Columbia County Housing Report

December 2017

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Columbia County Housing Study
October 2016 – December 2017

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Cover Photo: Homes in Rainier, Oregon
Source: Land and Farm
https://www.landandfarm.com/property/29_9_Acres_in_Columbia_County-1525000/

Executive Summary

In fall 2016, the Community Action Team, with the support of Columbia County and its cities, established a Housing Work Group to better understand what was causing the shortage of housing for residents of all income levels and what could be done about it. Members included a diverse group of professionals engaged in the housing industry, including developers, planners, appraisers, lenders and nonprofit sector representatives. Our group heard from industry experts, engaged in lively dialogue and learned from one another over the course of fifteen months. **This report presents the highlights of what we learned and our recommendations for a coordinated set of actions** to better meet the housing needs of current and future residents of Columbia County.

From a housing analysis prepared by ECONorthwest,[1] some key facts emerged about the County's current housing market.

Columbia County Housing Market

*---**Housing affordability is a challenge faced by County households of all income levels.** One third of all Columbia County households spend more than 30% of their income for housing. This includes half of all renters and a quarter of all homeowners. These figures are consistent with other communities in Oregon and the US.*

*---The County has a **deficit of 1,900 housing units** affordable to households earning less than $25,000 annually.*

*---**Without a change in course, these conditions will worsen in the future.***

*---One of the local contributing factors to the lack of affordability is the **county's housing mix**, which is 87% single family detached, 2% single family attached and 12% multifamily.*

We also learned that larger-scale factors may be in play and contributing to the mismatch between housing demand and housing supply in the County.

Broader Economic Trends and Policies

*--- Nationally as well as locally, **incomes have not kept pace with the rising cost of housing**. On an inflation-adjusted basis, 2014 rents were about 1.6 times their 1960 value, while real incomes increased by a factor of 1.2. **Housing has become less affordable for almost everyone.** Especially hard-hit are lower-income working households.*

*---**Federal and state investments in low-cost housing fall well short of adequate**. As a result, funding for subsidized housing is highly competitive, favoring the efficiency of larger projects and not typically scaled for smaller communities like those in Columbia County. This contributes substantially to the County's deficit of housing affordable to those earning less than $25,000 annually.*

*---Like other communities, Columbia County has a pronounced **real estate market cycle** affecting supply & affordability. When the study began, supply was low, demand was high and prices were increasing. At the end, supply was increasing but prices have yet to stabilize.*

[1] The ECONorthwest analysis is included as Appendix A of this report.

We learned that Columbia County (and probably other small, rural communities) has unique challenges related to land availability. In small cities, a few land owners can have a near monopoly on developable land. This stifles development because these owners have more leverage in negotiations than in larger markets and can even balk at selling to a perceived competitor. Thus, while it may look like land is available for development on a map, a normal market for undeveloped land does not exist. This challenge is compounded for specialized uses in which only a limited number of sites can work. We found this to be true when our local partners looked for a site for an assisted living facility in Rainier.

We also found that the Columbia County housing market is profoundly affected by economic and housing conditions in the Portland metro area. When housing prices rise in Portland, people employed there become more willing to commute to work from Columbia County. Because it takes some time for economic changes in Portland to affect Columbia County, we estimate that Columbia County's housing market cycle lags a year or two behind that of Portland.

Ultimately, we reached three primary conclusions.

Study Conclusions

*--- Addressing the housing problem will require a **shift in perspective from past thinking**.*
*--- We need to pursue **a different housing mix & wider variety of housing types** that cost less than the traditional single-family detached home to better meet current and future demand. Once codes are changed, alternative housing types will offer **savings to the consumer with little or no added costs** to jurisdictions or developers.*
*--- To assist those who cannot afford market-rate housing, we need to identify and aggressively pursue **local cost savings and local subsidies** to support housing development by nonprofits.*

Action Plan

The time for action is now. We developed recommendations for a series of coordinated actions involving the public, private and nonprofit sectors that would build a sounder housing mix and prime the pump. Our recommended action plan is summarized below.

A. Goal: A more suitable array of housing types and a better calibrated housing mix

***Challenge**:* Columbia County's existing development pattern is misaligned with the changing housing needs and budgets of a significant portion of the County's current residents. This mismatch will worsen in the future if the current economic trends and development patterns continues. Well considered local government planning action does have a real impact on how development occurs. A good strategy is to acknowledge that it is not possible to freeze Columbia County as it is or go back in time; for example, major new projects like OMIC will bring jobs, opportunity and growth to the County. More housing types and a mix that includes a greater share of smaller, attached and/or less expensive homes is needed if we are to meet current and future housing demand.

Strategy 1: Remove regulatory barriers that prevent the development of a broader array of housing types and a housing mix that better meets the needs and budgets of current and future residents.	
Actions	**Lead**
a. Remove barriers & costs associated with the development of small multifamily rental housing projects, including (where appropriate) mixed use development.	Public Sector
b. Support more opportunities for duplexes, triplexes and quads, including in some neighborhoods zoned for single-family housing, and especially on corner lots.	Public Sector
c. Make Accessory Dwelling Units (ADUs) an easily permitted use in single-family zones, and ensure that they are available as permanent housing regardless of owner occupancy and that they not absorbed as vacation rentals.[2]	Public Sector
d. Make Cottage Housing a permitted use in certain zones or areas.	Public Sector
e. Remove regulatory barriers to the development of townhouses and other forms of attached single-family housing.	Public Sector
f. Re-examine the types of housing that fit well in single-family zones, increasing density and broadening housing size and type where appropriate. The other alternative is to consider rezoning some existing land for more intensive residential and mixed-use development types.	Public Sector

Strategy 2: Take steps to actively promote the development of new housing types, ease the permitting and financing processes and introduce new housing options to the community.	
Actions	**Lead**
a. Provide training for all those engaged in the permitting process (planning, building, fire safety, etc.) about new housing types and the importance of new housing types to the County's economic health. Develop simple protocols and other tools to ease permitting process.	Public Sector
b. Where feasible, streamline permitting processes.	Public Sector
c. Develop a permitting and design toolkit for homeowners considering the development of Accessory Dwelling Units similar to the one used in Oregon City.	Public Sector
d. Work with a local lender to encourage a "go to" lender for ADU projects and HUD 203b loans.	Private Sector - Lenders Nonprofit developers—CAT & Habitat
e. Consider developing one or more new public-private partnership programs to "prime the pump" for the development of ADUs, duplexes and triplexes. Create support programs for homeowners or homebuyers pursuing this option to help them learn how to be effective landlords. [To be undertaken in collaboration with lenders—see item c above.]	Nonprofit Sector – Nonprofit developers – CAT & Habitat

[2] SB 1051, approved by the 2017 state legislature, requires Oregon cities with populations greater than 2,500 and counties with populations greater than 15,000 to allow the development of at least one accessory dwelling unit for each detached single-family dwelling in areas zoned for detached single-family dwellings, subject to reasonable siting & design regulations. The deadline for implementation of this provision of SB 1051 is June 30, 2018.

f. Pursue new models and opportunities for creating subsidized affordable housing that result from the approval of new housing types.	Nonprofit Sector - Nonprofit developers – CAT & Habitat

B. Goal: More housing affordable to households with modest or low, fixed incomes

Challenge: Even with a broader array of housing types, finding suitable affordable housing will likely remain a challenge for some households whose wages or benefits are insufficient to pay for even modest market-rate housing. Two ways to bring down the cost of new housing are to reduce development costs and to provide development subsidies. At present and for the foreseeable future, subsidies from state and federal sources are insufficient, highly competitive and often come with requirements that make it hard for nonprofit developers serving smaller cities and more rural counties to access or use efficiently.

Strategy 1: Reduce development costs.	
Actions	**Lead**
a. Identify vacant or underutilized sites owned by faith-based organizations or civic/fraternal organizations that may provide opportunities for reduced-cost development.	Nonprofit Sector
b. Identify vacant or underutilized sites owned by the public sector that may provide an opportunity to incorporate affordable housing and/or consider land swaps or contributions that make needed housing available, such as the one under consideration for an Assisted Living Facility in Rainier.	Public Sector
c. Investigate innovative construction techniques, such as modular or panelized construction.	Nonprofit Sector
d. For housing developed by nonprofits, continue to waive or subsidize permit fees and/or system development charges or change how they are structured.	Public Sector
e. For small infill projects, exercise flexibility regarding full public improvements in areas that do not currently have curb, gutter or sidewalks.	Public Sector

Strategy 2: Support local capacity for subsidized housing development.	
Actions	**Lead**
a. Do not be an early adopter of the Construction Excise Tax (CET) authorized by the 2016 state legislature. Instead, evaluate the impacts of the CET in smaller cities and rural counties that are implementing it to decide whether to pursue it or other options at a later date.	Public Sector
b. Preserve local development capacity as a strategy to maximize affordable housing opportunities.	Public, Private & Nonprofit Sectors
c. Organize area housing nonprofits to strengthen collaboration, minimize competition and develop a governing rationale for public support and investment in their affordable housing activities	Nonprofit Sector - Nonprofit developers – CAT, NOHA, CCMH, CCSH & Habitat

A plan is only as good as its implementation. CAT is committed to following through on those actions involving the nonprofit sector. There is much here for cities and the County to consider. This process created an informed and engaged group of stakeholders who now have a deeper understanding and broader view of the county’s housing needs and possible solutions. We encourage local jurisdictions to call on us individually or collectively to assist with advising on reviewing and implementing these recommendations. We understand that building community acceptance and creating change is a process, and we invite you to ask us to assist.

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1. Introduction

Background

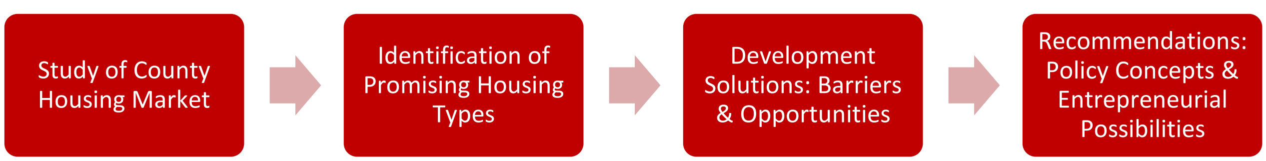
In 2016, when this project began, Columbia County was experiencing a real estate market unlike any it had faced in decades, with an extremely low vacancy rate and a shortage of homes for sale. Although the lack of supply affected all segments of the housing market, the hardest hit were households with lower incomes.

***Problem Statement**: In 2016, Columbia County was experiencing a critical shortage of housing at all income levels. This project responded to that challenge by identifying barriers to housing production experienced by the County's private and nonprofit entrepreneurs and propose ways to remove them. The project also identified development opportunities and new housing types that could help meet the county's future housing needs.*

Recognizing that Oregon's system of subsidized housing development finance was unlikely to solve the County's housing shortage, CAT initiated a community-based problem-solving process sponsored by Columbia County and the cities of St. Helens, Rainier, Columbia City & Scappoose to identify barriers to new housing development and propose solutions. CAT convened a thirteen-member Housing Work Group of Columbia County private, public and nonprofit real estate professionals and community leaders to guide the study and ensure that it was reality-based. From the beginning, Work Group members recognized that harnessing the county's entrepreneurial energy may require policy changes, subsidies, new development models and new kinds of partnerships---changes that might not come without some risk and resistance. This report presents the conclusions and recommendations resulting from that effort.

The diagram below depicts the steps that the Work Group followed during the 15-month study process.

FIGURE 1
COLUMBIA COUNTY HOUSING STUDY PROCESS DIAGRAM



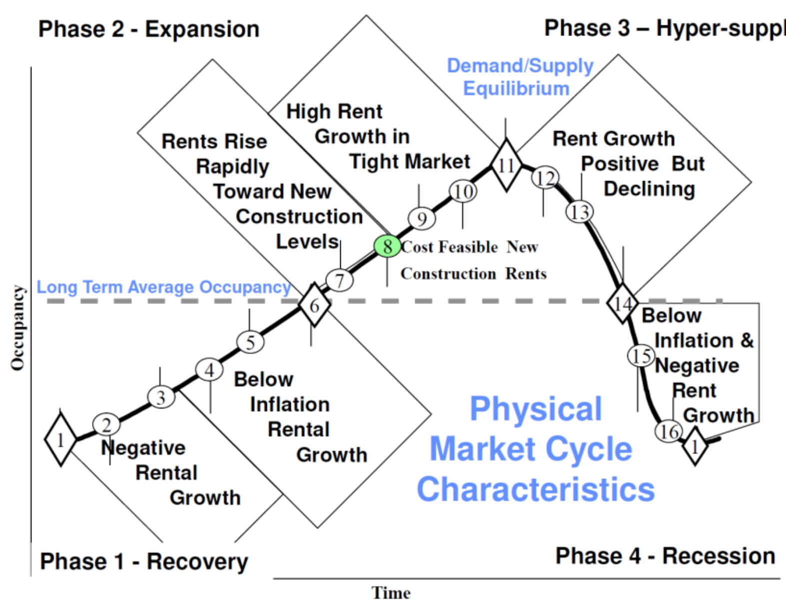
- Study of County Housing Market: This report begins with an overview of the current housing market in Columbia County that identifies current unmet needs and future gaps that will likely occur if the same development mix continues to be constructed as the County's population grows over the next two decades. A summary of the study is presented in Chapter 2, and the full study is presented in Appendix A.

- Identification of Promising Housing Types: The Work Group examined a range of housing types suitable for rural areas. Some types they considered were currently built in the County, but others were new types or a specific housing option for which there was an expressed need. The Work Group selected five types to examine in greater detail: single-family detached infill homes, small multifamily housing projects, accessory dwelling units, cottage clusters and duplex/triplex. In addition, a preliminary feasibility study of a potential assisted living facility in Rainier was spun off as a parallel investigation. An overview of a range housing types appropriate for smaller cities and rural areas is presented in Chapter 3.
- Identification of Barriers and Potential Solutions: For the five primary housing types selected, various regulatory, market and other practical barriers were identified. This information was used to generate recommendations for potential solutions. This information is presented in Chapter 4.
- Ideas and Recommendations: The report concludes with a list of short and long-term actions for the public sector and private and nonprofit entrepreneurs to consider as ways to better meet the demand for housing in the County, particularly for households with modest incomes. This material is presented in Chapter 5.
- Appendices: A: ECONorthwest Housing Study. B: Sample Development Budgets

The Broader Context: Market Cycles & a Growing Gap Between Wages and Housing Costs

The housing crisis in Columbia County, along with the US housing market boom and bust of the 2000s, can best be understood if placed within the context of a four-phase market cycle through which US housing markets have moved time and again, on a roughly **eighteen-year cycle**. The diagram below, drawn from presentation by University of Denver Professor Glenn R. Mueller, Ph.D., depicts this cycle.[3]

FIGURE 2
REAL ESTATE MARKET CYCLE



Source: Mueller, Glenn R. (2015). *Real Estate Cycles.* http://www.devreit.com/wp-content/uploads/Glen_Mueller_Presentation.pdf

[3] Mueller, Glenn R. (2015). *Real Estate Cycles.* http://www.devreit.com/wp-content/uploads/Glen_Mueller_Presentation.pdf

Phase 1 represents the market recovery period following a recession. Land and rent costs are low and little new housing is being built because households are moving into the excess housing supply developed Phase 3. Little new private capital is available to finance new development because housing prices and rents are too low to achieve economically feasible project. Gradually, however, the oversupply of housing disappears, occupancy levels drop and rents begin to rise. With its very low occupancy rate, Columbia County was at the end of the Recovery period in 2016.

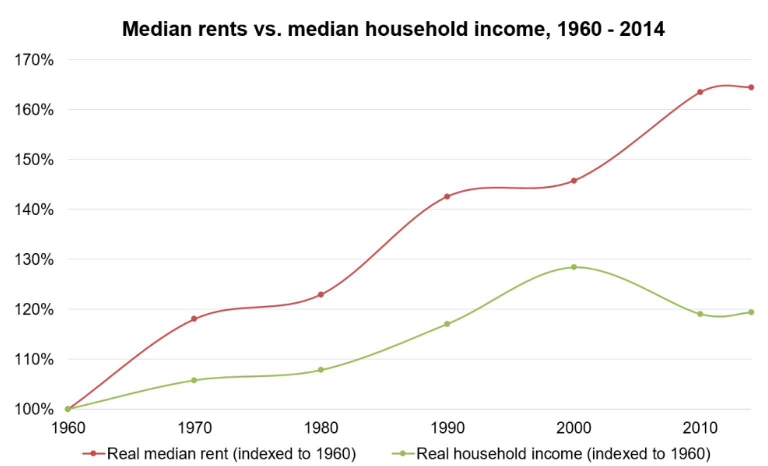
Eventually, the market moves into Phase 2, Expansion, when rents begin to rise rapidly and new construction becomes financially feasible. It appears that Columbia County entered Phase 2 in 2017. Depending on how quickly new supply comes on line, there may be high rent growth during this phase. In Phase 3, Hyper-Supply, the supply of housing units begins to exceed demand, and rent growth slows down. Finally, in Phase 4, Recession, the price of housing declines, as do wages and employment.

Although the market cycle is a function of basic supply and demand principles in a private market, public policy and individual actions can affect the characteristics and duration of each phase and buffer vulnerable residents from negative impacts. In Columbia County's case, its housing market is also affected by the economic and population pushes and pulls of the neighboring Portland-Vancouver-Hillsboro metropolitan region. For example, when housing costs rise rapidly in the Metro area, Portland area workers look further abroad for housing (including in Columbia County) and plan on commuting to work. But when apartment owners in the Metro area start offering lower rents or incentives to lease, Columbia County tenants leave and return to Portland.

This report both acknowledges the strong effects of the market cycle and the Portland housing market while also examining policy options, new development types and innovative partnerships so that communities and local entrepreneurs can make active choices about future housing options while being informed about the ebb and flow of the market.

Neither the housing cycle nor the influence of the Portland market can be disconnected from the larger family income/housing price trends affecting America. Figure 3 shows the divergence of family income and rents in America since 1960. This effect is exacerbated by the steady growth of two earner households, complete with added daycare and transportation costs, over this same period. Fewer and fewer families can afford the large lot, suburban single-family home that became the norm in the 1950s & 1960s. The rise of manufactured housing during the same period has helped hide these changes in urban and rural communities.

FIGURE 3
RENT VS. INCOME



Rent:	+18%	+4%	+16%	+2%	+12%	+1%
Income:	+6%	+2%	+9%	+10%	-7%	0%
Difference:	+12%	+2%	+7%	-7%	+19%	0%

Note: Chart only includes data for 1960, 1970, 1980, 1990, 2000, 2010, and 2014. Numbers may not sum due to rounding
Source: 1960-2000 Decennial Censuses and 2010-14 American Community Surveys

2. Columbia County's Housing Market

ECONorthwest was commissioned to develop an overview and analysis of Columbia County's housing market. The full text of their report can be found in Appendix A. The report presents an assessment of housing affordability in the County and a forecast of housing growth based on historical development trends. The analysis results in a high-level description of gaps in Columbia County's housing market, both for existing households and for future households.

