

Creating a Healthy Housing Market for Tillamook County

Findings and Recommendations for the Tillamook County Housing Task Force



czb for the County of Tillamook, OR
MARCH 2017

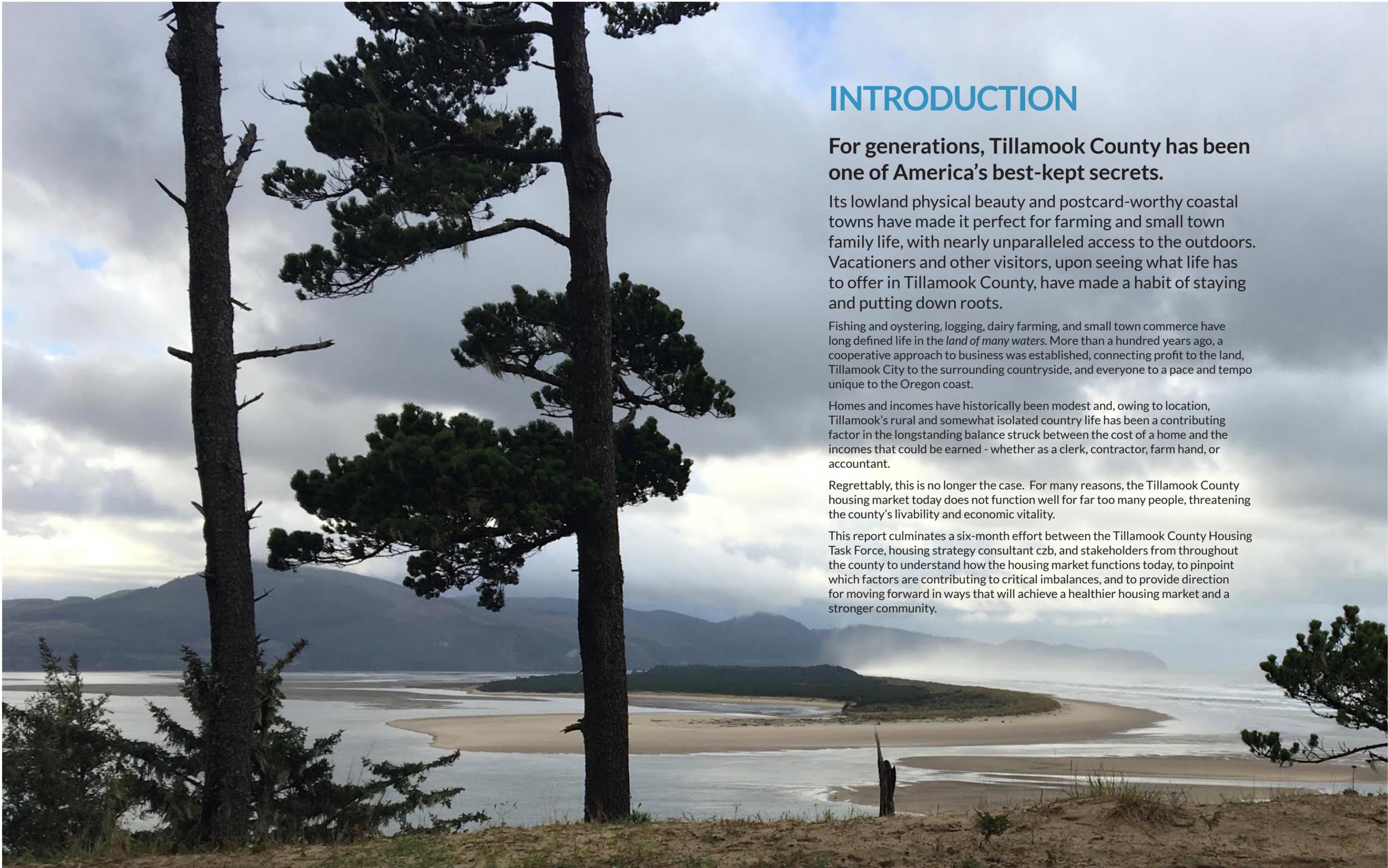
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INTRODUCTION

For generations, Tillamook County has been one of America's best-kept secrets.

Its lowland physical beauty and postcard-worthy coastal towns have made it perfect for farming and small town family life, with nearly unparalleled access to the outdoors. Vacationers and other visitors, upon seeing what life has to offer in Tillamook County, have made a habit of staying and putting down roots.

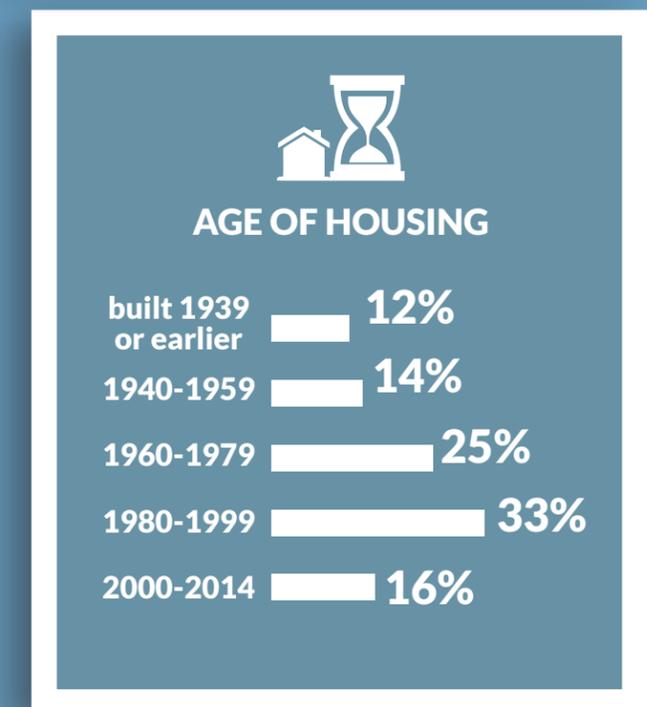
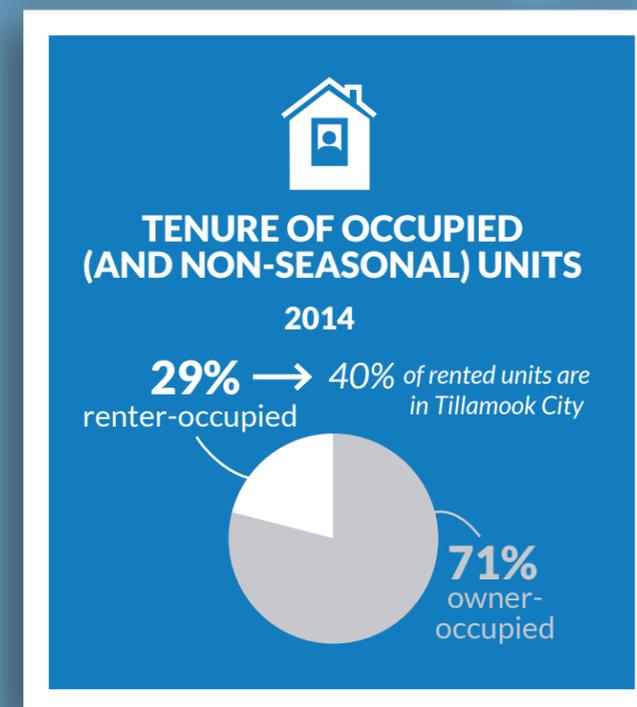
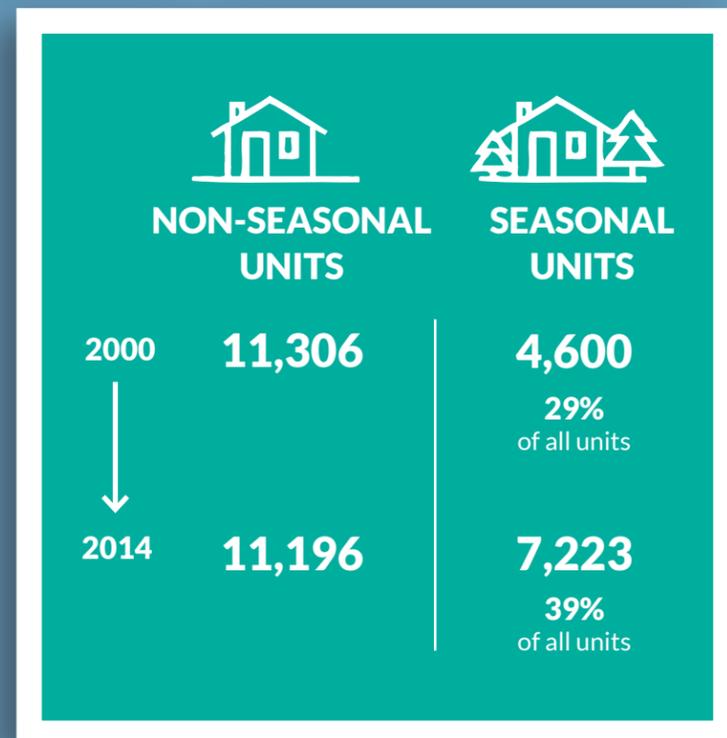
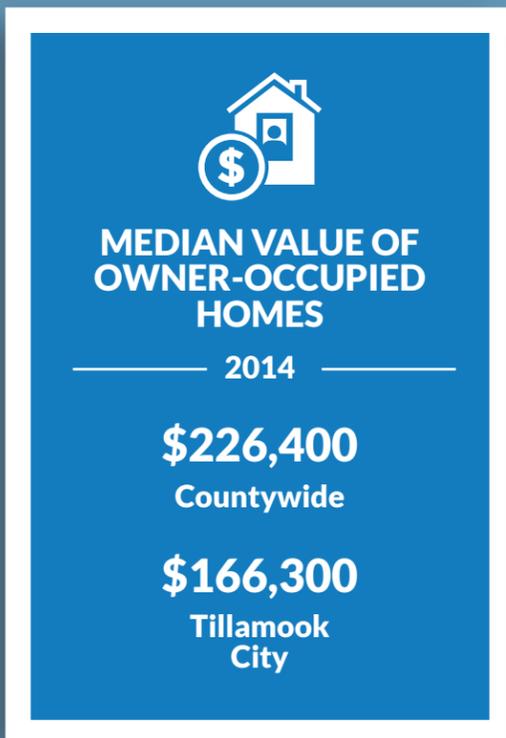
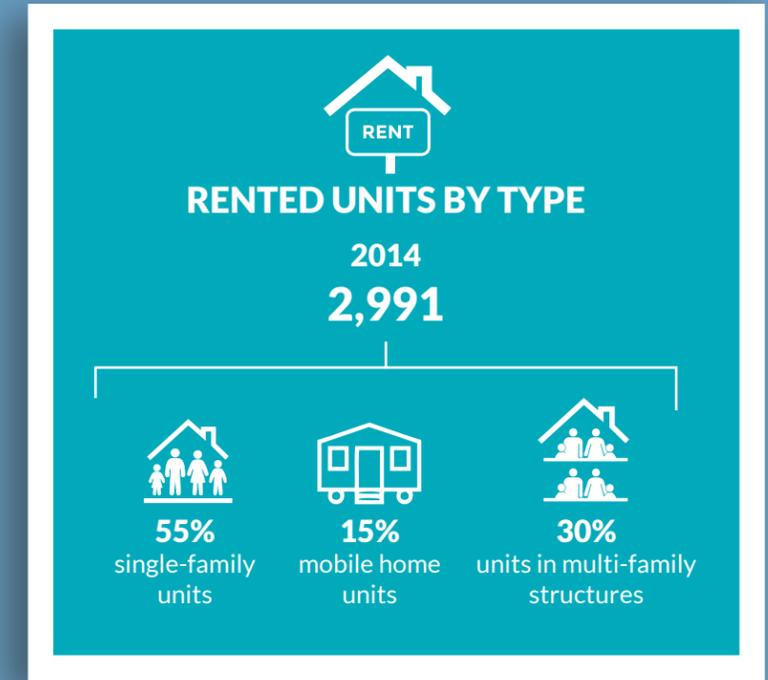
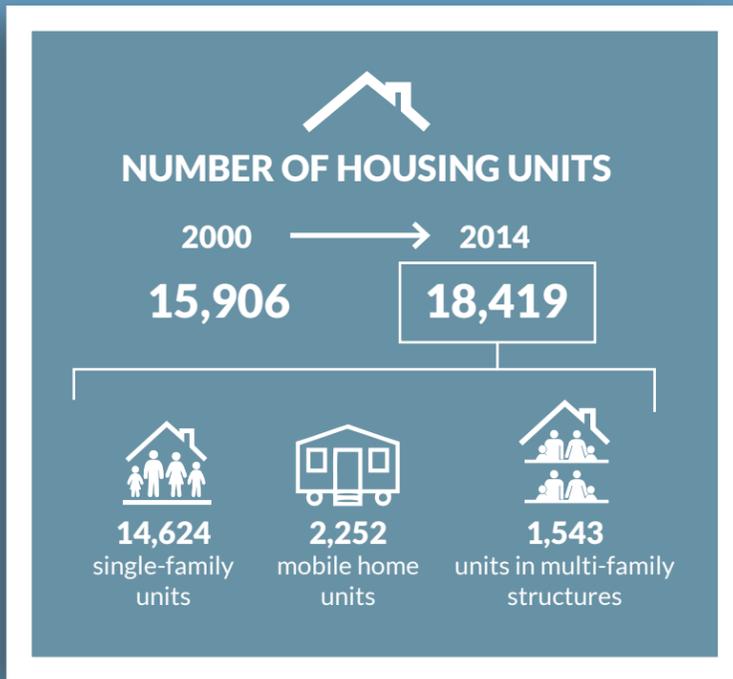
Fishing and oystering, logging, dairy farming, and small town commerce have long defined life in the *land of many waters*. More than a hundred years ago, a cooperative approach to business was established, connecting profit to the land, Tillamook City to the surrounding countryside, and everyone to a pace and tempo unique to the Oregon coast.

