

2019

CLATSOP COUNTY HOUSING STRATEGIES

SUMMARY
REPORT



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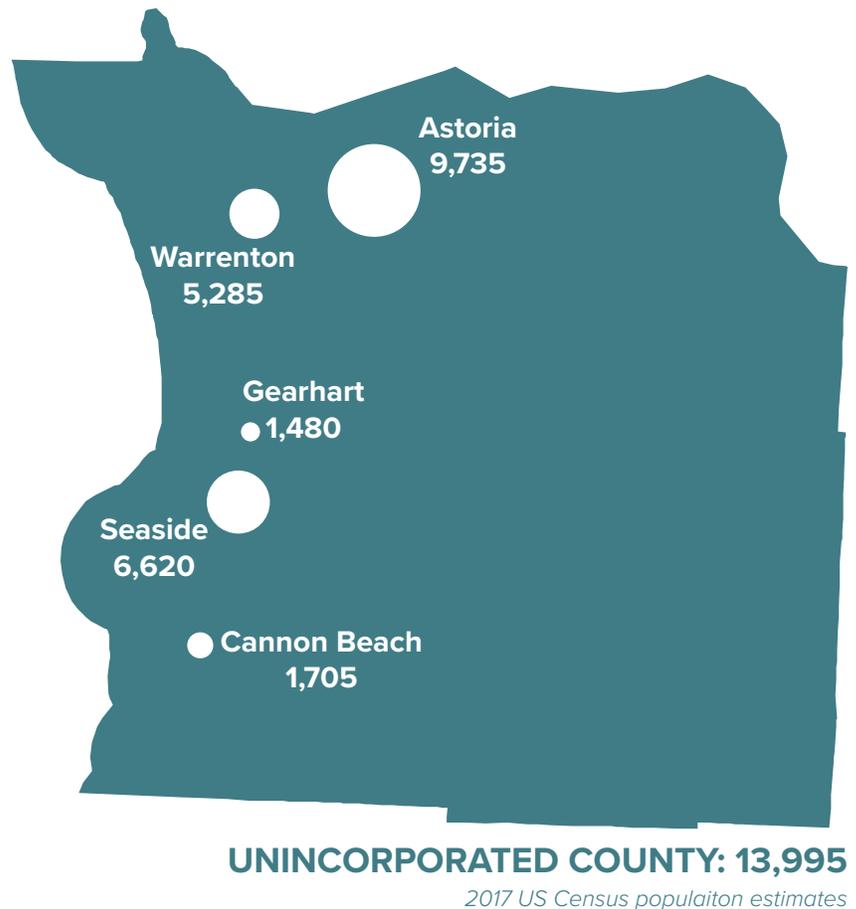
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INTRODUCTION

Nestled in the northwestern corner of Oregon, Clatsop County is bordered by the Pacific Ocean to the west and the Columbia River to the north. Most of the County has retained its historically rural character, yet today roughly half of the countywide population resides in one of the five incorporated cities: Astoria, Cannon Beach, Gearhart, Seaside, and Warrenton. Like much of the rest of Oregon, Clatsop County is experiencing an acute shortage of housing, particularly for lower-income residents.

Clatsop County has historically supported robust timber and fishing industries, and its stunning coastline remains a popular destination for tourists. Today Clatsop County is an economy in transition. While timber and fishing account for smaller but still important contributions to the local economy, tourism, health care, manufacturing, retail sales, brewing, distilling, and the arts are increasingly contributing to the community. The wide range of income levels provided by the jobs in employment sectors underscores the need for more variety in housing types.

The County and its incorporated cities recently undertook an in-depth study of the current and projected housing conditions across the county, as well as recommended strategies to better align the housing supply with local needs, now and into the future. Guided by a local technical advisory committee and stakeholders, the project team has analyzed current housing conditions in the county and developed a set of strategies and tools to help address the identified opportunities and challenges. This Summary Report provides an overview of key findings, strategies, and tools for the County and its cities to consider in addressing housing issues. A series of more detailed, technical reports provide more in-depth information about these topics.



KEY FINDINGS

The strategies in this report respond to the following five overarching findings. These findings apply on a county-wide basis, and apply to the individual cities in Clatsop County to different degrees.

