

# Housing Strategies Report

City of Warrenton, Oregon

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Prepared for the City of Warrenton by  
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**DRAFT**

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# 1. Introduction and Overview

Having affordable, quality housing in safe neighborhoods with access to community services is essential for all Oregonians. Like other cities in Oregon, the City of Warrenton is responsible for helping to ensure that its residents have access to a variety of housing types that meet the housing needs of households and residents of all incomes, ages and specific needs. Towards that end, the City undertook a housing study in 2019 to better understand housing needs. The study included two reports, a Housing and Residential Land Needs Assessment and a Residential Buildable Lands Inventory (BLI). Findings from these reports are summarized in Section 2 of this Housing Strategies Report and can be used to inform future amendments to the City's Comprehensive Plan and Development Code to support housing needs, consistent with Statewide Planning Goal 10 (Housing). Goal 10 states that the City must:

*“encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.”*

This Housing Strategies Report includes the following information intended to help the City update its Comprehensive Plan:

- Findings associated with existing and future housing needs which can be incorporated into narrative sections of the City's Comprehensive Plan.
- Recommended new or updated Comprehensive Plan policies for housing.
- Recommended measures that the City can consider in the future and use to help meet future housing needs.

The first two elements above have been drafted for incorporation into the City's Comprehensive Plan Housing Element as part of a subsequent legislative update. This report, the Housing and Residential Land Needs Assessment, and the Residential BLI can be referenced in the Comprehensive Plan as technical, ancillary documents to the Comprehensive Plan.

This report, along with the accompanying Housing and Residential Land Needs Assessment and the BLI maps, was prepared in coordination with Warrenton City staff, Planning Commission, and City Commission. Members of the community also provided input on existing conditions, opportunities, and constraints related to housing and the findings of the draft reports. The project was funded by a grant from the Oregon Department of Land Conservation and Development (DLCD) and DLCD staff participated in managing the grant and reviewing materials prepared for the project.

## 2. Housing Conditions and Trends

The following is a summary of data and findings from the Housing and Residential Land Needs Assessment report that can ultimately be incorporated into the Warrenton Comprehensive Plan as supporting narrative for Article 3, Section 3.200 (Buildable Lands). Unless otherwise noted, the following findings refer to the Warrenton Urban Growth Boundary (UGB) area, not the city limits.

### Demographic Conditions and Trends

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- Warrenton is a City of an estimated 5,325 people (City), and 5,418 people (total in UGB), located in Clatsop County on the North Oregon Coast. An estimated 2% of the population in the UGB lives outside the city limits.
- Based on the UGB population, Warrenton is roughly the 75th largest city in the state by population, though is within range of many other similarly sized cities. Within Clatsop County, Warrenton is the third largest city after Astoria and Seaside.
- Warrenton has experienced strong growth, growing over 30% in population since 2000. In contrast, Clatsop County and the state experienced population growth of 9% and 21% respectively. Within the county, only the smaller town of Gearhart grew at a faster rate, while Seaside grew an estimated 12% during this period, and Astoria's population remained essentially flat. (US Census and PSU Population Research Center)
- The Warrenton UGB was home to an estimated 1,987 households in 2018, an increase of roughly 340 households since 2000. The percentage of family households has remained stable between 2000 and 2018 at 67%. The city has a larger share of family households than Clatsop County (61%) and the state (63%).
- Warrenton's estimated average household size is 2.61 persons, larger than in 2000. This is higher than the Clatsop County average of 2.33 and the statewide average of 2.47.

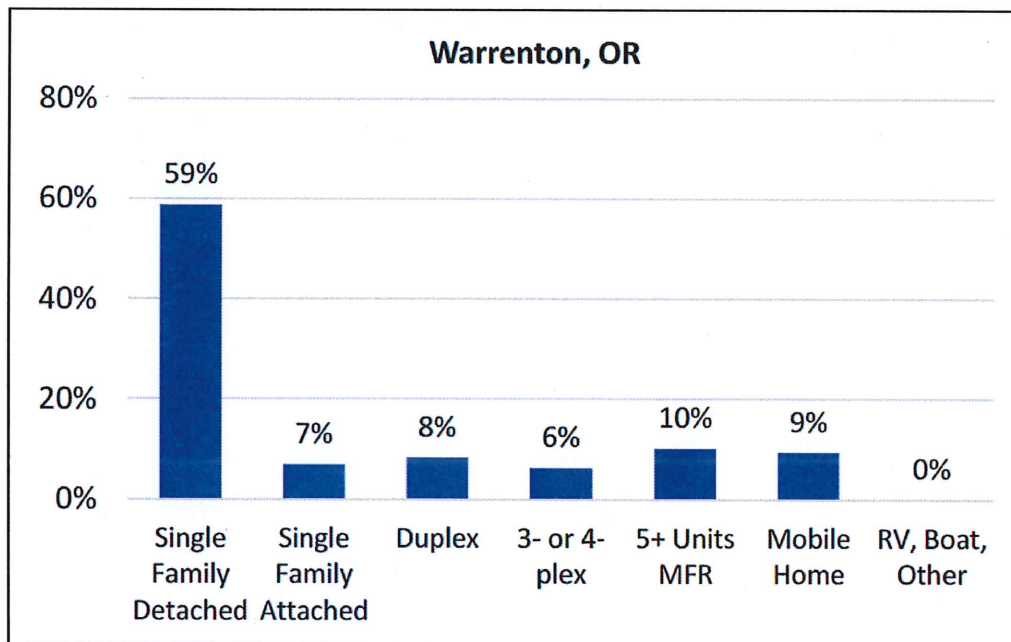
### Housing Conditions and Trends

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- **Housing Tenure.** Warrenton has a larger share of owner households than renter households among permanent residents. The 2017 American Community Survey estimates that 56% of occupied units were owner occupied, and 44% renter occupied. The estimated ownership rate is higher in Clatsop County (64%). The ownership rate in Warrenton has fallen from 65% since 2000. During this period the statewide rate fell from 64% to 61%. Nationally, the homeownership rate has nearly reached the historical average of 65%, after the rate climbed from the late 1990's to 2004 (69%).
- **Housing Stock.** The Warrenton UGB had an estimated 2,456 housing units in 2018, with an estimated vacancy rate of 19%. Figure 1 shows the estimated number of units by type in 2017.

Detached single-family homes represent an estimated 58% of housing units. Units in larger apartment complexes of 5 or more units represent 10% of units, and other types of attached homes represent an additional 21% of units. (Attached single family generally includes townhomes, some condo flats, and plexes which are separately metered.) Mobile homes represent 9% of the inventory.

Figure 1. Estimated Share of Units, By Property Type, 2017



SOURCE: City of Warrenton, Census ACS 2017

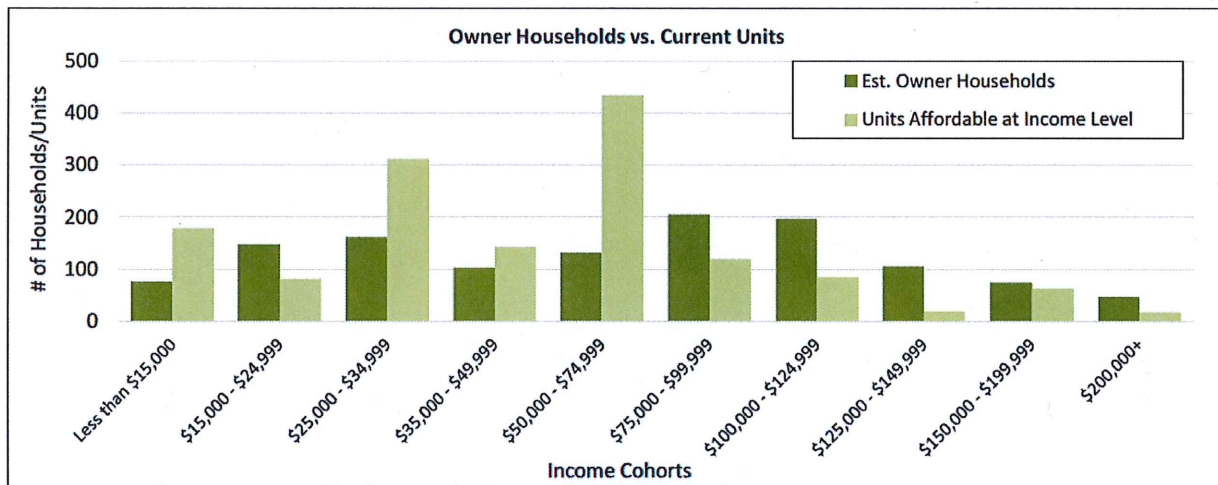
## Current Housing Needs

A comparison of estimated current housing demand with the existing supply identifies the discrepancies between needs and the housing which is currently available. Figure 2 and Figure 3 compare the estimated number of households in given income ranges, and the supply of units currently affordable within those income ranges. The data is presented for owner and renter households.

