

# CITY COUNCIL MEETING AGENDA

**August 26, 2024**

6:00 PM

Central Point City Hall, Council Chambers

140 S 3rd St, Central Point, OR

[www.centralpointoregon.gov](http://www.centralpointoregon.gov)

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## **10. Meeting Called to Order**

## **20. Business**

A. CFEC Market Feasibility Analysis for Climate Friendly Area Designation Project

Stephanie Powers, Planning Director



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**DEPARTMENT:** Planning **MEETING DATE:** August 26, 2024

**STAFF CONTACT:** Stephanie Powers, Planning Director

**SUBJECT:** CFEC Market Feasibility Analysis for Climate Friendly Area Designation Project

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**SUMMARY AND BACKGROUND:**

The City of Central Point is in the process of designating its first Climate Friendly Area (CFA) to comply with Climate Friendly and Equitable Communities rules in OAR 660-012. The objective of this study session is to receive information about the market feasibility of CFA code amendments, including those that are mandated as well as policies that the City may consider to enhance development feasibility, promote City land use objectives and incentivize desired housing types.

During the Study Session City staff in partnership with consultants from ECONorthwest will provide an overview of the CFA Designation Project and facilitate discussion regarding the policy considerations outlined in the Market Feasibility Analysis (Attachment 1). Feedback received from the Joint Study Session will be utilized to finalize draft code amendments that will be considered for adoption later this fall.

**FINANCIAL ANALYSIS:**

The City has received budget support from the Department of Land Conservation and Development Commission to bring the City's Comprehensive Plan and Zoning Code into compliance with the CFEC rules. There are no costs associated with the project other than the in-kind contributions of staff.

**LEGAL ANALYSIS:**

The City is required to adopt changes to its Comprehensive Plan and Zoning Ordinance designating a CFA by December 31, 2024 pursuant to OAR 660-012-0315. This is the second Joint Study Session dedicated to crafting changes that will allow Central Point to meet the December deadline.

**COUNCIL GOALS/STRATEGIC PLAN ANALYSIS:**

Community Engagement, Goal 1 - Build strong relationships between government and its citizens.

Strategy 3 - Communicate, collaborate and partner with other governmental agencies, public and private enterprises to pool and/or leverage resources to achieve optimal outcomes for the community.

Comment: This project aims to leverage State funds and technical assistance to bring the City into conformance with recent rule changes concerning transportation and land use planning. The Market Feasibility Analysis recognizes the importance of market forces on the development and use of land in the City. This study session aims to provide information to help the City understand the likely impacts of required code changes on how the new CFA is likely to develop and also provide options regarding policies that maybe considered to achieve more optimal outcomes for the City.

**ATTACHMENTS/EXHIBITS:**

- 1. Central Point Market Analysis Report

**STAFF RECOMMENDATION:**

Not applicable.

**RECOMMENDED MOTION:**

Not applicable.

**DATE:** 8/20/2024  
**TO:** Stephanie Powers, City of Central Point  
**FROM:** Becky Hewitt and Mackenzie Visser, ECOnorthwest  
**SUBJECT:** Central Point Market Analysis

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## Executive Summary

The City of Central Point is in the process of adopting land use code changes to meet Climate-Friendly and Equitable Communities (CFEC) rules for its selected Climate Friendly Area (CFA), the East Transit Oriented Development (ETOD) Overlay Area, which was identified in a prior study. Based on the findings from the code audit completed by JET Planning, the Planning Commission and City Council provided initial direction on potential code recommendations and identified policy considerations to explore further.

ECO prepared this market assessment to inform the City's policy decisions for implementing CFA requirements for the ETOD area. This market assessment provides information on the relative market strength of different types of development that the upcoming code amendments may address and the likely market implications of the identified policy choices. This analysis will inform the Planning Commission and City Council's continued discussion to refine the preferred policy direction for code updates to fully implement the CFA rules.

## Market Strength Assessment

The table below summarizes the relative market strength for each development type alongside the development allowances and policy choices under the CFA standards. The greater a development type's market strength, the more likely it is to be developed if allowed.

## Exhibit 1: Land Use Allowances and Market Strength for Development Types

DEVELOPMENT TYPE	MEDIUM MIXED RESIDENTIAL	HIGH MIXED RESIDENTIAL	EMPLOYMENT COMMERCIAL	MARKET STRENGTH
<b>Standalone commercial</b>	Policy choice	Policy choice	Yes	Strong in limited locations <sup>(1)</sup>
<b>Drive-Thrus</b>	No	No	Policy choice	Strong in limited locations <sup>(1)</sup>
<b>Single detached</b>	Policy choice	No	No	Very strong
<b>Townhouses</b>	Yes	Yes	Yes	Strong
<b>Other middle housing</b>	Yes	Yes	Yes	Moderate <sup>(2)</sup>
<b>3-story apartment</b>	Yes	Yes	Policy choice	Moderate <sup>(3)</sup>
<b>4-story apartment</b>	Yes	Yes	Policy choice	Weak
<b>4-story mixed-use</b>	Yes	Yes	Yes	Very weak
<b>5-story apartment</b>	No	Yes	Policy choice	Very weak
<b>5-story mixed-use</b>	No	Yes	Yes	Very weak

Source: EConorthwest, JET Planning, and City of Central Point

(1) Strong for sites with frontage on major roads but weak for others.

