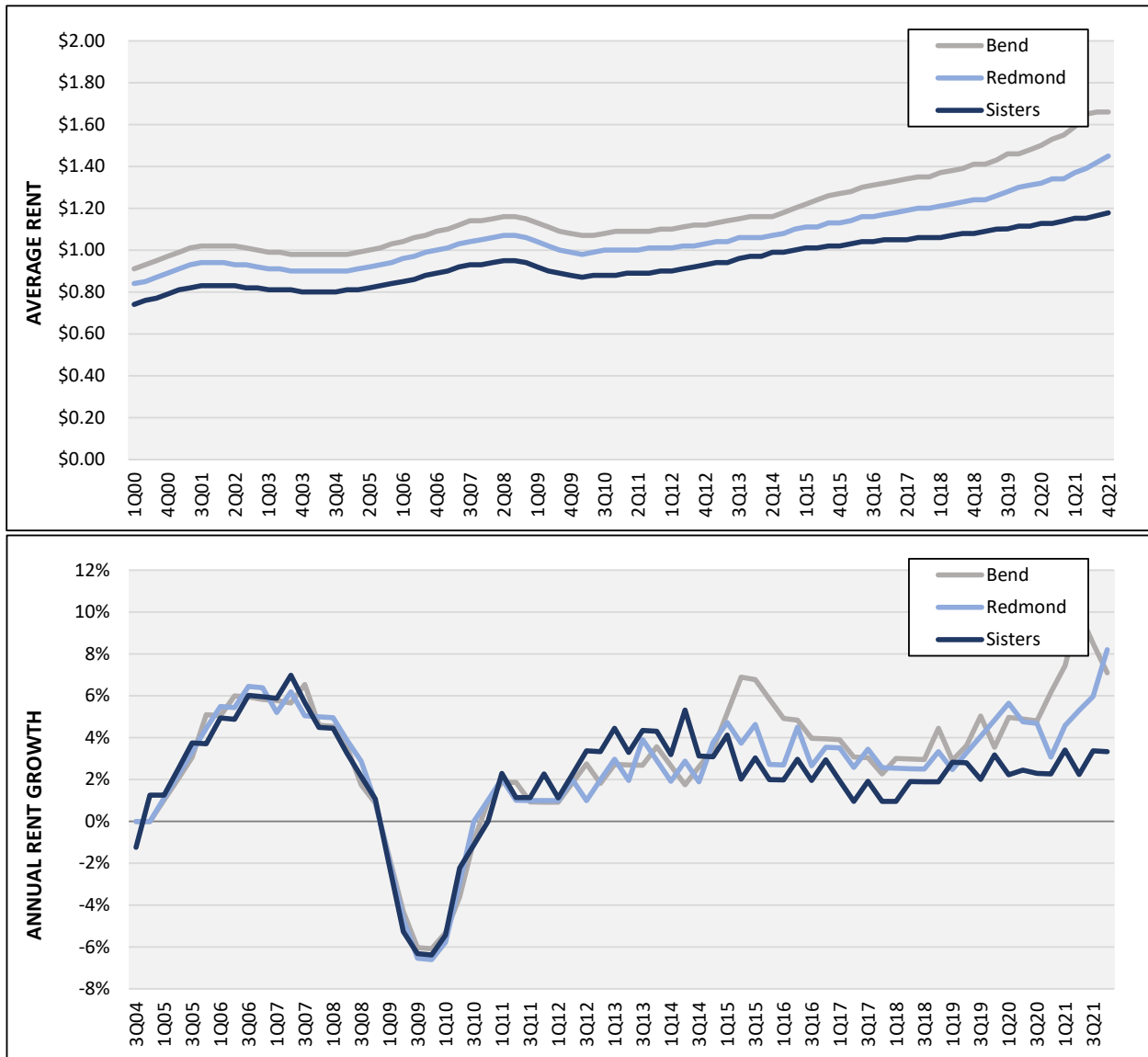


Source: CoStar, Johnson Economics

This is an indication that rental supply in Sisters is very tight. Average rents have climbed steadily since 2009, while trending somewhat below average rents in Redmond and Bend. The average rent in Sisters has increased to \$1.18/square foot, compared to \$1.45 and \$1.66/square foot in Redmond and Bend respectively.

The annual rent increase in Sisters since 2018 has averaged 2.4% per year. In 2021, this showed an increase to 3.1%.

Figure 1.9: Average Rent/Square Foot & Growth Rate



Source: CoStar, Johnson Economics

The greatest constraint to lowering rental pricing will be housing production. Without sufficient development of new rental housing to allow for some vacancy (5% is a typical target), there is no moderating force on rent increases, as landlords have the pricing power.

HOUSING AFFORDABILITY

The following figure summarizes the estimated 20-year need for housing (1,100 units) by affordability level and provides examples of what housing types typically fit in those affordability levels. The income bands listed on the left (Extremely Low Income, Very Low Income, etc.) match the income categories commonly used by many federal and state low-income housing programs.

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- 11% of the need is anticipated for the Extremely Low Category (<30% Area Median Income), while a cumulative 34% of need is for those who are at least considered low income (<50% AMI).
- 20% of the need is from households near median income (Middle Income).
- Nearly half (46%) of the need is from those earning 120% of the AMI or above.
- There is some demand for both owner and renter housing at all levels.
- The table shows the typical affordable rent and price range for these households based on the assumption of paying 30% of gross income on housing costs.

Figure 1.10: Needed Housing Units by Affordability Range and Type

| Household Income Segment | Income Level (Rounded)* | Afford. Rent Range | Afford. Price Range | Owner Units | Renter Units | Total | Share | Common Housing Product |
|-------------------------------|-------------------------|--------------------|---------------------|-------------|--------------|--------------|-------------|---|
| Extremely Low Inc. < 30% AMI | < \$24,000 | <\$600 | <\$130k | 54 | 66 | 121 | 11% | Govt-subsidized; Voucher; Mobile Home; Aging or Substandard Ownership |
| Very Low Income 30% - 50% AMI | \$24k - \$40k | \$600-\$950 | \$130k-\$200k | 41 | 69 | 110 | 10% | Aging/substandard rentals; Govt-subsidized; Voucher |
| Low Income 50% - 80% AMI | \$40k - \$64k | \$950-\$1,300 | \$200k-\$300k | 77 | 68 | 145 | 13% | Market apts; Manuf. homes; Plexes; Aging SFR |
| Middle Income 80% - 120% AMI | \$64k - \$96.5k | \$1,300-\$1,700 | \$300k-\$360k | 111 | 108 | 218 | 20% | Single-family detached; Townhomes; Small homes; New apts |
| Upper Income > 120% AMI | > \$96,500 | \$1,700 + | \$360k + | 380 | 126 | 506 | 46% | Single-family detached; Townhomes |
| TOTAL: | | | | 663 | 437 | 1,100 | 100% | |

* Adjusted to 2021 dollars. The median household income level in 2021 will be will be inflated from current levels.

Source: City of Sisters Housing Needs Analysis 2019; Updated growth projections 2021

As noted, there is very little housing being developed for households in most of these income bands. A hypothetical new home offered for \$600k, would be affordable to those earning at least \$150,000 per year, which is roughly 15% of local households. A greater variety of the housing types described in the table above will help serve other segments of the market.

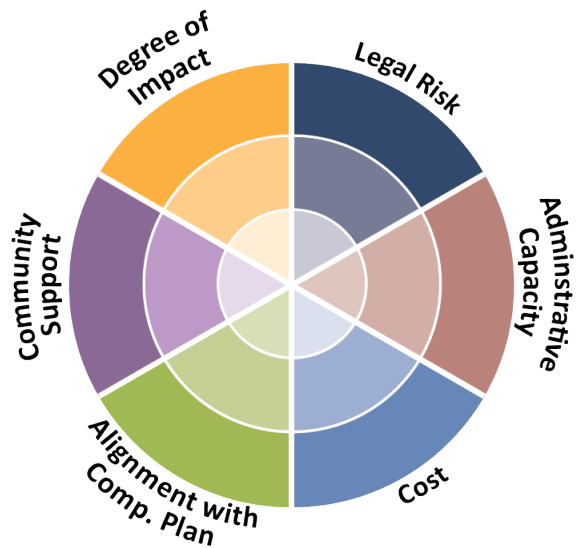
HOUSING STRATEGIES

The remainder of this report is a detailed evaluation of housing strategies that the City of Sisters may include in its updated Housing Plan to provide a greater variety of housing to meet the needs of current and future Sisters residents, and help the City implement its Housing Needs Analysis (HNA). The strategies focus in large part on meeting the needs of low- and moderate-income households, including providing “workforce” housing for a full range of people who work in and around Sisters. They are based on the City’s adopted Housing Plan (2010); the Oregon Department of Land Conservation and Development (DLCD) list of Housing Production Strategy Program Tools, Actions, and Policies; and additional conversations with City staff and community stakeholders. This document also draws on an earlier memorandum that describes housing and demographic conditions and trends in Sisters, including the relative affordability of housing in Sisters, to evaluate each of the proposed housing strategies.²

A timeline (short/medium/long term) is proposed for each strategy, as well as potential partners for the City to work with in order to implement the strategy. Short-term implementation actions could be started and likely completed in a two year or less time frame. Long-term implementation actions may take up to ten years to implement. Long-term actions may also refer to ongoing efforts in order to implement a strategy. Medium term actions could occur in the interim, beginning two to ten years down the road. This report also describes how each strategy may increase opportunities for the development of housing to meet the needs of low- and moderate-income households. The strategies are also evaluated based on a set of evaluation criteria described below.

EVALUATION CRITERIA

Each of the proposed strategies is evaluated based on six evaluation criteria which demonstrate how the strategy is consistent with other community goals, values, and priorities. The evaluation is based on a low/medium/high determination and depicted in a radial diagram. (See right.) Each pie shaped portion of the diagram depicts the evaluation rating, with one shaded section corresponding to a low rating, two shaded sections indicating a medium rating, and three shaded sections denoting a high rating. For example, in the example chart to the right, legal risk associated with the strategies is relatively low while the degree of impact is high. The criteria are:




- **Legal Risk:** Strategies must be legally permissible in Oregon and legally defensible in how they are implemented. Ideally, most strategies would be low risk in order to prevent exposing the City to unnecessary legal risk.

² Johnson Economics, “Sisters Housing Plan – Housing Data & Affordability Update.” March 10, 2022.

- Administrative Capacity:** Because Sisters is a small city with limited city staff capacity, strategies are evaluated on the potential level of staff commitment required to implement a strategy. The housing strategies vary in the administrative support they require, and in some cases, City staff may determine that the City cannot provide adequate staffing to implement a strategy at this time.
- Cost:** Implementation of each strategy will involve direct and indirect costs. Direct costs may include the purchase of land, the use of City fund to subsidize infrastructure, or other uses of funds to implement a strategy.
- Alignment with Comprehensive Plan:** The three housing-related Comprehensive Plan goals are listed in the callout box. Shaded segments of the evaluation graphic represent the number of goals further by the proposed strategy. Within each of the three broad goals in the Comprehensive Plan, there are several relevant policy topics that include but are not limited to: Reduced use of land and lower associated land costs; Protection of trees, particularly large ponderosa pines; Protection of views; Residential design and community character; Cost of housing construction.
- Community Support:** The success of implementing any of the housing strategies will depend on support from the Sisters community, including elected officials and community members at-large. This evaluation is based on conversations with stakeholders and a general evaluation of the likelihood of support.
- Degree of Impact:** This criterion relates to the likely impact that a strategy will have on housing goals in the Sisters community. All strategies will have some impact on the development of housing in Sisters, but it will be to varying degrees. For example, a strategy that will likely lead to the development of many affordable housing units would have a “high” impact. A strategy that will likely result in minimal change will have a “low” impact.

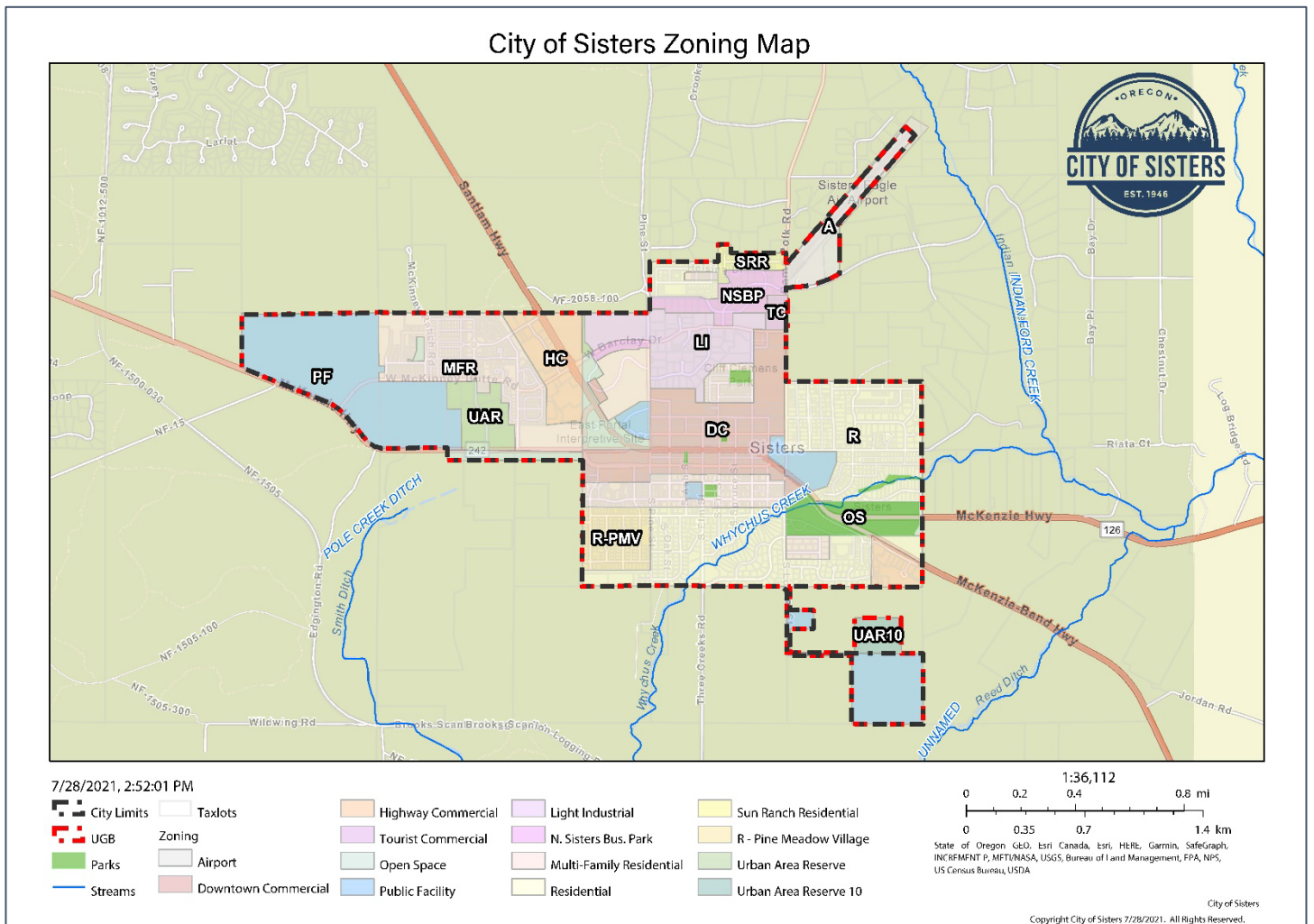
SISTERS 2040 HOUSING GOALS

- Accommodate residential growth within the City of Sisters Urban Growth Boundary.
- Provide housing opportunities that meet the needs and preferences of current and future households.
- Support the development of low- and moderate-income housing, transitional housing, and emergency shelters through its development code, land use policies, and other incentive programs.

 Strategies marked with an orange asterisk were identified in the adopted *2010 City of Sisters Housing Plan*. It is important to note an ongoing commitment to implementing these strategies. An update on the progress of implementation of these strategies is included in their respective sections.

Section 1. Zoning and Code Changes

The following set of strategies includes potential changes to the Sisters Development Code (SDC), development review processes, or other regulations that the City could consider in order to help meet Sisters' housing needs and goals.



1.1 ENSURE LAND ZONED FOR HIGHER DENSITIES IS NOT DEVELOPED AT LOW DENSITIES

PRIORITY:

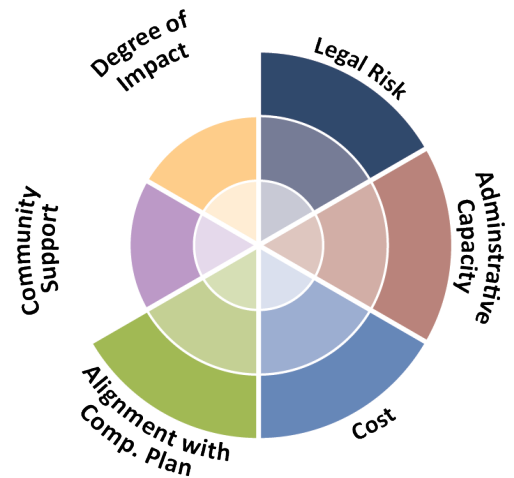
High. This is an important strategy to preserve land for multi-dwelling housing units (typically rental units), both inside the City today as well as in new areas that may be brought into the Sisters UGB in the future.

