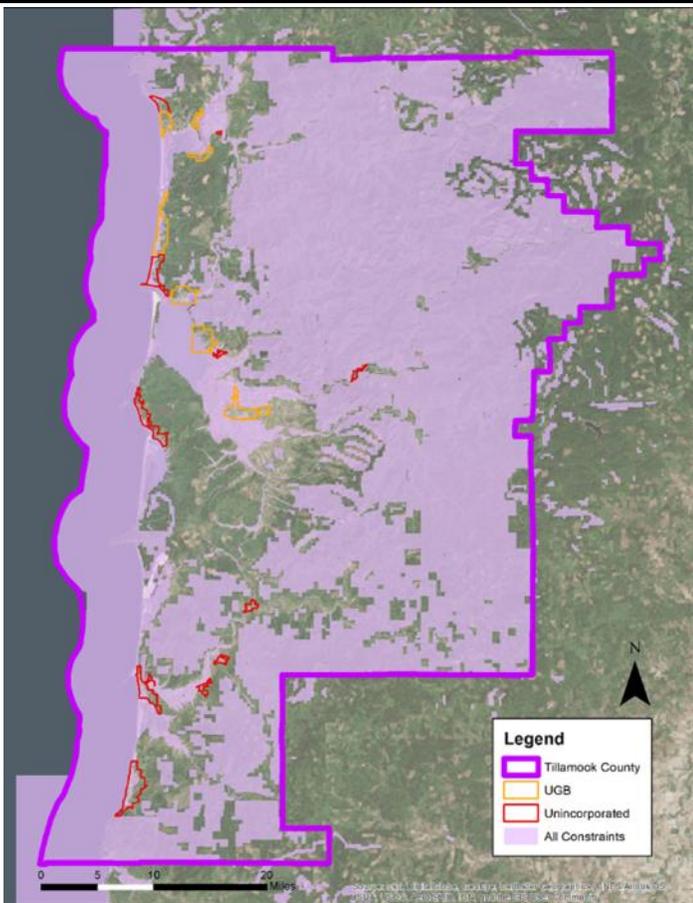




# Tillamook County

## Housing Needs Analysis



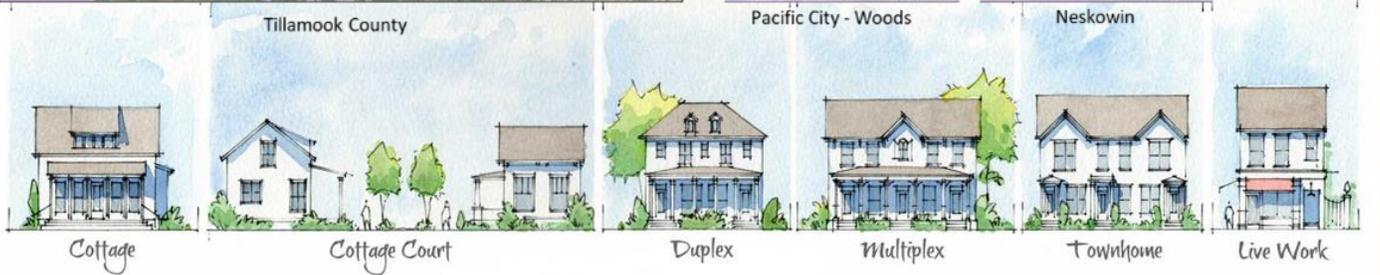
Netarts



Pacific City - Woods



Neskowin



December 27, 2019

# ACKNOWLEDGEMENTS

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This work is made possible through input provided by County staff and the Tillamook County Housing Commission. We specifically recognize and appreciate the time and attention dedicated to this work by the following participants.

## **Tillamook County**

David Yamamoto (Tillamook County Commission Chair)

Bill Baertlein, (Tillamook County Commission Vice Chair, Liaison to County Housing Commission)

Mary Faith Bell (Tillamook County Commissioner)

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- Thomas Kemper, nonprofit housing developer
- Jeff Schons and Mary Jones, Pacific City property owners/developers/business owners
- Paul Wyntergreen, City of Tillamook, City Manager
- Manzanita City Planning Commission
- Bay City Planning Commission

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## Section I. INTRODUCTION

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Tillamook County is widely known for its dramatic coastline, misty beaches and award winning dairy and seafood products. Tillamook County is located along the breathtaking northern Oregon Coast within 50 miles from the Portland and Salem metro regions.