(2) Strong for ownership forms of single-detached housing that are more similar to single-detached housing.

(3) Development could be viable if the area provides amenities and walkable commercial; currently weak.

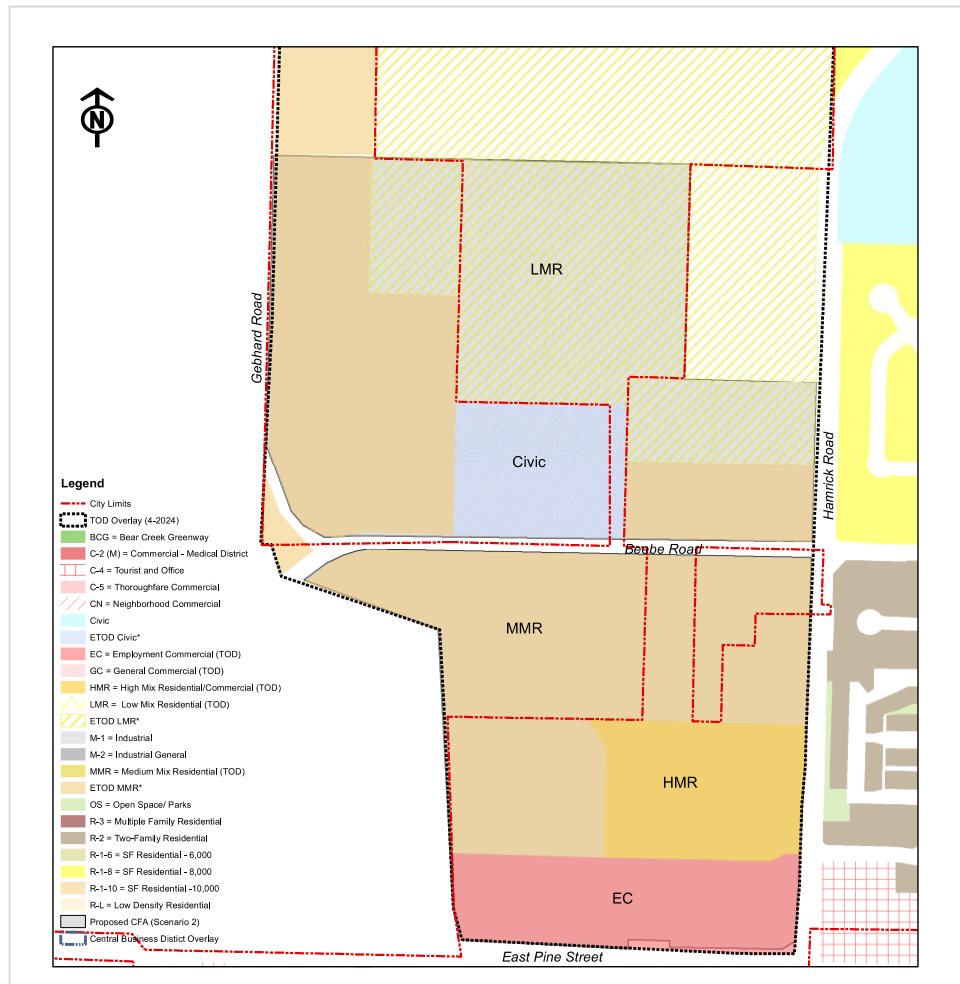
The goal of the CFEC legislation is mixed-use, pedestrian-oriented communities. Central Point has seen recent success in integrated mixed-use development with a variety of housing types in Twin Creeks—a master-planned, transit-oriented, mixed-use community west of I-5. However, Twin Creeks has a few market advantages that the CFA does not: its proximity to downtown and being a master-planned community. This will make delivering integrated mixed-use development more challenging.



# Policy Considerations

Based on our market assessment, we have provided some market-based considerations for each policy option to support the City's decision-making. For reference, a map of the CFA's current zoning is shown in Exhibit 2. Changes to the CFA zoning will be implemented through an overlay that will modify the base zoning standards. A summary of policy considerations relative to the CFA rules requirements is provided below. A detailed review of the market assessment and policy options is provided in the main document.

**Exhibit 2: Climate Friendly Area Zoning<sup>1</sup>**



Source: City of Central Point

## Residential Zones

### What are the implications of increasing the height limit in the CFA from 45 to 50 feet?

**Little impact expected:** At the June 17, 2024, Joint Study Session with the City Council, Planning Commission, and Citizen’s Advisory Committee, the group considered whether to increase the maximum building height in the MMR zone from 45 feet to 50 feet to comply with the prescriptive standard for CFA regulation. The City can implement an alternative approach to regulating its CFA provided it demonstrates the minimum residential density (15 units/net acre) or 1.0 Floor Area Ratio (FAR) applies to all new residential development and the zoned building capacity for the CFA is at least 60,000 square feet per net acre. The outcome-based approach allows greater flexibility for the City to craft regulations that are

<sup>1</sup> Based on initial City feedback, the LMR zone is proposed to be rezoned to the MMR zone.



locally appropriate. However, it will be necessary for the City to re-calculate the zoned building capacity before adopting the CFA.

