



Oregon

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Director of Planning
City of Madras
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Madras, Oregon 97741

Subject: Madras Urbanization Study Final Report
Local file no.: TA-07-01; State file no.: Madras PAPA 002-07

Dear Chuck:

Thank you for providing the department with the opportunity to review and comment on proposed amendments to the housing and economic development elements of the city's comprehensive plan which are included in the Madras Urbanization Study. The Study has prepared both a housing and economic needs analysis for a 20-year period to 2027 and a fifty-year period to 2057. The housing analysis has been developed to meet, in part, the requirements of Statewide Planning Goal 10. The economic needs analysis has been developed to meet, in part, the requirements of Statewide Planning Goal 9.

Our review has provided a number of concerns about portions of the Study, which the city should address before public hearings begin. Several of the issues raised by the Urbanization Study are significant concerns, and the department would support a meeting over this matter with city and county staffs in the near future. We believe this discussion could be fruitful in assisting the city toward a solution that is best for the city and is consistent with the state's planning laws. Our general comments follow.

General Comments:

From a public policy perspective, while much of the Study is devoted to policies promoting "high end" and economically concentrated housing for wealthy baby boomers, retirees and second home buyers, many of them domestic migrants to the Central Oregon region, it does not provide an adequate analysis of how this emphasis on "high end" housing may adversely affect housing affordability for low- and medium-income households, and generally, the city's current and future employment base. This is inconsistent with the Study's own assertion that continued immigration

will increase housing needs for the city's relatively large and generally non-affluent Hispanic population.¹ Furthermore, the Study appears to rely significantly on the state's new Deer Ridge Correctional Institution for helping to fill a "high end" housing demand, even though the Study reports an average correctional institution salary of \$44,000.² Failure to provide a balanced analysis of this growth dichotomy does not appear to satisfy the requirements of Goal 10-Housing. Goal 10 requires that the city's housing element show how different types and densities of housing will be planned so that rents and prices are commensurate with income levels throughout the community, not just for one segment of the community.

Housing needs - The Housing Needs Analysis appears to have been tailored to the city's desire for more housing for higher income households. Goal 10 and related statutes and rules require Oregon cities to "encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households." The analysis includes data demonstrating the need for other housing types for other segments of the city's population³, but it doesn't address how those needs will be met; it addresses only an alleged need for a narrow range of higher income residents who have more housing options.⁴ Higher income households can buy or rent lower-priced housing, but low- and middle-income households can't buy or rent high-priced housing.

The analysis doesn't demonstrate that higher income residents are unable to find housing in Madras. On the contrary, the report fails to mention Yarrow, a 900-acre, high-end PUD with golf course, mountain views, and home lots ranging from 6,100 to 18,000 square feet, in the hills on the east side of Madras, which is under construction and close to the prison site. We do not understand the statement on page 4-6 that "Madras does not have any neighborhoods of this type," and the statement on page 4-17 that "Madras does not currently have any comparable [high-end housing with amenities] developments."

The data does not support the city's belief that the new prison will create jobs that will require more high-end housing, particularly more high-end housing than will be available in the 900-acre Yarrow golf course PUD. In fact, the data indicate the opposite: the average annual wage for the 507 prison employees -- all of whom may not live in Madras -- is expected to be about \$44,000, and the average annual wage of all employment in Madras after the prison opens (*i.e.*, prison employment plus all other employment) is expected to be \$23,481, lower than it was in 1999.⁵

1 Madras Urbanization Study, pg. 4-14.

2 The department understands that the average salary from the Deer Ridge Correctional Institution is closer to \$37,000, not \$44,000 as reported in the Study. We are attaching several runs of the Oregon Housing and Community Services "Affordability Calculator" to illustrate how household income relates to an affordable housing price. Either figure, however, does not demonstrate a sufficient number of high income residents that would support the proposed policy priority for high-end golf course housing developments.

3 For example:

(a) Madras has, and is expected to continue to have, a large Hispanic population (see pages 4-9, 4-14, and 4-25). It is unlikely that high-income golf course communities will meet most or all of their housing needs.

(b) In 2000, about 36% of Madras households experienced cost burden (see page 4-29).

(c) The 2000 Census data show that a deficit of 174 dwellings in Madras for households earning less than \$15,000 per year (see page 4-31).

4 The analysis turns the concept of affordable housing on its head. It discusses affordability in terms of high-end housing in Madras as compared to high-end housing in other Central Oregon communities. (See page 4-19.) Also, the consultants acknowledge that the Model identifies housing need in the lowest price ranges but dismiss the city's requirement to address this Goal 10 need because the private market would not provide all of these units (see page 4-36).