Homes and incomes have historically been modest and, owing to location, Tillamook's rural and somewhat isolated country life has been a contributing factor in the longstanding balance struck between the cost of a home and the incomes that could be earned - whether as a clerk, contractor, farm hand, or accountant.

Regrettably, this is no longer the case. For many reasons, the Tillamook County housing market today does not function well for far too many people, threatening the county's livability and economic vitality.

This report culminates a six-month effort between the Tillamook County Housing Task Force, housing strategy consultant czb, and stakeholders from throughout the county to understand how the housing market functions today, to pinpoint which factors are contributing to critical imbalances, and to provide direction for moving forward in ways that will achieve a healthier housing market and a stronger community.

Housing by the numbers in Tillamook County



PART I Current Conditions

Multiple inter-related factors have contributed to a state of imbalance in Tillamook County's housing market – a condition that is expressed by some distinct patterns and trends. The following five storylines interpret these patterns and trends to build an understanding of the problems that need to be solved and how to think about solving them.

1 Two distinct markets

The Tillamook County housing market can be divided into two distinct parts

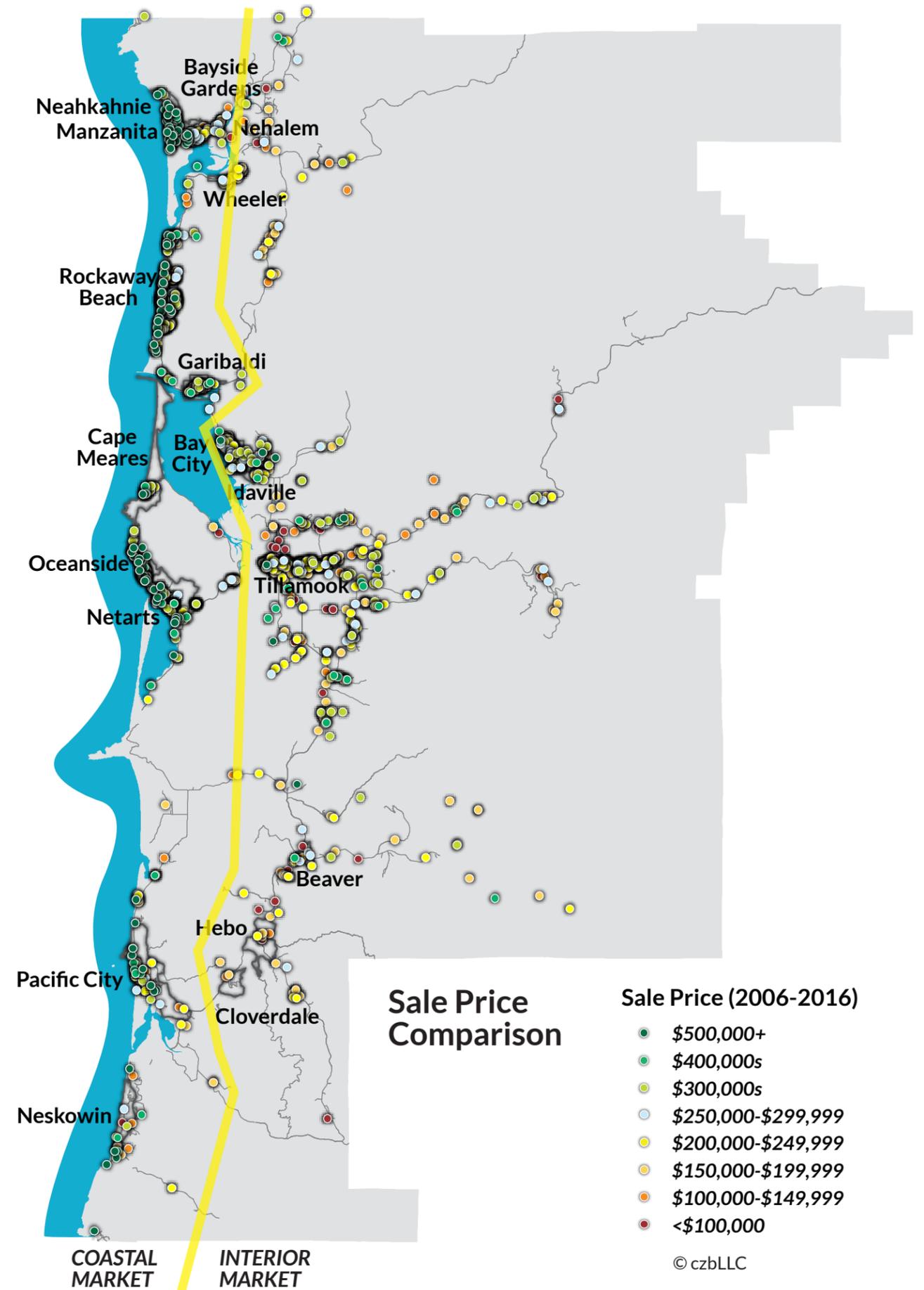
1. A coastal market where homes sold between 2006 and 2016 were often priced well above \$200,000 and frequently purchased with cash. This market can generally be described as strong.
2. An interior market, concentrated largely around Tillamook and other cities, where homes sold, by and large, for less than \$200,000 during the same period, often with assistance from conventional or subsidized loans. This market can in many ways be described as weak and in need of revitalization – with demand that is sufficient to keep vacancy low and prices stable, but not sufficient to stimulate healthy levels of reinvestment and the development of new housing products.

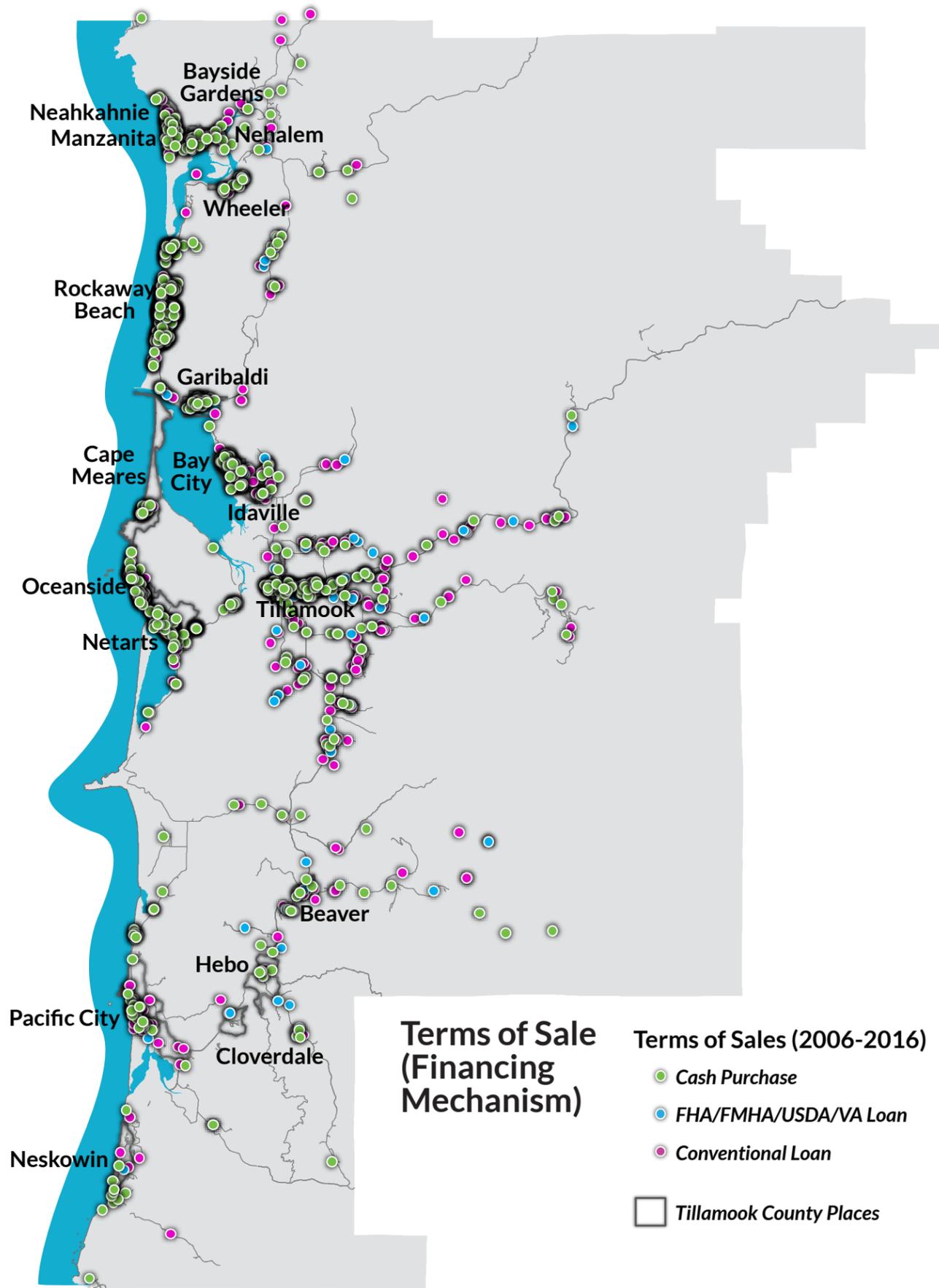
IMPLICATIONS ON HOUSING MARKET HEALTH

These two markets may feel and seem isolated from one another, but they are closely linked. Higher-end seasonal homes in the coastal market help drive tourism- and service-based economies that rely on low-wage workers. To find local housing, those workers must look to the interior market, along with those employed by the agricultural economy, and middle-wage year-round workers such as teachers and nurses.