The market feasibility analysis looked at the market demand and feasibility of various building prototypes (Exhibit 1). As shown, four (4) story apartments and mixed-use buildings are currently permitted in the MMR zone and have a weak to very weak market strength in this area. Increasing the height limit from 45 to 50 feet would be an easier path to compliance with the CFA rules while likely not impacting development patterns in the CFA because a 50-foot height limit would generally still only allow a four-story building; many four-story buildings are no more than 45 feet tall and would already be allowed under the current height limit. There is not currently likely to be demand for either a four- or five-story development in the CFA, with the possible exception of senior housing. It is unlikely that a five-story building would be developed, even if they were broadly allowed in the CFA.

### **Should the City allow standard single-detached housing in MMR?**

**Consider allowing strategically:** The existing MMR zoning currently allows limited single-detached housing as a zero-lot line, small-lot format, and only allows larger standard-lot single-detached housing when used as a transition from lower-density areas. Because of the strong market for single-detached housing, small- or standard-lot formats could represent a substantial component of future development in the ETOD area if allowed more broadly. However, the feasibility of these housing types could potentially support the overall market feasibility of higher-density residential development in the ETOD area, and the City could strategically use single-detached housing through the use of regulatory incentives. The city could use minimum density requirements, housing mix requirements, and/or exclusions in certain areas (e.g., south of Beebe Road) to encourage a mix of housing types while allowing single-detached housing as part of the mix.

### **Should the City exclude multifamily housing from housing mix requirements in MMR and HMR?**

**Consider removing mix requirements for multifamily:** Housing mix requirements can add complexity to a development project, especially for developers interested in multifamily development. Removing housing mix requirements for multifamily developments would make it easier to develop multifamily housing in the ETOD. In the HMR zone, given the limited number of other housing types allowed, the City could consider removing the mix requirement entirely for simplicity. In the MMR zone, the City could consider allowing denser apartments (e.g., over 25 units per acre) as standalone developments while still mandating a mix when other housing types (e.g., rowhouses, zero lot line detached) are proposed.

### **Should the City allow standalone commercial development in MMR and HMR?**



**Consider allowing strategically:** Residential development is more likely in the MMR and HMR zones, but there could be potential demand for larger-scale commercial development fronting Pine Street or potential for smaller-scale commercial development along either Hamrick Road or an internal street within the ETOD area, especially south of Beebe Road as the area builds out. North of Beebe Road, the City could consider allowing commercial use in either a horizontal mixed-use development or as a small-format standalone use while allowing more flexibility for larger commercial south of Beebe Road. In both areas, the City could consider additional size limits and/or pedestrian-friendly design standards for commercial buildings across the MMR and HMR zones to limit development to more locally serving commercial.

## EC Zone

### How could the City regulate residential development in EC?

**Depends on local policy priorities:** The City must allow townhouses in the EC zone per CFA rules, but it has a choice of whether or not to allow denser single-use multifamily apartments in the zone. Currently, residential development is only permitted in the EC zone if it is part of a vertical mixed-use development, which is unlikely to develop. However, townhomes could be a strong residential option that would likely outcompete both standalone and mixed-use apartments. With the reduced amount of land zoned for commercial use and the strong demand for commercial locations in that area, commercial development would likely also be more desirable than denser multifamily apartments in the EC zone. Commercial businesses would probably be developed along Pine Street, especially if the City allows drive-throughs in the area. However, townhomes could be more competitive than commercial development in areas farther back from Pine Street.

Depending on their policy goals for the area, the City could consider strategically regulating standalone residential development. For example, the City could consider setting minimum density thresholds higher (for example, 25 units per acre) to encourage denser residential development. Depending on the minimum density and whether standalone apartments are allowed, this policy could either disincentivize lower-density development types (such as townhomes) or residential development in the area altogether. The City could also consider allowing horizontal mixed-use (specifying that the residential development must be “above” or “behind” the commercial) with the commercial portion along Pine.

### Should the City allow drive-throughs in the EC zone?

**Depends on local policy priorities:** If the City allows drive-throughs in the EC zone, the market feasibility study shows they will likely be developed along Pine Street. There are existing site design standards in the ETOD and forthcoming with the CFA walkable urban design standards that could make drive-throughs more challenging to develop and limit their impacts if built. However, even with new design standards, other types of national



commercial businesses would likely still be more competitive than smaller neighborhood businesses in the EC zone along Pine Street.

## Other Policy Considerations

**Potential zoning strategy:** Under the City’s current regulations, the MMR and HMR zones would allow vertical mixed-use development. The City could consider differentiating certain aspects of the CFA zoning updates between the south of Beebe Road and the north of Beebe Road. South of Beebe Road could be more supportive of denser, mixed-use development, including allowing a full mix of denser residential, mixed-use, and stand-alone commercial in the residential zones and mixed-use and commercial in the commercial zone. North of Beebe Road could provide more focus on residential development, allowing only limited small-scale commercial and allowing for a broader housing mix at moderate densities that could include some single-detached residential development.

**MUPTE:** The City could potentially offer a multi-unit property tax exemption (MUPTE) program to make market-rate multifamily and/or middle housing more financially feasible. This can be an effective way of promoting innovation in housing, especially middle housing types (e.g. stacked duplexes, triplexes; mansion apartments, courtyard apartments, cottage housing, etc.) that can provide more attractive, pedestrian scale housing at higher densities. MUPTE can be an attractive development incentive, especially if all property taxes (beyond just the City's) are exempted; however, the City would need to get sufficient support from other taxing districts to fully abate taxes.<sup>2</sup> If the City implemented MUPTE, it could determine the program's eligibility requirements, including any required public benefits.