5 See page 4-21. These projections were made in 1999 and have apparently not been updated.

The analysis mentions that the 829 new households in Jefferson County will include families of prisoners,⁶ but it doesn't address their housing needs.⁷

Market demand is not the same as need under Goal 10. The city wants to capture some portion of the current and anticipated future demand in the Central Oregon region for high-end housing in the form of large-scale destination resort-like and planned communities with golf courses. It appears the City is emphasizing the provision of housing to attract wealthy retirees, instead of providing needed housing for existing and future residents based on a coordinated population forecast, as required by Goals 10 and 14.

Goal 10 is not satisfied by citing a national trend of baby boomers "getting ready for retirement and deciding where they want to spend their golden years, "a strong demand for pre-retirement second homes that will eventually become permanent residents;" and a segment of boomers and retirees who are attracted to "so-called active adult retirement communities."⁸ There must be a firmer foundation for planning the next 20 years than: "If appropriate housing choices are available, Madras *could* become attractive to baby boomers, retirees and second home buyers"⁹ [emphasis added].¹⁰ The analysis does not demonstrate why current high-end housing and destination resort trends in Bend and Deschutes County are applicable to the City of Madras.

The analysis does not attempt to resolve the conflict between a high vacancy rate (see page 4-10) and residents' housing needs. The unusually high vacancy rates for both single-family and multiple-family homes in a non-resort, non-college town indicates that some of the housing supply doesn't meet residents' needs.

The following statement on page 4-17 isn't supported with substantial evidences: "When a community fails to provide an adequate amount of land for higher-income households, demographics may be created that place a disproportionate burden on social services, without the attendant tax base to support the provision of such services." One of the problems with this statement is the implication that housing, even higher income housing, is a sufficient tax base to support a city. Madras needs employment – commercial and industrial development – more than high-end housing to maintain an adequate tax base. Another problem is the implication that Madras has too many people who use public social services.

The report states that the consultants used the Oregon Housing and Community Services Department's Housing Needs Model¹¹, but there is no evidence that the Model suggests that the city's need is for more golf course PUDs.¹² A golf course PUD has already been planned at the Yarrow development.

6 Page 4-22. If the average prison salary is \$44,000 a year, most prison employees will not be able to afford "higher end housing with amenities."

7 It is unlikely that high-income golf course communities will meet the housing needs of prison families.

8 Page 4-13.

9 Page 4-14.

10 It's also too tenuous to base a 20- or 50-year residential land supply on the possibility that "as young families mature and upgrade their housing, Madras will have an increased chance of retaining these families if higher end housing is available" (see page 4-23).

11 Page 4-32.

12 Further, the output of the Model is determined by the assumptions put in by the consultants. Since the consultants "adjusted the demographic and income assumptions to account for the impacts of the Deer Creek Correctional Facility," (page A-3) by assuming an increased need for higher-priced housing units in subdivisions with amenities due to the prison, it isn't surprising that the Model predicts a need for more higher-end ownership units (see pages 4-33 and 4-34).

Housing densities - Madras currently has an average housing density of three dwellings per acre in its three residential zones.¹³ If the city continues to develop at this density as it grows, it will face issues not only of affordability (*i.e.*, larger lots cost more to buy and develop than smaller lots), but also of high infrastructure construction and maintenance costs. Large-lot single-family development requires more sanitary sewer, water, and street/road facilities per unit than small-lot detached single-family housing, town homes, condominiums, or apartments require. At the same time, large-lot single-family development doesn't generate enough tax revenue to cover the cost to provide it with public facilities and services. The citizens of Madras may well find themselves increasingly subsidizing new infrastructure for large-lot and low density residential development..

Also, if the city grows at its current residential densities, it is likely to find itself in a land use conundrum. It will run out of land within its urban growth boundary (UGB), but it will not be able to justify adding land to its UGB because it did not efficiently use the land it had.¹⁴ We strongly urge the city to take measures -- including the ones recommended in the June 2007 TGM Program code audit final report by Angelo Planning Associates -- to increase development efficiency while meeting the housing needs of Madras's lower- and middle-income residents.¹⁵ The average assumed residential density of 4.5 units per acre (page 4-37 and Table 4-17) is certainly an improvement over the current three units per acre, but the city should strive for more than this in order to limit its conversion of surrounding rural land to urban uses and avoid the treadmill of increasingly costly public facilities and services.¹⁶

Buildable lands - Land occupied by jurisdictional and other inventoried wetlands (and other Goal 5 resources) may be considered unbuildable if prohibited from development in the city's land use regulations. It isn't clear in the report that this standard was followed. Also, parcels within 100-year floodplains should be considered buildable if the city permits development on them. All such land was excluded.