Housing supply in the interior market is strained by competition from these low- and middle-wage workers – and the strain is exacerbated by units that are now rented through airbnb and other sites geared to the tourist market. This takes many units out of play for local households that rent.

In addition, these two markets are influenced by Tillamook County's proximity to Portland – which supplies demand for the second-home market, tourist rentals, and the tourism sector.





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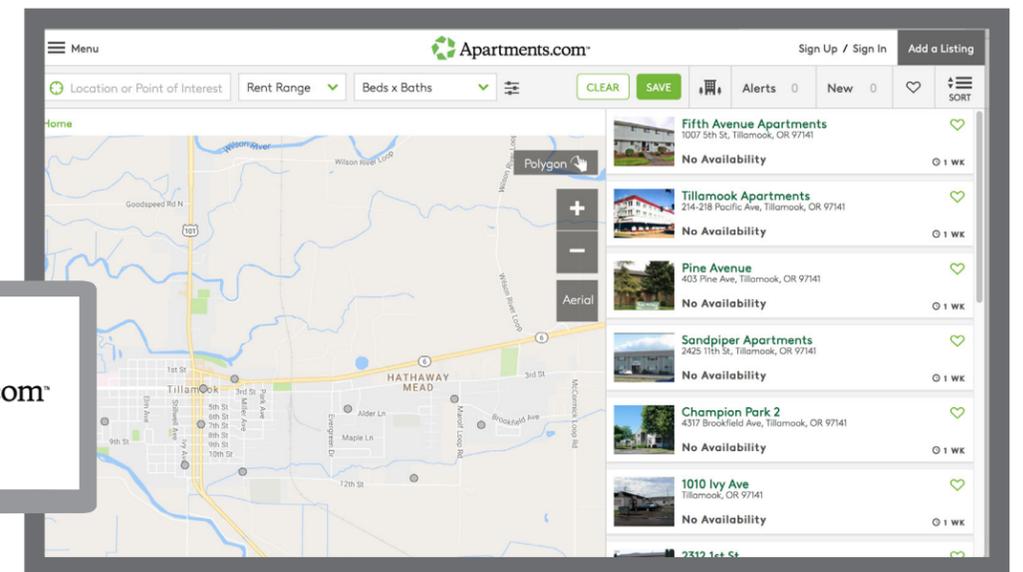
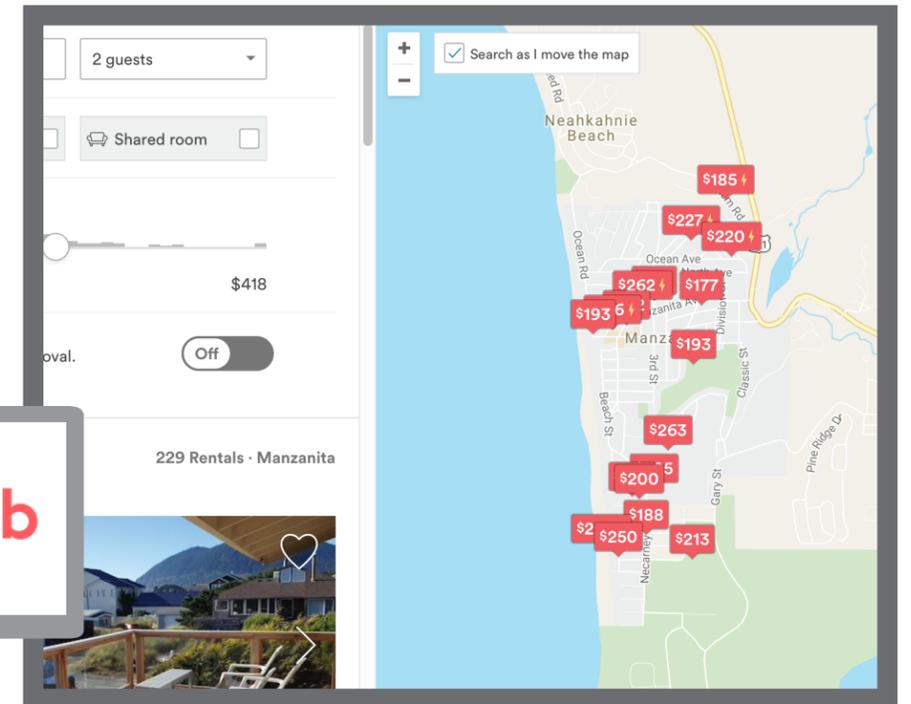
Comparison of Tourist Market (short-term rentals) and Yearly Rental Market (long-term rentals)

airbnb and Apartments.com rental average

\$2,000-\$3,000/mo.

compares to Median Gross Rent in the county of \$821/mo

*These values are based on Web searches in October 2016; average monthly rentals may rise or fall depending on the month and season.



A low-wage economy

Tourism and agriculture – two closely linked industries in Tillamook County – are critical components of the economy. And both require workforces that have traditionally been paid low wages and are finding it increasingly difficult to find decent, affordable housing in the county.

For example, there are 2,266 workers in retail and food services in Tillamook County earning an average wage of approximately \$20,000 per year. However, the number of rental units that can be reasonably afforded by a worker at that wage level (\$500 per month) is nearly ten times smaller than the number of workers – with only 239 such units in 2014.

IMPLICATIONS ON HOUSING MARKET HEALTH

In the absence of sufficient supply to meet the needs of low-wage workers, those workers are usually forced to choose between two options that compromise the well-being of their households and the competitiveness of the Tillamook County economy.

Commuting

According to OnTheMap, one-third of the 7,972 people employed in Tillamook County live outside the county. But that number rises to 56% of all people who fill positions in the county’s service industries. While some may prefer to live in another county, many are forced to do so because of housing availability and pricing.

Unaffordability

Others end up living in Tillamook County at prices that exceed the standard affordability threshold of 30% of income. Among households that earn up to \$20,000, 92% pay more than 30% of their income on rent or mortgage payments. The same is true for 70% of those earning between \$20,000 and \$34,999 – up from just 25% in 2000. This strains household finances and limits discretionary spending on goods and services within the local economy.

This lack of affordability can be translated into a current housing gap for the county: in 2014, there were 437 fewer rental units affordable to households making under \$25,000 than there are households in that range who currently rent.

Both of these options make it harder to work and live in Tillamook County for those making low wages – which, in turn, makes it more difficult for local business to find and retain workers.

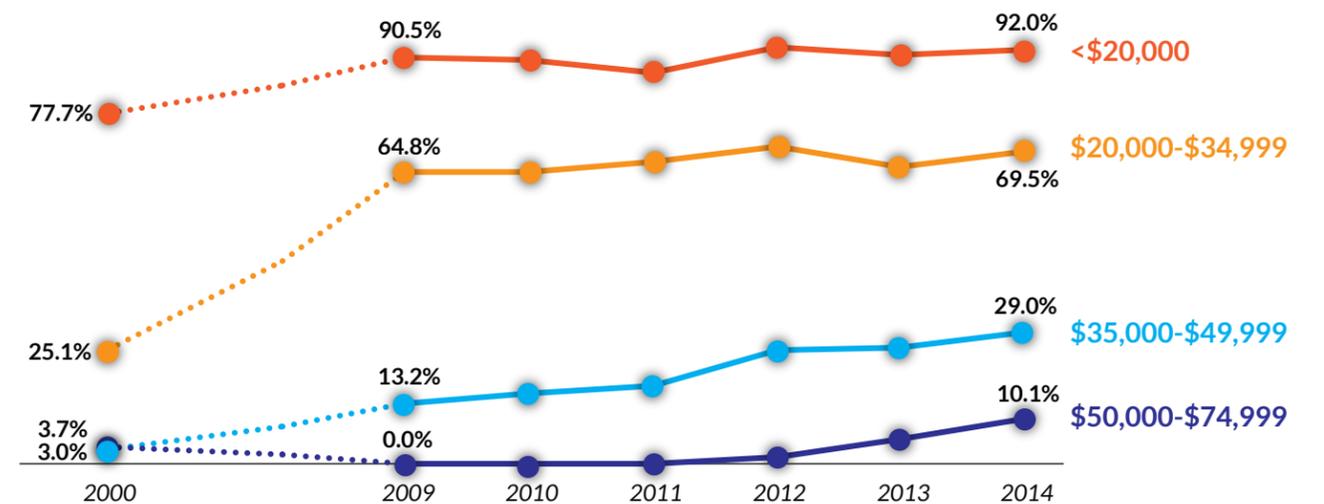
Unaffordable Housing By the Numbers

1,441 Number of households making under \$25,000

1,004 Number of housing units affordable to households making under \$25,000

-437 Gap in affordable units for low-wage households

% of Renters with Unaffordable (>30% of Income) Costs in Tillamook County by Income, 2009-2014



JOBS

10,435 Jobs in Tillamook County
7,972 Employees living in Tillamook County
-2,463 Net Job OUTFLOW

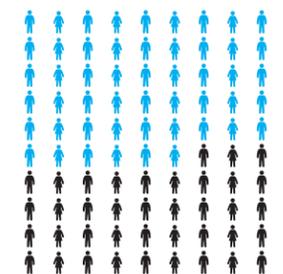
COMMUTING

Tillamook County residents who...

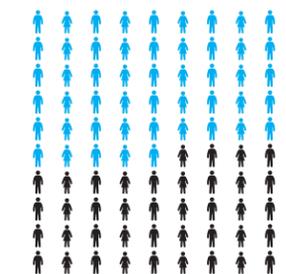
52% work WITHIN the county

48% work OUTSIDE the county

WHO ARE MOST IMPACTED?



56% of service workers are employed in Tillamook County and live outside the county



55% of service workers live in Tillamook County and work outside the county

SPATIAL MISMATCH

Job opportunities for low-income people are far away from where they live.

Those with the least money have fewer housing choices and travel disproportionately further for work.

