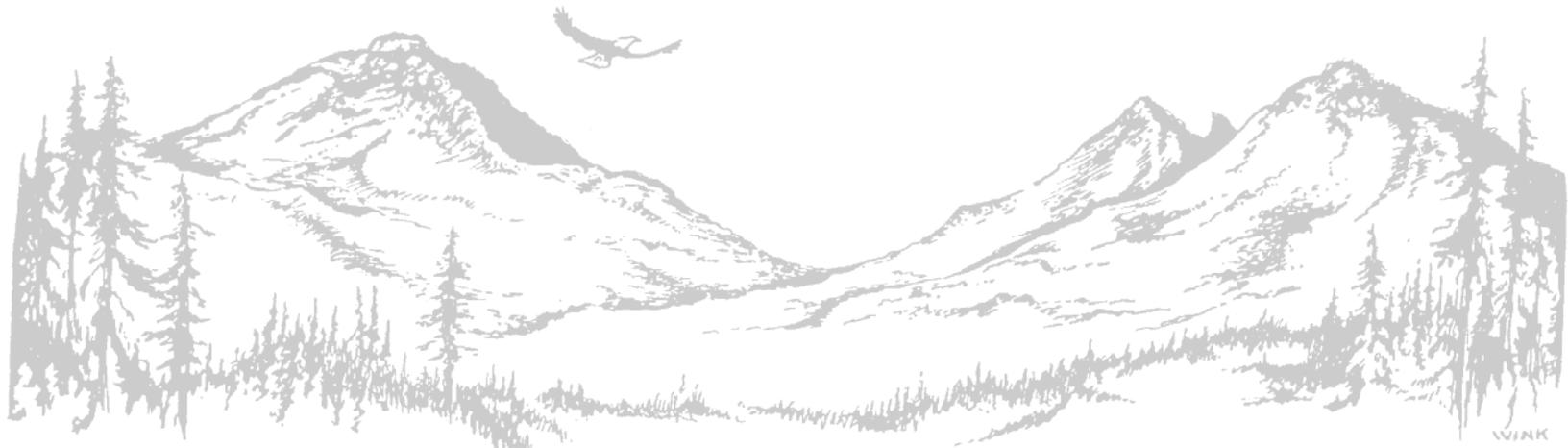


Residential Inventory Analysis and Update

A Component of the Sisters Housing Plan
April 1, 2008



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City of Sisters

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Summary

Purpose

The purpose of the Sisters Housing Plan is to develop an action plan to ensure that Sisters' long term housing supply is affordable to a variety of income levels through the planning period of 2025, consistent with existing policy direction from the Sisters Comprehensive Plan. This report addresses existing population, regional economic, and housing conditions in the City of Sisters, and provides a basis for developing strategies to ensure that housing is provided within the City for all income levels and for the development of the final Sisters Housing Plan.

The specific Comprehensive Plan Policy that directs the City to develop a Housing Plan reads as follows:

"The City shall develop a coordinated and comprehensive Housing Plan that will provide housing choices to all income levels in the City. The following objectives shall be incorporated into the plan:

Tasks-

- a. The Housing Plan shall explore and recommend how one in 10 of all new housing units built in the City by 2005 can be made affordable to families with low incomes.
- b. The Housing Plan shall explore and recommend the use of appropriate tools including, but not limited to: accessory dwelling units, annexation policies, development incentives, fee waivers for deferrals, down payment assistance programs and gap financing, employer housing assistance (non-residential development), equity pool or shared equity programs, land trusts, land banking, mixed use, mobile home parks, residential density bonuses and increases, flexible zoning, affordable housing trust funds, and UGB expansions.

c. The Housing Plan shall address how affordable housing can be dispersed throughout the City." (page 62, *Sisters Comprehensive Plan*)

Summary of Findings

Providing housing for all income levels within the City of Sisters has become a challenge, particularly over the past decade as rising land costs, the popularity of Central Oregon as a residence and vacation place, and disproportionate increases in income levels in the City and Deschutes County in comparison to regional housing prices have combined to create a need for strategies that encourage housing choices for varying income levels. Primary findings of this report include the following:

Although residential densities have increased since adoption of the Sisters Comprehensive Plan, this has not resulted in more affordable housing choices within the Sisters jurisdictional boundary.

- Although densities have increased, and the City appears to be meeting its objectives to encourage smaller lots, home prices have still steadily risen to the point where a household would need to be earning \$102,048 in order to afford a home in Sisters priced at the median home price, \$314,900 (based on January, 2008 data). In other words, smaller lot sizes do not necessarily equate to more affordable homes. Possible reasons include the following:
 1. Although lot sizes have gotten smaller, home sizes have not. According to the Deschutes County GIS database, average home sizes by year have risen from 1,604 square feet in the year 2000, to 2,106 square feet in 2006;
 2. Land prices and construction costs have steadily risen;
 3. Central Oregon continues to be a desirable place to live, increasing home prices.

Although during the 4-year period between 2003 and 2007, the average residential density in the R - Zoning District has increased from 5.3 units per net acre to 8.8 units per net acre, home prices in the City of Sisters have steadily risen. The findings of this report indicate that smaller lot sizes do not necessarily equate with more affordable housing choices.

During the 5-year period between 2001 and 2006, the average home price in the Sisters area (including the City Limits and outlying areas) nearly doubled, from \$235,000 to \$460,000, an increase of 46.2 percent. For the same five-year period, average payroll in Deschutes County increased by only 17.9 percent.

Based on January 2008 MLS listings within the Sisters City Limits, the median home price was \$314,900. To afford a home at this price, a household would need to be earning \$102,048. The Area Median Income in Deschutes County for 2007 was \$58,800 for a family of four.

- The increases in densities in the residential districts illustrate the trend toward smaller single family detached home lot sizes, townhome lots, and division of older lots for infill development, such as in the Davidson Addition and within the Edge O' the Pines subdivisions. There has been a significant increase in the density of the single family lots constructed within the City between the years 2003 and 2007. The average density figure for single family homes has steadily increased from 5.3 units per net acre in 2003, to 8.8 units per net acre through July 2007, nearly approaching the lower end of the R-MFSD required density of 9-20 units per acre. The increased density evidenced by analyzing building permit data is consistent with the direction from the Sisters Comprehensive Plan.
- Compared to the average densities listed in the RLA for the eight-period between 1994 and 2002, average densities for the years 2003 through July 2007 have been much higher than anticipated. The RLA estimated densities of approximately 5 units/net acre for Residential land, and more recent densities have averaged between 6.1 and as high as 9.5 for the Residential District. The RLA estimated an average density of 10 units/ net acre for R-MFSD land, while more recent densities developed in this sub-district has ranged from 9.4 to 15.8 units/ net acre.
- Using the figures adopted in the Comprehensive Plan as a basis for determining acreage needs, there still appears to be a demand for an additional 52.1 acres of Residential zoned land, and 2.9 acres of R-MFSD land to meet the demand for residential acreage through the planning period of 2025. However, the increased density the City has experienced since the adoption of the Comprehensive Plan has resulted in a surplus of 136 units of single family (including townhome lots) lots to meet the estimated number of units to achieve by the year 2025. In terms of multi-family development, using the Comprehensive Plan numbers for a basis, there is a deficit (need) for an additional 131 units of multi-family residential to meet the 2025 demand adopted in the Comprehensive Plan. Notable is that there is a potential for a total of 117 loft units within the Sun Ranch and Three Sisters Business Park subdivisions, under the City's recently-adopted North Sisters Business Park Subdistrict, which will assist in meeting the demand for multi-family housing in the future.

The Comprehensive Plan Residential Lands Analysis (RLA) estimated a need for an additional 61 acres of Residential-zoned land and 59 acres of R-MFSD land through the planning year 2025.

Because of the increased densities realized in the past 4 years within the City Limits, the City has attained the adopted estimate of number of R-zoned lots through the year 2025. However, because the Comprehensive Plan estimated land needs based on 5 units/net acre in the R District, in terms of acreage, it appears that the City still needs 52.1 acres of R-District land, and 2.9 acres of R-MFSD land in order to meet the estimated demand through the planning year 2025.

Because of the increased densities evidenced over the past 4 years, the City may want to revisit the Residential acreage needs adopted in the Comprehensive Plan in the future.

Residential Buildable Lands Inventory

Land Use District	Estimated Need through 2003-2025 Planning Period	Supply of Buildable Land (RLA, current as of 2003)	Gross Acreage Developed, 2003-July 2007 (1)	Additions to Inventories from Zone Changes, Plan Amendments	Total Remaining Inventory, as of 1/08	Acreage Needed to meet 2025 Demand, as of 1/08
Residential	61	36	47.7	20.6	8.9	52.1
R-MFSD	59	69	15.3	2.4	56.1	2.9

Source: Sisters Comprehensive Plan, Sisters Planning Department records.¹

- During the five-year period between 2001 and 2006, the average home price in the Sisters area (including the City Limits and outlying areas) nearly doubled, from \$235,000 to \$460,000, an increase of 46.2 percent. For the same five-year period, average payroll in Deschutes County increased by only 17.9 percent.
- In the City of Sisters it appears that attaining affordable housing is not limited to the low income (earning 80 percent of AMI) or very low-income (earning 50 percent of AMI), but also those earning 100-170 percent of AMI, or between \$58,800 and \$99,999. According to a 2003 report, *Central Oregon Housing Needs Update* (Rees Consulting, March 2003) over 32 percent of home owner households earning between \$50,000 and \$99,999 (85 percent to 170 percent of AMI) experienced cost burden. The report further states that in 2000, nearly 25 percent of households in Sisters were considered cost burdened (paying more than 30 percent of income for housing), estimated that in 2003, 35 percent would be cost burdened, and in 2008, over 49 percent of the City's population would be cost burdened.