**VHDZ:** The City currently has a Vertical Housing Development Zone (VHDZ) program downtown that staff reports has only been used once. VHDZ offers a smaller incentive than MUPTE because only a percentage of the improvement value is exempt, and the incentive may not be sufficient to offset the additional costs of vertical mixed-use development. However, the City could expand where the program is offered (e.g., the portion of the ETOD area south of Beebe) to help incentivize vertical mixed-use development in the area.

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<sup>2</sup> The City would need affirmative support from other taxing districts that add up to at least 51% of the total tax rate.



# Introduction

The City of Central Point is in the process of adopting land use code changes to meet Climate-Friendly and Equitable Communities (CFEC) rules for its selected Climate Friendly Area (CFA), the East Transit Oriented Development (ETOD) Overlay Area, which was identified in a prior study. At a minimum, zoning standards within the CFA must allow a minimum density of at least 15 dwelling units per acre and a maximum height of at least 50 feet. To support this process, the City contracted with 3J Consulting (3J), ECONorthwest (ECO), and JET Planning (JET) to draft new zoning and development standards for its CFA.

JET completed an audit of the City's existing code and identified both required changes and flexibility within the rules where the City has options for implementing the new CFA standards. Based on the findings from the code audit, the Planning Commission and City Council provided direction on potential code recommendations and identified policy considerations to explore further. ECO prepared this market assessment to inform the City's policy decisions for implementing CFA requirements for the ETOD area. It provides information on the relative market strength of different types of development that may be addressed in the upcoming code amendments and likely market implications of the identified policy choices.

## Code Audit Summary and Key Choices

The code audit identified required zoning changes and policy choices for implementing CFA rules within the zones that currently apply to the ETOD area:

- ◆ Low Mixed Residential (LMR)
- ◆ Medium Mixed Residential (MMR)
- ◆ High Mixed Residential (HMR)
- ◆ Employment Commercial (EC)

ECONorthwest worked with JET to highlight which zoning changes are most likely to impact the type of development that can be built within the ETOD area. Exhibit 3 illustrates differences between current zoning regulations and CFA requirements, showing whether the regulations would allow various types of development based on the allowed use(s), density, and height. Key differences are highlighted in **bold**; policy choices are highlighted in **yellow**. These differences and policy choices are discussed in greater detail following the table.



### Exhibit 3: Development Allowances by Current and Proposed Standards

DEVELOPMENT TYPE	LMR		MMR		HMR		EC	
	CURRENT	PROPOSED <sup>(1)</sup>	CURRENT	PROPOSED	CURRENT	PROPOSED	CURRENT	PROPOSED
Standalone commercial	No	N/A	No	Policy choice	No	Policy choice	Yes	Yes
Drive-throughs	No	N/A	No	No	No	No	Yes <sup>(2)</sup>	Policy choice
Single family detached	Yes	N/A	Yes <sup>(3)</sup>	Policy choice	No	No	No	No
Middle housing	Yes	N/A	Yes	Yes	Yes	Yes	No <sup>(6)</sup>	No <sup>(6)</sup>
Townhouses	At low density	N/A	Yes	Yes	Yes	Yes	C <sup>(7)</sup>	Yes
3-story walk-up apartment	No	N/A	Yes <sup>(4)</sup>	Yes	Yes	Yes	No <sup>(6)</sup>	Policy choice
4-story elevator apartment	No	N/A	No <sup>(5)</sup>	Yes	Yes	Yes	No <sup>(6)</sup>	Policy choice
4-story mixed use with ground floor retail	No	N/A	No <sup>(5) (8)</sup>	Yes	Yes <sup>(8)</sup>	Yes <sup>(8)</sup>	Yes	Yes
5-story elevator apartment	No	N/A	No	No	Yes	Yes	No <sup>(4)</sup>	Policy choice
5-story mixed use with ground floor retail	No	N/A	No <sup>(8)</sup>	No	Yes <sup>(8)</sup>	Yes <sup>(8)</sup>	Yes	Yes

Source: JET Planning, City of Central Point

(1) The LMR zone is proposed to be rezoned to MMR, leaving no remaining LMR zone within the CFA.

(2) With site design limitations.

(3) Only allowed as small-lot zero-lot line development.

(4) Likely possible under current maximum density (32 units per acre) for typical garden apartments, but more compact 3-story walk-up apartments would be limited.

(5) Likely possible within current 45' height limit but not realistic based on current maximum density (32 units per acre). CFA administrative rules state that jurisdictions must allow 50' in order to assume 4-story buildings for purposes of calculating CFA zoned capacity under the rules; however, in practice, 45' is often sufficient to allow construction of a 4-story residential building.

(6) Only permitted with commercial uses on the ground floor, which is captured as a separate development type.

(7) Allowed as a conditional use.

(8) Ground-floor commercial space is limited to 10,000 square feet, but this is likely sufficient for most mixed-use buildings with ground-floor commercial space. The policy choice is whether to retain this limit or remove it.

The main required changes in development allowances would be:

- ◆ **Maximum density in the MMR zone:** Under current MMR zoning regulations, while 3- and 4-story multifamily buildings would be allowed under the height limit, they would likely exceed the zone's maximum density of 32 dwelling units per acre. Eliminating



the maximum density in the MMR zone, as required by the the CFA rules, will remove this barrier for these development types.

