

CLIMATE-FRIENDLY AREA MARKET FEASIBILITY

Summary of Key Findings



These key findings summarize the results of nine market studies across Oregon—Albany, Ashland, Bend, Central Point, Eugene, Gladstone, Grants Pass, Medford, and Springfield.

MARKET STUDIES OVERVIEW

The Climate-Friendly and Equitable Communities (CFEC) program directs 15 metropolitan areas to designate Climate-Friendly Areas (CFAs) with capacity to accommodate 30 percent of each city's projected housing need for a 20-year planning horizon.

Zoning in these areas will allow and encourage higher residential densities, mixed uses, walkable design, and transit accessibility so that residents can meet more of their daily needs without driving long distances. The success of CFAs in meeting these goals depends in part on current market conditions. Zoning standards are often misaligned with market demand and development costs, which can result in either a lack of financial feasibility and investment, or lower density development with higher rents. Understanding the local market, such as the types and sizes of homes in demand and the price tolerances of renters and buyers, is an important consideration for calibrating zoning standards.

As part of the process of identifying and evaluating potential CFAs, the Department of Land Conservation and Development (DLCD) funded nine cities to perform market studies to better understand what is likely to be developed under zoning rules and within the local development environment.

The CFA Market Studies Explored Various Questions for Each Jurisdiction

- Which areas within our city have the strongest market for CFA-style development?
- How should we adjust CFA scale and development regulations to best facilitate housing development in the near-term?
- How can incentives affect the feasibility of different housing types?
- Would the current market be likely to support mixed-use buildings?
- Would the market support a requirement for ground-floor commercial with new residential development?
- How does our expected housing capacity change based on current development feasibility?



Many development types are feasible

especially low- to mid-rise residential without commercial uses. These are the most likely to be delivered by the market.

Redevelopment will be incremental

and occur in places that already are walkable or have transit access, and are low-value sites or vacant parcels.

Tax abatements, grants, and fee waivers increase feasibility

for higher-density housing, and are most successful when combined with transportation and infrastructure investments.

LOW- TO MID-RISE DEVELOPMENT IS FEASIBLE IN ALL MARKETS

The most common type of feasible housing development across all nine CFA market studies are attached middle housing types (duplex, tri-, quad-, and townhomes) and apartments because they are more affordable to build and are supported by current rents and home prices in these communities. In every city studied, there were also areas where 3-story walk-up apartments are feasible. These housing types help meet CFEC density requirements that encourage compact development that lessens the need for long car trips.

Housing Type Feasibility Matrix

HOUSING TYPE	FEASIBLE NOW	FEASIBLE W/ INCENTIVES
Attached Middle Housing	All CFAs	
3-Story Walk-Ups	Most CFAs	
4–5-Story Apartments	Few CFAs	Most CFAs
Mixed-Use with Retail	Few CFAs	Some CFAs
6+ Story Mixed-Use	No CFAs	Few CFAs



Attached Middle Housing



3-Story Walk-Ups

FEASIBLE NOW



4–5-Story Apartments



Mixed-Use with Retail

FEASIBLE WITH
INCENTIVES



Single-use multifamily is currently more feasible than mixed-use.

The market studies consistently show that the private market can support some forms of compact housing today (walk-up apartments and townhomes), while taller mixed-use remains challenging without incentives. In many markets, single-use multifamily developments are more feasible than mixed-use multifamily developments because the achievable retail rents are not high enough to offset the added construction costs of incorporating retail into the building. Mixed-use buildings are more expensive to manage and are seen by lenders as riskier investments, requiring higher returns.



Incentives and rent growth improve feasibility for larger-scale multifamily housing over time.

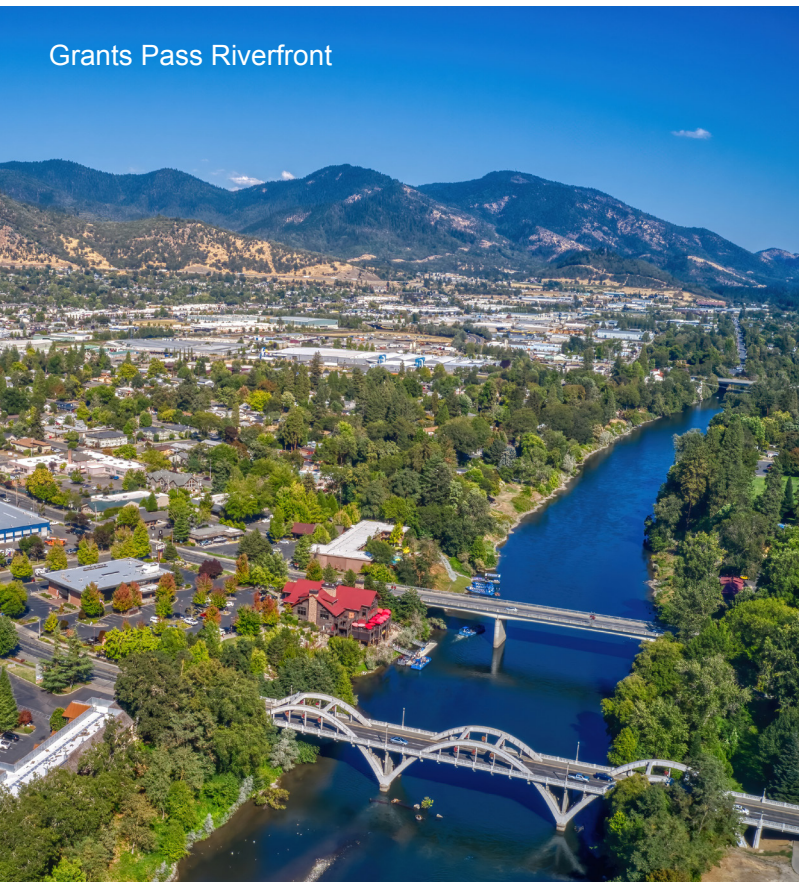
Small multi-family buildings with two to six units, up to 3-story walk-up apartments on low-cost or vacant and underutilized sites are feasible in the near term. Tax abatements like Multiple-Unit Property Tax Exemption (MUPTTE) or Vertical Housing Development Zones (VHDZ), public realm improvements, and infrastructure investments could support future development of 4-story buildings (Salem, Medford, Central Point) or 6-story buildings and larger (Bend, Salem, Springfield).