DESCRIPTION:

The current minimum density in the City’s MFR zone is 7 dwelling units/acre, which can be achieved by single-family homes on 6,000 square foot lots. Much of the land in the MFR zone has been developed with these types of homes. This strategy would raise the minimum density requirement in the MFR zone to ensure the remaining MFR land is used to meet the City’s needs for attached and small detached units, which are the types of units intended to be developed in this zone.

EVALUATION:

This is a straightforward and impactful development code change that the City could adopt in the short term. The number of developable acres in the MFR zone is dwindling as development continues³, and higher density multifamily residences (and particularly rental units) are sorely needed in Sisters. Ensuring that there is land available to meet this need should be a priority for the city. Conversations to date have indicated that this strategy is generally supported by City leadership and the community. Identifying the appropriate minimum lot size/density for the MFR zone may be the subject of community discussion



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Higher density housing, particularly multifamily housing, is a critical need for those with lower and moderate incomes. In and of itself, this strategy will not guarantee development of housing affordable to these households. However, it will help ensure there is a supply of land that can be developed for lower cost housing and coupled with other strategies, will help encourage development of such housing.

IMPLEMENTATION

This strategy is strongly recommended and should be relatively low effort to implement in the short term.

Lead: City of Sisters

Partners: Developers

Short-Term Actions:

RELEVANT HIP EFFICIENCY MEASURES:

- **Strategy 1.** Increase Minimum Density Requirements in MFR Zone

³ As of June 2022, the City has only one sizeable parcel with MFR zoning and is expecting a land use application in the near future.

HOUSING STRATEGIES

- Update development code (see **Appendix A** for detailed code recommendations). All code update actions include the following specific tasks:
 - Draft proposed updated code language
 - Review with Planning Commission and other community members
 - Provide notice to Oregon Department of Land Conservation and Development
 - Conduct required public hearings with Planning Commission and City Council, including providing required public notice
- *Note: It may be feasible to complete this code amendment as part of the current Housing Plan Update process.*

Medium Term Actions:

- Evaluate efficacy of code changes as development occurs.

Long-Term Actions:

- Monitor and evaluate supply of MFR land, continue to look for opportunities to develop needed housing.

1.2 INCREASE ALLOWED DENSITY IN MULTIFAMILY RESIDENTIAL (MFR) ZONE

PRIORITY:

High. This is an important strategy to increase the financial viability of affordable and market-rate multifamily developments. Current density allowances in the MFR zone are prohibitively low.

DESCRIPTION:

Developers interested in both market rate and subsidized affordable housing have noted that the City's current residential density requirements impact the financial feasibility of multi-family housing. This strategy recommends an increase of allowed density multi-family development in the MFR zone to between 30 or 50 units per acre or eliminate the maximum altogether and let other standards (height, setbacks, landscaping, parking and lot coverage) control densities.

Zoning text for the MFR zone is located in Chapter 2.3 of the Sisters Development Code. Density requirements are identified in Section 2.3.300(G) and lot size requirements in Table 2.3.2 Development Standards in the Multi-Family Residential District. **Detailed code recommendations are found in Appendix A.**

Some examples of developments at various densities are provided on the following pages.

HOUSING STRATEGIES



Above: Newer Sisters residences in the MFR zone developed at 8 units/net acre.

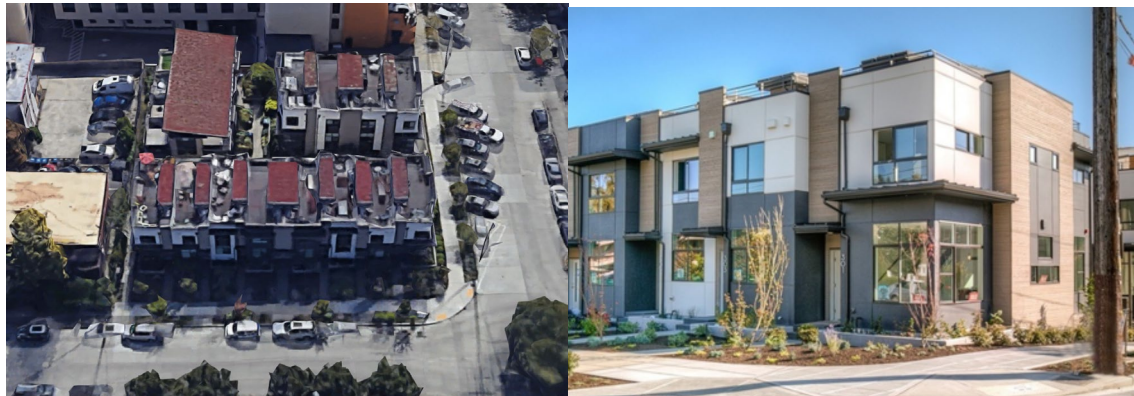


Above: Sisters Fir Street Apartments, 19 units at ~30 units per acre.

HOUSING STRATEGIES



Above: Condominiums in Kirkland, WA at 27 DU/Net Acre



Above: Townhouses and Live/Work Units in Seattle WA at 44 DU/Net Acre

HOUSING STRATEGIES



Above: Multifamily development Seattle, 54 units per acre

Below: Live/Work Units in Seattle, 8 units at 89 Units per Acre



Below: Multifamily Units in Seattle, 36 units per acre.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Maximum density requirements are barrier to the creation of low- and moderate-income multifamily housing in the City of Sisters. Higher density can allow developers to use land more efficiently and create smaller, more affordable units. Ongoing communication with affordable housing developers is necessary to identify obstacles in the code that hinder development of these housing types.

EVALUATION:

Overall, implementing this strategy has a low to moderate cost and administrative burden. The degree of impact is high – given the high cost of land multifamily developments generally pencil only at higher densities (especially affordable housing developments). This strategy furthers two of the main housing goals in the 2040 comprehensive plan.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Developers

Short-Term Actions:

- Consult further with members of the development community re: feasible density maximums
- Update development code (see **Appendix A** for detailed code recommendations)
- *Note: It may be feasible to complete this code amendment as part of the current process.*

Medium/Long Term Actions:

- Evaluate efficacy of code changes as development occurs.

1.3 INCREASE BUILDING HEIGHT MAXIMUM FOR HABITABLE AREA IN THE MULTIFAMILY RESIDENTIAL (MFR) ZONE

PRIORITY:

Moderate/High. This is a strategy to increase the financial viability of affordable and market-rate multifamily developments.

DESCRIPTION:

Developers interested in both market rate and subsidized affordable housing have noted that the City’s current building height maximums impact the financial feasibility of multi-family housing. Increase allowable building heights in the multi-family zone to 50’ and eliminate the requirement that a portion of the building height be non-habitable space (above 35’). This could be done for all development or for units affordable to households in specific income ranges. In addition, building setbacks or “stepbacks” above a certain height could be required, if needed to help preserve important view corridors. Discussions with the Sisters – Camp Sherman Fire District have indicated that an additional ladder truck may be needed to provide emergency services for taller buildings.

Zoning text for the MFR zone is located in Chapter 2.3 of the Sisters Development Code. Height requirements are shown in Table 2.3.2 Development Standards in the Multi-Family Residential District, excerpted below.

| Building Height | | |
|-----------------|--|---|
| | 35' for all residential uses except 5 or more attached multi-family units; 35' for all non-residential uses. | Multi-family: 5 or more attached units 35' maximum building height for habitable area, 35' to 50' may include non-habitable area. |

Detailed code recommendations are found in Appendix A.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Limitations on building height is a barrier to the creation of low- and moderate-income multifamily housing in the City of Sisters. A 35’ height limit on habitable area generally precludes a 4-story residential building. Ongoing communication with affordable housing developers is necessary to identify obstacles in the code that hinder development of these housing types.

EVALUATION:

Overall, implementing this strategy has a low to moderate cost and administrative burden. The degree of impact is moderate to high – adjustment of height limits may enable more affordable residential developments. This strategy furthers two of the main housing goals in the 2040 comprehensive plan.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Developers

Short-Term Actions:

- Update development code (see **Appendix A** for detailed code recommendations)
- *Note: It may be feasible to complete this code amendment as part of the current process.*

Medium/Long Term Actions:

- Evaluate efficacy of code changes as development occurs.
- Consider further increases in height in the future, if appropriate.

1.4 ZONING INCENTIVES FOR AFFORDABLE OR WORKFORCE HOUSING

PRIORITY:

Moderate/High. This strategy provides incentives (additional density, smaller required lot sizes, etc.) for development that meets certain

RELEVANT HIP EFFICIENCY MEASURES:

- Strategies 1-12 and 14-16.

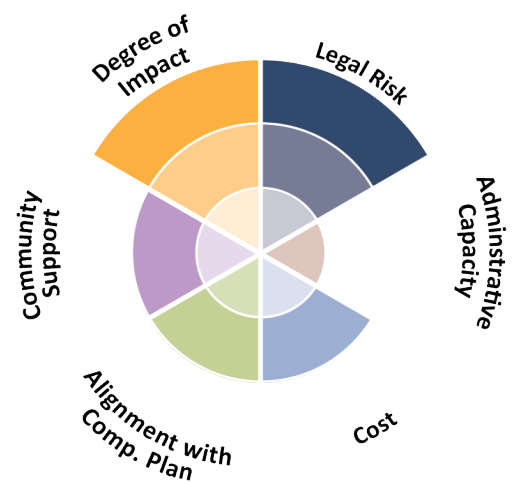
affordability requirements. These bonuses can help balance the need for more affordable housing with community livability and aesthetic concerns that could arise if all market rate development were developed in this manner.

DESCRIPTION:

Create a comprehensive incentive program for developers to provide affordable and workforce housing in exchange for flexibility from existing development standards. This strategy was included in the 2010 Sisters Housing Plan. The most valuable incentives for developers related to development standards typically include reductions in off-street parking requirements and increases in building height and/ maximum density. As a result, this strategy overlaps with Strategy 1.2. The City will need to determine whether specific changes to development standards are applied city-wide, within specific geographic areas, or as incentives for development affordable to households in specific income ranges.

EVALUATION:

The legal risk associated with implementing zoning incentives for affordable or workforce housing is relatively low. The City must ensure that incentive programs follow the applicable Oregon Revised Statutes (ORS) and establish clear and objective standards for implementing the incentive program but these types of incentives have had significant application in other communities in Oregon. The City should also ensure that any density or height bonuses offered as incentives meet the fire and life-safety capacity of the City. The administrative and cost burden of creating an incentive program is moderate. The City could consider using an incentive program in place in another community as a model in order to reduce the initial administrative burden, but the program will require ongoing administration by City Staff and, ultimately, incentives must sync up with development conditions and costs in Sisters and compatibility with other community goals.



Incentives for affordable and workforce housing increase opportunities for the current and future needs of Sisters residents and support the 2040 Comprehensive Plan Goals.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

This strategy provides a potentially significant opportunity for low- and moderate- income housing development by incentivizing housing developers to develop more affordable housing to increase supply. As noted above, incentives for developers may include density or height bonuses for building affordable units. It may also help offset the costs associated with the requirements for market-rate development.

IMPLEMENTATION

Lead: City of Sisters

Partners: Affordable/Workforce Housing Developers

Short-Term Actions:

- Consult further with members of the development community re: relative support for and desirability of specific incentives.

HOUSING STRATEGIES

- Update development code (**see Appendix A for code recommendations**).
- *Note: Example code language can be provided for this strategy. Tailoring and adopting that language to update the Sisters code is likely to require additional actions outside the current planning process.*

Medium Term Actions:

- Refine development code as needed, as affordable or workforce housing projects are permitted.

Long-Term Actions:

- Continue to monitor and evaluate the efficacy of zoning incentives for affordable or workforce housing.

RELEVANT HIP EFFICIENCY MEASURES:

- **Strategy 14.** Height bonuses for affordable/workforce housing
- **Strategy 15.** Density bonuses for affordable/workforce housing
- **Strategy 16.** Reduction of off-street parking requirements for affordable/workforce housing.

1.5 FACILITATE MIDDLE HOUSING TYPES

PRIORITY:

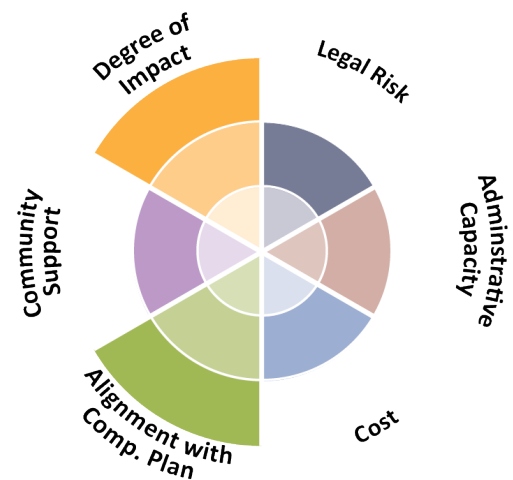
Moderate/High. While Sisters is not considered a “medium-sized city” and is not subject to the middle housing requirements of House Bill 2001, the City can allow and encourage middle housing as a way to increase its housing supply.

DESCRIPTION:

Amend the zoning code (primarily the Residential Zone but potentially others as well) to increase housing choices and reduce barriers to development for duplexes, triplexes, fourplexes, townhomes, cottage clusters, and other “missing middle” housing types. Evaluate middle housing standards periodically to assess any identified barriers to constructing middle housing.

EVALUATION:

There is low to moderate legal risk involved in adopting a zoning code that allows for middle housing types. The City will have to ensure compliance with all applicable state statutes. However, cities across Oregon now have significant experience implementing this strategy in response to the need to comply with recent House Bill 2001. The administrative burden for updating the code also is expected to be moderate, given the availability of state Model Code requirements and examples from other communities. However, the scope of code changes will be more significant than for other development standard revisions. The cost of amending the zoning code will be moderate for this reason. Community support for middle housing may be mixed. Facilitating the development of middle housing through a code amendment is likely to have a moderate impact on housing development opportunities, decreasing many of the existing barriers to developing middle housing. This may be particularly impactful in new or greenfield developments and less impactful in existing neighborhoods.



Facilitating the development of middle housing supports the main housing goals in the 2040 Comprehensive Plan, including removing barriers to the development of middle housing, thus increasing housing stock and options in the City, and thereby increasing affordability.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Middle housing types are all opportunities for low- and moderate-income housing development, with most opportunities focused on housing moderate income households. Increasing development feasibility of middle housing types will likely improve options for affordable housing for these households in Sisters over time.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Developers

Short Term Actions:

HOUSING STRATEGIES

- Update development code (see Appendix A for code recommendations).
- *Note: Example code language is for this strategy. Tailoring and adopting that language to update the Sisters code is likely to require additional actions outside the current planning process.*

Medium/Long Term Actions:

- Evaluate efficacy of zoning provisions as development occurs, update as needed.

RELEVANT HIP EFFICIENCY MEASURES:

- **Strategy 11.** Allow duplexes outright subject to clear and objective standards in all residential zones
- **Strategy 12.** Allow triplexes, quadplexes, and cottage clusters outright in residential zones

1.6 PROVISIONS FOR SINGLE ROOM OCCUPANCY (SRO) HOUSING

PRIORITY

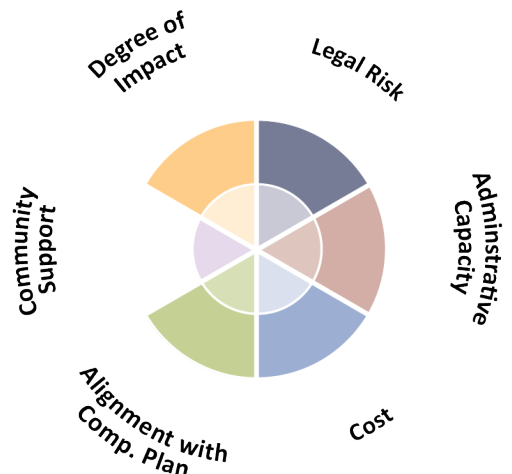
Low/Moderate. This strategy is unlikely to have significant support from the public and decisionmakers. If other housing strategies are implemented and the City feels it ought to go further in allowing new housing for very low income households, this strategy would be appropriate to revisit. SRO housing could also be part of employer-assisted housing development (see Strategy 5.3).

