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# Ashland Housing Strategy Implementation Plan

City Council Study Session

May 6, 2019

*This project is funded by a grant from the Oregon Department of Land Conservation and Development (DLCD). The contents of this presentation do not necessarily reflect the views or the policies of the State of Oregon.*

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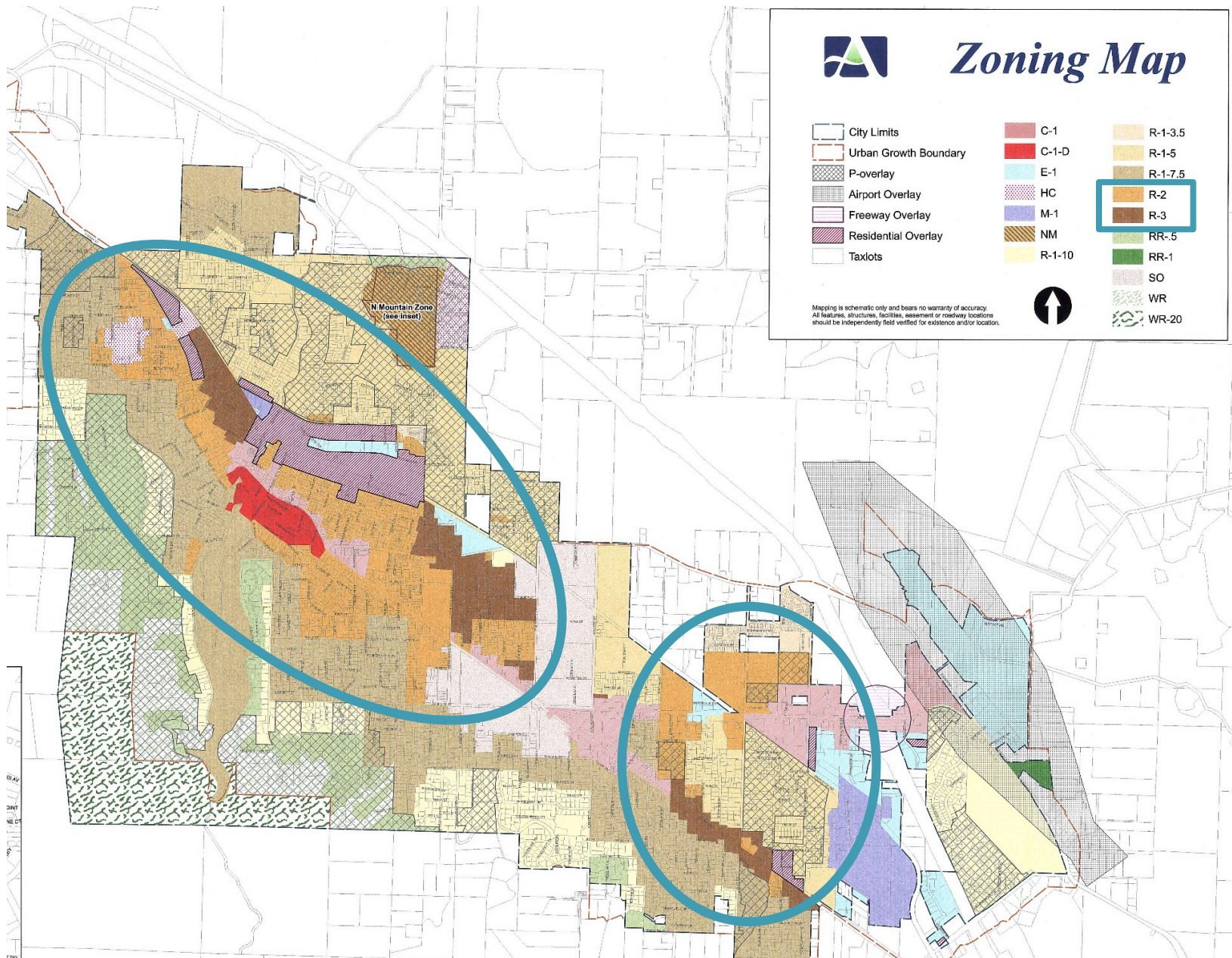
# Key Questions for this Analysis

What are the obstacles to multifamily rental housing development in Ashland?

Would changing development standards (height, density, lot coverage, parking) for multifamily in residential zones (R-2 and R-3) help?

Could the multiple unit property tax exemption (MUPTE) incentivize multifamily rental housing?

# Context: Where is the multifamily zoning?



- Gather and analyze demographic & market data
- Developer interviews
- Analyze prototypical housing developments



# Obstacles to Multifamily Rental Housing Development

# Obstacles to multifamily rental housing development

**Construction & land costs are high—  
requires premium rents / sales prices**



# Obstacles to multifamily rental housing development

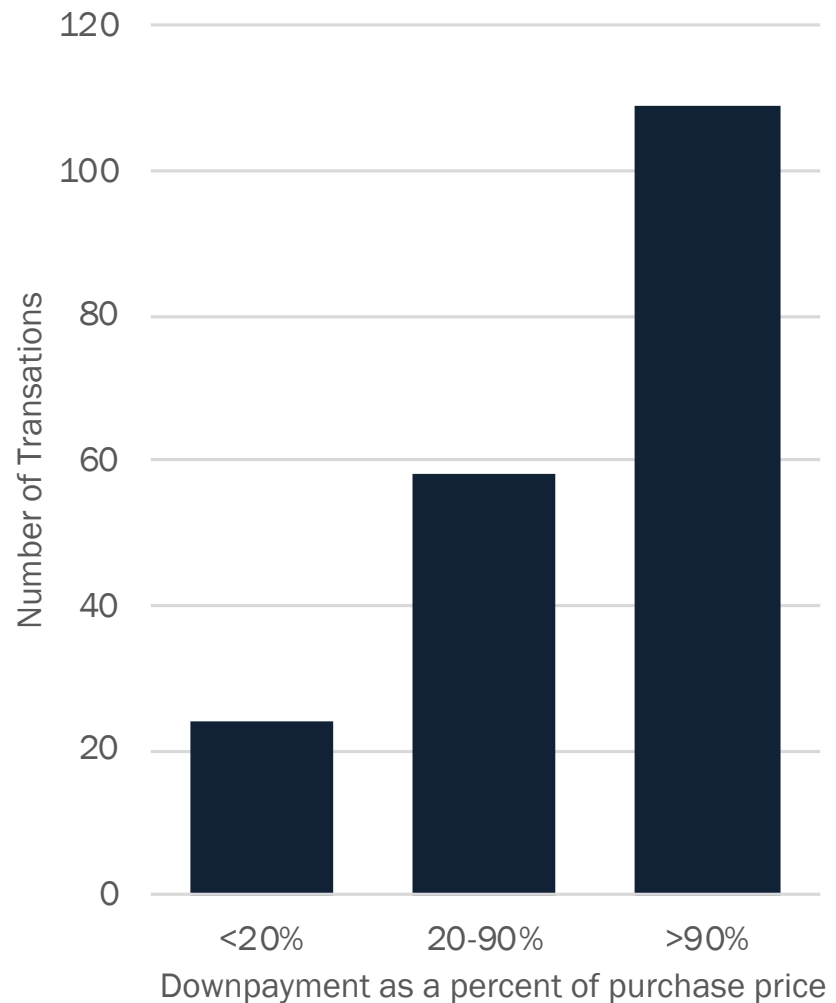
## Demand for rental housing mostly at lower income levels (not premium rents)



# Obstacles to multifamily rental housing development

Ownership market is stronger—higher-income buyers with equity from selling a home

Ashland condominium purchases: percent down-payment (2016-2018)



# Obstacles to multifamily rental housing development

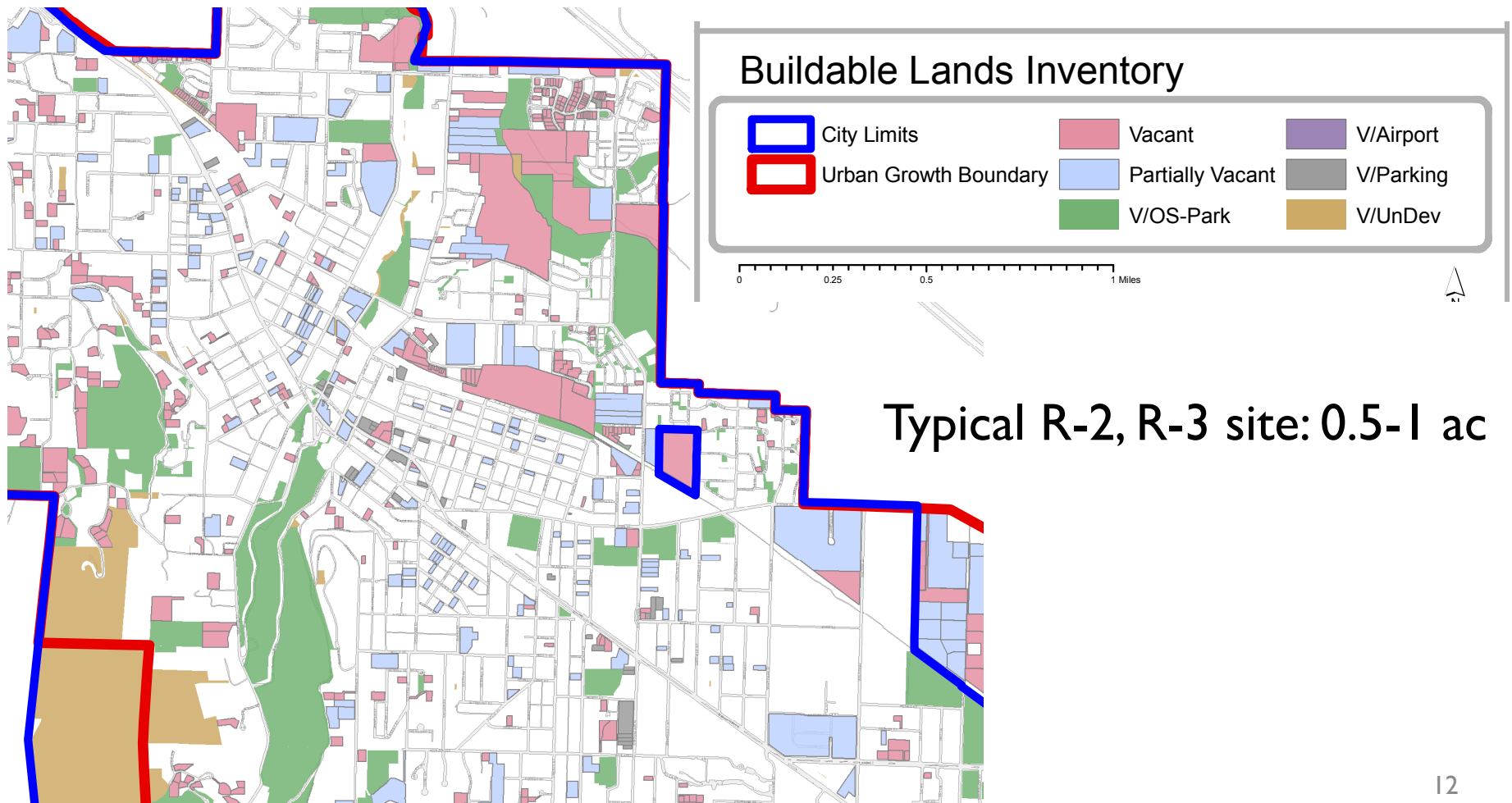
Financing for  
apartments is  
hard—large  
investment in a  
small market