1. Sufficient Supply, but Not the Right Types of Housing
2. Focus Strategies on Adding the Right Types of Supply
3. Control Commercial Use of Residential Land
4. Use Available Residential Land Efficiently
5. Focus on Workforce Housing

HOUSING TRENDS

There is technically an “oversupply” of housing in Clatsop County...



1.4 housing units per permanent resident household



Estimated vacancy rate countywide

67% Percent of countywide housing stock that is made up of single family detached homes

\$310,000

Median home sale price countywide

...yet much of the County’s housing supply is not available to local residents



58% of new homes built in the county since 2010 are used as short-term rentals

The situation is more acute in the **beachside communities** in the southern part of the county

Modest population growth is projected across the county and in most of the local cities



1,500 new homes will be needed to accommodate growth while allowing for a continued supply of vacation rentals

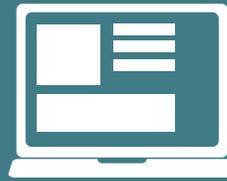


73% of needed units will likely be ownership units (including vacation homes) and **27%** will be rental units

Short-term rental activity exacerbates the perceived housing shortage and lack of affordability



Investors seeking short-term rental properties likely bid up housing prices for local residents



New technology has made it easier to manage vacation homes for income generation

A full range of housing types will be needed to meet future needs



Adding “missing middle” housing types (duplexes, townhomes, cottages) can help meet the needs of first-time home buyers

There is still a strong demand for single-family homes across the county



70% of the future housing need will be for single family homes

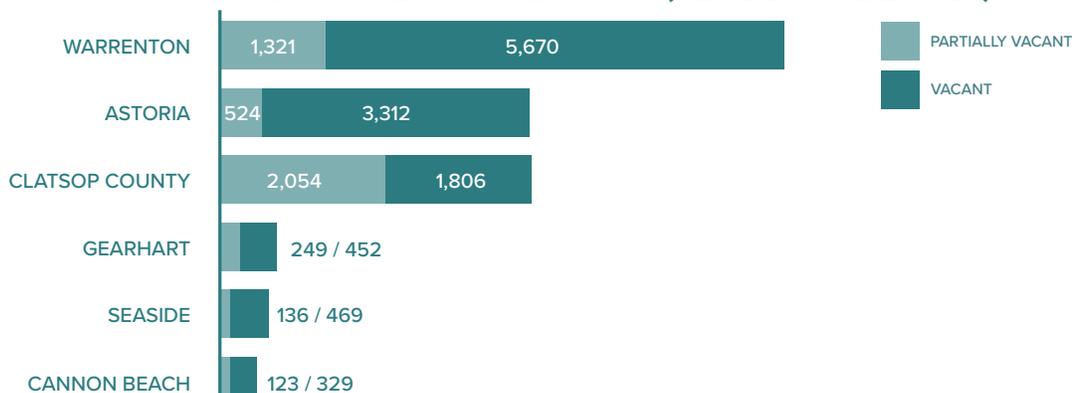
Denser forms of owner-occupied housing such as townhomes and condos may help create a lower-cost housing stock to serve first time and lower income buyers



LAND SUPPLY

- » On a county-wide basis and in most of the individual cities within the County, there is an adequate supply of buildable residential land to meet future projected housing needs. However, the relative ability of individual jurisdictions to meet these needs varies to a large degree.

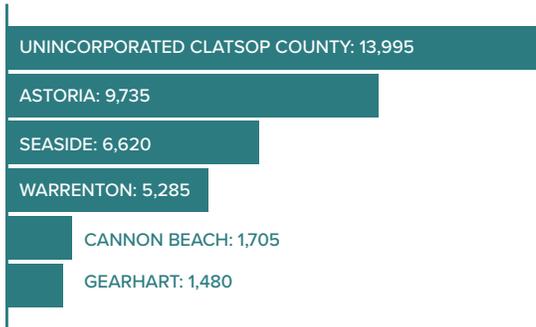
HOUSING UNIT CAPACITY BY JURISDICTION (RESIDENTIAL ZONES)



