



# CLATSOP COUNTY HOUSING STRATEGIES REPORT

JANUARY, 2019

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## 1. Introduction and Overview

Clatsop County and its five local incorporated cities 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. To this end, a consultant team, guided by local advisory committees and stakeholders, has helped to prepare a set of findings on the housing conditions in the county, and a resulting set of strategies and tools to help address the identified opportunities and challenges. This work is summarized in this report and the technical appendices that accompany it. The Housing Strategies Report provides an overview of key findings, but its main purpose is to provide a set of specific strategies and tools to consider in addressing housing in Clatsop County moving forward.

The strategies presented in this report reflect the following overarching findings that have come to light during this process. These findings apply *on a county-wide basis*, and apply to the individual cities to different degrees:

### 1) **Sufficient Supply, but Not the Right Types of Housing**

- Technically, there seems to be a sufficient supply of land and number of housing units to meet both current and future needs. However, much of this supply serves the second-home and short-term rental market, leaving insufficient supply for year-round residents to both purchase or rent. In addition, some of the supply of future residential land suffers from a variety of constraints related to natural features and hazards, infrastructure challenges, or other issues.

### 2) **Add the Right Types of Supply**

- Strategies should focus on adding the right type of supply, meaning home-buying opportunities at affordable price points, and more multi-family rental housing.
- Adding “missing middle” housing types such as townhomes, cottage clusters, and medium-density housing can help to meeting the needs of first-time homebuyers. This housing, if not located in the most sought after beach locations, should be less attractive to second-home buyers.
- Increased multi-family rental housing development should be encouraged to serve the local service, tourism, and other working-class sectors.

### 3) **Control Commercial Use of Residential Land**

- Non-residential uses of housing units should be discouraged and/or controlled to the extent possible. This includes housing used purely for short-term rental and investment income. It can be helpful to shift the mindset to thinking of these as commercial uses (like a hotel) taking place in residential zones where they may not be appropriate.
- This does not necessarily include second homes, which may be vacant for much of the year, but are not being used as a commercial venture.

**4) Use Available Residential Land Efficiently**

- Remaining available residential land should be used efficiently. This means encouraging middle- and high-density residential zones to be used for housing at these densities, and not be built out with low-density housing that don't meet the intention of the zones.
- An added benefit of efficient use is that it encourages housing types that may more naturally serve the local residents, including "missing middle" types and multi-family rental housing.

**5) Focus on Workforce Housing**

- Strategies should focus on the needs of the county's current and future workforce (at all income levels.) While subsidized housing is very important and should be continually expanded, there are also existing programs and institutions for providing units at these lowest price points.
- If more non-subsidized housing is provided for the general market, this has the beneficial effect of allowing some older housing to become available to lower income residents as well.

**2. Housing Trends: Summary of Key Findings**

A major impetus to this project is the perception that there is a significant imbalance between the housing needs of local residents and the housing that is currently available within the county. This manifests itself in a shortage of housing to rent or buy, the wrong types of units for many permanent residents, and a lack of affordability for many based on local income levels.

The overall findings of our technical analysis of current housing conditions (Appendix A) include:

- There is technically an "oversupply" of housing in Clatsop County based on a simple comparison of number of households to number of housing units. There are 1.4 housing units in the county for each permanent resident household, with an estimated vacancy rate of over 27%.
- However, much of this housing is not available to local residents, resulting in a much lower effective vacancy rate for homes at affordable prices. The disconnect stems from the fact that much of the housing supply in Clatsop County is used for vacation housing, not permanent residences. This situation is more acute in the beach side communities in the south of the county.
- The PSU Population Forecast Program, which generates official forecasts of population growth across the state, projects modest growth across the county and most of the local cities. The exception is Warrenton, which is projected to grow quickly, and Seaside which is projected to grow near the statewide average. Cannon Beach and Gearhart are projected to

experience low population growth due to increasing land constraints that will prevent growth, despite demand.

- There is a forecasted need for over 1,500 new housing units across the county to accommodate current and future residents, while allowing for a continued supply of vacation properties.
- Seventy-three percent (73%) of needed units are projected to be ownership units, and 27% rental units. The large share of ownership units reflects that second homes/vacation homes are included in the “owner” category. In addition, it is estimated that many local renter households might otherwise own a home, if there were units available in the proper price range.
- The growth of short-term rental activity, made easier by new website and app platforms, is likely exacerbating the perceived housing shortage and lack of affordability. While the Oregon Coast has always had vacation rental activity, these technologies have facilitated the management of vacation housing for income generation.
- Investors seeking short-term rental properties likely bid up housing prices for local residents, and also make it attractive to convert traditional rentals for year-round residents into short-term rentals for vacationers.
- There is a full range of housing needed in the future, from single family homes, to townhomes, to apartments, to subsidized affordable housing and emergency shelters. The county should consider the need to add all types of supply for households at a range of incomes.
- Newly-built housing supply will tend to be more expensive housing, as it is up-to-date and in better condition than older housing. However, adding new supply for higher-income households is necessary to allow the older housing supply to “filter” to those with more modest income.
- Denser forms of housing, such as townhomes and condos rather than single family homes, may help create some smaller and lower-priced housing stock that can serve first-time and lower-income buyers. In addition, housing in areas less attractive to tourists (for instance, further from the beach or the town center) may be less likely to be consumed by second home seekers or investors.
- It is estimated that based on preferences, there will still be a strong demand for single-family homes across the county, making up roughly 70% of the 20-year need. However, land constraints may increasingly necessitate encouraging denser forms of housing to provide sufficient units affordable to people with a range of incomes.

The following sections provide a set of Strategies and Tools to consider to address the housing conditions identified through this project. The final section of this report provides an implementation roadmap to guide next steps.

### 3. Land Supply

The overall findings of our assessment of land supply and capacity in Clatsop County and its cities (Appendix B) include:

- 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.
- The supply of residential buildable land is concentrated in north County (Warrenton and Astoria); the relative supply – both in terms of total acres and in terms of the potential surplus of buildable land – is much lower in the cities of 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.
- Much of the remaining supply of buildable residential land in the cities of Cannon Beach, Seaside, and Gearhart is in the form of infill lots in single-family zones. Reducing obstacles to the development of these areas will be essential to meeting future housing needs in these communities.

Stated simply, there is enough land within the County in total to meet the needs of future population and housing needs on a County-wide basis. However, the relative ability of individual jurisdictions to meet these needs varies and to 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 land supply issues.

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

*Applicable jurisdictions: All cities and county*

Most of the cities in Clatsop County allow for development of new single family detached homes in their medium and high density zones. While having a mix of housing types in these zones is not in and of itself a bad thing, it is important to preserve an adequate supply of land designated for medium and high density for higher density housing forms – townhouses, triplexes, four-plexes and multi-family dwellings. This is important from both a land efficiency perspective and to make sure that each city continues to have an adequate supply of land available for these types of housing.

Specific actions to implement this strategy include:

- Establish minimum density standards as described in *Policy and Development Code Strategy #2 (next section)*.
- Update development codes to not allow (or prohibit) 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 (e.g., duplexes or triplexes).

This strategy should be coordinated with *Policy and Development Code Strategy #2 (next section)*.

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

*Applicable jurisdictions: Seaside and Cannon Beach*

The results of this project and the recent Housing Needs Analysis indicate a potential deficit of residential land in Seaside. This issue should be evaluated in more detail and should take into account the following additional factors and potential opportunities:

- **Efficiency Measures.** Ultimately, under the Goal 10 process, cities in Oregon must demonstrate that they have considered and/or undertaken measures to use land efficiently prior to expanding their urban growth boundaries. A number of the other strategies outlined in this report, particularly those described in Section 4 would be considered efficiency measures. While the City is not obligated to undertake or implement every possible efficiency measure, it should demonstrate that it has considered whether or not a given efficiency measure can be implemented effectively and to what degree it will impact residential land needs.
- **Regional Land Needs.** Oregon's land use planning framework requires individual cities to provide adequate land to meet 20-year housing and employment needs. Regional approaches to meeting land needs are allowed in the Portland metropolitan area and in the Salem Keizer area where regional UGBs are in place. Eugene and Springfield also took a

regional approach to amending their joint UGB until 2015. Outside of those areas, each city is required to meet its own land needs. While the cities of Cannon Beach and Seaside are not contiguous, it makes some sense to the two cities to coordinate with each other, Clatsop County and the state to consider strategies to meeting their combined housing land needs. This is particularly important given significant constraints on available land in Cannon Beach that can cost-effectively be developed at prices affordable to low and moderate income households. Discussions between all parties about considering future UGB amendments in Seaside that can help meet land needs for both cities are recommended.