# Testing Zoning Code, Part I: Development Capacity

## Part I: How many units fit on a typical site?

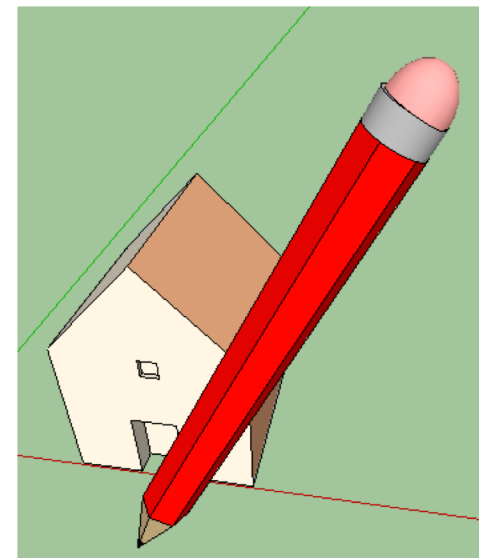


# Testing Zoning Code: What we Did

Create example buildings with maximum number of units allowed by current zoning

Tested variations in unit size & type:

- Rental: mix of studio, 1BR, 2BR, 3BR
- Rental: all studio
- Rental: all 4BR
- Condo: mix of 1BR, 2BR, 3BR (larger units)



# Testing Zoning Code: What we Did

Test changes to key development standards—how many additional units?

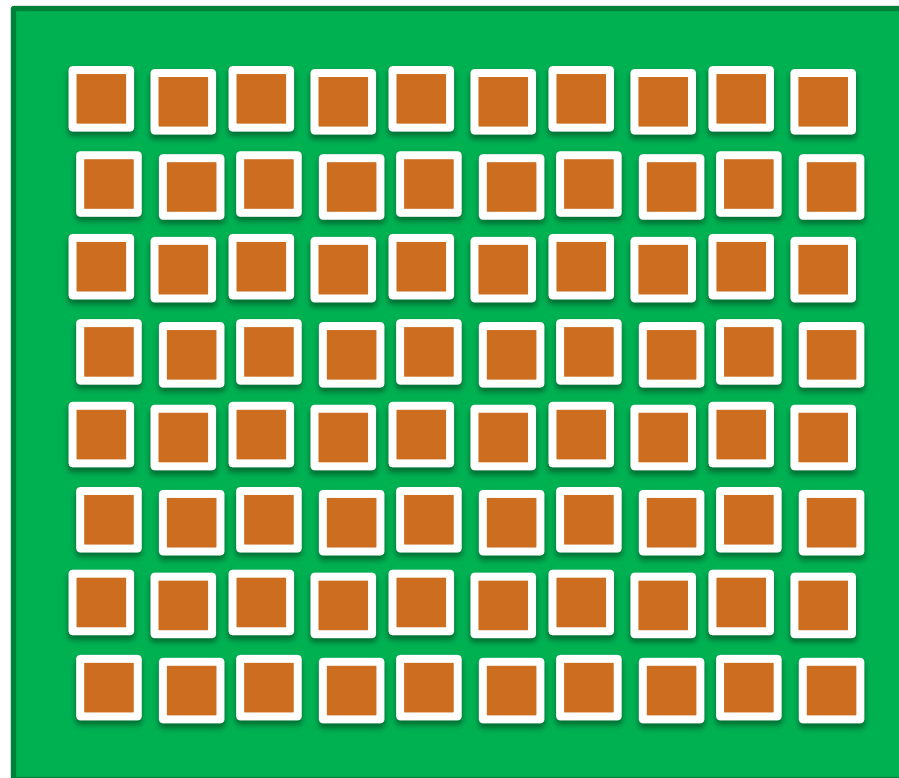
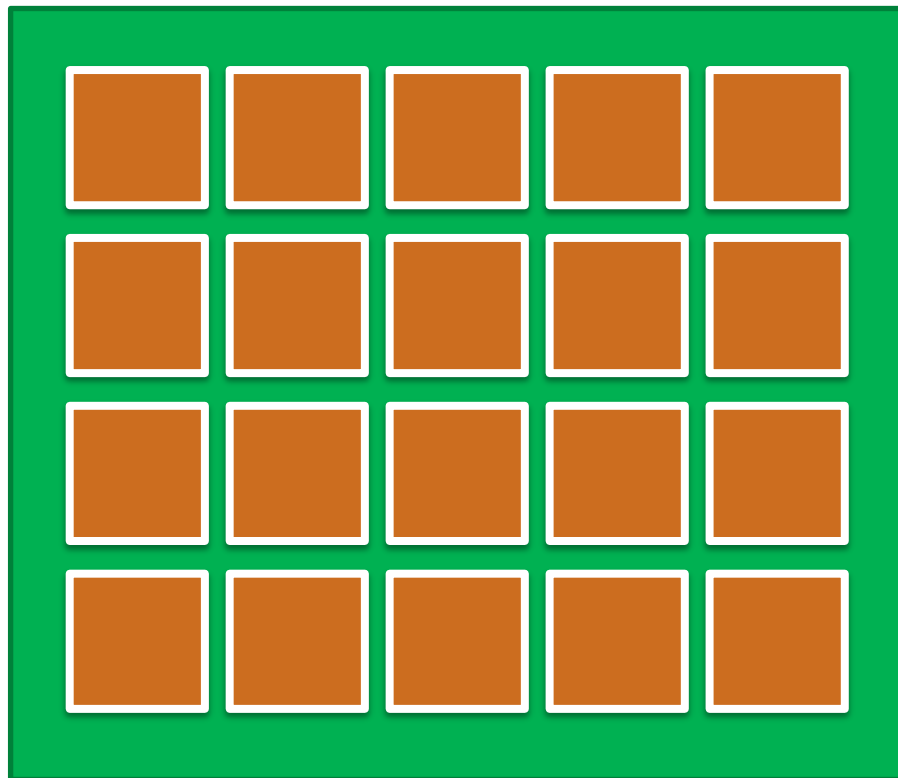
**Height:** 3 stories vs. 2.5 (R-3 only)



# Testing Zoning Code: What we Did

Test changes to key development standards—how many additional units?