DESCRIPTION:

Ensure SROs are not precluded by housing definitions. Allow for SROs, Adult Dorms, and Cohousing in residential zones. This strategy may also help meet the needs of employers and seasonal workers who often are amenable and accustomed to living in these forms of housing and who cannot afford more traditional forms of housing.

EVALUATION:

Implementing this strategy will require a moderate level of effort on the part of the City. The City will incur some administrative burden and cost associated with auditing and updating the development code. Relatively few communities in Oregon have updated their codes to allow this form of housing so standards will need to be new or tailored to conditions and goals in Sisters. Community support for SROs may be low, given that this form of housing will not be familiar to most residents and may not fit many peoples' ideas about the character of the community. However, this strategy is supported by the comprehensive plan and housing goals. Allowing SROs will have a moderate impact on the housing stock in Sisters, dependent upon level of development, but have the potential to provide deeply



HOUSING STRATEGIES

affordable options for some individuals. The City may want to consider developing a set of standards for SRO development in order to ensure high quality products are produced, though doing so will increase the administrative burden of implementing this solution and would increase the cost of construction.

Allowing SROs and other co-housing options in residential zones is aligned with two of the three comprehensive plan goals to increase housing options and affordability in Sisters.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

SROs provide an affordable housing option for low-income individuals. Removing barriers to developing SROs in the City creates an opportunity for more workforce and affordable housing. SROs are commonly developed by affordable housing organizations or non-profit groups.

IMPLEMENTATION

Lead: City of Sisters

Partners: Developers, Local Employers

Short-Term Actions:

- Discuss utility of SRO housing with area employers

Medium/Long Term Actions:

- Amend zoning code to allow SROs in some situations, pending outcome of discussions with employers and other community members.

1.7 ALLOW RESIDENTIAL-ONLY DEVELOPMENT ON COMMERCIAL LAND, WHERE APPROPRIATE

PRIORITY:

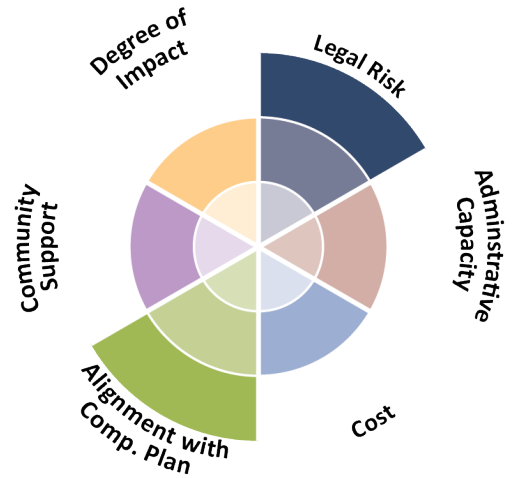
High. Decisionmakers, staff, and stakeholders have identified portions of the Downtown Commercial and Highway Commercial zones that are appropriate for residential uses at multifamily density. This allowance (or rezoning certain parcels, see Strategy 2.1) could allow for significant residential development in the City's walkable and amenity-rich downtown core.

DESCRIPTION:

Consider requiring residential uses and/or multi-story development in certain areas or developments. Also evaluate permitted uses and development standards, including eliminating the mixed-use requirement in certain parts of the Downtown Commercial Zone District, as requiring commercial can be a barrier to housing.

EVALUATION:

This strategy allows the City to optimize land uses in the City’s core commercial areas and involves a medium amount of effort to implement. The legal risk involved is relatively low. The administrative and cost burdens associated with implementing this strategy are moderate. Initial evaluations of the capacity for development and an audit of development standards likely will require City staff involvement or hiring a consultant although some preliminary recommendations may result from this planning process. Discussions to date indicate moderate or high levels of support for this strategy, particularly if changes are focused on areas on the edge of the downtown. The degree of impact could be moderate to high. The physical impact will be limited primarily to the city’s commercial core, but the impact to the housing stock would benefit the entire city. This strategy supports the comprehensive plan housing goals. It optimizes the development of land currently in the UGB and provides an opportunity for the development of more affordable housing options.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Mixed-use development provides an opportunity for multi-family housing development that provides low- to moderate- income housing units. It is important for the City to balance projections for future commercial development needs and land availability in the commercial core.

IMPLEMENTATION

Lead: City of Sisters

Partners: Developers, Landowners

Short-Term Actions:

- Update development code (see **Attachment A** for code recommendations).
- *Note: It may be possible to prepare and adopt these code amendments as part of the current planning process, pending further discussion with City staff.*

Medium/Long Term Actions:

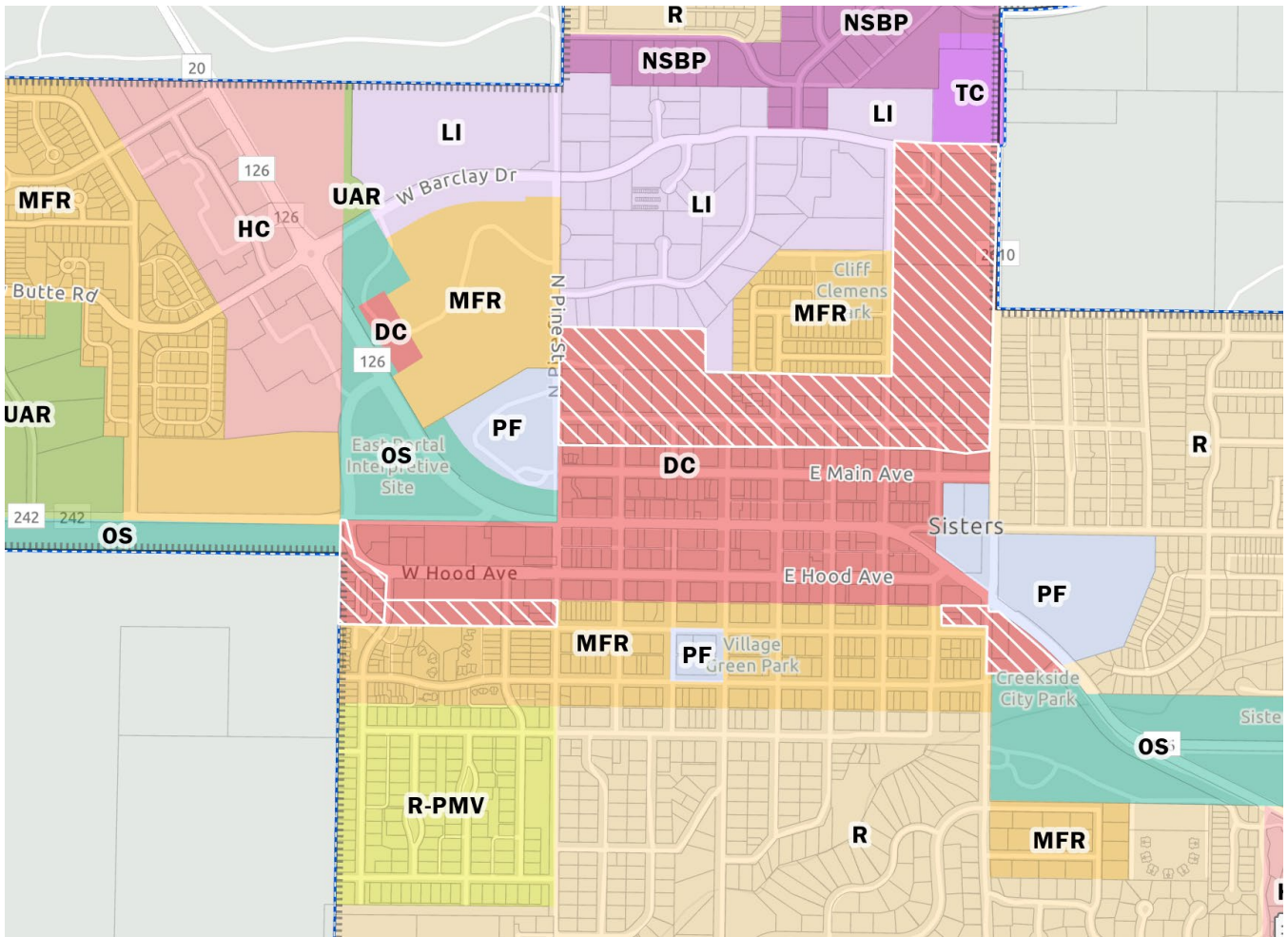
- Monitor and evaluate this strategy as development occurs

RELEVANT HIP EFFICIENCY MEASURES:

- **Strategy 9.** Encourage Mixed-Use Development in the DC Zone (or other zones)
- **Strategy 10.** Allow residential-only projects at MFR densities in the DC Zone.

HOUSING STRATEGIES

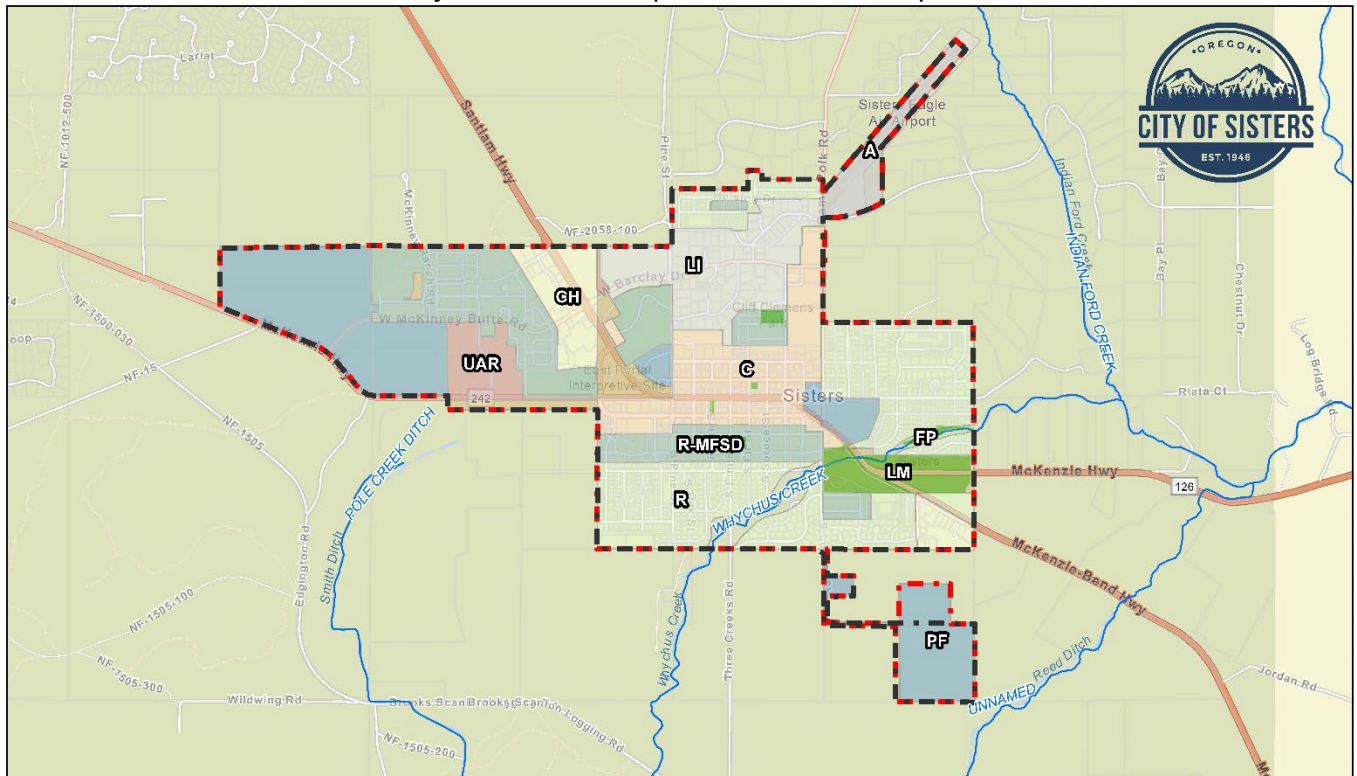
Figure 2. Draft location of Residential-Only Allowance in DC Zone



Section 2. Reducing Regulatory Impediments

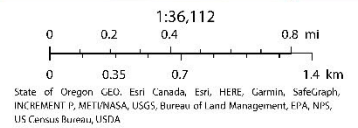
The following strategies are intended to remove barriers to the creation of needed housing in the City of Sisters and/or to increase the supply or availability of land for needed housing both now and as the City continues to grow.

City of Sisters Comprehensive Plan Map



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- | | | | |
|-------------|--------------------|----------------------|--------------------------|
| City Limits | Taxlots | Highway Commercial | Residential |
| UGB | Comprehensive Plan | Light Industrial | Multi-Family Residential |
| Parks | Airport | Landscape Management | Urban Area Reserve |
| Streams | Commercial | Public Facility | |



City of Sisters
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2.1 REZONE AND REDESIGNATE LAND

PRIORITY:

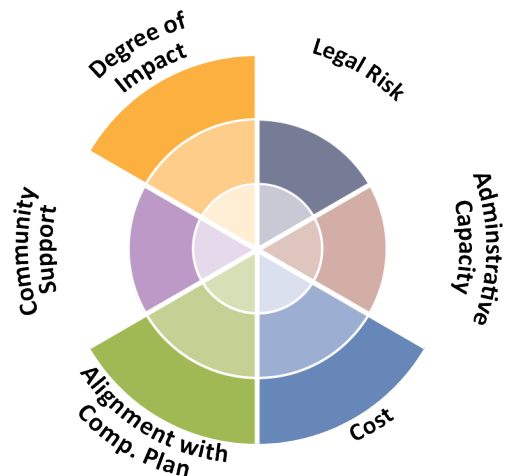
High. There are specific opportunities to make better use of land for needed housing within the Sisters UGB. Assuming property owners are willing, the City should pursue this strategy to enable additional residential development at multifamily densities.

DESCRIPTION:

Changes to Comprehensive Plan and Zoning designations can be undertaken either as property-owner initiated efforts or as legislatively-driven processes initiated by the City. A change from non-residential designations to residential zones may have the effect of increasing supply the supply of land available for housing and making better use of land within the City’s Urban Growth Boundary.

EVALUATION:

There may be moderate legal risk associated with this strategy, depending on the willingness of landowners. As with any review of existing policies, there may be a moderate administrative burden and a low cost associated with zoning and land use designation updates. General community support for rezoning may be moderate so long as the changes make sense to residents, are amenable to property owners, and are consistent with overall land needs in the City. Rezoning land would have a relatively high impact on the availability of land zoned for residential development by increasing its supply. This strategy generally is consistent with the comprehensive plan housing goals. It directly supports optimizing the development of land currently in the UGB and has the potential to support opportunities for the development of more affordable housing options, particularly if land is rezoned to higher density residential designations.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Up-zoning land and allowing (or requiring) higher density development in areas of Sisters that have capacity for more development provides more opportunities for multi-unit housing that is generally more affordable to low- and moderate-income households. Housing development at higher densities also has the potential to increase the supply of workforce housing.

IMPLEMENTATION:

Lead: City of Sisters, Property Owners

Partners: Developers, Landowners

Short-Term Actions:

- Coordinate with property owners and conduct legislative or property-owner-initiated zone changes of specific properties

HOUSING STRATEGIES

- Coordinate this strategy with Strategy 1.7 which could be an alternative to this strategy in the case of existing commercial land outside the downtown core.