- In general, this identifies that there is currently support for more ownership housing at price ranges from \$90k to \$130k, and above \$300k. This is because most housing in Warrenton is clustered at the low to middle price points, while analysis of household incomes and ability to pay indicates that some could afford housing at higher price points.
- The analysis finds that most demand for rental units is at the lower end of the rent spectrum, therefore there is a shortage of units priced at \$900 or lower is estimated to be sufficient. There is an oversupply of rentals in the \$900 to \$1,400 range. This range represents the current average rent prices in Warrenton, where most units can be expected to congregate.

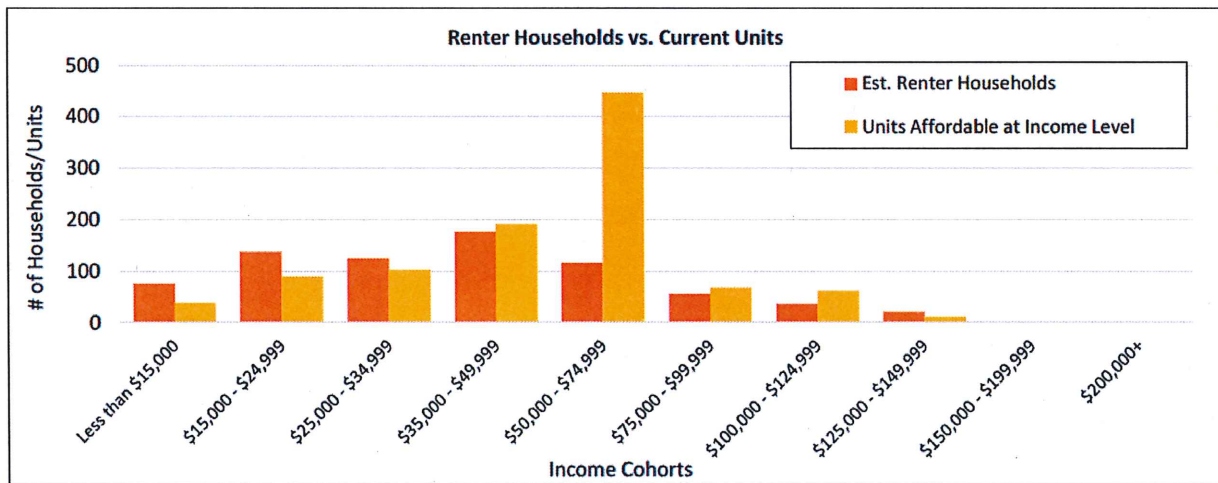
- These findings demonstrate that there are insufficient housing opportunities at lower price points than might be considered “affordable” for many owner or renter households. The community may also be able to support some new single-family housing at a higher price point

Figure 2. Comparison of Owner Household Income Groups to Estimated Supply Affordable at Those Income Levels



Sources: PSU Population Research Center, City of Warrenton, Census, JOHNSON ECONOMICS

Figure 3. Comparison of Renter Household Income Groups to Estimated Supply Affordable at Those Income Levels



Sources: PSU Population Research Center, City of Warrenton, Census, JOHNSON ECONOMICS

### Projected Housing Needs

The projected future (20-year) housing profile in the study area is based on the current housing profile (2018), multiplied by an assumed projected future household growth rate. The projected future growth is the official forecasted annual growth rate (1.8%) for 2040 generated by the PSU Oregon Forecast

Program. This rate is applied to the year 2039. The profile of occupied future housing demand was compared to the current housing inventory to determine the total future need for new housing units by type and price range.

- As shown in Figure 4, the results show a need for 1,117 new housing units by 2039.
- Of the new units needed, roughly 85.5% are projected to be ownership units, while 14.5% are projected to be rental units. This is due to the forecast of a higher homeownership rate in the future, leading to marginally more need for ownership units than rental units.
- There is new need for ownership housing at the low-end and middle of the pricing spectrum.
- The greatest need for rental units is found at the lowest and middle price points from \$0 to \$1,100. There is also a need for some single-family homes for rent at higher price points.
- In keeping with development trends, single family units are expected to make up the greatest share of new housing development over the next 20 years. 73% of the new units are projected to be single family detached homes, while 15% is projected to be some form of attached housing, and 12% are projected to be mobile homes.

Figure 4. Projected Future Need for NEW Housing Units (2039), Warrenton

OWNERSHIP HOUSING									
Unit Type:	Single Family Detached	Single Family Attached	Multi-Family			Mobile home	Boat, RV, other temp	Total Units	% of Units
			2-unit	3- or 4-plex	5+ Units MFR				
<b>Totals:</b>	771	43	15	6	0	120	0	955	85.5%
<b>Percentage:</b>	80.7%	4.5%	1.6%	0.6%	0.0%	12.5%	0.0%	100.0%	

RENTAL HOUSING									
Unit Type:	Single Family Detached	Single Family Attached	Multi-Family			Mobile home	Boat, RV, other temp	Total Units	% of Units
			2-unit	3- or 4-plex	5+ Units MFR				
<b>Totals:</b>	50	16	28	22	38	9	0	162	14.5%
<b>Percentage:</b>	30.6%	10.1%	17.0%	13.5%	23.3%	5.5%	0.0%	100.0%	

TOTAL HOUSING UNITS									
Unit Type:	Single Family Detached	Single Family Attached*	Multi-Family			Mobile home	Boat, RV, other temp	Total Units	% of Units
			2-unit	3- or 4-plex	5+ Units MFR				
<b>Totals:</b>	820	60	43	28	38	129	0	1,117	100%
<b>Percentage:</b>	73.4%	5.3%	3.9%	2.5%	3.4%	11.5%	0.0%	100.0%	

Sources: PSU, City of Warrenton, Census, Environics Analytics, JOHNSON ECONOMICS

- Figure 5 presents estimates of need at key low-income affordability levels in 2018 and in 2039. There is existing and on-going need at these levels, based on income levels specified by Oregon Housing and Community Services for Clatsop County. An estimated 34% of households qualify as at least “low income” or lower on the income scale, while 16% of household qualify as “extremely low income”.

*Figure 5. Projected Need for Housing Affordable at Low Income Levels, Warrenton*

Affordability Level	Income Level		Current Need (2018)		Future Need (2039)		NEW Need (20-Year)	
			# of HH	% of All	# of HH	% of All	# of HH	% of All
Extremely Low Inc.	30% AMI	\$16,650	354	16%	507	16%	153	13%
Very Low Income	50% AMI	\$27,600	613	27%	879	27%	266	23%
Low Income	80% AMI	\$44,160	765	34%	1,097	34%	332	29%

Sources: OHCS, Environics Analytics, JOHNSON ECONOMICS

\* Income levels are based on OHCS guidelines for a family of four.