**Density:** Fewer large units vs. more small units

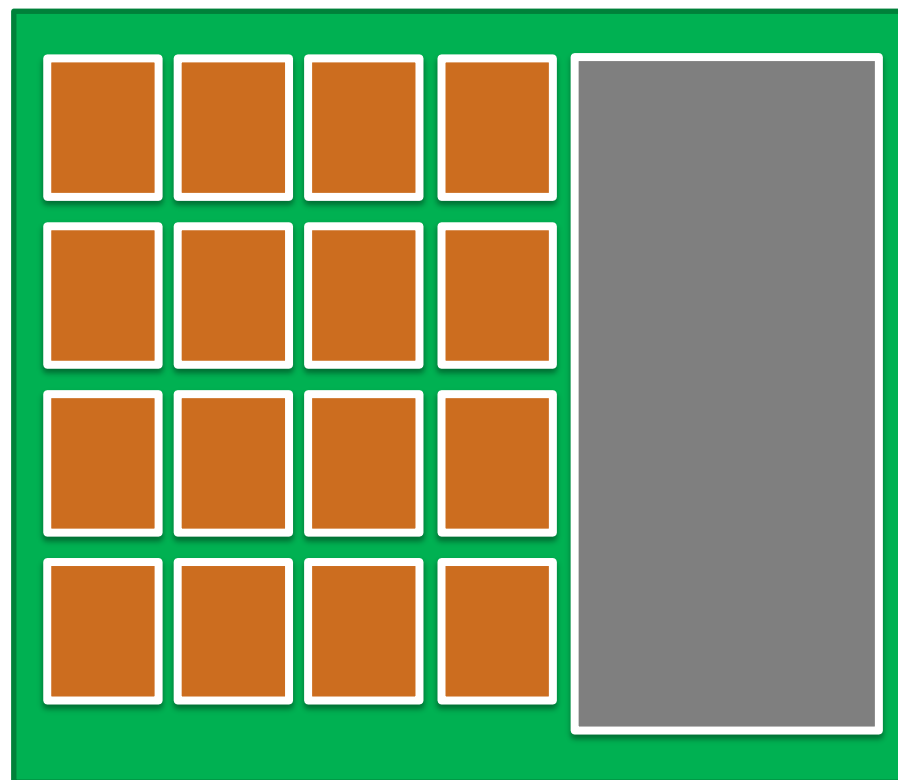
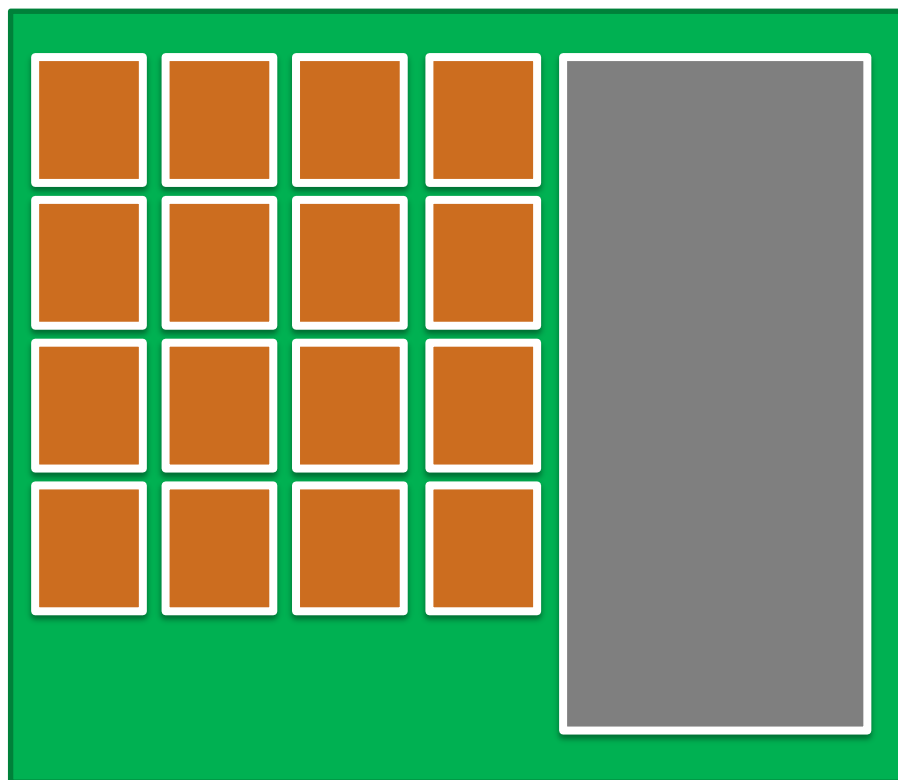




# Testing Zoning Code: What we Did

Test changes to key development standards—how many additional units?

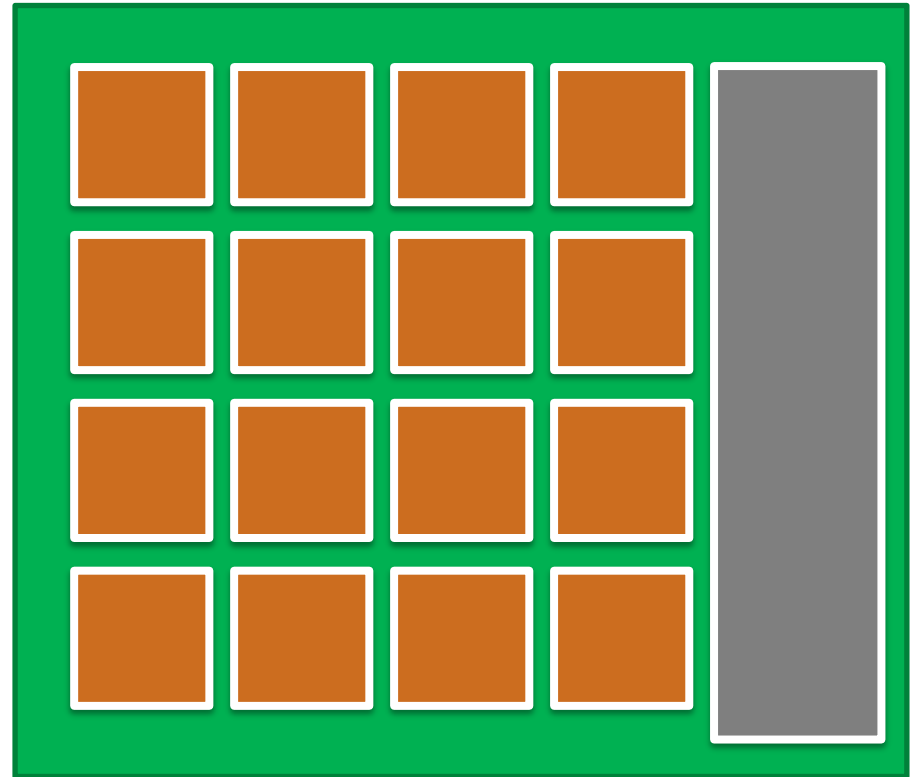
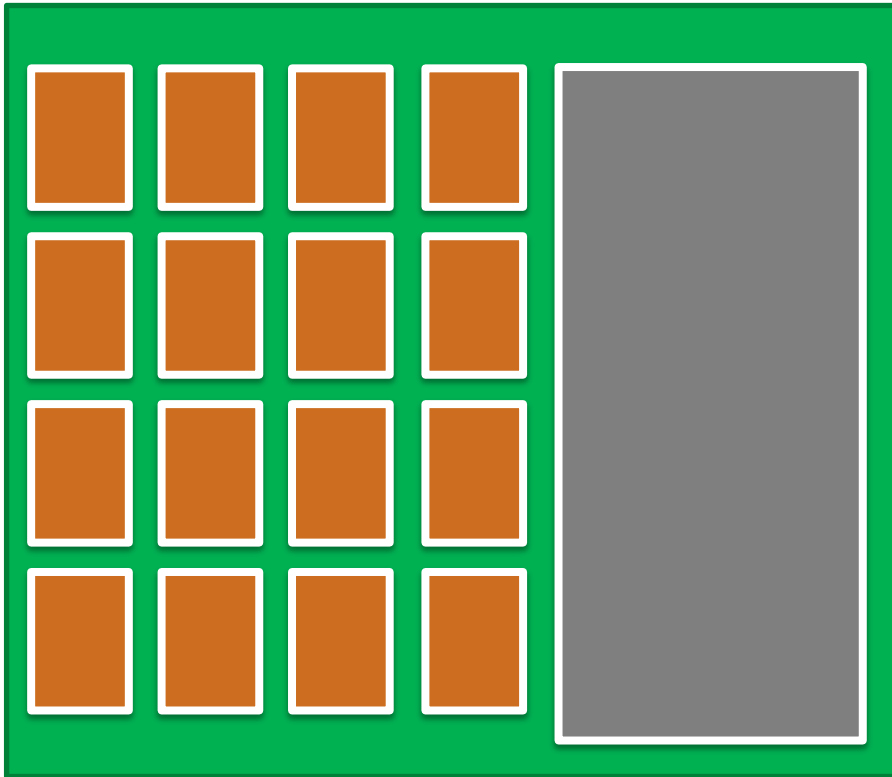
**Lot Coverage:** How much site left landscaped?



# Testing Zoning Code: What we Did

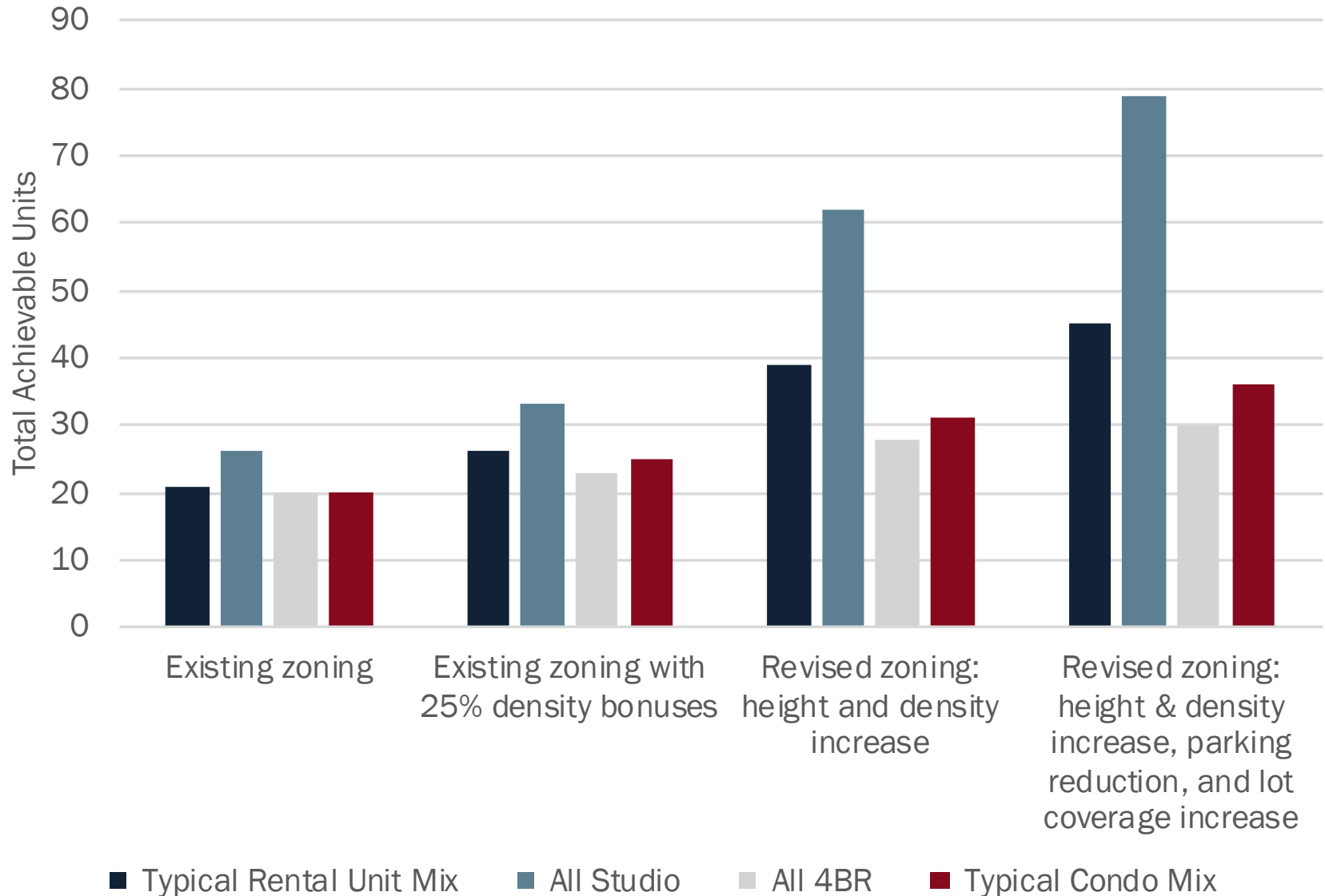
Test changes to key development standards—how many additional units?