Scarce land supply

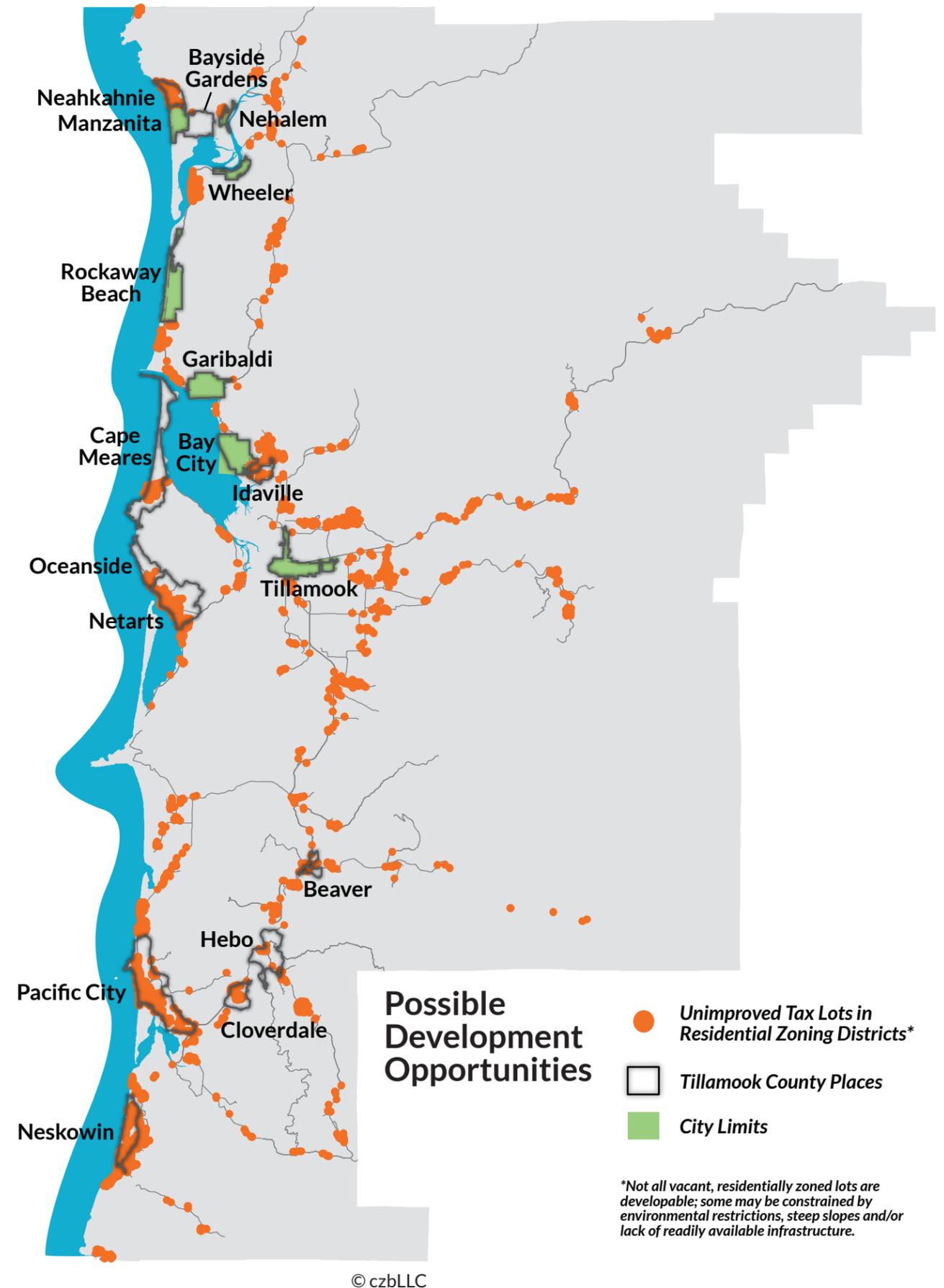
In a county gifted with natural beauty there are many constraints upon the supply of buildable land; steep slopes, wetlands, coastal protection areas, floodplains, and protected forestlands to name a few. These limitations combined with Oregon’s Land Conservation and Development Act of 1973 can have a significant impact on Tillamook County’s housing market. The Urban Growth Boundaries required by the law have, on the one hand, helped to preserve the county’s rural character and the sustainability of its agricultural sector – especially dairy farming. Farming and food processing provide jobs and draw tourists.

On the other hand, the environmentally protected lands and these boundaries constrain land supply, which may increase land prices and the land cost per unit of housing, and dampen production of units in lower price ranges where profit margins are often infeasibly small. The impact comes full circle when workers whose jobs are based on the value generated through land preservation find it difficult to obtain decent, affordable housing.

IMPLICATIONS ON HOUSING MARKET HEALTH

The land scarcity created by these environmental lands and Urban Growth Boundaries need not be a double-edged sword. The simple solution to scarce land supply and unmet demand is density – achieved by building more units per acre on land within the Urban Growth Boundary.

The technical part of this solution is a matter of up-zoning the allowable density of select parts of Tillamook County. But there is an adaptive part of this solution as well: overcoming an inclination see “density” as out-of-sync with Tillamook county’s lifestyle and the historical demand for detached single-family dwellings. The key is to view an increase in density as a way to expand, not limit, housing options and variety in the county – and as a way to boost the vibrancy and vitality of the county’s cities.



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Few options for housing mobility

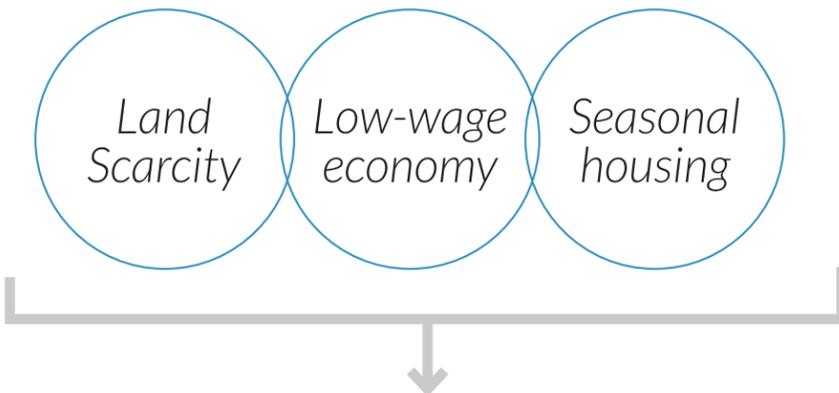
At any given moment, there are households within Tillamook County looking to move within the market – to upgrade or downsize to better match their needs and stage in life. Due to land scarcity, a low-wage economy, and a marketplace heavily influenced by seasonal housing and tourism, this is difficult to do, resulting in low levels of turnover and household mobility. In short, many households in the county seem to be stuck in their current home because their options are limited.

In Tillamook County today, fully half of all households have been living in their current residence since 1999, compared to 42% of households statewide. Between 2006 and 2016, an average of just 216 single-family homes sold annually, and an average of only 29 manufactured homes sold each year during this stretch. This equates to a turnover pace of 3% of all county owner-occupied units per year – which is around half of the national turnover rate.

IMPLICATIONS ON HOUSING MARKET HEALTH

A lack of internal mobility speaks to the overall “stuckness” of Tillamook County’s housing market, especially in the interior market. Demand is strong enough to keep vacancy low, which is one inhibitor of household mobility. But demand has not been strong enough to truly stimulate production – especially in the low- and middle-market pricing ranges – or overcome the issue of land scarcity.

But the implications are broader. Limited options also inhibit the in-migration of new labor needed by local businesses. It limits the levels of spending that occur when households move and furnish a new home. And it creates dissatisfaction with a household’s current housing situation, which can be expressed by low levels of reinvestment and poor standards of maintenance.

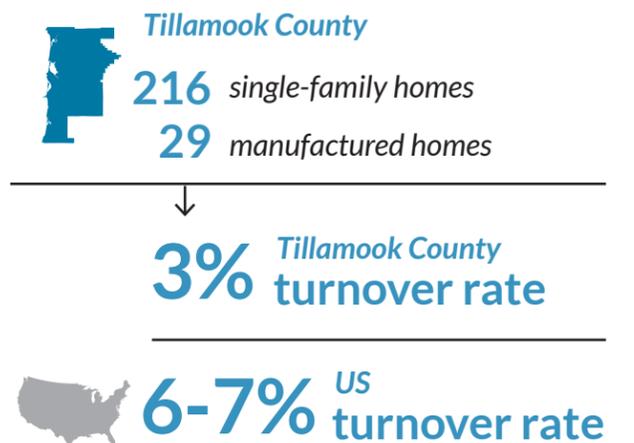


Three factors that have resulted in **limited household mobility and low turnover rates**

Households who have lived in their current residence since 1990



Average number of homes sold annually 2006-2016



Tired-looking housing stock

Too many homes haven't been well-maintained for years and aren't being well-maintained today, projecting a negative image of the community. This is particularly true in Tillamook City, but it is a condition found throughout the county, including the coast where overnight rentals have proliferated.

The reasons for this are varied:

- Absentee landlords;
- Dissatisfied homeowners who are stuck due to limited options and wary about spending too much on their current home;
- Low-wage households who lack the resources to keep up with standard maintenance or invest in curb appeal;
- Discouragement felt by property owners who observe low standards in their neighborhood and decide not to do more than the bare minimum.

IMPLICATIONS ON HOUSING MARKET HEALTH

This is a critical aspect of the housing story because the impact of tired-looking conditions on the market is to weaken confidence by would-be investors or developers that it makes sense to invest in Tillamook County. Consequently, developer interest – scarce to begin with given the county's relative isolation – remains on the sidelines. The very location where it makes sense for infill development to occur is exactly where the private sector lacks the confidence to take risks. Curing this will require a strategy to stabilize and grow demand.



PART 2

Recommendations

This plan recommends a layering of strategies to fully unstick the current housing market in Tillamook County. The complexities of housing - planning, real estate, economics, and development - are such that they eliminate a one-solution approach. Each strategy represents a unique angle to address the housing challenges and each includes partners that have the local expertise to begin the implementation of the strategy outlined. While the pursuit of all ten strategies is recommended, and needed, to most effectively create a full housing ladder within the County, implementation of even a few strategies will begin to move the needle and open up the housing market.



The central dilemma of an affordable housing challenge is that housing costs more than local wages have the power to buy or rent. It is a wage problem at one end and, in the case of Tillamook and like markets, a problem of strong demand from external equity and wealth on the other. Inevitably, the work boils down to math.



Recognize also that at the end of the day, the central dilemma of an affordable housing challenge is that the housing costs, more than local wages, have the power to buy or rent. Ultimately a wage problem at one end, and in the case of Tillamook and like markets demand from external equity, and wealth on the other (in the form of second home and related housing market activity), the work boils down to math. This means that the gap to close is the aggregate difference between the net present value of the capitalization of low wage buying power and median values and rents. In other words, in today's market, \$700 per month will buy about \$100,000 of house. If the lowest available cost house is \$200,000, then the affordability gap is \$700 a month by one perspective, but \$100,000 from another. If there are 1,000 workers short \$700 per month, then an annual housing subsidy of \$8.4M is needed, the rough equivalent of the amount of gap financing needed each year to retire the debt incurred to develop \$100M of housing. This is a long way of saying that there is no magic bullet or funding fairy around the corner to pay for the housing needed that arises mainly from a problem of low wages. Someone, somewhere will have to pay the freight, if not at the front end by boosting wages, then elsewhere in a variety of potential forms.

The FOUNDATION to a successful housing market

(December 2016 - December 2018)

These are the strategies that provide the basic foundation for a successful countywide housing program. At their core, these strategies address capacity building, structural changes to business as usual, and partnerships that will lay the groundwork for subsequent endeavors.

- 1  Create and Fund a Countywide Housing Coordinator Position (within 12 months)
- 2  Adoption of This Housing Plan by the County and Incorporated Cities (within 12 months)
- 3  Revisions to Zoning Districts in County and Incorporated Cities & Revitalization Strategies (within 12 months)
- 4  Employer Assisted Housing (within 24 months)
- 5  Public Private Partnerships (Immediately)

The BUILDING BLOCKS to bridge resources — human and financial capital

(Prior to December 2019)

Once the structural framework is established, the next steps to correcting the housing situation emphasize collaboration among the public, private and non-profit sectors. As trite as the “it takes a village” ideology may be, it has applicability in community planning. No one entity or sector can go it alone to resolve the housing challenges in Tillamook County. And at the core of any plan’s implementation is money. Strategies to identify funding opportunities and economic incentives are necessary for true collaboration...that which involves action and not simply intent.