### Comparison of Projected Need and Buildable Land Supply

*The projected housing needs were compared with the supply of buildable residential land within the City of Warrenton UGB.*



- Figure 6 presents the estimated new unit capacity of the buildable lands identified in the City of Warrenton UGB. There is a total remaining capacity of 2,624 units of different types within the study area. Much of this capacity is within the medium and high density residential zones.
- There is a total forecasted need for roughly 1,117 units over the next 20 years based on the PSU forecasted growth rate. This is well below the estimated capacity of over 2,625 units. As Figure 5.3 below demonstrates, there is sufficient capacity to accommodate all projected new unit types. After this need is accommodated, there is an estimated remaining capacity of over 1,500 additional units, mostly in the high-density residential zone.
- Figure 7 shows forecasted residential need and capacity by acres, rather than units. There is a projected need for 252 acres of new residential development, but a buildable capacity of 430 acres. There appears to be sufficient capacity within each zoning category to accommodate the forecasted housing types that would be most appropriate for those zones.

For more detail on these findings please refer to the Housing and Residential Land Needs Assessment Report and the Buildable Lands Inventory (BLI) maps prepared for the city.

Figure 6. Estimated Buildable Lands Capacity by Acreage and No. of Units (2019)

Jurisdiction and Zone	Density (units/ net acre)	Unconstrained Acres					Housing Unit Capacity				
		Difficult to Serve	Partially Vacant	Vacant	Total	Share of Total	Difficult to Serve	Partially Vacant	Vacant	Total	Share of Total
R40 - Low Density Residential	4	3	41	62	107	25%	8	121	167	296	11%
R10 - Intermediate Density Residential	4	0	7	83	91	22%	1	18	202	221	9%
RGM - R-10 Growth Management Zone	4	--	10	40	50	12%		29	102	131	5%
RM - Medium Density Residential	10	10	10	41	61	14%	61	68	272	401	15%
RH - High Density Residential	18	--	2	119	121	28%		26	1,549	1,575	60%
<b>Total</b>		<b>13</b>	<b>71</b>	<b>344</b>	<b>429</b>		<b>70</b>	<b>262</b>	<b>2,292</b>	<b>2,624</b>	

Source: Angelo Planning Group

Figure 7. Comparison of Forecasted Future Land Need (2039) with Available Capacity

<u>LAND INVENTORY VS. LAND NEED</u>	Unit Type			<u>TOTAL</u>
	Single Family Detached	Medium-Density Attached	Multi-Family	
Buildable Land Inventory (Acres):	248	61	121	430
Estimated Land Need (Acres):	237	13	2	252
<b>Land Surplus (Inventory - Need:)</b>	<b>11</b>	<b>48</b>	<b>119</b>	<b>178</b>

Sources: Angelo Planning Group, Johnson Economics

### 3. Comprehensive Plan Housing Policies

It is essential that the Comprehensive Plan of every city in Oregon include a robust set of policies directed at meeting the current and future housing needs of each community. The consultant team reviewed the Comprehensive Plan to assess whether it includes the following types of supportive policies:

- **Supports Statewide Planning Goal 10.** Comprehensive Plans typically do and should include a general policy that mirrors Statewide Planning Goal 10 (Housing), stating that the overall goal of the jurisdiction is to *“encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.”*
- **Emphasizes affordable housing needs.** Given that meeting the needs of low and moderate income households often requires public intervention or subsidy, it is important to include policies emphasizing the needs of these households.
- **Supports partnerships.** Most Comprehensive Plan housing elements include policies aimed at supporting other public agencies, non-profits and market rate developers who focus on meeting the needs of low and moderate income households and community members with special housing needs.
- **Encourages a variety of housing types.** In addition to a broad goal or policy about meeting a full range of housing needs, Plans often include policies noting the need for a variety of housing types, including single family attached housing, duplexes, triplexes, multi-family housing and townhomes, as well as less traditional forms of housing such as cottage cluster housing and accessory dwelling units.
- **Affirms Fair Housing goals.** Local governments are required to ensure that their housing policies and standards do not discriminate against or have adverse effects on the ability of “protected classes” to obtain housing, consistent with the federal Fair Housing Act.
- **Supports mixed use development.** Some Plans explicitly support the development of mixed use projects, which typically include upper story housing located above retail or commercial uses.
- **Supports accessory dwelling units.** Comprehensive Plans may include policies specifically referencing support for this form of housing. Recent Oregon legislation requires all cities below a certain size to allow for this form of housing outright in all zones where single-family detached housing is allowed.
- **Supports flexible zoning.** Some Plans include policies which emphasize the need for zoning to be flexible enough to meet a variety of housing needs and keep costs for such housing down, particularly for housing affordable to low and moderate income households.

- **Addresses land supply goals.** Many Comprehensive Plans include policies which reference the need to ensure that adequate land is zoned to meet identified housing needs, and to periodically update the jurisdiction’s inventory of such lands.
- **Supports maintenance and rehabilitation of existing housing.** Many comprehensive plans emphasize maintenance of existing housing stock as a method to prevent unsafe conditions and keep affordable housing available within the community.
- **Supports development of manufactured homes.** Oregon law requires that all zones that allow for “stick built” single family detached homes also allow for manufactured homes on individual lots. Each jurisdiction must also allow for manufactured home parks in at least one residential zone.
- **Regulates short term rentals.** Many communities, particularly those with high levels of tourism, regulate short-term rental housing to reduce its impact on the supply and affordability of long-term rental housing.

Table 1 lists these policy areas, indicates if adopted housing policy reflects these areas, and, where the City Comprehensive Plan is deficient, provides sample policy language that could be considered as part of a future plan amendment. This initial assessment is intended to facilitate community discussion and to help articulate City policy direction, leading to refined and updated housing policy statements. A set of proposed adoption-ready Comprehensive Plan policy amendments will be provided as part of a final draft of this Housing Strategies Report.

Table 1. Comprehensive Plan Policy Amendments (Section 3.3.10 Residential Lands)

Policy Topic	Existing Goal/Policy Language	Example Additional or Alternative Language to Consider
<b>Supports Statewide Planning Goal 10.</b>	<i>(1) It is the City's policy to encourage the development of housing needed to accommodate desired growth, and to provide every Warrenton household with the opportunity to obtain a decent home in a suitable neighborhood.</i>	Adequately addressed.
<b>Emphasizes affordable housing needs</b>	<i>(10) The City shall encourage establishment of a system which would make it possible for every jurisdiction in the County to get its fair share of subsidized housing. In connection with this activity, the City shall support the efforts of developers, non-profit groups, public agencies and others to evaluate the desirability of public lands in the County for subsidized housing and, when feasible, to make use of sites appropriate for this purpose.</i>	Additional policy recommended: <i>The City shall support the creation of housing that is affordable to low- and moderate-income households through partnerships, land use policies, and programmatic efforts.</i>
<b>Supports partnerships</b>	Adequately addressed by policy (10).	
<b>Encourages a variety of housing types</b>	<i>(11) The city will zone adequate land to meet identified future housing needs for a broad range of housing types, including single-family attached and detached homes, manufactured homes, duplexes, and multi-family dwellings.</i>	Adequately addressed.
<b>Supports mixed use development</b>	No policy.	<i>The City shall allow for a mix of residential uses with other compatible uses in appropriate locations.</i>
<b>Affirms Fair Housing goals</b>	<i>(13) The City will ensure compliance with federal and state fair housing laws, which affirm access to housing opportunities for all people in Warrenton.</i>	Adequately addressed.

<p><b>Supports Accessory Dwelling Units</b></p>	<p>No policy.</p>	<p><i>The City will allow and support the development of Accessory Dwelling Units in all residential zones in accordance with Oregon law. Accessory Dwelling Units are an important housing option that can help meet the need for affordable rental units, reduce housing costs for homeowners, and enable multi-generational living.</i></p>
<p><b>Addresses land supply goals</b></p>	<p>(11) The city will zone adequate land to meet identified future housing needs for a broad range of housing types, including single-family attached and detached homes, manufactured homes, duplexes, and multi-family dwellings.</p>	<p>Additional policies recommended:</p> <ul style="list-style-type: none"> <li>• <i>The City shall encourage efficient use of residential land within the Urban Growth Boundary</i></li> <li>• <i>The City shall regularly monitor its supply of buildable land and shall provide a sufficient amount of residential land to accommodate residential growth.</i></li> </ul>
<p><b>Supports development of manufactured homes</b></p>	<p>(7) Manufactured dwellings used for residential purposes will be permitted in manufactured dwelling parks or special subdivisions that meet appropriate standards, such as screening and street access requirements. Manufactured dwellings shall also be allowed on individual lots in some of the City's residential zone as permitted uses, subject to standards.</p>	<p>Adequately addressed.</p>
<p><b>Supports maintenance and rehabilitation of existing housing</b></p>	<p>(9) The City supports the efforts of the Northwest Oregon Housing Association, US Department of Agriculture and other organizations to make funds available for rehabilitation or winterization of local housing.</p>	<p>Adequately addressed.</p>
<p><b>Regulates short term rentals</b></p>	<p>No policy</p>	<p><i>As necessary, the City shall regulate short term rentals to reduce their impact on availability and long-term affordability of housing.</i></p>

## 4. Housing Strategies

The consultant team has identified a variety of measures that the City can undertake to address current and future housing needs identified in the Housing and Residential Land Needs Assessment and BLI reports. These measures have been organized into the following categories.