¹ There are a number of reasons why the total R-District acreage developed between 2003 and July 2007 was 47.7, and the total supply in 2003 according to the Comprehensive Plan was only 36 gross acres: The RLA estimated potential redeveloped land by determining the parcel's improvement value as less than 30 percent of the total value (land and improvements), and that the parcel be greater than 4 acres in size. The effect of allowing smaller lots sizes in the Residential district, particularly in areas of the city such as Edge O' the Pines, has increased the developable acreage allowed within the R-District. For example, when the RLA was compiled, a 10,000 square foot lot with a single family home in the R District was likely not considered redevelopable under the City's former zoning ordinance, or factored into the supply of R-District land. Since the adoption of the Development Code in 2005, which allowed smaller lot sizes and lot size averaging in the R District, the same lot could have been partitioned into two. For this reason, it is likely that 47.7 acres of R District land was developed, when the RLA estimated a supply of only 36 acres in 2003.

The Comprehensive Plan recommends the City achieve a balance of 50 percent single family, and 50 percent smaller family lots, townhomes, and/or apartments through the planning horizon of 2025. During the 4-year period of 2003-2007, 58 percent of all homes built were single family, and 42 percent were smaller lot townhomes, single family, and apartments. These percentages approach the recommended balance adopted in the Comprehensive Plan.

An inventory of affordable housing units reveals that there are currently 59 permanent dedicated affordable units, and 15 approved and planned, for a total of 74 units within the City Limits. Using the "one-in-ten" formula and a future demand for 1126 housing units through the year 2025, 113 affordable units are needed. Based on the current inventory, an additional 39 dedicated affordable units are necessary to meet the "one-in-ten" estimate through the planning period 2025.

- In terms of dedicated affordable housing within the City Limits, there are 26 homes constructed by Habitat for Humanity for home ownership (as of this writing, 2 are available); 33 rental units constructed by Housing Works, and an additional 15 families/ households using Housing Works Housing Choice Voucher program for rental units; two private homes providing a total of 10 beds for persons with special needs; and, an additional 10 beds provided by the Forest Service on a seasonal basis for persons with special needs. Additionally, there are a total of 15 dedicated affordable housing units approved within Master Plan developments (Sun Ranch and North Park subdivisions) that have not yet been constructed.

In total, there are currently 59 permanent affordable units and 15 that are approved and planned but not constructed yet, for a total of 74 dedicated affordable units within the Sisters City Limits. Additionally, there are 20 beds for persons with special needs, and the opportunity for additional rental units through the Housing Choice Voucher Program (the units available through the Housing Choice Voucher Program are not considered “permanent” units in this analysis).

- Using an estimated demand of 1126 total units to the year 2025, and a rough calculation of one-in-ten as provided by Comprehensive Plan direction, 113 dedicated affordable units are needed by the year 2025. With 74 units of affordable housing currently planned or existing in the City, 39 additional affordable units are needed, using the one-in-ten formula.
- The RLA found that 70 percent of the total housing units constructed during the eight-year period between 1994 and 2002 were single family units (115 out of 165 total units). While single family homes are still the most predominant type of housing unit constructed in the City, they averaged only 58 percent of the total units constructed (250 out of 428 total units) between 2003 and July 2007. Construction of townhomes and duplexes has increased, although with the exception of Tamarack Village, which added 33 apartments in 2003, apartments comprise a relatively small sector of the Sisters housing market. As such, the City’s housing inventory is approaching the 50/50 split of single family and higher density units recommended in the RLA.

According to the report, 2006 Workforce Housing Needs Assessment, “Sisters has the highest percentage of low-income households (52%) of any community in Deschutes County. Low income is defined as earning less than 80% of AMI. AMI for Deschutes County was \$58,800 for a family of four in 2007.”

- In contrast to the City’s population growth being slightly slower than anticipated in the Coordinated Population Forecast, based on available City data, residential building permit activity is higher than anticipated for the 3-year period between 2004 and July 2007. The actual number of residential permits completed during the four-year period 2004 and 2007 was 332, higher than the adopted forecasted number of permits for the same period, which was estimated at 302 permits for the same period.
- According to a 2006 report, *Workforce Housing Needs Assessment*, over 51 percent of the City of Sisters households earn less than 80 percent of the Area Median Income (AMI), and are therefore considered low income.
- According to the *Workforce Assessment* “ Approximately 37% of the region’s households have incomes equal to or less than 80% of the Area Median Income (AMI), and are therefore considered to be low income. The percentage of households with low incomes (≤80% AMI) is very similar in all three counties. Bend has the lowest percentage of low-income households (38%) and Sisters has the highest (52%) with the other communities falling somewhere in between.” This data is illustrated in the following table, with low income ranges in the shaded area.

Incomes by Community by Percent of AMI, Deschutes County, 2006

Area	≤ 30%	31-50%	51-60%	61-80%	81-100%	101-120%	120% +
Sisters	11.8%	12.1%	10.3%	17.6%	10.3%	6.8%	31.1%
Bend	9.0%	10.7%	5.4%	13.0%	12.4%	10.1%	39.3%
Redmond	11.0%	12.1%	8.7%	17.2%	13.3%	9.8%	27.9%
Deschutes County Unincorporated	6.2%	7.1%	4.4%	10.9%	10.1%	10.0%	51.3%
Deschutes County Total	8.4%	9.7%	5.6%	12.9%	11.8%	10.0%	41.7%

Source: 2000 Census, CHAS Tabulations, Workforce Housing Needs Assessment, July 2006.

- Economic forecasts indicate that although job growth will continue to grow to the year 2014 in Central Oregon, it will be at a slower pace than previously experienced,

The larger employers in the City of Sisters generally fall into the Leisure and Hospitality employment sectors, which reported an average annual pay of \$16,773 in Deschutes County in 2006. Other primary employers in Sisters fall into the Government (average pay of \$39,520), Retail industries (average pay of \$26,120), and Education and Health Services (average pay of \$40,643).

In order to afford an average priced house within the City of Sisters, at \$314,900, a household would need an income of \$102,048, illustrating the gap between wages and home prices.

A look at the MLS listings in January 2008 shows that there were no homes within the Sisters City Limits that were affordable to a household earning Deschutes County AMI of \$58,800. In order to afford a home without being “cost burdened”, a household could afford to buy a home priced at no more than \$167,400.

and most of the job growth is expected to be in lower-paying service industry sectors such as Leisure and Recreation and Retail Trade.

- Job growth in service industry sectors offers relatively lower-paying jobs that are necessary for the Sisters tourist-based economy.
- The larger private employers within the City of Sisters fall in the Leisure and Hospitality employment sectors. In Deschutes County in 2006, this sector reported an average annual pay of \$16,773. Other primary employment sectors in Sisters are in Government, Retail, and in Education and Health Services. The average government sector salary in Deschutes County in 2006 was \$39,520; the average salary in the Retail industries was \$26,120; and in Education and Health Services the average salary in 2006 was \$40,643.
- While residential real estate prices have fallen slightly, reflective of the national housing crisis, there are not any homes listed on the MLS for the week of January 10, 2008, that were affordable to someone earning 100% of AMI. The Workforce Housing Needs Analysis (executive summary, page 5) provides that the affordable housing price for a person earning AMI (2006 AMI) would be \$167,400. According to mortgage calculators, which estimate the affordable level of housing for a particular household income, a household earning the 2007 AMI of \$58,800 could afford a home of no more than \$180,500.

Sources

This report has been generated using a variety of sources, including the 2000 U.S. Census, the City's adopted Residential Land Supply and Demand Analysis (March 2005 Update), the Central Oregon Realtors publications, data from the FDIC, the December 2007, Bureau of Economic Analysis Oregon Economic Forecast, the 2006 *Central Oregon Workforce Housing Needs Assessment*, and the 2003 *Central Oregon Housing Needs Update*. This report is not intended to re-do available data, however, build on existing information to build a picture of the Sisters housing market and future

population needs, in order to formulate and adopt strategies to accommodate Sisters housing needs into the future.

Housing-Related Definitions

The U.S. Department of Housing and Urban Development (HUD) defines “affordable housing” as housing that costs no more than 30 percent of a household’s annual income. Housing costs include the rent or mortgage, utilities, taxes and insurance. It is believed that if households spend more than 30 percent of their income on housing, insufficient funds will be left over to cover other necessities such as food, clothing, childcare, medical insurance, transportation costs, etc. When a household spends more than 30 percent of their income on housing, the household is considered “cost burdened”.

“Low Income” Households are defined as those that have incomes below 80 percent of Area Median Income (AMI). “Very Low Income” Households are defined as those households that have incomes below 50 percent of AMI.

“Workforce Housing” as used throughout the document, “*Central Oregon Workforce Housing Needs Assessment*”, July 2006, Rees Consulting, Inc./ RRC Associates, Inc., is defined as “residential units that are occupied or likely to be occupied by at least one person who works in the Central Oregon region. It includes both publicly-subsidized and market-rate housing.

Terms such as “cost burdened” and “low income” are referred to throughout this report.