An important caveat to the report is the impact of the future opening of the Oregon Manufacturing Innovation Center (OMIC) and Portland Community College in Scappoose is not factored into the report's projections. Researchers at Portland State University's Center for Population Research were not able to estimate potential population growth resulting from these projects from because there was insufficient information available about the number of faculty, staff and students to be involved. However, ECONorthwest did conclude that the project will create additional demand for housing of a wider range of types and price points than currently available in the County.

Key information from ECONorthwest's analysis is summarized below.

The Current Need for Affordable Housing

Columbia County currently has a large deficit of housing affordable to households earning less than $25,000. The deficit results in these households living in housing that is more expensive than they can afford. They become housing cost burdened, which means that they spend more than 30% of their income on housing costs. Columbia County currently has a deficit of more affordable housing types, including:

- Apartments
- Duplexes
- Tri- & quad-plexes
- Townhouses
- Manufactured housing
    - Roughly half of the County's manufactured housing is on private land with the rest located in parks. Facilitating both types of sites will make the greatest impact.

Figure 4 below presents an estimate of Columbia County's current need for housing at five income levels.

FIGURE 4
ROUGH ESTIMATE OF HOUSING AFFORDABILITY, COLUMBIA COUNTY, 2016
Source: US Census Bureau, 2010-2014 ACS Tables 19001, 25075, 25063

Annual Income	<$25K	<$25K-$50K	<$50K-$75K	<$75K-$100K	>$100k
Households in Columbia County	4,167 22%	4,349 23%	4,071 22%	2,498 13%	3,687 20%
Monthly Affordable Housing Cost	<$625	$625-$1,250	$1,250- $1,875	$1,875- $2,450	> $2,450
Affordable Owner Housing Cost	<$62,500	$62,500- $125,000	$125,000- $187,500	$187,500- $245,000	> $245K
Estimated Number of Owner Units in Columbia County	1,126	1,315	3,333	2,805	5,160
Estimated Number of Renter Units in Columbia County	1,165	3,126	600	118	24
Does Columbia County Have Enough Units?	Deficit: 1,876 units	Surplus: 92 units	Deficit: 138 units	Surplus: 425 units	Surplus: 1,498 units

Table prepared by ECONorthwest, 2016.

Key Findings and Conclusions

Columbia County struggles with housing affordability, as do other communities in and around the Portland region and statewide. Most of Columbia County's housing is single-family detached and most is owner-occupied, with relatively little multifamily housing.

> ***Future Housing Needs:*** *Columbia County and its cities need to develop a wider range of housing types and a different mix of housing compared to historical development trends. The mix should include more relatively affordable housing types.*

The County's adopted population forecast shows growth of more than 10,400 people over the 2016 to 2036 period, resulting in demand for nearly 4,100 new dwelling units. Assuming that housing growth over the next 20 years is like the patterns that have occurred since 2000, more than three quarters of new housing (about 3,200 units) would be single-family detached units. The remaining units would include nearly 790 new multifamily units and nearly 100 new single-family attached units.

There are several factors to suggest this development pattern is not meeting the needs of 34% or more of the County's residents and is poorly positioned to meet the needs of some future residents. These factors suggest that Columbia County and its cities need to emphasize the development of a wider range of housing types and a different mix of housing compared to historical development trends. The need is for relatively affordable housing types. These factors include:

- One-third of Columbia County's households—more than half of all renters and about one-quarter of homeowners—are housing cost burdened. They pay more than they can afford for housing. The city with the highest share of households who are cost-burdened is St. Helens (43%), and the city with the lowest share is Scappoose (30%). The state average is 40%.
- Twenty-two percent of Columbia County's existing households earn less than $25,000 per year. There is an existing deficit of about 1,900 dwelling units affordable to these households.
- The median sales price in Columbia County increased by $60,000 or 33% in Columbia County between 2013 and 2016.
- Incomes grew at a slower pace than housing costs since 2000. Income in Columbia County grew by 20% over this period.
- It is likely that some households associated with OMIC and the new Portland Community College Campus will live in Columbia County, creating additional demand for housing beyond the projections in the ECONorthwest analysis. They will need access to a wider range of housing than what is currently available in the County.
- Demographic changes will affect future housing need. While the ECONorthwest analysis does not document demographic factors that may affect housing needs, three broad demographic changes are occurring in Oregon and the nation that will affect housing demand and need in Columbia County over the next 20 years: the aging of the Baby Boomers, household formation and maturation of the Millennial generation, and continued growth in the Latino population.

Hidden within these data is the fact that lower income families paying more that 30% of their income for housing are competing for that housing with higher-income families who want to pay less than 30% of their income for housing. This pressure from above (from higher-income households) affects housing costs for at least the bottom three quintiles of Columbia County households.

Thus, a substantial number of Columbia County's existing residents lack access to affordable housing. Need for affordable housing will grow as the population grows. In addition, demographic changes and the development of OMIC will drive demand for a wider range of housing than what is available in the County. These housing types include affordable, smaller single-family detached housing, cottage housing, duplexes and tri-plexes, townhouses, garden apartments, accessory dwelling units and other types of apartments and multifamily housing.

3. Lower-Cost Housing Types for Rural Areas

Given the need for a wider range of housing types and a different housing mix in the County, the Work Group investigated new housing types that might be a good fit for Columbia County communities. This chapter presents an overview of a range of housing types that may work well in a rural context. While the Work Group was limited to selecting six types to examine in greater detail (see Chapter 4), other options presented in this chapter may be worth further consideration. This chapter profiles:

- Infill detached single-family homes
- Single family attached
- Cottage clusters
- Accessory dwelling units, both attached to primary dwelling and detached
- Manufactured housing subdivision or cooperatively owned manufactured housing community
- Small apartment buildings, including adaptive reuse of existing buildings
- Large apartment buildings offering affordable housing

Each is described below and illustrated with one or more examples from other communities[4].

Detached Single-Family Homes

The predominant housing type in Columbia County is the single-family detached home. Most opportunities for new development exist as smaller infill development of five or fewer units instead of as larger subdivisions.

Benefits

- High demand: most people would like to live in a single-family home at an affordable price
- Easy to finance: banks are familiar with the process. Lots of comparables for appraisal purposes. Becomes more challenging when creative, non-traditional methods are used such as smaller home size, or new materials like structurally insulated panels
- Easy to permit: it is a familiar form with clear parameters set out in code

Challenges

- Relatively expensive to build
- Limited land supply
- Limited opportunity for significant cost savings - our study has found this housing type is a very "mature" market where almost every possible cost efficiency under the control of for profit & nonprofit developers has already been exploited. The most feasible opportunities for cost savings are under the control of local governments

Opportunities for Affordability

- Reduce house size and limit amenities
- Reduce parcel size (may have limited applicability as an infill strategy)
- Use innovative construction techniques, including panelized, modular and precut (kit) homes. For an overview of lower-cost factory-built housing options, see this study from Harvard's Idea Lab:

[4] Information for this chapter was researched and developed by Katie Selin, Graduate Student Intern in Urban and Regional Planning, Portland State University.

http://www.issuelab.org/resource/innovations_in_affordable_single_family_home_construction

- Public subsidies, such as local funding to pay system development charges or permit fees or national programs such as the combined USDA Section 523 Mutual/Self-Help Technical Assistance Grants and Section 502 Loan Program

Example: Creative Single-Family Home, Kansas City, Kansas


While this example is not from a small town, it represents a creative, affordable design that could be replicated in a rural context.
Developer: Community Housing of Wyandotte County
Architect: Clockwork Architecture + Design

Details

- Single home project on small infill lot ~1000 sf, 2 BR, 2 B
- Structural Insulated Panels: affordable and energy efficient
- Structural Insulated Panels are a construction material that has a foam material sandwiched between two structural materials
- Sold for $151,000 in 2015- subsidized with $65,000 grant
- Affordable to 80% MFI for family of three

Key Takeaway

- It may be worth investigating further whether cost-savings could result from utilizing factory-built housing such as panelized construction and modular homes. There are many such factories along the I-5 corridor near Salem. Contact: Oregon Manufactured Housing Association, http://www.omha.com/ (503) 397-3511

Resources

- http://www.zillow.com/homedetails/423-Armstrong-Ave-Kansas-City-KS-66101/2100189856_zpid/
- http://www.issuelab.org/resource/innovations_in_affordable_single_family_home_construction
- http://ternercenter.berkeley.edu/uploads/offsite_construction.pdf

Single-Family Attached

Single-family attached homes include duplexes, triplexes and townhomes. A duplex consists of two attached units on a single parcel; a triplex consists of three attached units on a single parcel. Townhomes consists of attached homes, each of which is on its own parcel.

Corner duplexes present a specific opportunity. In Oregon, some smaller cities, including Medford, Ashland and Bend, allow corner duplexes in low density residential zones to increase the number of units while maintaining neighborhood character. Some jurisdictions provide financial incentives, such as system development charge waivers, to encourage the development of these types of homes.

Benefits

- Can be more affordable per unit than detached single-family housing due to efficient use of materials and reduced land costs per unit.
- Each resident gets her own front door, porch, garden, parking.
- Environmental benefits: smaller homes reduce carbon footprint. May also be some thermal benefits associated with attached buildings.
- Maintains neighborhood character.

Challenges

- Size and Bulk: mitigate with combined size limits.
- For corner duplexes: potentially higher street improvement costs due to frontage on both streets.

Example: Fourplex at the Village at Centre Point, Meridian, Idaho

Source: http://www.loopnet.com/Listing/20467749/3547-N-Eagle-Road-Meridian-ID/

Details

Price	$659,900	Commission Split	2.5%
No. Units	4	Cap Rate	6.70%
Building Size	7,200 SF	Gross Rent Multiplier	10.40
Price/Unit	$164,975	No. Stories	3
Property Type	Multifamily	Year Built	2018
Property Sub-type	Duplex/Triplex/Fourplex	Lot Size	0.01 SF
Property Use Type	Investment	Parking Ratio	2 / 1,000 SF
Construction Status	Under Construction/Proposed		

Cottage Clusters

Cottage clusters consist of a grouping of detached homes (typically 1,000 to 1,200 square feet) oriented to a shared common space, such as a courtyard or garden. Many consist of four to 15 homes, but larger cottage clusters are possible if the project involves several courtyards, each with its own cluster of homes. Parking is typically placed at the perimeter. Cottage clusters are sometimes called bungalow courts. When the homes are attached, the development may be called courtyard apartments[5]. As examples of "missing middle housing," they are one of several historically-based clustered housing types that are compatible in scale with single-family homes[6].

Cottage clusters can provide rental housing, owner-occupied housing or a combination of both. To provide homeownership options, the ownership structure can be fee-simple individual lots or condominiums.

Benefits

- Lower cost
- Flexible scale of development
- Can foster a sense of community because residents have reasons to interact and get to know each other
- Shared amenities, such as parking, community room, laundry, tools, etc.

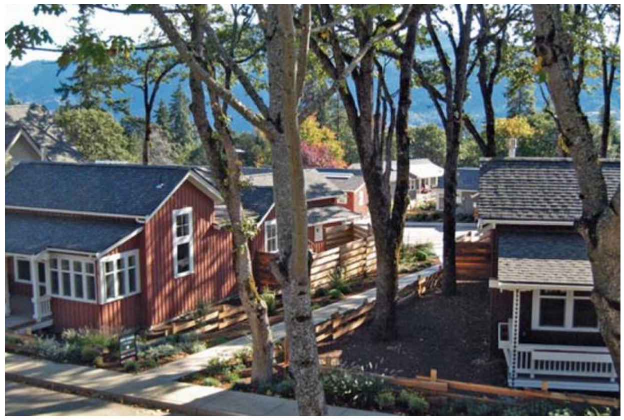
Challenges

- Lack of suitable lots- need larger parcels of at least 6,000 square feet; most are larger
- Lack of established market for this housing type- homebuyers may be wary of unfamiliar housing types or shared living arrangements

[5] Spevak, Eli & Kovacs, Madeline. (May 2016). *Character-Compatible, Space-Efficient Housing Options for Single-Dwelling Neighborhoods.* Oregon Departments of Transportation and Air Quality. http://www.oregon.gov/LCD/TGM/Pages/SpaceEfficientHousing.aspx

[6] Parolek, Daniel. (2010). *Missing Middle: Responding to the Demand for Walkable Urban Living.* http://missingmiddlehousing.com/

Example: Wyers End, White Salmon, Washington



Details

- Located in a rural setting: White Salmon, Washington, with population of 2,305 in 2013
- 28 unit- 11 residential bungalows, 7 cottages, and 10 homes with flexible live/work space within a mixed-use planned unit development on 2.4 acres
- 600-1,500 sf homes
- Fee-simple lot homeownership with homeowner association for common areas
- Replaced a manufactured home park of similar density
- Required zoning change to allow cottage cluster development
- Parking is clustered on the edge of the property leaving room for green space

Key Takeaways

- There is a market for this type of housing in rural areas. Units sold quickly and planners in White Salmon say there is further demand for low-cost, smaller units
- City used a site-specific ordinance to try out a new housing type
- Households at a different life stages purchased homes

Resources

- https://www.oregon.gov/LCD/TGM/docs/Space_Efficient_Housing_NoApp.pdf
- http://www.builderonline.com/design/projects-we-like-wyers-end_o
- ECONorthwest developed a thorough memo for the Scappoose Planning Commission and City Council authored by Bob Parker, Beth Goodman and Andrea Pastor on Cottage Housing (dated May 17, 2017). Contact Laurie Oliver, City Planner, loliver@cityofscappoose.org to obtain a copy.

Accessory Dwelling Units

Accessory dwelling units (ADUs) are small, secondary complete housing units associated with a main residence. ADUs offer additional affordable housing at low/no investment by the public. Additionally, they can allow low income homeowners an opportunity to use their existing property to stabilize their own living situation at the same time they are providing a new affordable housing unit. These units can be very different. Some are created by adapting an existing space, such as a garage or a basement, others are built as an attached or detached addition. Usually they are designed to preserve the appearance of the property consisting of a single housing unit from the street. While the size of ADUs can vary, often they are 800 square feet or less. Typically, they are both owned by the same property owner, and one or sometimes both are rented, but in some jurisdictions, they can be divided into condominiums, thus creating two ownership units.[7]

Because ADUs are a relatively low-barrier, non-bureaucratic way to develop additional housing for smaller households in built-out communities, some cities have taken measures to promote their development. ADUs provide a potent source of scattered site affordable housing for those families with lower incomes. Portland and Bend have eased restrictions. Portland also subsidized system development charges (SDCs), resulting in a tenfold increase in the number of SDCs permitted in 2015 compared to 2010.

Recognizing the potential of SDCs to provide a lower-cost housing option without direct public subsidy, the 2017 Oregon legislature adopted a law (SB 1051, formerly SB 2007) to promote their development statewide. Specifically, the law states that, by July 1, 2018:

> A city with a population greater than 2,500 or a county with a population greater than 15,000 shall allow in areas zoned for detached single-family dwellings the development of at least one accessory dwelling unit for each detached single-family dwelling, subject to reasonable local regulations relating to siting and design. (b) As used in this subsection, "accessory dwelling unit" means an interior, attached or detached residential structure that is used in connection with or that is accessory to a single-family dwelling.[8]

This new law applies to Columbia County, Scappoose and St. Helens currently, and may eventually apply to other cities, such as Clatskanie, Rainier & Vernonia, if their populations continue to grow.

Benefits

- Preserves neighborhood character while increasing the range of housing options available in a single-family neighborhood
- Provides an opportunity for small scale entrepreneurship by existing property owners
- Versatile. Can meet a variety of housing needs
    - If leased, it can provide a source of income for homeowner of principal residence.
    - Can provide affordable rental housing for a smaller household
    - Provides a way for an aging household to downsize, lease principal residence, and remain in the neighborhood
    - Residence with ADU can provide a way to accommodate a multigenerational family
    - Can be used for innovative purposes, such as an adult foster home
- Does not require a vacant lot, just sufficient room in existing property

Challenges

- Difficult to finance
- Local regulatory constraints
- Concern from neighbors about parking, neighborhood character, sight lines, etc.

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[7] Spevak, Eli & Kovacs, Madeline. (May 2016). *Character-Compatible, Space-Efficient Housing Options for Single-Dwelling Neighborhoods.* Oregon Departments of Transportation and Air Quality. http://www.oregon.gov/LCD/TGM/Pages/SpaceEfficientHousing.aspx

[8] Oregon State Legislature, 2017. Enrolled Senate Bill 1051. https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureDocument/SB1051/Enrolled

Example: Detached ADU, Bend, Oregon

Details

- In February 2016, Bend City Council votes to ease restrictions on ADUs to increase workforce housing availability
- Removed conditional use permit requirement, reduced permit fees, loosened parking requirements, reduced size restrictions, and expanded zones

Key Takeaways

- Relatively simple, market-driven way to incentivize more affordable housing for smaller households in the area
- Opportunity for homeowners to derive income

Resources

- http://www.bendsource.com/bend/accessory-dwelling-units-provide-more-housing/Content?oid=2627393
- http://www.bendbulletin.com/localstate/3968130-151/bend-city-council-loosens-rules-on-adus
- https://accessorydwellings.org/

Manufactured Housing Subdivision or Cooperatively Owned Manufactured Housing Community

Manufactured housing is a type of factory-built housing constructed to a national code. Manufactured homes (in contrast to modular, panelized or other kinds of housing built in a factory) has an internal chassis. To deliver the home from factory to site, wheels are added to the chassis and the home is pulled in one or more sections down the highway by semi-tractors. Onsite, the wheels are removed and the home is placed on a foundation or slab, the sections reconnected, and utilities hooked up. Manufactured homes are much less expensive than traditional site-built housing, excluding the land.

In Oregon, manufactured homes can be placed on individual parcels in single-family districts. They can be used to create a manufactured housing subdivision of individually owned homes and parcels. Manufactured housing communities (mobile home parks) can be built in multifamily districts. In a manufactured housing community, an investor typically owns the land and shared amenities like the clubhouse and then leases individual sites to homeowners. Once onsite, it can be difficult and expensive to move a manufactured home; thus, manufactured homeowners living in an investor-owned community risk being subject to bad management practices, unreasonable rent increases and even losing a place to put their home if the investor decides to close the community and use the land for another purpose.

A third option is a resident-owned manufactured housing cooperative, where only the residents are members of the cooperative, and the cooperative owns and manages the community. Residents in cooperatively owned communities set their own rules, community standards and rents. Columbia County is home to the first example of this type of housing in Oregon – the Springlake Community in Scappoose. A fourth option is a manufactured housing community owned by a nonprofit organization or housing authority whose goal is to provide affordable housing, keep rents stable and predictable, and maintain a healthy living environment.