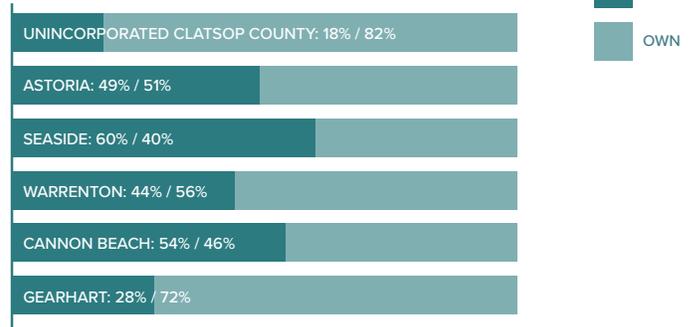
- » Much of the buildable residential land is concentrated in north County (Warrenton and Astoria), and the supply is much lower in Gearhart, Seaside and Cannon Beach. The City of Seaside shows a forecasted deficit of buildable residential land. Constraints on and cost of land in Cannon Beach may make it impractical for the City to actually meet future housing needs, particularly in terms of the ability to construct housing at prices affordable to low and moderate income households.
- » Each city has a supply of land zoned for medium and high density development. However, lower density development is allowed in many of these zones. If a significant amount of lower density development occurs in higher density zones, the supply of needed higher density land could be compromised.
- » There is a substantial supply of buildable residential land in the unincorporated portions of Clatsop County, including within several unincorporated communities where urban-level zoning and community water and sewer systems are in place. However, many of these areas lack a full set of commercial and other supportive services and the ability of local sewer and water systems to serve the amount of development allowed under existing zoning is not completely known. Furthermore, Oregon’s statewide land use planning system is focused on directing growth into urban areas where most jobs and services are located.
- » The location of vacant land, natural resource constraints, ownership patterns, and land prices create challenges to the future development of land in a way that meets local housing needs, particularly for lower and moderate income households and workers.