- **Affordable Housing UGB Amendment.** In 2016, the Oregon Legislature passed House Bill 4079 (HB 4079) which formed a pilot program to help cities build affordable housing. The program allows two cities to add new housing units on lands currently outside their UGBs without going through the normal UGB expansion process. Applications for pilot communities were due in 2018. While the deadline for use of this program for Seaside or other communities in Clatsop County has passed, this program may offer future opportunities if it is expanded or extended. Seaside and potentially other Clatsop County communities should investigate potential use of this opportunity through communication and coordinate with Oregon Department of Land Conservation and Development (DLCD) staff.

### Strategy 3: Refine BLI Data and Results

*Applicable jurisdictions: Warrenton and Astoria*

During this study, the cities of Warrenton and Astoria in particular identified the need for potential refinements to the BLI data and findings associated with their communities. These issues should be further evaluated and the BLI findings subsequently refined as needed.

The City of Warrenton noted significant potential constraints with wetlands on the feasibility and cost of future development. Given the amount of land in Warrenton subject to these potential constraints, it will be important to further assess them. The City of Warrenton received a housing grant from DLCD to conduct a more detailed BLI and housing needs assessment. That project is underway and these issues are expected to be evaluated as part of that effort.

The City of Astoria noted major constraints associated with federally owned land within the UGB. This land is shown as potentially buildable in the current BLI results but may not in fact be available for development during the planning period, based on constraints associated with federal ownership and management of this area. The City should work with other government agencies to clarify the status of this land and remove it from the BLI as appropriate. This ultimately could be done through one of several alternative actions, including but not limited to the following:

- Draft findings based on further consultation and analysis demonstrating that this land should not be considered as buildable within the 20-year planning period.
- Rezone the property to a resource designation that precludes future development.



- Remove the land from the UGB through a UGB swap which would allow inclusion of other land that could help meet future housing needs. UGB land exchanges of 50 acres or less are subject to less restrictive requirements than UGB expansions of over 50 acres.

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

*Applicable jurisdictions: Unincorporated Clatsop County and Gearhart*

This study indicated a substantial potential supply of buildable land in unincorporated portions of the County, including land in several unincorporated communities that is zoned for urban levels of development and potentially served by local sewer and water districts. However, there are several potential constraints on this land that affect its ability to meet long-term housing needs. In some cases, these areas have limited commercial and institutional services available to meet the needs of future residents. In other cases, land in these areas is only zoned to allow for single-family detached housing and cannot accommodate denser forms of development. Efforts to rezone properties or otherwise allow for denser forms of development have proven challenging in these areas in the past. Finally, the capacity of local sewer and water districts to serve future development is not clearly known. Additional analysis and clear communication about realistic infrastructure capacity in these areas is needed to help inform assessments of residential development capacity in these areas.

The City of Gearhart does not have a municipal sewer system. As a result, residential development can only occur on properties large enough to support on-site septic systems. Given the supply of residentially zoned land in Gearhart and future population growth projections there, the amount potential future development likely will make it cost-effective to develop a municipal wastewater system. However, other strategies such as package wastewater treatment systems or collection and off-site treatment of wastewater could potentially allow for cost-effective higher intensity development in Gearhart and could be explored as a strategy for meeting a broader array of housing needs in the city.

## 4. Policy and 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. For this reason, this study included a review of the comprehensive plans and development codes of each jurisdiction. Conceptual ideas for policy and code changes were identified based on this review. Most of these strategies are generally applicable to most jurisdictions in the County; however, some strategies may be more or less appropriate for different jurisdictions based on land supply conditions, local housing

market factors, or infrastructure availability or capacity. The applicability of each strategy is noted in the description of the strategy.

### Policy and Code Assessment

The following policy and development code strategies were identified based on a review of each jurisdiction's existing comprehensive plan and development code. This review assessed the extent to which the plan policies or code regulations addressed 11 policy issues and nine (9) code issues related to housing development. The assessment focused on the Housing Element of local Comprehensive Plans and primarily on the regulations pertaining to the residential zoning districts in each jurisdiction's development code. The strategies identified below are grounded in this assessment and 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

*Applicable jurisdictions: All cities and county*

The Housing Element of local Comprehensive Plans establish the policies that guide residential development in each community. These policies are important because they institute aspirational goals and principles for meeting the housing needs of the community. The policies are also important because they establish formal criteria and guidelines for land use decisions that pertain to housing. Per state land use law, individual development applications, single-parcel zone changes, and broader zoning amendments must all demonstrate consistency with the housing policies of the comprehensive plan.

The policy and code review evaluated the degree to which each comprehensive plan addressed 11 key policy issues. Clatsop County jurisdictions generally addressed the following four housing policy issues sufficiently in the comprehensive plan:

1. Supports Statewide Planning Goal 10
2. Emphasizes affordable housing needs
3. Supports partnerships
4. Encourage a variety of housing types

The degree to which each comprehensive plan addressed the remaining 7 policy issues varied, however, indicating an opportunity to amend the policies to better address important housing needs and goals that have been identified through this study. These policy issues are wide-ranging and inclusive: they may establish support for broad principles, such as Fair Housing or flexible zoning, or identify the need to provide for specific housing types, such as accessory dwelling units or manufactured homes.

These policy issues are identified in Table 1, and an example policy statement is provided to demonstrate one way to articulate the policy idea. Jurisdictions are encouraged to modify and tailor policy language, with input from community members and decision-makers, to best reflect local needs and conditions. Perhaps most importantly, updating the comprehensive plan to address these housing goals presents an opportunity for the community to consider and find how these issues fit within the broader comprehensive plan policy goals, such as transportation, livability, and economic vitality. For more detail on each policy issue and the existing policies of each comprehensive plan, see Appendix C – Policy and Code Review Memorandum.

*Table 1. Recommended Comprehensive Plan Policy Updates*

<b>Policy Issue</b>	<b>Example Language</b>
<b>1. Affirms Fair Housing goals</b>	<p><i>Foster inclusive communities, overcome disparities in access to community assets, and enhance housing choice for people in protected classes throughout the city by coordinating plans and investments to affirmatively further fair housing (City of Portland).</i></p> <p><i>Continue to work with the Washington County HOME Consortium to identify impediments to fair housing and develop strategies to address them (City of Beaverton).</i></p>
<b>2. Supports mixed use development</b>	<i>Increase opportunities for higher density mixed use development in the Downtown Urban Renewal District, Washington Square Regional Center, Tigard Triangle, and designated Corridors to enable residential uses to be located in close proximity to retail, employment, and public facilities, such as transit and parks (City of Tigard)</i>
<b>3. References accessory dwelling units</b>	<i>The City shall allow accessory dwelling units in appropriate residential districts, but shall require that they are compatible and blend into the overall residential environment. (City of Tigard)</i>
<b>4. Supports flexible zoning</b>	<i>Provide flexible development standards for projects that exceed the minimum requirements for natural resource protection, open space and public gathering places, and energy efficiency (City of Beaverton).</i>
<b>5. Addresses land supply goals</b>	<p><i>Goal 1. Housing Supply and Variety.</i> <i>Provide a sufficient quantity and variety of housing to meet community needs.</i></p> <p><i>Policy 1. Annex where feasible and zone an adequate supply of residential land outside the tsunami inundation zone to accommodate the city's housing needs.</i></p> <p><i>Policy 2. Promote a variety of residential densities and housing types in all price ranges to meet a range of housing needs.</i></p>

Policy Issue	Example Language
<b>6. Supports manufactured homes</b>	<p><i>Policy 3. Revise plan designations, zoning districts and regulations as needed to implement the mix of housing indicated in the adopted Housing Needs Analysis. (City of Lincoln City)</i></p> <p><i>Encourage preservation of mobile home parks as a low/moderate income housing option. Evaluate plans and investments for potential redevelopment pressures on existing mobile home parks and impacts on park residents and protect this low/moderate income housing option. Facilitate replacement and alteration of manufactured homes within an existing mobile home park. (City of Portland)</i></p>