- 6  Defer System Development Charges (SDCs) for up to Five Years (Post-Production) for Low to Moderate Income Households (within 36 months)
- 7  Restructure the Transient Lodge Tax (TLT) to Allow Funds to Go Toward Workforce Housing Development (within 36 months)
- 8  Create and Fund a Countywide Community Land Trust (CLT) (within 36 months)
- 9  Increase Investment in Infrastructure Development Within the Urban Growth Boundary (UGB) (within 36 months)
- 10  Transfer of Development Rights (TDRs) (within 5 years)

The GAME CHANGERS to ensure an ongoing and complete housing ladder in the county

(Prior to December 2021)

Leadership in community housing that leads to holistic quality of life gains for all residents of the county is an admirable goal. Such aspirations require the expenditure of significant political, economic, and social capital. Not all communities can achieve a leadership badge, but that does nothing to negate the desire to do more, to continue to hone prior successes, to take the next steps. Best practices, long-term planning and proactive investments in the community characterize this level of commitment.

Create and Fund a Countywide Housing Coordinator Position



STRUCTURE

The complexities and time associated with the work of implementing a comprehensive housing policy require a dedicated full-time individual's attention. It will be necessary for such individual to focus all of their attention on the complexities of implementing the strategic housing plan. This person must serve as an ombudsman of sorts – a single point of contact with the authority to make policy recommendations – for the county and incorporated cities and to assist both the private and non-profit sectors with a depth of knowledge that spans housing finance to land use to construction.

A Housing Coordinator would develop and implement programs to help maintain and preserve the county's aging housing stock; assist individual developers and organize public-private partnerships conceive of and solicit funds for housing construction or rehabilitation projects; and assist employers seeking solutions to provide or find housing for their employees.

This person could be located in any number of county departments, the Planning Department in particular is a logical choice, but no matter the specific Department it is recommended that the Housing Coordinator be a senior member of Tillamook County's Executive Department and report directly to the County Commissioner.

PARTNERS

- While this person should be part of the County Government, funding for this full-time employee (FTE) should be approximately half from the County and half from the seven (7) incorporated municipalities (pro-rata funding), allowing for inter-jurisdictional opportunities and cooperation
- Housing Task Force, CARE, Habitat for Humanity, Northwest Oregon Housing Authority, the North Coast Regional Solutions Team, Developers/Contractors

METRICS AND IMPLEMENTATION

- Funding and job description identified for FTE: June 2017
- Recruitment and hire: September 2017
- Adoption of 2018 work plan: December 2017

BEST PRACTICES/EXAMPLES TO LEARN FROM

- Bend, OR created an Affordable Housing Manager that is part of the Administrative Services Department and relies on an appointed Affordable Housing Advisory Committee to assist in policy-making. This group, in conjunction with the Affordable Housing Manager, recommends policy to the City Council relative to affordable housing. In July 2006, the City Council initiated the Affordable Housing Fee, a fee of 1/3 of 1% of the total valuation on all Building Permits submitted to the City of Bend. Collection of the fee started at the end of October 2006 and has been coordinated with CDBG funding to prioritize housing development.
- Telluride, CO conducts the town's Housing Program through the Town Manager's office where the primary focus is to acquire land and build workforce housing. This person has been instrumental in coordinating with the Planning/Zoning Department to create an Inclusionary Housing Ordinance and works closely with the San Miguel Regional Housing Authority, the entity that administers financial incentives to qualifying applicants.

Adoption of This Housing Plan by the County and Incorporated Cites



STRUCTURE

The Tillamook County Comprehensive Plan was adopted in 1982 with updates in 1998, 1999, and 2004. The Housing Element has not been updated since 1982 and given its age provides little to no benefit or direction for the community. Despite its age, a few notable aspects of the Plan are notable and include strong recommendations to identify buildable land for:

- Apartments at increased densities
- Manufactured housing
- Single family housing (single and duplex) at increased densities

Almost 35 years later, these recommendations remain sound and are consistent with subsequent recommendations and strategies contained within this housing plan. But that is where the similarities between the 1982 Comprehensive Plan and this Housing Plan end. Fully 84% of the 1982 Plan's recommendations by the Task Force were directed at the State of Oregon, the Chamber of Commerce (Housing Division), or the Department of Land Conservation and Development (DLCD) – for implementation. While this plan strongly recommends partnership opportunities, it recognizes that others, those outsiders that do not live or work in Tillamook County, are not going to tackle the housing problem for the county. That work, hard work, rests within the county – its people, its resources, and its ingenuity.

Stated more succinctly, while the entire Tillamook County Comprehensive Plan should be updated, in the interim, this Housing Plan should be adopted or referenced to specifically address Goal 10: Housing as required by Oregon State Statute.

The seven (7) incorporated jurisdictions have Comprehensive Plans that range in date of adoption from 1978 – 2012, specifically as follows:

- Tillamook City – adopted 2012
- Garibaldi – adopted 1990 (amended 2006)
- Bay City – adopted 1978 (amended 2007)
- Rockaway Beach – adopted 2007
- Manzanita – adopted 1996 (amended 2014)
- Nehalem – adopted 1980 (amended 2007)
- Wheeler – adopted 1979 (amended 2010)

This Plan should be adopted, or referenced, as part of each jurisdiction's Comprehensive Plan. The need to reaffirm the importance of a regional and collaborative approach to addressing the countywide housing problem is essential – all jurisdictions working together is the goal; however if there is an outlier or two, the remaining entities must continue efforts to implement this plan.

PARTNERS

- County, Incorporated Jurisdictions, Housing Task Force

METRICS AND IMPLEMENTATION

- Adopt, or reference, within County and incorporated cities' Comprehensive Plans: April 2017

BEST PRACTICES/EXAMPLES TO LEARN FROM

- Plans should be updated as needed and reviewed no less frequently than every five (5) years; conditions change and plans are living documents that should reflect these changes.
- There are a number of countywide or regional approaches to planning but the Lehigh Valley (PA) Housing Plan is representative of a model for inter-jurisdictional cooperation – the housing plan includes two (2) counties and 62 municipalities. The plan explores a "fair share" allocation of workforce housing in each jurisdiction.

Revisions to Zoning Districts in County and Incorporated Cities & Revitalization Strategies



STRUCTURE

Zoning within Tillamook County has historically been implemented in a very traditional sense where low-density residential zoning designations predominate the zoning maps. Whether this is the result of outdated comprehensive plans or a remnant of historical growth patterns is unclear; however the countywide survey revealed that 80% of the county's residents felt there was a "lack of variety of housing types available in the county" – opportunity for apartments, mixed-use developments, etc.

Such overwhelming sentiment provides an opportunity for the county and cities to pursue the creation of revitalization areas, with associated up-zoning and density allowances, that could unlock artificially controlled development environments and realize a production in multi-family housing developments. The success of the recently completed apartment development in Garibaldi, Garibaldi Village Apartments, indicates a pent up demand in the market for this housing typology. Eighteen (18) units were fully rented at time of leasing at relatively high rental rates: from \$735 per month for a one-bedroom unit up to \$1110 per month for a two-bedroom unit.

The Hoquarton Area Plan in Tillamook City is an example of a neighborhood that has been rezoned to allow for higher density residential developments and mixed-use construction. Increased densities are appropriate in this area, the central core of Tillamook City and has similar applicability in other cities throughout the county as well as scattered nodal development sites along existing commercial corridors. A countywide effort to inventory and identify commercial and underutilized industrial lands will reveal prospects for increased densities while protecting the single-family neighborhoods that are solidly established.

Inclusionary zoning policies either require or encourage new residential developments to make a certain percentage of the housing units affordable to low- or moderate-income residents (in Oregon, inclusionary zoning can only be applied to developments of 20 units or greater.) While the incorporation of a strict inclusionary housing ordinance – a "stick" approach that requires a percent of any new development to be designated (and deed-restricted) for affordable/workforce housing – doesn't make sense in a

stuck market, a "carrot" approach might. Incentive zoning, allowing a developer increased densities or bonuses for the inclusion of affordable/workforce housing, could provide the spark needed to push landowners or developers to begin building mixed-income housing.

Moving beyond the historically accepted and somewhat reactive ("wait and see") policies of zoning, the county and cities should consider revitalization tools such as Tax Increment Financing (TIF). This tool has been available for use in Oregon since the late 1970s. In its most simplistic form; a city defines an urban renewal or redevelopment boundary (TIF district), the county assessor "freezes" the assessed value of real property within this defined TIF district, and tax collections from any future development are collected for the exclusive use of the city to pay debt that is incurred for projects within the TIF district. The city raises money by borrowing against the anticipated future growth in property taxes. The city uses the borrowed money to pay for capital improvements, which spur more development. As the city and others invest in the urban district property values go up. The property taxes above those that were collected when the values were "frozen" – the tax increment – are used to repay the loans used for the improvements in the TIF district. When the TIF district expires in 20-25 years (as determined at its inception), the intent is to return a much higher property tax base to the tax rolls.

TIF can be difficult to implement due to the fact that tax dollars collected within the defined TIF district are "frozen" and the increased taxes are used to pay off debt for the next 20-25 years rather than being dispersed to the city coffers, county coffers, school district, police, etc. The payback is realized by new development and infrastructure within the defined district...and a revitalized area with higher tax generation 20 – 25 years later. All of this is true if, and only if, there is market demand to begin with or some potential for growth (incentivized or not) to further catalyze the TIF district. Without this opportunity for growth, a TIF district will be a useless tool.

A final zoning recommendation, one that may offer limited opportunities for workforce housing development, is the allowance of accessory dwelling units (ADU) in designated



Accessory Dwelling Unit in Portland, OR



Greenwood Cottages in Shoreline, WA – a pocket neighborhood



Mixed-use; Apartments on the second and third floors in Bath, ME

zones. An accessory dwelling unit is generally defined as a self-contained apartment on an owner occupied single-family lot that is either attached to the principal dwelling unit or located within a separate structure on the same property. An ADU could be an apartment unit that is retrofitted space above a detached garage or a basement unit apartment or the use of a second-story of a house or even a cottage or "guesthouse" that is fully detached from the principal dwelling unit (house). Proponents of ADUs note they can provide a household with additional income in the form of rent and provide space for affordable workforce housing. By retrofitting a single-family house or infilling a single-family lot with a cottage or "guesthouse", advocates of ADUs recognize that land will be conserved elsewhere in the region and potential employees will have the opportunity to live in the neighborhoods and communities in which they work.

Pacific City considered an ADU ordinance in 2011-2012 but ultimately it did not receive a favorable vote and was never implemented. Concerns that are generally raised by residents focus on increased density and the potential for misuse of such units for short-term or nightly rentals. If Tillamook County or a community within the county again pursues ADU opportunities, the following should be considered:

- Require long-term rental occupancy of any ADU (6 months or 1 year minimum lease term)
- Consider allowing ADUs only on lots with a defined minimum lot size that would suit additional density
- Consider limiting occupancy of any ADU to an individual that works within Tillamook County

Education and public outreach are a necessary component for any zoning ordinance revision. Ensuring a proactive and transparent process will be key to any successful endeavor.