DEMOGRAPHICS

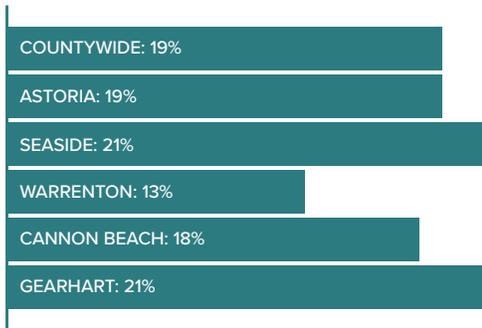
CURRENT POPULATION



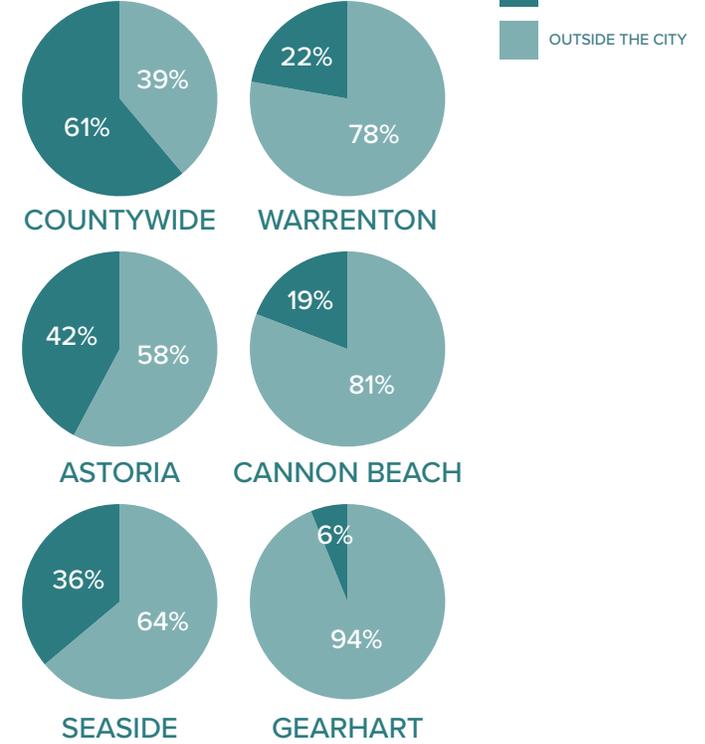
RENTER / OWNER HOUSEHOLDS



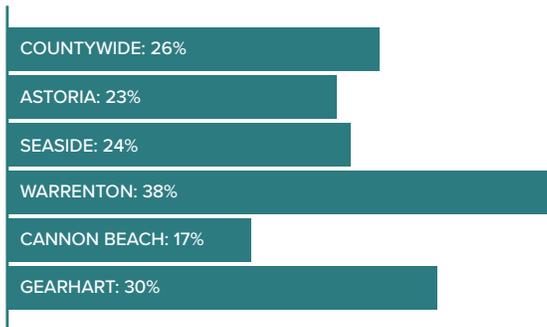
PERCENT OF POPULATION AGES 65+



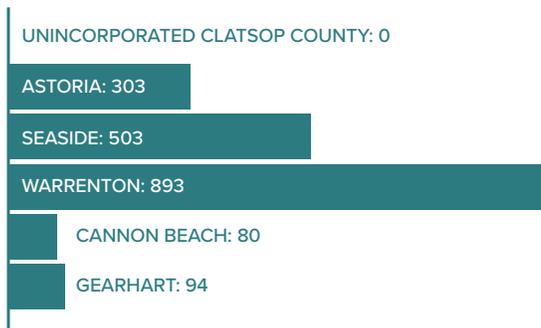
WHERE RESIDENTS WORK



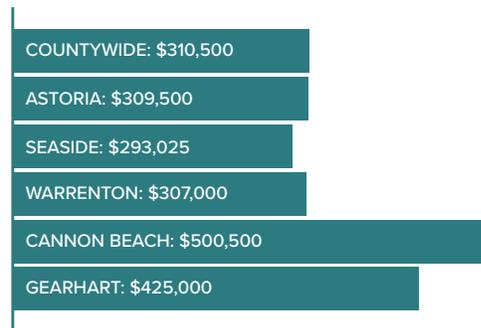
PERCENT OF HOUSEHOLDS WITH CHILDREN



NEW HOUSEHOLDS PROJECTED BY 2038



MEDIAN HOME SALE PRICES





This section presents a set of strategies and tools to address the housing conditions identified in Part 1. The strategies are organized into five categories:

1. LAND SUPPLY
2. POLICY & DEVELOPMENT CODE
3. INCENTIVES FOR DEVELOPMENT
4. FUNDING TOOLS & USES
5. REGIONAL COLLABORATION & CAPACITY BUILDING



LAND SUPPLY

Based on the findings of this study, there is enough land overall within Clatsop County as a whole to meet future population and housing needs on a County-wide basis. However, the relative ability of individual jurisdictions to meet these needs varies to a large degree. In addition, the location of vacant land, natural resource constraints, ownership patterns, and land prices create challenges to the future development of land in a way that meets local housing needs, particularly for lower and moderate income households and workers. Following is a summary of strategies recommended to address issues of land supply.

» **Strategy #1: Ensure Land Zoned for Higher Density Uses is not Developed at Lower Densities**

Applies to: All cities and County

Specific actions to implement this strategy include:

- Establish minimum density standards as described in Policy and Development Code Strategy #2
- Update development codes to prohibit or significantly limit new single-family detached housing in high density zones
- Allow single-family detached homes in medium density zones only if they meet minimum density or maximum lot size requirements

- Allow continued use and repair of single-family homes in these zones and allow conversion of larger single-family homes into multi-unit dwellings

» **Strategy #2: Further Study the Potential Need for a UGB Amendment in Seaside to Help Meet South County Housing Needs**

Applies to: Seaside and Cannon Beach

As noted in Part 1, land supply is most constrained in Seaside, and more residential land may be required to meet projected housing needs. This issue should be evaluated in more detail and should take into account the following additional factors and potential opportunities:

- Demonstrated Goal 10 efficiency measures
- Addressing land needs through a regional approach
- Affordable housing UGB amendment

» **Strategy #3: Refine BLI Data and Results**

Applies to: Warrenton and Astoria

The cities of Warrenton and Astoria identified the need for potential refinements to their Buildable Lands Inventory (BLI) data and findings associated with their communities. Warrenton noted significant potential wetland constraints and has already begun the process of conducting a more detailed BLI and housing needs assessment. Astoria identified land that is shown as potentially buildable in the current BLI but may not in fact be available for development due to federal ownership. The City should work with other government agencies to clarify the status of this land and remove it from the BLI as appropriate.

» **Strategy #4: Further Assess and Address Infrastructure Issues**

Applies to: Unincorporated Clatsop County and Gearhart

There is a substantial supply of potentially buildable land in unincorporated Clatsop County that is zoned for urban development and potentially served by local sewer and water districts. Additional analysis and clear communication about realistic infrastructure capacity in these areas is needed to help inform assessments of residential development capacity.