Strategy 2: Establish Minimum Density Standards

*Applicable jurisdictions: All cities*

As described in the Land Supply section, most Clatsop County jurisdictions, and the county as a whole, have a sufficient supply of residentially zoned land to meet the projected 20-year housing needs in the County. Land supply conditions vary among the cities in Clatsop County, however; the beach communities of Seaside and Cannon Beach have a more limited supply of buildable residential land, and more of the existing housing stock is consumed by the short-term rental market. In these communities, it is imperative that the remaining buildable land be used efficiently by developing at or near the maximum density of the zoning district. In cities where residential land supply is less constrained, it remains critically important the remaining buildable residential lands are developed at or near maximum planned densities, for several reasons:

- The buildable land inventory for this study assumed that development would occur at the maximum density of the zone. If actual built densities were significantly lower, it increases the risk that the community will not be able to meet the projected 20-year housing need.
- The short-term rental market will continue to absorb a portion of the existing housing stock, so it is essential that remaining buildable lands produce enough units to help mitigate or offset the consumption of a portion of the housing stock for this use.
- Every community in Clatsop County faces significant physical and natural constraints on future UGB expansions. Thus, even if there is sufficient land to meet the 20-year housing need, it remains uncertain how communities in the region will meet even longer-term housing needs should current growth trends hold constant.

The most direct method to ensure land is used efficiently is to adopt minimum density standards for each residential zone. A minimum density standard would prohibit residential developments that do not meet the intent of the zone. For example, large lot, detached homes would be prohibited in a higher density residential zone, but the minimum density standard may allow for small lot detached houses or townhomes. The minimum density standard can be tailored to local conditions and needs

but is most effective if it is set at between 50 and 80 percent of the maximum density standard in the zone.

As summarized in the Policy and Code Review (Appendix C), all Clatsop County jurisdictions have residential zones that regulate maximum density, either through a minimum lot size and/or a maximum density standard. Only one zone in the County—the Attached Housing – Mill Pond zone in Astoria—establishes a minimum density standard (18 units per acre). Given land scarcity in some communities, and the critical long-term need for the region to accommodate more housing, all cities in the County should consider establishing minimum density standards in some or all zones.

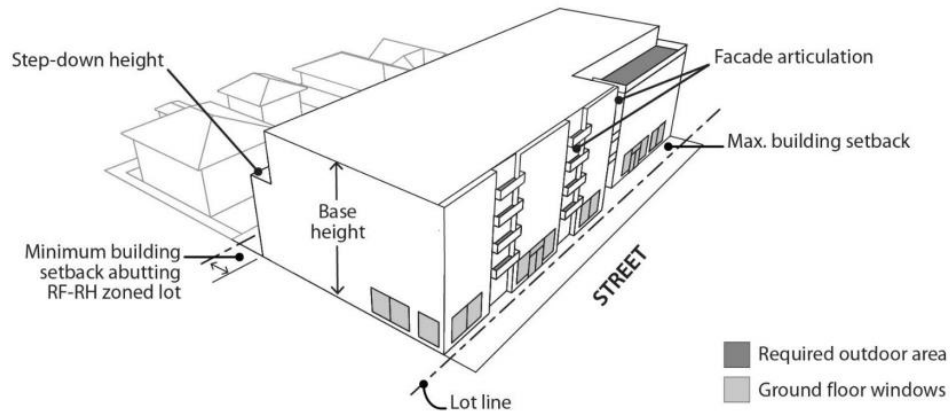
### Strategy 3: Revise Maximum Density, Height or Bulk Standards in Higher Density Residential Zones

*Applicable jurisdictions: All cities, more important in higher cost, land-constrained cities, such as Seaside and Cannon Beach*

The Policy and Code Review conducted for this study found that there may be an opportunity to revise development standards that control maximum density—including both maximum density standards and other controls such as maximum building height or lot coverage—in higher density zones. These districts include the R-3 zones in Astoria, Cannon Beach, and Seaside, and the R-H zone in Warrenton. These zones all permit higher density, multi-family housing outright; however, the set of standards that, taken together, limit residential densities, may unnecessarily constrain density in some situations. Given rising housing prices and an overall shortage of housing stock identified by this study, it may be an opportune time for some jurisdictions to revisit the level of density restrictions that is appropriate in the zone or specific subareas. In some places, due to higher rental rates, it may be feasible to develop higher density housing than what was considered feasible when the density standards of these zones were adopted.

The best approach to reducing these density restrictions, and the broader question of the appropriateness of these changes, depends on several factors. Where these zones include areas of existing detached, lower-density housing, allowances for higher density must be balanced with a consideration for visual compatibility and other potential impacts on these neighborhoods. It is essential for these issues to be addressed through preparation of clear and objective standards, as required by state law and to avoid creating barriers to development associated with discretionary review processes or neighborhood opposition. Where these zones include large areas of vacant land, density limitations should largely be intended to ensure sufficient infrastructure capacity. Where higher density zones interface with lower density zones, or higher density housing is developed adjacent to existing, lower-density housing in the same zone, step-down and setback requirements can be implemented to provide for smooth transitions (see Figure 1). As always, changes to density limitations should be informed by place-specific study and include a public process that engages any affected communities.

Figure 1. Example of height step-down adjacent to lower density housing



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

*Applicable jurisdictions: all cities*

As demonstrated by the Buildable Lands Inventory (Appendix B), there is a substantial supply of vacant and potentially buildable lands in commercial zones across the County. For some communities and in some locations, commercial zones can be suitable and desirable locations for higher density housing development. Bringing more residents in close proximity to commercial services benefits the businesses, by potentially expanding the local customer base, and the residents, by providing convenient and potentially walkable access to daily needs and amenities. As residential development in commercial zones will absorb some commercial land supply, it is important that the residential development be of a higher density. Low density residential development would consume commercial land while offering less value in terms of increasing local customer base and accessibility for residents.

Many Clatsop County jurisdictions recognize the benefits of higher density housing in commercial zones, as multi-family housing is allowed as a conditional or permitted use in many commercial zones across the county. However, some regulatory barriers to high density housing in commercial zones may be unnecessary. The following amendments may be appropriate.

- **Allow multi-family housing outright.** In some zones, multi-family housing is allowed with a conditional use permit. A conditional use permit can be an additional procedural obstacle to residential development and could discourage it in commercial zones. In lieu of a conditional use permit, which often applies relatively discretionary approval criteria, adopt clear and objective criteria and standards for where and how multi-family housing is permitted. For example, housing may not be permitted on the ground floor of specific streets that are intended for storefront shopping.

- **Consider allowing single-family attached housing.** Townhomes can be developed at densities that would be beneficial to a commercial district and can function well as a transition between a commercial district and detached housing.
- **Allow vertical mixed-use development outright.** Vertical mixed-use development, with residential units above a commercial use, is a traditional and highly valuable form of development as it preserves ground floor commercial space while creating additional housing units. Vertical mixed use is costly and complicated to develop, so its prevalence will be limited, but cities should encourage this form of development in commercial zones.
- **Adopt a minimum density standard.** To ensure that residential development in commercial zones provides the benefits noted above, adopt a minimum density standard that would prohibit detached, lower density housing.
- **Tailor development and density standards.** Many cities in Clatsop County apply the same density and development standards to multi-family housing in commercial zones as apply in higher density residential zones. This may be appropriate; however, commercial zones may include more attached buildings, higher lot coverages, and multi-story development than many residential zones that include detached houses. Therefore, it may be appropriate to allow higher densities, greater lot coverage, and higher building heights in the commercial zone than are allowed in the high-density residential zone.

Prior to expanding allowances for residential development in commercial zones, cities should ensure that there is sufficient buildable commercial land to meet projected needs, based on an Economic Opportunities Analysis (EOA) and Statewide Planning Goal 9 Guidelines.