PARTNERS

- County Council, Incorporated Cities, Planning Commissions, DLCD (State)
- North Coast Regional Solutions Team

METRICS AND IMPLEMENTATION

- County and incorporated cities update Comprehensive Plans and associated Land Use Plans to rezone for increased densities: January 2018 – December 2020
- Incentive Zoning: December 2017

BEST PRACTICES/EXAMPLES TO LEARN FROM

- The Village of Ossining, NY (pop. 25,060) has an inclusionary zoning program that is packaged with a successful incentive zoning program. The municipality requires all residential developments with more than six units to provide affordable housing; this has its own chapter in the village code. Developers receive a ten percent density bonus if the units are affordable to people with 80 percent of the area median income (AMI) and a fifteen percent bonus if the units are priced for those earning 60 percent AMI. The program has produced 26 affordable housing units with 22 under construction and another 19 approved.
- Alexandria, VA was able to redevelop a then-semi distressed area of its west end through the utilization of TIF combined with a city partnership with the housing authority wherein formerly moribund commercial property was upzoned to mixed-use, a ceiling on taxes imposed for a fixed period, the increment earmarked to retire debt on bonds issued to develop a mixed income and mixed use project that included HOPE VI resources.
- Summit County, CO implemented an Accessory Dwelling Unit ordinance in an effort to provide workforce housing units throughout the county. When an accessory apartment is established on a parcel, either the accessory apartment or the primary residence are restricted to long-term rental to persons employed within Summit County, a minimum of 30 hours per week or occupancy by relatives of the property owner. Long-term rental means rental for at least six (6) months. Short-term rental of the restricted unit on the property is expressly prohibited. The county allows exemptions to the employment requirement for persons with disabilities or persons who have reached retirement age.

Employer Assisted Housing



STRUCTURE

Tillamook County is fortunate to have many formidable employers that have strong ties to the region and have a significant stake in the region's economic success, a success that can be easily undermined if they can't find employees due to a lack of housing opportunities.

Some of these companies may have opportunities for equity investment in a project either in the form of cash or land (or both in some cases), but have been resistant to invest in housing given the lengthy timeline and uncertain outcomes of the planning approval process. Employer-owned property (both land and buildings) is the ideal incubator for housing development in the County. There are a number of mechanisms that can be employed to empower the private sector to step into the housing arena and directly begin to provide housing opportunities for employees or others within the community, but structurally, three items must be in place:

1. A Housing Coordinator (ombudsman) to walk employers through the development process
2. Fast-tracked Planning Commission approval for employer-led housing projects that incorporate workforce housing
3. Changes to the zoning on land adjacent to these employers properties to allow for densities that create economically viable projects

From an employer's perspective, the commitment by the county and cities to embrace these three recommendations begins to provide definitive articulation of the role for employers, a role that has rarely been proactively pursued by the governmental entities.

PARTNERS

- Tillamook Creamery, Tillamook Regional Medical Center, Fred Meyer, the School District, Tillamook Lumber Company, Tillamook Bay Community College, Pelican Brewing Company, and others
- County and City Planning Departments and Commissions
- County and City Councils

METRICS AND IMPLEMENTATION

- Housing Coordinator outreach to five employers: March 2018
- Groundbreaking for initial employer-led housing development: December 2018

BEST PRACTICES/EXAMPLES TO LEARN FROM

- Santa Fe, NM. By the early 1990s, three quarters of its residents could not afford a median priced home, and housing costs were 40% above the national average. Complicated development processes and restrictive land use policies further hampered efforts to provide affordable housing opportunities. Santa Fe accelerated the processing of housing developments that include at least 25% affordably priced homes. The city also waived or reduced various impact, processing, and permitting fees for affordable housing developments.
- Pinellas County, FL, in an effort to encourage affordable housing development, implemented a variety of incentives including the expedited permit processing incentive. The County Administrator provides a review process that gives affordable housing developments priority in the permit review process. A two-week turnaround time is the desired goal for the processing of a site plan for such development.

Public Private Partnerships



STRUCTURE

A go-it-alone approach will not and cannot work when there is real intent to address the housing problem in Tillamook County. The current housing situation in the county clearly demonstrates the lack of technical ability within the government sector to create housing; a situation that should be expected of government. The structure of local government is not designed to build housing in the community. On the other hand, the private sector in Tillamook County is financially challenged and/or simply bewildered by the planning and development processes within the county. A public private partnership allows for these two disparate parties to collaborate and capitalize upon each party's strengths.

What might this partnership look like? In its simplest form, a typical scenario could be:

- The public jurisdiction offers something as a commitment of support that could include land as a donation at a below market price or a below market lease of county-owned land for an extended timeframe (say 99 years). The public partner could also offer professional staff to assist with the entitlement process through the Planning Commission and County Commissioners.
- The private partner could assume liability for construction, management of the project, securing funding, etc.

Often, cities and counties have control over land that sits idle waiting for a governmental use that never materializes. In the case of Tillamook County, the cities and county need to assess and inventory their land and determine those parcels that are no longer warranted for municipal use. This offers the government a position of equity to play a proactive role in the development of housing for the region.

And to go one step further, in a county rich in community-based organizations, it is incumbent upon the county and cities to partner with their non-profit partners to create housing opportunities and to unstick the market, specifically at the lower end of the housing ladder. Public-public partnerships or public-private-public partnerships play an increasingly important role in housing development.

PARTNERS

- Private partners: Any private company interested in housing that has the capacity to develop housing
- Non-profit partners: Housing Task Force, CARE, Habitat for Humanity, Northwest Oregon Housing Authority, etc.

METRICS AND IMPLEMENTATION

- County and incorporated cities assess property inventory and determine disposition opportunities: June 2017
- County enters into a PPP for a housing project: June 2018

BEST PRACTICES/EXAMPLES TO LEARN FROM

- The City of South Bend, IN owned an abandoned high school, Central High School, and wanted to see new residents in the downtown area. The City entered into a collaborative agreement with a private design/build company in which the City gave the land and building to the private company subject to a contract that committed the private company to rehab the building into apartments that would be available for rent to residents making less than 80% of area median income.

Defer System Development Charges (SDCs) for up to Five Years (Post-Production) for Low to Moderate Income Households



STRUCTURE

Oregon State law authorizes local governments to assess SDCs and specifies how, when, and for what improvements they can be imposed. Under Oregon Statute (ORS 223.297 – 223.314) SDCs may be used for capital improvements for:

- Water supply, treatment and distribution
- Wastewater collection, transmission, treatment and disposal
- Drainage and flood control
- Transportation
- Parks and recreation

The fees are used to fund the costs of developing infrastructure that do not fall under the direct responsibility of the builder. SDCs vary from city to city within Tillamook County – generally ranging from approximately \$10,000 in Rockaway Beach (example below) to as much as \$25,000 in Pacific City. These additional charges are a significant deterrent for lower- or middle-income households to build. While these fees cannot be waived according to state statute, Tillamook County and the incorporated cities should consider deferring the payment of these fees for low-income (less than 60% of AMI) or moderate-income (less than 80% of AMI) households for 5 – 10 years rather than pay prior to issuance of building permits. This would eliminate the upfront costs associated with approvals and potentially spur new housing construction within the county.

A deferring of the SDC fees is a good first step; however the county and incorporated cities should undertake an Impact Assessment Study to determine whether secondary homes disproportionately impact infrastructure such as water supply, wastewater collection, transportation and parks/recreation. A thorough assessment could provide opportunities to open up a dialogue with state legislators, a

dialogue that begins to look at a different SDC fee level for the second-home market in Tillamook County.

Rockaway Beach, OR (example): System Development Charges:	
Water	\$6,477.00
Sewer	\$4,123.00
SDC Loan Fee	\$800.00
Interest Rate	24% ARP

There is also an issue of fairness – perhaps a fair housing issue – the adverse impact upon low-income households that spend a disproportionate percent of their housing costs on SDC fees. For example, if a family pursues the construction of a modest \$100,000 semi-manufactured three-bedroom house in Rockaway Beach, they would pay an SDC fee of \$10,600 or an additional 10.6% of the total cost. Compare this to the construction of a \$400,000 three-bedroom beach house where the SDC fee is also \$10,600, or only an additional 2.65% of the total housing cost.

PARTNERS

- County Council, Incorporated Cities, Planning Commissions, DLCD (State)

METRICS AND IMPLEMENTATION

- County and incorporated cities amend SDC Ordinances to allow deferred payment: June 2017 – June 2018

BEST PRACTICES/EXAMPLES TO LEARN FROM

- The Garibaldi Village Apartments (18 units for Phase I) were awarded occupancy permits and allowed to defer SDC payments for five years.

Restructure the Transient Lodge Tax (TLT) to Allow Funds to Go Toward Workforce Housing Development



STRUCTURE

The Oregon State Bill (HB 2267) that established the state lodging tax and laid the groundwork for the local lodging tax – Tillamook County Ordinance #74 (13 July 2013) contains the following requirements for use of funds collected:

- 70% must be used for tourism promotion or tourism related facilities
- 30% is unrestricted in use but dedicated to county road improvements

Tillamook County Commissioners should pursue “tourism based workforce housing” as an expense associated with tourism and apply some of the 70% towards seed money for workforce housing development. The need to convey to the general public the nexus between tourism and the need for workforce housing is challenging, but essential. Low-wage service sector economy jobs often require public subsidies to ensure the provision of housing. Communities such as Park City, UT and Aspen, CO have long recognized the need to use tourism tax dollars to assist with workforce housing development.

If just 10% of the of the total TLT funds were allocated for workforce housing development; based on 2015 TLT funds collected (\$3mn), the county would have received \$300,000 to invest in housing production or to seed a low-interest loan fund.

While the County should pursue access to the 70% of TLT (restricted funds) dedicated to “tourism promotion” for workforce housing, this could be a lengthy political endeavor with the state legislature. Simultaneous to this pursuit, the County Commissioners could allocate a portion of the unrestricted funds to workforce housing under their own authority. If this is deemed a reduction too burdensome to the county’s transportation budget, a dialogue with state legislators to allow the County to vote on a 5% transient lodging tax increase may be an even more successful endeavor. This third option would result in a tax that would be additive (to the existing TLT) and expressly reserved for housing production within the County.

It is worth noting that the TLT tax rate for the incorporated cities within Tillamook County is 1% while the county itself has a tax rate of 10%. There are additional opportunities to increase funds for housing within the incorporated cities by increasing their TLT from 1% to 2%, or even 3%. The cities must be part of the solution if housing development is to occur within this region.

The importance of creating a Housing Trust Fund can not be overstated and while the existing TLT tax structure offers the most tangible opportunity to begin to finance the fund, the County should explore “tandem” policies such as assessment fees for new business that impact housing affordability in the region. These fees could create an offset payment to a Housing Trust Fund.

PARTNERS

- Bill Bartlein (County Commissioner), County Commissioners, Incorporated cities, State Representative

METRICS AND IMPLEMENTATION

- Amend the TLT per discussions with the State of Oregon: December 2017

BEST PRACTICES/EXAMPLES TO LEARN FROM

- San Diego, CA implemented the Transient Occupancy Tax (TOT) in 1964 and allocates almost 20% of the tax to a Housing Trust Fund that provides seed money for workforce housing development within the city of San Diego.

Create and Fund a Countywide Community Land Trust (CLT)



STRUCTURE

A community land trust (CLT) is an independent, not-for-profit corporation that is legally chartered in the state in which it is located. Typically, CLTs acquire land or are deeded land from a municipality or county to provide land for housing development that meets one or more local needs, including affordability. The CLT does not sell the land, but rather leases land to those who intend to build a house on the property. In this way, the CLT keeps the cost of homeownership to a minimum by taking land costs out of the mortgage equation. The CLT retains an option to repurchase any residential (or commercial) structures located upon its land, should their owners ever choose to sell. The resale price is set by a formula contained in the ground lease that is designed to give present homeowners a fair return on their investment, while giving future homebuyers fair access to housing at an affordable price. By design and by intent, a CLT is committed to preserving the affordability of housing and other structures – one owner after another, one generation after another, in perpetuity. A CLT may be a viable option for land disposition from the county (or cities) to qualified homeowners.