Preliminary Recommendations

- Because the trends in Sisters since 2005 illustrate that smaller lots don’t necessarily equate to more affordable housing, the City may need to look at varying policies and some governmental assistance, such as land banking, if providing housing for all income levels continues to be the goal. As the City uses the findings of this report to develop policies to encourage housing for a variety of

incomes, it is also important to note that there are already sufficient single family residential lots to support the anticipated demand for these lots through the planning period of 2025. Data on building permit activity suggests that there is a need for an additional 131 units of multi-family housing to meet the demand to year 2025; combined with the fact that over 41 percent of households are renters in the City Limits, policies to encourage multi-family housing that is at least partially available to renters may be an objective to achieve.

- Examining average home prices, following release of additional figures towards the end of 2008, would be beneficial in order to assess the affects of the housing downturn on average prices in Sisters.
- Assessing population and demographics following the release of the 2010 U.S. Census would be beneficial, given that the most recent Census data is now 8 years old and was compiled prior to development of the City's sewer system which strictly limited new development.
- Assess whether the "one-in-ten" affordable housing goal should be broken into categories (i.e., a certain number to achieve at 51-80 percent of AMI, number of units at 81-100 percent AMI, number of units at 101-120 percent AMI, etc.), to provide varied housing for income levels (teachers or other professionals, for example) that aren't typically considered in need of affordable housing, but are, according to recent data, clearly suffering from cost burden and are in need of housing for their income ranges.

Next Steps in Developing the Sisters Housing Plan

Immediate next steps in development of the Sisters Housing Plan include the following:

1. Gather input on the findings and content of this report from experts;
2. Interview local experts in the housing field;
3. Present the findings of this report and interviews to the Planning Commission and City Council for input, in order to gather comments from the policy makers.

4. Examine affordable housing options and strategies.
5. Revise this report based on comments and hold a community open house, to gather community input on strategies.

National, Regional, and Local Economic Trends

Trends in the local economic economy and resulting wages are important to consider when developing a picture of future housing needs, as these trends provide a basis for predicting future income levels for an area. Although Central Oregon's economy had been experiencing three years of sustained job growth since 2004, as of this writing, experts are concerned about a possible national recession, due in part by rapid home prices and homeowners entering into mortgages far beyond what they can afford. According to a January 28, 2008 Associated Press story, "New Home Sales Fall by Record Amount", sales of new homes plunged by a record amount in 2007 while prices posted the weakest showing in 16 years, demonstrating the troubles builders are facing with substantial backlogs of unsold homes. The same article states that sales in the western states reported declines of over 32 percent, and analysts predict that prices will likely keep falling in early 2008 as builders continue to struggle to sell the inventory of homes.

Although forecasts are important to use in drawing conclusions about an area's economy, it would be useful to examine economic trends relative to housing as the effects of the national housing downturn on the economy are played out. At this point, data is available through the 4th quarter of 2007, when the economy began its downturn. The Oregon Department of Administrative Services Bureau of Economic Analysis (OEA) develops annual economic forecasts for the state. The OEA's December 2007 report, "*Regional Trends*" provides the following findings regarding the state and regional economy for the year ending 2007, and forecasted economic growth in the future:

Statewide:

- "Employment growth slowed almost everywhere in Oregon during 2007, but this trend is especially marked in those regions which have generally been the fastest-growing. Central Oregon has had the biggest slowdown in growth: in the third quarter of 2006, employment grew by 4.7 percent, and by the third quarter of 2007, has decreased to 1.9 percent growth. Despite seeing the largest slowdowns,

According to the Oregon Bureau of Economic Analysis, employment growth slowed throughout Oregon in 2007, but particularly in Central Oregon, which had the largest slowdown in growth statewide. Much slower growth in Central Oregon is forecasted to continue, following 3 years of strong job growth statewide.

however, these two regions (Central Oregon and Portland) continue to have the most rapid job growth of all regions.”

- The OEA forecasts “much slower growth in 2007, rising only by 1.2 percent, with manufacturing sectors stabilizing, and retail and services continuing to be impacted by slower consumer spending. This slowdown in job creation has been expected after three years of strong job growth in Oregon. The national employment growth rate is also on the way down.”
- “The durable goods manufacturing sector will suffer job losses in 2007, reflecting weak wood product, transportation equipment, and computer and electronics industries. We expect some job gains in 2009 as the economy recovers from the housing slump. In fact, improvement in this industry is expected to start in late 2008.”
- “Construction jobs will stay virtually flat in 2007. The housing sector slowdown has yet to exert its full impact, but for now the nonresidential sector has more than offset the loss in housing construction. We expect some job loss in 2008, followed by flat growth in 2009. If the housing sector deteriorates worse than expected, which is a distinct possibility at this point, 2007 could see a decline in construction jobs.”
- “Retail trade jobs will increase in 2007. Much slower growth will show up in 2008, followed by a good 2.2 percent growth in 2009.”
- “The professional and business services industry grew rapidly with the booming economy during the 2004-2006 period. It will see a substantial slowdown in 2007. This industry will see basically flat growth in 2008.”
- “Health services grew even during the recession. The robust growth continues in 2007, followed by similar increases in both 2008 and 2009.”
- “Government employment is expected to increase by 1.4 percent in 2007, followed by growth of 1.4 percent in 2008 and 0.9 percent in 2009. Local government jobs will

continue to experience mild growth to meet an increasing service demand due to population growth.”

- “Despite flat growth in the third quarter, a healthy growth will return in the leisure and hospitality industry in 2008.”

Central Oregon:

- “Over the past decade, Central Oregon’s economy has become less dependent on forest products, agriculture, and tourism, and more diversified with a shift towards manufacturing, high technology, services, and with the rapid population growth in recent years, dependent on construction. The growth in construction-related employment was spurred by a strong real estate market, coupled with gains in financial services, professional/ business services, leisure and hospitality, retail, and health services. In 2005, Deschutes County led the state in terms of job growth.”
- “With job growth of 1.9 percent between third quarter 2006 and third quarter 2007... Central Oregon remained the state’s fastest-growing region. However, the region’s growth rate has dropped from the 4.7 percent year-to-year growth experienced in third quarter 2006.”
- “Most industries in Central Oregon continued to add jobs through 2007, but at a slower pace than previously experienced.”
- “As noted in the Economic Forecast, lower-paying retail jobs are outpacing the higher paying manufacturing sectors in Central Oregon, and additionally, in the finance, real estate, and banking industries.”
- Despite recent declines in the statewide and regional economies, another study, the *Central Oregon Workforce Housing Needs Assessment* (July, 2006, Rees Consulting, Inc.)(*Workforce Assessment*), predicts that Central Oregon will have the fastest job growth in the state between 2004-2014, growing 24.4 percent over the ten-year period. However, many of these jobs created in the economy are not predicted to pay enough for a household to afford to purchase a home. Notably,

The Oregon Bureau of Economic Analysis predicts that lower-paying retail jobs will outpace higher paying manufacturing, finance, real estate, and additionally, banking sectors in Central Oregon in the future. Additionally, finding housing that is affordable in Central Oregon is not limited to low-income residents, but also for entry-level professionals, mid-level managers, and even upper management.

the problem of finding affordable housing is not limited to low-wage workers. According to the report, employers report that housing affordability is a problem for entry-level professionals, mid-level managers, and even upper management.

- The *Workforce Assessment* summarizes housing affordability in the region as follows: “Incomes and home prices in Central Oregon are not aligned – home prices are far higher than what residents making typical income for the region can afford. The mismatch between what residents can afford to pay for housing and what homes cost to buy is pronounced.”

Sisters Employment Data and Wages

As illustrated in **Table 1**, the largest private employers in the Sisters are generally classified as service industry employers that fall into the Leisure and Hospitality sector.

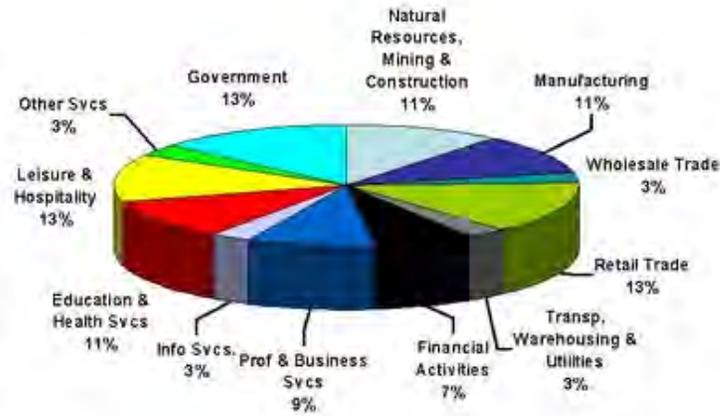
Table 1. Largest Employers, Sisters Area, 2006.

Employer/ Firm	Number of Employees
Black Butte Ranch	350
Sisters School District	175
Forest Service- Sisters District Office	45 permanent, 30 seasonal expected in 2008
Ray's Food Place	80
Coyote Creek Café	45
The Gallery Restaurant	45
Working Hands Crème	40
Metabolic Maintenance Products	35

Source: EDCO website, 2006 figures; Forest Service, Sisters School District.

Figure 1 provides information on employment in Central Oregon as a whole (the 3-County region of Deschutes, Jefferson, and Crook Counties). Central Oregon exhibits a slightly more- diversified employment base than the City of Sisters, with 13 percent of total employees working in Government, Retail Trade, and Leisure and Hospitality sectors respectively. Eleven percent of employees work in Education and Health Services, Natural Resources, Mining, and Construction, and Manufacturing sectors.

Figure 1. Central Oregon Employment, by Sector, 2006
(Source: EDCO website)



Information on average wage by County is available as current as 2006 from the Oregon Employment Department. **Table 2** illustrates average wages for Deschutes County for the years 2002-2006 by employment sector. The data illustrates that average wages for all occupations have increased by 17.9 percent between the years 2002-2006, from \$28,253 to \$33,324, for all of Deschutes County.