### Land Supply Strategies

1. Site-Specific Studies of Infrastructure and Environmental Constraints
2. Rezone Land
3. UGB Expansion or Adjustment (“Swap”)

### Policy and Development Code Strategies

1. Increase Allowed Density in Existing Zones
2. Establish Minimum Density Standards
3. Facilitate “Missing Middle” Housing Types in All Residential Zones
4. Promote Accessory Dwelling Units
5. Encourage Cottage Cluster Housing
6. Streamline Off-Street Parking Requirements
7. Zoning Incentives for Affordable and Workforce Housing

### Incentives

1. System Development Charge Exemptions or Deferrals
2. Expedited Development Review

### Funding Sources and Uses

1. Construction Excise Tax
2. Tax Increment Financing
3. Public-Private Partnerships (PPPs) and Community Land Trusts
4. Land Acquisition and Banking
5. Financial Assistance Programs

The remainder of this section describes these potential measures in more detail.

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## Land Supply Strategies

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### 1. Site-Specific Studies of Infrastructure and Environmental Constraints

A significant amount of the vacant land in the City is affected by environmental constraints—primarily wetlands but also slopes and beach dunes—and potential issues with infrastructure availability or capacity. To support future development of sites that contain buildable land, but are affected by these issues, the City could fund site-specific development studies. These studies may include:

- Wetland delineation or natural resources assessment and/or incorporation of existing parcel or area-specific delineations into the City’s BLI inventories and associated maps;
- Mapping of the buildable areas on the site, considering slopes, soils, wetlands, streams, and other factors;
- Options for extending public infrastructure to the site;
- Financial feasibility of development and potential zoning or code changes.

The need to complete these site-specific studies may be a barrier to development currently. By completing the study, the City can help to reduce this barrier and to signal to potential developers that the City has a plan to provide infrastructure or to adopt zoning changes, where necessary, to make development more feasible. Alternatively, should the City choose to amend their UGB to bring in more buildable land if a need to do so can be justified in the future, these studies can be used to demonstrate that the existing vacant land in the UGB is not able to be served with public facilities. It should be noted that the current comparison of land need and supply would not support a UGB expansion.

### 2. Rezone Land

One potential strategy to address a deficit of residential land, or of a certain category of residential land, is for the City to initiate a rezoning process. As identified in the Housing and Residential Land Needs Assessment, the City of Warrenton does not have a deficit of residential land in general, nor in a specific category of residential land, so there is not a basis for rezoning land to meet citywide residential land supply needs. However, there may be opportunities to rezone land in order to more efficiently use land that is close to existing infrastructure and services.

Additionally, Warrenton has a substantial amount of buildable land in commercial zones, and in some cases that land may be suitable for residential uses. Some of these lands may be more economical to serve with infrastructure than other residential lands. Any rezoning decisions should consider the impact on supply of commercial land and will need to demonstrate compliance with Goal 9 (Economic Development).

In considering the most appropriate location for rezoning land, the city should use the following criteria or factors:



- **Proximity to existing residential areas.** The City should consider how the relationship between the land to be rezoned and exiting residential areas in the vicinity, and whether a transition between lower and higher density areas is necessary.
- **Proximity to services.** Ideally, residential zones, and especially higher density residential zones, should be close to supporting commercial and other services (schools, parks, etc.) to help ensure that residents can easily access these services and daily needs by walking, biking or driving.
- **Size and ownership.** The City should prioritize relatively large sites (3-10 acres) and sites under a single ownership or smaller number of owners. Larger sites will be more attractive for development and provide more flexibility for site design. Sites with fewer owners will make it easier to acquire land.

### 3. Urban Growth Boundary Expansion or Adjustment (“Swap”)

#### *UGB Expansion*

The findings of our study do not indicate the need for a UGB expansion to accommodate projected housing needs in Warrenton between 2018 and 2038. However, in the long term, an expansion could be an option beyond the current planning horizon or if growth rates increase beyond those currently projected. Prior to applying for a UGB expansion, the city would need to complete the following steps:

- Consider and adopt efficiency measures to ensure that land inside the UGB is being used efficiently. Many of the code update recommendations identified below are efficiency measures.
- Demonstrate that there is an insufficient supply of buildable land inside the UGB. Depending on when the City pursues this step, the City may need to demonstrate that existing vacant or partially vacant land in the UGB cannot be served with public facilities.

#### *UGB Adjustment (“Swap”)*

Although the findings of the study do not demonstrate the need for a UGB expansion, anecdotally, the city has faced limitations on the current supply of buildable land because owners of large parcels are uninterested or unwilling to develop or sell their properties for future residential development. In small communities with a limited number of large developable properties, this can create a significant barrier to development, at least during the short and medium term. If owners hold onto their properties without a willingness to development over the longer term (e.g., decades), it effectively reduces the community’s supply of buildable land. At the same time, because property ownership and/or owners’ desires to develop can shift, the state of Oregon’s land use planning framework does not allow cities to exclude such land from their BLIs.

One way to address this situation is to remove such parcels from the UGB and add other properties whose owners are more willing or likely to develop their land for housing. State statutes and administrative rules allow for these UGB “swaps.” These exchanges are possible through a process of

simultaneously removing and adding land to the UGB to make up for capacity lost by removing land. This process is guided by Oregon Revised Statutes (ORS) 197.764. This ORS section provides specific eligibility requirements and standards for land removed; subsection (3)(b) of this section states that “A local government that approves an application under this section shall either expand the urban growth boundary to compensate for any resulting reduction in available buildable lands or increase the development capacity of the remaining supply of buildable lands.” In exchanging land inside the UGB for land outside the boundary, cities must identify an equivalent supply of land in terms of the land’s capacity for residential development, considering the presence of natural resource constraints and zoning or allowed density.

While permitted, UGB swaps must comply with several requirements applied to other UGB amendments or expansions, including the following:

- **Location of expansion areas.** The location of the land to be added to replace the land being removed must use OAR 660-024-0065 to determine appropriate study areas. For a city with a UGB population less than 10,000, the city must consider all land within ½ mile of the existing UGB boundary.
- **Exclusion areas.** In considering expansion areas, the City can exclude areas that cannot be reasonably serviced with public facilities, are subject to significant natural hazards, have some a high level of environmental or natural resource value, or are owned by the federal government.
- **Prioritization.** The city needs to prioritize potential expansion areas in terms of rural residential “exception” lands vs. farm and forest lands, with exception lands having first priority, and farm and forest land having the maximum protection from development.
- **Criteria for evaluating expansion areas.** Cities must look at alternative expansion areas and evaluate them using the four locational factors found in Goal 14. These include 1) efficient urban form, 2) public facilities, 3) Economic, Social, Environmental, and Energy (ESEE) consequences, and 4) impact on adjacent farm and forest activities in rural areas. The city’s analysis must consider and analyze all four factors, but the city can weigh and balance those factors based upon a set of findings and policy judgments which, unless they are without merit, will be upheld on judicial review.

In addition to meeting these state requirements, the City will want to consider other factors in this process such as:

- Will potential expansion areas have direct access to roads, sewer or water lines or will they be even more difficult or costly to serve with these facilities than land proposed to be removed from the UGB?
- Will areas proposed for inclusion be in relative proximity to commercial and other services? This is particularly important if new areas are proposed for higher density development.
- Will the areas have any other practical barriers or impediments to residential development or conflict with other strategies to meet future housing needs?