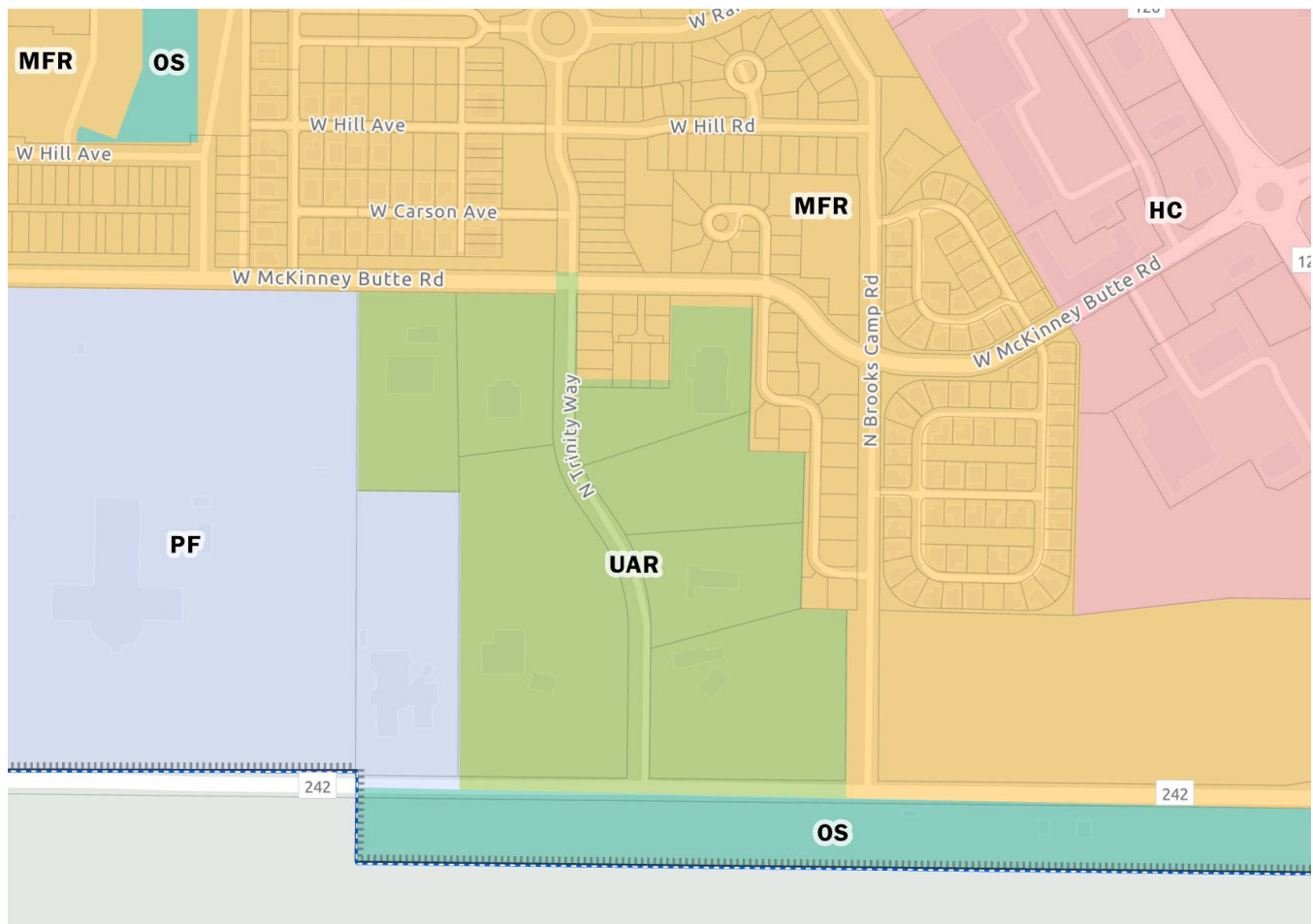
Medium Term Actions:

- Approve residential development on these lands as applications are submitted

Long-Term Actions:

- Evaluate availability of land to accommodate residential needs.

Figure 3. Urban Area Reserve land

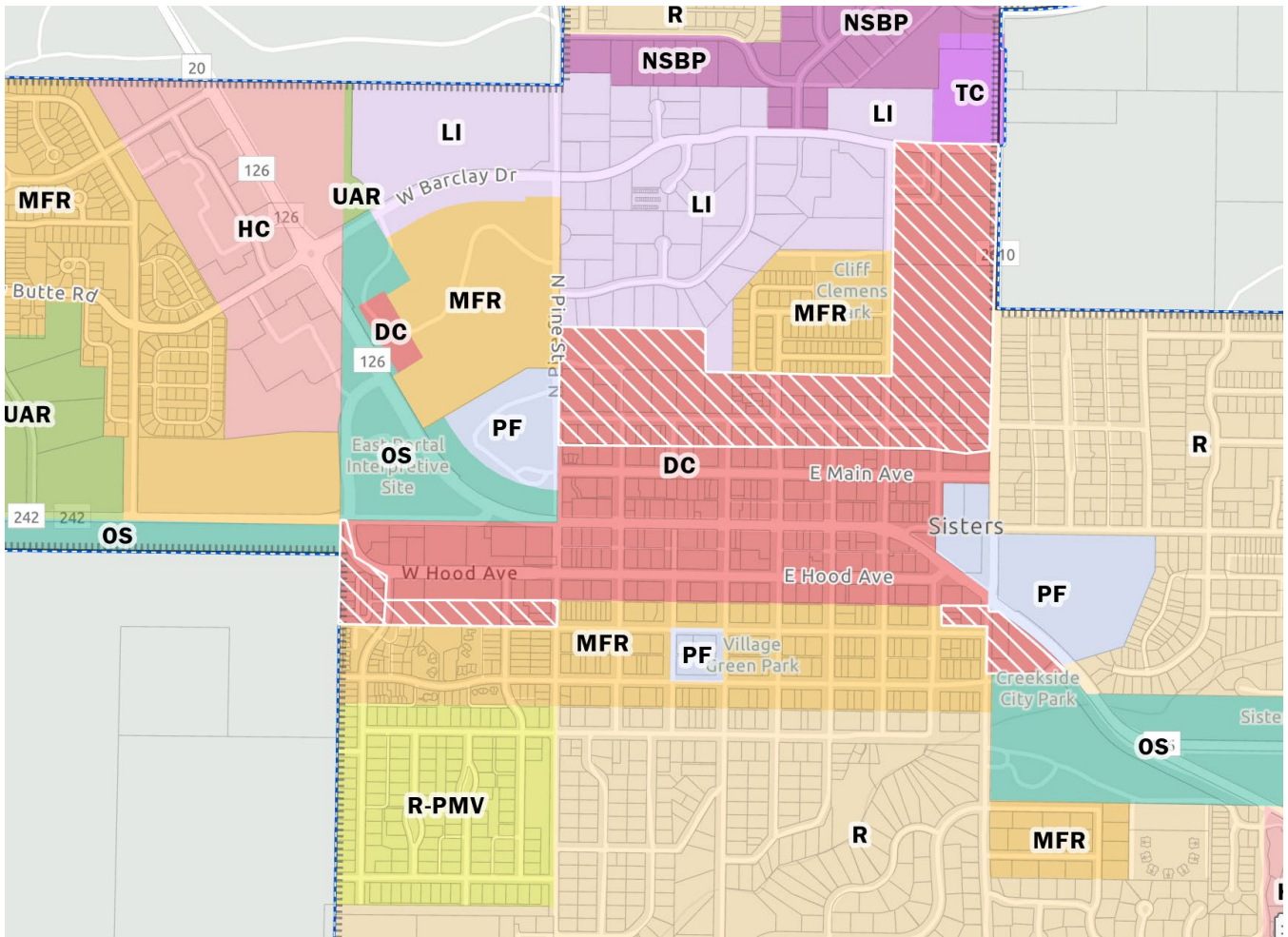


RELEVANT HIP EFFICIENCY MEASURES:

- **Strategy 17.** Rezone vacant land from nonresidential to residential uses.

HOUSING STRATEGIES

Figure 4. Draft location of Residential-Only Allowance in DC Zone



2.2 SURPLUS LAND FOR AFFORDABLE/NEEDED HOUSING, IF ANY

PRIORITY

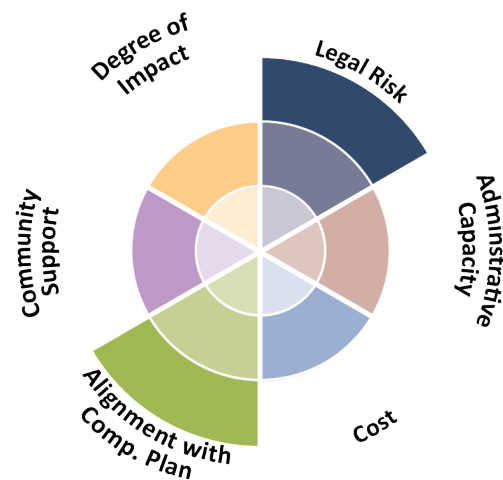
Moderate/High. The Sisters School District owns land within the City that may be appropriate for residential development, potentially with a focus on housing educators specifically.

DESCRIPTION:

Sell City or other surplus land suitable for housing at cost or below market to developers of long-term affordable housing or allow long-term leases at minimal cost.

EVALUATION:

Implementation of this strategy requires further discussion and study of the availability of surplus land in the City that is owned and not needed by other local government agencies. To the extent there are opportunities in the future, the legal risk associated with this strategy is relatively low. Administrative costs are moderate, given the need for negotiation with and approval by City decision-makers. Financial costs would be relatively low but the opportunity cost of not selling the land would be moderate to high. Community support likely would be moderate although it could generate concerns about reducing opportunities to develop government-owned properties for other uses that also could benefit the broader community. Benefits may be moderate to high, depending on the size of the property and the number of housing units that could be developed. This strategy is generally consistent with Comprehensive Plan goals and policies (supports 3 goals).



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

The cost of land is a primary driver of development costs and, ultimately, housing costs. Acquisition of land at discounted prices, such as from public sector transfer, can enable affordable housing projects that would otherwise not be financially viable.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Deschutes County, Sisters School District, other public entities

Short-Term Actions:

- Work with partners to identify land that might be appropriate for housing uses.
- Undertake a zoning map update (see Strategy 2.1) or text update to allow certain residential uses in the Public Facilities (PF) zone as a potential alternative to rezoning in selected cases.

Medium Term Actions:

- Review and process development applications residential uses on surplus land.

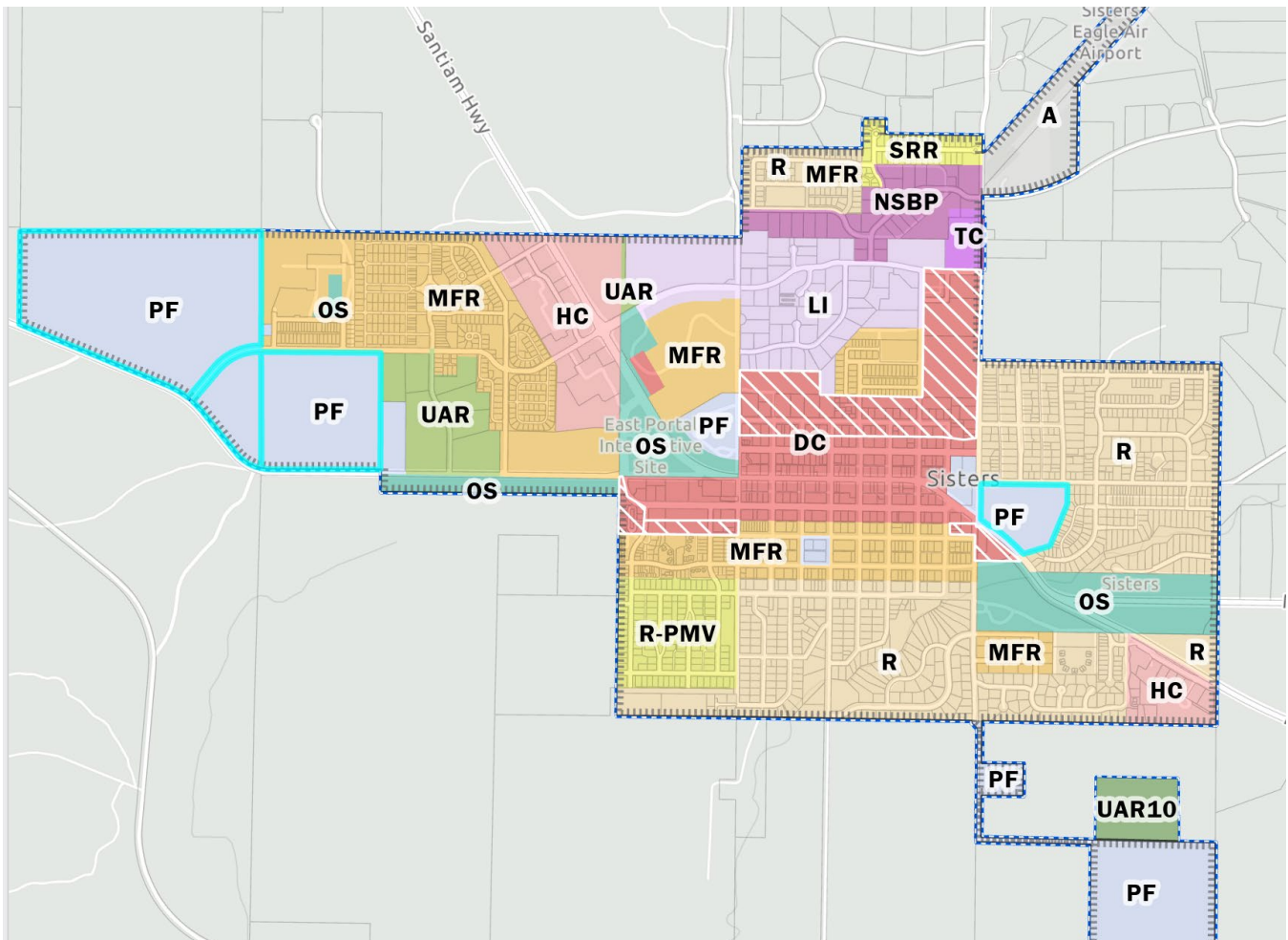
HOUSING STRATEGIES

- Consider public ownership of land outside the Sisters UGB, and the potential for residential uses on this land, when evaluating a potential UGB amendment.

Long-Term Actions:

- Continue to monitor availability of land for residential uses and the potential for publicly-owned land to be utilized to meet that need.

Figure 5. School District Ownership on PF Land within UGB (Blue Outline)



2.3 ANNEXATION AGREEMENTS

PRIORITY:

High. There is little to no land unannexed land within the Sisters UGB today, however based on recent Portland State University population forecasts a future UGB expansion is possible. As the City of Sisters grows, establishing a policy basis and set of expectations from annexed properties can help guide the development of needed housing.

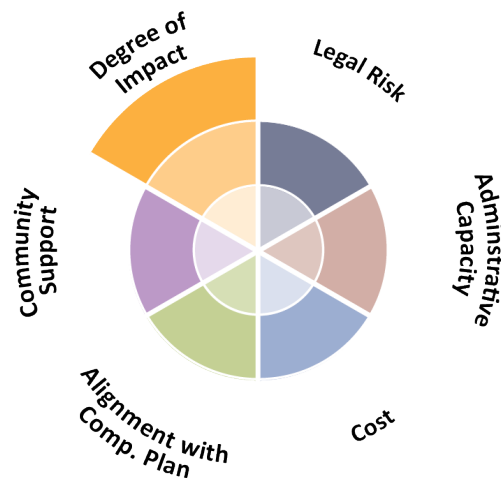
DESCRIPTION:

Support housing through annexation agreements. Consider including requirements for housing mix, housing types, unit sizes, and target income levels. Currently, there is no unannexed land within the City’s urban growth boundary (UGB). As a result, this strategy would only apply to land brought into the City through future expansion of the City’s UGB.

EVALUATION:

The City has recently been discussing the development of a comprehensive annexation ordinance based on the needs of the community, with requirements such as percentage of housing intended to be provided for various income brackets; construction timing; construction standards; distribution of affordable units; land dedication; and other requirements such as roads, water, sewer, and other necessary public facilities. The goal is to adopt such an ordinance before any future annexations. There is low to moderate legal risk associated with this strategy, given that state administrative rules and statutes provide relatively limited guidance related to this strategy. The administrative burden and costs associated with implementing annexation and developer agreements would be medium.

Although the City has already begun thinking about implementing an ordinance regarding annexation and housing development, more work is needed to develop an ordinance and ensure that it is legally defensible and achieves the City’s objectives. Tracking future developments to ensure consistency with the ordinance also may be time-consuming for City staff in the future. Community support may be low to moderate, depending on the type of development required by the agreements, and the degree to which it represents community change. Annexation and development agreements may have a high impact on housing development because it allows the city to impose more requirements on the type of housing that is developed.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Annexation and developer agreements have the potential to support low- and moderate-income housing development by requiring a housing mix that includes more middle housing types, a variety of unit sizes, and a greater diversity of housing types. Agreements could also dictate unit cost ranges at or below 100% AMI to provide more housing options for low- and moderate-income households.

IMPLEMENTATION

Lead: City of Sisters

Partners: Landowners

Short-Term Actions:

- Establish policy basis for Annexation Strategy
 - Adopt updated Housing Plan
 - Update Comprehensive Plan policy as needed. Section 3 of the Comprehensive Plan includes policies related to Growth Management, including annexation.
- Articulate annexation strategy prior to or concurrent with UGB expansion.
- Draft annexation agreement provisions based on previous agreements used in Sisters and examples from other communities.
- Review agreements provisions with City's legal counsel.
- Develop approach to monitoring/ensuring compliance with agreement.

Medium Term Actions:

- Adopt UGB amendment, as necessary.
- Enter into annexation agreements as land is added to the City of Sisters

Long-Term Actions:

- Monitor the implementation of annexation agreements as annexation and development occurs.

2.4 EXPEDITE PERMITTING FOR AFFORDABLE HOUSING

PRIORITY:

Low/Moderate. Timelines for permitting decisions were not cited as among the most pressing of concerns for affordable housing developers, however expedited permits can help reduce development costs overall.