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

*Applicable jurisdictions: All cities*

All jurisdictions in Clatsop County require residential developments to provide a minimum number of off-street parking spaces. Given that vehicle travel rates are high and the local transit system cannot provide service levels that would effectively allow for lower rates of car ownership, it is reasonable to require residential developments to include off-street parking.

Many developers would include off-street parking as a marketable amenity regardless of the code requirement. However, 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. This can become an obstacle to housing development because off-street parking lots consume land, reducing developable area on a site and net density, and potentially rendering a project economically infeasible. This condition is more likely on smaller infill lots. Structured or underground parking is only feasible if rental rates are high enough to offset high construction costs. If a development is at the margins of economic feasibility, parking requirements may preclude the development or cause fewer housing units to be built.

Most Clatsop County jurisdictions require two off-street parking spaces for a single-family house and between one and two off-street spaces per unit in a duplex or multi-family development. A requirement of two spaces per unit, regardless of the number of units in building, is likely to present a substantial obstacle to many projects that may otherwise be feasible. The *Oregon Model Development Code for Small Cities* recommends a baseline standard of one space per unit. A general reduction to this standard—or lower, where appropriate—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 the chance that off-street parking requirements are a barrier to housing development, including:

- **Scale requirements by number of bedrooms.** The number of bedrooms in a dwelling unit is more closely correlated with the number of vehicles owned by the household than simply the number of dwelling units. Jurisdictions may allow the option of calculating minimum parking requirements based on the number of bedrooms in each unit. This can benefit multi-family developments with many one bedroom and studio units, which are more likely to have single-person households.
- **Provide a credit for on-street parking.** This provision allows development to reduce the minimum parking requirements based on the number of spaces that can be accommodated along the street frontage of the development. Lower density developments benefit most from this credit because there is more likely street frontage per unit. This credit recognizes that on-street parking will be used and allows for more efficient utilization of site area.
- **Allow shared parking.** Different uses require parking at different times a day. Where a housing development abuts or is in close proximity to a use that requires most of its parking during the day (such as an office), parking spaces can be shared as peak utilization periods do not overlap. Applicants who request shared parking arrangements are typically required to demonstrate that the hours of peak use do not overlap and that an agreement has been recorded between the two users to allow for joint use of the parking area.
- **Targeted reductions or waivers.** Minimum parking requirements can be reduced for certain geographic areas (such as near transit), for certain uses (such as affordable housing), in exchange for certain amenities (such as bike parking), or when an applicant can demonstrate that parking demand will be lower than the minimum requirement.

Any reduction or streamlining of minimum parking requirements should consider impacts on utilization of on-street parking. Where street widths do not allow for on-street parking or where vacation rental operations in the neighborhood are causing on-street parking to be heavily utilized, the level of reductions should be sensitive to these conditions.



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

*Applicable jurisdictions: All cities and county*

Given the demographic trends identified in this study, and the ongoing challenge of providing enough housing options for people with low or moderate incomes, smaller sized, modest housing units will continue to be an important need in Clatsop County. Some of these units can be provided in larger, multi-family apartment buildings; however, there are two significant limitations to this form of development. First, due to concerns for visual compatibility and character, this type of development is largely only permitted in high density zones, which usually account for a smaller portion of the overall residential land area than low or moderate density zones. Second, this type of development can be more expensive to construct on a per unit basis than lower density development, unless constructed at high densities that exceed what is allowable or financially feasible in many areas in Clatsop County.

For these reasons, it makes sense to try to accommodate these smaller sized housing units in smaller structures that are typically compatible with detached, single-family houses and, therefore, could be permitted outright in these zones. These housing types include duplexes, triplexes, garden or courtyard apartments, and townhomes. They have been termed the “missing middle” – occupying the space between high density apartment buildings and low density, detached housing (Figure 2).

*Figure 2. Missing middle housing types conceptual graphic*



Source: Opticos Design

“Missing middle” is a useful concept, but it includes a diverse array of housing types, some of which may or may not be compatible with all residential zones. One housing type, cottage cluster housing, is addressed separately in Strategy 7. There are three key code concepts involved with facilitating more missing middle housing types:

- Tailor the allowance to the location and housing type.** As noted above, missing middle housing types vary in form. Similarly, residential zones and neighborhoods vary widely in existing character. To ensure compatibility, study the existing characteristics of residential areas and select housing types that are most likely to be compatible. For example, a

neighborhood that is almost exclusively made up of detached houses may not be a good fit for townhomes, which are usually built in structures that contain 3-8 side-by-side units in a relatively large overall structure. However, duplexes and cottage cluster housing, which have smaller building footprints, may be more compatible.

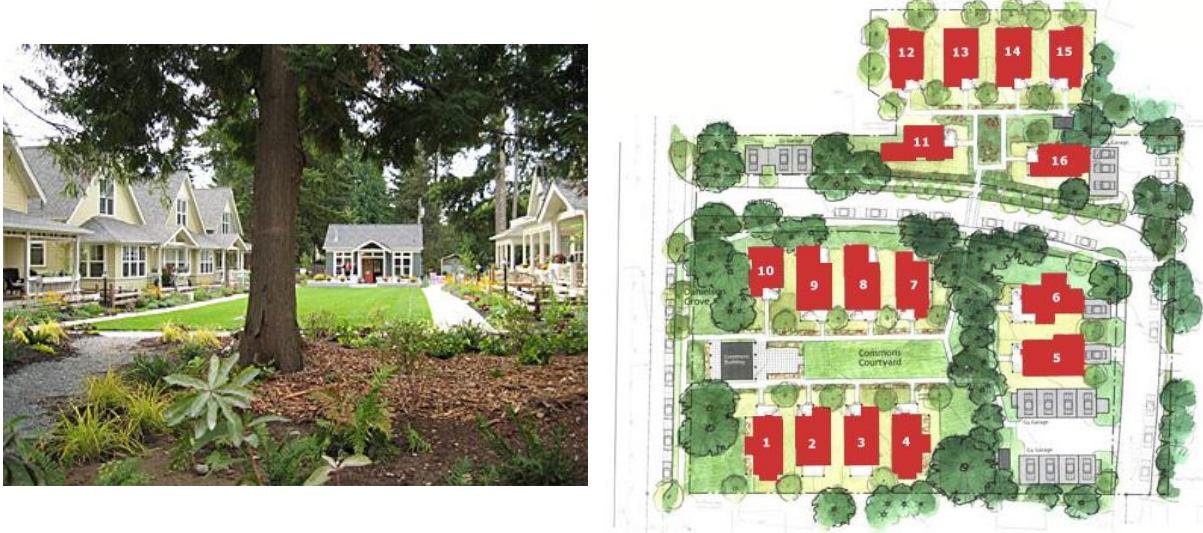
- **Allow outright.** Some missing middle housing types, such as duplexes and triplexes, are permitted as conditional uses in residential zones in Clatsop County jurisdictions. This can present a procedural barrier and uncertainty for these housing types. A more supportive approach is to allow the housing type outright under clear and objective standards.
- **Limit building size to be compatible with detached houses, but allow multiple dwelling units.** The primary compatibility issue for missing middle housing types is the size of the structure, both height and bulk, compared to detached houses. Many Clatsop County jurisdictions require duplexes or triplexes to have larger lot sizes than single-family, detached houses. This encourages larger structures and units; if other standards are held constant—such as maximum lot coverage and height—then this will result in a structure that is larger than most detached houses in the area, because the builder is likely to maximize the floor area of the structure. Alternatively, if development standards are designed to allow for a structure to be a similar size or just slightly larger than existing detached houses, but multiple units are allowed within that structure, then the code will help to ensure compatibility with detached houses while encouraging smaller sized individual dwelling units.

### Strategy 7: Encourage Cottage Cluster Housing

*Applicable jurisdictions: All cities*

As described in relation to Strategy 7 (“missing middle” housing), there is a current and projected need for modestly sized housing units to accommodate young families, elderly people, and other smaller households. One way to provide these types of units is by encouraging cottage cluster housing: groups of small, detached homes, usually oriented around a common green or courtyard, located on individual lots, a single lot, or structured as condominiums. Cottage clusters are growing more popular. They provide many of the same features of conventional detached houses, but in a smaller footprint, with shared maintenance responsibilities, and arranged in a way that can facilitate a communal environment (see Figure 3).