Benefits

- Manufactured housing is an affordable option- Average U.S. price was $64,000 vs $324,000 for a single-family home (2013 US Census)
- Fit in rural multifamily zones
- Promote homeownership

Challenges

- Manufactured homeowners are vulnerable if they do not own their land, live in a cooperatively owned community or a community owned by a nonprofit or housing authority.
- Quality of homes can vary. Homes manufactured before 1976 were not constructed to conform to HUD building code. Maintenance essential for home to retain soundness
- Unless homeowner owns land or has very long-term lease, s/he will not be able to obtain a mortgage to purchase a home and will have to obtain higher interest rates chattel loan (like a car loan) to finance the home. The interest rate is sometimes twice the rate of a traditional mortgage

http://www.theatlantic.com/business/archive/2014/10/the-case-for-trailer-parks/381808/

Example: Cranberry Village, Carver, Massachusetts---A Resident Owned Community

Details

- Located in a small town: Population of Carver, Massachusetts was 11,509 in 2010.
- Manufactured housing community (not a subdivision)
- 280-unit site, started in the 1970s.
- Resident owned and managed since 2012.
- Currently has affordable, stable rent of ~$500 a month.
- Social events, community building.
- 55+ age

Key Takeaways

- Resident ownership can create long term affordability for manufactured housing communities.

Resources

- http://www.cranberryvillage.coop
- In Oregon, the primary resource for converting an existing manufactured housing community to a cooperative is CASA of Oregon: http://www.casaoforegon.org/mhpp

Small Apartment Buildings

For this study, smaller apartment buildings are those which have 20 or fewer units. They provide much-needed rental housing in smaller towns.

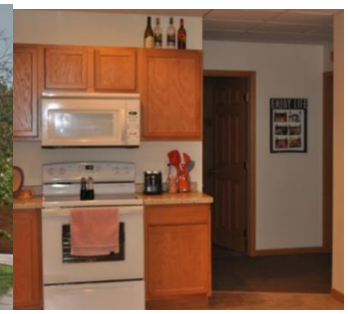
Benefits

- Fits rural neighborhood context better than large projects
- They can provide lower-cost housing
- Typically operated by a family or local resident

Challenges

- Often overlooked by lenders; can be hard to get financing
- Can involve less savvy ownership

Example: Southside Apartments, Waseca, Minnesota

Details

- Rural context. Waseca, Minnesota is a small city of 10,000
- Adaptive reuse: redeveloped elementary school
- 15 Units: 4 1BR, 11 2BR
- Market rate units with rents between $600 and $700 in 2014
- Developer bought building for $65,100 in 2012.

Key Takeaways

- If zoning allows, adaptive reuse of an older, single purpose building as housing or a mixed-use development presents a way to integrate housing in exiting built-up areas
- Including daycare or Head Start on the same premises creates jobs and provides a valuable amenity

Resources

- http://www.southernminn.com/waseca_county_news/news/article_cdab45be-f8b5-57b8-9853-ff86c78f28fe.html

Large Apartment Buildings Offering Subsidized Affordable Housing

Oregon Housing and Community Services manages federal and state housing subsidies that can be used to create affordable housing. However, only larger projects that can spread the cost of complying with a complex array of federal and state requirements over 40 or more units are typically competitive for these funds.

The cost of affordable housing is surprisingly high. In rural areas, this housing type requires blending a wide variety of public investments to be feasible. Further, available public resources are dramatically less than are needed to meet demand, which is typically more than three times oversubscribed. This meant that projects are built only episodically in rural areas, often with five to ten years between successful applications. The complexity, scarcity and competitiveness of state housing funding prevents smaller counties from creating a pipeline of subsidized housing projects. Not only does this limit the availability of affordable housing in Columbia County, it diminishes the County's local capacity to plan and begin projects, further reducing the community's ability to tap this important resource.

Benefits

- Efficient use of land; relatively high number of units per acre
- Economy of scale for construction
- Can leverage state/federal programs, like the Low-Income Housing Tax Credit

Challenges

- Requires sufficient land in a higher density zone
- Complicated to finance; typical project could involve eight to twelve funding sources
- High organizational capacity required to develop and then manage in compliance with rules associated with various funding sources
- Potential neighborhood opposition

http://urbanland.uli.org/economy-markets-trends/increased-use-wood-reduced-parking-may-reduce-multifamily-construction-costs/

Example: Oullette Place, Lewistown, Montana

Details

- 24-unit complex in town of approximately 5,000 people
- Mix of 3BR, 2BR, 1BR
- Sustainable design
- Low Income Housing Tax Credit project
- Developed and owned by Homeword, a large, sustainability-oriented non-profit in Montana that focuses on creating affordable housing with green design features.
- Green Design Features include:
    - Historic building reuse
    - Energy efficient appliances
    - Individual metering
    - Recycled materials
    - Water conservation system

Key Takeaways

- Example of pairing green building and affordable housing in a rural environment.
- Non-profit has developed a successful model for making these projects pencil out.

http://www.homeword.org/our-properties/lewistown/ouellette-place

4. Barriers and Solutions

This chapter examines what might be done to stimulate the development of a new mix of housing types in Columbia County---one that might better meet the needs of current and future Columbia County residents. This study focuses on six housing types selected by the Work Group as having the greatest promise for Columbia County from the range of options profiled in Chapter 3.

New or Emerging Housing Types

- Accessory dwelling units
- Cottage clusters

Strategy: Further test for community support, change development code if needed, identify and remove challenges in the appraisal and financing process, familiarize all in development approval process with these types to ease permitting process, remove other regulatory barriers, identify additional ways to make these housing options more affordable for those living in them.

Existing Housing Types

- Small multifamily developments
- Infill single-family detached housing
- Duplex or triplex

Strategy: Identify ways to stimulate production and promote the development of units that are more affordable for those who will live in them.

Special Project

- Assisted living facility in Rainier

Strategy: Conduct a preliminary market study to determine whether sufficient demand exists and identify potential sites.

For each existing and new/emerging housing type, factors that may affect the likelihood of new units being built are discussed in the following seven areas: zoning, land availability, financing, capital requirements, municipal fees, municipal process and local expertise. Preliminary ideas for both increasing production and increasing affordability are identified.

Sample development budgets are provided for an Accessory Dwelling Unit, a Cottage Cluster, an Assisted Living Facility and a Subsidized Small Multifamily Development are provided in the Appendix B.

The zoning sections were written with generous assistance from city and county planning staff and were current as of spring 2017. At that time, planning efforts were underway in Scappoose and soon to be underway Saint Helens to update their codes. This report does not reflect subsequent changes made to the codes.

Additional changes in zoning codes may be forthcoming due to passage of Senate Bill 1051 during the 2017 legislative session. Among Senate Bill 1051's planning and land use provisions is one that requires cities and counties of a certain size to make Accessory Dwelling Units a permitted use in single family zones. The following provision becomes effective July 1, 2018:

> SECTION 6: (5)(a) A city with a population greater than 2,500 or a county with a population greater than 15,000 shall allow in areas zoned for detached single-family dwellings the

> development of at least one accessory dwelling unit for each detached single-family dwelling, subject to reasonable local regulations relating to siting and design. (b) As used in this subsection, "accessory dwelling unit" means an interior, attached or detached residential structure that is used in connection with or that is accessory to a single-family dwelling[9].

Currently, this provision applies to Scappoose, St. Helens and Columbia County, and it may apply to Vernonia (2016 population 2,080) and Rainier (2016 population 1,905)[10] in the future.

Ideas from this chapter, along with other concepts discussed at Work Group meetings, form the basis for the recommendations presented in Chapter 5.

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[9] See full text of SB 1051 here:
https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureDocument/SB1051/Enrolled

[10] Portland State University Population Research Center. (2016). Certified Population Estimates 2016.
https://www.pdx.edu/prc/population-reports-estimates

Accessory Dwelling Units

Smaller, secondary dwelling unit on a parcel with a primary dwelling. Can be created in a variety of ways, including an internal home division, an addition to an existing structure, construction of a separate structure or conversion of existing unfinished space (e.g., garage or basement) to living quarters.

ADUs: Development Conditions & Challenges in Columbia County	
Zoning	• Saint Helens (SH): conditionally permitted in all residential zones. • Scappoose (SC): low is conditional, moderate is permitted outright. • Columbia County (CC)[11]: Not a permitted use in any zone currently. • Note: SB 1051 approved by the 2017 legislature requires that St. Helens, Scappoose and Columbia County allow the development of at least one accessory dwelling unit for each detached single-family dwelling in single family zones, subject to reasonable local regulations relating to siting and design. The effective date is July 1, 2018.
Land Availability	• Not an issue in areas where zoning allows them, as they can be developed on existing SF lots with homes on them. Vacant parcels not required.
Financing Barriers	• Tricky unless using home equity line of credit to finance. Requires further consideration.
Capital Requirements	• Barrier for some homeowners
Municipal Fees	• SH: Conditional use permit is fairly costly and timely. Full SDCs is a barrier. • SC: Fees are low since additional SDC'S are not collected for ADU'S. • CC: Unknown, as it is not currently a permitted use.
Municipal Process	• SH: Conditional use permit is a Planning Commission decision. Public hearing is required. Scheduling/advertising public hearing takes extra time (Only meet once a month). • SC: Minimal in the moderate density zone, up to 3 months in low density since it requires a Conditional Use Permit (which requires a PC hearing). • CC: Unknown, as it is not currently a permitted use.
Local Expertise	• Developer and homeowner experience: low • Planning expertise in SH: Not a barrier, but permitting process has never been tested because the rules are too restrictive.
Additional Factors	• SH: Must be owner occupied. Max size of 30% of home or 1,000 SF, whichever is less. Full SDC charges. • SC: capped at 800sf/50% of home. No SDC charges, one water/sewer per land parcel. Has ability to be non-owner occupied, but cumbersome process. Cannot exceed 40% lot coverage, may not work for small lots. • Demand for this housing type not yet known. Only works for small households. • Creative use of housing with ADU: Adult Foster Care Home.
Potential Opportunities for Increasing Production Overall	• Remove requirements preventing or hindering the addition of ADUs to rented single family homes. • Permit outright in residential zones where SF housing is permitted outright.

[11] In these tables, Columbia County (CC) means the balance of Columbia County that is not included in an incorporated city.

	• Re-examine sf limits and, in SC, lot coverage limit. • Information session/classes for homeowners on "self-help" ADUs. • Develop financing model through local lenders. • Potential pushback from opposing neighbors may be an issue.
Principal Opportunities for Increasing Affordability	• Inherently affordable because they are small and increase utility of parcels with existing SF housing, a predominant housing type. • Re-examine SDCs in SH. • Re-examine need to make a conditional use in any residential zone. • An ADU could provide rental income to low income homeowner. • Adult Foster Care Home model.

Cottage Cluster Development

A group of approximately 8 to 15 of smaller homes with a shared courtyard/yard and parking. Homes can be on individual parcels (fee simple ownership) or on one or more shared parcels (condominium ownership). Typically includes a homeowners' association.

Cottage Clusters: Development Conditions & Challenges in Columbia County	
Zoning	• SC & SH: Must be within a Planned Development (PD) process. Requires a zone change and opens the entire process to debate without clear and objective standards. Currently only cost-effective for larger projects. • SC: new code changes could allow development of this type without PD process. • CC: Must be in Planned Unit Development (PD) with zone change process; somewhat cumbersome.
Land Availability	There is no specific zoning that allows this, so there is nothing zoned for this type of development. Could be in moderate and high-density zones, by modifying zone instead of creating a new zone.
Financing Barriers	No conventional loan product for this. Lenders must be able to get a deed.
Capital Requirements	Unknown.
Municipal Fees	Unknown at this time because, if this were to be a permitted use rather than requiring the Planned Development process, the fee structure would be different than that of the 80+ unit project in SC.
Municipal Process	• SC: 80+ units from start to permit took about 2.5 years, but the process allowed much more creativity/flexibility, and city can request items like pocket parks/open space etc. • Could be much shorter process if this were a permitted (or conditional) use with clear and objective standards.
Local Expertise	No local development expertise with true cottage cluster projects of about 8 – 15 units. There are several potential developers in Manzanita and Portland.
Additional Factors	Demand for this housing type not yet known.
Potential Opportunities for Increasing Production Overall	This would be a new housing type for Columbia County. Thus, stimulating production means learning more about this housing type and then aligning development code and financing systems to support its production. • Test the interest in this product; if you build it, will they come? • Analyze whether this kind of development is an infill/redevelopment opportunity or only cost-effective for vacant land. • Examine the availability of land suitable for this use. This use may be a feasible way of adding dwelling units to inefficiently divided land within the UGB. • Zoning overlay might be a way to allow this use on a limited basis • Make a permitted use in denser Single-Family zones and Multifamily zone; make a permitted or conditional use in least dense Single Family zone. Develop clear and objective standards---see model codes and recommended provisions here: http://www.oregon.gov/LCD/TGM/Pages/SpaceEfficientHousing.aspx • Expand development expertise.

	• Analyze financing options.
Increasing Affordability	• Panelized or modular construction techniques • Project-based Housing Choice Vouchers • HOME or L.I.F.T. grants through Oregon Housing and Community Services Dept. can provide essential equity or “soft second” financing to create affordability. • Local government land donations can be focused to create equity for a fraction of developed units

Single Family Detached Housing

A home that contains one dwelling unit and is separated by open space on all sides from any other structure, except its own garage or shed. Single family detached housing is the predominant housing form in Columbia County and the one with which local developers and planners have the most experience.

Singe Family Detached Housing: Development Conditions & Challenges in Columbia County	
Zoning	Potential Barriers: Zoning density too low/lot size too large in some cities • St. Helens (SH): AR—3050 SF. R-5 General residential: 5,000 SF. • Scappoose (SC): Smallest lot size is 6,000 SF. (R-4 Moderate Density Residential) • Columbia County (CC): Smallest lot size is 7,000 SF on land served by water & sewer.

Land Availability	Availability of land is limited by:
	• Cities are mostly built out; even infill lots are scarce
	• For the land that is vacant, a lack of willing sellers
	• For irregularly-shaped lots: Zoning code frontage requirements can present barriers to developing irregularly-shaped lots.
	  ○ SH: "Flag lots" are not prohibited in SH, but there are special conditions of approval. Only permitted in AR, R5, MU, and MHR zones.
	  ○ SH can allow access easements for irregularly shaped lots in some cases.
	  ○ CC: In the R-10 and R-7 zones, access is allowed to one lot via an easement in the petitioning process.
	• Infill lots—especially corner lots--can be expensive to develop if developer must provide frontage improvements. St. Helens charges a fee in lieu of frontage development if neighborhood does not currently have frontage improvements.

Financing Barriers	Not identified as a barrier for for-profit developers
Capital Requirements	Not identified as a barrier for for-profit developers
Municipal Fees	With the exceptions noted above, not identified as a barrier currently, although they continue to rise. However, fees do affect affordability of units developed.
Municipal Process	Not identified as a barrier
Local Expertise	Abundant; not a barrier
Additional Considerations	• This is the prevalent housing form and development option in the County. Financing, permitting, etc. set up to accommodate this. • Single-family rentals in St. Helens: Some landlords are requiring higher security deposits from new tenants of single family homes due to issues with how the St. Helens Water District manages billing/security deposits and notifications to property owner.
Potential Opportunities for Increasing Production Overall	• Reduce minimum lot size. However, should first analyze actual impact on housing supply, as it may have limited benefits as an infill strategy. • Allow development of some "flag lots." However, should first analyze impact on housing supply and potential negative consequences.

	• Develop strategies for lowering cost of developing corner lots: However, should first analyze impact on housing supply. Consider costs of implementing strategies.
Principal Opportunities for Increasing Affordability	Same as above, plus: • Utilization of factory-built housing that meets local code (manufactured, modular, panelized, pre-cut, etc.). For an overview of lower-cost factory-built housing options, see this study from Harvard's Idea Lab: http://www.issuelab.org/resource/innovations_in_affordable_single_family_home_construction • Increase production of Self-Help Housing, including Habitat for Humanity and SHOP Program. Funding needed for administrative costs for SHOP Program and general funding needed for Habitat for Humanity. • The new homeownership rules of Oregon Housing and Community Services' L.I.F.T program should be explored for opportunities to increase this, and other types of homeownership • Reduce development costs (funding for fees, frontage improvements, SDCs) in exchange for developing low-cost housing. Funding needed. • Homebuyer-initiated, scattered site Housing Land Trust could make owner-occupied housing units permanently affordable. Funding needed. • Builders could build smaller homes and limit amenities. For example, builders could follow the Levittown example from the late 1940s and build basic "starter homes" with an unfinished upper story and/or plans that include designs for additions.

Duplexes

Two attached dwellings on a single parcel.

Duplexes: Development Conditions & Challenges in Columbia County	
Zoning	• SH: R10 - Not permitted. R7 - Conditionally permitted. (7,000 SF minimum on regular lots. 10,000 SF minimum for corner lots.) R5 - Permitted outright (5,800 SF minimum). AR - Permitted outright (5,000 SF minimum). • SC: Allowed in moderate density and high-density zones. • CC: Must be inside city Urban Growth Boundary and zoned R-7 or multifamily.
Land Availability	• SH: Lots of R5 and R7 in City, but not a lot of vacant lots for development. • SC: More low-density land available then moderate density, but the City is looking to allow duplexes in low density as part of the policy changes from the Housing Needs Analysis (HNA). • CC: Some MFR zoned properties near St. Helens High School. No R-7 or MFR inside Scappoose UGB.
Financing Barriers	Current underwriting standards require that only 30% of the income derived from the second unit be counted toward principal and interest payments, whereas in practice many owners apply the full rent of the second unit toward housing costs. Therefore, households who could afford to purchase a duplex are unable to do so due to lack of mortgage financing. For portfolio loans held by a lender (and not sold on the secondary market), a potential solution to reduce risk to the lender would be to create an escrow account managed by the lender or a nonprofit into which the renter deposited rent checks monthly.
Capital Requirements	See above.
Municipal Fees	Not really a barrier • SC: Only one water meter allowed per lot, so SDCs are lower.
Municipal Process	• SH: Minimal in R5 and AR zones, where it is permitted use. • SC: Minimal since it is a permitted use. • CC: Would need consent to annex for City water and sewer.
Local Expertise	Not a barrier - duplexes are relatively common.
Additional Factors	• The rental income from the second unit could make homeownership possible for a homebuyer who might not otherwise be able to afford a home. • Depending on how the duplex is designed, this may present an option for aging in place or assisting a household with a member who has a disability, with a reduced rent for second unit in exchange for assistance. • Presents opportunities for reasonably-priced housing for multi-generational families or other kinds of extended households where two separate but nearby units offers a practical solution to housing needs.
Potential Opportunities for Increasing Production Overall	• SH: For R7: Consider smaller lot size for corner lots. It is 7,000 SF for normal lots versus 10,000 SF for corner lots. • SC: allow in all residential zoning districts.

Increasing Affordability	• Nonprofit-managed program to assist persons with disabilities and/or create affordable rental units. See ideas described in Single Family section above.

Small Multifamily Rental Housing

One or more structures containing multiple housing units for rent to individual households. Typically includes shared amenities (e.g., play area, laundry room, community room). A common form is an apartment building or complex. For the purposes of this study, small multifamily rental housing developments are defined as having 20 or fewer units.