DESCRIPTION:

Reduce review and processing times for affordable housing development by formally adopting shortened review timelines for applications or giving priority in scheduling hearings and meetings with staff. Streamlining the review process and expediting permitting for affordable housing development was included in the 2010 Housing Plan but a formal program has not been instated.

State statute requires reduced processing times for cities with a population greater than 5,000 (100 days, down from 120 days).⁴ While the City of Sisters does not meet this population threshold today, it will at some point in the future. In the meantime, the City can continue to work with housing developers, particularly those folks developing low-income or workforce housing to ensure applications are reviewed in a timely manner.

Given the size of the planning staff there and the timelines associated with public noticing, meetings, etc., it would be difficult for the City to speed up the process significantly or assign a dedicated staff person to specific types of applications.

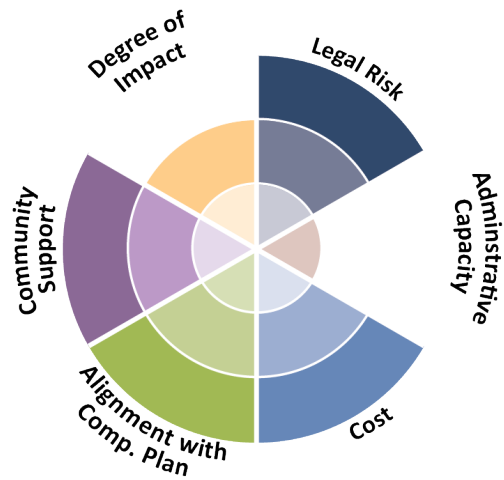
Developing clear and objective standards for specific types of housing, expanding locations where middle housing are allowed, and updating specific development standards also will reduce the need to pursue PUD applications would also speed up the development review process for many applicants.

⁴ ORS 197.311 dictates the required permit turnaround time for affordable housing projects:

Notwithstanding ORS 215.427 (Final action on permit or zone change application) (1) or 227.178 (Final action on certain applications required within 120 days) (1), a city with a population greater than 5,000 or a county with a population greater than 25,000 shall take final action on an application qualifying under subsection (3) of this section, including resolution of all local appeals under ORS 215.422 (Review of decision of hearings officer or other authority) or 227.180 (Review of action on permit application), within 100 days after the application is deemed complete.

EVALUATION:

Creating an expedited review process for affordable and high need housing development has low legal risk and relatively low cost burden. The administrative burden would be moderate, due in part to the need for focused resources to quickly review applications as they come in and the limited size of Sisters’ Community Development department. Sisters also contracts with Deschutes County for building permit review. Community support for this strategy may be high. The degree of impact is expected to be moderate. It will reduce the cost burden for developers by shortening the timeline of developing affordable housing but reductions likely will be modest in comparison to other development costs and the number of units impacted is difficult to estimate.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Decreasing the time associated with the development application review process for affordable housing has the potential to increase the amount of low- and moderate-income housing development by reducing the cost of such development.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Housing developers, Deschutes County

Short-Term Actions:

- Work with affordable housing developers to ensure applications are reviewed in a timely manner.
- Implement other recommendations to provide a clear and objective path for more housing types.

Medium Term Actions:

- Partner with Deschutes County to address concerns about the timing of building permits. (Building permits within the City of Sisters are currently administered by the County).

Long-Term Actions:

- As Sisters reaches the population threshold requirements of 5,000, the City will need to shorten application turnaround times to 100 days or less as identified in ORS 197.311 for qualifying affordable housing developments.

Section 3. Financial Incentives

The following incentive strategies are intended to make development of housing—particularly affordable housing—more feasible or financially viable by reducing fees or other costs and by reducing process barriers.

3.1 SYSTEM DEVELOPMENT CHARGE (SDC) DEFERRALS, EXEMPTIONS, OR REDUCTIONS

PRIORITY:

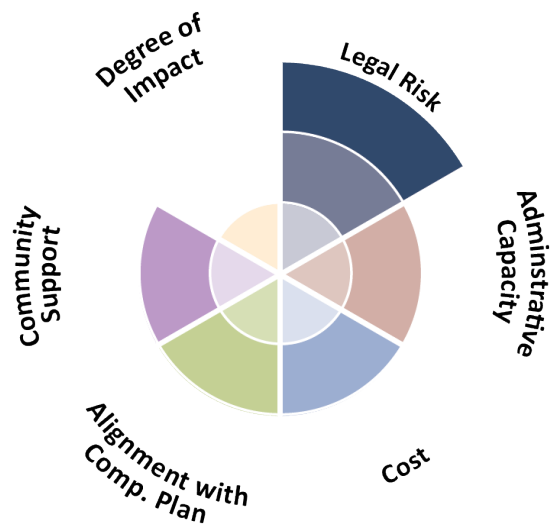
Moderate. As the City continues to plan for the future and assesses how to pay for new projects, it should evaluate how SDC methodologies affect financial incentives for housing.

DESCRIPTION:

SDCs are one-time charges assessed on new development to pay for the costs of expanding public facilities. The City could choose to waive, reduce or defer all or a portion of SDCs for qualifying housing types.

EVALUATION:

This strategy generally has low legal risk, given the opportunity to build on examples where it has been used in a variety of other communities in Oregon. The administrative burden for SDC deferrals would be moderate, due in part to the need to track fee reductions and ensure payment of any deferred fees. The administrative burden for waiving or reducing fees would be lower. Community support for this strategy is difficult to predict, given the fairly technical and subtle nature of this mechanism but likely would be moderate. The cost to the City – in the form of lost revenues – would be low to moderate, depending on how extensively this strategy is used. The degree of impact is expected to be low to moderate. It will reduce the cost burden for developers by reducing fees and/or associated financing costs but likely would account for a fairly low percentage of the overall cost of development.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Financing of low- and moderate-income housing is a challenge. Deferrals, exemptions, or reductions of SDCs and other fees can help make projects financially viable. Reduced fees for units such as ADU’s and other small housing types may result in more of these being built.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Affordable housing developers, market rate developers,

Short-Term Actions:

- Consider adopting an exemption for affordable housing and/or ADUs.
- Adopt a Construction Excise Tax (CET) to backfill lost SDC revenues, assuming support for a CET (see Strategy 5.1).
- Work with other service providers to offer special SDC deferral, financing, and/or exemptions for affordable housing.

HOUSING STRATEGIES

Medium Term Actions:

- Discuss and determine whether or not to target other specific housing types for SDC exemptions or take a broader look at City SDC methodologies.
- Reach out to Deschutes County or other regional bodies to initiate a regional discussion of SDC strategies for lower cost housing.

Long-Term Actions:

- Incorporate SDC-related policies and strategies as other city planning efforts are undertaken, such as the current Parks System Plan update. See Strategy 3.2.

3.2 MODIFY SDC FEE METHODOLOGIES/SCHEDULES

PRIORITY:

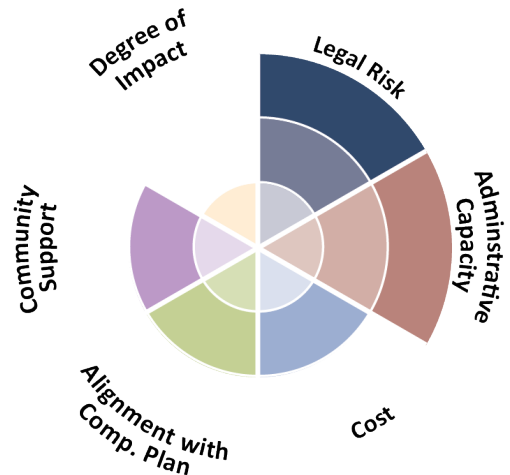
Moderate. As the City continues to plan for the future and assesses how to pay for new projects, it should evaluate how SDC methodologies affect financial incentives for housing. This strategy should be implemented over the long term, with SDC methodologies being updated as the parks plan, stormwater master plan, etc. are updated.

DESCRIPTION:

Update the SDC fee schedule so it is tied to dwelling size, to ensure that smaller dwelling sizes in single and multi-family housing are not disproportionately burdened by fees.

EVALUATION:

Legal risk associated with this strategy is low, given clear guidance through applicable OAR and ORS provisions regarding SDC methodologies. An update of SDC methodology is a significant effort with specific legal requirements. There will be costs associated with engaging a consultant who specializes in this topic to implement an updated methodology in Sisters, and the City has recently undergone an update of its SDC methodology (additional updates related to specific utility/system plans are ongoing). General community support is likely to be medium to high, assuming the changes in methodology do not impact the overall ability to fund needed infrastructure improvements. The relative impact of the strategy is expected to be low to moderate. It will have a positive impact on development costs of smaller units but they will represent only a fraction of overall development costs. This strategy is generally consistent with two out of three Comprehensive Plan housing goals.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

SDC rate structure can influence the sizes and types of developments that make the most financial sense. A structure that takes unit size (and therefore likely system impact) into consideration can have the effect of alleviating financial burden of these charges on smaller, more affordable units.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Development community (coordination and information)

Short-Term Actions:

- Articulate policies related to SDCs and housing affordability, for use in future SDC updates.
- Determine the schedule for methodology updates for each of the City’s SDCs.
- Obtain examples of other communities’ SDC methodologies which incorporate rates that vary by housing unit size.

Medium/Long Term Actions:

Begin the process of updating the City's SDC methodologies as plan update arise. Incorporate an explicit policy discussion about the basis for calculating future SDCs as it related to housing structure type, size, and affordability.

Section 4. Financial Resources

The following funding sources could create new revenues for Sisters to increase its supply of needed housing, particularly affordable housing. The City of Sisters occasionally receives the benefit of “one off” funding resources, but the City has an Affordable Housing Grant Program (funded through a portion of the City’s transient room tax) and Urban Renewal Authority dollars to use in support of this goal. The City’s adopted Urban Renewal Plan includes supporting workforce housing and multifamily housing among its goals.

4.1 GENERAL OBLIGATION BONDS FOR AFFORDABLE HOUSING

PRIORITY:

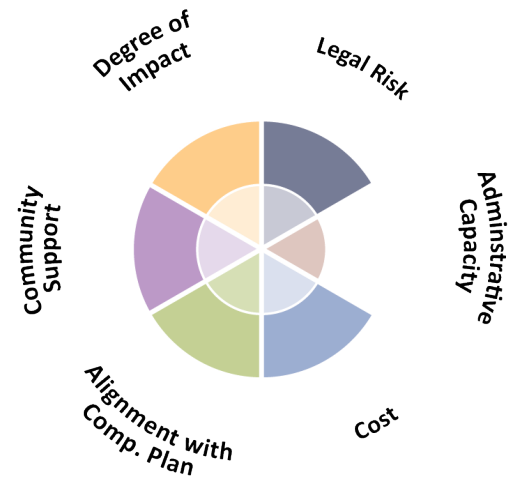
Low. Further study and potential long-term implementation recommended.

DESCRIPTION:

Approve adoption of an increase in local property tax rates to fund General Obligation (GO) Bonds through a voter-approved ballot initiative. The bonds would be used to fund creation of new housing or acquisition of existing housing that would be affordable to residents in specific income ranges.

EVALUATION:

Establishing and approving a Housing Bond Measure would be a relatively significant undertaking for the City. Administering the resulting funds also would require significant effort unless the City enlists the support of a partnering agency to administer the program. Legal risk associated with this measure is low to moderate. It is a tried-and-true strategy in Oregon but ensuring that the details of the bond measure and its implementation are solid may be challenging. Financial costs beyond administrative costs would be relatively low and could be borne by proceeds from the program. Community support for this strategy is very difficult to ascertain without further analysis. The degree of impact is expected to be moderate since the program would directly fund the development or acquisition of affordable housing units. However, the potential number of units impacted requires more analysis. This strategy is consistent with at least two out of three Comprehensive Plan goals.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

The intent of this strategy is to directly pay for the development or acquisition of housing affordable to people with low or moderate incomes. It would need to be coordinated, implemented and potentially administered by partnering affordable housing agencies and providers.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Local affordable housing development agencies and developers.

Short Term Actions:

- Study options for GO bonds to support affordable housing

Medium/Long Term Actions:

- Evaluate options for bond amounts and projects, including responsibility for managing revenues and programs funded by the bonds.

HOUSING STRATEGIES

- Engage and/or survey the public to assess community support
- Develop a specific bond proposal and seek voter and decisionmaker approval.
- Write bond measure and get it certified for ballot.
- Implement and manage bond program, assuming passage of measure.

Level of Effort: High

4.2 TAX INCREMENT FINANCING (TIF)

PRIORITY:

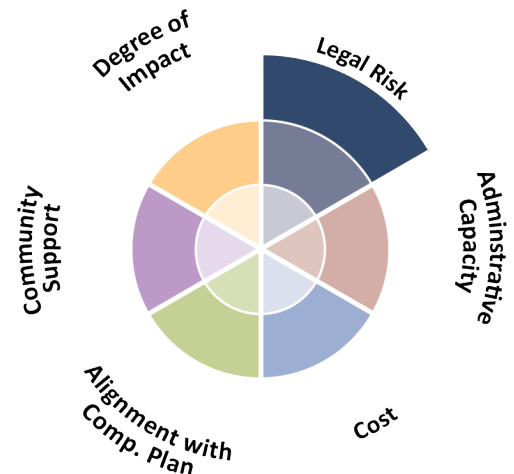
High. The City currently has a TIF district with housing as one of its stated goals. Continuing to utilize this tool is a high priority.

DESCRIPTION:

TIF districts divert future tax revenues in targeted development areas to finance improvements or development like affordable and/or market-rate housing. The Sisters City Council, which serves as the Sisters Urban Renewal Board, discussed using a portion of its Urban Renewal Funds for promoting affordable housing, purchasing land for housing, or providing assistance for off-site improvements for affordable housing within the boundaries of the Urban Renewal Plan for a limited time (i.e., 3-5 years). The maximum amount of indebtedness that may be issued or incurred under the Plan, based upon good faith estimates of the scope and costs of projects in the Plan and the schedule for their completion is \$9,889,199.

EVALUATION:

There is low legal risk associated with this strategy. The administrative burden and cost associated with using a TIF district to finance the development of affordable housing are low to moderate. Support for using Urban Renewal funds for housing development is high. In 2020, the Urban Renewal Plan was amended to include \$400,000 towards workforce housing, which has not yet been spent. The degree of impact of this strategy would depend on the amount of funding allocated to housing development and how the subsidies associated with urban renewal spending impact the cost, number and affordability of housing units produced. The amount of funding available also depends on the property values within the district increasing to create the increment of funding available to use. Per state statutes, the funds may only be used for physical development.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

The Sisters Urban Renewal Agency recently reviewed the progress and indebtedness of the Downtown Sisters Urban Renewal Area (URA), and an update was adopted by City Ordinance in January of 2022 with an updated list of planned projects. The remaining potential indebtedness of the URA was set at \$4.7 million which was allocated among a range of project types. Those most directly related to housing were an allocation to partner in workforce housing projects (\$400k, seeking to leverage a total of \$4 million investment), and an allocation (\$375k) for development assistance (loans/technical assistance, grants, and incentives). The current Urban Renewal Plan states that remaining projects must be undertaken prior to June 30, 2030.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Property owners and housing developers

Short-Term Actions:

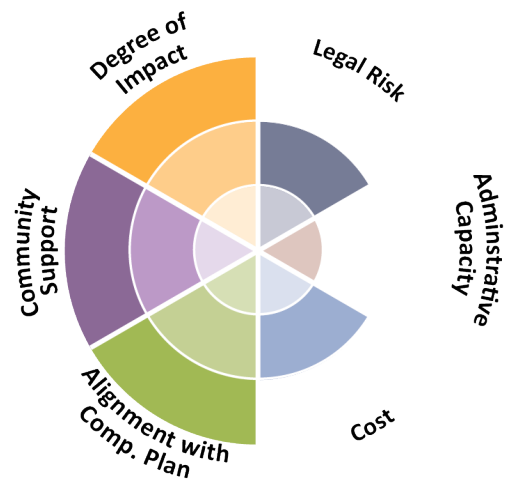
- Identify specific project(s) to be funded (all or in part) through current housing fund target (\$400,000).
- Develop more detailed procedural requirements and eligibility requirements for use of funds targeted for development assistance.
- Implement the programs and projects identified above, in coordination with housing development and other community partners.

Medium Term Actions:

- Continue to refine the City’s URA project list to identify additional housing-related projects as funding levels and priorities allow.
- Implement new projects in coordination with community partners.

Long-Term Actions:

- As the current URD approaches expiration, evaluate the potential for additional use of TIF for application in other areas of the City.
- As part of future TIF evaluation and planning, continue to incorporate housing-related projects and programs that are consistent with this Plan and other efforts to address housing needs.



4.3 HOUSING TRUST FUND

PRIORITY:

Low. This is one potential use of funding raised through other strategies in this section, however establishing and administering the fund would be a large administrative lift for the City of Sisters.