Like many coastal communities, portions of Tillamook County are experiencing strong housing demand by part-time seasonal residents, especially in coastal “resort” communities. Over the past decade, new housing production has not nearly kept pace with the demand generated by permanent residents and seasonal home owners. With the majority of its housing, now controlled by part-time residents, vacancy rates have plunged to near zero and rents/prices have increased to record levels. This has led to a severe housing affordability challenge that is exacerbated by: environmental flood zone and agricultural land use constraints; limited vacant land area with adequate water, sewer and roadway infrastructure; and a growing service economy with limited family wage job opportunities.

These challenges continue to mount as employers struggle to fill job positions since workers are faced with very limited housing choices.

The Tillamook Housing Needs Analysis (HNA) is being conducted to ensure that the County can plan for coordinated housing growth in line with community preferences and market forces. The HNA includes the following:

- A determination of 20-year housing needs based upon long-term growth forecast of demand by permanent and seasonal population increases.
- An analysis of buildable vacant, part-vacant and re-developable land inventory (BLI) for land that’s planned to accommodate housing.
- Identification of new housing goals, objectives, and policy actions that address housing opportunities.



## Section II. MARKET TRENDS AND FORECASTS

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**This section of the HNA includes a forecast of housing needed to accommodate expected year round and seasonal population growth for Tillamook County.** The housing needs forecast represents a 20-year projection from the base year (2019) through year 2039. These technical findings are also consistent with the State of Oregon requirements for determining housing needs per Oregon land use planning Goals 10 and 14, OAR Chapter 660, Division 8, and applicable provision of ORS 197.295 to 197.314 and 197.475 to 197.490, except where noted.

### II.A. METHODOLOGY

The methodology for forecasting housing needs for Tillamook County considers a mix of demographic and socio-economic trends, housing market characteristics and long-range population growth projections. Population is a primary determinate for household formations—which in-turn drives housing need. Given the significance of coastal tourism and visitation, the demand for second homes and short-term rentals is also an important determinate in understanding future housing needs.

County-wide population, households, income and housing characteristics are described in this section using available data provided by reliable sources, such as the U.S. Census Bureau (Census and American Community Survey), the U.S. Department of Housing and Urban Development (HUD), Oregon Department of Housing and Community Services, Portland State University (PSU) and Tillamook County’s Planning and Community Development department. Where trends and forecasts are provided by an identified data source, FCS GROUP has included extrapolations or interpolations of the data to arrive at a base year (2019 estimate) and forecast year (2039 projection).

The housing need forecast translates population growth into households and households into housing need by dwelling type, tenancy (owner vs. renter) and affordability level.

### II.B. DEMOGRAPHICS AND SOCIO-ECONOMICS

#### Population

Since the year 2000, Tillamook County’s permanent year-round population (including local cities) increased 8.6%, from 24,262 residents in 2000 to 26,348 in 2019. Population within Tillamook County is projected to increase to 29,284 over the next 20 years (0.5% avg. annual growth rate).

As population increases, the demand for all types of housing will increase. This HNA supports long-range planning focused on expanding the local housing inventory to accommodate baseline population growth.



The long-range population forecast prepared by PSU’s Population Research Center (PRC) expects 2,936 additional people to be added to Tillamook County by year 2039. This equates to an annual average growth rate (AGR) of 0.5%. Baseline population growth forecasts for Tillamook County and its incorporated areas is shown below in **Exhibit 2.1**.