*Figure 3. Example of a cottage cluster development*



The development potential for cottage cluster housing is significant. Cottage clusters can be developed on relatively small lots, as access and parking is shared and the units are relatively small, usually between 500 and 1,000 square feet. The visual character of cottage clusters, detached dwellings with substantial shared yard space, is highly compatible with neighborhoods of detached homes. This housing form challenges some cultural norms related to private yards and lot ownership—which may limit its market appeal—but developers are adopting design and ownership strategies to overcome this limitation.

The City of Astoria has adopted a special set of standards to apply to cottage cluster housing. Most other Clatsop County jurisdictions allow clustering of housing, including in planned unit developments or master planned areas; however, most do not allow for “cottage cluster” developments, with smaller dwellings and higher densities than base standards. Additionally, the cost, complexity, uncertainty of a master planned development or planned unit development procedure may deter development. A more supportive approach is to allow cottage cluster housing outright, subject to clear and objective standards. Additionally, the following recommendations will help ensure the code is supportive of this housing type:

- **Density bonus.** Allow for increased densities over the base zone in exchange for a cap on the size of individual dwelling units. This combination allows for more dwelling units while ensuring an efficient use of land.
- **Low minimum unit size.** Given maximum house sizes of 1,000-1,200 square feet, allow a wide range of sizes—even as small as 400 square feet—and consider allowing both attached and detached housing.
- **Flexible ownership arrangements.** Do not require a single ownership structure; allow the site to be divided into individual lots, built as rental units on one lot, or developed as a condominium plat.

- **Supportive lot standards.** Ensure that minimum site size, setbacks and building coverage requirements do not prohibit cottage cluster development on smaller lots.
- **Balanced design standards.** Draft basic design requirements that ensure neighborhood compatibility, and efficient use of land, but are not so specific as to restrict the ability to adapt to varying neighborhood contexts.

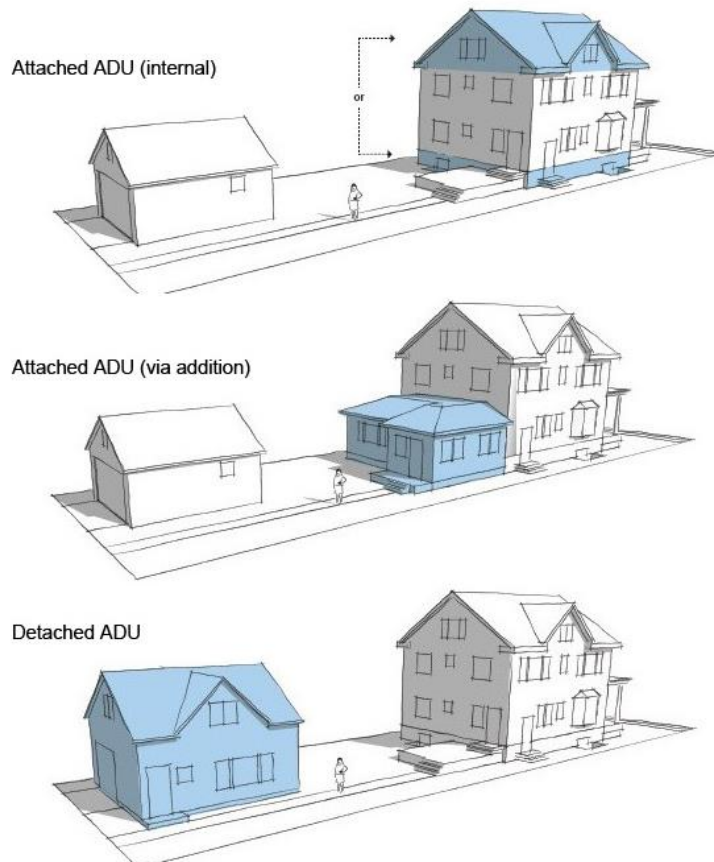
## Strategy 8: Promote Accessory Dwelling Units

*Applicable jurisdictions: 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 come in three forms: a detached structure, an attached addition, or a conversion of internal living space in the primary dwelling (Figure 4). As ADUs are often invisible from the street, or may be perceived as a part of the primary dwelling, they offer a method of increasing density in low density areas with minimal visual impact on the character of the neighborhood.

*Figure 4. Types of ADUs*

*ADUs in blue; main residence in white*



Source: City of St. Paul, MN

The state legislature recently adopted a statute that requires 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.<sup>1</sup> This requirement applies to Seaside, Astoria, Warrenton, and Clatsop County. Clatsop County and the cities of Astoria, Cannon Beach, and Warrenton allow ADUs. However, as detailed in the Policy and Code Review (Appendix C), a conditional use permit is required for ADUs in some locations. To ensure compliance with state law, these 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.

In addition to these use regulations, the statute requires that cities limit the regulations that apply to ADUs to “reasonable siting and design standards”. DLCDC has not adopted rules to clarify either what standards are considered reasonable or how they fit the category of “siting and design”.<sup>2</sup> However, DLCDC has issued an update to the *Model Development for Small Cities* to revise the standards that apply to ADUs to be consistent with the general intent of the legislation, i.e., to support ADU development. This model code recommends the following provisions:

- **Maximum Size.** Allow the ADU to be up to 900 square feet or 75% of the primary dwelling, whichever is less.
- **Off-Street Parking.** Do not require an off-street parking space for the ADU in addition to the spaces required for the primary dwelling.
- **Owner Occupancy.** Do not require that the owner of the primary dwelling reside either in the primary dwelling or the ADU, as this limits the marketability of a property with an ADU. This standard may also not be construed as relating to “siting and design”.
- **Design Standards.** Minimize special design standards that apply to the ADU. In particular, requirements for the ADU to be “compatible” with the primary dwelling may be difficult to implement and not always result in a desirable outcome.
- **Number of ADUs.** Consider allowing two ADUs on the same lot if one of the ADUs is internal or an attached addition.

Given there is local policy support for promoting ADU development, the following amendments are recommended for each jurisdiction. These amendments are conceptual in nature and specific standards should be tailored to local needs and conditions.

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<sup>1</sup> See ORS 197.312(5)

<sup>2</sup> The Oregon Land Use Board of Appeals (LUBA) recently issued an opinion in November of 2018, *Home Builders Association v. City of Eugene*, LUBA Nos. 2018-063 and 2018-064, that did not take up the issue of determining if certain standards are reasonable or related to siting and design; therefore, some local discretion is granted in defining the reasonableness of local standards.

Table 2. Recommended Code Amendments to Support ADUs

Jurisdiction	Recommended Amendments
<b>Clatsop County</b>	<ul style="list-style-type: none"> <li>• Reduce or remove minimum off-street parking requirement</li> <li>• Replace provision that requires compatibility with primary dwelling with a clear and objective standard</li> </ul>
<b>Astoria</b>	<ul style="list-style-type: none"> <li>• Increase maximum size as a percentage of primary dwelling from 40% to 60-80%</li> <li>• Remove owner occupancy requirement</li> <li>• Reduce or remove minimum off-street parking requirement</li> <li>• Clarify requirements associated with whether the unit must be attached, detached, or internal</li> <li>• Consider allowing two ADUs per lot if one is attached or internal</li> <li>• Consider allowing ADU to be up to the same height as primary dwelling</li> </ul>
<b>Cannon Beach</b>	<ul style="list-style-type: none"> <li>• Increase maximum size to 800-900 square feet</li> <li>• Reduce or remove minimum off-street parking requirement</li> <li>• Consider allowing two ADUs per lot if one is attached or internal and/or allow an ADU with a duplex or triplex in zones where multi-family is allowed</li> </ul>
<b>Warrenton</b>	<ul style="list-style-type: none"> <li>• Increase maximum size to 800-900 square feet</li> <li>• Increase maximum height to allow for 1.5 or 2 story ADUs</li> <li>• Consider allowing two ADUs per lot if one is attached or internal</li> <li>• Remove owner occupancy requirement</li> <li>• Remove prohibition on long-term rental of the unit. A prohibition on short-term rental (less than 30 days) may still be appropriate – see Cannon Beach Zoning Code, Section 17.54.080(J).</li> </ul>
<b>Gearhart and Seaside</b>	<ul style="list-style-type: none"> <li>• Allow ADUs outright in residential zones</li> <li>• Adopt clear and objective standards consistent with DLCDC Model Code.</li> </ul>