DESCRIPTION:

Affordable housing trust funds are public sector tools used to direct dedicated financial resources to support a variety of affordable housing activities.

EVALUATION:

Establishing a housing trust fund has moderate legal risk, however there are many models and resources that can be used as a model for implementation.

Although offering these deferral programs entails increased administration for the City, it is a proactive means for the City to generate some start-up funds for the fund, or some supplies of land, and, additionally, may stimulate some additional permits during hard economic times.

HOUSING STRATEGIES

Community support for a housing trust fund is likely to be high. Housing trust funds are not subject to the restrictions of federal subsidy programs and therefore can be designed specifically to address local priorities and needs in Sisters. While an official Housing Trust Fund has never been established, the city created an Affordable Housing Grant Program in 2019 funded by a portion of Transient Room Tax. Formalizing a housing trust program has the potential to have high impact on the housing supply in Sisters. At the same time, it may require relatively substantial staff resources to development and implement.

Funds could be generated through a variety of potential sources, including but not limited to: sale of land acquired through liens on property; administrative charge for SDC deferrals; private donations; or a limited use of room taxes.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

The City can determine which activities to use funds for, which could include anything from emergency rent assistance for families facing the threat of eviction or homelessness to gap financing for new construction of affordable housing to repairs for older homeowners.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Non-profit organizations, affordable housing developers, market rate developers, agency partners.

Short-Term Actions:

- Identify the potential sources of money for the trust fund and the specific actions needed to establish it.
- Determine the specific uses of the fund, including an approximate allocation among different uses or programs.
- Establish a process for selecting and approving use of Trust Fund resources on an annual basis or other time period.

Medium Term Actions:

- Undertake the steps needed to establish the Trust Fund.
- Begin using Trust Fund revenues on identified projects and programs.

Long-Term Actions:

- Monitor the effectiveness of the Trust Fund as a tool for managing City funds and other contributions for implementing housing related projects and programs.
- Coordinate the use of the Trust Fund with other Housing Plan strategies, as needed.
- Continue to refine and implement the Trust Fund process.

4.4 TAX ABATEMENTS

PRIORITY:

Moderate/High. Tax abatements are an important component of affordable housing development, though the program has associated costs and requires administration.

DESCRIPTION:

Tax abatements are reductions in property taxes for housing and may include full or partial tax exemptions or freezes on the assessed value of properties. Abatements are often provided to non-profit corporations or to private developers in exchange for developing affordable or other desired housing types (such as mixed-use). Tax exemptions or abatements offer an additional financial incentive to developers which can improve the long-term economic performance of a property and improve its viability. This can be a substantial incentive, but the city or county will forego taxes on the property, generally for ten years. Other taxing jurisdictions (school districts, fire districts, etc.) are not included unless they agree to participate or jurisdictions that amount to 51% of the total tax levy agree (for affordable housing exemptions specifically)

For example, a large new apartment complex might have a taxable assessed value (TAV) of many millions of dollars. Currently, such a development contributes an estimated \$17,200/year in property taxes per \$1M in TAV. The City can expect to see roughly \$2,500/year/\$1M TAV (not including city bond levy). The annual benefit to the property owner from a city tax exemption can amount to tens of thousands of dollars, making this a strong financial incentive. This incentive equates to revenue foregone by the City, however. Because of the trade-off in revenue, the City should carefully consider which tax exemption programs to use, and what the desired outcomes are. In general, market-rate developers will use the program that maximizes benefits while requiring the fewest changes to their development plans.

TAXING JURISDICTIONS

These tax exemption and abatement programs can apply to the City’s share of the tax levy as the adopting jurisdiction. The City must seek agreement by resolution from other overlapping taxing jurisdictions to expand the size of the exemption. The following table presents the levy rates for the jurisdictions included in tax code area 6001 which covers most of Sisters:

Table 1. Levy Rates in Sisters

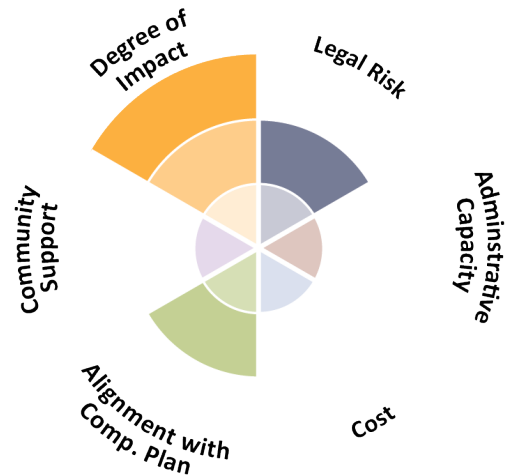
| CODE 6001 | | | | | |
|--------------|---------------------------------|----------------|---------------|---------------|---------------|
| ID | DISTRICT | TOTAL RATE | EDUCATION | GOVERNMENT | NON-LIMITED |
| 001 | DESCHUTES COUNTY | 1.1469 | | 1.1469 | |
| 011 | COUNTY LIBRARY | 0.5178 | | 0.5178 | |
| 020 | COUNTYWIDE LAW ENFORCEMENT | 1.0167 | | 1.0167 | |
| 090 | COUNTY EXTENSION/4H | 0.0211 | | 0.0211 | |
| 093 | 9-1-1 | 0.3406 | | 0.3406 | |
| 103 | CITY OF SISTERS | 2.4868 | | 2.4868 | |
| 104 | SISTERS DOWNTOWN URBAN RENEWAL | 0.8268 | | 0.8268 | |
| 206 | SISTERS/CAMP SHERMAN FIRE DIST | 2.6001 | | 2.6001 | |
| 216 | SISTERS/CAMP SHERMAN BOND | 0.1901 | | | 0.1901 |
| 371 | SISTERS PARK & RECREATION DIST | 0.2071 | | 0.2071 | |
| 372 | SISTERS PARK & REC LOCAL OPTION | 0.1500 | | 0.1500 | |
| 630 | SCHOOL DISTRICT #6 | 3.8593 | 3.8593 | | |
| 632 | SCHOOL #6 BOND 2001 | 0.8955 | | | 0.8955 |
| 633 | SCHOOL #6 LOCAL OPTION | 0.7500 | 0.7500 | | |
| 634 | SCHOOL #6 BOND 2016 | 0.3748 | | | 0.3748 |
| 651 | HIGH DESERT ESD | 0.0908 | 0.0908 | | |
| 670 | C O C C | 0.5841 | 0.5841 | | |
| 671 | C O C C BOND | 0.1073 | | | 0.1073 |
| TOTAL | | 16.1658 | 5.2842 | 9.3139 | 1.5677 |

Source: Deschutes County Assessor

As the table presents, the City of Sisters represents roughly 15% of the total rate. Other major shares of the total rate are the School District (24%), the Fire District (16%), and the County (7%).

EVALUATION

Implementation of tax exemption programs requires adoption by local officials and establishment of program goals and policies. They can be a good incentive to focus housing development in key areas and encourage more density and mix of uses in town centers. Tax abatement programs do not require new direct investments, as they rely on foregone tax revenue from the general fund, but the City could use other funding sources, such as a construction excise tax, to replace the lost revenue.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

The state currently authorizes tax exemptions for various types of multifamily housing and affordable housing through several programs outlined in the Oregon Revised Statutes (ORS). These include: Vertical Housing (ORS 307.841 to 307.867), Nonprofit Low-Income Housing (ORS 307.540 to 307.548), Low-Income Rental Housing (ORS 307.515 – 307.523), and Distressed Urban Areas (ORS 308.450).

Vertical Housing Tax Exemption: This program is meant to encourage vertical mixed-use buildings in areas where they might be viable, typically downtowns or town centers. The program allows for a partial tax exemption for the built space, above the ground floor. Affordable housing is not required, but inclusion of affordable units can increase the tax benefits. The city must adopt a defined Vertical Housing Development Zone in which the exemption will apply.

Low-Income Rental Housing (or Non-Profit): This program is aimed at encouraging subsidized affordable housing development and can be more broadly applied geographically. Units must be affordable at 60% of Area Median Income to be eligible. One program applies to all owners of low-income rental properties, and another program applies to non-profit agencies that are often one of the few sources of subsidized housing in many communities.

Distressed Urban Areas: The purpose of this program is to encourage homeownership among low- and moderate-income families and to stimulate the purchase, rehabilitation, and construction of residences in distressed areas. The tax exemption can be granted for up to 10 successive years, and only applies to the value associated with property improvements, not the land value. Single-family housing units, multifamily homeownership, and manufactured housing are eligible for the exemption. The housing must be in a distressed area, as defined and designated by the City. The City also would create criteria that would be applied to properties using the exemption.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Other taxing jurisdictions

Short-Term Actions:

HOUSING STRATEGIES

- Assess which tax abatement program(s) to implement and/or update. Create evaluation criteria to decide which types of housing would be eligible for certain types of exemption programs in Sisters.
- Begin work to update and/or establish the tax exemption program(s). Steps include:
 - Discuss with key stakeholders, including other City departments, overlapping taxing districts, and developers.
 - Conduct further analysis to value the tax abatement(s) relative to the required rent reduction.
 - Seek Council direction on any eligibility criteria that should be incorporated into the program(s).

Medium Term Actions:

If the program is determined to be feasible and approved by the other taxing districts, the City should:

- Develop a program framework based on the research and analysis.
- Establish a program application process based on the recommended criteria.
- Identify staff capacity and roles for assisting developers during the application process and monitoring the compliance during operations.

Long-Term Actions:

The City will need to monitor and evaluate the program in the longer term, using metrics that will allow it to evaluate its impact on affordable housing development.

4.5 CONSTRUCTION EXCISE TAX (CET)

PRIORITY:

Moderate. This is a potential means of raising funds to implement other strategies in this section. A potential CET was not approved by voters when put on the ballot several years ago.

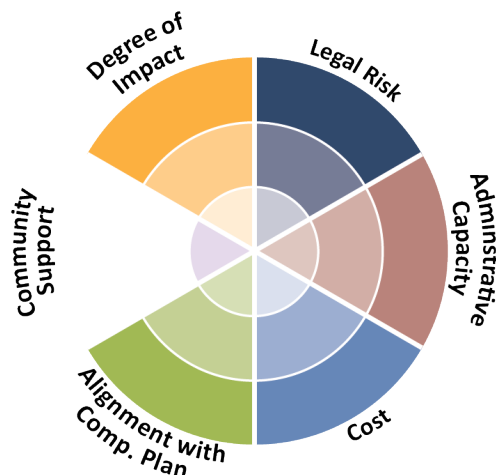
DESCRIPTION:

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.

This strategy could be implemented in the short term and has been considered in Sisters for many years. CETs are very common in Oregon. Developers are key stakeholders for a CET. Consider coordinating with other jurisdictions to avoid creating a disincentive to development in Sisters.

EVALUATION

State regulations on CET are clear and the legal risk is low. The construction excise tax for affordable housing was enabled by Senate Bill 1533, which the Oregon Legislature passed in 2016. The limitations and requirements (discussed above) are outlined in ORS 320.170-195. The City of Bend has recently updated their CET to assess .3% of the valuation of new commercial and



HOUSING STRATEGIES

industrial buildings to support housing and programs/services that support people earning up to 30% of Area Median Income.

The administrative burden and cost of implementing the CET will likely be low due to the large amount of work already put into the strategy. A lack of support from key stakeholders has stifled implementation of a CET in the past. Many developers in the area are opposed to the tax as it increases their costs to develop housing in Sisters. The construction excise tax has the potential to have a high impact on housing supply and affordability in Sisters.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

One potential use for the funds would be to bridge the gap for workforce housing – those who earn too little to pay for market rate housing and too much to qualify for “low-income” subsidized housing. 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.

IMPLEMENTATION:

Lead: City of Sisters

Partners: Housing partners could implement funded programs

Short-Term Actions:

- Determine program parameters through financial and legal research and discussion with key stakeholders.
- Explore program scenarios. To better understand and select among the options available through the statutes, the City should evaluate a number of scenarios that are tailored to the Sisters market and the specific program design, expanding on the preliminary analysis summarized above. For each scenario, the City should consider legal implications to ensure statutory compliance and engage developers in conversations about the implications of a CET on the feasibility of their development.
- Discuss CET with stakeholders. The City should consider holding focus groups or forming an advisory committee to address concerns and discuss potential uses for CET funds. Stakeholder groups could include developers (both for-profit and nonprofit), Homebuilders Association, property owners, property managers, and real estate brokers. Receiving early buy-in from these groups should help facilitate a smooth adoption process for the CET.
- Develop budget projections. Because CET is dependent on new construction, revenue will vary with market cycles. The City should consider reasonable assumptions for budgeting purposes.
- Consider bundling CET with developer incentives. This is a strategy that worked well for the City of Newport, which bundled their CET with a package of SDC reductions and property tax exemptions. This helped assuage their City Council’s concerns that a CET might present a development barrier.
- Develop program structure. Some aspects of the CET will need to be determined prior to adoption— these include:

HOUSING STRATEGIES

- Whether to apply a CET to commercial/industrial development and what percentage tax to levy. We recommend a 1% CET on both residential and non-residential development. This is in line with what most other Oregon cities have adopted since the CET was passed by the state.
- What development is exempt from the CET. ORS 320.173 already exempts affordable housing for residents at or below 80% AMI, public or religious institution improvements, private school improvements, and other types of quasi-public uses.
- We recommend the City also exempt development valued at under \$100,000 and accessory dwelling units. The City could also consider exempting regulated “workforce housing,” for those earning up to 100% or 120% AMI.
- Develop priorities for funding allocation. Beyond the elements of program structure listed in the previous bullet, the City can decide how fully-developed the CET’s other parameters and spending targets should be before it is adopted. Some level of flexibility may be beneficial to the CET being passed by City Council, so that the program is not fully baked in when it is adopted.

Medium and Long-Term Actions:

- Implement CET, including development and refinement of revenue projections to tie to the implementation of this strategy.
- Work with stakeholders to flesh out the plan for funding allocation.
- Revise funding priorities as the City’s affordable housing needs evolve.

Section 5. Land Acquisition, Lease, and Partnerships

These are programmatic strategies that could help the Sisters community increase its housing supply (particularly affordable housing), support existing affordable units and residents, and/or leverage partnerships to catalyze housing development. The programmatic strategies would typically depend on partnerships with other organizations to implement or rely on additional funding sources identified in the previous set of strategies. The City should leverage existing partnerships with groups such as Housing Works, Habitat for Humanity, and other private or non-profit developers. It is important create a monitoring mechanism and financial penalties for not meeting goals in order to strengthen community benefits agreements in PPPs. These also help reduce the legal and financial risk for the city.

5.1 COMMUNITY LAND TRUSTS

PRIORITY:

High. Housing providers who use the Community Land Trust model to create permanently affordable home ownership options are interested in developing homes in Sisters. This type of development would be an appropriate use of funding generated by other strategies in this report.

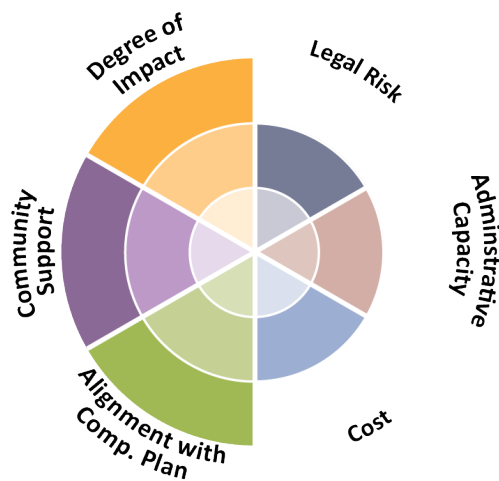
DESCRIPTION:

Community Land Trust (CLT) is a model wherein a community organization owns the land and low- to moderate-income households own the housing and accrue equity. Prospective homeowners can enter long-term (e.g., 99-year), renewable leases at an affordable rate. Upon selling, homeowners only earn a portion of the increased property value, while the trust keeps the remainder, thereby preserving affordability for future low- to moderate-income households.

This strategy is strongly recommend to implement in the near future, as Kôr and Habitat for Humanity are already

EVALUATION:

Community land trusts require a relatively high level of effort to implement but are a very strong and long-lasting anti-displacement strategy. That said, the efforts are primarily borne by the land trust, with low to moderate work by the City to provide financial or technical assistance to support those efforts. CLTs can provide permanently affordable housing for the Sisters community using the existing housing stock or through development of new units. Land trusts have many legal considerations and have a high start-up cost (also borne by the land trust, rather than the City). Cities typically are asked to provide land, financial assistance, and or technical assistance, with potentially moderate costs. The City also must ensure that the CLT aligns with funding sources and housing policies. Despite the relatively high administrative and financial startup costs for the land trust organization, community land trust often have high community support because they allow community members to stay in the community without getting priced out of the housing market. Existing housing development can be preserved well into the future, and neighborhoods and social networks are able to stay intact.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Community Land Trusts are a common way to provide low- and moderate-income for-sale housing. They are a great option for people who do not want to live in multiunit developments, and support wealth building through home ownership.