The larger employers within the City of Sisters, which generally fall in the Leisure and Hospitality sectors, reported an average annual pay of \$16,773 for 2006. The average government sector salary in Deschutes County in 2006 was \$39,520; the average salary in the Retail industries was \$26,120; and in Education and Health Services the average salary in 2006 was \$40,643.

Table 2. Average Pay by Year by Industry/ Employment Sector, Deschutes County 2002-2006.

Industry/ Payroll Employment	Average Pay by Year				
	2006	2005	2004	2003	2002
Total All Ownerships	\$33,324	\$31,491	\$30,091	\$29,124	\$28,253
Natural Resources & Mining	\$34,133	\$29,859	\$27,837	\$32,452	\$31,836
Construction	\$37,605	\$35,522	\$33,761	\$32,723	\$30,891
Manufacturing	\$37,954	\$35,350	\$33,511	\$32,410	\$31,215
Trade, Transportation. & Utilities	\$30,356	\$29,131	\$27,848	\$26,471	\$25,698
Wholesale	\$44,763	\$42,241	\$40,727	\$38,871	\$39,199
Retail	\$26,120	\$24,975	\$24,119	\$22,899	\$22,403
Transportation, Warehousing & Utilities	\$45,162	\$46,582	\$42,212	\$39,546	\$36,560
Information	\$46,020	\$45,720	\$43,237	\$39,905	\$40,558

Industry/ Payroll Employment	Average Pay by Year				
	2006	2005	2004	2003	2002
Financial Activities	\$43,118	\$39,713	\$36,707	\$34,177	\$31,395
Finance & Insurance	\$52,049	\$47,489	\$45,301	\$42,429	\$39,065
Real Estate Rental & Leasing	\$29,671	\$28,631	\$25,229	\$24,749	\$22,913
Professional & Business Services	\$32,242	\$30,561	\$30,489	\$30,303	\$30,408
Professional, Scientific & Technical Svcs	\$44,825	\$42,822	\$42,867	\$42,346	\$41,353
Management of Companies	\$60,305	\$60,557	\$61,502	\$48,377	\$51,502
Admin. & Support, Waste Mgmt & Remediation	\$23,226	\$21,296	\$20,912	\$19,288	\$20,248
Education & Health Services	\$40,643	\$37,628	\$36,230	\$34,944	\$34,123
Education	\$23,270	\$22,064	\$20,900	\$21,355	\$20,831
Health & Social Assistance	\$42,187	\$39,038	\$37,603	\$36,096	\$35,193
Leisure & Hospitality	\$16,773	\$16,097	\$14,700	\$14,241	\$13,714
Arts, Entertainment & Recreation	\$18,277	\$16,298	\$14,703	\$14,733	\$14,683
Accommodations & Food Services	\$16,438	\$16,053	\$14,699	\$14,130	\$13,491
Other Services	\$23,280	\$22,750	\$22,200	\$20,865	\$20,937
Private Non-Classified	\$35,291	\$53,272	\$38,619	\$39,391	\$26,521
Total All Government	\$39,520	\$37,529	\$36,518	\$35,594	\$35,087
Total Federal Government	\$56,344	\$53,774	\$49,496	\$48,773	\$47,847
Total State Government	\$33,807	\$32,506	\$39,802	\$40,869	\$39,701
Total Local Government	\$38,064	\$35,891	\$33,952	\$32,777	\$32,413

Source: Oregon Employment Department, Oregon Covered Employment.

Although Central Oregon is forecasted to see slower job growth in the future, similar to the state and national trends, the *Workforce Assessment* predicts that job growth and the demand for workforce housing that it generates is expected to continue (although at slower rates than previously experienced) into the foreseeable future. According to the *Workforce Assessment*:

- “The Worksource Oregon Employment Department forecasts that Central Oregon will have the fastest job growth in the state -- 24.4% between 2004 and 2014. This equates to approximately 17,520 additional jobs or an average of 1,752 jobs per year.
- 94% of employers surveyed as part of this study indicate they plan to have a net increase in jobs in the next three years.

- Economic Development of Central Oregon (EDCO) is working on approximately 50 business expansion and recruitment prospects which combined could generate 1,400 new jobs.”

While the *Workforce Assessment* predicted in 2006 continued job growth, similar to the economic forecast for Central Oregon from the OEA, many of the new jobs are predicted to be in lower-paying services such as retail, hospitality and recreation services, and residential support. Furthermore, the report anticipates that many of the housing units constructed in Central Oregon will be occupied by retirees and other residents who are not members of the workforce or used as vacation properties. These units will generate demand for workforce housing both on site (maintenance, domestic service, etc.) and indirectly through stimulation of retail trade and commercial services. It is therefore important to develop housing policies that encourage housing suited for a workforce that will be earning relatively low wages in comparison to Area Median Income levels.

Income Levels

As noted in **Table 3**, the Area Median Income (AMI) in Deschutes County has slowly increased since 2004 to generally mirror that of the state. In 2007, AMI for Deschutes County was \$58,800. AMI is based on a family of four.

Table 3. Area Median Family Income, Deschutes County and Oregon, 2002-2007

Area	2002	2003	2004	2005	2006	2007
Deschutes County	\$45,000	\$54,200	\$57,800	\$57,800	\$58,800	\$58,800
Oregon	\$48,900	\$56,300	\$58,600	\$58,600	\$58,900	\$58,833

Sources: U.S. Department of Housing and Urban Development, U.S. Bureau of Economic Analysis.

Table 4 provides incomes by percent of AMI by community in Deschutes County, as noted in the *Workforce Assessment*. The shaded area in the table below indicates the percentage considered “low income”. According to the report, over one-third of Sisters households earn greater than 120% of the Area Median Income. The next highest

percentage, 17.6 percent of Sisters households, earns between 61 and 80 percent of AMI, followed by 12.1 percent of households earning between 31 and 50 percent of AMI. In 2006, the AMI for Deschutes County was \$58,800, which at 61 to 80 percent of AMI, equates to \$35,280 to \$47,040. One-hundred and twenty percent of AMI for 2006 is \$70,560.

As shown in **Table 4**, 51.8 percent of households in the City of Sisters are considered low income. According to the *Workforce Assessment* "Approximately 37% of the region's households have incomes equal to or less than 80% of the Area Median Income (AMI), and are therefore considered to be low income. The percentage of households with low incomes ($\leq 80\%$ AMI) is very similar in all three counties. Bend has the lowest percentage of low-income households (38%) and Sisters has the highest (52%) with the other communities falling somewhere in between."

According to the report, 2006 Workforce Housing Needs Assessment, "Sisters has the highest percentage of low-income households (52%) of any community in Deschutes County. Low income is defined as earning less than 80% of AMI. AMI for Deschutes County was \$58,800 for a family of four in 2007."

Table 4. Incomes by Community by Percent of AMI, Deschutes County, 2006

Area	$\leq 30\%$	31-50%	51-60%	61-80%	81-100%	101-120%	120% +
Sisters	11.8%	12.1%	10.3%	17.6%	10.3%	6.8%	31.1%
Bend	9.0%	10.7%	5.4%	13.0%	12.4%	10.1%	39.3%
Redmond	11.0%	12.1%	8.7%	17.2%	13.3%	9.8%	27.9%
Deschutes County Unincorporated	6.2%	7.1%	4.4%	10.9%	10.1%	10.0%	51.3%
Deschutes County Total	8.4%	9.7%	5.6%	12.9%	11.8%	10.0%	41.7%

Source: 2000 Census, CHAS Tabulations, Workforce Housing Needs Assessment, July 2006

Commute Patterns

Data regarding commute patterns, or the number of employees that live in a community who commute to another community to work can be indicative of many factors. According to the *Workforce Assessment*, commute patterns may indicate an unavailability of suitable attainable housing in the community where an employee works. During the development of the *Workforce Assessment* a commute survey was conducted, to assess the level of commuting occurring between communities in Deschutes County. In Sisters, 192 employees responded to the survey from 8 employers.

Out of the 192 total employees surveyed, 71 persons, or roughly 37 percent, commuted from other communities to their workplace in Sisters. **Table 5** provides the number and percentage of workers who work in Sisters but commute from another community.

Table 5. Percentage of Workers who work in Sisters but Commute to other Communities

	Place of Residence					
	Work in Sisters but Live in Bend	Work and Live in Sisters	Work in Sisters but Live in Redmond	Work in Sisters but Live in Prineville	Work in Sisters but Live in Madras	Work in Sisters but Live in Other Community
Sisters as Workplace						
Percentage	19.3%	63.0%	15.3%	0.6%	1.3%	0.5%
Number of Employees*	37	121	29	1	2	1

Source: Workforce Housing Needs Assessment, July 2006, employer survey on commute patterns.

*Total may not add to 192 due to rounding.

Population and Demographic Trends

The City adopted a coordinated population forecast with the adoption of the Sisters Comprehensive Plan, which is provided as Appendix 1 of the Sisters Comprehensive Plan. According to the Center for Population Research and Census, the City has grown at a slower rate than anticipated in the Comprehensive Plan Coordinated Population Forecasts. As shown in **Table 6**, the adopted estimates for 2005 and 2006 are slightly lower than anticipated, and the 2007 forecast is higher than the actual population by 206 persons.