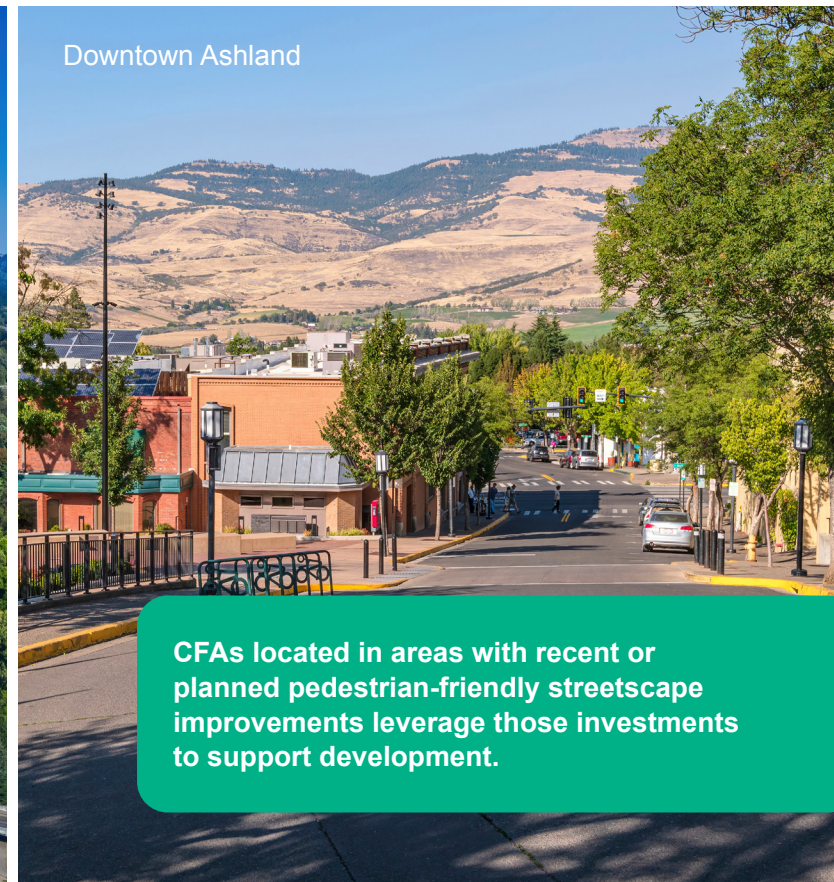
Climate-friendly area zoning will facilitate more intensive development.

Cities and counties adopting climate-friendly areas must also adopt zoning changes that will facilitate development. Regulations within CFAs will either remove parking mandates or establish parking management in these areas. Although CFAs may include ground-floor commercial requirements, they are not required to do so. There is no requirement for mixed uses on individual development sites within CFAs. Lastly, CFAs may not include density maximums, meaning that development standards such as allowed building heights, setbacks, and similar regulations will effectively establish development allowances.

Grants Pass Riverfront



Downtown Ashland



CFAs located in areas with recent or planned pedestrian-friendly streetscape improvements leverage those investments to support development.

MARKET CONSTRAINTS FOR CFAs & OTHER MIXED-USE AREA DEVELOPMENT

Cost to build taller multifamily buildings exceeds market rents. High construction costs make taller buildings challenging or unfeasible.

- Woodframe buildings have lower construction costs, and are most commonly 2 or 3 stories.
- Building codes require 4-story multifamily to meet commercial standards for fire-rated materials, sprinkler systems, and elevators, increasing the overall costs of development.
- Accommodating market demand for off-street parking often requires expensive structured or semi-structured parking (located on the ground floor). Buildings without parking usually have to offer lower rents in exchange, affecting development feasibility.
- In Southern Oregon, the cost of fire insurance adds to the costs of development, even in urbanized areas.

Some areas require infrastructure investments to become ready for development or accommodate higher densities.

- Study areas with master planning potential can support an integrated mix of uses and housing types more effectively than piece-meal development, but often require significant up-front infrastructure investments to make development possible.
- For adding infill density, increasing the capacity of electrical service can require negotiating easements on already-developed land.


Auto-oriented street design limits market opportunities for walkable development.

- Many corridors evaluated in the market studies have wide streets designed for cars that are less compatible with walkable, mixed-use developments.
- Investments in transit, infrastructure, and streetscape improvements that support walkability would improve developer interest in designing pedestrian-friendly projects.

Smaller parcel sizes limit larger development opportunities.

- Potential CFAs that are already walkable (such as historic downtowns) tend to have smaller parcels, which are less conducive to higher density development unless parcels can be combined.
- Smaller parcels do offer options for increasing density with building types that are feasible today.

Downtown Albany



Common market constraints include high construction costs, current achievable rents, and design challenges.