



April 19, 2019

Representative Paul Holvey, Co-Chair
Senator Fred Girod, Co-Chair
Joint Committee on Ways and Means Subcommittee on Capital Construction
Oregon State Capitol
900 Court Street NE,
Room H-178
Salem, Oregon 97301

Dear Co-Chairs:

This letter is written in support of the \$1 million funding request for the “Celilo Flats” mixed use housing project in The Dalles, Oregon.

The Dalles is the largest city in the Columbia Gorge and is facing a severe housing shortage. Unless properly addressed, the continued lack of housing opportunities will have a negative impact on the community’s ability to retain and attract new employers, encourage economic development and investment, and maintain desired levels of public services and facilities.

Recently, The Dalles was officially designated as “Severely Rent Burdened” by the State of Oregon, with nearly 30% of the rental households paying more than 50% of their income for housing (2018). A 2017 study found a need for 1,770 new housing units by 2036 (nearly 90 per year), or between 2-3 times recent annual construction rates. If it receives the needed support, the proposed project will add substantially to the supply of new housing units in our community.

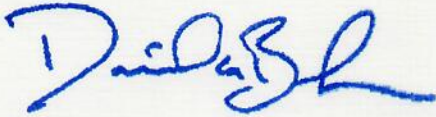
Construction costs in The Dalles are equal to the costs of development in Portland, Eugene and Seattle. There is no discount for construction in rural areas and, in many cases, building costs are higher due to distance travelled for both staff and supplies. By contrast, rental rates are substantially lower than the larger metropolitan areas. This gap between construction costs and rental rates makes development in rural areas extremely difficult. Banks and appraisers will underwrite a project in an untested market based on conservative projections. In view of the additional risk in an underserved market, private investors have an expectation of a return on their capital at least equal to or greater than a project in an existing known market. Addressing this fundamental financial shortfall and the additional risk factor require a public-private partnership to start the development process in a rural community like The Dalles. Once the

as the increased tax revenues replace the original public investment which initiated the development.

Support from the state for this proposed development would provide benefits to the community as a whole. In addition to the expansion of retail outlets, the affordable housing would provide critically needed quality housing for employees in the region as well as local retirees.

We encourage the Subcommittee to include funding for the Celio Flats in HB 5030.

Sincerely,



Daniel Bonham
State Representative, House District 59



Cliff Bentz
State Senator, Senate District 30



City of The Dalles Columbia Gateway Urban Renewal Agency

313 COURT STREET
THE DALLES, OREGON 97058
(541) 296-5481

The Dalles New Construction Mixed Use Housing

Support for this project will create the First Mixed-Use New Construction in The Dalles

The Dalles is the largest city in the Columbia Gorge and is facing a severe housing shortage. Unless properly addressed, the continued lack of housing opportunities will have a negative impact on the community's ability to retain and attract new employers, encourage economic development and investment, and maintain desired levels of public services and facilities.

Between 2000 and 2016, new housing construction in the community averaged 32 units per year (608 total), exceeded by the estimated 787 new households (approximately 50 per year) that were added during this period, contributing to a tight housing supply and higher housing costs for residents.

While housing generally is less expensive in The Dalles than other locations in the Gorge, a severe supply shortage exists. Recent housing permit applications show limited improvement in addressing supply. In 2018 building permits were submitted for 47 units, with only 4 units finalized. The City has been officially designated as "Severely Rent Burdened" by the State of Oregon, with nearly 30% of the rental households paying more than 50% of their income for housing (2018). A 2017 study found a need for 1,770 new housing units by 2036 (nearly 90 per year), or between 2-3 times recent annual construction rates. If it receives the needed support, the proposed project will add substantially to the supply of new housing units in our community.

New Housing is desperately needed. Extremely constrained housing options have caused median sales prices to rise 34% between 2014 and 2018. Fair Market Rents for 2-bedroom rentals have seen an increase of nearly 30% this past year. It becomes readily evident that this project will address a critical housing shortage. Vacancy rates are between 1.5 – 2%. Nearly 50% of the housing stock dates from the 1950's or earlier requiring higher upkeep and maintenance costs for owners.

Employers indicate their number one challenge in locating in The Dalles is housing for their employees. Fifty-four (54%) of employees in the city commute from elsewhere. Increased housing would benefit job creation in The Dalles which in turn would stimulate the local economy.

This mixed-use project, with the name "Celilo Flats" would begin in the fourth quarter of 2019. Celilo Flats would consist of approximately 50 to 69 units located above ground floor retail. Over 50 different construction trades would be employed to complete this project, with hundreds of jobs created during construction. Two dozen businesses would be engaged to permanently operate and maintain the building. In addition, several businesses would operate on the ground floor resulting in the hiring of approximately two dozen permanent employees.

With over 75 new residents moving into the downtown core and supporting local businesses, Celilo Flats would help create a 24-hour downtown facilitating a vibrant, healthy, sustainable core while strengthening businesses, community wellness and supporting the city as a whole.

Estimated Cost: \$12,000,000

Private Equity Match: \$2,000,000

Local Match: \$700,000

Land Purchased: March 8, 2019

Capital Request from the State of Oregon: \$1,000,000

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Support from the state for this proposed development would provide benefits to the community as a whole. In addition to the expansion of retail outlets, the affordable apartments would provide critically needed quality housing for employees in the region as well as local retirees.

Celilo Flats – Project Site



Contacts

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