Small Multifamily Rental Housing: Development Conditions & Challenges in Columbia County	
Zoning	Zoning density too low/minimum lot size too large. Look at best practices for minimum lot size in comparable communities and meet the desires for the public. • SC: Exploring options for creating more multifamily housing units, consistent with recommendations from Housing Needs Analysis. • SH: Apartment Residential zone (AR) requires 1,500 SF minimum lot size for each dwelling unit over the base of 5,000 SF for the first two units. In AR, single family homes and duplexes are permitted outright (smaller lot sizes than R5). This limits the availability of land for multifamily. • SH: R5 conditionally permits multifamily, could potentially become outright permitted use. However, R5 requires 2,500 sf minimum lot size per unit over 5,800 sf for first two units. • CC: Permitted use in multifamily zones if site has water and sewer.
Land Availability	• SC: Under study currently (Housing Needs Analysis) Currently, no more than 8 units in a building w/15ft separation between buildings. • SH: Unknown; last land availability study for AR lots was done in the late 90s • No multifamily zone within Scappoose Urban Growth Boundary
Financing Barriers	Not seen as a barrier by private developers
Capital Requirements	Not seen as a barrier by private developers
Municipal Fees	Not identified as a barrier currently, although they continue to rise. However, fees do affect affordability of units developed.
Municipal Process	Not identified as a barrier currently, although they continue to rise. However, fees do affect affordability of units developed.
Local Expertise	Not identified as a barrier.
Additional Factors	Public funding for subsidized small multifamily projects is very limited and highly competitive.
Potential Opportunities for Increasing Production Overall	• Increase density allowed in existing zones (minimum lot size, height, setback, parking requirement, etc.) • SH: Do not make SF housing a use permitted outright in multifamily zones. However, there may be significant pushback from developers.
Principal Opportunities for Increasing Affordability	• Same as above. • SH: From a density standpoint, it is good to note that R5 and AR zones favor attached single-family dwellings (AKA row-housing), which are not discussed in this study but may also present opportunities for affordable housing.

Special Project: Assisted Living Facility

Over the decades, the desire for a local assisted living facility (ALF) is the most universal request voiced across Columbia County's communities. Typically, community members are certain that if the community could manage to build an ALF, it would remain full and be economically viable. It seems that everyone in our communities know someone who needs assisted living.

Unfortunately, ALFs illustrates the difference between need and demand better than any other type of project. The easiest way to understand the difference between need and demand, is to imagine how many people would use an ALF if money were no object versus those with the ability and willingness to pay for that service which can easily run above $3,000 per month. An assisted living facility is first and foremost a business operation – one which can fail. The housing component is the least costly of the services provided. Thus, an ALF illustrates perfectly the need to begin any feasibility analysis with the study and understanding of the operations side of the business.

Individuals entering assisted living can remain in place for decades. Even patients with degenerative brain disorders like Alzheimer's and Dementia with Lewy Bodies can remain in care for many years. It is common for such patients to exhaust their assets and move from private payments to Medicaid reimbursement. This fact affects the typical ALF project's size and widens the gap between need and demand in small communities.

The is steady pressure to reduce health insurance costs for low income individuals forces state agencies administrating the Medicaid program to set the lowest possible reimbursement rates for many services, including assisted living. These rates are typically set based on the experiences of larger urban ALF operations with economies of scale. In the ALF industry there is a rule of thumb that 100 is the minimum number of units for a feasible ALF facility. There is no shortage of developers and operators seeking to address this market segment. Unfortunately, small rural communities do not have the population needed to support 100 units of assisted living.

Given that gap this is an operations problem, support for the construction of a facility alone is not the answer. In Northwest Oregon the key to providing ALF services has been finding that special facility operator with the expertise to balance the operating books within a 30 to 40-unit operating scale. Even then, a private nonprofit partnership isolating ownership of the facility can be necessary to "layoff" the long-term risk of market and reimbursement rate changes.

Small-scale ALFs have been developed and operated within three of the small communities in Northwest Oregon for several decades. Concepts in Community Living (CCL), http://www.ccliving.com, was engaged in the original development and operator for all three projects where Community Action Team was involved. As part of this housing study, CCL was consulted and has been working with the City of Rainier and local activists to explore the potential for an ALF project in that community.

Pursuit of an ALF by local supporter, such as Rainier, needs to start with a market study to tease out the actual demand from the observed need for such a project. Concepts in Community Living has provided this market study to the City of Rainier. Cost estimates for such a study range from $1,500 to $2,000. Communities interested in researching the feasibility of an ALF are encouraged to begin with such a study.

5. Ideas and Recommendations

This report has made the case that the County's current use of land and development pattern, both dominated by single-family homes, will not serve the County well into the future. A course-correction is needed to provide opportunities for more households to live without the burden of trying to pay for housing that they can barely afford.

The path forward involves:

- **Enabling the development of a wider range of housing types** that cost less than traditional single-family detached homes, thus providing more housing options for households with middle to lower incomes.
- **Encouraging a new mix of housing types** to be built. In the future, more multifamily and attached single-family housing units need to be built than in the past, along with smaller, less expensive housing units. In recent years, 78% of new housing units that have been built are single-family detached homes. This needs to shift.

One of the hardest challenges to meet is accommodating the housing needs of households whose annual incomes are below $25,000. While smaller housing units might be somewhat more affordable than large, single-family detached homes, only shrinking the size will not necessarily make units affordable to households with annual incomes below $25,000 because of certain fixed development costs and because the costliest elements of the house to build—kitchens and bathrooms—remain. Smaller, attached market rate units are more likely to be affordable to households with incomes in the $25,000 to $50,000 range. Some of the housing opportunities for this group lie in housing stock that has aged and has rents that have become more affordable over time (a process called "filtering"). However, the ECONorthwest housing study shows that there's not enough filtered housing to meet current needs.

Given these challenges, our recommendations fall into three inter-related categories, each discussed below:

- Supporting the development of a wider range of housing types and a housing mix that includes a higher share of attached single-family and multifamily housing
- Addressing the need for more low-cost housing
- Supporting preservation of existing housing, which provides 100% of the "filtered" housing described above. Preservation is the cheapest source of affordable housing, by far.

New Housing Types, New Housing Mix

We encourage Columbia County and its cities to consider regulatory changes to better meet current and future housing needs. This report has made the case for the following actions:

- Removing regulatory barriers to the development of small multifamily rental housing projects, including (where appropriate) mixed use developments and adaptive reuse of older commercial, institutional and possibly industrial buildings
- Supporting more opportunities for duplexes, triplexes and quads, including in some neighborhoods zoned for single-family, and especially on corner lots.
- Making Accessory Dwelling Units a permitted use in single-family zones. This housing type may be an important resource in meeting the housing needs of students and others drawn to the county by the Oregon Manufacturing Innovation Center. Columbia County, Scappoose and St. Helens need to comply with the requirements of SB 1051 pertaining to ADUs by July 1, 2018, and other cities will need to comply when their population reaches 2,500. It is important to

ensure that the majority of new ADUs are available as permanent housing and not absorbed as vacation rentals. The time to provide this protection is when the demand for vacation rentals is low; it is easier to loosen regulations if the market for vacation grows than impose new ones when the market is strong.
- Making cottage housing a permitted use in certain zones or areas. It's a new housing type for the county, and thus proceeding deliberately is encouraged. The memo prepared by ECONorthwest for the Scappoose Planning Commission provides useful guidance, as does the following guidebook: http://www.oregon.gov/LCD/TGM/Pages/SpaceEfficientHousing.aspx
- While not specifically studied in this report, we believe a case can be made for removing regulatory barriers to the development of townhouses and other forms of attached single-family housing. We encourage jurisdictions to consider this housing type when updating their codes.
- Because so much land is zoned for single-family dwellings, we encourage jurisdictions to re-examine the types of housing that might fit well in single-family zones and broaden the possibilities wherever appropriate. The other alternative is to consider rezoning some existing land for more intensive housing and mixed-use purposes.

What each jurisdiction will need to do depends in part on its existing code. While it is beyond the scope of this project to propose code language for each jurisdiction, we encourage planners, planning commissions and city councils to regard the recommendations above as broad guidance in considering what would work for their community in better aligning their plans and codes with current and future housing needs.

Getting the regulatory framework right for supporting a wider range of housing types is a necessary first step, but it's not all that's needed to shift the development pipeline toward a different mix. Currently, the development "machinery" (permitting, lending, appraisals, development expertise, etc.) is accustomed to dealing with single-family detached housing. It's easy and familiar to evaluate a single-family project. However, the machinery is not equipped to deal with some of the innovative housing types presented above. Each development proposal becomes a special case that requires additional time and cost to evaluate and process. This cost acts as a disincentive to changing the housing mix.

Thus, we encourage all parties engaged in the development and real estate industry to cooperatively "grease the pipeline" to support the development of the housing types described above. This involves creating a greater capacity to review and evaluate potential projects efficiently and to have appropriate protocols and products in place. Specific elements might include the following:
- Public sector
    - Provide training for all those engaged in the permitting process (planning, building officials, fire marshals, etc.) about new housing types. Consider field trips to examine how other nearby jurisdictions have dealt with these types. Develop simplified protocols and other tools to ease the permitting process.
    - Provide information and guidance online to homeowners considering the development of ADUs. For example, consider the application package developed by Oregon City: https://www.orcity.org/sites/default/files/fileattachments/planning/page/3135/accessory_dwelling_unit.pdf A toolkit would be particularly helpful to homeowners interested in building ADUs, as they are not in the business of housing development, and the permit and application process might otherwise be daunting.
- Private sector
    - As new uses are approved, proactively consider how your industry can support development. For lenders, it may mean investigating new loan products. For

appraisers, it may mean researching the appropriate methodology for assigning a value and searching for where comparable products can be found. For developers, it may mean considering new development types rather than defaulting to what is familiar. It may also mean considering different kinds of opportunities, such as adaptive reuse. It may mean rethinking how you do market studies and having an open mind about the market for new housing types.

- Nonprofit sector and collaborations
    - Consider how to "prime the pump" for the development of ADUs. This could be a "how to" class or a more involved cohort program similar to that used for self-help housing. The training should include budget development, design, financing, permitting and managing the construction process. Perhaps the cost of the class or program could be partially subsidized in exchange for a commitment to provide low-cost rental housing for a specific period of time. Perhaps local jurisdictions could also subsidize permit fees and SDCs (if relevant) if the unit is made available as low-cost rental housing.
    - Continue to develop subsidized housing as new opportunities arise resulting from changes in local ordinances. Continue to aggressively pursue appropriate funding opportunities through Oregon Housing and Community Services and other agencies.

The Toughest Challenge: Housing Affordability

As described above, in most cases simply enabling the development of new types of housing will not, in and by itself, lead to a significant increase in the number of housing units affordable to those with incomes below $25,000 per year. The principal exception is the possibility that some new ADUs may increase the supply of housing for smaller households (generally one or two people) with very low incomes, if the measures described above are taken to promote and protect its affordability. **ADUs represent a new housing type that could meet the needs of a portion of the county's smaller low-income households. We recommend that this option be made a priority, as it is also one of the easiest recommendations to implement.**

However, a need remains for more low-cost housing for households for whom an ADU is not a suitable home. There are two principal strategies for providing housing affordable to households with low incomes: reducing the cost of development and providing subsidies to assist with development costs. Each is explored below.

Reduce development costs

- Identify opportunities to provide free or reduced cost sites for development. Examples include:
    - Partnerships with faith-based organizations that have land and/or buildings that are underutilized, such as large parking lots that are rarely full. For example, a church in Milwaukie donated property to Northwest Housing Alternatives for an AIDS residential house plus a second housing project.
    - Partnerships with local jurisdictions and service districts to incorporate affordable housing when facilities are expanded, such as senior housing combined with libraries workforce housing near centrally-located public buildings or family housing near parks or schools. For example, the City of Cornelius, Bienestar and other community partners are collaborating to create Cornelius Place in downtown Cornelius. It will house an expanded library, community convening space, a YMCA center, and 45 affordable apartments for adults age 55 and older in downtown Cornelius. The groundbreaking occurred fall 2017.

    - Disposal of surplus land for affordable housing, including the potential adaptive reuse of existing buildings for affordable housing or mixed-use projects.
- Investigate innovative construction techniques, such as modular or panelized construction.
- Waive or subsidize permit fees and/or System Development Costs (SDCs) or change how they are structured
- For infill projects, rethink the options for public improvements such as sidewalks, curbs and gutters, particularly in areas where there are few public improvements currently and the new improvements would fail to connect to a larger system for the foreseeable future.

Provide local subsidies for affordable housing development
Columbia County currently has a shortage of approximately 1,900 housing units affordable to households earning less than $25,000 per year. There is a substantial need for more multifamily rental units affordable to households in this income range. There are two primary ways that rental housing can be built: by private sector developers, who charge market rents, or by nonprofits that use public subsidies to build rent-restricted units.

Appendix B provides a proposed budget for a privately-developed 18-unit project of modest one-bedroom apartments. At rent of $900 per month per unit, the project is not feasible to a private developer because it requires a $500,000 capital investment up front and then generates only a 1% rate of return. Only at rents in the $1,100 to $1,200 range, about twice that which a household earning $25,000 per year or less can afford to pay for housing costs[12], does the project become feasible for a private developer.

Currently the other alternative is for a nonprofit to build housing utilizing state and federal subsidies. Oregon Housing and Community Services manages “pass through” federal housing funds and tax credits and state resources available to smaller communities, including Columbia County. While the county, principally through CAT, has a good track record of accessing these resources, these resources alone are insufficient for meeting the county’s need for affordable subsidized housing. The administrative burden of dealing with federal and state requirements drives up development costs, making it impractical to use these sources for the kinds of smaller-scale projects that best fit into Columbia County.

Local subsidies are needed. However, most local governments in the 21st century find themselves short of any revenue sources which can be used to assist or direct local housing development. The 2016 Oregon Legislature passed legislation intended to provide local communities with a tool to help them maintain needed local development support and build local capacity. The Construction Excise Tax (CET) allows local communities to generate resources that can be managed by local government to address affordable housing. The CET typically adds one per cent to the cost of development. CET ordinances are already on the books, or in the works, in Hood River, Corvallis, Cannon Beach and Sisters. In Tillamook County, voters recently overturned the Commission’s approval of a new CET.

The Housing Work Group discussed the feasibility of creating a Construction Excise Tax in Columbia County. Issues were raised regarding the market impacts and fairness of imposing the tax. These issues, combined with the recent defeat by voters of the CET in Tillamook County, led the majority of the group to conclude that it would be best to take a “wait and see” attitude toward the CET. Thus, the recommendation is to evaluate the outcomes of the CET in those smaller cities and counties that have

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[12] Housing is considered affordable if a household spends no more than 30% of gross income on rent and utilities per year. ($25,000 x .3)/12 = $625 per month for rent plus utilities.

adopted it instead of moving forward now with adoption. Nevertheless, the need for local assistance for development of low-cost housing by nonprofit and charitable entities remains.

Recommended Action Plan

In summary, the Work Group recommends the following Action Plan for Columbia County.

A. Goal: A more suitable array of housing types and a better calibrated housing mix

Challenge: Columbia County's existing development pattern is misaligned with the changing housing needs and budgets of a significant portion of the County's current residents. This mismatch will worsen in the future if the current economic trends and development patterns continues. Well considered local government planning action does have a real impact on how development occurs. A good strategy is to acknowledge that it is not possible to freeze Columbia County as it is or go back in time; for example, major new projects like OMIC will bring jobs, opportunity and growth to the County. More housing types and a mix that includes a greater share of smaller, attached and/or less expensive homes is needed if we are to meet current and future housing demand.

Strategy 1: Remove regulatory barriers that prevent the development of a broader array of housing types and a housing mix that better meets the needs and budgets of current and future residents.	
Actions	**Lead**
a. Remove barriers & costs associated with the development of small multifamily rental housing projects, including (where appropriate) mixed use development.	Public Sector
b. Support more opportunities for duplexes, triplexes and quads, including in some neighborhoods zoned for single-family housing, and especially on corner lots.	Public Sector
c. Make Accessory Dwelling Units (ADUs) an easily permitted use in single-family zones, and ensure that they are available as permanent housing regardless of owner occupancy and that they not absorbed as vacation rentals.[13]	Public Sector
d. Make Cottage Housing a permitted use in certain zones or areas.	Public Sector
e. Remove regulatory barriers to the development of townhouses and other forms of attached single-family housing.	Public Sector
f. Re-examine the types of housing that fit well in single-family zones, increasing density and broadening housing size and type where appropriate. The other alternative is to consider rezoning some existing land for more intensive residential and mixed-use development types.	Public Sector

[13] SB 1051, approved by the 2017 state legislature, requires Oregon cities with populations greater than 2,500 and counties with populations greater than 15,000 to allow the development of at least one accessory dwelling unit for each detached single-family dwelling in areas zoned for detached single-family dwellings, subject to reasonable siting & design regulations. The deadline for implementation of this provision of SB 1051 is June 30, 2018.

Strategy 2: Take steps to actively promote the development of new housing types, ease the permitting and financing processes and introduce new housing options to the community.	
Actions	**Lead**
a. Provide training for all those engaged in the permitting process (planning, building, fire safety, etc.) about new housing types and the importance of new housing types to the County's economic health. Develop simple protocols and other tools to ease permitting process.	Public Sector
b. Where feasible, streamline permitting processes.	Public Sector
c. Develop a permitting and design toolkit for homeowners considering the development of Accessory Dwelling Units similar to the one used in Oregon City.	Public Sector
d. Work with a local lender to encourage a "go to" lender for ADU projects and HUD 203b loans.	Private Sector - Lenders Nonprofit developers—CAT & Habitat
e. Consider developing one or more new public-private partnership programs to "prime the pump" for the development of ADUs, duplexes and triplexes. Create support programs for homeowners or homebuyers pursuing this option to help them learn how to be effective landlords. [To be undertaken in collaboration with lenders—see item c above.]	Nonprofit Sector – Nonprofit developers – CAT & Habitat
f. Pursue new models and opportunities for creating subsidized affordable housing that result from the approval of new housing types.	Nonprofit Sector - Nonprofit developers – CAT & Habitat

B. Goal: More housing affordable to households with modest or low, fixed incomes

Challenge: Even with a broader array of housing types, finding suitable affordable housing will likely remain a challenge for some households whose wages or benefits are insufficient to pay for even modest market-rate housing. Two ways to bring down the cost of new housing are to reduce development costs and to provide development subsidies. At present and for the foreseeable future, subsidies from state and federal sources are insufficient, highly competitive and often come with requirements that make it hard for nonprofit developers serving smaller cities and more rural counties to access or use efficiently.