- ◆ **Allow townhouses outright in the EC zone:** Townhouses are currently permitted as conditional uses in the EC zone and will need to be allowed outright. However, the City could consider modifying its development regulations to incentivize or disincentivize their development.

The main policy choices are:

- ◆ **Building height in MMR:** Decide whether to increase the maximum height limit in the MMR zone from 45 feet to 50 feet or pursue alternative CFA height limits.
- ◆ **Single-detached in MMR:** Consider whether to continue allowing small-lot single-detached and whether to begin allowing larger standard-lot single-detached housing in the MMR zone. The City could also consider adding flexibility to allow standard-lot single-detached housing as part of the housing mix for larger master-planned developments meeting the overall minimum density.
- ◆ **Housing mix in MMR and HMR:** Consider whether to continue requiring a mix of housing types for multi-unit developments or exclude certain development types.
- ◆ **Allowing standalone commercial uses in MMR and HMR:** Decide whether to continue limiting commercial uses to small areas on the ground floor of multifamily buildings in the MMR and HMR zones by designating specific areas of the CFA as primarily residential or whether to allow standalone commercial in these zones.
- ◆ **Allowing standalone multifamily in EC:** Decide whether to continue allowing residential development only as mixed-use with ground-floor commercial or whether to permit standalone multifamily development in the zone.
- ◆ **Allowing drive-throughs in EC:** Consider whether to continue allowing drive-throughs in EC or incentivize more walkable development.

## Market Assessment

### Market Summary

ECO evaluated each development type's market strength based on developer interviews, analysis of the City's existing stock and development trends, regional development patterns, and available market data.

Exhibit 4 summarizes the relative market strength for each development type alongside the development allowances and policy choices under the CFA standards from Exhibit 3. The greater a development type's market strength, the more likely it is to be developed if allowed. Additional discussion of the market conditions for each development type follows the table.



## Exhibit 4: Land Use Allowances and Market Strength for Development Types

DEVELOPMENT TYPE	MMR	HMR	EC	MARKET STRENGTH
Standalone commercial	Policy choice	Policy choice	Yes	Strong in limited locations
Drive-Throughs	No	No	Policy choice	Strong in limited locations
Single family detached	Policy choice	No	No	Very strong
Townhouses	Yes	Yes	Yes	Strong
Other middle housing	Yes	Yes	Yes	Moderate
3-story apartment	Yes	Yes	Policy choice	Moderate
4-story apartment	Yes	Yes	Policy choice	Weak
4-story mixed-use	Yes	Yes	Yes	Very weak
5-story apartment	No	Yes	Policy choice	Very weak
5-story mixed-use	No	Yes	Yes	Very weak

Source: ECONorthwest, JET Planning, and City of Central Point

## Achieving a Mix of Uses

Central Point has seen recent success in integrated mixed-use development with a variety of housing types in Twin Creeks. However, Twin Creeks has a few market advantages that the CFA does not: it is a master-planned, transit-oriented, mixed-use community near downtown.

### MASTER PLANNED COMMUNITIES

Master-planned communities (larger, integrated developments delivered by a master developer) can often support an integrated mix of uses and housing types more effectively than piece-meal development by different parties.

- » Developers have an incentive to integrate parks and locally-serving commercial uses in places that best serve the residential development as amenities.
- » Developers may be more willing to integrate walkable, locally-serving commercial uses because of the amenity value they create for the surrounding residential development, even if the commercial development is only marginally financially viable.
- » Developers can time commercial development on the expected pacing of the residential.
- » There is an incentive to offer a range of price points and housing options to appeal to a wider range of potential buyers compared to delivering units for a single market segment.
- » Larger development projects may be better able to absorb infrastructure costs and achieve cost efficiencies in development.

The CFA, being located between I-5 and the airport, has a more auto-oriented context than most areas west of I-5. Local developers did not find it as attractive of a location as other



areas west of I-5. In addition, while the CFA does have several large parcels, there are also smaller parcels that are less likely to be integrated into a master-planned development.

## Market Analysis by Development Type

### Nonresidential Development

#### STANDALONE COMMERCIAL AND DRIVE-THROUGHS

**Market strength: Strong, depending on location**

The area zoned EC on the south side of the CFA has strong visibility and easy access for drivers along Pine Street because of its proximity to Interstate 5 (I-5), which is less than half a mile away. This makes it an attractive location for many commercial uses that depend on pass-by traffic and ease of access by car. The demand for prime locations, especially with a drive-through and parking, may be stronger among larger companies, which can likely afford higher rents than smaller local businesses. This is corroborated both by developer interviews and surrounding land uses; on the south side of Pine Street, directly below the CFA, there is a drive-through Sonic, a Sweet Tea Express, and an Umpqua Bank. If drive-throughs are no longer allowed in the zone, there would likely be somewhat less demand for commercial development, as businesses that desire a drive-through would choose to locate elsewhere. Other businesses that value auto access and visibility but do not need drive-through facilities (e.g., drug stores, fitness, etc.) may still locate in the area.

Aside from the area adjacent to Pine Street, there is likely less demand for commercial development (especially large-scale) because the businesses would be set back from major roads with less access and visibility. Once residential development in the ETOD area has built out a potential customer base, there could potentially be more demand for smaller, more locally-serving commercial. The most likely locations would be along a new internal street connecting north-south from Pine Street if there is substantial commercial development along Pine Street, or along Hamrick Road.