Because the City of Gearhart does not have a municipal sewer system residential development can only occur on properties large enough to support on-site septic systems. The relatively low population and future growth rates make development of a municipal wastewater treatment system unlikely. However, other wastewater strategies could be explored to meet a broader array of housing needs in the city.



POLICY & DEVELOPMENT CODE

Broad land supply policies and decisions are not the only lever by which Clatsop County jurisdictions can affect the housing market and housing needs. Comprehensive plan policies and development code regulations can directly influence housing development by reducing regulatory complexity, removing unnecessary obstacles, and encouraging specific housing types. The following policy and development code strategies were

identified based on a review of each jurisdiction's existing comprehensive plan and development code. These strategies are grounded in the assessment of local policy and regulatory documents, and are informed by the conditions and needs identified in the housing needs analysis and buildable land inventory. The strategies are conceptual ideas for potential changes that are broadly applicable; however, they should be tailored to address specific needs and concerns within each community.

» **Strategy #1: Adopt Supportive and Inclusive Comprehensive Plan Policies**

Applies to: All cities and County

The Housing Element of local Comprehensive Plans establish the policies that guide residential development in each community. This study evaluated the degree to which each jurisdiction's comprehensive plan addressed 11 key policy issues. Most jurisdictions generally sufficiently addressed four of the policy issues, but the degree to which they address the remaining seven varies, indicating an opportunity to amend local plans to better address important housing goals.

» **Strategy #2: Establish Minimum Density Standards**

Applies to: All cities

Although most jurisdictions in the county have a sufficient supply of residential land to meet the projected 20-year housing needs, land supply conditions vary among the cities. It is imperative that the remaining buildable land be used efficiently by developing at or near the maximum density of the zoning district, particularly in the beach communities where the supply of buildable residential land is more limited, and where more of the existing housing stock is consumed by the short-term rental market. The most direct method to ensure land is used efficiently is to adopt minimum density standards for each residential zone, which would prohibit residential developments that do not meet the intent of the zone.

» **Strategy #3: Revise Maximum Density, Height or Bulk Standards in Higher Density Residential Zones**

Applies to: All cities, particularly Seaside and Cannon Beach

There may be an opportunity to revise the standards that control maximum densities in higher density residential zones. These zones permit higher density multi-family housing outright; however, in many cases they also unnecessarily constrain density in certain situations. Any approach to reducing these density restrictions should be informed by place-specific study and include a public process that engages any affected communities.

» **Strategy #4: Support High Density Housing in Commercial Zones**

Applies to: All cities

There is a substantial supply of vacant and potentially buildable land in commercial zones across the County. For some communities commercial zones can be suitable and desirable locations for higher density housing by providing convenient and potentially walkable access to daily needs and amenities. The following code amendments may be appropriate to remove barriers to the development of higher density housing in commercial zones:

- Allow multi-family housing outright

- Consider allowing single-family attached housing
- Allow vertical mixed-use development outright
- Adopt a minimum density standard
- Tailor development and density standards

» **Strategy #5: Streamline and Right-Size Minimum Off-Street Parking Requirements**

Applies to: All cities

All jurisdictions in Clatsop County require residential developments to provide a minimum number of off-street parking spaces. In some cases, the level of off-street parking required may exceed what the market would otherwise provide and may be unnecessary to effectively accommodating parking needs. A general reduction to this standard is a positive step towards removing a potential obstacle to housing development. In combination with or in lieu of a general reduction, cities should consider several other methods to reduce parking barriers to housing development, including:

- Scale requirements by number of bedrooms
- Provide a credit for on-street parking
- Allow shared parking
- Provide targeted reductions or waivers

» **Strategy #6: Facilitate “Missing Middle” Housing Types in All Residential Zones**

Applies to: All cities and County

Modest sized housing units will continue to be needed in Clatsop County given demographic trends. While some of this need can be met through larger multi-family apartment buildings, the County and its cities should also try to accommodate it through smaller structures that are more compatible with detached single-family neighborhoods and could be permitted outright in these zones. These housing types—termed the “missing middle” housing—include duplexes, triplexes, garden or courtyard apartments, and townhomes.