A variation of a land trust program is being used in Vail, CO through a program called InDeed. The City of Vail pays homeowners to change the covenants of a deed to require that at least one person who lives in the house be employed by an Eagle County business. This model only requires an upfront cost for the city and requires no ongoing program maintenance. The deed restriction is permanent. Homeowners are incentivized to participate

HOUSING STRATEGIES

in the program because they receive the initial payment directly. Vail initially used funds from the City's capital improvements budget to initiate the InDeed program, but the town has since approved a 0.5% sales-tax increase to fund InDeed and other housing programs.

IMPLEMENTATION:

Lead: City of Sisters

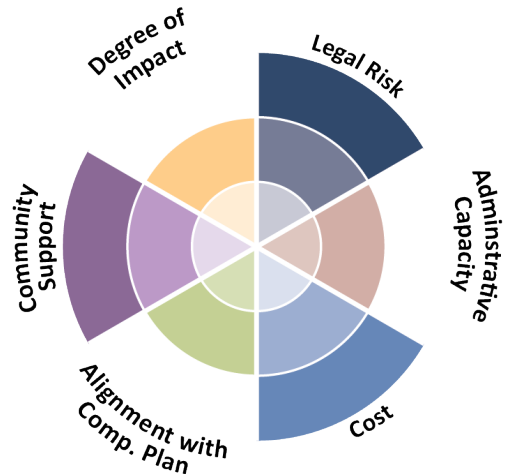
Partners: Housing developers using the Community Land Trust model (such as Proud Ground, DevNW, Kôr Community Land Trust)

Short-Term Actions:

Work with local CLT partners to discuss opportunities for expansion into Sisters.

Medium Term Actions:

- Based on adoption of new funding sources, determine what capacity the City has to provide assistance to an existing local CLT organization and how that aligns with their needs.
- Develop down payment assistance grant program. This could start with a pilot project, and could grow into a long-term program from there.



Long-Term Actions:

Potentially provide on-going support through development/rehabilitation grants, donation of City-owned land, and an annual funding set-aside.

5.2 EMPLOYER-ASSISTED HOUSING PROGRAMS

PRIORITY:

Moderate/High. Partnering with employers in Sisters, including the School District, may help address needs for workforce housing and the need for seasonal employees in some industries.

DESCRIPTION:

Employer-assisted housing programs provide a channel through which employers can help their employees with the cost of owning or renting a home, typically in neighborhoods close to the workplace.

EVALUATION:

Employer assisted housing programs require very low risk and effort from the City, but requires a moderate level of effort and cost from local employers to implement. The City could work with employers to identify opportunities to implement programs and educate employers about the potential of implementing employer-assisted housing programs. This program start up would require a moderate level of administrative burden and

HOUSING STRATEGIES

relatively low cost for the city. Employer-assisted housing programs support comprehensive plan housing goals tied to tapping into existing housing resources. Support of a “pro-housing” agenda from local employers may garner broader community support for housing programs.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

Employer assisted housing programs can provide more opportunities for low- and moderate-income for sale and rental housing. It does not necessarily lead to the direct development of housing, but helps people take advantage of existing housing in the community and can help either reduce housing costs or improve access to capital (e.g., through loan assistance programs). Assistance may be provided in a variety of ways, including through down payment grants or loans that are forgiven over a period of employment, homeownership counseling and education, rental subsidies and, less commonly, direct investment in the construction of rental housing.

IMPLEMENTATION:

Lead: Local employers

Partners: City of Sisters

Short-Term Actions:

- Develop a more detailed list of the types of specific programs or projects that could be implemented in coordination with local employers.
- Identify potential local employers which are large enough to partner in implementing programs and whose employees would potentially benefit from them.
- Meet with potential participating employers to assess their interest in participating in the programs identified above.

Medium Term Actions:

- Further refine potential programs based on the results of discussions with local employers.
- As part of the program refinement, more clearly identify and formalize responsibilities for program implementation.

Long Term Actions:

- Implement programs and monitor their effectiveness and success.

5.3 PRESERVING LOW-COST RENTAL HOUSING TO MITIGATE DISPLACEMENT

PRIORITY:

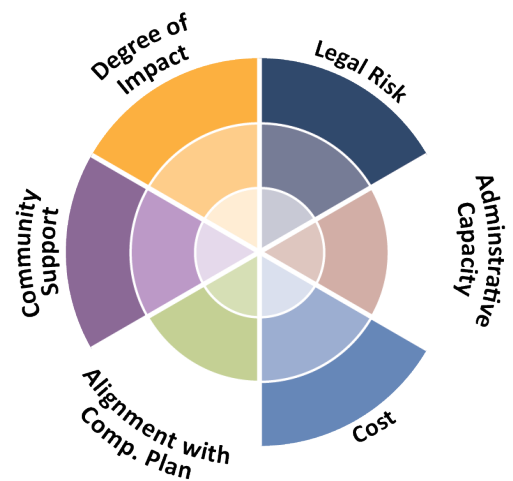
Moderate. This strategy may have greater importance in the future as the City’s housing stock ages and owners of homes and apartment buildings look to upgrade or replace their buildings. Programs to preserve low-cost housing may be an appropriate use of funds generated through other strategies in this report.

DESCRIPTION:

Preventing displacement and preserving "naturally occurring" affordable housing through acquisition, low-interest loans/revolving loan fund for preservation, and/or code enforcement. Examples include “mobile permit counters” to help homeowners understand the steps needed to improve their homes and low- or zero-interest loans for needed home improvements.

EVALUATION:

Preserving existing housing is a cost-effective way to prevent displacement that uses the City’s existing housing stock. Preserving existing low-cost rental housing is less costly than new construction but does require more administrative effort from the City. The initial cost of acquiring properties or establishing a loan fund may be high; however, partnering organizations throughout the state may be able to support the City in those areas. This strategy aligns with the comprehensive plan goals to support housing within the UGB and provide housing that meets the needs and wants of the community. Community support for preserving existing low-cost rental housing is likely to be high because it allows those who already live in the community to stay in the community. This strategy does not produce new housing but has a moderate impact on the housing supply by ensuring that affordable housing options are maintaining and that the supply does not decrease.



OPPORTUNITIES FOR LOW- AND MODERATE-INCOME

HOUSING DEVELOPMENT:

Preserving low-cost rental housing does not produce new housing development but maintains the housing stock that is available for low- and moderate-income households. It also prevents the displacement of low- and moderate-income community members who may be priced out of newly developed housing.

IMPLEMENTATION:

Lead: City of Sisters, Oregon Housing and Community Services (OCHS)

Partners: Non-profit partners

Short-Term Actions:

- Study options for loan/grant programs in support of preserving existing affordable housing

Medium/Long Term Actions:

- Determine the details of the program
- Fund the program
- Monitor and evaluate results over time.

5.4 PROVIDE INFORMATION AND EDUCATION TO SMALL DEVELOPERS AND HOMEOWNERS

PRIORITY:

Low/Moderate. This is a low effort strategy that will likely only have modest effect on housing in Sisters. However, to the extent that other strategies are implemented and opportunities are available for small developers and homeowners, those opportunities should be promoted by the City in various ways.

DESCRIPTION:

Educating developers about the City’s policies, goals for housing, and funding sources may provide greater clarity and certainty for small-scale developers or homeowners interested in redevelopment/subdivision of their property. This information could be provided as pamphlets at the planning counter and online.

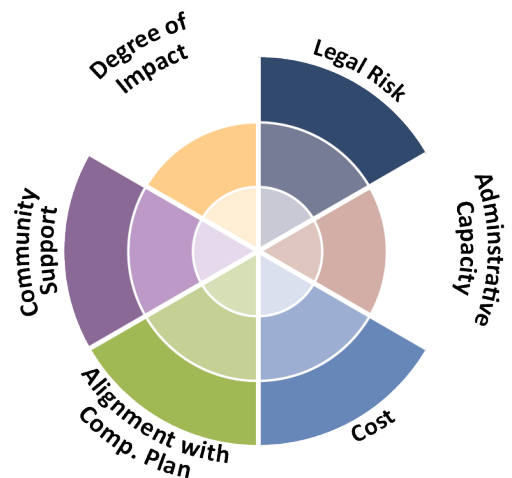
This strategy is recommended to be implemented after some of the strategies listed in this plan are already implemented.

EVALUATION:

This strategy has low legal risk for the City and requires a low level of cost and administrative burden over the long-term. This effort may ultimately help the City form long term partnerships with developers. This strategy supports existing housing programs within the community and can build upon existing informational resources developed for those programs.

OPPORTUNITIES FOR LOW- AND MODERATE-INCOME HOUSING DEVELOPMENT:

This strategy indirectly supports the development of low- and moderate-income housing. Incentive programs, partnerships, funding opportunities, and other regulatory guidance may be shared with small developers. This strategy builds upon the 2010 Housing Plan goal to develop a public information program for existing housing programs using existing informational resources. Such a program has not yet been implemented in Sisters.



IMPLEMENTATION:

Lead: City of Sisters

Partners: Local Developers, Advocacy Groups

Short-Term Actions:

- Summarize relevant City, County, and other programs that are available for homeowners and small developers
- Create promotional materials, including flyers and website information. An example from Tigard is linked below: <https://www.tigard-or.gov/your-government/departments/community-development/housing/affordable-housing>

Medium/Long Term Actions:

- Update website and other information sources and programs change.

ADDITIONAL STRATEGIES

The compendium of housing strategies prepared by the Department of Land Conservation and Development (DLCD) includes other strategies that also could be considered by the City. However, we have focused this updated Housing Plan on those strategies that appear to be most relevant to the City of Sisters, given housing conditions and priorities, Comprehensive Plan goals, and the size and location of the community. In addition to the strategies described on the preceding pages, the following strategies also were included in the 2010 Housing Plan and could be further described and considered in a revised draft of this report.

OTHER 2010 HOUSING PLAN STRATEGIES:

- **Appoint a part-time housing coordinator:** The City has not yet hired a housing coordinator. In the past, the City has not had a resource for specifically tracking, monitoring housing inventories, or for representing the City on a regional level. The Housing Coordinator would also be responsible for recruiting and soliciting affordable housing opportunities related to new business development, and generally with public relations for the City's programs.
- **Housing Policy Board:** An ordinance adopting the Housing Policy Advisory Board (HPAB) was approved in March 2016. It met for a few years, then the city disbanded it in 2020. As the City grows, and housing issues become even more important, having a subcommittee to advise the City Housing Coordinator on housing related issues could be beneficial to review strategies, assess the City's progress towards goals, and for forming recommendations on future policy issues for the City Council. The Policy Board would also be responsible for assessing income limits for qualifying for funds or incentives, which would be completed on an annual basis.
- **Monitor housing related activity:** Provide an annual housing activity report to Planning Commission and City Council to keep them informed on housing trends in the City, not only related to prices, but to housing inventory, vacancy rates, and other relevant information. The City has done this on an ad hoc basis but not annually.
- **Develop a 5-10 year strategic action plan:** Through the Housing Policy Board, develop a 5-to 10-year Strategic or Action Plan which prioritizes projects and priorities for funding, for example: rental housing or home ownership, new housing or homeowner rehabilitation programs, off-site improvements, underwriting the cost of land, or provision of rental subsidies. Per review of the HPAB agendas, it does not appear that a 5-10 year action plan was ever prepared by HPAB.

Conclusions & Next Steps

This draft report represents an evaluation of strategies that could help the City of Sisters meet its current and future housing needs. Further review and discussion with City staff and elected officials will refine the list of strategies and their timelines for implementation. Concurrent with or following the adoption of this Housing Plan, the City may begin to adopt code updates, comprehensive plan/zoning map changes, and other measures to implement the recommendations of this report.

Appendix A. Development Code Language & Other Supplemental Material

This appendix includes specific changes to the Sisters Development Code, general code concepts with example code language, and other materials related to specific housing strategies.

STRATEGY 1.1: ENSURE LAND ZONED FOR HIGHER DENSITIES IS NOT DEVELOPED AT LOWER DENSITY AND STRATEGY 1.2: INCREASE ALLOWED DENSITY IN MULTIFAMILY RESIDENTIAL (MF) ZONE

Recommended changes to the Multi-Family Residential District (Sisters Development Code Chapter 2.3) are shown below.

| Table 2.3.1 Use Table for the Multi-Family Residential District | |
|---|--|
| Land Use Category | Permitted/Special Provisions/Conditional Use |
| Residential | |
| ... | ... |
| Multifamily developments with a density of greater than 15 <u>30</u> gross units per acre up to 20 <u>50</u> gross units per acre | MCU |

...

G. Residential Density Standards. The following residential density standards apply to all land divisions in the Multi-Family Residential District and to multi-family housing on individual lots.

1. The density range for the Multi-Family Residential District shall be ~~7~~ 15 units per gross acre minimum and ~~15~~ 30 units per gross acre maximum; more than ~~15~~ 30 units per acre up to ~~20~~ 50 units per acre allowed via Minor Conditional Use.
2. Minimum and maximum residential densities are calculated by multiplying the gross acres by the applicable density standard. For example, if the parcel size is 5 acres, the minimum density is ~~45~~ 75 units and the maximum is ~~100~~ 250 units. When calculating minimum and maximum densities, figures are rounded down to the closest whole number.
3. Accessory dwelling units are exempt from the minimum density standards.

STRATEGY 1.3: INCREASE BUILDING HEIGHT MAXIMUM FOR HABITABLE AREA IN THE MULTIFAMILY RESIDENTIAL (MFR) ZONE

Zoning text for the MFR zone is located in Chapter 2.3 of the Sisters Development Code. Height requirements are shown in Table 2.3.2 Development Standards in the Multi-Family Residential District, excerpted below.

Table 2.3.2 Development Standards in the Multi-Family Residential District

| Development Standard | Multi-Family Residential District | Comments/Other Requirements |
|---|--|---|
| Floor Area Ratio | | |
| | Building construction may not exceed .60 FAR (60%) <u>1.0 FAR (100%)</u> of the total lot area. (Note: FAR changes require further discussion) | The areas of a building subject to this development standard shall include the following: a. Areas within the building footprint considered to be habitable space. b. Individual garages exceeding 500 sq ft in size. Exceptions to FAR: Accessory structures less than 10 ft in height and 200 sq ft in area, residential facility, public and institutional uses and child care centers |
| Lot Coverage | | |
| | Maximum of 60 percent, except Child Care Center, Public and Institutional uses and Residential facility shall be 80 percent | - |
| Building Height | | |
| | 35' for all residential uses except 5 or more attached multi-family units; 35' for all non-residential uses. | Multi-family: 5 or more attached units 35' <u>50'</u> maximum building height for habitable area, 35' to 50' may include non-habitable area. |
| Pre-existing lots. A single family, town home or manufactured dwelling may be developed on a lot or parcel smaller than the requirements listed above provided all other applicable Development Standards can be met. | | |

STRATEGY 1.4: ZONING INCENTIVES FOR AFFORDABLE HOUSING

Code examples related to affordable housing types are provided below. Detailed amendments to the Sisters development code will be provided in a later draft.

Definitions

Affordable Housing Unit. Housing reserved for occupancy by eligible households and affordable to households whose annual income does not exceed 80 percent of area median income, adjusted for household size, and no more than 30 percent of the monthly household income is paid for monthly housing expenses. (Housing expenses for ownership housing include mortgage and mortgage insurance, property taxes, property insurance, and homeowner dues. Housing expenses for rental housing include rent and appropriate utility allowance.)

Low-Cost Affordable Housing Unit. Housing reserved for occupancy by eligible households and affordable to households whose annual income does not exceed 50 percent of area median income, adjusted for household size, and no more than 30 percent of the monthly household income is paid for monthly housing expenses. (Housing expenses for ownership housing include mortgage and mortgage insurance, property taxes, property insurance, and homeowners dues. Housing expenses for rental housing include rent and appropriate utility allowance.)

Workforce Housing Unit: Housing reserved for occupancy by eligible households and affordable to households whose annual income does not exceed 120 percent of area median income, adjusted for household size, and no more than 30 percent of the monthly household income is paid for monthly housing expenses. (Housing expenses for ownership housing include mortgage and mortgage insurance, property taxes, property insurance, and homeowner dues. Housing expenses for rental housing include rent and appropriate utility allowance.)

Parking Requirements

Initial suggestions for parking requirements tied to the above definitions are included below. Further discussion needed.

For housing that meets the definition of an Affordable Housing Unit 1.5 spaces per unit , rounded up to the nearest parking space.