**Parking:** How many spaces required per unit?



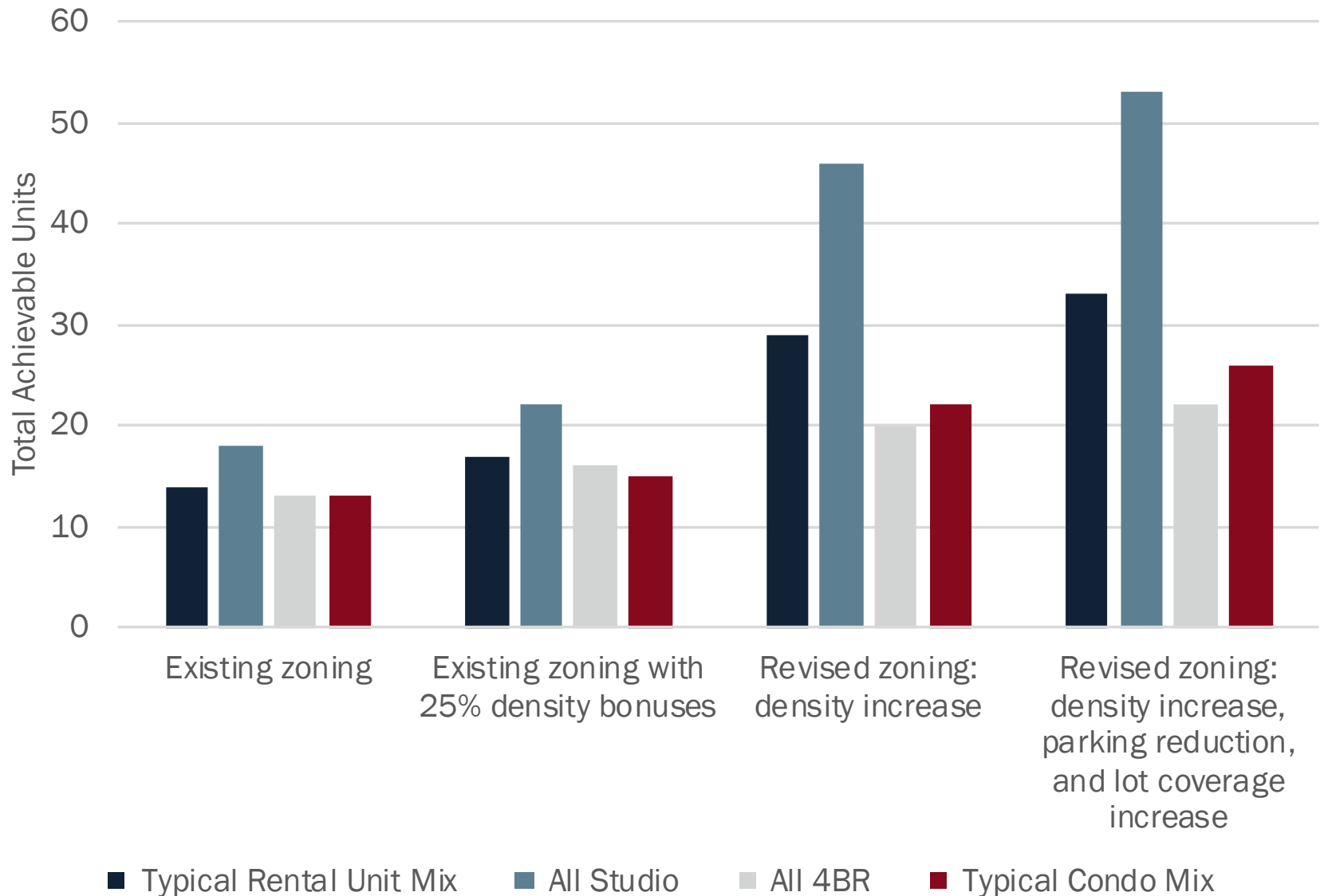
# Testing Zoning Code: Results

## R-3, 1-acre Example Site: Achievable Units by Zoning Scenario and Unit Mix



# Testing Zoning Code: Results

## R-2, 1-acre Example Site: Achievable Units by Zoning Scenario and Unit Mix



# Testing Zoning Code: Take-Aways

- Density is the biggest limitation
- Lot coverage & other standards not a constraint with current density
- Low density limits encourage large units
- 2.5 story limit works for better for townhomes than apartments
- Density increases particularly benefit smaller units



# Testing Zoning Code, Part 2: Financial Feasibility

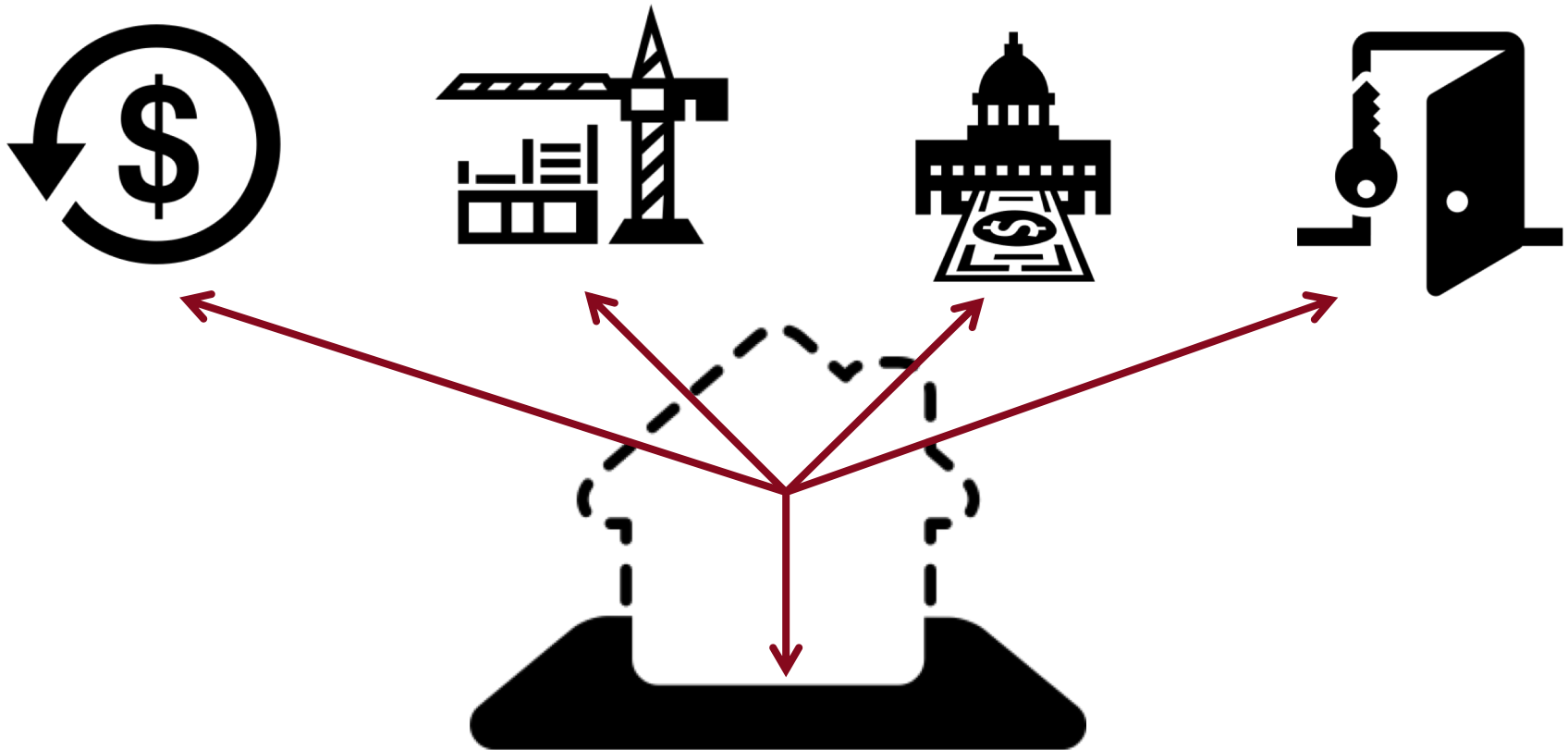
Part 2: Evaluate **financial feasibility** based on local rent, sales prices, construction costs, and fees

Unit Type	Rent	Size (sf)
Studio Apartment	\$900	425
1-br Apartment	\$1,050	600
2-br Apartment	\$1,280	850
3-br Apartment	\$1,540	1,000
4-br Apartment	\$2,000	1,100

Unit Type	Sales Price	Size (sf)
1-br Condo	\$360,000	750
2-br Condo	\$410,000	1,100
3-br Condo	\$475,000	1,500