Policy and Development Code Strategies

**1. Increase Allowed Density in Existing Zones**

The Housing and Residential Land Needs Assessment found that the City of Warrenton has a sufficient supply of residential land if land is built at or near the planned density levels, based on existing zoning. Increasing allowed density in existing zones is not strictly necessary to meet projected housing needs within the existing UGB, however, there are two key benefits to higher densities to be considered in selected locations:

- **Housing affordability.** Smaller lot sizes and higher densities allow for some of the major costs of development—such as acquiring land and building infrastructure—to be divided among more units. This decreases the per-unit cost of development and can enable lower sale prices or rental rates.
- **Efficiency of land use and infrastructure provision.** Higher density also helps to ensure that residential land is used efficiently. If growth rates accelerate more quickly than projected, then it will be more important for the City to efficiently use land within the existing UGB. It is also more efficient for the City to provide roads, sewer, and water systems (on a per-unit basis) to higher density development.

Additionally, there is a relatively smaller surplus of land for single-family detached housing (11 acres) compared to medium density and multi-family housing. If growth rates are higher than projected, then City could experience a deficit of land zoned for single-family detached housing. Therefore, it is important that the City use land zoned for single-family detached housing efficiently.

The City regulates density primarily through minimum lot size requirements in residential zones. Potential amendments to minimum lot size standards are presented in Table 2. These amendments are intended to allow for higher density development while considering the existing character and stated purpose of the zone. Minimum lot width, lot depth, or setback standards may also need to be modified to ensure they are consistent with any changes to minimum lot size standards.

*Table 2. Potential Minimum Lot Size/Density Amendments*

Zone	Existing Min. Lot Size/Density Standard	Proposed Standard
Low Density Residential (R-40)	SFD: 40,000 sq. ft. SFD w/sewer: 10,000 sq. ft.	No changes recommended
Intermediate Density Residential (R-10)	SFD: 10,000 sq. ft.	SFD: 7,500 sq. ft.

Zone	Existing Min. Lot Size/Density Standard	Proposed Standard
Medium Density Residential (R-M)	SFD: 7,000 sq. ft. DUP: 7,000 sq. ft. SFA: 2,500 sq. ft.	SFD: 5,000 sq. ft. DUP: 5,000 sq. ft. SFA: 2,500 sq. ft.
High Density Residential (R-H)	SFD: 5,000 sq. ft. DUP: 2,500 sq. ft. SFA: 2,500 sq. ft. TRI: 7,500 sq. ft. MF: 10,000 sq. ft and no more than one dwelling per 1,600 sq. ft.	SFD: 4,000 sq. ft. DUP: 2,500 sq. ft. SFA: 2,500 sq. ft. TRI: 5,000 sq. ft. MF: 10,000 sq. ft and no more than one dwelling per 1,600 sq. ft.; or convert to density metric with a maximum density of 25-30 dwelling units per acre
SFD: Single-Family Detached SFA: Single-Family Attached DUP: Duplex TRI: Triplex MF: Multi-Family		

## 2. Establish Minimum Density Standards

As identified in this study, the City of Warrenton has a sufficient supply of residentially zoned land to meet the projected 20-year housing needs. However, it remains important that the buildable land be used efficiently by developing at or near the maximum density of the zoning district, particularly if there is a chance that growth rates will exceed the projections.

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 smaller lot detached houses, cottage cluster housing, 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.

The City has a minimum density standard in the High Density Residential (R-H) zone. Potential minimum density standards for each of Warrenton’s residential zones is presented in Table 3. Minimum density standards would be applicable only to subdivisions and not infill or development on individual lots.

Table 3. Potential Minimum Density Standards

Zone	Existing Min. Lot Size/Density Standard	Proposed Standard
Low Density Residential (R-40)	SFD: 40,000 sq. ft. SFD w/sewer: 10,000 sq. ft. <i>Equivalent density: ~3 units/net acre</i>	No changes recommended
Intermediate Density Residential (R-10)	SFD: 10,000 sq. ft. <i>Equivalent density: ~3 units/net acre</i>	Minimum Density: 2-3 units/net acre
Medium Density Residential (R-M)	SFD: 7,000 sq. ft. DUP: 7,000 sq. ft. <i>Equivalent density: ~4.7 units/net acre</i>  SFA: 2,500 sq. ft. <i>Equivalent density: ~13 units/net acre</i>	Minimum Density: 6 units/net acre
High Density Residential (R-H)	SFD: 5,000 sq. ft. DUP: 2,500 sq. ft. SFA: 2,500 sq. ft. TRI: 7,500 sq. ft. MF: 10,000 sq. ft and no more than one dwelling per 1,600 sq. ft.  <i>Equivalent density (MF): ~20 units/net acre</i> <i>Existing minimum density standard: 5 units/gross acre</i>	Minimum Density: 10-12 units/net acre
SFD: Single-Family Detached SFA: Single-Family Attached DUP: Duplex TRI: Triplex MF: Multi-Family		

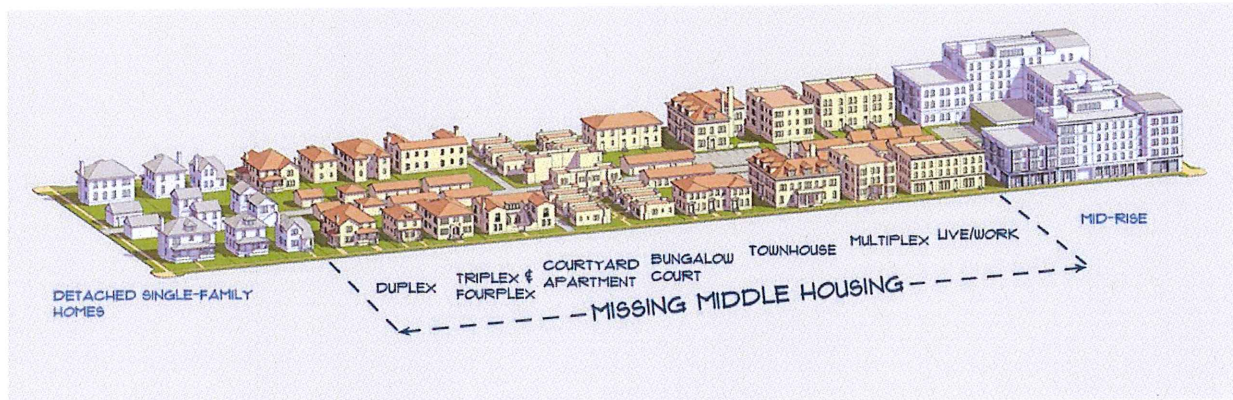
### 3. Facilitate “Missing Middle” Housing Types in All Residential Zones

This study found that the City of Warrenton has sufficient land zoned for single-family detached housing, medium density housing, and multi-family housing. However, there are opportunities to support development of a variety of housing types by reducing unnecessary barriers, providing more flexibility, and tailoring standards to fit a variety of housing types.

There are some housing types that are can be more difficult to develop because development code standards do not address unique characteristics of this housing type or the standards are unnecessarily restrictive. These types include Accessory Dwelling Units (ADUs), cottage cluster housing, duplexes, triplexes, and townhomes. These housing types are considered part of “missing middle housing”

because they fall between high density apartments and low density, detached single-family housing (see Figure 8). If regulated appropriately, these housing types can be compatible with detached, single-family houses and, therefore, could be permitted outright in most residential zones.