**Exhibit 2.1 Population Growth Forecast**

	Estimate 2019	Forecast 2039	Proj. Change 20 Years	Proj. AGR (2019-2039)
Oregon	4,209,177	4,954,640	745,463	0.8%
Tillamook County	26,348	29,284	2,936	0.5%
Bay City	1,448	1,796	348	1.1%
Garibaldi	802	875	73	0.4%
Manzanita	910	1,209	299	1.4%
Nehalem	1,272	1,642	370	1.3%
Rockaway Beach	1,590	1,862	272	0.8%
Tillamook	5,643	6,439	796	0.7%
Wheeler	415	486	72	0.8%
Unincorporated	14,261	14,971	710	0.2%

**Source:** Portland State Population Research Center, 2017 estimate; 2017-2040 forecast, interpolated by FCS GROUP.

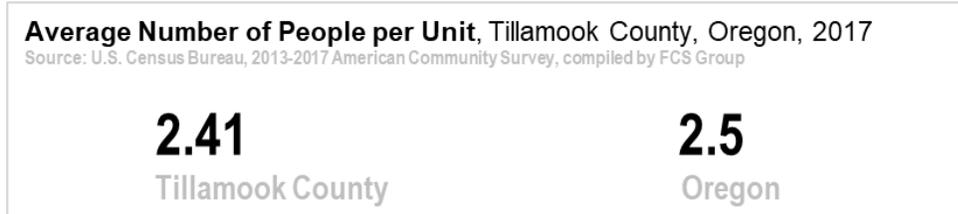
Compiled by FCS Group. AGR = average annual growth rate.

\*Populations are based on Urban Growth Boundary

Tillamook County has a relatively older population in comparison to the Oregon average. In Tillamook County, nearly 24% of the population is 65 or older, compared to 16% for Oregon as a whole. The median age of residents in Tillamook County was 48 in 2017, compared with the State average of 39.2.



Tillamook County’s average household size is 2.41 people per occupied household, which is slightly less than the statewide average of 2.5.

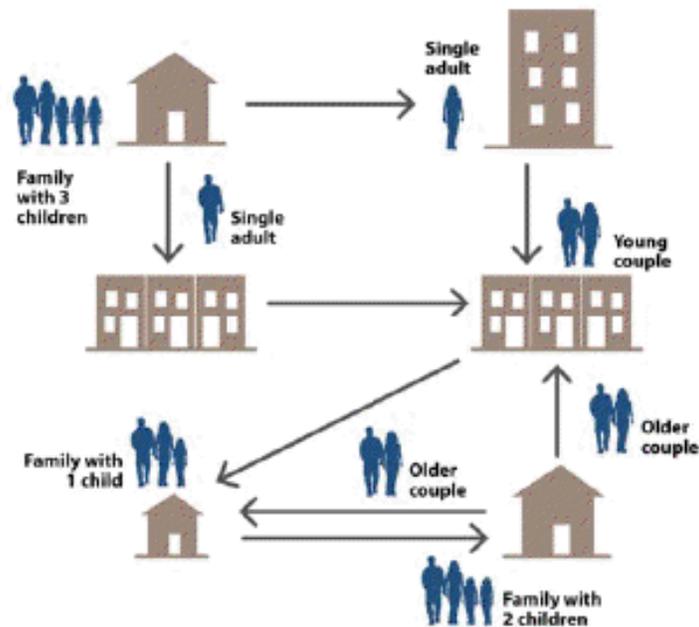


## Factors Affecting Housing Demand

There is a clear linkage between demographic characteristics and housing choice. As shown in the figure below, housing needs change over a person's lifetime. Other factors that influence housing include:

- Homeownership rates increase as income rises.
- Single family detached homes are the preferred housing choice as income rises.
- Renters usually have lower incomes than owners and are much more likely to choose multifamily housing options (such as apartments or plexes) over single-family housing.
- Very low-income households (those earning less than 50% of the median family income) are most at-risk for becoming homeless if their economic situation worsens.
- The housing available to households earning between 50% and 120% of the median family income is crucial to middle-income residents, and is often referred to "missing middle" housing stock or "workforce housing."
- Seasonal housing demand by part time residents will continue to occur primarily in coastal communities that provide access to recreational areas and services.

### Housing Life Cycle



### **Key definitions:**

“**Households**” consist of all people that occupy a housing unit.

“**Family**” is a group two or more people (one of whom is the householder) related by birth, marriage, or adoption and residing together.

The relationship between demographic changes and housing needs can be used to forecast future housing needs. Three main demographic changes affecting housing in Tillamook County include:

## Generational Cohorts

As people age, their housing requirements change with time. **Exhibit 2.2** summarizes the current (2017) distribution of major generational cohorts of people living in Tillamook County.