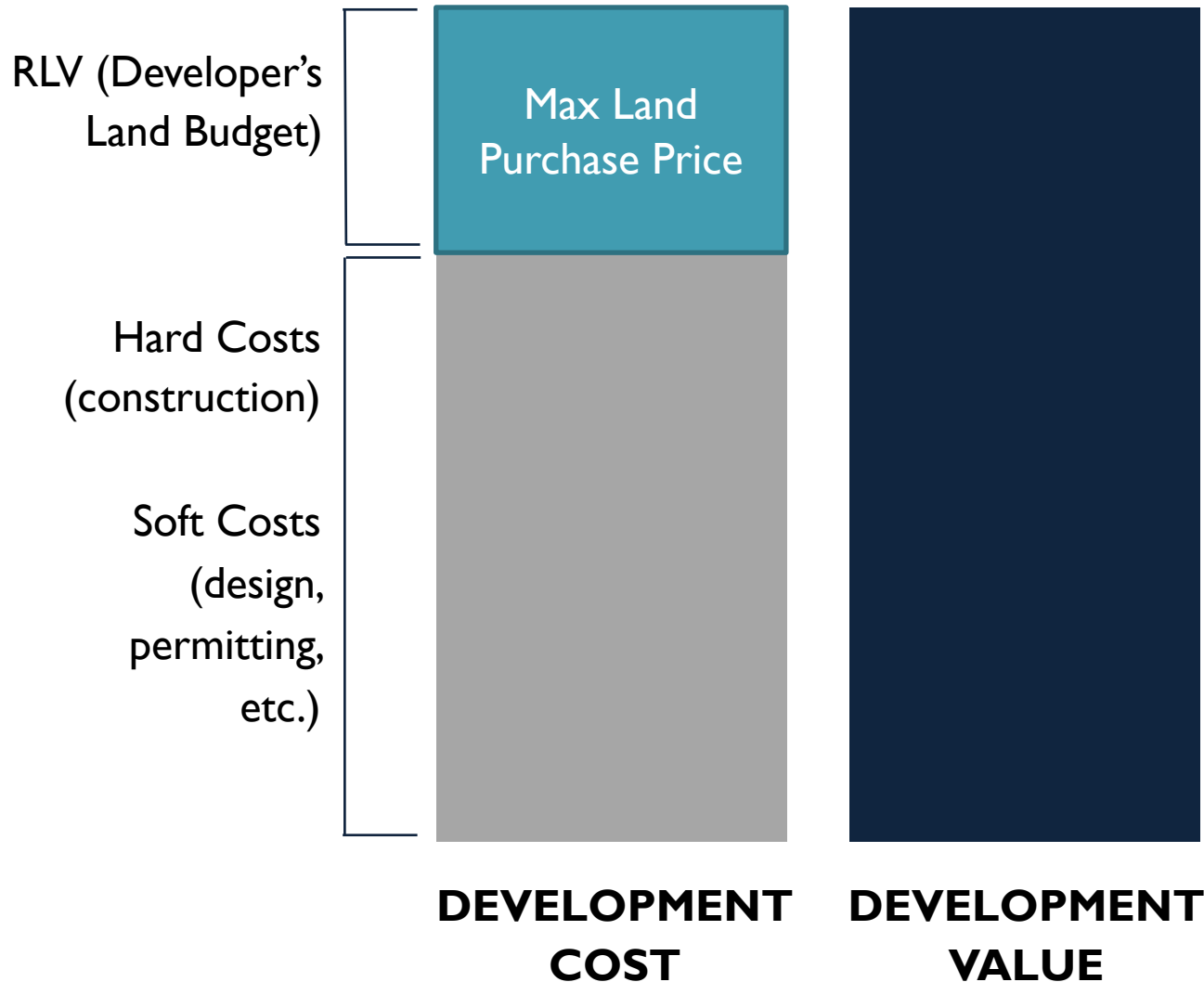
# Financial Feasibility Analysis: Residual Land Value

RLV (Residual Land Value) is the developer's maximum land budget once they've accounted for their operations, construction, investor returns, etc.



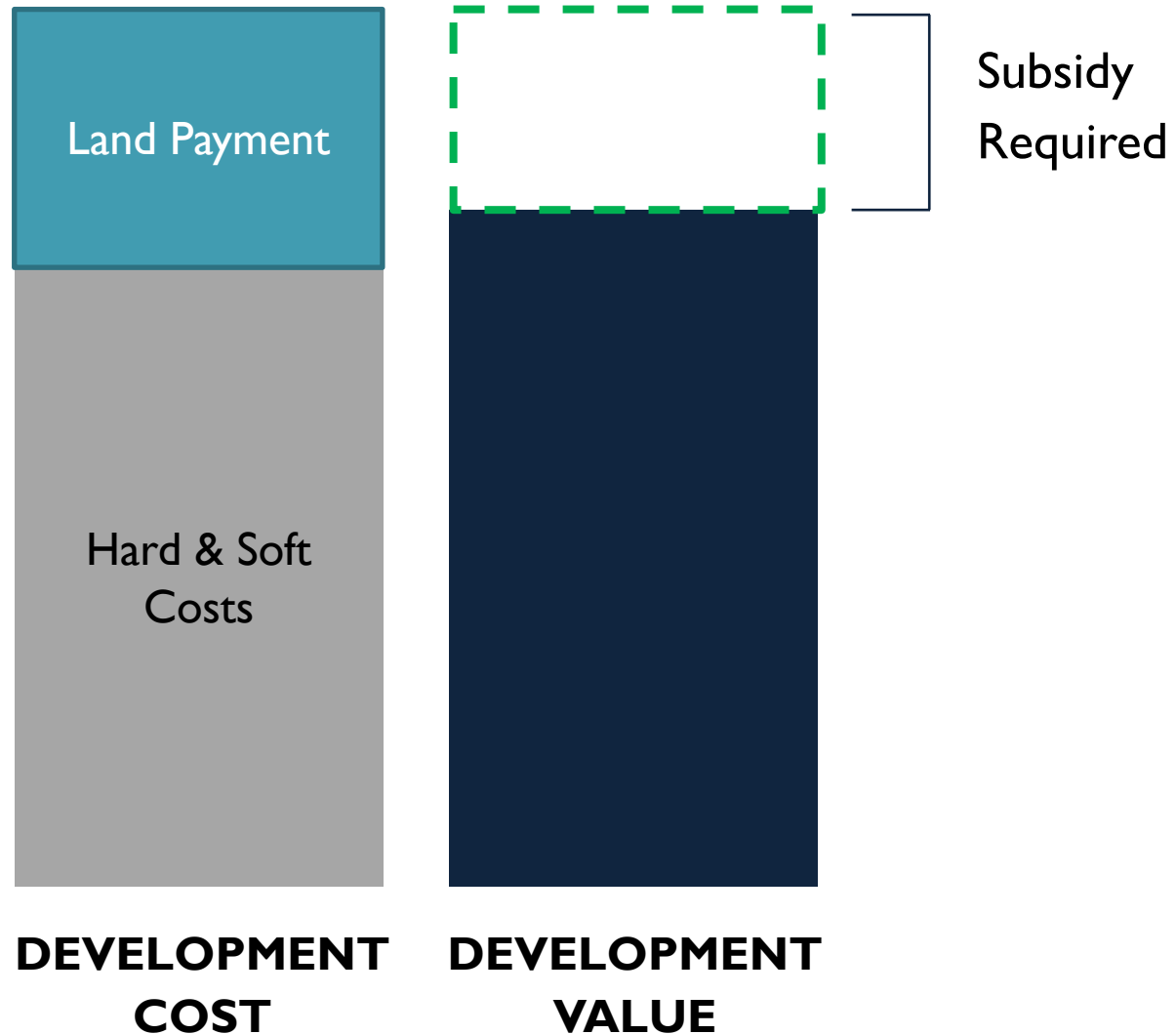
# Financial Feasibility Analysis: Residual Land Value

## ***Development Example (feasible)***



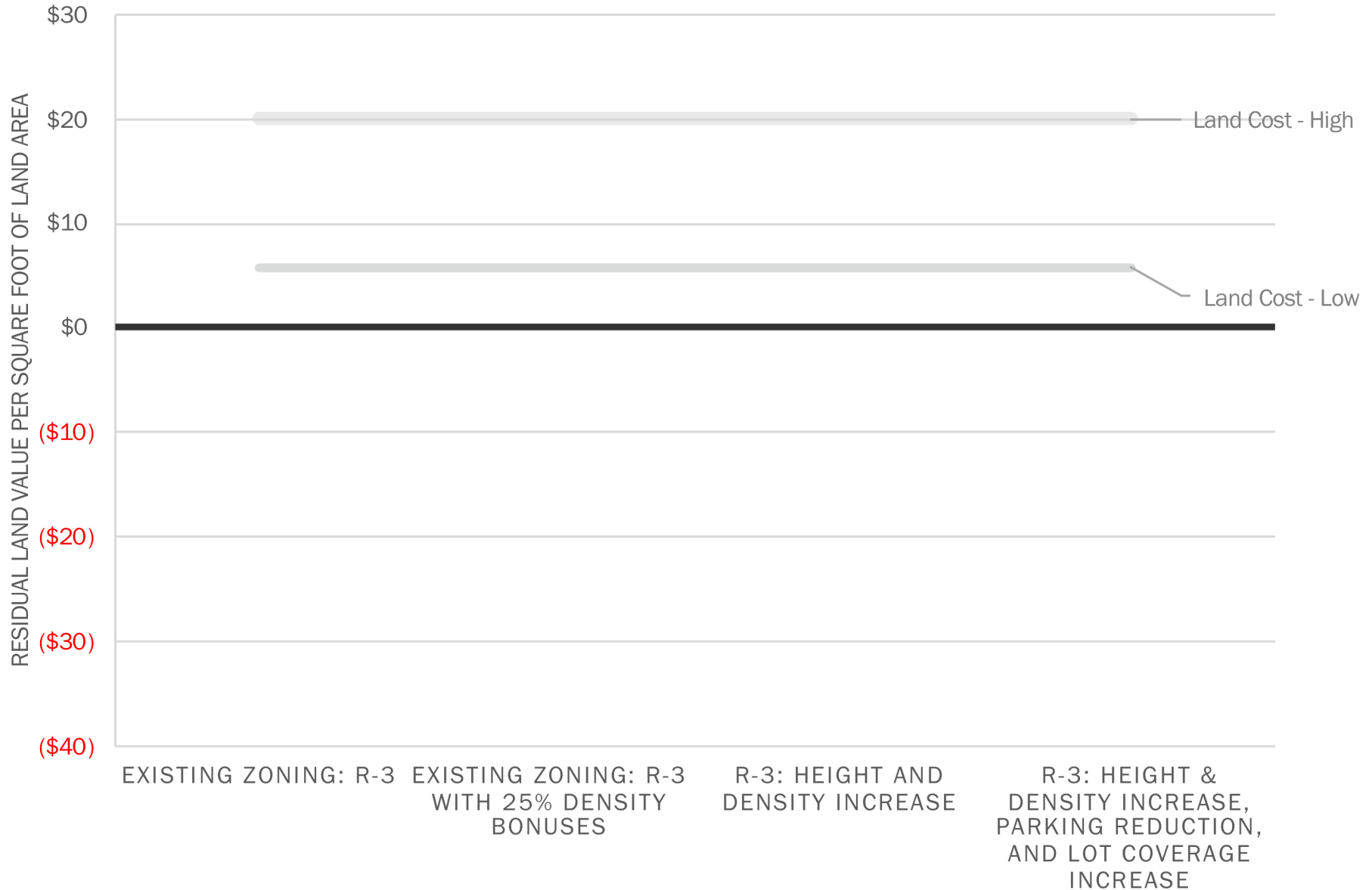
# Financial Feasibility Analysis: Residual Land Value