### Strategy 9: Incentivize Affordable and Workforce Housing

*Applies to all jurisdictions*

Some of the development regulations identified above can present obstacles or add costs to housing developments that are intended for regulated or subsidized affordable housing units. These developments are usually built by housing authorities or non-profit developers. However, some for-profit developers may 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. In addition to or in lieu of financial incentives, which are discussed in the next section, local governments can offer concessions on regulatory standards that provide meaningful economic value to a development project. The concessions should be offered in exchange for the development dedicating 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.** Based on policy goals and local needs, determine the income level at which the units should be affordable. Income levels are usually based on Area Median Income (AMI), which is established by the Department of Housing and Urban Development (HUD). HUD considers earning less than 80% of AMI to be low-income, less than 50% of AMI to very low income, and less than 30% of AMI to be extremely low income. An effective strategy is to provide tiers of income level and share of affordable units. If the development includes units affordable at 80% of MFI, then a higher share of the units would be required to be affordable at this level, such as 20%, to qualify for the incentive. If the development includes units affordable at 60% of MFI or lower, then a lower share of the units would be required to be affordable, such as 10%.
- **Allow flexibility in the type of regulatory concession that is granted.** The relative value of a regulatory concession will depend on the location, size of lot, existing zoning, and many other factors. It is common to provide either a density or height bonus or a reduction in minimum parking requirements as an incentive, as these are usually valuable concessions. However, allowing the applicant to propose a different regulatory concession, such as reduction in minimum setbacks or lot coverage, can help widen the appeal of the program.
- **Ensure units remain affordable over time.** The regulations should ensure that developments using these provisions maintain affordability over time by requiring a restrictive covenant be recorded on the property or management of the property by a non-profit or housing authority.
- **Allow flexibility in how affordable units are provided.** In some cases, it may be advantageous to construct the affordable units on a different site than the primary development that is receiving the concession. It may also make sense for the development to purchase existing market-rate units and convert them to affordable units. Allowing flexibility in how the units are provided can also widen the appeal of the program.
- **Provide expedited permitting.** As a result of recently adopted state statute, many developments that include affordable housing units are required to be processed in under 100 days.<sup>3</sup> To ensure compliance with this requirement, and to provide an additional incentive for development of affordable housing, jurisdictions may consider adopting provisions that provide an expedited permitting process for qualifying developments. Expedited permitting can help to reduce soft costs of development, such as holding land and hiring professional services, and reduce uncertainty for prospective developers.

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<sup>3</sup> ORS 197.311

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

*Applicable jurisdictions: All cities*

As identified in the Section 2, Key Findings, the prevalence of short-term or vacation rental uses in Clatsop County is consuming a substantial share of the existing housing stock. This may be affecting the costs of both long-term rental and for-sale housing by contributing to an overall housing shortage. Additionally, a separate concern with short-term rental uses is that they may modify the residential character of neighborhoods, particularly if the rental is used for large gatherings. For these reasons, many Clatsop County jurisdictions have elected to regulate short-term rental uses, which may involve requiring specific permits and/or placing limits or conditions on the number of rentals that can be permitted.

It was not within the scope of this study to assess the effectiveness of each jurisdiction's short-term rental regulations and make recommendations about permitting programs or enforcement. 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

## 5. Incentives for Development

The following are market-based strategies which can provide incentives to encourage developers to build desired housing types in the cities and county. In general, these incentives help to reduce some of the costs of development that the public sector can impact. 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, ranging from townhomes for homebuyers to multi-family rental apartments, to affordable housing. Also, these incentives can 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 vs. public benefit. Policies should reflect what housing types are most important to incentivize in each location.

### Incentive 1: Streamline Permitting and Review Process

*Applicable jurisdictions: All cities (Warrenton has implemented)*

Jurisdictions can search for ways to reduce time and costs of the review and permitting process to developers building desired housing types. This incentive can be accomplished by reducing review times, consolidating steps in the process, and reducing or simplifying submittal requirements. In few industries is the old adage that “time is money” more true than in the development industry. The developer is often tying up capital and/or paying interest on loans during the pre-development process. Any reduction in process time translates into reduced costs and greater certainty to the developer and their partners.

Streamlining the process can also involve an internal audit of the process to ensure it is efficient for both staff and applicants. 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.

Streamlining the review and permitting process is usually administratively feasible, though the greatest obstacle is often staff resources to expedite some projects when staff is already busy and/or limited in size. Cities could consider some of the funding mechanisms described below to help support staff in expediting application review. The City of Warrenton has recently reduced its review period by three weeks.

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. This applies to Clatsop County, Astoria, Seaside and Warrenton.

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

*Applicable jurisdictions: All cities (Astoria has implemented)*

Waiver, exemption or deferment of SDC's or development fees directly reduces the soft costs of development to applicants for desired housing types.

Development fees are not regulated by state law and cities have significant leeway to waive, reduce, or defer these fees. These fees may typically be applied by planning, building or engineering departments. Cities and the county should adopt policies for what types of housing are desirable enough for public goals to warrant forgoing these fees. Some cities specify that waivers can be claimed only by non-profit organizations proposing affordable housing that meets certain criteria for number of units and affordability level. Also, fee waivers can be limited to a certain ceiling. In most cases, fees amount to a smaller cost to the developer than SDCs and therefore are a more modest incentive.

SDC's face more statutory limitations and other hurdles to implementation. Most notably, the city typically only assesses a portion of SDC's, which are also assessed by a range of overlapping jurisdictions such as the county, school districts, fire district, and other special districts. Cities can reduce their portion of SDC's 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 (e.g. smaller units, multi-family vs. single family, ADU's, housing types that generate less traffic, etc.) However, state law does not directly address reductions that are not justified on these bases. Recently, state law has alluded to SDC reductions for affordable housing that do not directly address an accompanying reduction in services, and many cities exempt certain development from SDC's including ADU's and affordable housing. 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.

SDC's and fees can add significant cost to a development project and reducing them can reduce development costs by 3% or more. In some cities where SDC's have been waived for ADU's the reduction may be 10% of costs or more. These reductions can be a significant factor in the cost of development and financing.

### Incentive 3: Tax Exemptions and Abatements

*Applicable jurisdictions: All cities; potential for specific abatement programs vary 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.

Tax exemption programs are authorized by the state for specific purposes:

- **Vertical Housing Tax Exemption:** This program is meant to encourage vertical mixed-use buildings in areas where they might be viable, typically downtowns or town centers. The

program allows for a partial tax exemption for the built space, above the ground floor. Affordable housing is not required, but inclusion of affordable units can increase the tax benefits. The city must adopt a defined Vertical Housing Development Zone in which the exemption will apply.

- **Multiple-Unit Housing Exemption:** This program is aimed at preserving, rehabilitating or constructing multi-unit housing within a transit-oriented to town core area. As with the Vertical Housing program, an area must be designated for the program to apply. This program may apply to market-rate housing, with additional benefits for workforce or low-income units.
- **Non-Profit Low-Income Housing:** This program is aimed at encouraging subsidized affordable housing development and can be more broadly applied geographically. Units must be affordable at 60% of Area Median Income to be eligible. This program applies to non-profit agencies that are often one of the few sources of subsidized housing in many communities.

Implementation of tax exemption programs requires adoption by local officials and establishment of program goals and policies. They can be a good incentive to focus housing development in key areas and encourage more density and mixed uses in town centers.

## 6. 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. 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)

*Applicable jurisdictions: All cities (Astoria and Seaside have adopted Urban Renewal Areas)*

Tax increment financing (TIF) is the mechanism through which urban renewal areas (URA) 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 go to physical improvements in the area itself. These projects can include participating in public/private partnerships with developers to build housing, or can be used to complete off-site public improvements that benefit and encourage new development in the area, or to acquire key sites. The funds can also be used for staff to administer these programs, and to refund waived SDCs.

