



MEMORANDUM

TO: Neighborhood Planning Workgroup

FROM: Eric Adams, Project Manager

CC: Kevin Young, Planning Division Manager, City of Corvallis

DATE: September 15, 2012

SUBJECT: Collaboration Corvallis – Comments from August 28, 2012, Housing Scenario Analysis

At the August 28, 2012, meeting the workgroup identified known and unknown factors that could influence how the demand for rental housing, student related or otherwise, is met in the coming years. Below is a list of these factors. Those items noted in *italics* are “unknowns” or questions that might need to be resolved in order to avoid unintended consequences.

Known Factors

- Off-campus student housing development has steadily increased over the last 10 years.
- The current average annual vacancy rate for rental housing in Corvallis is estimated to be between 2-3%. [NOTE: a post-meeting check of this rate indicates it is now at around 1%.]
- Students are out-competing low-income residents for rental housing, causing some to relocate to other cities within the region with more affordable housing (e.g., Albany, Lebanon, and Sweet Home).
- Residents of neighborhoods surrounding OSU are frustrated with continued decline of neighborhood livability resulting from increased presence of student housing off campus.
- Housing is less expensive off campus than on campus, even though off campus rental rates have significantly increased over the last five years.
- OSU currently projects an enrollment increase of 1,600 additional students between 2011 and 2017.
- Starting in 2013, all OSU freshmen will be required to live on campus.
- Within the last few years, the majority of OSU student enrollment increase has been upper classmen transferring to Corvallis and not freshmen.
- Off-campus housing projects currently under development will provide at least 234 units with 830 bedrooms within the next year, with the potential for an additional 358 units depending on the outcome of ongoing land use proposals.
- Between 2011 and 2014, OSU will be constructing an additional 650 beds on campus.

- OSU houses approximately 21% of its undergraduate population on campus,
- There are financial and programmatic barriers to providing more student housing on campus (beyond the 650 additional beds already identified by OSU) using traditional models.
- Current interest rates are influencing the pace and type of off-campus multifamily housing being developed.
- The Corvallis Comprehensive Plan encourages student housing to occur on campus or within approximately ½-mile of the OSU campus.
- A majority of new off-campus housing projects currently under development are within ½-mile of campus, and, in general, are within neighborhoods that have been predominated by single family homes historically.

Unknown Factors

- *Is it better to encourage a mixture of student housing throughout the community, or concentrate it in one area?*
- *What is the optimum balance of rental and owner-occupied housing for sustaining mixed residency neighborhoods?*
- *How soon may current favorable economic conditions (i.e., interest rates, construction costs) diminish?*
- *At what point will increased costs of attending OSU (e.g., tuition, room and board, etc.) cause enrollment trends to decline?*
- *How and when will a national economic recovery improve the job market and reduce the number of people going back to school or staying in school longer?*
- *At what point will saturation of the private rental housing market cause current rents to fall below a rate of return that drives investment in more development?*
- *To what extent are recently developed multifamily units rentable/compatible with tenants other than students (i.e., cross-market attraction)?*
- *Is there a way to provide more student-focused housing without proliferation of neighborhood livability impacts (e.g., parking, parties, noise, trash)?*

In addition to these considerations, the workgroup also identified “pros and cons” of utilizing certain regulatory controls to manage new student housing in a way that might be more compatible with existing neighborhoods and result in less density. One example is the creation and implementation of neighborhood design standards that could, in the most extensive cases, address building height, mass, and scale in the context of existing dwellings. Some of the considerations for using this approach include:

- **Pro** – protection of existing neighborhood characteristics via retention and/or reinforcement of architectural patterns.
- **Con** – creates disincentives to redevelop within study area neighborhoods, pushing housing demand elsewhere within the community, potentially further from campus.

- **Pro** – could encourage retention of owner-occupied housing within affected neighborhoods.
- **Con** – could cause continued increase of rental housing costs if supply is constrained.
- **Pro** – prescriptive/restrictive standards could help mitigate existing parking and traffic issues within subject neighborhoods.
- **Con** – could influence return on investment for new multifamily projects, and impact property tax revenues and the local construction sector.
- **Pro** – protecting neighborhoods could encourage existing owners to retain and maintain their property rather than sell it to someone else who might convert it to a rental.
- **Con** – restrictive standards could limit supply and cause increased commuter trends elsewhere within and outside of Corvallis.
- **Con** – restrictive standards could limit supply and cause substandard housing to persist in the rental market.