Figure 8. Missing middle housing types conceptual graphic



Source: Opticos Design

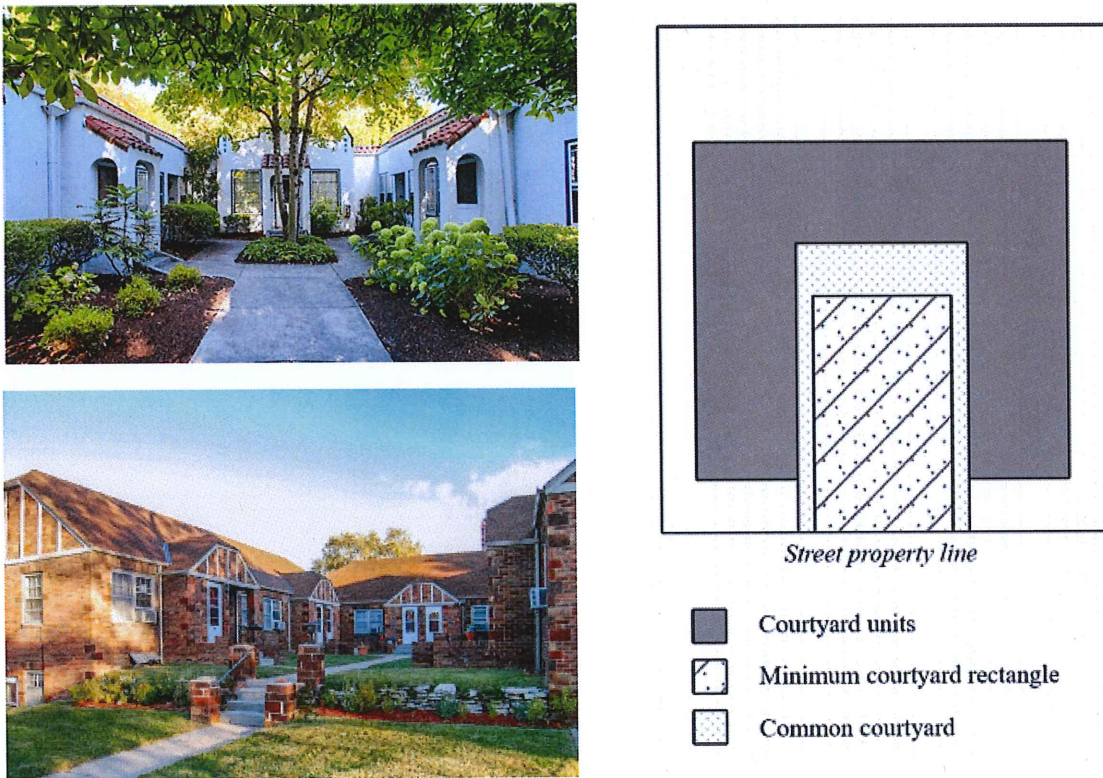
Another common characteristic of these housing types is that they are often smaller individual dwelling units. Given the demographic trends summarized in this study, and the ongoing challenge of providing enough housing options for people with moderate incomes, smaller sized, modest housing units will continue to be an important need in the City of Warrenton. Due to the costs of land, infrastructure, and construction, it can be difficult for builders to produce new single-family detached housing that is affordable to households at lower income levels. These “middle housing” types can be more feasible to provide for this income level because they require less land per unit and can be more efficient to serve with infrastructure.

Accessory Dwelling Units and cottage cluster housing are addressed in strategies 4 and 5, below, as there are some unique characteristics and regulatory issues associated with these types. Among other middle housing types, the City of Warrenton has supportive code standards in some residential zones, but there are opportunities to allow additional housing types. The following amendments are recommended to support middle housing more broadly in the City:

- **Allow duplexes in the Intermediate Density Zone (R-10).** It is recommended to allow duplexes on the same minimum size of lot as single-family detached houses, but to limit the overall size of the duplex through a maximum lot coverage, maximum Floor Area Ratio (FAR), or maximum unit size standard. If the City requires duplexes to be built on larger lots, then this can result in a structure that is out of scale with detached houses in the area, because the builder is likely to maximize the floor area of the duplex. Allowing duplexes on the same size lots while limiting the size of the structure encourages smaller individual dwelling units and building sizes that are more compatible with single-family houses.

- Allow triplexes and fourplexes in Medium Density Zone (R-M).** Duplexes and townhomes are currently permitted in the R-M zone, so allowing triplexes and fourplexes generally would be consistent with the stated purpose of the zone. Additionally, a triplex or fourplex with side-by-side units can look identical to a row of 3 or 4 townhomes. The only difference is that the land underneath the units is not divided into individual lots. To be consistent with the recommended minimum lot size amendments presented in strategy 1, above, a triplex could be permitted on a 7,500 square foot lot and a fourplex on a 10,000 square foot lot. If there are concerns about triplexes or fourplexes being out of scale with duplexes and detached houses in the zone, then a maximum FAR or unit size could be applied.
- Allow courtyard apartments in the Medium Density Zone (R-M).** Courtyard apartments are low-density apartment buildings, usually 1-2 stories, oriented around a common courtyard or green space (see Figure 9). Courtyard apartments can be made compatible with neighborhoods of detached housing because they are generally of a similar height and scale, provide views into green space in the courtyard, and are oriented in a U-shape so that the street-facing walls are of a similar width as a detached house or duplex. It is recommended that the City apply specific design standards to ensure development conforms to this desired design.<sup>1</sup>

Figure 9. Images of Courtyard Apartments and Example Code Graphic



Code Graphic Source: City of Tigard

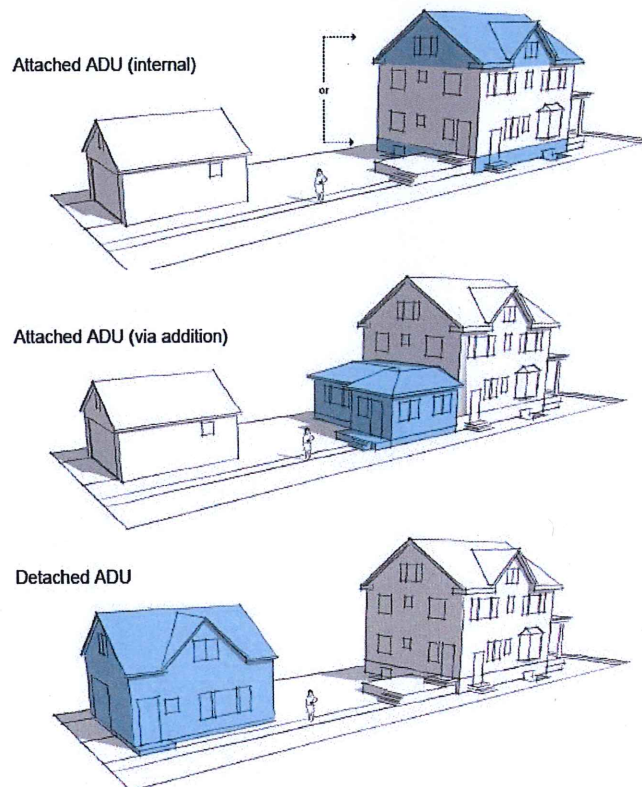
<sup>1</sup> For an example, see City of Tigard Development Code, Chapter 18.250, available here: <https://www.tigard-or.gov/DevelopmentCode/18-250.pdf>

#### 4. Promote Accessory Dwelling Units

An Accessory Dwelling Unit (ADU) is a secondary dwelling unit on the same lot as a single-family house that is typically 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 10). 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 with minimal visual impact on the character of the neighborhood.

Figure 10. Types of ADUs

ADUs in blue; main residence in white



Source: City of St. Paul, MN

ADUs are a viable housing option with several benefits:

- Building and renting an ADU can raise income for a homeowner and help offset the homeowner's mortgage and housing costs.
- ADUs can add to the local supply of rental units and can provide a relatively affordable rental option for a person or household that prefers living in a detached unit rather than an apartment or other attached housing.
- ADUs offer flexibility for homeowners to either rent the unit or to host a family member. The proximity to the main house can be particularly beneficial for hosting an elderly family member that may need care and assistance.