Strategy 1: Reduce development costs.	
Actions	**Lead**
a. Identify vacant or underutilized sites owned by faith-based organizations or civic/fraternal organizations that may provide opportunities for reduced-cost development.	Nonprofit Sector
b. Identify vacant or underutilized sites owned by the public sector that may provide an opportunity to incorporate affordable housing and/or consider land swaps or contributions that make needed housing available, such as the one under consideration for an Assisted Living Facility in Rainier.	Public Sector
c. Investigate innovative construction techniques, such as modular or panelized construction.	Nonprofit Sector

d. For housing developed by nonprofits, continue to waive or subsidize permit fees and/or system development charges or change how they are structured.	Public Sector
e. For small infill projects, exercise flexibility regarding full public improvements in areas that do not currently have curb, gutter or sidewalks.	Public Sector

Strategy 2: Support local capacity for subsidized housing development.	
Actions	**Lead**
a. Do not be an early adopter of the Construction Excise Tax (CET) authorized by the 2016 state legislature. Instead, evaluate the impacts of the CET in smaller cities and rural counties that are implementing it to decide whether to pursue it or other options at a later date.	Public Sector
b. Preserve local development capacity as a strategy to maximize affordable housing opportunities.	Public, Private & Nonprofit Sectors
c. Organize area housing nonprofits to strengthen collaboration, minimize competition and develop a governing rationale for public support and investment in their affordable housing activities	Nonprofit Sector - Nonprofit developers – CAT, NOHA, CCMH, CCSH & Habitat
e. Consider developing one or more new public-private partnership programs to "prime the pump" for the development of ADUs, duplexes and triplexes. Support homeowners or homebuyers who want to pursue this option and learn how to be effective landlords. [To be undertaken in collaboration with lenders—see item c above.]	Nonprofit Sector – Nonprofit developers – CAT & Habitat
f. Pursue new models and opportunities for creating subsidized affordable housing that result from the approval of new housing types.	Nonprofit Sector - Nonprofit developers – CAT & Habitat

Ultimately, meeting the challenge of housing affordability is a matter of leadership, vision and marshalling community/political will. The final section of this report addresses this issue.

Final Thoughts: The Effect of Community Capacity on Housing Development & Retention

Historically our local governments have seen housing as a private market activity, at best a low priority for local government attention. In this way, more active local governments, mainly in the urban parts of Oregon, have been able to out-compete Columbia County in securing state and federal affordable housing investments. Only in the preservation of existing homes have Columbia County and its cities had an outsized impact on housing. Not coincidentally this work was done via a public-private partnership with Community Action Team and was accomplished only because the CAT board and leadership prioritized the creation and preservation of development capacity within CAT.

Components of the built environment are constructed only when all the conditions necessary to development are in place. There must be adequate desire (market), suitable and available land, available financing, skilled contractors, and a knowledgeable entity which provides and enforces an overall vision for the project. Borrowing a term from the world of electricity, communities combining these features have been labeled as having, "capacity. "Efficient, well planned developments require preliminary guidance, long before a project idea is viable enough to contract with an outside developer. If a community is reliant on that model, outsiders gain economies of scale by bringing a development cookie cutter with them. This exacerbates the scale problems that already exist in small communities and effectively transfers development proceeds (profits) to entities outside our communities.

Historically, suburban and rural communities have concerned themselves primarily with land availability, including land use regulation. For market rate developments this strategy is efficient and effective. However, driven by the need for redevelopment and increasing urban poverty, America's urban centers have become more proactive. Understanding the components of capacity, urban local governments have added a focus on two capacity gaps:

- using local, public resources to fill financing gaps needed for non-market projects (this also attracts additional federal and state investment), and
- building local public and nonprofit development capacity focused on needed development types which do not provide adequate profit to attract private developers.

One easily understood analogy for development is moviemaking. The developer (public, private or nonprofit) functions much as a movie producer does. Like a producer, the developer must bring together a team of skilled professionals, each responsible for a portion of the result. The developer must set the vision, finance and orchestrate the team's efforts, typically at his/her own risk. As the project's comprehensive visionary, the developer must imagine the development concept - not the actual buildings - in the context of land use rules, site development costs and limitation, construction process, economic/productive use and suitable financing.

Typically, the leaders of small communities rely on housing markets to provide this planning without help. Although true for the high-end housing currently being produced, this simply does not work for the low-end housing needs described for this report by ECO-Northwest.

Even when accomplished within the confines of government (e.g. building a bridge or a sewer system), all development requires this vision and risk. Thus, this development vision and risk have a personal and an institutional component. No development can be done without vision and risk.

Communities that maintain local public works expertise are more targeted and efficient in achieving their public works mandate. By the same token, communities that intentionally address their community capacity to develop low income housing and community facilities are more successful at setting and achieving their own community vision. This visioning is an intensely local process that most efficiently starts with local knowledge and expertise.

Creation/preservation of local housing knowledge and development capacity is the work of local government and local charities. In the past state government and regional charities like Meyer Memorial Trust have helped create some local capacity. Community Action Team and the Northwest Oregon Housing Authority are examples of this past investment. Neither the state nor regional charities are currently active in capacity building. This leaves only local players to provide for their local need, community by community.

This planning study brought together key players with expertise and creative thinkers to imagine what is possible and the strategies needed to advance a better fit between Columbia County residents' housing needs and the housing that is being developed. But visioning and planning are just the first steps. What is needed is a continuing effort, a continuing will,founded on the willingness to collaborate, and frank communication among all parties. We encourage all parties to build on the network of allies that this study helped to create.

Appendix A

Columbia County Housing Analysis by ECONorthwest

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: November 14, 2016
TO: Columbia County Housing Workgroup
CC: Jim Tierney and Andree Tremoulet
FROM: Beth Goodman
SUBJECT: COLUMBIA COUNTY HOUSING ANALYSIS

Availability of affordable housing is a growing concern in Columbia County. The Community Action Team (CAT) contracted with ECONorthwest to develop information to better understand the issues of housing affordability in Columbia County. This information will help the CAT develop programs and work with communities to develop policies that better address housing affordability, both through private market development of market-rate affordable housing and development of government-subsidized affordable housing.

This memorandum presents a brief analysis of the housing market in Columbia County. It presents a forecast of housing growth based on historical development trends and an assessment of housing affordability in the County. It provides a high-level description of gaps in Columbia County's housing market, both for existing households and for future households.

This memorandum includes the following sections:

- **Summary** presents a brief summary of the conclusions of the analysis.
- **Characteristics of Housing** provides information about the housing stock in Columbia County, including changes in the mix of housing and housing tenure.
- **Housing Affordability in Columbia County** presents information about housing costs and housing affordability in the County, including changes since 2000.
- **Housing Forecast** presents a forecast for housing in Columbia County and selected cities based on the characteristics of the existing housing stock, housing tenure, and housing affordability.
- **Conclusions** discusses the conclusions about the types of housing needed in Columbia County, both to meet existing needs and future needs.

Summary

The analysis in the memorandum shows that Columbia County struggles with housing affordability similar to communities in and around the Portland region and statewide. Most of Columbia County's housing is single-family detached and most is owner-occupied, with relatively little multifamily housing.

The County's adopted population forecast shows growth of more than 10,400 people over the 2016 to 2036 period, resulting in demand for nearly 4,100 new dwelling units. Assuming that housing growth over the next 20 years is similar to development since 2000, more than three quarters of new housing (about 3,200 units) would be single-family detached units. The

remaining units would include nearly 790 new multifamily units and nearly 100 new single-family attached units.

However, there are several factors to suggest this development pattern is not meeting the needs of some existing residents and will not meet the needs of some future residents. These factors suggest that the mix of housing that Columbia County and its cities need is for development of a wider range of housing types compared to historical development, especially relatively affordable housing types. These factors include:

- One-third of Columbia County's households are cost burdened and pay more than they can afford for housing. More than half of renters and about one-quarter of homeowners are cost burdened. These households, especially renter households, lack access to affordable housing.
- Twenty-two percent of Columbia County's existing households earn less than $25,000 per year and there is an existing deficit of about 1,900 dwelling units affordable to these households.
- The median sales price in Columbia County increased by $60,000 or 33% in Columbia County between 2013 and 2016.
- Incomes grew slower than housing costs since 2000. Income in Columbia County grew by 20% over this period.
- The forecast of population growth in Columbia County does not include the upcoming development of a campus of Portland Community College and development of the Oregon Manufacturing Innovation Center (OMIC), both in Scappoose. There is not sufficient information available at this time about the number of faculty, staff, and students who will work at or attend these educational institutions. It is clear, however, that some people associated with these institutions will live in Columbia County, creating additional demand for housing, including access to a wider range of housing than what is currently available in the County.
- Demographic changes will affect future housing need. While this memorandum does not document demographic factors that may affect housing needs, three broad demographic changes are occurring in Oregon and the nation that will affect housing demand and need in Columbia County over the next 20 years: the aging of the Baby Boomers, household formation and maturation of the Millennial generation, and continued growth in the Latino population.

The conclusion of this memorandum is that Columbia County has a substantial number of existing residents who lack access to affordable housing. Need for affordable housing will grow, as the population grows. In addition, demographic changes and the location of institutes of higher education will drive demand for a wider range of housing than what is available in the County. These housing types include affordable, smaller single-family detached housing, cottage housing, duplexes and tri-plexes, townhouses, garden apartments, and other types of apartments.

Characteristics of Housing

Analysis of historical development trends in Columbia County provides insight into the functioning of the local housing market. For the purposes of this memorandum, we grouped housing types based on: (1) whether the structure is stand-alone or attached to another structure and (2) the number of dwelling units in each structure. The housing types used in this analysis are:

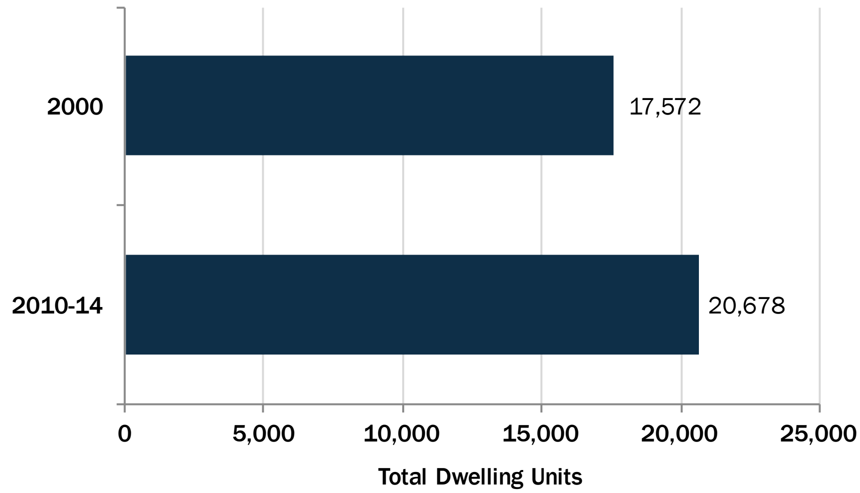
- **Single-family detached** includes single-family detached units, manufactured homes on lots and in mobile home parks, and accessory dwelling units.
- **Single-family attached** is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.
- **Multifamily** is all attached structures (e.g., duplexes, tri-plexes, quad-plexes, and structures with five or more units) other than single-family detached units, manufactured units, or single-family attached units.

This section presents a brief overview of the housing stock in Columbia County and key cities. It provides information about growth of housing, the mix of housing types, and homeownership rates in Columbia County since 2000. Unless otherwise noted, this memornadum uses data from the 2000 and 2010 Decennial Census and 2010-2014 American Community Survey 5-Year Estimates.

The total number of dwelling units in Columbia County increased by 3,106 dwelling units from 2000 to 2010-14.

This amounted to an 18% increase over the analysis period, adding about 3,100 new dwelling units.

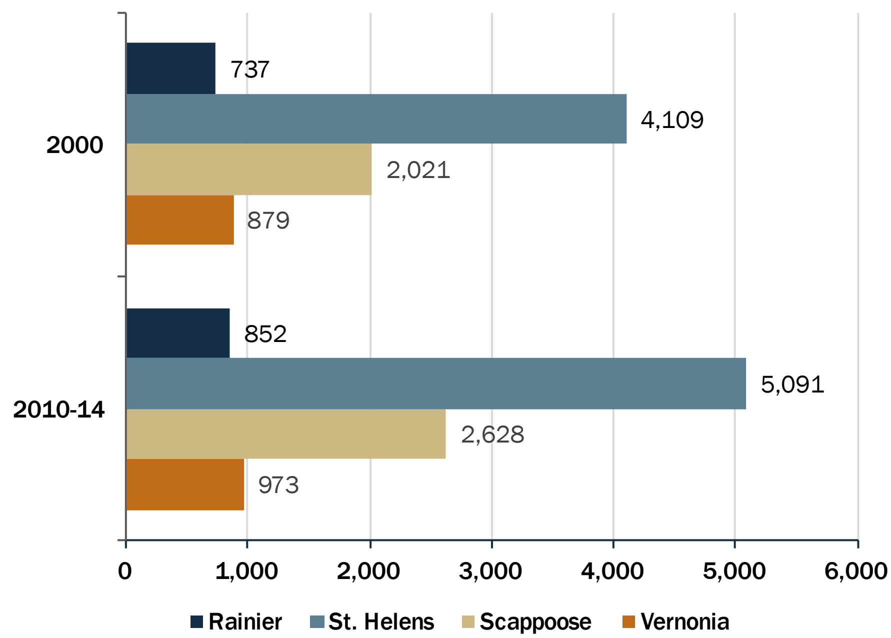
Exhibit 1. Total Dwelling Units, Columbia County, 2000 and 2010-14
Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2010-14 ACS Table B25024



The total number of dwelling units in each Columbia County geography increased.

St. Helens had the largest numerical increase in dwelling units (982) over the 2000 to 2010-14 period, whereas Scappoose had the largest percentage increase in its dwelling units at 30%.

Exhibit 2. Total Dwelling Units, Columbia County Area Geographies, 2000 and 2010-14
Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2010-14 ACS Table B25024



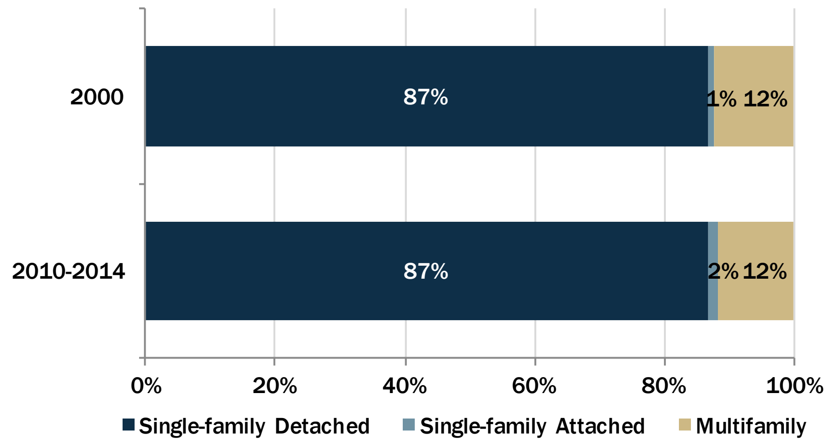
Columbia County's housing stock is predominantly single-family detached housing units and has been so since 2000 and before. Eighty-seven percent of the County's housing stock is single-family detached, 12% is multifamily, and 2% is single-family attached (e.g., townhouses). In comparison, 72% of all housing in Oregon is single-family attached.

The mix of housing in Columbia County was largely stable between 2000 and 2010-2014.

The percentage of single-family detached housing remained at approximately 87% between 2000 and 2010-14.

Columbia County had 20,678 dwelling units in the 2010-2014 period. About 17,923 were single-family detached, 317 were single-family attached, and 2,438 were multifamily.

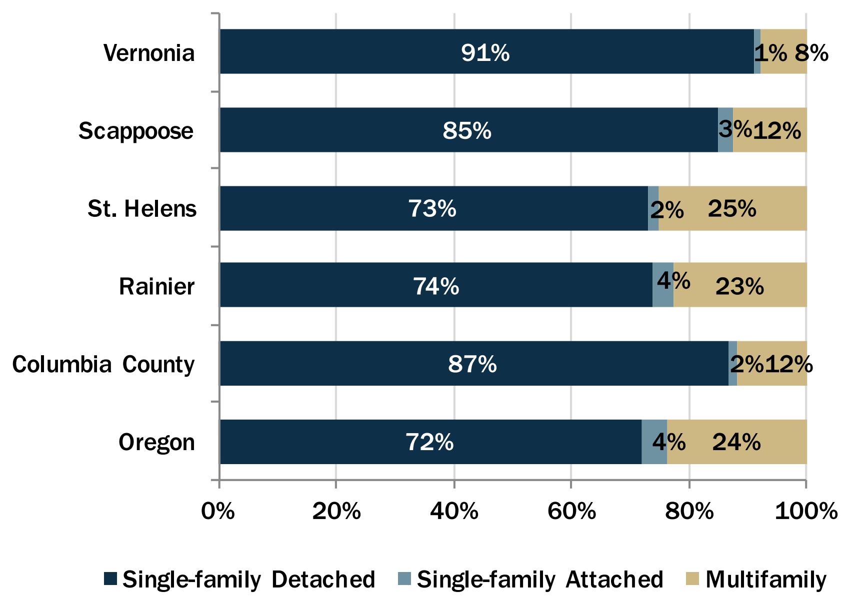
Exhibit 3. Change in Housing Mix, Columbia County, 2000 and 2010-14
Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2014 ACS Table B25024



About 87% of Columbia County's housing stock is single-family detached.

In comparison, about 72% of the housing in Oregon is single-family detached.

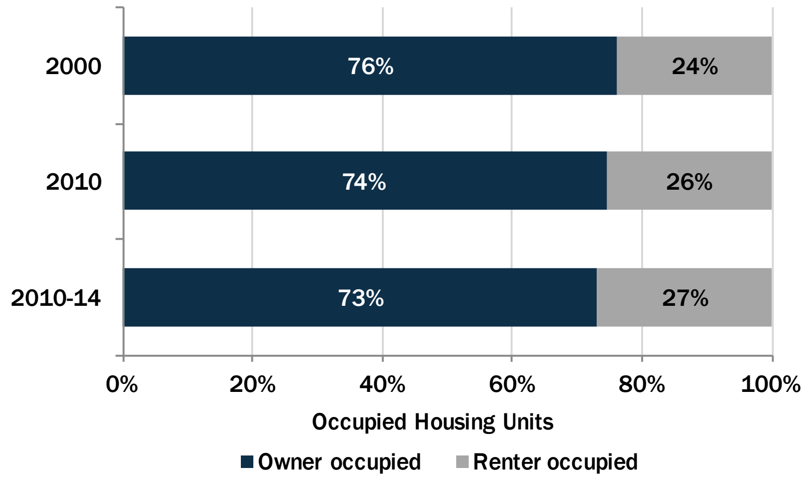
Exhibit 4. Housing Mix, Columbia County Area Geographies, Oregon, 2010-2014
Source: U.S. Census Bureau, 2010-2014 ACS Table B25024



Housing tenure describes whether a dwelling is owner or renter-occupied. This section shows that nearly three-quarters of housing in Columbia County is owner-occupied, compared with Oregon's average of 62% homeownership. Opportunities for rental housing in Columbia County are limited, given the high rates of homeownership.

The overall homeownership rate in Columbia County decreased from 76% in 2000 down to 73% in 2010-14.