## *Development Example (infeasible)*



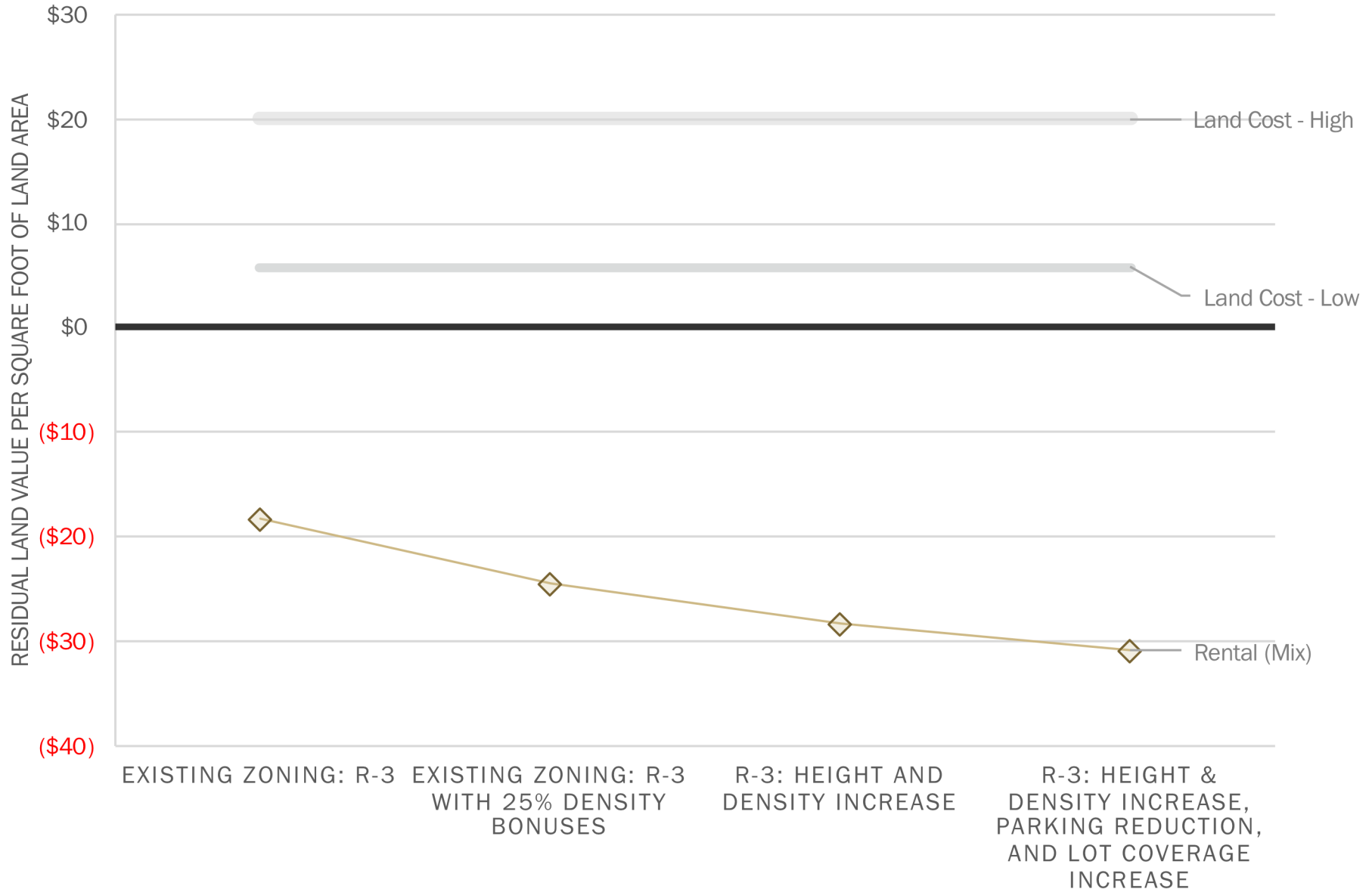
# Testing Financial Feasibility: Results

## RLV thresholds for feasibility



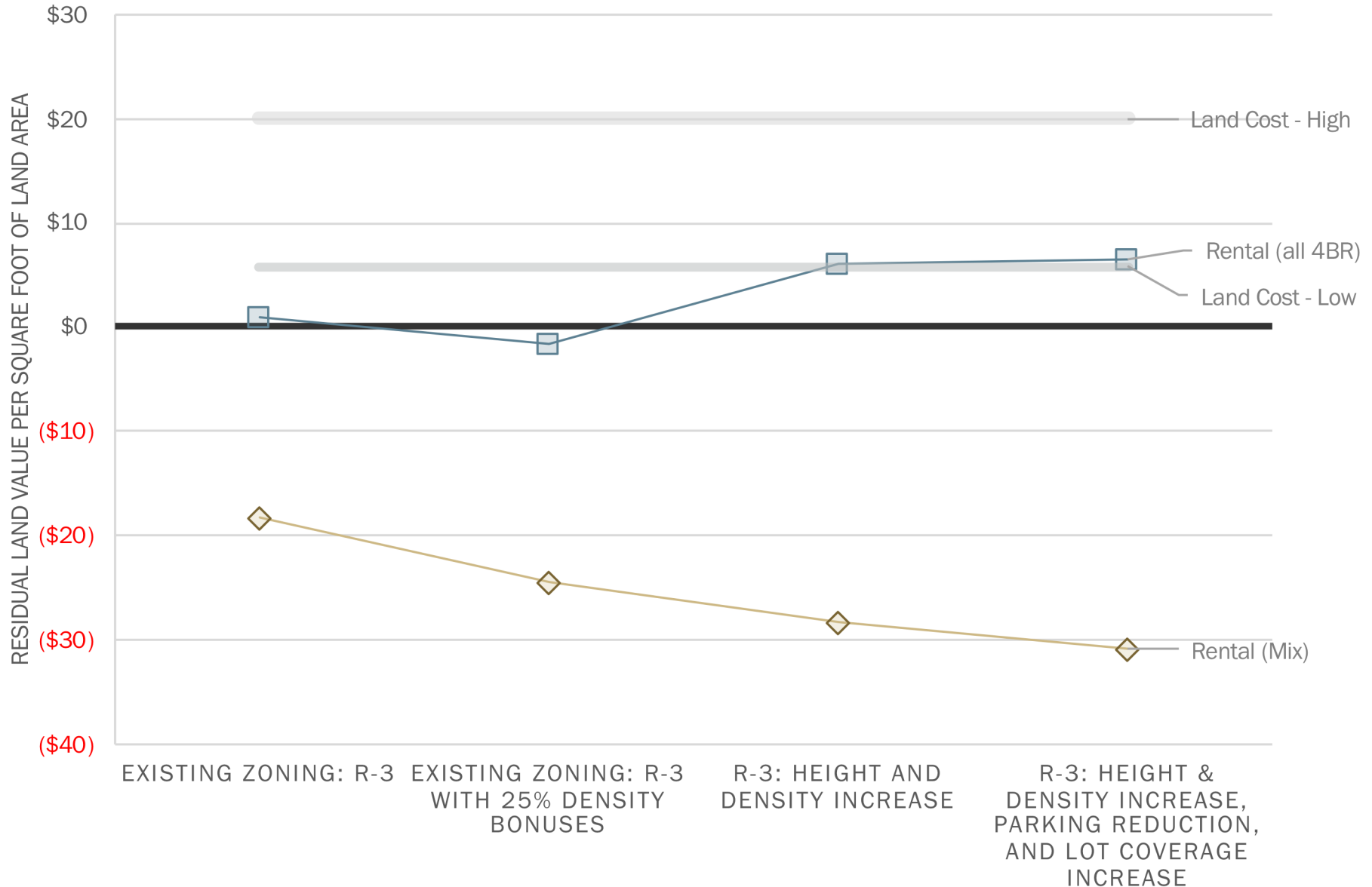
# Testing Financial Feasibility: Results