### **Greatest/Silent Generation (those born before 1925 to 1945)**

This includes retirees better than age 74, who were raised during the Great Depression, Word War I or World War II. This cohort currently accounted for 9% of the county’s population in 2017. As they reach their 80s some move into assisted living facilities with convenient health care services and transit access. Meanwhile, others will leave the county to be closer to family or medical services.

### **Baby Boom Generation (those born 1946 to 1964)**

Baby boomers (currently age 55 to 74) accounted for 32% of Tillamook County residents in 2017. The boomer population segment has been growing more rapidly than the other cohorts over the past 10 years and many are now entering their retirement years. Boomers usually prefer to “age in place” but may downsize or move in with family members, sometimes opting to reside in accessory dwellings off the main house.

### **Generation X (born early 1965 to 1980)**

Gen X (currently includes people between age 39 to 54) accounted for 17% of Tillamook County residents in 2017. GenX households often include families with children, and many prefer to live in single family detached dwellings at various price points.

### **Millennials (born early 1980s to early 2000s)**

Millennials (currently in their twenties or thirties) accounted for 21% of Tillamook County residents in 2017. Younger millennials tend to rent as they establish their careers and/or payback student loans. Working millennials often become first-time homebuyers, opting to purchase smaller single-family detached homes or townhomes.

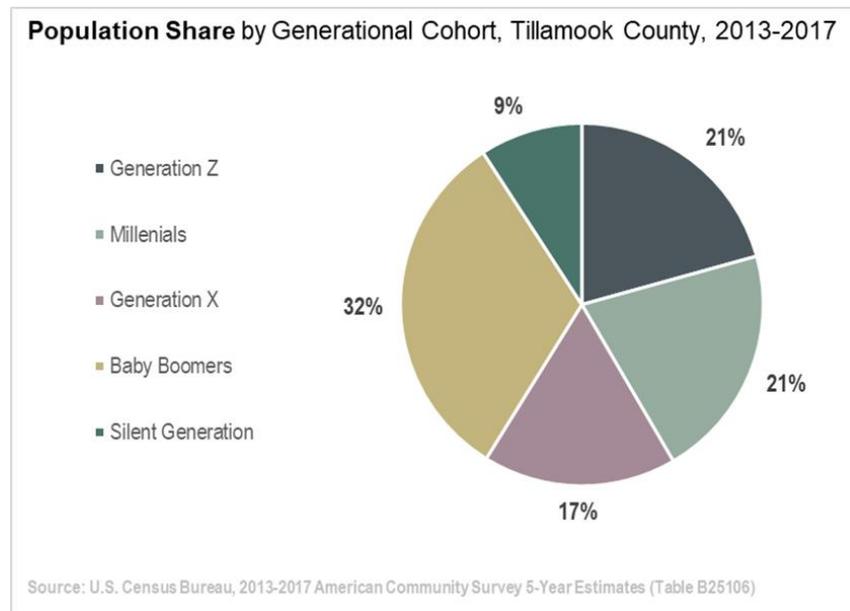
### **Generation Z (born mid-2000s or later)**

GenZ includes residents age 19 or less, which accounted for 21% of Tillamook County residents in 2017. This segment mostly includes children living with Gen Xers or Millennials.

### Families with Children living at home

This category includes a subset of Baby Boomers, Gen Xers and millennials. Taken as a whole, this category constitutes a significant proportion of Tillamook County’s population; and is expected to increase moderately over the next two decades. Families prefer to live in a variety of housing types (detached homes or townhomes/plexes) at price points commensurate with their family income.