### Residential Development

#### SINGLE DETACHED HOUSING

**Market strength: Very strong**

Local developers stated in interviews that single-detached housing is likely the strongest development type in the area and felt that homebuyers in Central Point are primarily interested in detached housing with private outdoor space. This aligns with the City's existing housing stock and recent home sales: of the 195 homes sold in Central Point between April 2023 and April 2024, 185 were single-detached homes, sold at an average



price of \$421,000 and an average size of 1,735 square feet. Single-detached homes built in the last 5 years have been similar in size and slightly higher in price-point than the existing housing stock that sold in the past year, as shown in Exhibit 5.

**Exhibit 5: Characteristics and Pricing for Single-Detached\* Homes Built Last Five Years**

NUMBER OF BEDROOMS	AVERAGE UNIT SIZE (SF)	AVERAGE BATHS	AVERAGE LOT SIZE (SF)	AVERAGE OF SALE PRICE (ADJUSTED)**	NUMBER OF PROPERTIES
2	1,389	2.0	4,508	\$400,215	22
3	1,763	2.1	7,677	\$479,146	79
4	2,234	2.6	7,530	\$639,432	14
<b>Total</b>	<b>1,749</b>	<b>2.1</b>	<b>7,053</b>	<b>\$483,559</b>	<b>115</b>

\* Real estate agents often list attached homes as "Single-Family" homes. This likely includes some attached homes listed as "Single-Family."

\*\* Sales price for older transactions adjusted based on market trends in Central Point.

Source: EConorthwest analysis of sales transactions from Redfin

However, developers also feel Central Point has a market for more affordable homeownership options. Housing costs have risen significantly across the state in the past decade, increasing 184% in the state overall and 190% in the Medford metro area from January 2012 to January 2024. Over the same time period, the median home sales price in Central Point nearly tripled, increasing 197% from \$140,000 to \$415,000. As of 2022, the median household income in the City was \$80,000.<sup>3</sup> <sup>4</sup> Assuming housing is affordable at 30% of the household's gross income (including property taxes and insurance), the median Central Point household could afford a \$333,000 home, more than \$80,000 below the City's 2024 median home price.<sup>5</sup> Developers indicated that there is a strong market for smaller single-detached homes priced between \$300,000 and \$400,000. To hit this price point, developers suggested the homes would likely be 1,300 to 1,500 square feet and have a density of 15 to 20 dwelling units per acre. This unit size and density is similar to what has been built under middle housing regulations in some larger communities (middle housing is discussed in the next section) but could also be achieved through small-lot detached housing.

**MIDDLE HOUSING AND TOWNHOMES**

**Market strength: Strong**

Like single-detached housing, local developers indicated a market for certain types of middle housing in the area, which may be sold at a lower price than larger single-detached units. From April 2023 to April 2024, seven townhomes were sold in Central Point at an average

<sup>3</sup> ACS 5-Year Estimates 2017-2022 Table S1901

<sup>4</sup> In January 2022, the median home price in the City was \$354,000.

<sup>5</sup> Assumes a 0.85% property tax rate, \$100 per month for insurance, a 6% mortgage rate, and 20% down payment.



cost of \$283,000.<sup>6</sup> Developers indicated there would be demand for middle housing forms that feel more like detached housing, such as duplexes, cottages, and townhomes. Forms of middle housing that feel more like multifamily housing, such as fourplexes and multiplexes, were thought to be less popular. Recent developments near the CFA consist almost entirely of low-density single-detached homes, duplexes, triplexes, and townhomes.

## MULTIFAMILY

### **Market strength: Moderate (3-story) to Weak (4+ stories)**

Currently, there is one small three-story multifamily development in the CFA that was recently built. There are several other relatively recent multifamily developments in other areas of Central Point, mostly within the Twin Creeks development.

Although, as discussed above, local developers believe Central Point residents are generally more interested in low-density homeownership options, they also indicated that because there are not many rental units available in the market, there could be more demand for apartments citywide. However, because the CFA is on the east side of I-5, it has less access to amenities and jobs, which makes it less attractive for denser development.

Additional multifamily development in the ETOD area would likely need to minimize construction costs to be feasible with what would likely be lower rents in this area compared to other newer construction in Central Point. Three-story walk-up construction is most likely to be cost-effective due to building code requirements and the need for elevators that increase costs above three stories. This was echoed in interviews with local developers, who emphasized that even if they were interested in building multifamily apartments, they would not build taller than three stories. There are no five-story multifamily buildings anywhere in the City today, and only one four-story apartment development is located in the Twin Creeks area.

One exception to this could be senior housing. Because senior housing requires additional accessibility considerations, any multi-level building will generally include elevators. By adding additional stories and units, a developer could potentially amortize the cost of elevators across more units. However, a newer senior housing development in Twin Creeks is only three stories tall, which suggests that any senior housing in the ETOD area is more likely to be three stories than four or five stories.

## Mixed-Use Development

### **FOUR AND FIVE-STORY MIXED-USE DEVELOPMENT**

#### **Market strength: Very weak**

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<sup>6</sup> As noted previously, attached / townhouse units are often listed as “single-detached” homes; this may not capture all recently sold attached / townhouse units.