Urban renewal projects must be specified in the adopted Urban Renewal Plan, or can be added by amendment at a later date. This process encourages planning ahead for how revenues will be equitably used for a variety of means, including housing. The tax increment can grow at very different rates among URA's depending on how much new development occurs there to grow the tax base. However, this program can be a very effective way to build revenue to focus on key areas of the community.

## Funding Source 2: Construction Excise Tax

*Applicable jurisdictions: All cities (Cannon Beach has implemented)*

The construction excise tax (CET) is a tax on construction activity of new structures or additional square footage to an existing structure to pay for housing affordable at 80% of 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

The CET is a fairly straightforward to administer, with 4% of funds to cover the added administration costs. This administrative set-aside can also help pay the administration costs for related policies adopted for use with this program, such as fee and SDC waivers or tax abatements.

The required use of funds ensures that the funding is used to incentivize development and housing and can't be diverted or diluted with competing uses. While this funding is most typically used to benefit households with incomes at 80% AMI or less, the funds from a commercial CET allow for more flexibility to apply to middle-income housing.

The CET does raise costs for housing developers, but it can be offset by providing other development-based incentives described in the prior section. This source also requires time to build substantial funds in low-development environments.

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

*Applicable jurisdictions: All cities and county*

Localities can propose bonds meant to provide affordable housing and related programs through a public vote. Most recently, the City of Portland and the (Portland) Metro Region have each passed large bonds for affordable housing and 2018 changes to state law allow for these funds to be used more flexibly to work with non-profits and other non-governmental agencies which provide much of the affordable housing in many communities (i.e. with tax credits.) This change means that cities and counties do not need to become directly involved in developing affordable housing and build the many new competencies that involves.

Housing bonds can be sought regionally (as with Metro, and under consideration in the Eugene/Springfield metro area) or can be done as a local option level. 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, on-going funding source. However, it does require voter approval and periodic renewal, if desired. The funding can be used for capital, programs and operating expenses. The implementation and affordability levels are flexible. While this project has identified the need for many types of market-rate (i.e. non-subsidized) housing, affordable housing programs can help fill an important niche for lower- and working-class income families, particularly for multi-family rental housing. Affordable programs set at 80% AMI can serve many in the service industry and other working-class renter households. Serving these households can take pressure off of other segments of the housing market and dedicated affordable housing properties will house permanent county residents, rather than be used for vacation rentals.

\* \* \*

The following is a list of potential applications for funding towards housing goals:

#### Funding Uses 1: Public Private Partnerships

*Applicable jurisdictions: All cities and county*

Most of the strategies discussed below 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. The public involvement 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. These partnerships can be used to encourage a wide range of public goals, including certain development forms, affordability levels, public space (plazas, parks), environmental features, mixed uses, etc.

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.

The role of public agencies, be it the county or cities or a regional housing coordinator, is to identify potential community partners for different types of projects and be broadly familiar with available housing programs, to know how best to contribute. If the public would like to pursue some of these strategies, it must also identify funding sources and build a fund that is ready to deploy.

The following are some examples of specific public/private partnership models.

### Funding Uses 2: Housing Preservation Fund

*Applicable jurisdictions: All cities and county*

Housing preservation efforts are often focused on “low cost market rate” housing (LCMR), meaning non-subsidized housing that nonetheless has lower than average rents for the area due to the age or condition of the property or the neighborhood. Often in the form of older apartment properties or mobile home parks, these properties are sometimes viewed negatively, or seen as potential targets for “revitalization”. But in truth, in many communities, this housing stock actually provides a vital source of more affordable units for working class households. LCMR units commonly outnumber subsidized affordable housing projects in a community by a large measure. Depending on the location and local market, these properties can face pressure to raise their rents from rising property values, new ownership, or redevelopment.

Another key focus of housing preservation efforts are subsidized properties that will soon lose their regulated status at the end of their original tenure.

Housing preservation funds can creatively incentivize LCMR properties to maintain their lower rent levels by offering low-cost financing for renovation or acquisition. These funds can help owners of older properties in need of reinvestment to maintain their properties and avoid selling, while the renovations improve the property for the renter households living there. This tool can also be used to directly acquire LCMR properties or work with partner agencies to do so.

For most cities or counties, it is likely best to partner with agencies who offer these competencies. The Network for Oregon Affordable Housing (NOAH) is a Portland-based agency that operates a housing preservation fund with experience in using these tools to preserve housing statewide. 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

*Applicable jurisdictions: All cities and county*

Land acquisition by a city or city partner is the most direct method to ensure that a key parcel or location will be preserved to meet public goals, and not (re)developed for other uses. Examples of priority sites may be a key corner or large development opportunity in a town center or urban renewal area that is seen as a lynchpin for other future revitalization in the area. Another target may be large parcels zoned to allow multi-family development but which under current market forces are more likely to be developed as low-density housing, or expensive housing, etc. Public contribution to land acquisition can also be a powerful tool to help partner agencies achieve public goals (for instance, temporary public control of a historical building to facilitate a partner developer to renovate it for a beneficial use.)

As land acquisition is expensive, this tool is generally used for key opportunities that arise. Because public agencies can be more patient than private developers, this tool does allow 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 localities 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.

Control of a key site gives a public agency ultimate say in what happens in that location. 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. Through reduced property transfer, the city can ensure that the development meets public goals such as affordable housing, multi-family housing, mixed uses, etc. The discounted land may also allow development forms that would typically be economically infeasible to become viable.

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. Land banking can be used to secure land in areas where gentrification or rising property values are expected. Early public land acquisition ensures that some properties in the rapidly appreciating neighborhood are preserved for affordable housing or other public benefit.

### Funding Uses 4: Community Land Trust

*Applicable jurisdictions: 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 non-profit agency can also set prices at below-market levels, and can set terms with buyers on the eventual resale of the units, sharing price appreciation,

and other terms that allow the property to remain affordable for future owners as well. This is an approach for providing affordable homeownership opportunities whereas most regulated affordable housing is for rental units. That said, 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 available for lower-income buyers.

This model can be used in conjunction with most of the other funding strategies discussed here (i.e. housing preservation or land acquisition). Given the distinctive legal structure of CLT's it is likely best for Clatsop County and its cities to consider partnering with a non-profit community organization to administer this program. The cities can help identify key opportunities for this model and help to capitalize the efforts of its partner.

#### Funding Uses 5: Regional Housing Coordination

*Applicable jurisdictions: All cities and county*

The following section discusses regional housing coordination in more detail. One potential use of 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. (See more discussion below.)

## 7. Regional Collaboration and 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 a series of separate cities, unincorporated communities, and rural areas, employment opportunities and housing needs do not stop at these jurisdictional boundaries. Whether due to economic necessity, personal preferences, or household commuting challenges, many people will live in one area of the County and work in another.

Achieving a balance of housing and jobs within each community can help to increase the odds that more people can live where they work; however, existing development patterns, geo-physical constraints, and regional economic forces will almost certainly continue to perpetuate significant cross-commuting and economic interdependence between the communities in the County.

Given the regional nature of the housing market and the economic interdependence of the communities in the County, it makes sense to institutionalize regional collaboration and coordination on housing-related policies and programs. There are several benefits to this regional approach:



- **Regulatory consistency.** The housing market is strongly influenced by the regulatory environment, including the development code and related regulation of short-term rental uses. When that regulatory environment differs across cities, it can result in divergent housing outcomes and conditions, which can affect commuting patterns and access to employment opportunities. Further, differences in regulations or incentives can disadvantage some jurisdictions relative to others in attracting housing development. Regulatory consistency can help ensure a wide range of housing types is available in all communities, at all income levels, to improve jobs-housing balance. Some variation in regulations will continue to be necessary to reflect local needs and conditions; however, the region should consider if consistency and coordination is worthwhile goal when adopting new policies and revising existing policies.
- **Funding strategies.** The funding sources and tools identified in Section 6 may be more effective if implemented at the regional level, as the pool of funds will be larger to draw, potentially allowing for projects that have a greater impact. Additionally, the pool of candidate projects to invest in will be wider. This lessens the chance that an individual City has an excellent project, which would benefit regional housing needs, but cannot generate enough funding alone to invest in the project.
- **Planning and coordination.** As demonstrated by this study, regional planning efforts can better identify both shared challenges and shared opportunities to address housing needs. Additionally, regional planning and analysis can benefit from efficiencies of scale. For some types of planning work, it is more efficient to study the County as a whole than to engage in multiple, separate projects.