## RLV by Zoning Scenario: R-3 (1-ac), Rental (Mix)



# Testing Financial Feasibility: Results

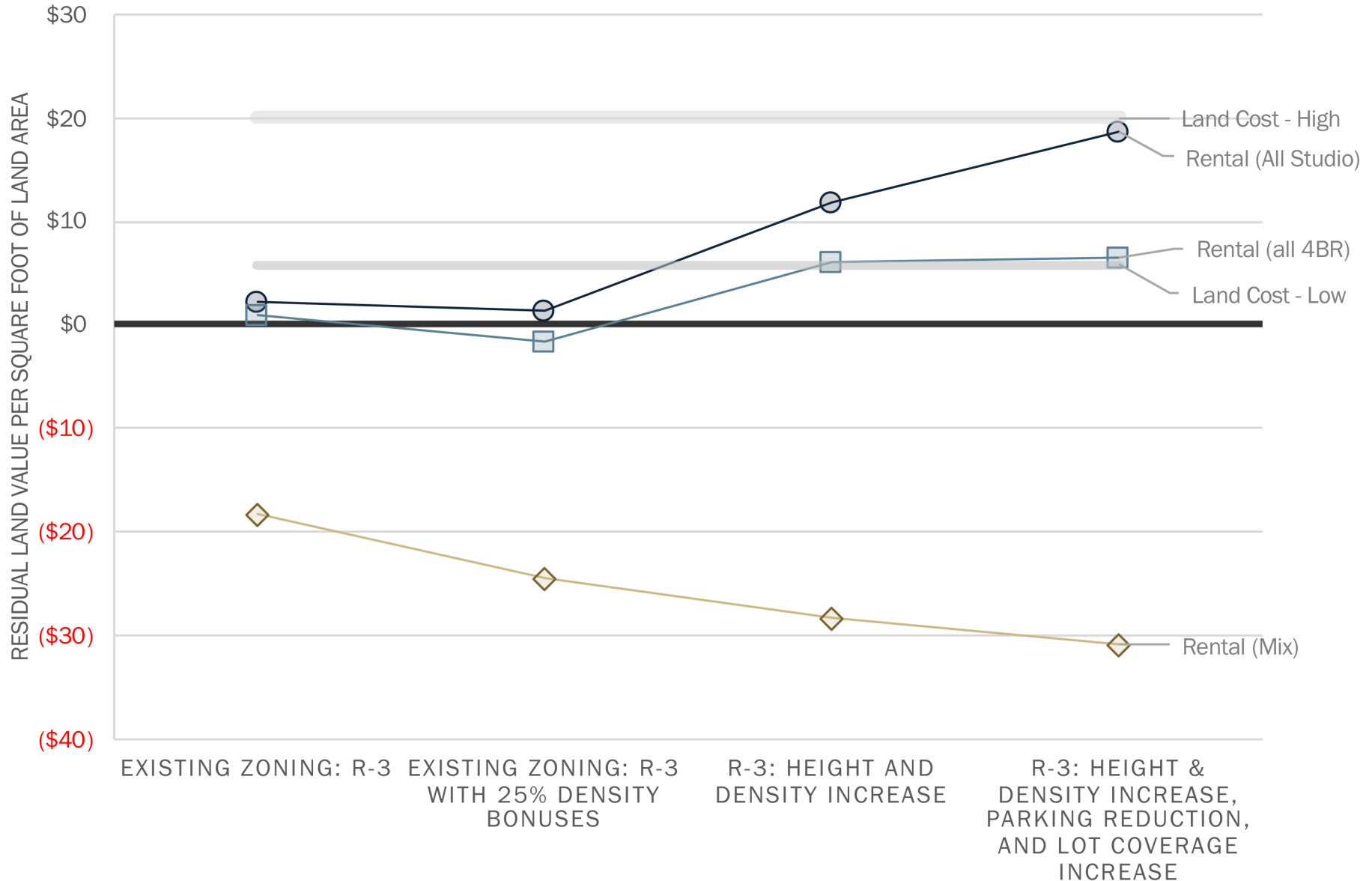
## RLV by Zoning Scenario: R-3 (1-ac), Rental (all 4BR)





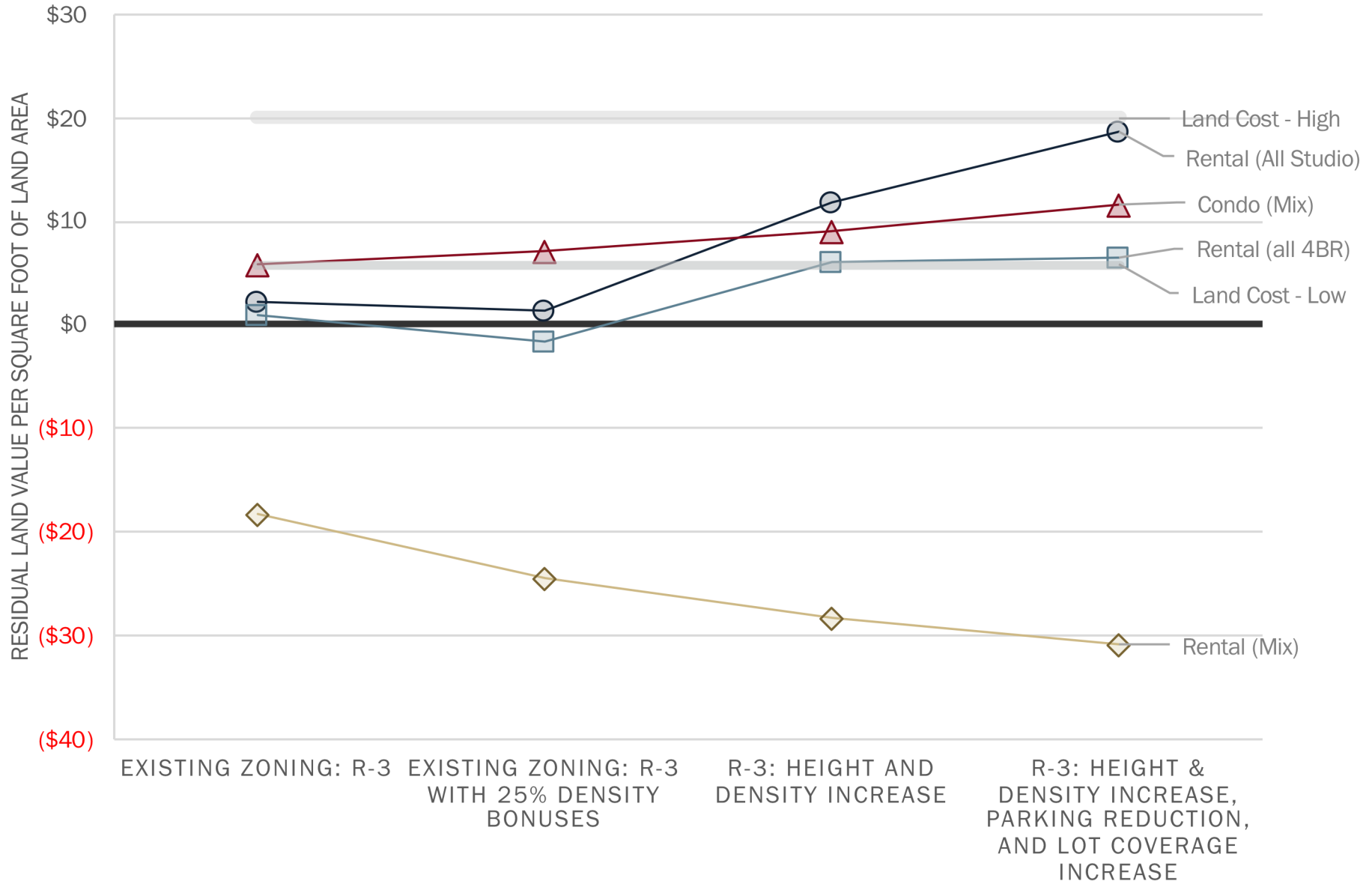
# Testing Financial Feasibility: Results

## RLV by Zoning Scenario: R-3 (1-ac), Rental (all Studio)



# Testing Financial Feasibility: Results

## RLV by Zoning Scenario: R-3 (1-ac), Condo (Mix)



# Testing Financial Feasibility: Take-Aways

- Increasing site development capacity helps if development is financially feasible but can't afford land cost
- If costs are too high relative to rents, density increase & parking reduction don't offer enough cost-savings to help
- With code amendments, all-studio can out-compete condo if there is enough demand

# Property Tax Abatement

Two relevant options for multifamily:

- **Multiple Unit Property Tax Exemption (MUPTE)**
  - Flexible statute: criteria set by City
  - 10 years
  - Exempts improvement value only (not land)
- **Temporary abatement for multifamily rental\***
  - Eligibility per statute
  - Up to 10 years – City sets how long
  - Abatement on land + improvements