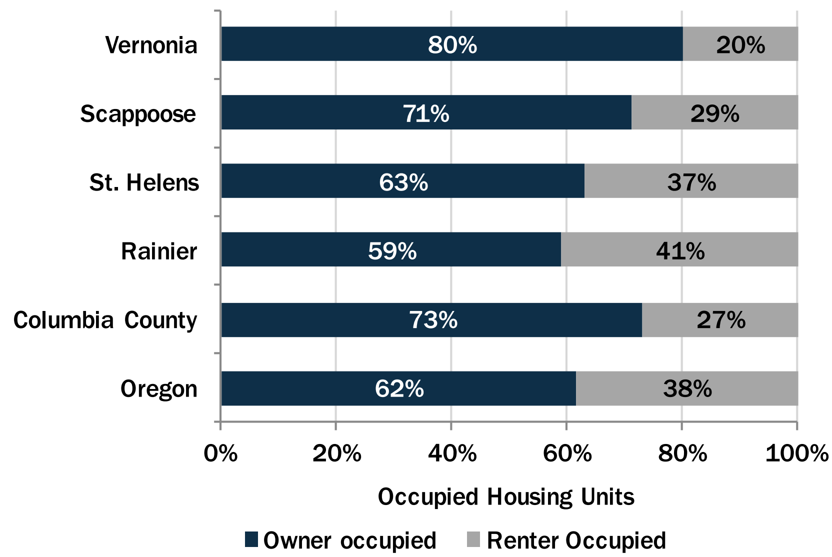
Exhibit 5. Tenure, Occupied Units, Columbia County, 2010-2014
Source: U.S. Census Bureau, 2000 Decennial Census SF1 Table H004, 2010 Decennial Census SF1 Table H4, 2010-14 ACS Table B25003



Columbia County has a higher homeownership rate relative to the State.

About 73% of households in Columbia County live in owner-occupied dwelling units, compared with 62% of households in Oregon.

Exhibit 6. Tenure, Occupied Units, Columbia County Area Geographies, Oregon, 2010-14
Source: U.S. Census Bureau, 2010-2014 ACS Table B25003



Housing Affordability in Columbia County

This section provides an overview of key indicators of housing affordability in Columbia County and key cities. It provides information about household income, homeownership costs, rental costs, and housing affordability.

Household Income

Income is one of the key determinants of housing choice. Households with higher incomes have more income to spend on housing. Conversely, lower-income households not only have less to spend on housing but have more essential needs (such as transportation, food, or medical services) to pay for with their smaller income.

Columbia County's median household income increased by 20% or $9,153 since 2000.

Exhibit 7. Change in Median Household Income, nominal dollars, 2000 to 2010-2014
Source: US Census Bureau, 2000 Decennial Census, Tables HCT012 and 2010-2014 ACS, Tables B19013

	2000	2014	Change 2000 – 2010-14	
			Difference	% Change
Oregon	$40,818	$50,521	$9,703	24%
Columbia County	$45,452	$54,605	$9,153	20%
Rainier	$39,954	$46,750	$6,796	17%
St. Helens	$40,538	$47,421	$6,883	17%
Scappoose	$47,031	$62,244	$15,213	32%
Vernonia	$41,000	$59,375	$18,375	45%

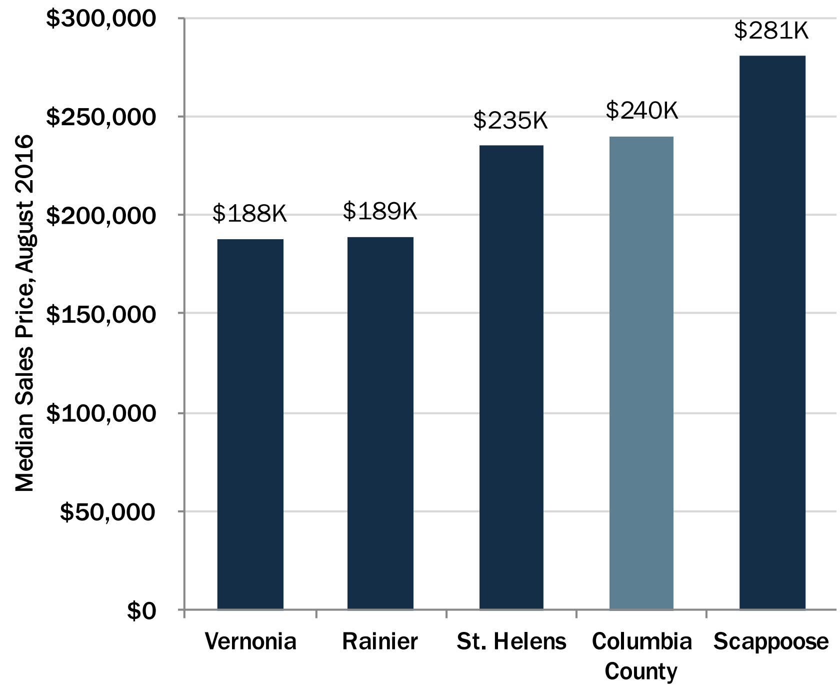
Homeownership Costs

Homeownership has generally become less affordable in Columbia County as house prices have increased. The median home sales price in Columbia County in 2016 was $240,000. The median sales price in Columbia County increased by $60,000, or 33% in Columbia County between the third quarter of 2013 and the third quarter of 2016.

Columbia County's median home sales price was about $240,000 in August 2016.

Columbia County's median home sale price was above all County area geographies besides Scappoose.

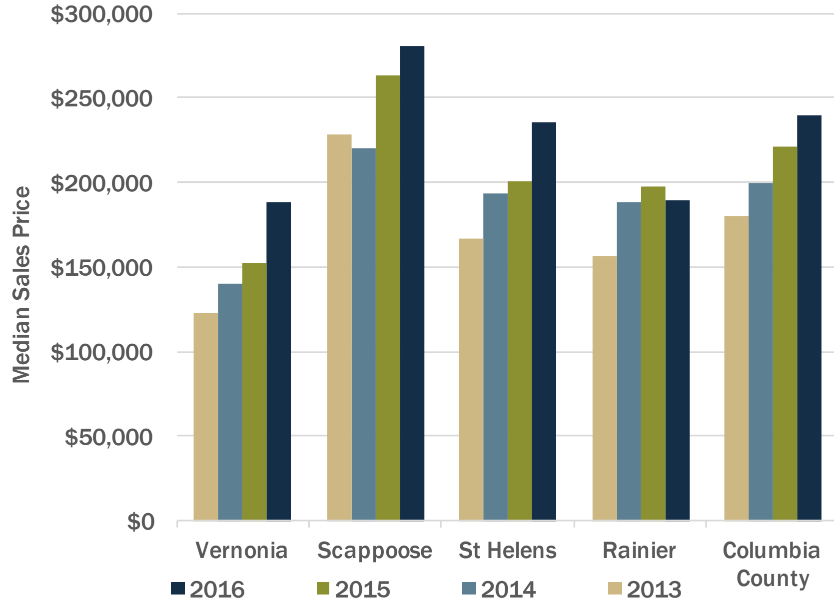
Exhibit 8. Median Sales Price, Columbia County-Area Geographies, August 2016
Source: Columbia County Assessor's Office, Property Sales Data, http://www.co.columbia.or.us/departments/assessors-office-main/property-sales-data



Median home sales prices in Columbia County have steadily increased over the last three years.

The median sales price in Columbia County in 2016 Q3 increased $60,000 since 2013 Q3, a 33% increase in housing prices.

Exhibit 9. Median Sales Price, Columbia County-Area Geographies, August 2013 to August 2016
Source: Columbia County Assessor's Office



The ratio of housing value to household income shows that home values increased faster than incomes since 2000. In Columbia County, the median home value was 3.8 times the median household income, up from 3.2 in 2000. This trend is consistent with statewide trends, showing that homeownership has become less affordable since 2000.

The ratio of housing value to household income increased for Oregon and all Columbia County area geographies except for Vernonia.

Exhibit 10. Ratio of Housing Value to Household Income (Median to Median), 2000 to 2010-14[14]
Source: US Census Bureau, 2000 Decennial Census, Tables HCT012 and H085, and 2010-2014 ACS, Tables B19013 and B25077

	Columbia County	Rainier	St. Helens	Scappoose	Vernonia	Oregon
2000	3.2	3.1	3.1	3.2	2.8	3.6
2010-14	3.8	3.4	3.5	3.6	2.8	4.6

[14] This ratio compares the median value of housing in Columbia County to the median household income. Inflation-adjusted median owner values in Columbia County increased from $208,172 in 2000 to $208,700 in 2010-14. Over the same period, inflation-adjusted median household income decreased from $65,542 to $54,605.

Rental Costs

Rental costs in Columbia County are lower than statewide averages.

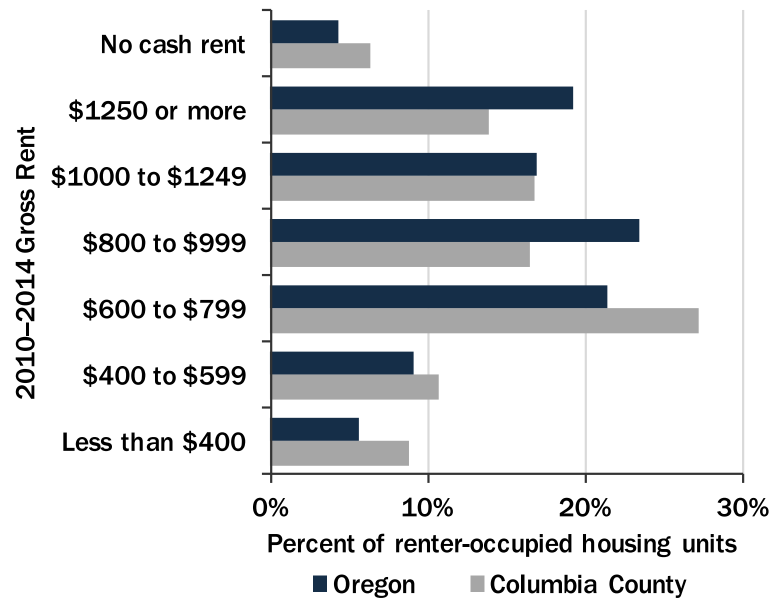
Median gross rent in Columbia County is about $801 per month.

Exhibit 11. Median Gross Rent, 2010-2014
Source: U.S. Census Bureau, 2010-2014 ACS Table B25064

Columbia County	Rainier	St. Helens	Scappoose	Vernonia	Oregon
$801	$744	$804	$929	$809	$894

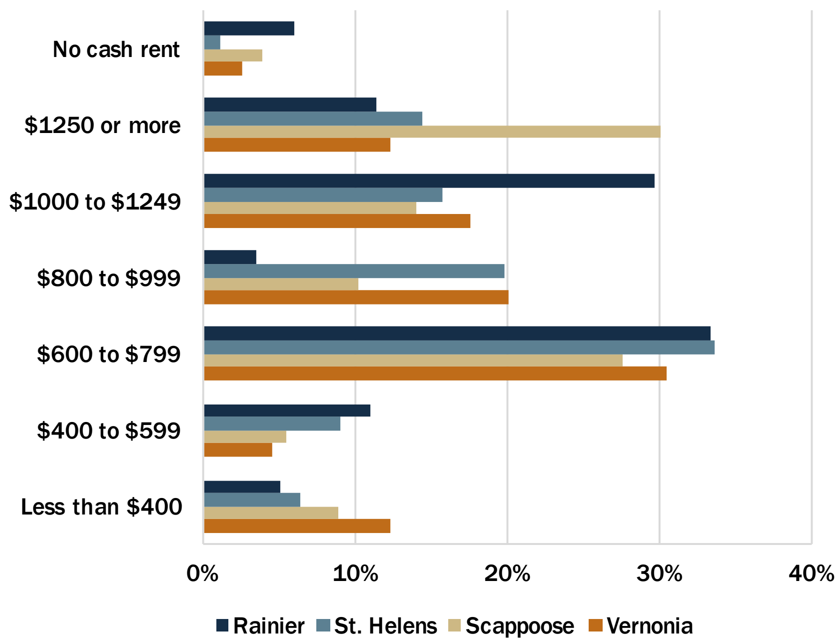
About 27% of renter-occupied units in Columbia County pay rent between $600 to $799.

Exhibit 12. Gross Rent Distribution, Oregon, Columbia County, 2010-2014
Source: U.S. Census Bureau, 2010-2014 ACS Table B25063



The largest share of renter-occupied units in Columbia County, Rainier, St. Helens, and Vernonia pay $600 to $799 in rent. Scappoose renters have about 30% of renters paying $1,250 or more.

Exhibit 13. Gross Rent Distribution, Columbia County Area Geographies, 2010-2014
Source: U.S. Census Bureau, 2010-2014 ACS Table B25063



Data from CoStar[15] provides additional information about rent costs in Columbia County. The asking rent per multifamily unit in Columbia County increased approximately 30% over 2000 to 2016 (from $589 in 2000 to $765 in 2016). Rent costs increased faster in St. Helens (53%) and Scappoose (46%) over the 2000 to 2016 period. The rents in St. Helens grew from $484 to $742 and in Scappoose from $823 to $1,201 over that period.

[15] CoStar Group, www.costar.com.

Housing Affordability

A typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of household income for housing, including payments and interest or rent, utilities, and insurance. HUD guidelines indicate that households paying more than 30% of their income on housing experience "cost burden," and households paying more than 50% of their income on housing experience "severe cost burden." Using cost burden as an indicator is consistent with the Goal 10 requirement to provide housing that is affordable to all households in a community.

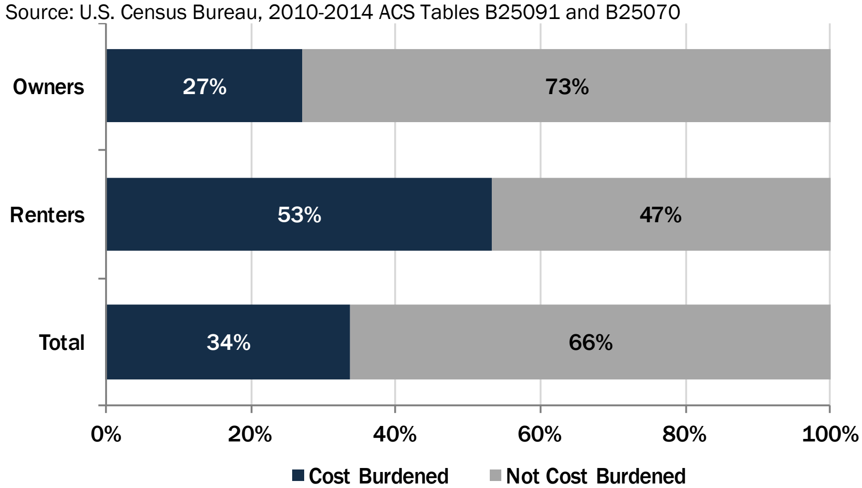
About 34% of Columbia County's households are cost burdened. Analyzed by housing tenure, about 53% of the County's renter households are cost burdened, compared with 27% of homeowners. In comparison, 40% of Oregon's households are cost burdened.

For example, 22% of Columbia County's households have income of less than $25,000 per year. These households can afford rent of less than $625 per month, or a home with a value of less than $62,500. Most, but not all of these households are cost burdened.

More than half of Columbia County's renters are cost burdened compared to about one-quarter of owners.

Cost burden rates are much higher among renters in Columbia County than among homeowners. In the 2010-14 period, about 53% of renters were cost burdened compared to 27% of homeowners.

Exhibit 14. Housing Cost Burden by Tenure, Columbia County, 2010-14
Source: U.S. Census Bureau, 2010-2014 ACS Tables B25091 and B25070



About 34% of all households in Columbia County are cost burdened.

Of the Columbia County area geographies, St. Helens has the highest share of cost burdened households.

Exhibit 15. Housing Cost Burden, Columbia County Area Geographies, 2010-14

Source: U.S. Census Bureau, 2010-2014 ACS Tables B25091 and B25070

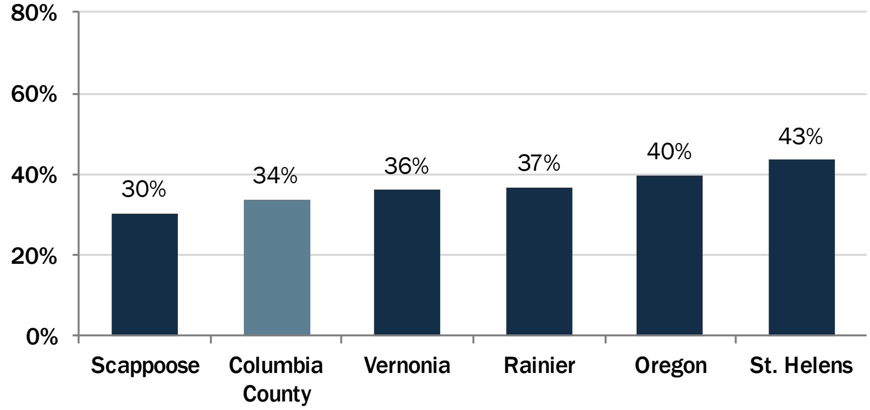


Exhibit 16 shows housing affordability based on household income. **Exhibit 16** groups households by level of Median Family Income (MFI), which is determined by HUD for every county. The MFI for the Portland Metropolitan Statistical Area, which Columbia County is a part of, was $73,300 in 2016. About 18% of Columbia County's households had income that was less than 30% of the County MFI ($21,990) and are able to afford housing costing $550 or less. Fifteen percent of Columbia County's households had income between 30% and 50% of the County MFI and are able to afford rent between $550 and $916.

The information in **Exhibit 16** suggests that Columbia has a substantial housing affordability problem, which is consistent with other cities in the Portland region.

More than 20% of Columbia County households have cannot afford the average rent cost in Columbia County ($801 per month) for the 2010-2016 period.

Exhibit 16. Financially Attainable Housing, by Median Family Income (MFI) for Columbia County ($73,300), 2016

Source: U.S. Department of Housing and Urban Development, U.S. Census Bureau, 2014 ACS Table 19001 Attainable rent

% of Col. Co. MFI	< 30%	30%-50%	50%-80%	80%-120%	> 120%
Annual Income	< $21,990	$21.990-$36,650	$36,650-$58,640	$58,640-$87,960	> $87,960
Monthly Affdble. Housing Cost	< $550	$550-$916	$916-$1,466	$1,466-$2,199	> $2,199
Percent of Columbia Co. House-holds	18%	15%	13%	27%	26%
Attainable Owner Housing Types	None	Mfg. in parks	Townhome Duplex Mfg on lot	Townhome Single-family house	All housing types
Attainable Renter Housing Types	Subsidized Apartment	Apartment Mfg. in parks	Apartment Townhome Single-family house	Most Single-family houses	All housing types

Exhibit 17 contrasts the number of households at differing income levels with the number of dwelling units affordable to these households, assuming they spend no more than 30% of their income on housing costs. **Exhibit 17** shows that Columbia has about 4,167 households earning

less than $25,000 and 2,291 dwelling units (1,126 owner-occupied units and 1,165 rental units) with housing costs affordable to these households. **The County has a deficit of nearly 1,900 units for households with income below $25,000.** This is consistent with the County's rate of cost burden because most of these 1,900 households are not homeless, but occupy housing that costs more than they can afford.

Although it appears that Columbia County has a surplus of housing affordable to households with annual income between $25,000 and $50,000, this is not likely the case. Some, perhaps many, of the 1,900 households with income below $25,000 occupy housing that is not affordable to them, predominantly housing affordable to households with income between $25,000 and $50,000. This suggests that Columbia County may need more housing affordable for this income range as well. The information in Exhibit 17 reinforces the conclusion that Columbia County has a housing affordability challenge.