Use of Urbanization Study to justify future boundary expansions - While the Urbanization Study addresses long-term issues and land needs for both housing and economic development, it does not include a proposal to expand the city's urban growth boundary (UGB) under Goal 14, ORS 197.298, and OAR 660, division 024, or to designate an urban reserve area under ORS 195.145 and OAR 660, division 021. We understand that the city does intend to use components of the Urbanization Study in the future for either a UGB or urban reserve proposal. Please note that any future proposal will be required to demonstrate compliance with the above-cited state laws for

13 The average densities per zone are 2.3 units per acre in the R-1 Single-Family zone, 4.8 in the R-2 Multiple Family zone, and 6.4 in the R-3 Mixed Residential zone. The R-1 and R-2 zones alone account for 98% of the residential land in Madras (see Table 4-3).

14 Statewide Planning Goal 14: Urbanization, ORS 197.298, and OAR 660, division 024.

15 Angelo Report recommendations include: smaller minimum lot sizes; average lot size standards that allow both smaller and larger lots; minimum density standards for subdivisions; a new high-density residential zone; permitting townhouses (single-family attached housing), accessory dwelling units, duplexes, apartments, manufactured homes, and other affordable housing types not currently permitted in some or all residential zones, adopting design standards for compatibility in neighborhoods. Other regulatory measures to increase development efficiency include rezoning some commercial or industrial land not needed for those uses to residential, or rezoning some low density residential land to medium- or high-density residential; revising zones to increase permitted densities; and making it easier for oversized lots to be partitioned and developed.

16 Reasonable minimum-maximum residential density ranges for a fast-growing Central Oregon city the size of Madras on a major state highway connecting it with a larger metropolitan area like Bend/Redmond are 4-7 units per acre for low density residential, 7-12 for medium-density residential, and 12-20 for high density residential.

UGB amendments and urban reserves. We believe that the comments contained in this letter will assist the city in making the necessary findings for any such boundary or urban reserve proposal.

Economic development - The department has no comments on the Study's Economic Opportunities Analysis at this time.

Specific Comments:

The following specific comments are a result of the department's review of the plan amendment submittal.

Page 2-1, paragraph 2, second sentence: Please state that the Jefferson County population forecast was both coordinated and adopted in 2006, and reference the adoption date. Clarify that the city will use the County-approved forecast in Tables 2-1 and 2-4, and as the basis for other population-based projections found in the study.

Page 4-17, paragraph 1: The study states that Madras does not currently have any developments that are comparable to those "high end" developments described on the previous page and in other areas of the report. This appears to be misleading, since the city has approved, and major construction has commenced at, the "Yarrow" master planned community. The Study needs to be updated to accurately reflect the role of the Yarrow development in its housing density and needs analysis.

Page 4-18, paragraph 2: The Study cites a 1993 household survey on housing choice and location. It is very likely that this survey is no longer valid in today's market, given changes in the price of automobile fuels and interest rates since 1993. A more likely factor in consumer housing choice in Central Oregon is relative housing affordability, which each city is obligated to resolve for its own households, including its local work force. Deschutes and Crook County cities are obligated to prepare plans that address their work force and affordable housing needs, just as Madras is. Finally, the following paragraphs should compare relative median household wages when comparing relative housing prices between communities.

Page 4-23, paragraph 2: The Study concludes that the Deer Ridge Correctional Institution will require development of large scale "high end" housing with amenities similar to the Brooks Resources' Ironhorse development in Prineville and Northwest Crossing development in Bend. However, this conclusion doesn't appear consistent with the previous discussion of correctional institution salaries. While the department strongly supports improving the city's housing stock, it should focus on improved housing opportunities for lower- and moderate-income households, as well as existing and new higher-income households, at locations throughout the community, per Goal 10's requirements.

Page 4-29, Paragraph 2: The paragraph discusses direct and indirect average wages resulting from the Deer Ridge Correctional Institution and then concludes that "even the lower paid new (rental) households (related to prison economy) are not expected to experience cost burden. The conclusion should include a qualification that it is based on the premise that there will be an adequate land supply and inventory of rental housing in Madras' future.