The state legislature recently adopted a statute that requires cities with a population of over 2,500 to allow ADUs outright on any lot where single-family housing is allowed.<sup>2</sup> This requirement applies to the City of Warrenton. In addition, the statute requires that cities limit the regulations that apply to ADUs to “reasonable siting and design standards”. DLCD has not adopted rules to clarify either what standards are considered reasonable or how they fit the category of “siting and design”. However, DLCD 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. The following amendments are recommended to Warrenton’s ADU standards to better support development of ADUs:

- **Allow the unit to be used for long-term rental to non-family members.** The City’s accessory dwelling regulations prohibit renting the ADU separately from the main dwelling and state that ADUs are intended only as additional living space for family members, such as in-laws or retired parents. This prohibition likely has a substantial affect in reducing the number of property owners that would invest in building an ADU, as it removes the opportunity to earn rental income from the unit and to pay for the construction costs. This regulation also prevents ADUs from contributing to the local rental housing stock. A prohibition on short-term rental (less than 30 days) may still be appropriate in order to preserve the residential nature of the use in residential zones.
- **Remove owner occupancy requirement.** 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 requirement tends to have a “chilling effect” on investment in ADUs because the property owner may not want to have to sell the property if they need to move. This requirement is also not consistent with the regulations that apply to other housing types, such as a duplex or other single-family detached homes that don’t have an ADU. The requirement can also complicate appraisal and financing for the property.
- **Increase maximum size to 800-900 square feet.** The current size limit of 600 square feet may unnecessarily restrict the size of ADUs and limit their appeal for development. A slightly larger ADU of 800-900 square feet is likely to appeal to a wider range of uses and households. The existing maximum size cap is also significantly lower than the size allowed for other accessory structures, which is 1,200 square feet.
- **Increase maximum height to allow for 1.5 or 2 story ADUs.** The City currently limits the height of an ADU to 16 feet, which would make it very difficult to build a 1.5 or two-story ADU. A two-story may be more appealing as it would preserve yard area. This would also make it easier to meet any maximum lot coverage standards that apply in the base zone while still building an ADU of a reasonable size.
- **Allow exceptions to rear yard setbacks.** ADUs must currently meet all base zone setback requirements, unless they meet an exception criterion for accessory structures which require

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<sup>2</sup> See ORS 197.312(5)

the structure to be less than 150 square feet, which is very small and would be very rare for an ADU. In most cases, ADUs will be constructed behind the primary dwelling. If the ADU must also comply with the rear yard setback requirement, that may require the ADU to be placed closer to the primary dwelling than would otherwise be desirable and may result in small, unusable yard areas. It is recommended to allow ADUs to be built up to 5 feet from the rear lot line. If there are concerns about the scale of an ADU next to an adjacent lot, a lower height limit or additional privacy standards can be applied to ADUs that are within a certain distance of the rear lot line.

- **Eliminate or modify standards that require matching the style of the primary dwelling.** The City currently requires ADUs to meet all standards for accessory structures. Two of those standards require some elements of the design of the ADU to match the primary dwelling. The siding and wall material “must be similar” to the primary dwelling (16.180.010.B) and the pitch and the roofing material “shall be compatible” with the primary dwelling (16.180.010.C). These standards may not be desirable if the style of the primary dwelling is outdated, uses low quality materials, or is not aesthetically appealing. Additionally, these standards use language that is not clear and objective. It is recommended to either remove this requirement or to development more clear and objective standards that achieve a similar intent, and apply them in more limited cases, such as:
  - Only require the matching standards for ADUs that are more visible, such as those that are taller, visible from the street, or sited in the rear yard without screening.
  - Only require the matching standards for attached ADUs.
  - Provide an alternative set of design standards that would not require matching the primary dwelling but would set minimum standards for basic design elements such as exterior materials, roof pitch, depth of eaves, and width of trim.
- **Consider allowing two ADUs.** Consider allowing two ADUs on the same lot if one of the ADUs is internal or an attached addition. In these cases, the internal ADU would not be visible from the street or adjacent properties, and the property would function similarly to a triplex. This allowance could be tailored to the zoning district so that two ADUs would be allowed in the medium and higher density zones but only one ADU allowed in lower density zones.

## 5. Encourage Cottage Cluster Housing

Cottage clusters are groups of small, detached homes, usually oriented around a common green or courtyard. The units may be located on individual lots that are individually owned or the property may be structured as a condominium with common ownership of the land and private ownership of the houses. Cottage clusters are growing more popular and their development potential is significant. They provide many of the same features of conventional detached houses, but in a smaller footprint, with shared common areas, and arranged in a way that can facilitate a more community-oriented environment (see Figure 11).

Figure 11. Example of a Cottage Cluster Development



Cottage clusters can be developed on relatively small lots, as access and parking typically is shared and the units are relatively small, usually between 500 and 1,200 square feet. The visual character of cottage clusters—detached dwellings with substantial shared yard space—is generally compatible with neighborhoods of detached homes.

A cottage cluster project would be difficult to develop in the City of Warrenton today because it would need variances or adjustments to multiple standards, such as minimum lot size, minimum lot width, setbacks, and density. To support cottage cluster development, it is recommended that cottage cluster housing be defined as an allowed housing type and a specific set of standards developed. Cottage clusters should be permitted through an administrative review process with clear and objective standards. The following are some best practices for creating cottage cluster standards:

- **Density bonus in exchange for maximum unit size.** 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 and compatibility with detached houses on larger lots.
- **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 condominiums.
- **Supportive lot standards.** Ensure that minimum lot 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 that are not so specific as to restrict the ability to adapt to varying neighborhood contexts.

## 6. Streamline Off-Street Parking Requirements

The City of Warrenton requires 2 parking spaces per single-family detached dwelling, 1.5 spaces per unit in a duplex or triplex, and between 1-2 spaces per unit for apartments and townhomes, depending on the number of bedrooms in the unit. 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.

The City does allow waivers or reductions to off-street parking requirements, with approval by the Community Development Director, under some circumstances, and a variance application may be required. The requirement to obtain a variance may discourage some applicants from obtaining a reduction or exemption. The Oregon *Model Development Code for Small Cities* recommends a baseline standard of one space per unit for all types of dwellings. If the City is receiving consistent requests for variances or Community Development Director approval to reduce minimum parking requirements, this may mean that parking standards are a potential barrier to housing development, and the City may consider reducing the minimum standard to one space per unit for all dwelling types.

## 7. Zoning Incentives for Affordable or Workforce Housing

As noted above, some development regulations can present obstacles or add costs to housing developments. These obstacles are particularly challenging for developments built by housing authorities, non-profit developers, or even for-profit developers that are attempting to build units affordable to people with lower or moderate incomes. In order to support developments that include units affordable to moderate- or low-income households, the City can offer concessions on zoning and development code standards. The concessions should be offered in exchange for the development dedicating a minimum proportion of the units to be regulated as affordable to people with lower or moderate income. The incentives typically include relief from certain development standards such as parking, setbacks, or density. Examples include the following:

- **Parking reductions.** In general, research shows that households with lower incomes tend to have lower car ownerships and driving rates, particularly when residents have ready access to shopping and other opportunities and services. A number of jurisdictions in Oregon provide

reductions in off-street parking requirements for developments that are affordable to households with low or moderate incomes. Typically, developments must commit to providing affordable units over a significant length of time (20-60 years).

- **Height or density bonuses.** Some cities allow higher density or greater height in exchange for a commitment to provide housing units that are affordable to households with low or moderate incomes. Height bonuses are typically in terms of number of stories (e.g., one story in an area with an existing height limit of 35 or 45 feet). Density bonuses are typically stated in terms of a percentage of units (e.g., 10-20% is a common threshold). The amount of the bonus can be tied to the affordability levels provided and/or to the number of affordable units. Additionally, setback and bulk standards may be allowed to vary to accommodate the added density or to reduce development costs.
- **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.

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## Incentives

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### 1. System Development Charge (SDC) Reductions, Exemptions, or Deferrals

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. SDC's face more statutory limitations and other hurdles to implementation. 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. The impacts of SDC or fee waivers will differ by jurisdiction depending on the size of the local charges. The magnitude of the fiscal impact will mirror how much of a benefit this incentive really provides to the developer.

Some jurisdictions offer full or partial SDC exemptions for affordable housing developments or subsidize them with funding from another source (e.g. urban renewal, general fund or construction excise taxes). A related type of program can allow developers of affordable housing to defer or finance payment of SDCs, which can reduce up-front costs and financing costs for the developer.