Columbia County currently has a large deficit of housing affordable to households earning less than $25,000.

The deficit of housing for households earning less than $25,000 results in these households living in housing that is more expensive than they can afford, consistent with the data about renter cost burden in Columbia County.

The housing types that Columbia has a deficit of are more affordable housing types such as apartments, duplexes, tri- and quad-plexes, and manufactured housing.

Exhibit 17. **Rough Estimate of Housing Affordability, Columbia County, 2016**
Source: US Census Bureau, 2010-2014 ACS Tables 19001, 25075, 25063

Annual Income	<$25K	<$25K-$50K	<$50K-$75K	<$75K-$100K	>$100k
HH in Columbia County	4,167 22%	4,349 23%	4,071 22%	2,498 13%	3,687 20%
Monthly Affdble. Housing Cost	<$625	$625-$1,250	$1,250-$1,875	$1,875-$2,450	> $2,450
Affdble. Owner Housing Cost	<$62,500	$62,500-$125,000	$125,000-$187,500	$187,500-$245,000	> $245K
Est. of Number of Owner Units in Columbia County	1,126	1,315	3,333	2,805	5,160
Est. of Number of Renter Units in Columbia County	1,165	3,126	600	118	24
Does Columbia County Have Enough Units?	No. Deficit: 1,876 units	Yes. Surplus: 92 units	No. Deficit: 138 units	Yes. Surplus: 425 units	Yes. Surplus: 1,498 units

Housing Forecast

This section presents a forecast of housing growth in Columbia County, based on historical development trends. It includes a projection of housing demand by housing type (single-family detached, townhouses, and multifamily and income levels. This section presents the forecast for population growth in Columbia County and the forecast for housing growth.

Population Growth

Exhibit 18 shows historical population growth in Columbia County and selected cities since 1990. Between 1990 and 2015, Columbia County added 12,833 people, an increase of 34% at an average annual growth rate (AAGR) of 1.2%. The majority of this growth was in St. Helens and Scappoose.

Exhibit 18. Population, Columbia County, 1990 - 2015

Source: U.S. Decennial Census 1990, 2000, and 2010, and PSU Population Research Center 2015 estimate
AAGR is average annual growth rate

					Change 1990 to 2015		
	1990	2000	2010	2015	Number	Percent	AAGR
Oregon	2,842,321	3,421,399	3,831,074	4,013,845	1,171,524	41%	1.4%
Columbia County	37,557	43,560	49,351	50,390	12,833	34%	1.2%
Rainier	1,674	1,687	1,895	1,905	231	14%	0.5%
St. Helens	7,535	10,019	12,883	13,095	5,560	74%	2.2%
Scappoose	3,529	4,976	6,592	6,745	3,216	91%	2.6%
Vernonia	1,808	2,228	2,151	2,065	257	14%	0.5%

Exhibit 19 presents a forecast for Columbia County for 2016 to 2036 based on the adopted population forecast for Columbia County, developed by Portland State University's Population Research Center in 2008.[16]

This forecast does not account for changes in development since 2008, when the forecast was developed. It also does not account for the proposed Oregon Manufacturing Innovation Center (OMIC), which will be located in Scappoose. Information about the number of faculty, staff, and students who will be a part of OMIC is not currently available.

Exhibit 19. Forecast of Population Growth, 2016-2036

Source: Columbia County Oregon Population Forecasts 2010-2030, Portland State University Population Research Center, 2008
Note: ECONorthwest extrapolated the forecast for growth from the adopted forecasts for 2010 and 2030 based on the rate of growth in Columbia County and each city.
AAGR is average annual growth rate

			Change 2016-2036	
	2016	2036	Number	AAGR
Columbia County	51,826	62,267	10,441	0.9%
Rainier	1,971	2,362	391	0.9%
St. Helens	14,429	20,040	5,610	1.7%
Scappoose	7,537	11,443	3,906	2.1%
Vernonia	2,523	2,833	309	0.6%

[16] The adopted forecast shows growth from 2010 to 2030. ECONorthwest extrapolated the population growth to the 2016 to 2036 period based on the rates of growth in the adopted forecast. For example, the adopted forecast shows Columbia County growing at a 0.9% average annual growth rate over the 2010 to 2030 period. The forecast in **Exhibit 19** the County will grow by 0.9% between 2010 and 2016 and 0.9% between 2030 and 2036. ECONorthwest extrapolated the population forecasts for the cities using the same methods.

Forecast of Housing Growth

This section describes the key assumptions and presents an estimate of new housing units needed in Columbia County and the selected cities between 2016 and 2036, shown in **Exhibit 20**.

- **Population.** A 20-year population forecast (in this instance, 2016 to 2036) is the foundation for estimating needed new dwelling units. The forecast of housing growth uses the forecast for population growth in **Exhibit 19**.

  Persons in Group Quarters. Persons in group quarters do not consume standard housing units: thus, any forecast of new people in group quarters is typically derived from the population forecast for the purpose of estimating housing demand. The forecast in in **Exhibit 20** shows the number of persons in group quarters for 2016 to 2036 based on 2010-2014 American Community Survey data about the percent of the population in group quarters.

- **Household Size.** The forecast in in **Exhibit 20** shows the average household size for 2016 to 2036 based on 2010-2014 American Community Survey data about average household size.

- **Vacancy Rate.** Vacancy rates are cyclical and represent the lag between demand and the market's response to demand for additional dwelling units. Vacancy rates for rental and multifamily units are typically higher than those for owner-occupied and single-family dwelling units. The forecast in Exhibit 20 shows the average vacancy rate assumption for 2016 to 2036 based on 2010-2014 American Community Survey data about vacancy rates.

  According to Co-Star, multifamily vacancy rates in Columbia County varied from 2.4% in 2000 to 5% in 2009. In the third quarter of 2016, multifamily vacancy rates were about 3.5%. The vacancy rates shown in Exhibit 20 shows may be higher than current vacancy rates for all housing in Columbia County and its cities (especially Vernonia, which the American Community Survey reported a nearly 21% vacancy rate for).

Exhibit 20.Forecast of New Dwelling Units, Selected cities Columbia County, 2016 - 2036
Source: ECONorthwest, 2010-2014 American Community Survey data about group quarters, average household size, and vacancy rates

Variable	Rainier	St. Helens	Scappoose	Vernonia	Other Parts of Columbia	Total
Change in persons	391	5,610	3,906	309	224	10,441
minus Change in persons in group quarters	-	137	36	1	-	
equals Persons in households	391	5,473	3,870	308	224	10,267
Average household size	2.47	2.72	2.66	2.66	2.61	
New occupied DU	158	2,012	1,455	116	86	3,827
times Aggregate vacancy rate	9.2%	8.3%	4.0%	20.9%	9.2%	
equals Vacant dwelling units	14	167	59	24	8	272
Total new dwelling units (2016-2036)	**172**	**2,179**	**1,514**	**140**	**94**	**4,099**
Annual average of new dwelling units	**9**	**109**	**76**	**7**	**5**	**205**

Exhibit 21 allocates the housing units forecast for each city in Exhibit 20 to three types of housing: single-family detached, single-family attached, and multifamily. This allocation is based on the existing mix of housing in each city from American Community Survey data.

Exhibit 21 shows that based on the existing housing mix over the 20 year period, the majority of new housing would be single-family detached (3,214 units). The County would have 787 new multifamily units and 98 new single-family attached units.

Exhibit 21.Forecast of New Dwelling Units by Type of Unit, Selected cities Columbia County, 2016 - 2036

Source: ECONorthwest, 2010-2014 American Community Survey data about housing types

Variable	Rainier	St. Helens	Scappoose	Vernonia	Other Parts of Columbia	Total
New dwelling units (2016-2036)	172	2,179	1,514	140	94	4,099
Dwelling units by structure type						
Single-family detached						
Percent single-family detached DU	74%	73%	85%	91%	87%	
***equals* Total new single-family detached DU**	**127**	**1,590**	**1,287**	**128**	**82**	**3,214**
Single-family attached						
Percent single-family attached DU	4%	2%	3%	1%	1%	
***equals* Total new single-family attached DU**	**7**	**44**	**45**	**1**	**1**	**98**
Multifamily						
Percent multifamily detached DU	22%	25%	12%	8%	12%	
Total new multifamily DU	**38**	**545**	**182**	**11**	**11**	**787**
***equals* Total new dwelling units (2016-2036)**	**172**	**2,179**	**1,514**	**140**	**94**	**4,099**

Exhibit 22 shows the forecast of the new 4,099 dwelling units by income level, assuming that Columbia County's income distribution does not change. For example, **Exhibit 22** assumes that 18% of the County's households will have income of 30% or less of the Median Family Income, consistent with the analysis in **Exhibit 16**.

Exhibit 22 shows that about 1,345 of Columbia County's new households over the 2016-2036 period will have income below 50% of the Median Family Income. These households will struggle to find housing that is affordable. These will need more affordable housing types, such as manufactured housing, duplexes, townhouses, apartments, and subsidized apartments.

Assuming that income distribution remains about the same in the future, about one-third of Columbia County's new households (1,345 new households) will have income below 50% of the Median Family Income and will have limited housing choices.

Generally speaking, these households may not be able to afford market rent costs and are likely to be cost burdened. Their housing choices will be limited to older housing (such as manufactured homes or apartments) or government subsidized housing.

Exhibit 22. Forecast of Financially Attainable Housing for New Dwelling Units, by Percentage of Median Family Income (MFI) for Columbia County, 2016-2036

Source: U.S. Department of Housing and Urban Development, U.S. Census Bureau, 2014 ACS Table 19001 Attainable rent

% of Col. Co. MFI	< 30%	30%-50%	50%-80%	80%-120%	> 120%
Number of New Dwelling Units	749	596	551	1,125	1,078
Percent of Columbia Co. Households	18%	15%	13%	27%	26%
Attainable Owner Housing Types	None	Mfg. in parks	Townhome Duplex Mfg on lot	Townhome Single-family house	All housing types
Attainable Renter Housing Types	Subsidized Apartment	Apartment Mfg. in parks	Apartment Townhome Single-family house	Most Single-family houses	All housing types

Conclusions

The analysis in the memorandum shows that Columbia County struggles with housing affordability consistent with communities in and around the Portland region and statewide. Most of Columbia County's housing is single-family detached and most is owner-occupied.

The forecast of growth presented in this memorandum assumes that this development pattern may continue over the next 20 years. The forecast for new housing shows demand for 4,099 dwelling units to accommodate the forecast of population growth over the 2016 to 2036 period. More than three quarters of these units (3,214 units) would be single-family detached units. The remaining units would include 787 new multifamily units and 98 new single-family attached units

However, there are several factors to suggest this development pattern is not meeting the needs of some existing residents and will not meet the needs of some future residents. These factors suggest that the mix of housing that Columbia County and its cities need is for development of more multifamily units compared to historical development. These factors include:

- One-third of Columbia County's households are cost burdened and pay more than they can afford for housing. More than half of renters and about one-quarter of homeowners are cost burdened. These households, especially renter households, lack access to affordable housing.
- Twenty-two percent of Columbia County's existing households earn less than $25,000 per year and there is an existing deficit of about 1,900 dwelling units affordable to these households. Housing affordable, or at least more affordable, to households in this income range is likely to include housing like manufactured housing, duplexes, smaller apartment buildings, or government subsidized housing.
- The median sales price in Columbia County increased by $60,000, or 33% in Columbia County between 2013 and 2016.
- Incomes grew slower than housing costs since 2000. Income in Columbia County grew by 20% over this period. In 2000, the median home value in Columbia County was 3.2 times the median household income. By 2010-2014, median home value in was 3.8 times the median household income.
- The forecast of population growth in Columbia County does not include the upcoming development of a campus of Portland Community College in Scappoose and development of the Oregon Manufacturing Innovation Center (OMIC), also in Scappoose. There is not sufficient information available at this time about the number of faculty, staff, and students who will work at or attend these educational institutions. It is clear, however, that some people associated with these institutions will live in Columbia County, creating additional demand for housing. Some of whom will need access to a wider range of housing than what is currently available in the County, including more townhouses and multifamily housing.

- Demographic changes will affect future housing need. While this memorandum does not document demographic factors that may affect housing needs, three broad demographic changes are occurring in Oregon and the nation that will affect housing demand and need in Columbia County over the next 20 years. They are:
    - *Aging of the Baby Boomers.* By 2036, the youngest Baby Boomers will be 75 years old. As people age, their housing preferences and needs change. Baby Boomers' housing choices will affect housing preference and homeownership, with some boomers likely to stay in their home as long as they are able and some preferring other housing products, such as multifamily housing or age-restricted housing developments.
    - *Household formation and maturation of the Millennials.* By 2036, the Millennial generation will be 36 to 56 years old. The Millennial generation is the age group most likely to form the majority of new households over the next 20 years. While low incomes have kept current homeownership rates among young adults below their potential, Millennials may represent pent-up demand that will release as the economy fully recovers. In the near-term, Millennials may increase demand for rental units. The long-term housing preference of Millennials is uncertain. They may have different housing preferences as a result of the current housing market turmoil and may prefer smaller, owner-occupied units or rental units. On the other hand, their housing preferences may be similar to the Baby Boomers, with a preference for larger units with more amenities. Recent surveys about housing preference suggest that Millennials want affordable, single-family homes in areas that that offer transportation alternatives to cars, such as suburbs or small cities with walkable neighborhoods. [17]
    - *Hispanic and Latino population will continue to grow.* The U.S. Census projects that by about 2040, Hispanic and Latino population will account for one-quarter of the nation's population. The share of Hispanic and Latino population in the western U.S. is likely to be higher. In addition, the Hispanic and Latino population is generally younger than the U.S. average, with many Hispanic and Latino people belonging to the Millennial generation.

      Hispanic and Latino population growth will be an important driver in growth of housing demand, both for owner- and renter-occupied housing. Growth in Hispanic and Latino population will drive demand for housing for families with children. Given the lower income for Hispanic and Latino households, especially

[17] The American Planning Association, "Investing in Place; Two generations' view on the future of communities." 2014.
"Access to Public Transportation a Top Criterion for Millennials When Deciding Where to Live, New Survey Shows," Transportation for America.
"Survey Says: Home Trends and Buyer Preferences," National Association of Home Builders International Builders

first generation immigrants, growth in this group will also drive demand for affordable housing, both for ownership and renting. [18]

The conclusion of this memorandum is that Columbia County has a substantial number of existing residents who lack access to affordable housing. Need for affordable housing will grow, as the population grows. In addition, demographic changes and the location of institutes of higher education will drive demand for a wider range of housing than what is available in the County. These housing types include affordable smaller single-family detached housing, cottage housing, duplexes and tri-plexes, townhouses, garden apartments, and other types of apartments.

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[18] The following articles describe housing preferences and household income trends for Hispanic and Latino families, including differences in income levels for first, second, and third generation households. Pew Research Center. *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, February 7, 2012. National Association of Hispanic Real Estate Professionals. *2014 State of Hispanic Homeownership Report*, 2014.

Appendix B

Five Sample Budgets for Four Types of Housing

Accessory Dwelling Unit
Cottage Cluster
Private Small-Scale Rental Development
Subsidized Small-Scale Rental Development
Assisted Living Facility

Accessory Dwelling Unit

<u>Development Type:</u> Small attached or detached units added to existing home or home site
<u>Benefits:</u> Additional Units; Scattered Site Units, Broad Market; Benefits to tenants (added rental opportunity) and owners (household-stabilizing income)
<u>Development Size:</u> Typically, a single additional unit added to a single-family home
<u>Unit Cost</u>: $25,000 to $120,000
<u>Financing</u>: Owner self-financing (equity loan); Specialized loan products (Advantis & HUD 203b)
<u>Developer Types:</u> Existing homeowners, Small-scale, hands-on entrepreneurs,
<u>Unique Features</u>: Hard to appraise, and thus finance; Must be viewed primarily as a source for income stream, not equity/value; Requires rental business training for inexperienced owners

Accessory dwelling units (ADUs) are one of the most promising ways to inexpensively add rental units to a community's housing inventory. This type of dwelling offers lower per unit development cost, a likely lower rent structure, opportunity for disbursal throughout the community and represent an opportunity for low income homeowners to stabilize their incomes by becoming landlords.

Financing this type of dwelling represents the biggest challenge to successfully bringing this development type to scale. As noted on the website www.acessorydwellings.org , four interdependent factors combine to prevent the development of ADUs:

1. *National banks can't determine the value of ADUs as a product, and they typically won't lend against a product whose value they don't understand.*
2. *Banks can't establish the value of a prospective ADU because it's difficult to appraise the value of ADUs.*
3. *It's difficult to appraise the value of ADUs in part because there are so few permitted ADUs in the market place; there aren't many comparables for the appraiser to use to establish an opinion of market value for the ADU and the main house together.*
4. *There are so few ADUs in the marketplace because most cities/counties make it difficult or impossible to build them.*

In truth, uncertainty is the barrier here. Any progress in realizing the vast ADU potential must address these uncertainties:

- Value – establishing the increase in value that results from the conversion of a single-family home into a de facto duplex is critical. Like all rehabilitation, the effect on market value from ADU conversion is not certain to be a dollar for dollar increase. In these projects, the developer/owner should be seeking the income stream, not a value increase.
- Ease of development and dependability of unit legality – banks are seeking cookie cutter projects. ADUs are hard to shoehorn into one mold; there are several different types, as

different as a basement conversion with no additional square footage added and a new freestanding building.

- Professionalism of owner operators (and thus, income stream) is untested.
- Future marketability of a home plus ADU is uncertain until ADUs become more common.
- Marketability of mortgages on the secondary market is uncertain to non-existent.

Progress is being gradually made on some of these fronts. Pressure on local governments in the Portland metro area has reduced barriers to ADUs, and more are being developed. (The attached ADU budget is a current example from Portland – note the income stream.) Legality of the unit can be addressed by requiring evidence of issued permits. The remaining three barriers will all require time and a track record of positive experience to overcome natural resistance of the banking community and the secondary market to unfamiliar products.

Some progress in mortgage origination is being made. The attached January 2017 flyer from Advantis Credit Union shows their effort to carve out a market niche for ADUs on terms that will allow many previously infeasible ADU projects to go forward. Ninety percent mortgages with a 1% origination fee is certainly adequate to move the industry forward and build confidence as the project type becomes more common. Yet, sustained progress on financing is dependent on a pattern of financial success emerging.

Appraisers find it difficult to transfer market conditions and comparables from the Portland metro area to Columbia County. This will continue to depress opportunity in Columbia County until there is sufficient experience to establish experience locally and a local market for ADUs.

One way to accelerate this local process is for local government to work with the nonprofit sector to use state and/or federal housing funds to establish and ADU development program. By providing "soft second" loans, a program could effectively increase the apparent equity or down payment for lending purposes. A soft second of sufficient size can also overcome concerns about value after completion. Value concerns will surface as appraisal deficits requiring the soft second to accept 100% loan to value ratio, or even higher.