Within Tillamook County, there are opportunities for land acquisition to create community land trusts that would be instrumental in generating housing opportunities. A CLT requires oversight and management to ensure that current and future transactions are done in accordance with the covenants and rules of the CLT. A housing coordinator or planning staff person is ideally suited to this role.

Funding for land acquisition to initiate a CLT can be a significant deterrent. Transient Lodging Tax (TLT) funds could provide the equity down payment for land as well as debt financing if structured properly. Once launched, monthly lease payments from homeowners to the CLT will begin to provide the necessary capital for debt financing.

PARTNERS

- County Planning Department, County Commissioners, Incorporated cities, DLCD (State)

METRICS AND IMPLEMENTATION

- Creation of County-led CLT land acquisition and site development: December 2019

BEST PRACTICES/EXAMPLES TO LEARN FROM

- Sawmill (Albuquerque, NM) Community Land Trust is a 501(c)3 organization that manages four (4) unique “communities” within the Albuquerque area; each ranging in size from seven to twenty-seven (27) acres. Each community has varying levels of affordability and range from stacked apartments and condos to cottage style housing to senior (lifecycle) housing to live/work units.
- The Champlain (Lake Champlain, VT) Community Housing Trust was founded in 1984 and integrates 565 owner-occupied homes and 2,200 apartments within the community, making it the largest CLT in the United States. This particular CLT has a mission to provide affordable housing and incorporate sustainable building practices and programs within the development. This community won the United Nations World Habitat Award in 2008.

Increase Investment in Infrastructure Development Within the Urban Growth Boundary (UGB)



STRUCTURE

Since 1973, Oregon has maintained a strong statewide program for land use planning. The foundation of that program is a set of nineteen (19) Statewide Planning Goals that are managed by the Oregon Department of Land Conservation and Development (DLCD). In general, the urban growth boundaries (or community growth boundaries as referred to in the unincorporated areas) in Tillamook County mirror the city and/or village boundaries, but rarely exactly. And it is this deviation that requires further research and inventory. More often than not, the urban growth boundary is larger than the city/village boundary and may contain opportunities for housing and/or mixed-use developments. This lack of readily available information creates an additional layer of research for any potential developer. Further complicating this, the County does not have an up-to-date GIS map of the current infrastructure (e.g. sewer, water, etc.) capacity within the County and incorporated jurisdictions. This is needed immediately; and once finalized and overlaid upon the UGB and zoning GIS maps, an accurate assessment of infrastructure needs can be made.

Without infrastructure availability in appropriate areas within the urban growth boundaries, growth will remain stalled. The County and cities can direct and manage growth appreciably by properly planning for and locating infrastructure where growth can and should occur.

That is the first step; overcome the information gap. It is essential that the County, the cities, a developer, or even a non-profit entity must know exactly what land is available, what it is zoned, and most importantly, is there infrastructure available to tie into for a new development.

The second and more challenging step; remove the structural impediment. The County and cities must identify funds to begin necessary infrastructure expansion and improvements...and this will be a serious investment after years of simply trying to catch up with what is minimally required. Infrastructure is not sexy, much of it is not seen, and it is often deemed an expectation, a given, by residents...it will be provided somehow, some way. An absolute misconception, and one that must be disavowed.

A proactive approach to filling in the missing infrastructure within the urban growth boundaries requires a commitment of investment dollars. Business as usual won't work. The 2015/2016 County Budget (\$71mn) was \$3mn less than the prior year; a 4% reduction. The Capital Outlay (e.g. roads, equipment, building maintenance, infrastructure, etc.) portion of this budget was cut by almost 40%, the single largest cut to any line item. The more recent 2016/2017 budget for Tillamook City also included a greater than 50% budget reduction for water, sewer, and storm drain expenditures (from \$472,000 in 2015/2016 to \$179,000 in 2016/2017).

The County and cities must identify funding sources for not only road repair and improvements (the \$15mn bond issued in May 2013 provides some needed funding) but also underground infrastructure (e.g. sewer, water, storm water systems, etc.) to be located within the urban growth boundaries. Whether by bond initiative, a tax increase, a revamped capital improvement planning process or other, there is an urgent need to recognize the importance of infrastructure as a tool to guide, control, and support growth and development within the county.

PARTNERS

- County, Incorporated cities

METRICS AND IMPLEMENTATION

- Complete all necessary GIS work to identify a Land Use Inventory indicating existing infrastructure locations and capacity (with zoning overlay): May 2018
- Financial mechanism(s) in place to support reinvestment in countywide infrastructure: December 2020

BEST PRACTICES/EXAMPLES TO LEARN FROM

- The 2016 National League of Cities Report indicates that 71% of local communities surveyed increased their infrastructure spending over last year's budget

Transfer of Development Rights (TDRs)



STRUCTURE

A TDR program seeks to preserve landowners' asset value by moving the right to build a house from a location where development is prohibited (sending zone) to a location where development is encouraged (receiving zone). TDRs represent a zoning technique, a tool, used to permanently protect farmland and other natural and cultural resources by redirecting development that would otherwise occur on these resource lands to areas planned to accommodate growth and development. Tillamook County currently limits growth to areas within the urban growth boundaries to adhere to state law requirements and preserve land and reduce infrastructure costs and in many ways the traditional applicability of a TDR program is altered – rather than implement a TDR program to protect land from development, the true benefit lies in the ability to increase the density in the receiving zone. For example, the challenges associated with proposed density increases in a neighborhood in Tillamook City could be explained by noting the density increase was fully offset by a density reduction in a farmed area that lies just outside the city.

Successful use of the TDR tool will normally only occur when the zoning ordinance considers the following three “market” factors: a buyer wants the product that a developer can build using TDRs; a developer wants to buy TDRs and transfer them to receiving areas; and a landowner is willing to sell TDRs while permanently restricting his or her land from future development. Simply adding the TDR option to a municipal zoning ordinance will not create development. The current situation in Tillamook County is a stuck housing market despite underlying demand for quality housing. TDR is a long-term tool for the county to consider; it is not recommended for immediate implementation.

A countywide TDR program could be effective to move some density from the county into unincorporated communities, but the real benefits of the TDR tool are the inter-jurisdictional opportunities – the transfer of density from the county to the incorporated cities, where development should be located and where infrastructure costs are significantly lower. Inter-jurisdictional TDRs are often complicated by differing political ideologies across boundaries; if a regional

approach to TDRs is not fully embraced by the larger Tillamook County “community”, this tool will have little chance of success.

The effective implementation of a TDR program will require assistance from DLCD and sustained lobbying of the state legislature to continue to amend and improve HB 2228 – the bill that established the Oregon Transfer of Development Rights Pilot Program in the Department of Land Conservation and Development. This pilot program began in 2009 and has had very little success over the years. A possible and indeed likely reason for the lack of successful projects is the continuation of the real estate and land development downturn that began in 2008. The recent upturn in the economy provides some degree of optimism that the pilot program may begin to realize some interest as the market for transferred rights begins to develop.

HB 2132, enacted in 2011, was a step in the right direction, and allowed for a wider range of receiving areas (e.g. residential, commercial and industrial lands), receiving opportunities in unincorporated communities, and increased ratios among other measures. These amendments are slowly creating a better tool in the form of TDRs, but additional revisions are necessary for the tool to be truly effective at moving density from undesirable locations to areas where density and development are appropriate.

According to a January 2013 Report to the Legislature on the Oregon Transfer of Development Rights Pilot Program, some counties have expressed an interest in using TDRs to provide the voluntary option to Measure 49 landowners to transfer their Measure 49 development rights into UGBs or unincorporated communities. Measure 49 replaces Measure 37 and finalized land development claims submitted on farm and forestlands, submitted to the state prior to June 28, 2007. Unfortunately, HB 2228 and HB 2132 do not allow this and Measure 49 properties are not eligible for participation under this program. While Measure 49 itself authorizes the use of TDR to transfer such rights, there is not enough detail in the statute to give potential participants the confidence to use this provision and enable such transfer to occur. DCLD has committed to further study of this opportunity for willing Measure 49 property owners and willing county governments. This is an opportunity for

Tillamook County to work with the DCLD and the legislature to again amend, and improve, the TDR pilot program in Oregon. These efforts, made now, could provide significant opportunities for the use of TDR down the road. A use that could translate into additional housing density where desired and the protection of farm and forestlands that could otherwise be compromised by Measure 49 development.

PARTNERS

- County, Incorporated cities, Planning Commission(s), DLCD (State)

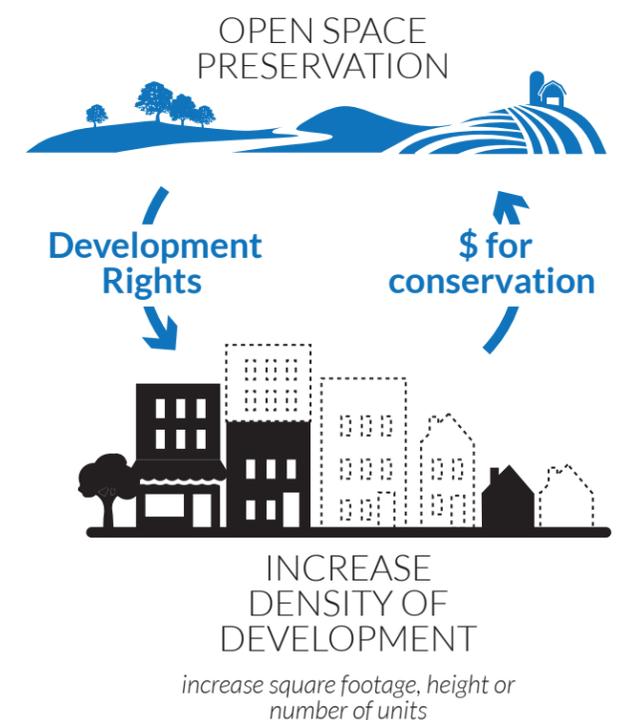
METRICS AND IMPLEMENTATION

- Planning Commission approval for a countywide TDR program: December 2019
- Planning Commission and City/County Commission approval of an inter-jurisdictional TDR program: December 2021

BEST PRACTICES/EXAMPLES TO LEARN FROM

- New Jersey Pinelands Development Credit Program is a seven county region that is committed to protecting the existing forest and agricultural lands. Specific concern lies with the protection of the groundwater that lies below these fields and forest land. Within this region, 22 communities have committed to increases in density (up to 50%) to absorb the transfer of development from the protected areas to land within their city boundaries. The “development credits” are bought and sold and used interchangeably throughout the seven county region.
- Kings County, WA – Since the year 2000, 141,392 acres of rural and resource lands (more than 220 square miles) have been protected from development through King County’s TDR program, by relocating subdivisions for 2,467 potential dwelling units out of the county’s rural landscape and into its urban areas.