With deferral or financing of SDCs, the fiscal impacts to the City and its partners is minimal because charges are eventually paid. The period of repayment should not be a detriment to public agencies that operate on indefinite timelines. A financing program can be more beneficial to the property owner

because SDC's are paid gradually, rather than in a lump sum soon after the completion of the project. However, a financing program also brings additional administrative requirements and costs to the City to track and collect payments over time.

The City may also consider scaling SDCs based on the type or size of housing. In 2017, the City of Newport adopted new methodology to scale SDCs to different types and sizes of housing. The new methodology was adopted as part of a larger package of four policies and strategies intended to respond to the increased need for workforce and affordable housing in the community. The methodology sets a higher price per square foot for smaller homes; however, when that is calculated against the more modest size of those homes, the result is a lower fee for smaller homes, rather than the one size fits all approach previously used.

## **2. Expedited Development Review**

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 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. While City review processes could be streamlined, other regulatory review processes also impact the length of the permitting process. For example, state permitting of wetland fill or removal would also need to be streamlined to have a meaningful impact on permit review processes where wetlands are potentially impacted.

## **Funding Sources and Uses**

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### **1. Construction Excise Tax**

A construction excise tax (CET) is a tax on construction projects that can be used to fund affordable housing. According to state statutes, the tax may be imposed on improvements to real property that result in a new structure or additional square footage in an existing structure. Cities and counties may levy a CET on residential construction for up to 1% of the permit value; or on commercial and industrial construction, with no cap on the rate of the CET.

The allowed uses for CET funding are defined by the state statutes. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:

- 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.)
- 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
- 15% flows to Oregon Housing and Community Services (OHCS) for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted.

To date, eight jurisdictions (Portland, Corvallis, Cannon Beach, Hood River County, Hood River City, and Newport) have passed local CETs under the new state statutes, and many others are considering adopting the tool.

The primary advantage of a CET is that it would provide a source of funding for other programs or measures aimed at helping subsidize the cost of affordable housing in the community, either through city-led programs or those implemented by private or non-profit partners. In addition, once a CET is established, it would be straightforward to administer through the development permitting process. On the down side, CET increases development costs in an environment where many developers are already seeking relief from systems development charges, so it could impact development feasibility and increase the costs of housing more generally. However, by structuring the policy with offsetting incentives or tools to reduce development barriers, the City could potentially limit the impact on feasibility for certain projects.

Establishing a construction excise tax would necessitate that the City Council pass a new City ordinance. The City should work closely with the development and housing community in developing the fee structure. Implementing programs would need to be developed, and possibly coordinated with housing partners.

## **2. Tax Increment Financing**

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. Small cities (50k people or less) are allowed to have up to 25% of their land area and assessed value in URAs.

For the most part, these funds must to 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 requires the jurisdiction to undertake an adopted feasibility study and plan. These documents lay out the boundaries of the URA, the required findings of “blight” (broadly defined) in the area, the projected fiscal performance of the URA, the planned projects that will be undertaken. The URA is overseen by an Urban Renewal Agency which typically is affiliated closely with the jurisdiction itself and may have the same membership as the council or commission.

Urban Renewal is a good tool to use in areas where new development or redevelopment is anticipated. The growth of TIF revenue depends on this growth actually occurring; if a URA remains stagnant, then tax revenues will not grow to fund the planned projects. Therefore, it is advisable that the Urban Renewal agency waits for some sign of growth in the URA, before undertaking the expense of public projects dependent on TIF. That said, once some growth has occurred or seems likely to occur in response to the public expenditure, the Urban Renewal Agency

Many different project types are allowable under the Urban Renewal program though they generally require some physical improvement to occur. These may include financing public infrastructure (new roads, water, sewer, etc.) to an area to allow private development to occur there. These also may include various partnership or incentive programs with other agencies or private developers.

The City of John Day has recently created an innovative URA to help provide incentives for both new housing and renovated housing. The incentives are designed to rebate some of the newly created assessed value directly to the property owner, to make the project more attractive. The URA was created such a way to include much of the City’s vacant developable land for housing, to encourage build-out and ensure that the value of new development is captured by the TIF.

The City of Warrenton established an URA in the downtown Warrenton area in 2007. The URA is intended to encourage infill, rehabilitation and redevelopment that is consistent with the Comprehensive Plan. There may be opportunities to allocate the downtown URA funds toward housing development through the strategies outlined below. Further, there may be opportunities to establish additional URA(s) in targeted areas where housing development is desired, but market conditions are hindering private development.

### **3. Public-Private Partnerships (PPPs) and Community Land Trusts**

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.

A key barrier to meeting housing needs in Clatsop County has been the lack of development capacity to build the types of housing needed to serve local workers. In addition, owners of large developable properties have not been ready to sell or develop their land for housing. These factors have limited the pace and volume of housing development in the County. Partnerships with local or regional developers, builders and property owners will be a key to encouraging and realizing housing development goals in the area.

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 or companies with experience in these types of projects benefit from public contributions, making the projects more feasible.

Public contributions to partnerships with other agencies or companies tend to take the form of a financial contribution (grant or loan), fee or SDC waivers, building adjacent off-site improvements, or tax exemptions or abatements. Many of these tools are detailed in this report. Potential partners in the area include Northwest Oregon Housing Authority, Habitat for Humanity, Clatsop Community Action, active builders in the region, and key landowners.

Community Land Trusts (CLT) is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental housing themselves. Land trusts are typically run as non-profits, with support from the public sector and philanthropy, and could be linked to a land bank. Land trusts can be focused on homeownership or rental units.

Given the distinctive legal structure of CLT's it is likely best for public agencies 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. Other CLT's working in different parts of Oregon include Proud Ground and Habitat for Humanity, among others. The latter organization is not a CLT per se but uses a similar approach to maintain the affordability of the homes it builds largely through volunteer labor. Initial inquiries to these organizations regarding their interest in operating in Clatsop County and the type of support they typically seek from local governments would be an important first step in implementing this strategy.

#### **4. Land Acquisition and Banking**

Land acquisition is a tool to secure sites for affordable housing. Public agencies can identify locations where prices are going up and acquire land before the market becomes too competitive, with the intention to use the land for affordable housing. The ability to identify promising sites within these locations and act quickly and efficiently in acquiring them can tip the scales to make an affordable housing development financially feasible.

Land banking is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be developed for affordable housing. Land banks are often quasi-governmental entities created by municipalities to effectively manage and repurpose an inventory of underused, abandoned, or foreclosed property. Public agencies or larger nonprofits may be better equipped than small community development corporations to do both land acquisition and banking.

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 not typically be economically feasible to become viable. Acquisition of new land may be expensive, but reuse of surplus public land may be possible with little new cost to the public agency.

## **5. Financial Assistance Programs**

There is a wide range of programs intended to provide incentives to property owners and builders to build and maintain housing stock. These tools can be used to maintain housing affordability or to help keep residents in their homes. These programs are typically aimed at property owners or renters, but public agencies can be well versed in these resources and ensure that public incentives can dovetail with these programs to have maximum impact. These programs include:

### **USDA Housing Programs**

The USDA provides a wide range of rural housing and community development grants and loans that may be applicable in some or all of Clatsop County. Many of these programs are aimed directly at providing financing in areas and for projects that have difficulty gaining financing from other sources.

- Farm Labor Direct Loans and Grants
- Housing Preservation & Revitalization Demonstration Loans and Grants
- Housing Preservation Grants
- Multi-Family Housing Direct Loans
- Multi-Family Housing Loan Guarantees
- Multi-Family Housing Rental Assistance

- Single Family Housing Direct Loans
- Single Family Housing Loan Guarantees
- Mutual Self-Help Housing Technical Assistance Grants (to orgs to implement Habitat-for-Humanity model)
- Rural Housing Site Loans (to purchase sites for low- and moderate-income housing)

Regional or local housing coordinators should maintain familiarity with these programs and consider the ways that other programs can leverage these resources to amplify the total incentives.