Table 6. July 1, Certified Population Estimates by Year Compared to Adopted Population Estimates, 2005-2007, City of Sisters

Year	City of Sisters Population(Actual)	Estimated Population
2005	1660	1,768
2006	1745	1,927
2007	1825	2,031

Source: Center for Population Research and Census, Population Estimates for City of Sisters, Appendix 1 Sisters Comprehensive Plan, adopted July 2005.

The trends in population estimates indicate that the City is growing at a slower rate than originally anticipated, and that the housing needs derived in 2005 may have been slightly higher than actually needed. Although constraining supplies of residential land may lead to higher prices, the recent drops in housing prices may contribute to additional units on the market that are more affordable to residents of Sisters. Conversely, a drop in prices may adversely affect rental costs, as owners of multiple properties raise rents to cover their own investments.

Further demographic data pertaining to Sisters is found in the 2000 U.S. Census. According to the 2000 Census, the average household size in the City of Sisters was 2.41 persons per household. Out of 397 occupied housing units, 58.4 percent were owners and 41.6 percent were occupied by renters. The percentage of owner-occupied units is lower in Sisters than the state percentage, 63.2 percent in 2003, and than that of the nation, which was 66.8 percent in 2003 (State of Oregon Progress Board 2005 Benchmark Report).

Median age in the City of Sisters was 38.8 years, according to the 2000 U.S. Census. The 2010 U.S. Census will be underway in the next year, and following release of that data, it would be useful to look at Sisters population and demographic data related to housing. Because the 2000 Census was compiled before the City sewer was constructed, population, household size, incomes, and other important demographic trends were likely very different.

Conclusions Regarding Economic, Income, and Population Trends

- Incomes in Deschutes County are comparable to the state average but not increasing at a rapid rate.
- According to a 2006 report, Workforce Housing Needs Assessment, over 51 percent of the City of Sisters households earn less than 80 percent of the AMI, and are therefore considered low income. Based on 2006 AMI, 80 percent of AMI is less than \$47,040.
- Over 31 percent of City of Sisters households earn greater than 80 percent AMI; based on AMI for 2006, this is greater than \$70,560.

- Economic forecasts indicate that although job growth will continue to grow to 2014 in Central Oregon, it will be at a slower pace than previously experienced, and most job growth is expected in lower-paying service industry sectors such as Leisure and Recreation and Retail Trade.
- Job growth in service industry sectors offers relatively lower-paying jobs that are necessary for the Sisters tourist-based economy.
- The larger employers within the City of Sisters, which are Leisure and Hospitality oriented, reported an average annual pay of \$16,773 for 2006. The average government sector salary in Deschutes County in 2006 was \$39,520; the average salary in the Retail industries was \$26,120; and in Education and Health Services the average salary in 2006 was \$40,643.
- Based on the results of a Commute Survey conducted when the 2006 Workforce Housing Needs Assessment was developed, over one-third of employees who responded to the survey commute to Sisters for work from another community. According to the authors of the Workforce Housing Needs Assessment, this commute pattern could imply a lack of affordable housing in Sisters relative to income.
- Although forecasts are important to use in drawing conclusions about an area's economy, it would be useful to examine economic trends relative to housing as the effects of the national housing downturn on the economy are played out.

Sisters Housing Profile

Buildable Lands Inventory

In March 2005, the City adopted the *Residential Land Supply and Demand Analysis* (RLA) as Appendix C to the Sisters Comprehensive Plan. In the following section of this report, trends in the buildable land inventory concerning density, acreage, and housing characteristics are examined, in order to evaluate what has happened in the Sisters housing market since adoption of the RLA. The RLA estimated Sisters residential lands needs in both acreage and in number of housing units, and this analysis provides that as well.

Residential Acreage Needs

According to Chapter 14 of the Sisters Comprehensive Plan, *Urbanization*, there are approximately 429 gross acres of Residential-zoned land, and 161 gross acres of R-MFSD land within the Sisters UGB.

The RLA estimated a need for an additional 61 acres of Residential-zoned land and 59 acres of R-MFSD land through the planning year 2025. These estimates were based upon average densities of 5 units per gross acre for the Residential District, and 9 units per gross acre in R-MFSD. According to City Planning Department building permit records, a total of 47.7 acres of Residential-zoned land and 15.3 acres of R-MFSD-zoned land were developed between 2003 (when the inventories were compiled) through July 2007. At the time the RLA inventory was completed, there was a supply of 36 acres of buildable Residential-zoned land, and a supply of 69 acres of buildable R-MFSD zoned land.

As shown in **Table 7**, below, according to City Planning Department building permit records, a total of 47.7 acres of vacant Residential-zoned land and 15.3 acres of R-MFSD-zoned land were developed between 2003 (when the RLA inventories were current) through July 2007. As of July 2007, there was a need for 52 gross acres of Residential-zoned land, and a need for 3 gross acres of R-MFSD-zoned land to meet the estimated demand through 2025. There were two Plan Amendments/ Zone Changes

The Comprehensive Plan Residential Lands Analysis (RLA) estimated a need for an additional 61 acres of Residential-zoned land and 59 acres of R-MFSD land through the planning year 2025.

Because of the increased densities realized in the past 4 years within the City Limits, the City has attained the adopted estimate of number of R-zoned lots through the year 2025. However, because the Comprehensive Plan estimated land needs based on 5 units/net acre in the R District, in terms of acreage, it appears that the City still needs 52.1 acres of R-District land, and 2.9 acres of R-MFSD land in order to meet the estimated demand through the planning year 2025.

Because of the increased densities evidenced over the past 4 years, the City may want to revisit the Residential acreage needs adopted in the Comprehensive Plan in the future.

(Sun Ranch and North Park) that added a total of 20.6 acres of Residential-zoned land, and 2.4 acres of R-MFSD-zoned land to the residential inventories.

Table 7. RLA Residential Buildable Lands Inventory, Additions to Residential Buildable Lands Inventory since 2005.*

Land Use District	Estimated Need through 2003-2025 Planning Period	Supply of Buildable Land (RLA, current as of 2003)	Gross Acreage Developed, 2003-July 2007	Additions to Inventories from Zone Changes/ Plan Amendments	Supply of Buildable Land, as of 1/08	Acreage Needed to meet 2025 Demand, as of 1/08
Residential	61	36	47.7	20.6	8.9	52.1
R-MFSD	59	69	15.3	2.4	56.1	2.9

Source: Sisters Comprehensive Plan, City Planning Department Records

* All acreage in Gross Acreage figures.

As illustrated in **Table 7**, above, based on adopted estimates from the Sisters Comprehensive Plan, there is a need for an additional 52.1 gross acres of land designated Residential to meet the forecasted need to the year 2025. Additionally, there is a need for 2.9 gross acres of land designated R-MFSD to meet the forecasted future need for 2025. The RLA inventories were adjusted, as shown in **Table 7**, to consider additions to the residential land inventory since 2005, due to Plan Amendments and Zone Changes. These additions total roughly 21 gross acres of land designated as Residential, and 2.4 gross acres of land designated R-MFSD, and include the following:

- Sun Ranch. Sun Ranch is a Master Planned development that incorporates new zoning districts to create a mixed use commercial/ residential community. A maximum of 45 units at a density of 4.3 units per acre was approved for 10.46 acres of Sun Ranch Residential District. The Sun Ranch community also allows a possible buildout of 60 loft units over commercial/employment development, and provides 7 units of dedicated affordable housing.
- North Park: North Park is a Master Planned development that incorporates 10.16 acres of Residential District, and 2.39 acres of R-MFSD land for a total buildout of 62 residential dwelling units on 57 residential lots. North Park provides a mix of

three types of housing units: Twenty-four of the lots are proposed as single family detached units, 32 lots are proposed as attached townhomes, and a single lot is proposed as a six-unit multi-family structure which will be dedicated affordable housing. Additionally, two of the townhomes are also approved for dedicated affordable housing. Directly south of the development area is the North Sisters Business Park Subdistrict, which provides the ability for a maximum of 57 loft units over commercial/ employment oriented uses.

Table 8, below, illustrates the total acres in gross and net (subtracting 20 percent of gross for roads and rights of way) acres developed by year between 2003 and July 2007, by residential zoning district.

Table 8. Gross and Net Developed Acres by Year, 2003 through July 2007

Zoning District	2003		2004		2005		2006		Through July 2007	
	Gross Acres	Net Acres	Gross Acres	Net Acres						
Residential	7.97	6.38	10.47	8.38	13.27	10.62	10.19	8.15	5.8	4.64
R-MFSD	3.88	3.11	3.72	2.98	3.6	2.88	3.1	2.48	0.96	0.77
Total Acres	11.9	9.5	14.2	11.4	16.9	13.5	13.3	10.6	6.8	5.4

Source: City of Sisters Planning Department Records.

Compared to the average densities listed in the RLA for the eight-period between 1994 and 2002, average densities for the years 2003 through July 2007 are higher, as shown in **Table 9**. The RLA estimated densities of approximately 5 units/net acre for Residential land, and more recent densities have been between 6.1 and as high as 9.5 for the Residential District. The RLA provided an average density of 10 units/ net acre for R-MFSD land, while more recent densities developed in this sub-district has ranged from 9.4 to 15.8 units/ net acre.

The increases in densities in the residential districts illustrate the trends in smaller single family detached home lot sizes, townhome lots, and division of older lots for infill development, such as in the Davidson Addition. The increased density evidenced by analyzing building permit data is consistent with the direction from the RLA.

