



## Housing Action Plan Scope of Work

### Work Plan

#### Task 1: Project Kickoff

Task 1 is starting the project off, through a meeting with city staff to discuss the purpose of the project and to revise the project scope and schedule as needed. The meeting would focus on refining the project scope and schedule, as needed. It would also include identification of key issues for the project, including potential obstacles for developing the Strategy and desired outcomes of the project. To help facilitate the kickoff meeting, ECONorthwest will develop a draft outline of the strategy report and circulated it to the staff prior to the kickoff.

The product of the project kickoff will be revisions to the project scope and schedule, as well as identification of key issues and barriers to housing development.

#### Task 2: Land Available for Residential Development

The Oregon land use program requires cities to inventory vacant or partially vacant parcels regardless of their availability for development. This task will result in a more detailed assessment of land that is not only vacant and suitable for residential development, but also assesses the likelihood of the land being available for residential development in the short term (<5 years). That assessment will use ability to service the land and market availability as additional criteria.

As part of the 2007 Urbanization report, ECONorthwest developed a residential buildable lands inventory. We recommend beginning with the inventory of land that was vacant in the 2007 BLI and identify land that was: (1) vacant or partially vacant tax lots, (2) larger parcels (using a minimum threshold of somewhere between two and five acres), largely unconstrained. The Oregon land use program requires cities to inventory vacant or partially vacant parcels regardless of their availability for development.

ECONorthwest will provide staff with a map of the sites identified in the analysis above. Madras staff will identify parcels that have developed since 2007. In addition, public works staff will identify unserved parcels that would be difficult to serve. These parcels will be removed from the potential inventory of available land for residential development.

ECONorthwest will provide revised maps and list of sites identified in the analysis above. We will meet with city staff and stakeholders familiar with Madras' residential land base (i.e., real

estate professionals and developers). Through this meeting, we will identify the land that is more likely to be available for development over the next five or more years.

The product of this task will be a technical memorandum presenting the results of the available lands analysis, including maps.

### Task 3: Identification of Housing Development Barriers

ECONorthwest will identify of barriers to development of housing in Madras. We propose to develop the identification of barriers through a combination of technical analysis, review of Madras' development code, and interviews with key stakeholders.

#### *Technical analysis*

ECONorthwest will begin the analysis through examining the relationship between population and housing growth in Madras. This analysis will determine whether housing development has kept pace with growth of population. It will also examine the types of housing developed in Madras over to last 5 years, to identify the types of housing that are not being developed in the city.

The technical analysis would involve analysis of housing market conditions in Madras and development of a residual land value model. This task will assess the ability of private sector housing developers to build various housing products. ECONorthwest will develop residual land value models to conduct the assessment. Residual land value models look at how much it costs to build different housing products (including exactions, SDCs and other soft development costs) and compares that to achievable rents or sales prices. The models separate out land price as a fixed variable and compare costs and rents. If costs exceed achievable rents, private developers are unlikely to build the housing without subsidy or incentives.

The analysis will involve identifying land price, rents, and housing prices in Madras based on current market conditions. ECONorthwest will model a range of housing types (i.e., small single-family detached, single-family attached, manufactured homes, garden apartments, and other housing types as desired by the City; the analysis can also assess the impact of lot size on feasibility). This analysis will identify housing types where the residual land value is positive (indicating that development is potentially feasible) and housing types with negative residual land value (indicating that development is not financially feasible). In Task 5, ECONorthwest will identify actions that the City may take to address the negative residual land value.

#### *Code Review*

The purpose of this task is to review Madras' zoning code and identify current development standards and potential changes to lower housing development barriers. We will begin with examination of the standards and strategies developed by ECONorthwest for other jurisdictions and the housing policy options described in OAR 660-039. This will include examination of standards such as the types of housing permitted, lot sizes, whether accessory dwelling units are allowed, and other issues. ECONorthwest will ask City staff what regulatory barriers they

see are preventing housing from being constructed and ECONorthwest will identify potential regulatory changes to address known barriers.

### *Stakeholder Interviews*

ECONorthwest will work with the City to identify stakeholders to interview, focusing on real estate professionals, developers, affordable housing developers, organizations that address housing needs of people experiencing homelessness, and large employers. Broadly speaking the discussions with stakeholders will cover the following questions:

- What cities have you developed housing in and what types of residential product have you built?
- What factors influence the types of housing you build? What factors hinder you from building other types of housing (e.g. zoning/policy constraints, profitability, financing availability, lack of familiarity with developing other product types)?
- What are the most significant changes that would need to occur to develop other types of housing in Madras (e.g. policies, industry issues, economics, financing)?
- What are the biggest challenges to development in the Madras and does this differ from other cities in Central Oregon?
- How do the constraints differ for developing regulated affordable housing than market-rate housing?