Source: Opticos Design

There are three key code concepts involved with facilitating more missing middle housing types:

- Tailor the allowance to the location and housing type
- Allow missing middle housing types outright
- Limit building size to be compatible with detached houses, but allow multiple dwelling units

» **Strategy #7: Encourage Cottage Cluster Housing**

Applies to: All cities

Cottage clusters are groups of small detached homes, usually oriented around a common green or courtyard, that can be located on individual lots, a single lot, or structured as condominiums. Cottage clusters are increasingly popular among young families, aging residents, and other smaller households.



A supportive approach to cottage cluster development is to allow this housing type outright, subject to clear and objective standards. Additionally, the following recommendations will help ensure the code is supportive of cottage cluster development:

- Provide a density bonus, but cap the size of each cottage
- Flexible ownership arrangements
- Supportive lot standards
- Balanced design standards that address compatibility but allow flexibility

» **Strategy #8: Promote Accessory Dwelling Units**

Applies to: All cities

An Accessory Dwelling Unit (ADU) is a secondary dwelling unit on the same lot as a single-family house that is smaller than the primary dwelling. ADUs can be a detached structure, an attached addition, or a conversion of internal living space in the primary dwelling. The State recently began requiring cities with a population of over 2,500 and counties with a population over 10,000 to allow ADUs outright on any lot where single-family housing is allowed. Clatsop County and the cities of Astoria, Cannon Beach, and Warrenton currently allow ADUs; however, a conditional use permit is required for ADUs in some locations. To ensure compliance with state law, Clatsop County cities should permit ADUs outright in all residential zones where single-family housing is permitted. The cities of Seaside and Gearhart prohibit ADUs currently but must allow ADUs outright in the future. The State's *Model Development for Small Cities* recommends the following provisions:

- Allow the ADU to be up to 900 square feet or 75% of the primary dwelling, whichever is less
- Do not require an off-street parking space for the ADU in addition to the spaces required for the primary dwelling
- Do not require that the owner of the primary dwelling reside either in the primary dwelling or the ADU

- Minimize special design standards that apply to the ADU
- Consider allowing two ADUs on the same lot if one of the ADUs is internal or an attached addition



» **Strategy #9: Incentivize Affordable and Workforce Housing**

Applies to: All cities

Some for-profit developers will include units affordable to people with lower or moderate incomes if incentives can help offset the cost of providing some or all of the units at a lower rental rate. Local governments can offer concessions on regulatory standards that provide meaningful economic value to a development project in exchange for the dedication of a minimum proportion of the units in the development to be regulated as affordable to people with lower or moderate income. Local governments should consider the following elements in designing a regulatory incentive program:

- Specify an income level and minimum share of affordable units
- Allow flexibility in the type of regulatory concession that is granted
- Ensure units remain affordable over time
- Allow flexibility in how affordable units are provided
- Provide expedited permitting for projects with affordable units

» **Strategy #10: Limit Short-Term Rental Uses in Residential Zones**

Applies to: All cities

The prevalence of short-term or vacation rental uses in Clatsop County is consuming a substantial share of the existing housing stock and is contributing to an overall housing shortage. Short-term rentals should be classified as a commercial use when considered as part of a broad analysis of land needs and supply, as required by Oregon's statewide planning goals and land use system. Given that some areas in the County are experiencing shortages of residential land supply, and all communities are facing shortages for some types of housing, the consumption of residential land and housing units by short-term rental uses is an issue that must be addressed as part of a complete housing strategy. Rules that address short-term rentals can include:

- Limit this activity to certain zones or geographies
- Limit the number permitted
- Establish use and occupancy standards that set expectations for how this activity should be conducted

- Adopt an official definition of short-term rentals as distinct from longer rentals, and/or as a commercial activity
- Require business licensing, and track unregistered short-term rentals
- Collect taxes and assess penalty fees



DEVELOPMENT INCENTIVES

The following market-based strategies can provide incentives to encourage developers to build desired housing types by helping to reduce costs of development. While the bulk of development costs are set by private market labor and materials costs, these steps can provide incentives on the margin to facilitate development. Given the housing needs across the county, these steps can be used to encourage attached dwelling types, and can also be applied to accessory dwelling units to encourage infill development. All of these incentives come at some cost to the public through waived revenue from fees and taxes and/or staff costs. Therefore, these programs should be carefully calibrated to balance revenue loss versus public benefit.