The group identified other potential regulatory tools, such as mixed density zoning and programs that would incentivize dwelling rehabilitation. Additional research and discussion on these ideas is necessary before a more detailed assessment by the group is possible.

Another option that could contribute toward satisfying the current and future demand for student housing is the use of public-private partnerships (PPP) to construct more housing on campus. This method has been used at universities across the country at an increasing rate over the last 10 years. A detailed analysis of the trade-offs associated with PPP was presented to the workgroup in a memorandum from OSU University Housing and Dining Services dated August 14, 2012. From that discussion, the workgroup arrived at the following list of strengths and weaknesses for PPP.

- **Pro** – efficient way to provide a large amount of student housing that's potentially more compatible with the community than the current offerings.
- **Con** – Oregon living wage law would apply to projects constructed on OSU land, even though OSU would not initially own the building(s).
- **Pro** – could potentially result in significant reduction of debt load for the university in comparison to a project that was totally funded by the university.
- **Con** – housing product typically developed through PPP apparently has limited appeal to upper classmen based on anecdotal information.
- **Pro** – developers who construct student housing through PPP know their target market well, and have found ways to deliver a product that is competitive with off-campus housing.
- **Con** – the underlying land is not owned by the developer.
- **Pro** – cost per bed can be more competitive with off-campus housing product than typical university housing models.
- **Con** – private developers are likely to be from out of state, and, therefore, project revenue probably wouldn't benefit the local economy.
- **Pro** – PPP can also provide affordable housing for faculty and staff.

- **Con** – In comparison to off-campus housing, PPP housing wouldn't benefit the state or local tax base as much due to property tax breaks.
- **Pro** – On-campus housing, whether provided through PPP or otherwise, can reduce negative externalities that cause livability concerns in neighborhoods surrounding the OSU campus.
- **Pro** – Research shows that students who live on campus have higher graduation rates and perform better in diverse social environments the longer they live on campus, which suggests that PPP would contribute toward OSU's goals of providing a positive college experience.

The main issue the Neighborhood Planning Workgroup our group is facing at the moment is how to provide the necessary amount of needed student housing in a manner that appropriately supports both neighborhood livability and OSU's mission as an academic institution. As indicated by the summary provided above, there are many factors that must be accounted for as the workgroup moves forward with developing recommendations on how best to meet the need for additional rental housing.

Many neighborhoods surrounding the OSU campus have experienced significant changes in livability, character, and safety as more and more student-oriented housing has become available off campus in recent years given concerns expressed by residents of those areas. There is a clear expectation, or even demand, for new regulatory measures that would, at a minimum, slow the perceived erosion of these neighborhoods. In response to those expectations, the workgroup is faced with making a recommendation on an appropriate level of regulatory control from a broad continuum of possible strategies aimed at managing density, in terms of both location and intensity. For example, the recent recommendation for increased off-street parking requirements should be considered as being nearer the less restrictive end of that spectrum, while at the opposite end would be more stringent occupancy standards, mixed density zoning, or revised standards that constrain actual building size such as building mass, scale, or lot coverage in relation to existing development patterns. The amount of pressure placed on neighborhoods to accommodate more student-oriented housing likely will influence the decision of where along that spectrum recommendations should fall. If fewer units have to be constructed in these areas to meet demand, the potential for impacts to neighborhood livability, character, and safety will be reduced, which, in turn, diminishes the need for more restrictive regulatory tools.

The extent to which additional student housing can be provided on campus directly affects this relationship. This conclusion is supported by results of the Interrelationship Diagram exercise conducted by the workgroup, which showed that OSU-related student housing issues are the primary factor influencing neighborhood concerns. Based on information presented by OSU Housing and Dining Services, current on-campus housing capacity can accommodate up to approximately 4,100 students. This equates to roughly 18 percent of the graduate and undergraduate student population enrolled and physically taking classes at the Corvallis campus as of fall 2011. A planned addition of 650 beds by 2014 would increase that percentage to roughly 21 percent based on fall 2011 enrollment. However, as noted above, enrollment projections anticipate an annual increase of approximately 1.2 percent over the next six years, resulting in a total population of roughly 24,000 students at the Corvallis

campus by fall 2017. This increase would cause the maximum percentage of students who could be housed on campus to adjust to roughly 20 percent.