In many markets, single-use multifamily developments are more feasible than mixed-use multifamily developments because the achievable retail rents are not high enough to offset the added construction costs of incorporating retail into the building. While horizontal mixed-use development can be more financially feasible than vertical (because the uses are not combined in a single building), a horizontal mixed-use project is still more complex than a single-use development.

There is one recent four-story mixed-use development in Twin Creeks that has residential units above ground-floor commercial. However, the ETOD area may not currently be able to support a similar type of development because of its more auto-oriented context and the lower residential rents. Because mixed-use development works best with pedestrian-oriented ground-floor commercial, even areas with strong market conditions for auto-oriented commercial space may not have the surrounding amenities or customer base to create demand for ground-floor retail space. Local developers indicated that there was not a strong market for typical ground-floor commercial businesses in the CFA (such as coffee shops, breweries, or wine bars), and other types of commercial development that might attract more customers (such as restaurants) are often financially infeasible in a mixed-use setting.<sup>7</sup> Overall, the potential mixed-use commercial rents that might be attainable in the CFA are likely too low to support this development type, even if there were demand for residential development at that scale. Areas with higher residential rents can sometimes justify the additional cost of ground-floor commercial as an amenity to the surrounding development, but that is unlikely to be the case in the ETOD area.

## Policy Questions

The code audit memo and subsequent June discussion with the Planning Commission and City Council raised several policy choices for implementing the new CFA zoning. Based on our market assessment, we have provided some market-based considerations for each policy option to support the City's decision-making.

### Residential Zones

#### What are the implications of increasing the height limit in the CFA from 45 to 50 feet?

A 50-foot height limit would generally allow a four-story building. Many four-story buildings are no more than 45 feet tall and would already be allowed under the current height limit. A five-story residential-only building could potentially fit within a 50-foot height limit in certain situations, but many five-story buildings would be taller than 50 feet. There is not currently

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<sup>7</sup> Restaurants require additional fire safety considerations, especially when mixed with residential. The two uses need to be adequately separated, which can add significant construction costs to a project.



demand for either a four- or five-story development in the CFA. It is unlikely that a five-story building would be developed, even if they were broadly allowed in the CFA.

**Increasing the height limit from 45 to 50 feet will likely not impact development patterns in the CFA.**

## **Should the City allow single-detached housing in the MMR zone?**

The existing MMR zoning currently allows limited single-detached housing in zero-lot line, small-lot formats, and allows larger lot formats (greater than 4,500 square feet) only when used as a transition from lower-density areas. The City has a choice of whether to continue to allow small-lot single-detached housing and/or begin allowing standard-lot single-detached housing in the zone. Because of the strong market for single-detached housing, these formats would likely represent a substantial component of future development in the ETOD area if allowed.

However, if the City applies the minimum density requirement by development, single-detached housing could potentially increase the market feasibility of a larger residential development with a mix of housing types since there is the strongest market for single-detached housing. To promote a mix of housing types and ensure the City would not get a majority of single-detached development, the City could implement limits on single-detached development; for example, setting a cap on the share of single-detached homes on developments of a certain size.

The City could also consider applying different rules for single-detached housing north of Beebe Road and south of Beebe Road:

- ◆ To the north, more flexibility to incorporate detached housing may be appropriate, provided overall density minimums are met. This is especially true since part of the area is currently zoned LMR and would be rezoned to MMR, and the City Council expressed concern about limited single-detached options in this area.
- ◆ To the south, the MMR-zoned area may lend itself to higher-density housing, and stricter limits on single-detached housing may be appropriate. However, because some of the MMR- and HMR-zoned land south of Beebe Road is currently owned by the Housing Authority of Jackson County, it may be appropriate to consult with the County regarding the intended mix of housing types for the site to ensure the City's regulations support planned affordable or mixed-income housing development.

**Because of the strong market for single-detached housing, this housing type would likely represent a substantial component of future development in the ETOD area if allowed. Developers and market conditions suggest demand for small-lot single-detached housing, which could meet minimum density requirements and help support the overall market feasibility of residential development. However, the City may want to consider standards**



to encourage a mix of housing types or varying single-detached housing allowances by area.

## Should the City exclude multifamily housing from housing mix requirements in MMR and HMR?

The City currently requires a mix of housing types for residential development: developers must include at least two housing types for developments with 16 to 40 units and three types for developments with more than 40 units. Larger-scale multifamily housing, such as apartments, is generally a different development model than for-sale single-detached or middle housing. Requiring both can add complexity to a project, especially for developers who would otherwise only develop a single apartment building. In addition, an apartment development can easily include over 40 units, which would trigger the requirement for three housing types; with limited housing types allowed in the HMR zone, developing two additional housing types with an apartment development could be particularly challenging.

**Removing housing mix requirements for multifamily developments would make it easier to develop multifamily housing in the ETOD. In the HMR zone, given the limited number of other housing types allowed, the City could consider removing the mix requirement entirely for simplicity. In the MMR zone, the City could consider allowing denser apartments (e.g., over 25 units per acre) as standalone developments while still mandating a mix when other housing types (e.g., rowhouses, zero lot line detached) are proposed.**

## Should the City allow standalone commercial development in MMR and HMR?

There are two possible scenarios in which there could be demand for commercial development in the MMR and/or HMR zones within the ETOD area:

- ◆ There is potential demand for larger-scale commercial development fronting Pine Street that could extend into the area recently rezoned to HMR and MMR. The Jackson County Housing Authority recently purchased this property, and the residentially zoned portion is unlikely to be made available for commercial uses unless there is a major issue with housing development on the site.
- ◆ As the area builds out, there is potential for smaller-scale commercial development with more locally serving businesses along either Hamrick Road or an internal street within the ETOD area. (Residential demand is likely to be stronger than commercial demand in these areas.) This is more likely in the area south of Beebe Road—the City could consider differentiating the rules for the MMR zone north vs. south of Beebe Road.