Table 9. Average Density by Zoning District, 2003 through July 2007

Zoning District	2003		2004		2005		2006		Through July 2007	
	Total Units Permitted	#Units/ Net Acre								
Residential	47	7.4	52	6.1	65	6.1	69	8.3	44	9.5
R-MFSD	49	15.8	31	9.4	35	10.9	27	10.9	9	11.7
	96		83		100		96		53	

Source: City of Sisters Planning Department Records.

During the years since adoption of the RLA, the City has seen an increase in the number of Master Plan development approvals that incorporate smaller lot sizes than typically allowable within the Residential District (6,000 square feet is the average lot size for single family, and 3750 is the average for townhomes). As mentioned previously, North Park incorporates 57 townhome lots that are slightly less than the required 3,750 square feet minimum lot size, at 3,692. Additionally, two other Master Plan developments provide smaller single family lots:

- Saddlestone, which is approved for 85 lots with an average density of 4.89 units per acre, and an average lot size of 4,828 square feet. The smallest lot is approved for 3,089 square feet.
- Three Creeks Crossing, which is approved for 28 lots (14 single family detached, and 14 townhomes) on 5.14 acres on the current site of the Sisters Mobile Home Park. The single family detached lots range in size from 4,724 square feet to 18,248 square feet, and average 5,500 square feet, and the townhomes average 3,800 square feet. The overall density is 5.5 units per acre.

As illustrated in **Table 10**, there has been a significant increase in the density of the sizes of the single family lots constructed within the City between the years 2003 and 2007. The density figure for single family homes has steadily increased from 5.3 units per net acre in 2003, to 8.8 units per net acre through July 2007.

Table 10. Number of Units by Type, Units per Net Acre, 2003-July 2007

Type of Housing	2003		2004		2005		2006		2007	
	Number of Units	Net density								
Single Family	30	5.3	49	5.4	76	6.5	57	7.4	38	8.8
Manufactured Home	9	12.4	-	-	13	12.7	13	10.1	2	4.2
Townhome	10	14.7	12	18.8	8	9.3	26	15.5	4	9.3
Duplex	12	17.6	6	0.6	2	14.7	-	-	-	-
Apartment	35	19.7	12	30.6	1	3.7	-	-	-	-
Triplex	-	-	-	-	-	-	-	-	9	56.2
Totals	96		83		100		96		53	

Source: City of Sisters Planning Department records, Deschutes County.

As shown in the next section of this report, *Residential Housing Units*, the increase in densities seen since adoption of the RLA has helped achieve the needed single family detached housing units for the forecasted year 2025 in the Residential District, although in terms of acreage, the City's inventories are less than needed through the planning period.

Residential Housing Units

City building permit records were analyzed in order to determine the number of housing unit permits issued between the period of January 2004, and August 31, 2007, since the adoption of the 2005 Sisters Comprehensive Plan. Based on this analysis, in platted subdivisions, there is the potential for approximately 564 units within the Residential District, and the potential for 426 units within the R-MFSD within the Sisters UGB, as noted in **Table 11**, below. This includes units approved through Master Plan developments and other subdivisions but not yet constructed, and potential for infill in the Davidson Addition and Edge O' the Pines subdivisions.

Using an estimated demand of 1126 total units to the year 2025, and a rough calculation of one-in-ten as provided by Comprehensive Plan direction, 113 dedicated affordable units are needed by the year 2025.

Table 11. Summary of Available Lots and Potential Residential Development, City of Sisters, 2004- August 2007.

Type of Residential	2004 Comp Plan Available Lots/ Units ¹	2007 Available Lots/ Units	Estimated Demand, 2004-2025 ¹	2007 Surplus/ (Deficit) to Demand	Additional Lots/ Units from Potential Projects ²	Surplus/ (Deficit) to Demand w/ Ptnl. Projects ²
Single Family	319	564	563	1	135	136
Multi Family	31	426	563	(137)	6	(131)
Totals	350	990	1126	-	-	-

¹ Based on data from the 2005 Comprehensive Plan Update, "Residential Land Supply and Demand Analysis", March 2005, adopted as "Appendix C" in the Comprehensive Plan.

² This includes potential projects such as North Park, Three Creeks Crossing, and Sun Ranch, which all have received Preliminary Plat approval but not Final Plat approval. Townhomes are included with Single Family counts, not multi-family.

The demand, as noted in the Comprehensive Plan, is for 563 units at the end of the planning period, 2025. As shown in **Table 11**, above, as of August 31, 2007, there are enough single family residential lots to meet the demand to the end of the planning period. In addition, at the time this analysis was completed, in September 2007, there was an additional 135 single family residential lots that were not approved through Final Plats, but had received preliminary plat approvals. As shown in **Table 11**, there is currently a surplus of 136 units to meet the 2025 demand for single family residential lots.

In terms of multi-family development, using the Comprehensive Plan numbers for a basis, there is a deficit (need) for an additional 131 units of multi-family residential to meet the 2025 demand adopted in the Comprehensive Plan.

Affordable Housing Inventory

Currently, the inventory of designated affordable housing within the Sisters City Limits is as follows:

- Habitat for Humanity has constructed 26 single family attached and detached housing units in the City of Sisters since 2001. According to a Habitat for Humanity official, the current construction cost is roughly \$150,000, with a land cost of roughly \$102,000. Their houses currently cost \$55 per square foot. As of this writing, Habitat

has two vacant homes, and plans to build 2-4 homes per year over the next 2-5 years.

- Housing Works constructed Tamarack Village, 33 rental units of 3, 5, and 7 bedroom options, in September 2003. According to Housing Works, all are currently rented (as of January 2008). Tamarack Village is located north of downtown Sisters on Larch Street. Housing Works also administers the Housing Choice Voucher program (also known as "Section 8"), under contract with the U.S. Department of Housing and Urban Development (HUD) for Crook, Deschutes, and Jefferson Counties. The Voucher program allows low-income families to choose a rental unit from the open market and pay approximately 30-49 percent of their gross annual income towards the rent, with Housing Works paying for the difference between fair market rent and the amount the person/family is able to pay. Private rental units qualify for participation in the program if they are found to be safe and sanitary after an inspection, and the landlord signs a one-year contract with Housing Works.

According to Housing Works, as of mid-January 2008, there are 15 households receiving Housing Choice Vouchers in the City of Sisters.

- Assisted living or housing opportunities for special needs is limited in the City. The Sisters Planning Department approved one private home for five adults for an adult foster care in summer 2007, east of City Hall. There is an additional assisted living facility in the City that houses five adults with special needs as well, Powell's Care Home. In addition, the U.S. Forest Service provides 10 beds within bunk houses on a seasonal basis on their property.
- In addition to the dedicated units listed above, the City has approved additional Master Plan developments in the past two years that will provide dedicated affordable units in future phases along with market rate housing. The developer of Sun Ranch will provide 7 units of affordable housing in cottages, while the developer of North Park will provide 6 units of affordable housing in an apartment structure, and two townhomes.

Using Comprehensive Plan estimates, there is a demand for an additional 52.1 acres of R-District land, and 2.9 acres of R-MFSD land to meet the estimated demand for the planning period to 2025. However, the increased densities the City has experienced since the adoption of the Comprehensive Plan has resulted in a surplus of 136 R-District lots to meet the estimated number of units to achieve by the year 2025.

In terms of R-MFSD lots, using the Comprehensive Plan estimates as a basis, there is a need for an additional 131 units of multi-family residential to meet the 2025 demand. The City has recently approved two Plan Amendments which will allow a potential buildout of 117 loft units over commercial/industrial, which will assist in meeting the demand for multi family through the planning period.

Conclusions from the Buildable Lands Inventory

- According to City Planning Department building permit records, a total of 47.7 acres of vacant Residential-zoned land and 15.3 acres of R-MFSD-zoned land were developed between 2003 (when the RLA inventories were current) through July 2007. After of July 2007, there was a deficit of Residential-zoned land of 11.7 gross acres, and a supply of 53.7 gross acres of R-MFSD-zoned land. There were two Plan Amendments/ Zone Changes that added a total of 23 acres to the residential inventories following adoption of the RLA.
- Based on adopted estimates from the Sisters Comprehensive Plan, as of July 2007, there is a need for an additional 52.1 gross acres of land designated Residential to meet the forecasted need to the year 2025. Additionally, there is a need for 2.9 gross acres of land designated R-MFSD to meet the forecasted future need for 2025.
- Compared to the average densities listed in the RLA for the eight-period between 1994 and 2002, average densities for the years 2003 through July 2007 have been much higher than anticipated. The RLA estimated densities of approximately 5 units/net acre for Residential land, and more recent densities have averaged between 6.1 and as high as 9.5 for the Residential District. The RLA estimated an average density of 10 units/ net acre for R-MFSD land, while more recent densities developed in this sub-district has ranged from 9.4 to 15.8 units/ net acre.
- The increases in densities in the residential districts illustrate the trends in smaller single family detached home lot sizes, townhome lots, and division of older lots for infill development, such as in the Davidson Addition. There has been a significant increase in the density of the sizes of the single family lots constructed within the City between the years 2003 and 2007. The density figure for single family homes has steadily increased from 5.3 units per net acre in 2003, to 8.8 units per net acre through July 2007, nearly approaching the lower end of the R-MFSD required density of 9-20 units/ acre. The increased density evidenced by analyzing building permit data is consistent with the direction from the RLA.