Information obtained from the annual US News and World Report Best College Rankings for 2013 shows that OSU houses approximately 21 percent of its undergraduate population in units owned, operated, or affiliated with the university. (Note that this figure represents the total number of students who chose to live on campus, and not the maximum housing capacity.) Tables attached to this memorandum provide a comparison of reported OSU undergraduate on-campus housing occupancy with other Oregon University System (OUS) institutions, and with the 10 universities OSU cites as comparator institutions in its Strategic Plan. While there are likely to be many factors (e.g., regional differences in housing costs, availability of off-campus housing, programmatic prerequisites for student enrollment, etc.) that influence the percentage of undergraduate students who live on campus at each of the Strategic Plan comparator institutions, it is clear that a smaller percentage of students are able to choose to live in on-campus housing at OSU than at most of these universities.

Regardless of whether OSU is able to provide more housing on campus and capture a higher percentage of its total student population, it is reasonable to conclude that a majority of students will continue to choose off-campus housing. The percentage of students living off-campus at comparator institutions supports this conclusion. Recent projections for enrollment at OSU are more conservative than those previously released by OUS, suggesting that the pace of student-oriented off-campus housing being developed in Corvallis may slow in comparison to the rate experienced in the last two to three years. However, given that a certain percentage of students tend to have greater ability to afford high quality rental housing than other segments of the population (e.g., low-income families), it is also reasonable to conclude that additional off-campus student housing will be constructed so long as the demand for up-to-date units with desirable amenities remains high and vacancy rates remain low.

In light of neighborhood concerns, this dynamic would continue to suggest the need for some sort of additional regulatory control over development occurring in areas zoned for medium to high residential densities – even if OSU is able to increase the total number of students housed on campus. The scope and magnitude of those regulatory strategies is likely to be directly related to the extent to which students are able and choose to live on campus.

Student Housing Residency Comparison
Oregon University System Institutions

University	Reported Total Enrollment	Reported Undergraduate Enrollment	Undergraduate Students Living in Univ. Owned, Operated, or Affiliated Housing (%)	Undergraduate Students Living Off Campus (%)	US News National College Ranking
Oregon State University	23,761	19,559	21.0	79.0	138
University of Oregon	20,623	24,396	19.0	81.0	115
Portland State University	28,584	22,780	9.0	91.0	Unranked
Southern Oregon University	6,855	5,998	27.0	73.0	80 (Regional Universities - West)
Western Oregon University	6,217	5,428	26.0	74.0	81 (Regional Universities - West)
Eastern Oregon University	4,298	3,900	11.7	83.9	Unranked (Regional Universities - West)

Source: US News (<http://colleges.usnews.rankingsandreviews.com/best-colleges>), retrieved August 21, 2012.

Student Housing Residency Comparison
Oregon State University Strategic Plan Comparator Institutions

University	Reported Total Enrollment	Reported Undergraduate Enrollment	Undergraduate Students Living in Univ. Owned, Operated, or Affiliated Housing (%)	Undergraduate Students Living Off Campus (%)	US News National College Ranking
Oregon State University	23,761	19,559	21.0	79.0	138
Cornell	20,939	13,935	57.0	43.0	15
Michigan State University	41,131	36,058	40.0	60.0	71
Ohio State University	56,064	42,082	25.0	75.0	55
Penn State University	45,233	38,594	37.0	63.0	45
Purdue	39,726	30,836	38.0	62.0	62
Texas A&M (College Station)	49,129	39,148	24.0	76.0	58
Univ. of Arizona	39,086	30,592	20.0	80.0	124
UC Davis	31,392	24,737	Not Reported	Not Reported	38
Univ. of Illinois (Urbana-Champaign)	43,862	31,540	50.0	50.0	45
Univ. of Wisconsin (Madison)	42,595	30,555	25.0	75.0	42

Source: US News (<http://colleges.usnews.rankingsandreviews.com/best-colleges>), retrieved August 21, 2012.