Dear Committee Members,

I hope this email finds you well.

One of several serious issues with HB 2001 is that it does not take into account the differentials between Portland and other Oregon cities as far as medium incomes, rents, and the cost of land acquisition for urban infill. Therefore, I thought it would be productive to take a hard headed look at costs vs. affordability in my Eugene Urban neighborhood.

Base Line Stats
The average income of a Eugene resident is $26,313 a year.
30% for housing is $650 a month

The median household income of a Eugene resident is $42,715 a year.
30% for housing is $1075

Costs of construction for 1000 sf unit (excluding land and development fees) according to local contractors/developers.
200K for 1000 sf @$200 a sf
175K for 1000 sf @$175 a sf

One bedroom apartments in Eugene rent for $996 a month on average and two bedroom apartment rents average $1278.

This means that a family making the average income is typical spending a lot more than 30%, those who made the median income are closer to the 30% depending on the number of people in their household.

The problem with missing middle housing (MMH) is that urban infill is constrained by certain stranded costs that makes it highly unlikely it can provide affordable (in spending 30% or less) housing. While the Jefferson Westside Neighborhood has a lot of MMH, these units were converted or constructed decades ago when development costs were cheaper and the wage disparity was less extreme.

As a quick back-of-the envelope calculation, for example, let's look at a four-plex infill development in my neighborhood, Jefferson Westside. We are the typical urban walkable neighborhood targeted for density. Keep in mind that this level of density is currently allowed in our special area zones with some set-back and slope restrictions. Since we are built-out, lots already contain houses. Currently, the starting price for a house in the Jefferson Westside is about $300k. So, first that house has to be purchased and demo'd. Let's say the proposed four-flex units are 1000 sf each. That means that for the typical construction costs (including profit) is between $175 and $200 a sf (excludes any non-habitable development cost such as storage, hardscape, or landscaping). Therefore, the building costs are conservatively between $175k and $200k per unit or $700K to $800K for the the four-flex. Add to that the cost of land

($300k) and development charges ($20k) and your four-plex project is now at 1.1 million+. That excludes demolition.

A developer is going to have to borrow that money, pay interest on it, and show the bank that he/she can a make profit selling or renting it. If the four-flex are condos, you are looking at $300K each. While trading one old $300K home for 4 new $300k homes might seem like a good deal, we do not need $300k homes. Would someone pay $300k for 1000 sf condo when there are other options? Someone making the median income can get financing for typically 3 times their yearly income ($128,145) which means they would need a down-payment of about $172K to get into a $300k home. An unlikely scenario.

If there is rent at the **average 2 bedroom price of $1278**, you get a yearly return of $61,344 for the four units. That is even if you do not include yearly taxes, upkeep, and management fees (which are not insignificant). A good ROI for rental property is 10% per year, so to hit that you would need to CLEAR $110,000. To hit *that*, you would need to charge **$2291 a month per unit** (again, not counting taxes, upkeep, and management).

Also, let's not forget the comparably low cost urban rental house home you just took permanently off the market. A structure whose carbon cost was "paid" and the several tons of carbon and waste you just generated to build your four-plex.

And that is why many of us are skeptical of urban infill as a housing solution for those making the average or median income in Eugene.

There has been some argument that the "filter effect" (that more expensive housing makes other housing more affordable) makes such development desirable. However, there is ZERO evidence it works. The differentiation between available housing stock on the high, medium, and low end in Eugene indicates as much.

While we need to do *something* to accommodate those making the median income or less, doing *anything* is not going to cut it. Above all and as a baseline we must ensure that we do not continue to lose affordable, marginal rental housing stock to new development suited to cash-rich, professional refugees from Seattle, Portland, and California.

Sincerely,

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