» **Incentive #1: Streamline Permitting and Review Process**

Applies to: All cities (Warrenton has implemented)

This incentive can be accomplished by reducing review times, consolidating steps in the process, and reducing or simplifying submittal requirements. Any reduction in process time translates into reduced costs and greater certainty to the developer and their partners. This might involve making all permits available in one location with one main contact, providing clear and accessible information on requirements, and also allowing enough flexibility to consider innovative or new forms of development. Recent statewide legislation also requires that cities with a population over 5,000, and counties with a population over 25,000 allow for 100-day review and decision on qualified affordable housing applications.

» **Incentive #2: System Development Charge (SDC) or Fee Waivers, Exemptions or Deferrals**

Applies to: All cities (Astoria has implemented)

Waiver, exemption, or deferral of SDCs directly reduces the costs of development to applicants. Cities and the county should adopt policies for what types of housing are desirable enough to warrant forgoing these fees. Cities can reduce their portion of SDCs or negotiate with partner agencies for greater reductions. Generally, the reductions should be applied to housing types that demonstrate a similar reduction in demand for services or impacts. Waiving SDCs may require a City to backfill lost revenues or to update its SDC methodology to recapture reduced or waived SDCs from remaining development.

» **Incentive #3: Tax Exemptions and Abatements**

Applies to: All cities; potential for specific abatement programs varies by community

Tax exemptions or abatements offer another financial incentive to developers that can improve the long-term economic performance of a property and improve its viability. This can be a substantial incentive, but the city or county will forego taxes on the property, generally for ten years. Other taxing jurisdictions are not included, unless they agree to participate. There are three primary tax exemption programs authorized by the State: (1) Vertical Housing Tax Exemption, (2) Multiple-Unit

Housing Exemption, and (3) Non-Profit Low-Income Housing. Implementation of tax exemption programs requires adoption by local officials and establishment of program goals and policies.



FUNDING TOOLS & USES

This section discusses potential funding tools available to local jurisdictions to participate in efforts to preserve existing housing and encourage desired housing types, as well as a potential ways to use funding to meet housing goals. While prior sections of this report have discussed policy or regulatory approaches, creating funds dedicated to housing programs would allow the region to exert greater control and leverage over development activity.

» **Funding Source #1: Tax Increment Financing (Urban Renewal)**

Applies to: All cities (Astoria and Seaside have adopted Urban Renewal Areas)

Tax increment financing (TIF) is the mechanism through which urban renewal areas (URAs) grow revenue. At the time of adoption, the tax revenues flowing to each taxing jurisdiction from the URA is frozen at its current level. Any growth in tax revenues in future years, due to annual tax increase plus new development, is the “tax increment” that goes to the URA itself to fund projects in the area. For the most part, these funds must to go to physical improvements in the area itself. Projects can include public/private partnerships with developers to build housing, off-site public improvements that benefit and encourage new development in the area, or acquisition of key sites. The funds can also be used for staff to administer these programs, and to refund waived SDCs.

» **Funding Source #2: Construction Excise Tax**

Applies to: All cities

The construction excise tax (CET) is a tax on construction of new structures or square footage added to an existing structure to pay for housing that is affordable to households earning 80% of Area Median Income (AMI) or less. Cities or counties may levy a CET on residential construction of up to 1% of the permit value, or on commercial and industrial construction with no limit on the rate. The allowable uses for CET revenue are set forth in state statute as follows:

- 4% for administrative costs, and of the remainder:
- 50% must be used for developer incentives (i.e. fee and SDC waivers, tax abatements, etc.) for affordable housing
- 35% for affordable housing programs, flexibly-defined
- 15% to Oregon Housing and Community Services (OHCS) for homeownership programs
- Commercial CET: At least 50% of revenue must go towards housing-related programs; remainder is unrestricted

» **Funding Source #3: Affordable Housing Bond (Regional or Local)**

Applies to: All cities and County

Jurisdictions can propose bonds intended to provide affordable housing and related programs through a public vote. Housing bonds can be sought regionally or can be done as a local option levy. In Clatsop County, a housing bond proposed on the county level would in effect be a regional

approach. This would allow a strategic approach to address some of the geographic disparities identified through this project. A bond dedicated to affordable housing would provide a stable, ongoing funding source. However, it does require voter approval and periodic renewal, if desired. The funding can be used for capital improvements, programs, and operating expenses.