- Using Comprehensive Plan estimates, there is still a demand for an additional 52.1 acres of Residential zoned land, and 2.9 acres of R-MFSD land, to meet the estimated demand for the planning period to 2025. However, the increased density the City has experienced since the adoption of the Comprehensive Plan and RLA has resulted in a surplus of 136 units of single family (including townhomes) lots to meet the estimated number of units to achieve by the year 2025. In terms of multi-family development, using the Comprehensive Plan numbers for a basis, there is a deficit (need) for an additional 131 units of multi-family residential to meet the 2025 demand adopted in the Comprehensive Plan.
- In terms of dedicated affordable housing within the City Limits, there are currently 26 homes constructed by Habitat for Humanity for home ownership; 33 rental units constructed by Housing Works, and an additional 15 families/ households using Housing Works Housing Choice Voucher program for rental units; two private homes providing a total of 10 beds for persons with special needs; and, an additional 10 beds provided by the Forest Service on a seasonal basis for persons with special needs. Additionally, there are a total of 15 dedicated affordable housing units approved within Master Plan developments that have not yet been constructed.

In total, there are currently 59 permanent affordable units and 15 that are approved and planned but not constructed yet, for a total of 74. Additionally, there are 20 beds for persons with special needs, and the opportunity for additional rental units through the Housing Choice Voucher Program.

- Using an estimated demand of 1126 total units to the year 2025, and a rough calculation of one-in-ten as provided by Comprehensive Plan direction, 113 dedicated affordable units are needed by the year 2025. With 74 units of affordable housing currently planned or existing in the City, 39 additional affordable units are needed, using the one-in-ten formula.

City of Sisters Home Ownership Market

According to the Oregon Association of Realtors, the average home price in the Sisters region has steadily risen over the past seven years, consistent with other Central Oregon

cities. As noted in **Table 12**, although the “Sisters” designation used by the Central Oregon Realtors Multiple Listing Service generally includes homes in the outlying areas, outside the Sisters City Limits, it is useful to look at the rise in home prices to get a general overview of the housing situation in Sisters. The data shows that in the five-year period between 2001 and 2006, the average home price in the Sisters area nearly doubled, from \$235,000 to \$460,000. The Sisters area exhibits the highest housing prices of any in Deschutes County.

As noted previously in this report, average payroll wages increased only 17.9 percent between 2002-2006. Housing prices in the Sisters area, however, increased 46.2 percent during the same period.

Table 12. Average home prices by year, Sisters (area, not City Limits), Bend, and Redmond

Area	2001	2002	2003	2004	2005	2006
Sisters	\$235,000	\$247,500	\$270,000	\$308,500	\$394,250	\$460,000
Bend	\$168,950	\$183,500	\$195,000	\$227,500	\$279,900	\$351,978
Redmond	\$125,000	\$135,125	\$148,567	\$158,500	\$198,818	\$262,749

Source: Central Oregon Realtors Association.

In order to ascertain the current for-sale housing inventory within the Sisters City Limits, the Central Oregon Realtors MLS search engine was queried on January 10, 2008. The data compiled for the Sisters region, excluding inventory in subdivisions outside the City Limits, showed a current inventory of 88 single family, townhome, or condominium units for sale as listed on the MLS. Based on the data compiled by the Central Oregon Realtors Association, the following breakdown of the houses for sale is provided, by price range, in **Table 13**.

Table 13. January 2008 Central Oregon Realtors MLS Residential Listings, Sisters City Limits

Listed Housing Price	Number of Units	Type of Units
\$199,990*	2	2 Townhomes
\$200,000-239,990	8	6 Single Family; 1 Townhome; 1 Condo
\$240,000-\$269,990	10	6 Single Family; 4 Townhomes
\$270,000-\$299,990	16	11 Single Family; 5 Townhomes
\$300,000-\$329,990	14	12 Single Family; 1 Townhome; 1 Condo
\$330,000-\$374,990	10	9 Single Family; 1 Condo
\$375,000-\$415,990	8	8 Single Family
\$416,000-\$499,990	6	6 Single Family
\$500,000-\$599,990	10	10 Single Family
\$600,000-\$749,000	4	4 Single Family
Total Units	88	

Source: City of Sisters, Central Oregon Realtors MLS Listings, January 2008.

*There were no homes listed on the MLS that were less than \$199,990.

As provided in **Table 13**, above, the average home price of homes listed on the MLS service within the Sisters City Limits, as of January 2008, was \$361,763. The median home price of those listed for the same period was \$314,900. According to the July 2006, *Workforce Assessment*, the maximum affordable purchase price for a low-income household in Deschutes County is \$134,000. Based on the MLS listings, there are no homes that are considered affordable for a household earning less than 80 percent median income in the Sisters City Limits. The lowest-priced listings in the City include 2 townhomes priced at \$199,990.

While residential real estate prices have fallen slightly, reflective of the national housing crisis, there are not any homes listed on the MLS for the week of January 10, 2008, that were affordable to someone earning 100% of AMI. The Workforce Housing Needs Analysis (executive summary, page 5) provides that the affordable housing price for a person earning AMI (2006 AMI) would be \$167,400. According to mortgage calculators, which estimate the affordable level of housing for a particular household income, a household earning the 2007 AMI of \$58,800 could afford a home of no more than \$180,500. Further, in order to afford a home priced at \$314,900, the median price for homes within the Sisters City Limits listed on the MLS in January 2008, a household would need to be earning an income of \$102,048.

The data illustrates that attaining affordable housing is not limited to the low income (earning 80 percent of AMI) or very low-income (earning 50 percent of AMI), but also those earning 100-170 percent of AMI, or between \$58,800 and \$99,999, as shown in **Table 14**. According to a 2003 report, *Central Oregon Housing Needs Update* (Rees Consulting, March 2003) over 32 percent of home-owned households earning between \$50,000 and \$99,999 (85 percent to 170 percent of AMI) experienced cost burden. The report further states that in 2000, nearly 25 percent of households in Sisters who responded to the Housing Needs Update data request which was part of the report were considered cost burdened (paying more than 30 percent of income for housing), and estimated that in 2003, 35 percent would be cost burdened, and in 2008, over 49 percent would be cost burdened. These findings are illustrated in **Table 14**.

Table 14. Affordability- Households Cost Burdened by Housing Payment, City of Sisters

Tenure	Household Income							Total
	Less than \$10,000	\$10,000- \$19,999	\$20,000- \$34,999	\$35,000- \$49,999	\$50,000- \$74,999	\$75,000- \$99,999	\$100,000 or more	
# Owners	19	19	50	50	31	44	19	232
# Renters	21	25	56	31	16	9	7	165
Total	40	44	106	81	47	53	26	397
	Cost Burdened							
# Owners	16	4	20	6	1	0	0	47
# Renters	17	16	19	0	0	0	0	52
Total, year 2000	33	20	39	6	1	0	0	99
Estimate, 2003	46	28	55	8	1	0	0	139
Projection, 2008	66	40	78	12	2	0	0	198

Source: *Central Oregon Housing Needs Update*, Rees Consulting, March, 2003.

City of Sisters Rental Market

According to the 2000 U.S. Census, 41.6 percent of the City of Sisters population are renters. Rental units are increasingly important to maintain and provide in a community such as Sisters, where the cost of purchasing a new home has become unattainable for much of the workforce. The *Workforce Assessment* estimates that the maximum

affordable rent for a family earning median family income, was \$1,058.75 in 2006. The data from the *Housing Needs Assessment* in **Table 14**, above, provides that the highest number of renters in the City who experience cost burden earn between \$20,000 and \$34,000.

At the close of the first quarter of each year, the Central Oregon Rental Owners' Association and Housing Works compiles the "Central Oregon Rental Survey", which compares rental units by type and provides average rents for the cities of Bend, Redmond, Madras, Prineville, LaPine, Sunriver, and Sisters. **Table 15** provides the average rental cost by bedroom, type of unit, and number of units for Sisters. According to the survey, at the close of the first quarter of 2007, there were 24 apartments, 11 duplexes, 23 houses, and 17 manufactured homes in the City of Sisters that were affordable to a person earning median family income. Fifty-four of the units surveyed, roughly 36 percent of the total units, were not affordable to rent for a person earning median family income.

The 2000 U.S. Census estimated vacancy rates for rentals within Sisters at 7.3 percent. As noted in the Central Oregon Workforce Housing Needs Assessment, July 2006, "As a general rule, when vacancy rates are below 7 percent, markets are considered tight and construction of additional units is warranted."

Table 15. City of Sisters, Average Rent, Number of Vacant Units by Type

Number of Bedrooms	Apartments (5 or more units)		Duplex		House		Manufactured Home	
	# Units	Average Rent	# Units	Average Rent	# Units	Average Rent	# Units	Average Rent
One Bed	(na)	(na)	(na)	(na)	8	\$775	(na)	(na)
2 Bed	2	\$590	7	\$680	15	\$950	8	\$663
3 Bed	22	\$646	4	\$800	35	\$1,100	7	\$893
4 Bed	(na)	(na)	(na)	(na)	17	\$1,314	2	900
5 Bed	(na)	(na)	(na)	(na)	2	\$2,000	(na)	(na)

Source: Central Oregon Rental Survey, March 2007.