**Exhibit 2.2**



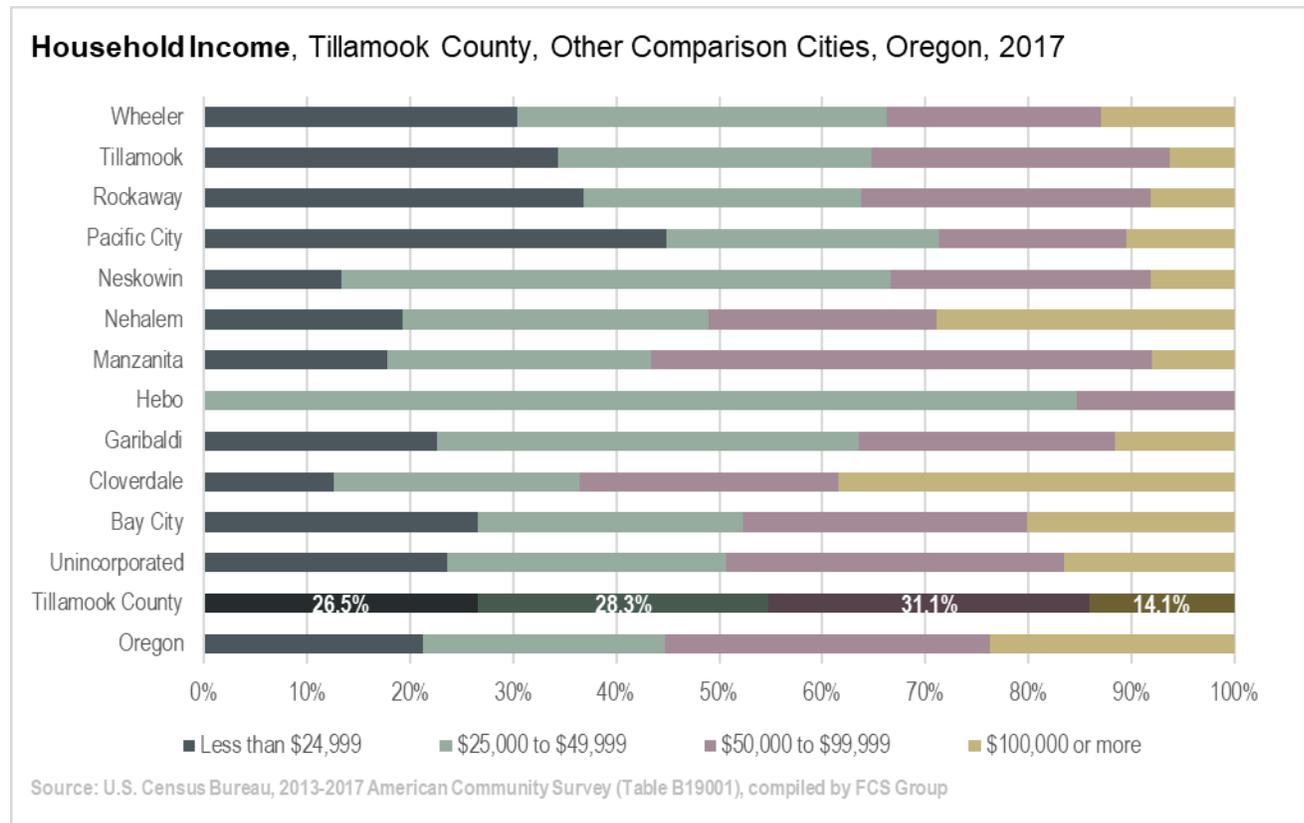
### Income Characteristics

The median household income in Tillamook County (\$45,061) is well below incomes observed statewide in Oregon (\$56,119).

As shown in **Exhibit 2.3**, Tillamook County in comparison with Oregon, has a higher share of low-income residents (earning less than \$30,000), and a lower share of middle- and upper-income residents (those earning more than \$50,000). Countywide incomes vary significantly between communities, with Hebo, Pacific City, Rockaway and City of Tillamook residents having relatively lower incomes compared with Manzanita and Nehalem.

It should be noted that this analysis focuses on local cities and Census Defined Places, since those are the communities for which comparative data are available. There are additional small communities in Tillamook county, such as Oceanside, Netarts and Beaver, which do not have readily available statistics. While such small communities are vital, they are referenced here within the unincorporated county area.