Page 4-29, Table 4-11: The high level of homeowners who are already cost burdened suggest that Madras housing prices are already relatively high compared to local wages and affordability for work force households may be eroding. This trend is supported by a major report recently published by Housing Works, based in Redmond.¹⁷

Page 4-30, Table 4-12: Using 2000 housing price data does not reflect what has occurred since 2000 and changing relationships between home prices and household wages. While wages have remained largely flat during the 2000-2006 period, housing prices have increased significantly. The Table's 2000 data needs to reflect more current data.

Page 4-31, last paragraph: The Study appears to be "forcing" the master planned community as an answer to the city's housing needs. The Study should acknowledge and account for the portion of the Yarrow development that is approved and in the UGB. The city's best tool for providing comparable housing is to assure that the proper mix of owner and renter housing types are provided through its allocation of needed residential land uses, pursuant to Goal 10.

Page 4-33, Paragraph 2: We agree that the city's projected housing needs should be based on a 65% to 35% split between ownership and renter housing, respectively. If 72% of housing is projected to be single-family types, then the Study is assuming that 7% of single-family housing will be rented during the planning period. This is a reasonable number, given the city's housing history and projected demographics. This leaves the need for the remaining 28% of new housing to be other types (non-single-family) of rental units.

Page 4-34: Identification of numbers of needed low-cost rental (250 units) and low-cost ownership units (700 units) needs to be addressed with land use policies that will produce these needed units. These units are critical to maintaining decent and affordable workforce housing for many lower wage service and retail sector workers. The Study also identifies a need for 392 higher-cost rental units, which we believe will be built as mostly single-family detached and attached units. Finally, the Study identifies a need for 341 higher-cost ownership units, but does not appear account for the approved units at the Yarrow development. Again, the Study needs to be updated to account for the approved Yarrow development.

Page 4-35, Paragraph 1: There appears to be a basic misunderstanding of the OHCS Housing Needs Model and its major premise which relates long-term household income and housing price trends. The Model assumes, based on the long-standing historic trend, that over the long run, housing price and wage increases tend to parallel each other, although short-term market trends in both housing and wages often diverge and are sometimes quite disparate, as they are today in Central Oregon. The paragraph should reflect this Model assumption.

Page 4-36, Paragraph 1: The Study fails to recognize that a city's planning requirements can strategically lead builders to construct housing sizes and types that are more affordable and thereby produce significant amounts of more affordable housing for the community, assuming that there are an adequate land supply and adequate public facilities. Housing subsidies are only needed for the last increment of needed housing, if a city has taken its housing obligations seriously by asking the home building community to build the size and type of housing that

¹⁷ Housing Works, Central Oregon Workforce Housing Needs Assessment, July, 2006. This report is hereby incorporated by reference.

promotes affordability for the local workforce.

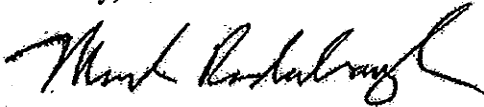
Page 4-37, Table 4-16; Page 4-38, Table 4-17 and related text: The assignment of housing types does not align with the city's 65%-35%, owner-renter mix which was accurately reported on Page 4-33. Condos and townhouses are typically owner-occupied units, along with single-family detached and manufacture units. If these units are added together, then single-family account for 79% of the projected future housing stock. Meanwhile, the city's projected ownership rate is still 65%, or 14% less than the combined single-family total of the above housing stock. It is very unlikely that 14% of this combined housing stock will be rental units. From the information we have gleaned from the Study, it appears that about 7% of the combined single-family, condo and townhouses housing stock will be rental units. This leave a rental housing shortfall of 7% in both Tables, once a 21% multifamily rental allocation is included. This suggests that the Study needs to add additional multifamily units so that the 35% rental housing needs target can be met. Otherwise, the city will not meet Goal 10 because it is proposing the wrong mix of housing types, and at the expense of needed renter housing.

Once the city has adjusted the housing mix in Table 4-16 to meet it owner-renter target, then the land use allocation and summary of density needs to be revised in Table 4-17 to reflect the proper owner-renter mix.

Please place this letter in the record of proceedings concerning this matter. Please inform and provide the department with any pertinent new information concerning this proposed plan amendment. Please provide the department notice of any hearing continuation(s) that is related to this proposal.

Again, the department is very supportive of a meeting between the city and department. We are very interested in finding a solution that is best for the city and which remains consistent with the state's planning laws.

Sincerely,



Mark Radabaugh
Central Oregon Region Representative

c: Sandy Mathewson, Jefferson County Planning Department
Darren Nichols, DLCD
Rob Hallyburton, DLCD
Gloria Gardiner, DLCD
Steve Oulman, DLCD