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.

## 8. Implementation Roadmap

<i>Strategy</i>	<i>Applicable Jurisdictions</i>	<i>Level of Effort</i>	<i>Timing*</i>	<i>Notes</i>
<b><i>Land Supply Strategies</i></b>				
Strategy #1. Ensure land zoned for higher density is not developed at lower densities	All Cities & County	Low-Medium	Short-term	Requires relatively modest set of code updates to either revise list of allowed uses in specific zones and/or establish minimum densities; likely to require some public outreach.
Strategy #2. Further study the potential need for a UGB amendment in South County to meet needs	Seaside, Cannon Beach	Medium	Short-term	Requires potential refinement and further analysis of BLI data and evaluation of alternative UGB expansion areas.
Strategy #3. Refine BLI data and results	Astoria, Warrenton	Low-Medium	Short-term	Warrenton undertaking as part of DLCD grant project; completion there by June, 2019. Astoria should conduct targeted assessment of selected large parcels.
Strategy #4. Further asses infrastructure issues	County & Gearhart	Medium-High	Medium-term	Requires additional research and coordination with local service providers in unincorporated Clatsop County and assessment of alternative wastewater treatments strategies in Gearhart.
<b><i>Policy and Code Strategies</i></b>				
Strategy #1. Adopt supportive and inclusive comprehensive plan policies	All Cities & County	Medium	Short-term	Can be completed as part of a future Comprehensive Plan updated process or separately as an implementation action associated with any motion to approve or adopt this Countywide strategy.

<b>Strategy</b>	<b>Applicable Jurisdictions</b>	<b>Level of Effort</b>	<b>Timing*</b>	<b>Notes</b>
Strategy #2. Emphasize minimum density standards	All Cities	Medium	Short-term	May be completed in conjunction with other development code updates related to residential development or as a standalone project. Additional public involvement process (beyond an adoption hearing) may be necessary.
Strategy #3. Revise maximum density, height or bulk standards in higher density residential zones	All Cities	Medium	Short-term	May be appropriate to combine with Strategy #2 (minimum density standards). Additional public involvement process (beyond an adoption hearing) may be necessary.
Strategy #4. Support high density housing in commercial zones	All Cities	Medium	Short-term	Level of effort depends on the degree of change. Any changes to commercial zones should ensure sufficient land remains to meet commercial land need.
Strategy #5. Streamline and right-size off-street parking requirements	All Cities	High	Short- or medium-term	Additional public involvement necessary. Changes should consider availability of on-street parking and varying conditions in different neighborhoods.
Strategy #6. Facilitate “missing middle” housing types in all residential zones	All Cities & County	High	Short- or medium-term	Additional public involvement necessary. The range of housing types permitted will need to consider existing development patterns. New design or development standards likely necessary to ensure higher density housing types can fit into lower density neighborhoods.
Strategy #7. Encourage cottage cluster housing	All Cities	Medium	Short-term	Additional public involvement necessary. Model code provisions are available. This project may also consider engaging with potential developers of this specific housing types.

<b>Strategy</b>	<b>Applicable Jurisdictions</b>	<b>Level of Effort</b>	<b>Timing*</b>	<b>Notes</b>
Strategy #8. Promote accessory dwelling units	All Cities	Low-Medium	Short-term	Additional public involvement necessary. May be appropriate to combine with Strategy #6 (missing middle). Need to consider relationship to short-term rental/vacation rental regulations.
Strategy #9. Incentivize affordable and workforce housing	All Cities & County	Low-Medium	Short-term	Engage with affordable housing providers to ensure incentives are useful and valuable. Consider pairing incentives with other code changes, such as allowing higher density/height in exchange for affordability standards.
Strategy #10. Limit short-term rental uses in residential zones	All Cities & County	Varies	Varies	Level of effort and timing depends on existing regulations and goals in each community.
<b><i>Incentives for Developers</i></b>				
Incentive #1. Stream-lining permitting and review process	Cities	Medium	Short-term	For most cities, will likely require a review of procedures, timelines and fees to understand how and if they can be streamlined.
Incentive #2. System development charge (SDC) or fee waiver	Cities	Medium-High	Short- or medium-term	SDC reductions are likely to provide greater financial incentive to the developer than fee reductions. Engage with other overlapping jurisdictions to maximize the share of total charges that might be included. Explore methods to backfill lost revenue from SDCs through funds such as a CET.

<b>Strategy</b>	<b>Applicable Jurisdictions</b>	<b>Level of Effort</b>	<b>Timing*</b>	<b>Notes</b>
Incentive #3. Tax exemptions and abatements	All Cities	Medium-High	Short- or medium-term	Can provide a sizable developer incentive over time. Most programs must be established in local policy, and in some cases a specific district must be designated. The local housing priorities should drive which exemption program is adopted (i.e. Multi-Unit, Vertical Housing and/or Affordable Housing). Cities should be cautious over creating competing programs, if one outcome is truly prioritized over the others.
<b>Funding Sources and Uses</b>				
Funding Source #1. Tax increment financing (Urban Renewal)	Cities	High	Medium- or long-term	Requires a planning process to assess the feasibility of the proposed urban renewal area and formal adoption of an urban renewal plan. The plan describes the URA boundaries, planned projects and projected funding levels. In key districts of a community, can be a good tool to build revenue and ensure that it is invested in that area. Can be a source to help pay for developer incentives. (Astoria and Seaside have implemented.)
Funding Source #2. Construction excise tax	Cities	Low-Medium	Short-term	A good source of funding for developer incentives and affordable housing programs. This source will fluctuate with development market cycles, but can build revenue quickly if applied to both residential and commercial construction. Raises development costs somewhat, but can be off-set with incentives.

<b>Strategy</b>	<b>Applicable Jurisdictions</b>	<b>Level of Effort</b>	<b>Timing*</b>	<b>Notes</b>
Funding Source #3. Affordable housing bond (regional or local)	All Cities & County	Medium-High	Medium-term	Requires public approval of a bond measure, including a public engagement campaign explaining the reasons for the bond. Timing may hinge on public sentiment about how acute housing pressures have grown in the county. A countywide bond would allow for the county and cities to pool resources and address some of the geographical disparities identified in this study.
Funding Uses #1. Public/private partnerships	All Cities & County	Low-Medium	Short- or medium-term	Public/private partnerships can become more systematized once specific incentive and funding programs are established. The county should inventory and engage with potential partner agencies in affordable housing, financing, community land trusts, etc.
Funding Uses #2. Housing preservation fund	All Cities & County	Medium	Medium-term	Entails the design and adoption of a program, identifying spending priorities. It is likely best to partner with agencies with experience in administering and managing these programs. The fund can be used to finance these efforts and direct them to specific areas or sites.
Funding Uses #3. Land acquisition/ use public lands	All Cities & County	Medium	Medium-term	Cities and perhaps a regional coordinator should inventory existing “surplus” public lands that might be repurposed for housing projects in partnership with development partners. Similarly, key parcels and sites for acquisition should be confidentially identified but will likely be contingent on building of funding from TIF, CET or other sources.
Funding Uses #4. Community land trust (CLT)	All Cities & County	Medium	Short-term	A CLT program can be accomplished by providing incentives, financing or grants to partner agencies that specialize in this model. This is one of the few models for providing lower-cost homes for sale rather than rent.

<b>Strategy</b>	<b>Applicable Jurisdictions</b>	<b>Level of Effort</b>	<b>Timing*</b>	<b>Notes</b>
<b>Regional Collaboration</b>				
Regional collaboration and capacity building	All Cities & County	Medium	Short-term	Requires inter-agency engagement among county and cities to decide the purview of this office or position in housing issues across the county. Can serve as first point-of-contact for partners and community and direct a more coordinated response to housing issues among the communities of the county which face different housing needs, opportunities and constraints.

\* Short-term = 1-3 years; Medium-term = 4-5 years; Long-term = 6-10 or more years

**Appendix A: Housing Needs Analysis Memo**  
**Appendix B: Buildable Land Inventory Memo**  
**Appendix C: Policy and Code Review Memo**