» **Funding Uses #1: Public Private Partnerships**

Applies to: All cities and County

Many affordable housing programs and projects fall under the umbrella of public/private partnerships, which include a broad range of projects where the public contributes to private or non-profit development. This usually entails providing some financial incentive or benefit to the development partner in return for the partner's agreement that the development will provide some public benefit for a specified length of time. The benefit of public/private partnerships is that the city or county does not have to build internal expertise in development, property management, or complicated affordable housing programs. Partner agencies with experience in these types of projects benefit from public contributions, making the projects more feasible.

» **Funding Uses #2: Housing Preservation Fund**

Applies to: All cities and County

Housing preservation efforts are often focused on “low cost market rate” housing (LCMR), meaning non-subsidized housing that has lower than average rents due to the age or condition of the property or the neighborhood. These properties are sometimes viewed negatively or seen as targets for “revitalization,” but in many communities this housing stock provides a vital source of affordable units. These properties can face pressures to raise their rents due to rising property values, new ownership, or redevelopment. Housing preservation funds can creatively incentivize LCMR properties to maintain their lower rent levels by offering low-cost financing for renovation or acquisition. For most cities or counties, it is best to partner with agencies who offer these competencies, such as the Network for Oregon Affordable Housing (NOAH). NOAH works with for-profit and non-profit property owners and regulated and unregulated properties, generally through offering financing for renovation or purchase in return for long-term rental restrictions. One use for regional housing funds might be to help identify LCMR properties in need of preservation and provide capital to a partner such as NOAH to engage with those specific properties.

» **Funding Uses #3: Land Acquisition/Use Public Lands**

Applies to: All cities and County

Land acquisition by a city or partner agency is the most direct method to ensure that priority land will be preserved to meet public needs. Because public agencies can be more patient than private developers, this tool allows for purchase of properties in down cycles. There are also partner agencies, such as NOAH mentioned above, and the state Land Acquisition Program (LAP), that can assist jurisdictions with contributions and expertise for acquiring land for affordable housing. Cities and counties can also identify any surplus public land they already own that could be used for these purposes. Land acquisition may be used for “land banking” where the public agency maintains the property for an extended period, or it may be used in the short term to take advantage of a specific opportunity or aid a specific partner development. Typically, a development partner is eventually

identified to develop the site, and the value of the property provides a significant incentive that the city can contribute to the project.

» **Funding Uses #4: Community Land Trust**

Applies to: All cities and County

A community land trust (CLT) is a model wherein a community organization owns the land underlying a housing development and provides long-term ground leases to households to purchase homes on that property. The structure allows the land value to largely be removed from the price of the housing, making it more affordable. The agency can also set prices at below-market levels, and can set terms with buyers on the eventual resale of the units. CLTs can also be used in partnership with affordable rental developers to reduce the cost basis of the land and help make the project more feasible. In markets where housing prices outpace local incomes, CLTs can control the rate of price increases and ensure that some properties are permanently available for lower-income buyers.

» **Funding Uses #5: Regional Housing Coordination**

Applies to: All cities and County

The following section discusses regional housing coordination in more detail. One potential use for funding would be for administration of a more formal central agency or Regional Housing Coordinator position to serve as central point-of-contact for community partners and the public. As the county and cities consider a more holistic regional approach to housing challenges, this organizational structure would allow for more strategic planning among the cities in north and south Clatsop County on where and how to use resources, and direct potential development partners.



REGIONAL COLLABORATION & CAPACITY BUILDING

The findings of this study underscore the regional nature of the housing market in Clatsop County. While the County is made up of distinct cities, unincorporated communities, and rural areas, employment opportunities and housing needs do not stop at these jurisdictional boundaries. Achieving a balance of housing and jobs within each community can help to increase the odds that more people can live where they work. At the same time, existing development patterns, geo-physical constraints, and regional economic forces will almost certainly continue to perpetuate significant cross-commuting and economic interdependence between communities in the County. There are several benefits to institutionalizing regional collaboration and coordination on housing-related policies and programs:

- Regulatory consistency
- Funding strategies may be more effective if implemented at the regional level
- Planning and coordination

This study is one step in the direction of regional collaboration and capacity-building. Future steps may include establishing a regional housing coordinator position at the County, formalizing ongoing meetings of staff and/or stakeholders from each jurisdiction, and setting up tools or systems for sharing data and best practices on an ongoing basis.