An ADU support program for income-qualified homeowners/homebuyers could be financed with either CDBG rehabilitation funds (through the Infrastructure Finance Authority) or LIFT funding through Oregon Housing and Community Services. Assistance could come in the form of "soft seconds" to prospective ADU developers, either existing homeowners or acquisition/rehab projects. In this case, the soft seconds should be in the form of deferred payment loans (zero interest with no payment until sale.) The use of public funding would require that the benefiting tenants be low income – 80% of area median income (AMI) or less – and that the rent be affordable to households at or below 60% of AMI. In Columbia County, these thresholds are high enough they are unlikely to present much of a barrier to project development. The primary barrier will be the cost of ongoing cost of certification of compliance. This could be arranged for a small annual "interest fee" of $100, or so.

To address the need to for projects to experience long term financial success, the nonprofit administering the ADU creation project should be structured like a housing rehabilitation program, complete with the project and client management that such a program requires. The nonprofit should offer a small landlord training component, like the "ready to rent" tenant education curriculum, as a program requirement. This education component should include landlord tenant law, antidiscrimination training, the need for financial discipline, including rent collection, eviction and expense control.

After several programs the local nonprofit should have developed a corpus of outstanding loans that will eventually create a revolving ADU creation fund. Local government financial and sponsor support can help build the corpus and reduce shrinkage as the funding is re-lent.

Another source of financing for ADUs is the HUD 203b Program which allows acquisition/rehab of up to 4-unit properties (https://www.hud.gov/program_offices/housing/sfh/ins/sfh203b). This would require an experienced lender and a development consultant to assist the borrower/developer. The same nonprofit administering the ADU creation project described above could provide this consultant service.

Rehab Mortgage

Advantis credit union

The Advantis Rehab Mortgage can be used to finance the purchase of a home and the addition of an Accessory Dwelling Unit. This loan can also be used to refinance your existing 1st mortgage loan and the addition of an Accessory Dwelling Unit. These loans can also be used to finance improvements without an ADU.

Benefits

- You receive one loan at closing
- Improvement funds are added to an escrow holdback account at closing
- Borrower up to 90% of the Improved value of the home
- No Mortgage Insurance is required on this loan
- We offer local in-house underwriting
- No Pre-payment penalties
- Opportunity to earn rental income from an ADU
- Improvements may help generate equity for the borrower

Eligible Improvements

- Addition of an Accessory Dwelling Unit
- Improve the overall condition and marketability
- Add additional living square footage
- Replace roofing, siding, windows, carpeting, etc.
- Add accessibility for a disabled person
- Energy conservation improvements

Program Highlights

- Eligible on a 5/1 Arm, 30/10 Balloon, 3/2 Arm or 15 yr fixed
- Appraisal fees are typically $750, because we obtain and As Is value of the home in present condition, and an after improved value as well.
- 1% loan origination fee
- Typical improvement time period, 3-6 months
- Owner occupied loans up to 90%
- Non-owner occupied loans up to 75%

For current rates and more information, contact us at 503-785-2528 or at www.advantiscu.org. You can also email us at resales@advantiscu.org

EQUAL HOUSING OPPORTUNITY

This flyer is meant for distribution to brokers and real estate professionals. NMLS ID #532239

One Bedroom Design-build ADU – 2017 Example

The attached budget and design documents are from a real project in Portland to be completed in November 2017. The owner believes the unit can rent for $1500-$1700 per month, with a net income after expenses of $500/month or more. The owner also sent us photographs of the work in process. By any objective standard, the work and the design are of good quality. As a one-bedroom rental, the unit looks to be "high-end."

Columbia County ADU - Garage Demo & Stick-Built High End One Bedroom Unit

Assumptions:					
	Property already owned				
	Proposed Rent:		$1,200	Utilities included	
	Property is within city limits				
	Compliant with exiting ordinance				
	An older entrepreneurial owner occupant				
7000	Sq. Ft. Lot				
1200	Sq. Ft. Existing Home				
35%	Existing Debt				
Beginning Property Value:			$200,000	Single family home	
Equity:			$130,000		
Existing Debt:			$70,000	15 years, 5% Int.	$553.56
Taxes & Ins. Est					$376
Existing Debt:				15 years, 5% Int.	$929.72
New Structure:			$120,000	800	Sq. Ft. Delivered
Infrastructure:					
	sewer & water	incl.			
	Electric & gas	incl.			
Foundation/Slab/tie downs:		incl.			
Site work:		incl.			
Permits		incl.			
Project Planning, Supervision & Mgt.			19410		
	TDC		$139,410		
New Property Value:			$305,469	Single family home	
Equity:			$96,059		
New Debt:			$209,410	30 years, 5% Int.	$1,124.16
Taxes & Ins. Est					$538
New Total Payment (PITI)				15 years, 5% Int.	$1,662.17
	Revenue Calcs				
			$929.72	Previous Monthly Cost	
		$	1,080.00	New Unit Rent (Net of 10% vacancy)	
			$1,662.17	New Payment	
			$347.55	Net Income (Cost)	

Cottage Cluster Housing Development

<u>Development Type:</u> Small (relatively) single family or small multifamily homes on less formally developed sites with shared common areas and other facilities – parking green space etc. **<u>Benefits:</u> More efficient use of land and infrastructure, reducing cost and supporting sense of community. Typically combined with variation in unit size, but usually smaller-scale units** **<u>Development Size:</u> Typically, 8 – 15 units** **<u>Unit Cost</u>: Highly variable. In this example of higher end units, the average cost was $460,000/unit** **<u>Financing</u>: Private lending** **<u>Developer Types:</u> Private** **<u>Unique Features</u>: This is a purely private version but could be adapted for affordable homeownership, and possibly rental. Local zoning is key to this type of development.**

Cottage cluster development is sometimes referred to as the "missing middle" type of housing. This approach to homeownership offers local communities and prospective home buyers several advantages:

- Smaller homes and less formally developed sites are more efficient in terms of cost, energy and land. This model brings the infrastructure and development efficiencies of multifamily development to homeownership by reducing the cost of installed infrastructure (roads, utilities etc. – on and off-site) and the amount of land required.
- Cluster housing has the potential to increase community connections within the clustered community.
- Such communities reduce typical ancillary homeownership costs because private space is smaller and cooperative ownership of equipment is more feasible.
- This style of housing easily lends itself to a more planned and cooperative type of community, not everyone's choice but attractive to a significant segment of the population.
- Ability to utilize parcels that include a section that is not suitable for development but could be used as open space.

Like ADUs, cottage cluster developments are quite variable. The budget that follows is for a higher-end example that may be too expensive for Columbia County (but maybe not.) Key characteristics of cottage clusters can be applied across the range of the homeownership market.

Sample Budget for a Nine-Unit Cottage Cluster Development[19]

Units & Pricing	Count	SF Each	SF Total	Sales Price Each	Sales Price Total	Sales Price Per SF
2-BR ADU (condo)	0	700	-	230,000	-	329
3-BR (condo)	0	1,400	-	380,000	-	271
3-BR (fee simple lot)	6	1,400	8,400	400,000	2,400,000	286
3-BR + 2-BR ADU (fee simple)	3	2,100	6,300	580,000	1,740,000	276
			-		-	
			-		-	
Common	1	700	700		-	
TOTAL	**9**		**15,400**		**4,140,000**	

SOURCES - Development ph	%	Loan Amt	Interest rate	Predev	Const.	Absorption	Interest Est.
Construction loan	75%	2,859,689	6.00%	0	12	4	131,546
Mezzanine loan(s)	15%	571,938	8.00%	0	12	6	57,194
Developer equity	10%	381,292	6.00%	12	12	6	51,474
TOTAL		**3,812,918**					**240,214**

USES		
Acquisition		687,000
Acquisition financing costs		5,000
Demo		25,000
Bldg Permits, Systems Development Charges		245,000
Right-of-Way permitting		15,000
Land use (or subdivision)		15,000
Construction (on-site)	130	2,002,000
Construction (off-site)		60,000
Construction - Contingency	5.0%	103,100
Architectural/Engineering	8.0%	173,208
Condo/HOA Legal, Survey, Fee	1.00	20,000
Entity, Bookkeeping, Accounting		6,000
Title/Closing Costs/Recording Fees		5,000
Const. loan: loan fee	1.5%	44,000
Const. loan: legal/doc prep		2,000
Const. loan: inspections	500	6,000
Const. loan: appraisal + review		6,500
Environmental (Phase I, Env. Cert.)		2,500
Marketing		4,000
Soft cost contingency	*3%*	9,210
Insurance - liability	6,000	54,000
Insurance - builder's risk		12,000
Property taxes		20,000
Title, recording, misc. home sal	1%	41,400
Const. loan interest		250,000
TOTAL		**3,812,918**
Developer Fee (pre-tax)		**327,082**

[19] Thanks to Eli Spevak of Orange Splot LLC for the use of this budget. http://www.orangesplot.net/

Private Small-Scale Rental Development

<u>Development Type:</u> **Small scale rental project – private without subsidy**

<u>Benefits:</u> **Additional Units; Strong Market; Benefits to tenants (added rental opportunity)**

<u>Development Size:</u> **18 units**

<u>Unit Cost</u>: **$116,000 (intentionally skewed low)**

<u>Financing</u>: **Private lending**

<u>Developer Types:</u> **Private**

<u>Unique Features</u>: **This purely private version of rental units requires a $500,000 down payment (25%) and provides only a 1% annual return on investment**

Over the last several years, the Portland metro area, including Columbia County has seen rent increases that range from 40% to as much as 100%, depending on the original rental baseline. Locally, even historically "rock bottom" interest rates have not encouraged the development of many new rental units. This slow uptake is likely a conjunction of four factors: 1) development costs accelerating faster than renter incomes, 2) market rents remaining too low (in combination with high operating costs) for new developments to be feasible, 3) development barriers – little suitable land available, high development costs, etc. and 4) low/poor economies of scale.

Even now after huge rent increases, it does not appear that the medium scale rental apartment development most suitable to Columbia County's small communities is feasible. Below is a budget for a small scale private rental project based on the budget for the 18-unit project CAT is developing on 18th street in St. Helens. With more than $500,000 in required down payment and a 1% return on equity, this project is not really feasible to any organization except a charity like CAT; and then only with public support for the cash requirements.

These project models are very sensitive to the assumptions used. In this case although the proposed rents can be seen as low - $900 per month – the units are very small. This small unit size is a primary reason for the project's very low per unit cost of $116,000. Other development costs transferred from CAT's 18th Street project are also very frugal. In short, this is probably an optimal very small-scale apartment project; and it does not work financially. With all of that said, if a $100 per month increase in rents were feasible, that would improve the return on investment to 5%. This would still require the large $ ½ million initial investment, torpedoing feasibility for most private developers. Feasibility begins to emerge at rents in the $1,100 to $1,200 range.

Looking to public support of various kinds for such projects is the most likely way they will be built. Given this report's evidence for more than 1,900 more affordable – or at least lower cost – rental units in Columbia County, this budget makes it clear that public support for such lower end housing will be a requirement in the future.

Small Apartment Project Uses Budget		Units 18
USES OF CASH		TOTALS
Predevelopment		32,500
Acqusition		317,000
Finance & Carrying Charges		64,500
Architect & Engineering		75,000
Direct Construction		1,440,000
Off-Site Construction Costs		200,000
Municipal Fees		50,000
Marketing For Lease Up		10,000
Lease Up/Loss of Rent/Displacement		10,000
Property taxes		15000
Developers Fee		75,000
Operating Reserve Setup		50,000
Total Development Costs		2,089,000
Total Sources		2,089,000
MARGIN		0

	Small Apartment Project					
			18	Units		
	Operations Pro Forma					
Unit	# of		Rent			
Type	Units		Per Unit			Year 1
18	One Bedroom Units	$ 900	X	16,200	X 12	194,400
Less Vacancy Rate		5.0%				9,720
Less Bad Debt		5.0%				9,720
Net Rental Income						174,960
Other Revenue						-
Describe						
Effective Gross Income						174,960
Annual Operating Expenses						
Insurance						6,500
Taxes						35,000
On-Site Management						12,000
Property Management						12,000
Utilities						5,000
Maintenance, Repairs & Landscaping						4,000
Replacement Reserves						2,000
Operating Reserves						2,000
Professional Services						2,000
Total Annual Operating Costs			$ 4,472	per unit		80,500
				Net Operating Income		94,460
	Down Payment	$ 522,250	25%			
	Loan Amount	Rate	Mthly Prin. & Int.			
Debt Service at	$ 1,566,750	4.0%		$7,480		89,759
Term	30	year amortization				
					DCR	1.05
Cap Rate	10%	944,600	Est. Value			
Cash Flow Per Year	Annual Return on Investment		1%			4,701

Subsidized Small-Scale Rental Development

<u>Development Type:</u> Small scale rental project example
<u>Benefits:</u> Additional Units; Strong Market; Benefits to tenants (added affordable rental opportunity)
<u>Development Size:</u> 11 to 14 units
<u>Unit Cost</u>: $176,000 (high land cost and small project size drive this up)
<u>Financing</u>: Private lending based on Oregon L.I.F.T. grant application success
<u>Developer Types:</u> Private/Public partnership or Private/Public/Nonprofit Partnership
<u>Unique Features</u>: Commitment to long term affordability by credible nonprofit based on feasible operating budget

The budget on the next page describes a real proposed budget seeking assistance from the state's new L.I.F.T. program. If funded, this project will be built on property that CAT bought eleven years ago to build sweat equity duplexes. The real estate market crash destroyed the appetite for that project and the federal support for the sweat equity program is no longer available to CAT. CAT held the property through the down market and has been seeking a development opportunity on the site even since.

The eleven affordable units will be rented to seniors for $675 per month. The $176,000 per unit cost reflects the project's small scale and larger, more market-driven unit size. Operation of these units will be more efficient, event at this small scale because they will be added to CAT's ownership of two other senior affordable rental projects in Scappoose.

The inclusion of this project in our set of "hypothetical" budgets illustrates four points about housing development in Columbia County that we need to keep foremost in our minds as we plan for the county's future housing needs:

1. Opportunity is everything. It is impossible to plan your way from need to finished housing. That path can only be followed by an investor poised and ready to jump on an opportunity.
2. site control is the key where projects become real.
3. Successful developers never give up. To paraphrase Winston Churchill these developers find a way to "keep buggering on."
4. With rental housing, particularly at the low end, it is often necessary to secure public investment to make a project feasible.

CONSTRUCTION COSTS *($145 per SF)*							
Item	# "Mini" Units (400 SF)	Cost	# 1 BR Units (676 SF)	Cost	Common Areas & Office Space	Cost	Amount
Construction	0	$ -	11	$ 1,078,220	0	$ -	$ 1,078,220
Land							$ 450,000
Developer Fees							
Design & Engineering							$ 85,000
Construction Management / Finance Support							$ 165,000
Permits Reserves							$ 25,000
Financing Fees							$ 125,000
							$ 10,000
						TOTAL:	$ 1,938,220

SOURCES OF FUNDS		
Item		Amount
LIFT	125,000	$ 1,375,000
Financing		$ 563,220
	TOTAL:	$ 1,938,220

Item	"Mini" Units	Revenue	1 BR Units ($675MO)	Revenue	2 BR Units	Revenue	Amount
Rental Revenue		$ -	11	$ 89,100			$ 89,100
5% Vacancies							$ (4,455)
						ANNUAL REVENUE:	$ 93,555
Operating Costs[1]							$ (33,000)
Annual Debt Service							$ (39,463)
						NET INCOME:	$ 21,092

[1] $3,500 per unit

Annual Rate	4.88%
# of Payments	25
Loan Amount	$ 563,220

Assisted Living Facility

<u>Development Type:</u> Assisted Living Facility scaled for Columbia County's smaller communities

<u>Benefits:</u> Aging services within home communities; strong need, but actual demand must be proven by an initial market study

<u>Development Size:</u> 25-40 units, driven by market study

<u>Unit Cost</u>: $120,000-150,000

<u>Financing</u>: Private lending

<u>Developer Types:</u> Private

<u>Unique Features</u>: This is a purely private version of Assisted Living based on the need for highly skilled business operator to make any project feasible. Public/Private partnerships can defray some long-term risk and may attract and/or preserve some public investment, but skilled operation becomes more important as project scale decreases.

Experienced developers understand that the foundation of all development is the operations of that type of facility. Even homeownership has an operating budget – the family budget. "Build it and they will come" only works in movies. Developers must understand and plan for the specific kind of operation being proposed.

More than nearly any other kind of development, assisted living facilities (ALFs) are particularly captive to the business acumen of their operators. Common wisdom holds that one must build at least 100 units to make an ALF profitable. Although this truism may be generally correct, at least one smaller for-profit and at least three smaller nonprofit ALFs are operating in Columbia and Tillamook counties. Operational success can be achieved at smaller scales with the right operator.

The operations of an assisted living project are constrained by the assets and economics of the households that move into the project. In practice, most older couples or individuals use up all of their cash and assets prior to, or during their tenure in the project. After that point they must rely on Medicaid reimbursement to pay for their assisted living costs.

This dynamic leaves aspiring project operators to "manage" the mix of private pay (higher reimbursement rates) and Medicaid patients, to the degree possible. This situation also leaves the ownership of the project at risk from state cuts to ALF Medicaid reimbursement rates. Tight control over expenses and expertise in admissions is required for a project to remain in the black.

This situation suggests that communities pursuing an ALF should carefully select an operational partner prior to beginning the search for land and development partnerships. Then a market study must be done. This is what Rainier has done in their bid to attract an ALF for their riverfront area. The operating partner in this case is Concepts in Community Living, a Portland for profit that operates the ALF in St. Helens and helped to set up two in Tillamook County.

Below is a draft development budget for the ALF in Rainier. It shows an efficient unit cost of $130,000 per unit, but the key is the involvement of the operator in the design and development of the project.

ASSISTED LIVING FACILITY SAMPLE DEVELOPMENT BUDGET

PROJECT:	**Sample Project**	
NUMBER OF UNITS:	23	
TOTAL COST PER UNIT	123,000	
(white space indicates data entry)		**% TOTAL**
ACQUISITION		
Land Acquisition	350,000	12.37%
SITE IMPROVEMENTS		
On-Site Imp.	325,000	11.49%
Off-Site Imp.	0	0.00%
CONSTRUCTION		
New Construction	1,275,000	45.07%
Contingency	250,000	8.84%
Tap & Impact Fees	0	0.00%
Permits	0	0.00%
Furnishings	0	0.00%
Other	0	0.00%
PROFESSIONAL FEES		
Architect & Engineer	135,000	4.77%
Real Estate Attorney	0	0.00%
Tax Opinion	5,000	0.18%
Developer Fee	260,000	9.19%
Market Study	0	0.00%
Environmental	2,500	0.09%
CONSTRUCTION FINANCE		
Constr. Loan Interest	70,000	2.47%
Constr. Loan Fee	29,000	1.03%
Constr. Origination	0	0.00%
Appraisal	5,000	0.18%
Title and Recording	0	0.00%
PERMANENT FINANCE		
Perm. Loan Fee	12,000	0.42%
Title and Recording		0.00%
SOFT COSTS		
Marketing Expense	15,500	0.55%
Organizational Exp.	20,000	0.71%
RESERVES		
Rent-up Reserve	0	0.00%
Operating Reserve	75,000	2.65%
DEVELOPMENT COST	2,829,000	100.00%