ECONorthwest will also participated in at least two teleconferences with City and Central Oregon Intergovernmental Council (COIC) to exchange data and information gained through the City's Housing Action Plan and COIC's Regional Housing Needs Assessment. This is being done to ensure each planning effort is informing and the other.

The product of this task will be a technical memorandum presenting the results of the technical analysis, code review, and the assessment of housing barriers from discussions with developers and employers.

We will present the findings of Task 2 and 3 to a stakeholder group identified by the City. The purpose of the presentation will be to discuss the findings and identify potential strategies that the City should consider to lower barriers to housing development.

### *Task 4. Evaluation of Incentive Policies and Tools for Affordable Housing Development*

Based on the analysis in Tasks 2 and 3, ECONorthwest will work with Madras staff to identify up to six incentive policies and tools designed to stimulate the development of affordable housing, and to preserve and rehabilitate existing lower-cost housing. This may be done through modeling for various development products, with anticipated emphasis on multifamily rental projects serving 50- 80% MFI and possibly including owner-occupied housing types.

ECONorthwest will provide a preliminary assessment of the impact of various policies and tools on Madras' tax-base, revenue, fee structures, etc. as part of an assessment of the benefits

and fiscal impacts of each tool. The analysis of impact will be high-level, indicating the direction and magnitude of the impact of each tool.

#### Task 5: Construction Labor Deficit

As an optional, add-on task, ECONorthwest will work with the City and COIC to facilitate a round-table meeting with key stakeholders in the Central Oregon construction industry. The subject of the round-table meeting will be discussion of the deficits of skilled construction labor and identification of actions that should be taken to address the labor shortage.

It is probable that strategies will involve working with local schools (e.g., the Madras High School and Central Oregon Community College) and other stakeholders (e.g., High Desert Education Service District) about training programs. ECONorthwest will have discussions with key staff at these organizations about potential policies and actions to address the issues.

Based on the discussion at the round-table meeting, ECONorthwest will develop draft policies and actions for the City to take to begin addressing this issue. We will work with three to four key stakeholders from the round-table meeting and from educational institutions to review and provide input on the policies and actions.

The product would be a brief memorandum summarizing the issues and recommended policies and actions.

#### Task 6: Develop the Madras Housing Strategy

ECONorthwest will develop an analysis of policy options and strategies to address the barriers identified in Tasks 2 through 4. The analysis will consider policies that increase land use efficiency, increase diversity of housing types (e.g., increase production of smaller single-family detached housing and the Missing Middle housing types), and support development of low-income affordable housing through policies that lower the costs of development (e.g., tax exemptions for multifamily development, public-private partnerships, or use of urban renewal funding to support key types of housing development).

The identification of housing strategy options will build on work completed by ECONorthwest for other jurisdictions and the housing policy options described in Table 5 of OAR 660-038 (Measures to Accommodate Housing Needs). It will also include review of tools available to support development of low-income, workforce, and market-rate housing. The strategy will include specific development targets or other measurable criteria so the City can monitor the impact of the strategy over time. At the simplest level, this should include targets by housing type and price points. We note that the metrics may be similar to what the City's 2007 housing needs analysis identify, but would focus more on measuring the short-term (<5 years) impact of the strategy.

The strategy will focus on the tools reviewed in Task 4. The report will recommend an overall affordable housing approach that makes sense for Madras relative to target housing types and income levels served.

The housing strategy will include actions to evaluate and measure the City's progress on completing each action.

ECONorthwest will develop a draft housing strategy and action plan based on this analysis and discussions with City staff. We will present this draft to the stakeholder group identified by the City. The purpose of the presentation will be to discuss and refine the draft strategies and implementation actions.

The product of this task will be a memorandum with the final draft housing strategy and action plan. ECONorthwest will provide all data, GIS files, maps, and electronic files for use while implementing the Plan.

### **Budget and Schedule**

The cost proposed in this scope of work is:

- Tasks 1, 2, 3, 5, and 6: \$29,000
- Task 4: \$15,000, contingent on Madras receiving a grant from DLCD and the procurement requirements for contracting

Completing the analysis in Tasks 1, 2, 3, 5, and 6 would take about 5 months. Completion of Task 4 and updates to Task 5 will be contingent on the timing of the grant receipt from DLCD.