Exhibit 2.3



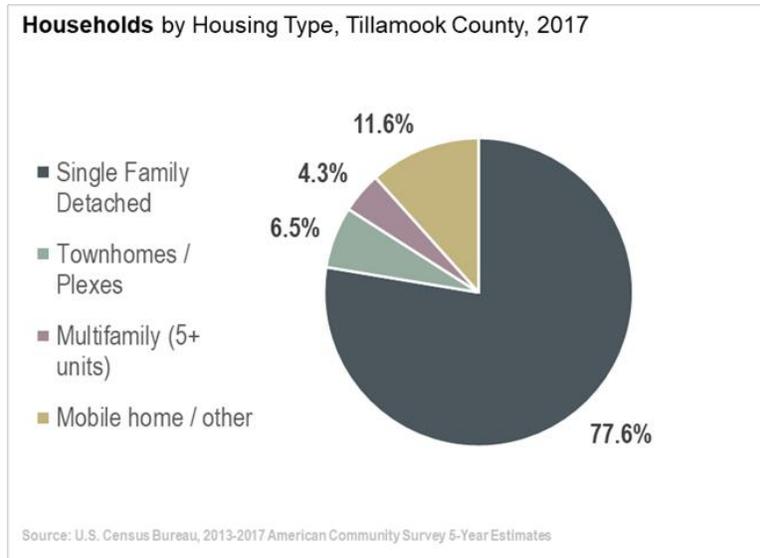
## II.C. EXISTING HOUSING CHARACTERISTICS

An analysis of historical development trends and local housing market dynamics provides insight regarding how the housing market functions. Findings indicate that changes in demographic and socio-economic patterns over the next two decades will result in a shift in housing demand from what is now predominantly single-family detached housing to wider mix of housing types.

### Housing Inventory and tenancy

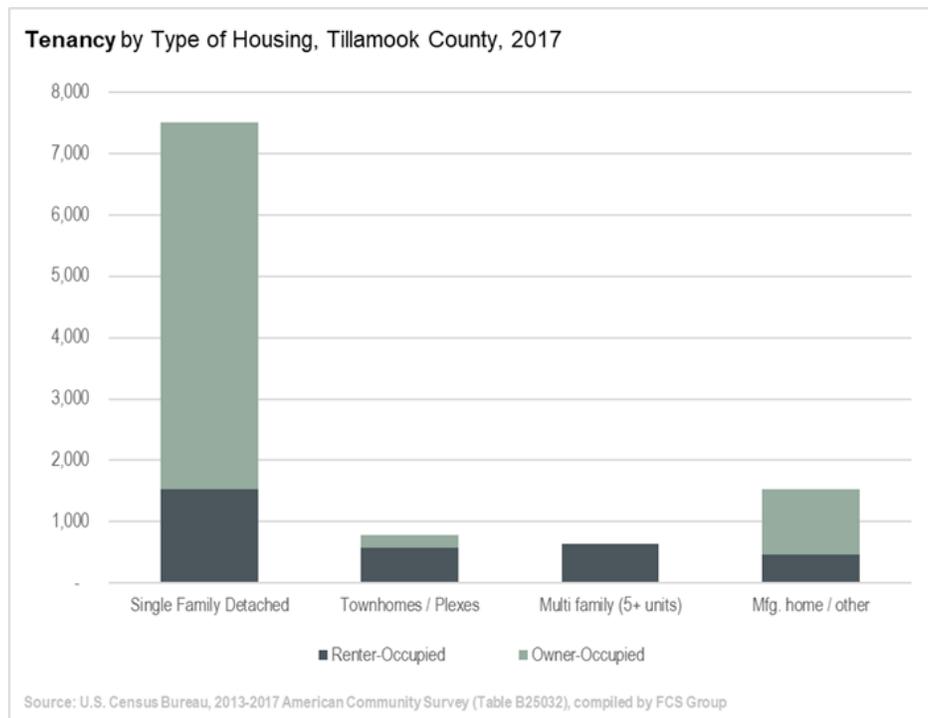
The existing housing stock in Tillamook County is dominated by single family detached (low density development) which accounts for just over three-fourths of the inventory. This is well above the state average of 63.7%. Mobile homes/other housing types comprise the remaining 11.6% of the inventory. Townhomes/plexes (medium density development) accounts for 6.5% of the inventory. Multifamily apartments and condos (with more than 5 units per structure) currently comprise only 4.3% of the inventory (see **Exhibit 2.4**).