One consideration is the type of commercial space that is likely to be developed. While generally less feasible than standalone commercial, vertical mixed-use commercial space tends to be more neighborhood commercial type development, such as coffee shops and other amenities that potential residents would value. On the other hand, standalone commercial development is more likely to be businesses that value auto access and visibility, such as drug stores or fitness centers.

North of Beebe Road, the City could consider allowing commercial use in either a horizontal mixed-use development or as a small-format standalone use while allowing more flexibility for larger commercial south of Beebe Road. In both areas, the City could consider additional size limits and/or pedestrian-friendly design standards for commercial buildings across the MMR and HMR zones to limit development to more locally serving commercial.

**The MMR zone currently allows commercial space only as part of a vertical mixed-use development. While residential development is more likely in these zones, if the City is comfortable with any scale of commercial development in these areas, it could consider strategically allowing more flexibility.**

## EC Zone

### How could the City regulate residential development in EC?

The City must allow townhouses in the EC zone per CFA rules, but it has a choice of whether or not to allow denser single-use multifamily apartments in the zone. Currently, residential development is allowed in EC only if it is part of a vertical mixed-use development. If the City only allows apartments in the EC zone in mixed-use buildings, this type of development is unlikely to occur. However, townhomes are a strong residential use that would likely outcompete any apartments (either standalone or mixed-use) that might be developed. Additionally, since the Jackson County Housing Authority currently owns the EC-zoned site, allowing standalone residential development would give the Housing Authority the option to redevelop the site (or at least part of the EC-zoned area) with housing.

With the reduced acreage zoned for commercial and the strength of commercial demand for that location, commercial development would likely also outcompete denser multifamily apartments in the EC zone. Commercial businesses would likely be developed in the zone along Pine Street, especially if the City allows drive-throughs in the area. However, townhomes could be more competitive than commercial development farther back from Pine Street.

Depending on policy goals, the City could consider strategically allowing standalone residential development in the area. For example, the City could consider setting minimum density thresholds higher (for example, 25 units per acre) to encourage denser residential development. Depending on the minimum density and whether standalone apartments are allowed, this policy could either disincentivize lower-density development types (such as



townhomes) or residential development in the area altogether. The City could also consider allowing horizontal mixed-use (specifying that the residential development must be “above” or “behind” the commercial) with the commercial portion along Pine.

**Because of Pine Street's strong access and visibility, demand for commercial development is likely stronger than for certain types of multifamily development. However, the City could consider strategically allowing standalone residential development in the area depending on policy goals.**

## Should the City allow drive-throughs in the EC zone?

There are existing site design standards in the ETOD and forthcoming with the CFA walkable urban design standards that could make drive-throughs more challenging to develop and limit their impacts if built. However, even with new design standards, other types of national commercial businesses would likely still be more competitive than smaller neighborhood businesses in the EC zone along Pine Street.

**If the City allows drive-throughs in the EC zone, they will likely be developed along Pine Street.**

## Other Policy Considerations

The City may consider additional policies to promote a desired overall land use pattern or to incentivize certain development types based on local objectives. Three potential policies have been identified for consideration to promote housing and employment production in the CFA below.

## Potential Zoning Strategy

The City could consider differentiating certain aspects of the CFA zoning updates between the south of Beebe Road and the north of Beebe Road. South of Beebe Road could be more supportive of denser, mixed-use development, including allowing a full mix of denser residential, mixed-use, and stand-alone commercial in the residential zones and mixed-use and commercial in the commercial zone. North of Beebe Road could provide more focus on residential development, allowing only limited small-scale commercial and allowing for a broader housing mix at moderate densities that could include some single-detached residential development.

## Potential Financial Incentives

The City could potentially offer a multi-unit property tax exemption (MUPTE) program to make market-rate multifamily and/or middle housing more financially feasible. Under MUPTE, eligible new multi-unit housing developments can receive a property tax exemption



on the property's improvement value for up to 10 years. This reduces operating costs and makes projects more financially viable. The incentive is most effective for rental housing. MUPTE can be an attractive development incentive, especially if all property taxes (beyond just the City's) are exempted; however, the City would need to get sufficient support from other taxing districts to fully abate taxes.<sup>8</sup> If the City implemented MUPTE, it would have the discretion to determine the program's eligibility requirements, including the minimum number of units required (potentially as low as two if desired) and could consider requiring additional public benefits in exchange.

The City currently has a Vertical Housing Development Zone (VHDZ) program downtown that staff reports has only been used once. VHDZ offers a lower incentive than MUPTE because only a percentage of the improvement value is exempt, and the incentive may not be sufficient to offset the additional costs of vertical mixed-use development. However, the City could expand where the program is offered (e.g., the portion of the ETOD area south of Beebe) to help incentivize vertical mixed-use development in the area.

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<sup>8</sup> The City would need support from other taxing districts that add up to at least 51% of the total tax rate.