For housing that meets the definition of a Low-Cost Affordable Housing Unit, one space per unit.

For housing that meets the definition of a Workforce Housing Unit 1.5 spaces per unit, rounded up to the nearest parking space.

Lot Size

Reduced lot size requirements may be tied to the above definitions. Further discussion needed.

STRATEGY 1.5: FACILITATE MIDDLE HOUSING TYPES

Code examples related to middle housing types are provided below. Detailed amendments to the Sisters development code will be provided in a later draft.

Definitions:

“Cottage” means an individual dwelling unit that is part of a cottage cluster.

“Cottage cluster” means a grouping of no fewer than four detached dwelling units per acre, each with a footprint of less than 900 square feet, located on a single lot or parcel that includes a common courtyard.

Cottage cluster may also be known as “cluster housing,” “cottage housing,” “bungalow court,” “cottage court,” or “pocket neighborhood.”

“Detached single-family dwelling” means a detached structure on a lot or parcel that is comprised of a single dwelling unit. Detached single-family dwellings may be constructed off-site, e.g., manufactured dwellings or modular homes.

“Duplex” means a detached structure on a lot or parcel that is comprised of two dwelling units. In instances where a structure can meet the definition of a duplex and also meets the definition of a primary dwelling unit with an attached or internal accessory dwelling unit (ADU), the applicant shall specify at the time of application review whether the entire structure is considered a duplex or a primary dwelling unit with an attached or internal ADU.

"Fourplex" means a single building on its own lot with four dwelling units that are not accessory suites and that have separate housekeeping facilities.

“Middle housing” means a category of housing types that includes duplexes, triplexes, fourplexes, townhouses, and cottage clusters.

"Triplex" means a single building on its own lot with three dwelling units that are not accessory suites and that have separate housekeeping facilities.

Lot Size/FAR Regulations

Table 2.2.2 Development Standards in the Residential District

| Development Standard | Residential District | Comments/Other Requirements |
|--|---|-----------------------------|
| Minimum lot area | | |
| Single family detached dwelling, manufactured dwelling on individual lot, zero lot line dwelling | 6,000 square feet | |
| Duplex dwelling | 11,000 3,000 square feet per dwelling unit | |
| <u>Triplex or fourplex</u> | <u>2,500 square feet per unit</u> | |
| <u>Cottage cluster</u> | <u>2,500 square feet per dwelling unit</u> | |
| Attached dwelling (townhome) | 5,500 <u>2,000</u> square feet per dwelling unit | |
| Child Care Center, Public and Institutional uses | None | |

...

| Table 2.3.2 Development Standards in the Multi-Family Residential District | | |
|---|---|--|
| Development Standard | Multi-Family Residential District | Comments/Other Requirements |
| Minimum lot area | | |
| Single family detached dwelling, including manufactured dwelling on individual lot and zero lot line dwelling | 4,500 square feet | |
| Duplex, Triplex, or Fourplex dwelling | 7,500 square feet 2,500 square feet per dwelling unit | |
| Triplex dwelling | 9,000 square feet | |
| Fourplex | 10,000 square feet | |
| Single family attached dwelling, townhome | 3,500 2,500 square feet | |
| Cottage Cluster | 2,500 square feet per dwelling unit | |
| Multi-family development (5 or more units) | 12,000 square feet (recommend using min/max density rather than lot size) | Multi-family developments with 5 or more units shall provide an additional 200 square feet of usable open space per dwelling unit. The standard applies starting at the 6th unit |
| Child Care Center, Public and Institutional uses and Residential facility | none | |

Parking

Initial recommendations for Parking Requirements related to middle housing types provided below. This example is from the City of Estacada, OR.

| | |
|-----------------------------------|-----------------|
| Duplex | 3 total |
| Triplex | 4 total |
| Fourplex | 5 total |
| Multi-family and cottage clusters | 1 for each unit |

Design Standards

Recommended changes to design standards to be discussed in subsequent meetings.

STRATEGY 1.7: ALLOW RESIDENTIAL-ONLY DEVELOPMENT ON COMMERCIAL LAND

Table 2.4.1 Use Table for the Downtown Commercial District

| | Permitted/Special Provisions/Conditional Uses |
|---|---|
| Residential | |
| Dwelling(s) located above, within, or attached to a commercial building not including single family detached dwellings. | P/SP |
| Accessory dwelling on a single family or manufactured dwelling lot | P/SP |
| Child care home (Care for no more than 16 children) | P |
| Single family, Duplex, Townhomes (up to 2 units) | P, Type I review process; applies to lots fronting Adams Avenue and on lots that are located within 114' of Adams Avenue to the south, and 256' to the north of Adams Avenue. |
| Manufactured Dwelling on an individual lot. | P/SP, Type I review process; applies to lots fronting Adams Avenue and on lots that are located within 114' of Adams Avenue to the south, and 256' to the north of Adams Avenue. |
| Triplex, Multi-Family Development | MCU; applies to lots fronting Adams Avenue that are located within 114' of Adams Avenue to the south, and 256' to the north of Adams Avenue, and only west of Fir Street. (See Figure X . Map of DC Areas where Triplex, Multi-Family Development Allowed) |
| Multi-Family Development at a Minimum of 30 units per acre | MCU; applies to land shown in Figure X (Map of DC Subareas where MF is allowed). |
| Residential facilities | P/SP |
| Cottage Developments | P/Ch. 4.6; applies to lots fronting Adams Avenue and on lots that are located within 114' of Adams Avenue to the south, and 256' to the north of Adams Avenue. |

Table 2.5.1 Use Table for the Highway Commercial District

| Land Use Category | Permitted/Special Provisions/Conditional Uses |
|--|---|
| Residential | |
| Dwelling(s) located above, within, or attached to a commercial building not including single family dwellings. | P/SP |
| Child care home (Care for no more than 16 children) | P |
| Residential facility | P/SP |
| Multi-Family Development at a Minimum of 30 units per acre | MCU |

STRATEGY 2.3 ANNEXATION AGREEMENTS

An example of Comprehensive Plan policy (from the City of Bend) and specific examples of Annexation Agreements are included in this section. A copy of the McKenzie Meadows annexation agreement, which requires 1 out of every 10 housing units to meet the City’s definition of Affordable Housing, is attached.

Bend Comprehensive Plan Annexation Policies

- 11-41 Annexations will follow the procedural requirements of state law.**
- 11-42** Annexations will be consistent with the Comprehensive Plan and applicable annexation procedures and approval criteria.
- 11-43** Requests for annexation must demonstrate how the annexed land is capable of being served by urban services for sanitary sewer collection, domestic water, transportation, schools and parks, consistent with applicable district facility plans and the City’s adopted public facility plans.
- 11-44** Annexations will be consistent with an approved Area Plan where applicable. The Area Plan may be reviewed and approved concurrent with an annexation application.
- 11-45** The City may, where appropriate in a specific area, allow annexation and require area planning prior to development approval.
- 11-46** Land to be annexed must be contiguous to the existing City limits unless the property owners requesting annexation show and the City Council finds that a “cherry-stem” annexation will both satisfy a public need and provide a public benefit.
- 11-47** Compliance with specific expansion area policies and/or Area Plans will be implemented through master plan approval or binding annexation agreement that will control subsequent development approvals.
- 11-48** Existing rural infrastructure systems and urban systems (water, sewer, transportation, stormwater) serving annexed areas may be required to be modernized and constructed to the City’s standards and specifications, as determined by the City.
- 11-49** The City may consider funding mechanisms and agreements to address on- and off-site improvements, modernization of existing infrastructure to the City’s standards and specifications, and impacts to infrastructure inside the current City limits.

11-50 Properties over 20 acres (including adjacent property in common ownership) as of the adoption of the UGB expansion (shown on Figure 11-4) are subject to master plan requirements, regardless of property acreage upon annexation.



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After Recording Return to:
City of Sisters
PO Box 39
Sisters, OR 97759

**CITY OF SISTERS
AMENDED AND RESTATED ANNEXATION AGREEMENT**

This AMENDED AND RESTATED ANNEXATION AGREEMENT ("Agreement") is entered into this 15th day of June, 2017, by and between THE CITY of SISTERS, an Oregon municipal corporation ("City") and MCKENZIE MEADOWS VILLAGE, LLC, an Oregon limited liability company ("Owner").

RECITALS

1. Owner is the sole owner of that certain real property more particularly described on **Exhibit A** hereto (the "Property").
2. Owner and City previously entered into that certain City of Sisters Annexation Agreement recorded in the official records of Deschutes County, Oregon, at 2009-51015, as amended pursuant to that certain City of Sisters Amended Annexation Agreement recorded in the official records of Deschutes County, Oregon, at 2010-22024, and that certain City of Sisters Amended Annexation Agreement recorded in the official records of Deschutes County, Oregon, at 2011-31635 (collectively, the "Original Annexation Agreement") for the Property as a condition of annexation of the Property into the City of Sisters.
3. Since the Original Annexation Agreement was adopted, a number of issues addressed in that instrument have since been memorialized in the Sisters Urban Area Comprehensive Plan, Sisters Development Code (as may be amended from time to time, the "Code"), and other City enactments. In addition, market and development circumstances have changed dramatically in the City of Sisters and Central Oregon since the Original Annexation Agreement was adopted. Despite Owner's best efforts, including the expenditure of significant time and money, and the filing of multiple land use applications, Owner has not been successful in developing the Property in conformance with the Original Annexation Agreement. Therefore, Owner desires to amend the Annexation Agreement on the terms and conditions set forth herein, and City is agreeable to the proposed amendments set forth in this Amended Annexation Agreement.
4. Upon full execution, this Agreement shall supersede the Original Annexation Agreement, which will no longer have any force or effect.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties agree to amend and restate the Original Annexation Agreement in its entirety as follows:

AGREEMENT

1. City Approval of Annexation: The City has approved the annexation of the Property.

2. Affordable Housing:

A. Residential development on the Property as a whole shall provide for not less than one (1) affordable housing unit (each, an "AHU") for every ten (10) market-rate residential units (each an "MRU"). The timing of providing the required AHUs shall be controlled by Sections 2.B and 2.C below. As used herein, "affordable housing" shall have the definition assigned to such term in Section 1.3.300 of the Code.

B. The timeline for development of the AHUs shall be by reference to the total number of residential units approved as part of any master plans approved by the City pursuant to the Code concerning the Property:

- (i) First, the Owner may receive final occupancy approval for up to one-quarter of the MRUs permitted by a master plan before receiving final occupancy approval of any AHUs;
- (ii) Second, final occupancy approval for at least one-half of the AHUs permitted by a master plan (based upon the 1:10 ratio) must be received before any additional MRUs may receive final occupancy approval;
- (iii) Third, upon approval of final occupancy for at least one-half of the AHUs, the Owner may receive final occupancy approval for another one-quarter of the MRUs permitted by a master plan;
- (iv) Fourth, the Owner shall not receive approval for final occupancy for any additional MRUs until the requisite number of AHUs to correspond to such MRUs have received approval for final occupancy, using the 1:10 ratio. In other words, if the Owner seeks to receive final occupancy approval for an additional fifty (50) MRUs, it may not do so until five (5) additional AHUs have received final occupancy approval.

C. The timeline set forth in Section 2.B above may be modified as part of an initial master plan approval or as part of any subsequent master plan modification if requested by the Owner and approved by the review body. Any such adjustment of the timeline shall not require an amendment to this Agreement.

D. The AHUs shall be comprised of a mix of housing unit types and shall include at least some 2-bedroom and 3 or more bedroom units. The mix shall not be comprised of more than eighty percent (80%) of any one type of unit, nor less than twenty percent (20%) of units with two (2) or more bedrooms, without the approval of the City, which approval may be obtained in conjunction with any land use approval, including site plan, tentative or final subdivision plat, modification of approval, or a Type I administrative determination application. The developer of the AHUs shall determine the precise mix based upon a market analysis or needs assessment that examines the then-current market in and around the City of Sisters. As used herein, "type of unit" or "unit type" shall refer to the size of a unit by reference to the number of bedrooms: studio, 1-bedroom, 2-bedroom, or 3 or more bedrooms.

E. The Owner may build the required AHUs, may contract with other parties to develop and/or build them, or may sell or donate land to other parties to develop and/or build them.

F. The AHUs shall not qualify as AHUs unless and until they are subject to a deed restriction or other assurance, reasonably satisfactory to the City Manager and Planning Director, that the AHUs will remain affordable for not fewer than 20 years from the date of a certificate of occupancy.

3. Water Rights: Owner shall pay a fee of \$670 per equivalent dwelling unit ("EDU") for water mitigation based on the City's then-current schedule of EDUs for particular uses. This fee shall be paid at the same time as system development charges ("SDCs") are due, at the time of building permit issuance. This fee is in addition to any water SDC or other SDC that may be required as a condition of development of the Property. If the City amends its water SDC to include a water mitigation component within its water SDC within 5 years of this Agreement, Owner shall pay to the City or City shall reimburse or provide SDC credits based on the difference between the \$670 EDU fee assessed and the actual SDC water mitigation component

4. Infrastructure: In recognition of a sewer facility up-grade contribution by the Owner, 131 EDUs of sewer capacity were reserved and are available for use on the Property. If proposed development on the Property exceeds 131 EDUs, the City may require Owner to provide an additional sewer capacity analysis, as specified in the Code. Pursuant to Code provisions, the City may also require Owner to construct (at Owner's expense) appropriate mitigation measures (including payment of mitigation fees) or infrastructure improvements necessary to provide additional capacity required by development.

5. Master Plan: Owner shall not submit any development application or seek to divide or subdivide the Property in any manner that results in a parcel that is less than ten (10) acres in size until Owner has obtained final approval of a master plan governing the applicable portion of the Property consistent with the Code. If multiple master plans are proposed, each master plan and corresponding development shall be required to individually demonstrate compliance with the terms and conditions of this Agreement, including that each master plan satisfy the ratio and timing of providing required AHUs. Notwithstanding the foregoing, the required amount of public space described in Section 6 may be aggregated across master plans.

6. Public Space: Owner shall assure that a minimum of 1.5 acres of the Property is publicly accessible parks, open space, trails, or other recreational amenities. Public access may occur via public dedication (if accepted by the applicable public body), public access easement(s), or any other mechanism that assures, to the City's reasonable satisfaction, that the land will remain accessible by the public for recreational uses.

7. Mediation: In the event the parties have a dispute as to any of the terms or applicability of this Agreement, the parties agree to use their best efforts to resolve the dispute through a mutually-acceptable mediation process prior to any party filing a lawsuit. Each party participating in mediation shall pay its own costs of mediation, including their proportionate share of the compensation of the mediator selected by the parties. If a mediator has not been selected by the parties within thirty (30) days after one of the parties has requested that a dispute arising under this Agreement be mediated, then any of the parties may commence a lawsuit or

commence such other method of pursuing such remedies as may be available to any of the parties.

8. Defaults: A failure to comply with the terms of this Agreement shall constitute a default hereunder. The party in default shall have thirty (30) days, after receiving written notice from the other party of the event of default to cure that default. If the default is not cured within that time period, the non-defaulting party may sue the defaulting party for specific performance under this Agreement or for damages or both; or may pursue such other remedies as may be available. The prevailing party in any such action or any other action to interpret, enforce, or rescind this Agreement, including without limitation any proceeding under the United States Bankruptcy Code, shall be entitled to recover its costs, expert witness fees, and attorney fees from the other party as well as any such costs incurred in any resulting appeal.

9. Beneficiaries: This Agreement shall inure to the benefit or and shall be binding upon the Owner and City, their respective successors and assigns (and any liability shall be joint and several), and any other party within an interest in the Property. This Agreement is intended to and shall run with the Property as it presently exists or as it may be divided or reconfigured in the future. Owner will provide proof of recording this Agreement against the Property within 10 days of the approval of this Agreement.

10. Recitals: The Recitals are hereby incorporated into this Agreement as if set forth fully herein.

11. Amendment; Waiver; Severability. This Agreement may be amended only by a written document signed by the party against whom enforcement is sought. No waiver will be binding on a party unless it is in writing and signed by the party making the waiver. A party's waiver of a breach of a provision of this Agreement will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. If a provision of this Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Agreement will not be impaired.

12. Certification. This Agreement is executed on behalf of the City of Sisters after approval by the City Council pursuant to resolution at a duly noticed and constituted meeting on May 24, 2017.

13. Effective Date. This Agreement shall not become effective unless and until the underlying land use decision in Planning File No. A- 17-01 becomes final for all purposes (the "Effective Date").

IN WITNESS WHEREOF, the Owner and the City have caused this Agreement to be duly signed in their respective names by their duly authorized officers as of the Effective Date.

CITY OF SISTERS

Rick Allen, City Manager

MCKENZIE MEADOWS VILLAGE, LLC

Bill Willitts, Managing Member

(notaries on next page)