**Exhibit 2.4**



The overall housing tenancy in Tillamook County mirrors the Oregon statewide average, with 69% of the permanent residents owning their homes, and the remaining 31% renting. As shown in **Exhibit 2.5**, most homeowners reside in single family detached homes or mobile homes (including manufactured housing). Renters occupy all types of housing, and constitute the majority of demand for townhomes/plexes and multifamily apartments.

**Exhibit 2.5**

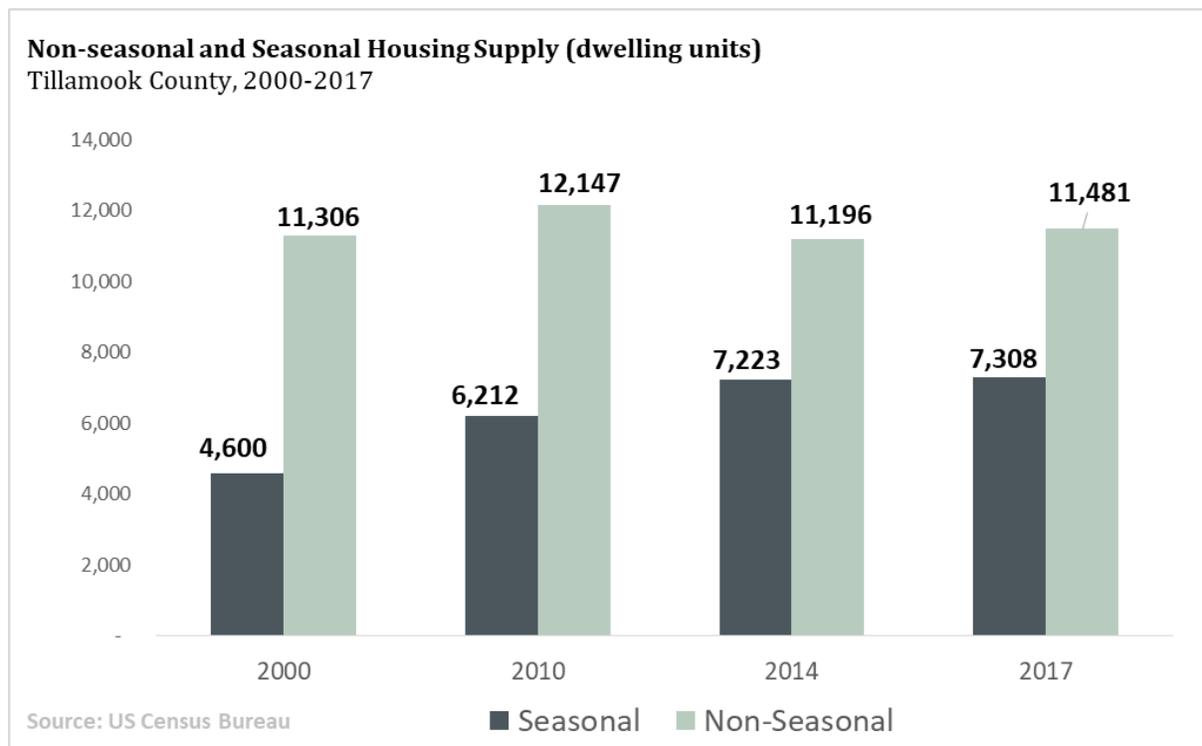


## Seasonal Housing Inventory and Vacancy Rates

The prior housing study that was prepared for Tillamook County, *Creating a Healthy Housing Market for Tillamook County*, March 2017 (by CZB), noted that the housing market in Tillamook County has two distinct parts. There is a **coastal market** with strong demand from upper-income households, investors, second home buyers and retirees. And there is an **interior market** concentrated largely around Tillamook and other inland communities, such as Bay City. This market has a relatively older and less expensive housing inventory, which is more attainable to local residents. The demand for both seasonal housing and year-round non-seasonal demand is rising, as indicated in **Exhibit 2.6**.

Of Tillamook County’s 18,789 total housing units, 44%, were classified as having “seasonal ownership” in 2017, up from 38% in 2010, according to the U.S. Census American Community Survey.