*\*Not in scope to test in detail*

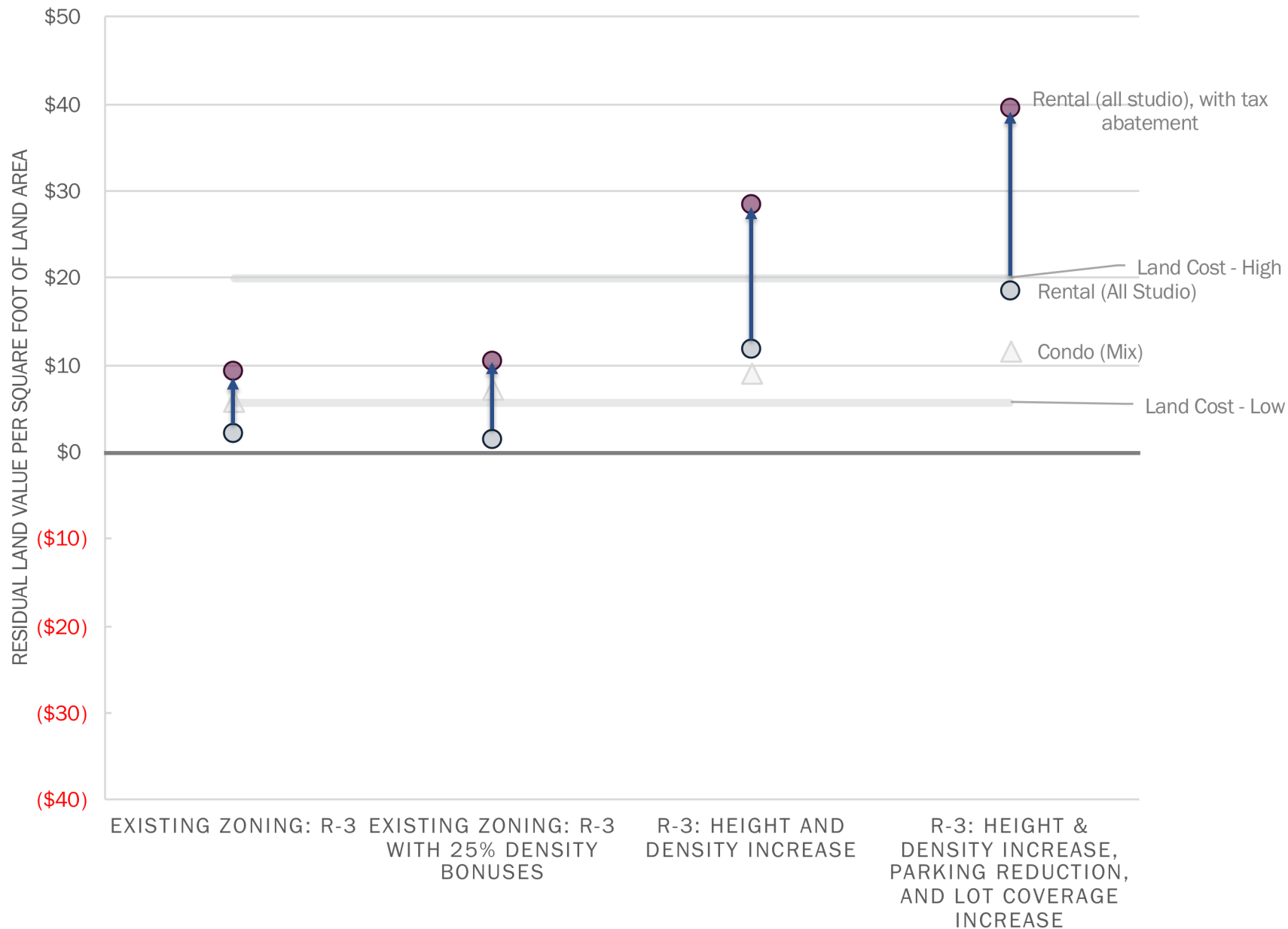
# Property Tax Abatement: What We Did

- Using prototypical developments:
  - How much would tax abatement save the property owner?
  - How would a developer value those savings?
  - How much foregone revenue for City & other taxing districts?
- Test with & without rent discounts
  - Estimate foregone revenue to property owner from reduced rent

# Property Tax Abatement: Results

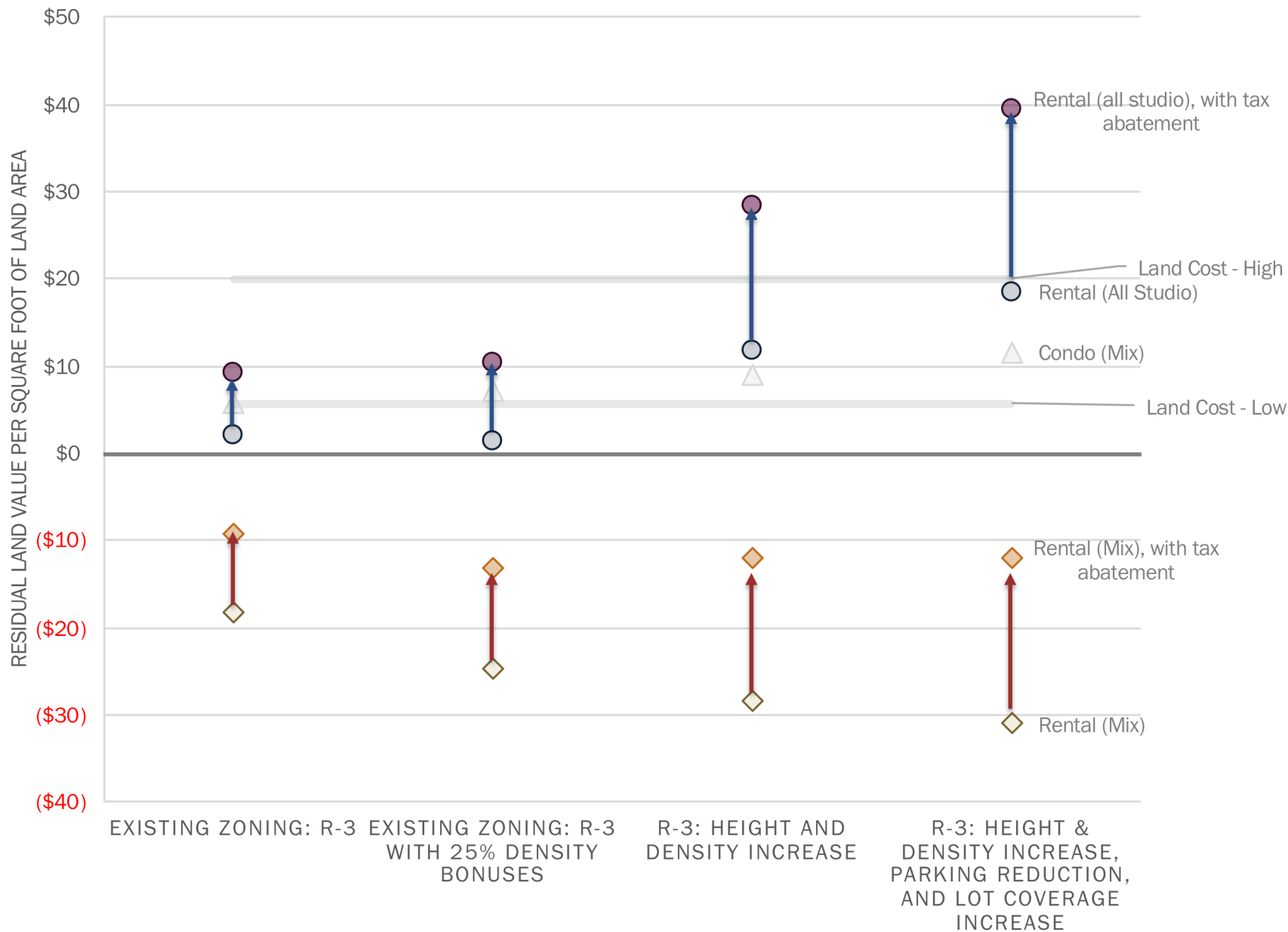
		Example
Value of tax abatement (year one)	City Taxes	\$11,134
	Other Districts' Taxes	\$28,034
	Total	\$39,169

# Property Tax Abatement: Results





# Property Tax Abatement: Results



# What we Learned: Property Tax Abatement

- Abatement more powerful when combined with zoning changes
- When targeted to market-rate rental housing, the abatement can help it compete with condo/townhome

# Recommendations

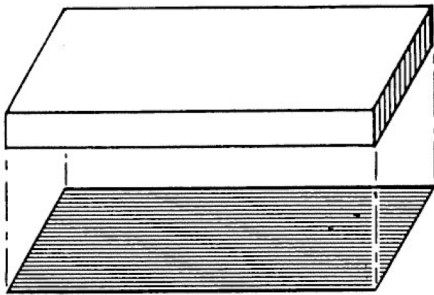
# Recommendations: Amending Development Standards

- Increase densities in R-2 and R-3
  - Supported by PC & HHSC
  - Consider using Floor Area Ratio
- Increase allowed height in R-3 from 2 ½ to 3 stories
  - Largely supported by PC & HHSC
- Decrease multifamily parking requirements for smaller units
  - Mixed feedback from PC & HHSC
- Increase lot coverage allowances slightly in R-2 and R-3
  - Mixed feedback from PC & HHSC

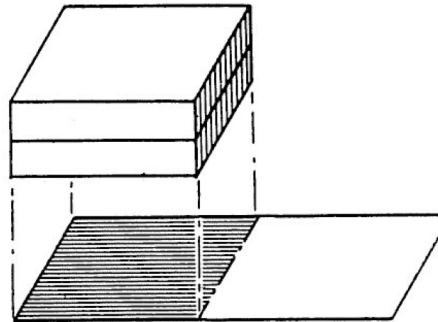
*Apply code amendments equally to rental & ownership.*

# Floor Area Ratio Illustration

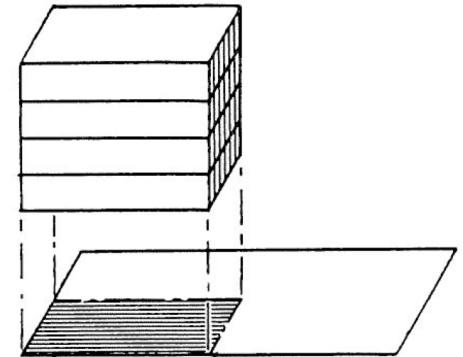
Floor-Area Ratio (FAR). The gross floor area of all buildings on a lot divided by the lot area.



100 % LOT COVERED



50 % LOT COVERED



25 % LOT COVERED

F.A.R. 1.0

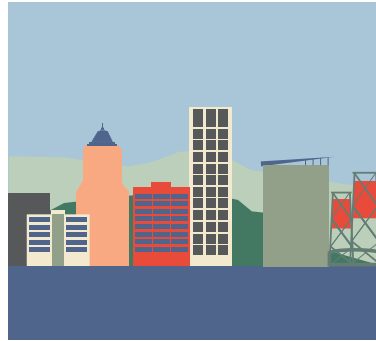
- Revisit code to streamline multifamily infill
- Revise annexation policies: eliminate requirement to demonstrate <5-year land supply
- Advance discussions on property tax abatements with other taxing districts

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