Conclusions Regarding the Housing Market in Sisters

- During the five-year period between 2001 and 2006, the average home price in the Sisters area (including the City Limits and outlying areas) nearly doubled, from \$235,000 to \$460,000, an increase of 46.2 percent. For the same five-year period, average payroll in Deschutes County increased by only 17.9 percent.
- As of January 10, 2008, the average home price of homes listed on the MLS service within the Sisters City Limits was \$361,763. The median home price of those listed for the same period was \$314,900. Based on these MLS listings, there are no homes that are considered affordable for a household earning 100 percent of the Deschutes County AMI of \$58,800, within the Sisters City Limits. The lowest-priced listings in the City include 2 townhomes, priced at \$199,990. According to mortgage calculators, which estimate the affordable level of housing for a particular household income, a household earning the 2007 AMI of \$58,800 could afford a home of no more than \$180,500. Further, in order to afford a home priced at \$314,900, the median price for homes within the Sisters City Limits listed on the MLS in January 10, 2008, a household would need to be earning an income of \$102,048.
- In the City of Sisters it appears that attaining affordable housing is not limited to the low income (earning 80 percent of AMI) or very low-income (earning 50 percent of AMI), but also those earning 100-170 percent of AMI, or between \$58,800 and \$99,999. According to a 2003 report, *Central Oregon Housing Needs Update* (Rees Consulting, March 2003) over 32 percent of home owner households earning between \$50,000 and \$99,999 (85 percent to 170 percent of AMI) experienced cost burden. The report further states that in 2000, nearly 25 percent of households in Sisters were considered cost burdened (paying more than 30 percent of income for housing), estimated that in 2003, 35 percent would be cost burdened, and in 2008, over 49 percent of the City's population would be cost burdened.
- According to the 2000 U.S. Census, 41.6 percent of the City of Sisters population are renters. Rental units are increasingly important to maintain and provide in a community such as Sisters, where the cost of purchasing a new home has become unattainable for much of the workforce. The *Workforce Assessment* estimates that

the maximum affordable rent for a family earning median family income was \$1,058.75 in 2006. The data from the *Housing Needs Assessment* provides that the highest number of renters who experience cost burden earn between \$20,000 and \$34,000.

- As shown in the Central Oregon Rental Owners' Association and Housing Works annual "Central Oregon Rental Survey", which compares rental units by type and provides average rents for the cities of Bend, Redmond, Madras, Prineville, LaPine, Sunriver, and Sisters, at the close of the first quarter of 2007, there were 24 apartments, 11 duplexes, 23 houses, and 17 manufactured homes in the City of Sisters that were affordable to a person earning median family income. Fifty-four of the units surveyed, roughly 36 percent of the total units, were not affordable to rent for a person earning median family income.
- The 2000 U.S. Census estimated vacancy rates for rentals within Sisters at 7.3 percent. As noted in the Central Oregon Workforce Housing Needs Assessment, July 2006, "As a general rule, when vacancy rates are below 7 percent, markets are considered tight and construction of additional units is warranted."

Demand Analysis

The RLA recommended that in order to provide housing for residents of Sisters earning less than the median income, strategies that encourage smaller lot sizes, multi-family apartments, attached single and multifamily, manufactured home parks, and subsidized housing be implemented. "Creative housing solutions conceived by the community to meet these and other community goals should be sought. Comprehensive Plan policies implemented through the development code will likely be required to meet this need." The RLA further recommended that the Housing Needs "mix" to achieve to the year 2025 was 50 percent single family detached, and 50 percent of housing that are typically smaller lots, duplexes, townhomes, and apartments. At the time the RLA was adopted, the City was implementing smaller lot sizes, lot size averaging, and codes that permitted accessory units in order to achieve higher density and in turn, more affordable housing.

The RLA found that 70 percent of the total housing units constructed during the eight-year period between 1994 and 2002 were single family units (115 out of 165 total units). As shown in **Table 16**, while single family homes are still the most predominant type of housing unit constructed in the City, they averaged only 58 percent of the total units constructed (250 out of 428 total units) between 2003 and July 2007. Construction of townhomes and duplexes has increased, although with the exception of Tamarack Village, which added 33 apartments in 2003, apartments comprise a relatively small sector of the Sisters housing market.

Construction of townhomes and duplexes has increased. Although with the exception of Tamarack Village, which added 33 apartments in 2003, apartments comprise a relatively small sector of the Sisters housing market.

Table 16. Comparison of Housing Density and Needed Mix

Housing Type	Actual 1994-2002	Actual 2002	Needed Mix*	Actual 2003-2007
Single Family Detached	70 percent	67 percent	50 percent	58 percent
Multi Family (1+ units attached), apartments, condos, duplexes, manufactured/mobile homes	30 percent	33 percent	50 percent	42 percent

**According to the RLA, needed mix based on the percentage of low and lower-middle income households needing these housing types.*

In contrast to the City's population growth being slightly slower than anticipated in the Coordinated Population Forecast, based on available City data, residential building permit activity is higher than anticipated for the 3-year period between 2004 and July 2007. **Table 17** illustrates the actual number of residential building permits by year within the City of Sisters, as compared with the forecasted residential permits in the adopted Comprehensive Plan Coordinated Forecast. The actual number of residential permits completed during the four-year period 2004 and 2007 was 332, higher than the adopted forecasted number of permits for the same period, which is 302. Notable is that the adopted forecast estimated 53 residential permits for all of 2007, and the City actually permitted 53 units during the first six months of 2007. This could be reflective of the City raising Systems Development Charges (SDCs), effective July 1, 2007; during this

time, many builders submitted building plans prior to July 1 to avoid the new higher SDC charges.

Table 17. Actual Residential Building Permits compared to Adopted Forecast, City of Sisters 2004-2007

Year	Actual Residential Permits	Forecasted Residential Permits
2004	83	80
2005	100	89
2006	96	80
2007	53*	53
Total Permits	332	302

*Source: City of Sisters Planning Department records, EDCO, Appendix A, Sisters Residential Supply and Demand Analysis. *Current through July 2007*

During the development of the Sisters Comprehensive Plan, 2000 U.S. Census data and input from a Community Technical Advisory Committee were used in order to predict the income levels of residents of the City of Sisters between the years 2002 and 2025. **Table 18**, below, illustrates the breakdown from the Comprehensive Plan, which was used in conjunction with density figures and population trends to determine the estimated number and mix of housing types for the City to achieve to the year 2025.

As illustrated in **Table 18**, the RLA found that in the year 2000, roughly 50 percent of Sisters' population fell below the median income level, and 50 percent fell above. The RLA recommended that this distribution be established for the planning period to 2025, and was adopted into the Sisters Comprehensive Plan. As noted on page 9 of this report, according to the 2006 Workforce Housing Needs Assessment, 51.8 percent of households in the City of Sisters are considered low income, which generally mirrors the findings of the RLA and support the recommendations of the Comprehensive Plan that encourage the City to establish policies to encourage housing for a variety of income levels.

Table 18. Estimated Income Groupings in City of Sisters, 2002-2025

Income Levels	2000	2002-2025
Low (42.85% Median Household Income)*	17 percent	17 percent
Lower Middle (Median Household Income)	33 percent	33 percent
Upper Middle (2.14 x Median Household Income)	31 percent	31 percent
High (Greater than 2.14 x Median Household Income)	19 percent	19 percent

Source: Sisters Comprehensive Plan, Residential Supply and Demand Analysis

**Median household income in the year 2000, which was used as a basis for the estimates in Table 19 was \$35,000 for the City of Sisters, according to the U.S. Census. The 2000 Census provides the most recent Median Household Income; however, Area Median Income (AMI) for Deschutes County for 2007 is \$58,800.*

Although densities have increased, and the City appears to be meeting its objectives to encourage smaller lots, home prices have still steadily risen to the point where a household would need to be earning \$102,048 in order to afford a home in Sisters priced at the median home price, \$314,900 (based on January, 2008 data). In other words, smaller lot sizes do not necessarily equate to more affordable homes. Possible reasons include the following:

- Although lot sizes have gotten smaller, home sizes have not. According to the Deschutes County GIS database, average home sizes by year have risen from 1,604 square feet in the year 2000, to 2,106 square feet in 2006;
- Land prices and construction costs have steadily risen;
- Central Oregon continues to be a desirable place to live, increasing home prices.

Preliminary Recommendations

- Because the trends in Sisters since 2005 illustrate that smaller lots don't necessarily equate to more affordable housing, the City may need to look at varying policies and some governmental assistance, such as land banking, if providing housing for all income levels continues to be the goal. As the City uses the findings of this report to develop policies to encourage housing for a variety of

incomes, it is also important to note that there are already sufficient single family residential lots to support the anticipated demand for these lots through the planning period of 2025. Data on building permit activity suggests that there is a need for an additional 131 units of multi-family housing to meet the demand to year 2025; combined with the fact that over 41 percent of households are renters in the City Limits, policies to encourage multi-family housing that is at least partially available to renters may be an objective to implement.

- Examining average home prices, following release of additional figures towards the end of 2008, would be beneficial in order to assess the affects of the housing downturn on average prices in Sisters.
- Assessing population and demographics following the release of the 2010 U.S. Census would be beneficial, given that the most recent Census data is now 8 years old and was compiled prior to development of the City's sewer system which strictly limited new development.
- Assess whether the "one-in-ten" affordable housing goal should be broken into categories (i.e., a certain number to achieve at 51-80 percent of AMI, number of units at 81-100 percent AMI, number of units at 101-120 percent AMI, etc.), to provide varied housing for income levels (teachers or other professionals, for example) that aren't typically considered in need of affordable housing, but are, according to recent data, clearly suffering from cost burden and are in need of housing for their income ranges.

Next Steps in Developing the Sisters Housing Plan

Immediate next steps in development of the Sisters Housing Plan include the following:

1. Gather input on the findings and content of this report from experts;
2. Interview local experts in the housing field;
3. Present the findings of this report and interviews to the Planning Commission and City Council for input, in order to gather comments from the policy makers.

4. Examine affordable housing options and strategies.
5. Revise this report based on comments and hold a community open house, to gather community input on strategies.