How Transfer of Development Rights works



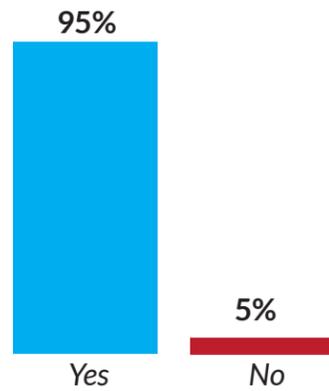
Appendix

Public Survey Findings

Number of Survey Respondents completed: 226

Number of Survey Respondents incomplete: 45

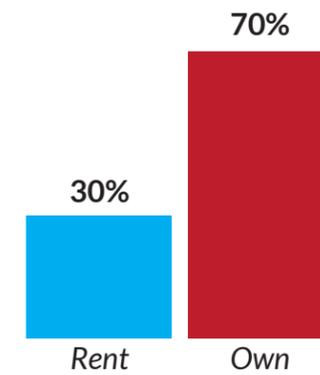
1. Do you live in Tillamook County?



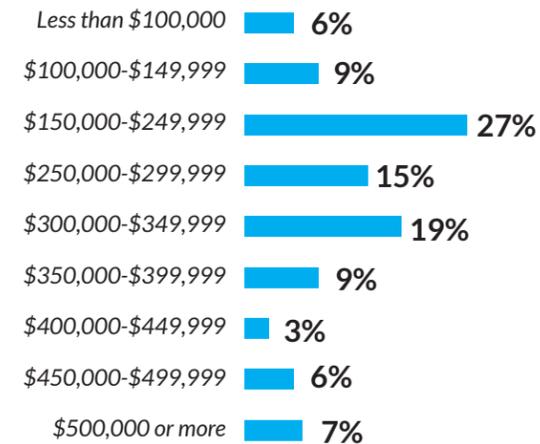
2. Where in the county do you live?

Barview	0%
Bay City	8%
Beaver	1%
Cape Meares	1%
Cloverdale	1%
Garibaldi	2%
Hebo	1%
Idaville	4%
Manzanita	5%
Neskowin	8%
Netarts	4%
Oceanside	5%
Pacific City	2%
Pleasant Valley	10%
Rockaway Beach	0%
Sandlake	0%
Tierra Del Mar	26%
Tillamook City	0%
Wheeler	18%
Woods	32%
Other	32%

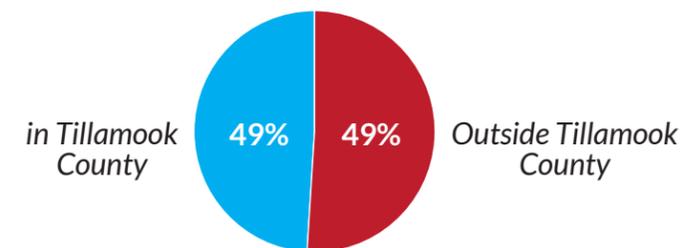
3. Do you rent or own your current home?



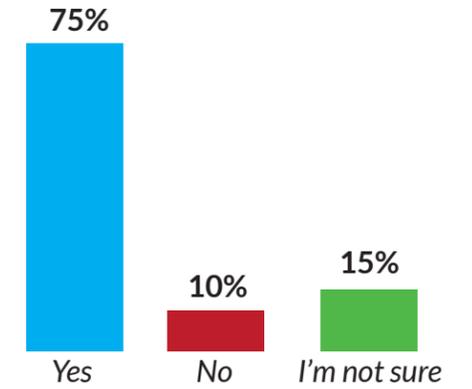
4. If you own your home, what do you think it is worth today?



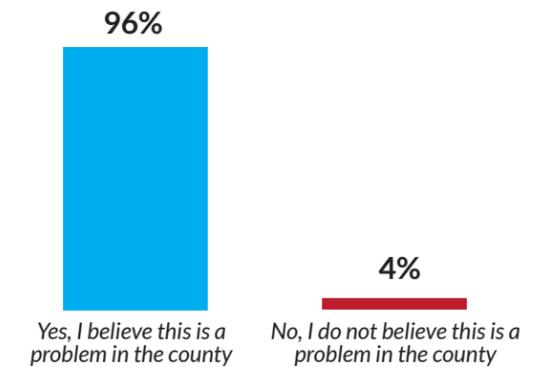
5. Before you moved into your current home, where did you live?



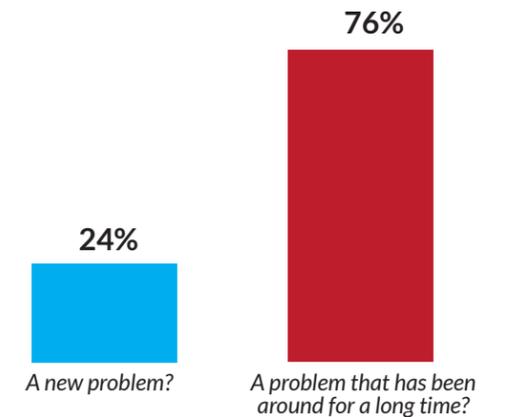
6. Do you think that quality of housing is a point of concern in Tillamook County?



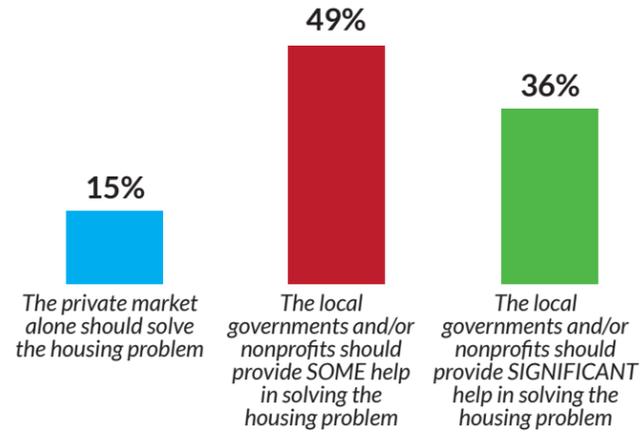
7. Do you think there is a problem with people being able to find available housing that they can afford in Tillamook County?



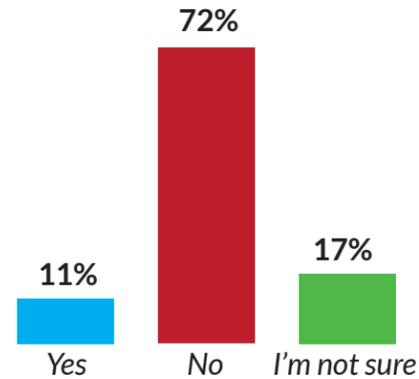
8. If you think there is a problem with people being able to find available housing that they can afford in Tillamook County, do you think it is...



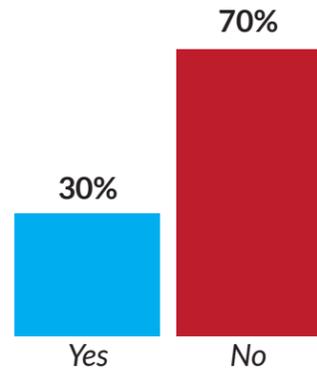
9. If there is a housing problem in Tillamook County, how do you think Tillamook County should address it?



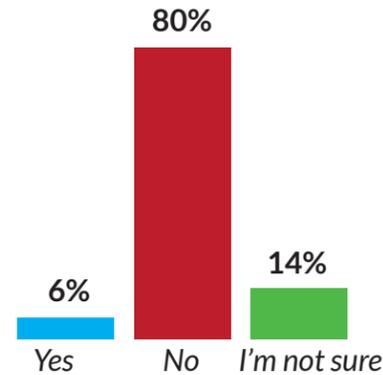
10. In your opinion, can people who work in Tillamook County find housing that they can afford in Tillamook County?



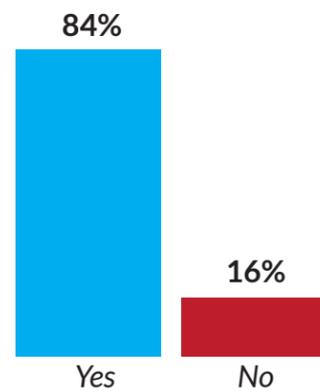
11. Are you currently paying too much (more than roughly one-third of your income) for your housing?



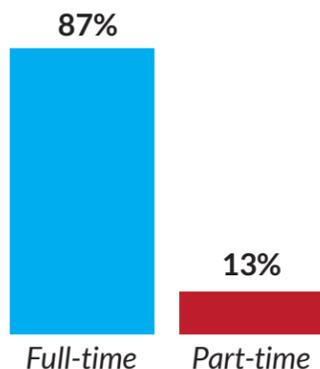
12. Do you think Tillamook County has the right mix of housing types (single-family homes, townhouses, apartments, condos, etc.) to meet the needs of everyone who already lives here or would like to move here?



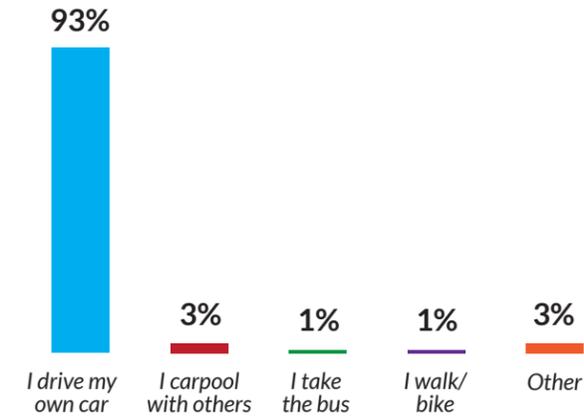
13. Are you currently employed?



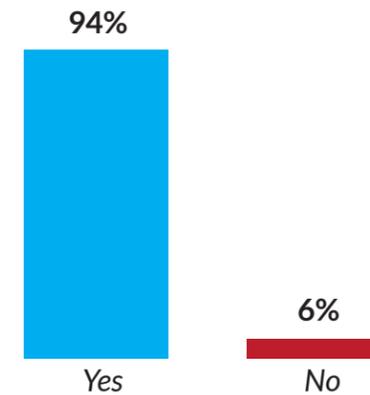
14. If yes, do you work:



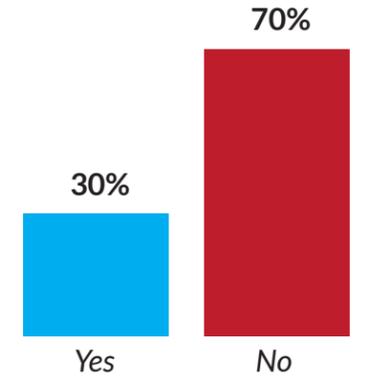
15. If your job is outside of your home, how do you usually get to work?



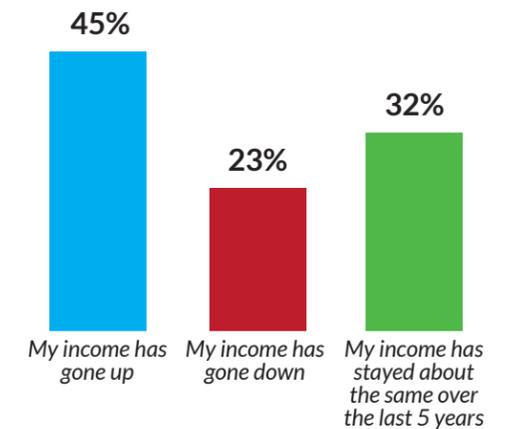
16. Is your job located somewhere in Tillamook County?



17. If they ran regularly and a stop was within five (5) blocks of your home, would you use the bus to get to work?



18. Has your income gone up or down in the last 5 years?



Creating a Healthier Housing Market for Tillamook County

Findings and Recommendations for the
Tillamook County Housing Task Force



MARCH 2017