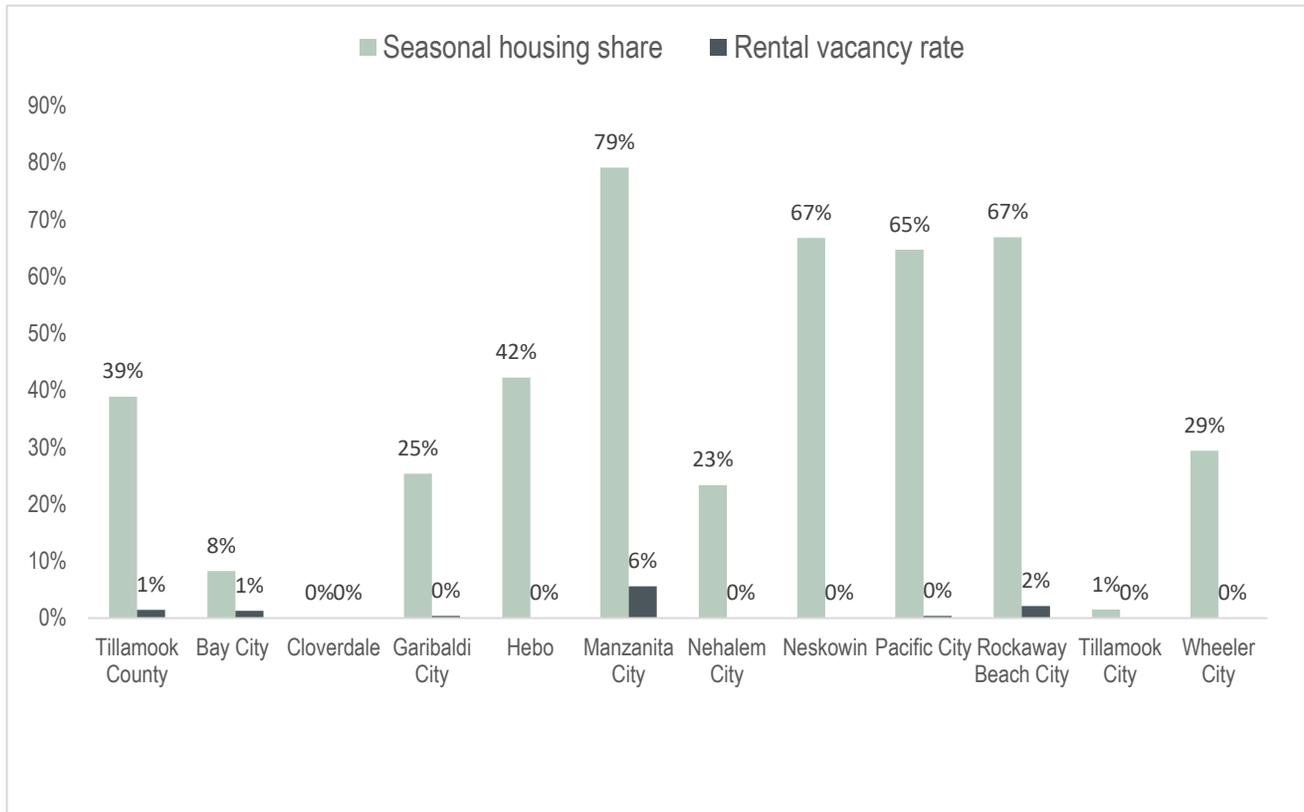
**Exhibit 2.6**



The seasonal housing inventory varies significantly by location, with the City of Tillamook, Bay City and Cloverdale having the lowest rates of seasonal homeownership and coastal resort areas such as Rockaway Beach and Manzanita having the highest levels at 74% and 87%, respectively.

As shown below in **Exhibit 2.7**, the vacancy rates for non-seasonal (year round rental housing) is well below 1% in all areas and near zero in Cloverdale, Gribaldi, Hebo, Nehalem, Neskowin and Wheeler. In comparison, the statewide average housing vacancy rate was 9.3% in 2017.

**Exhibit 2.7 Vacancy Rates by Housing Type**

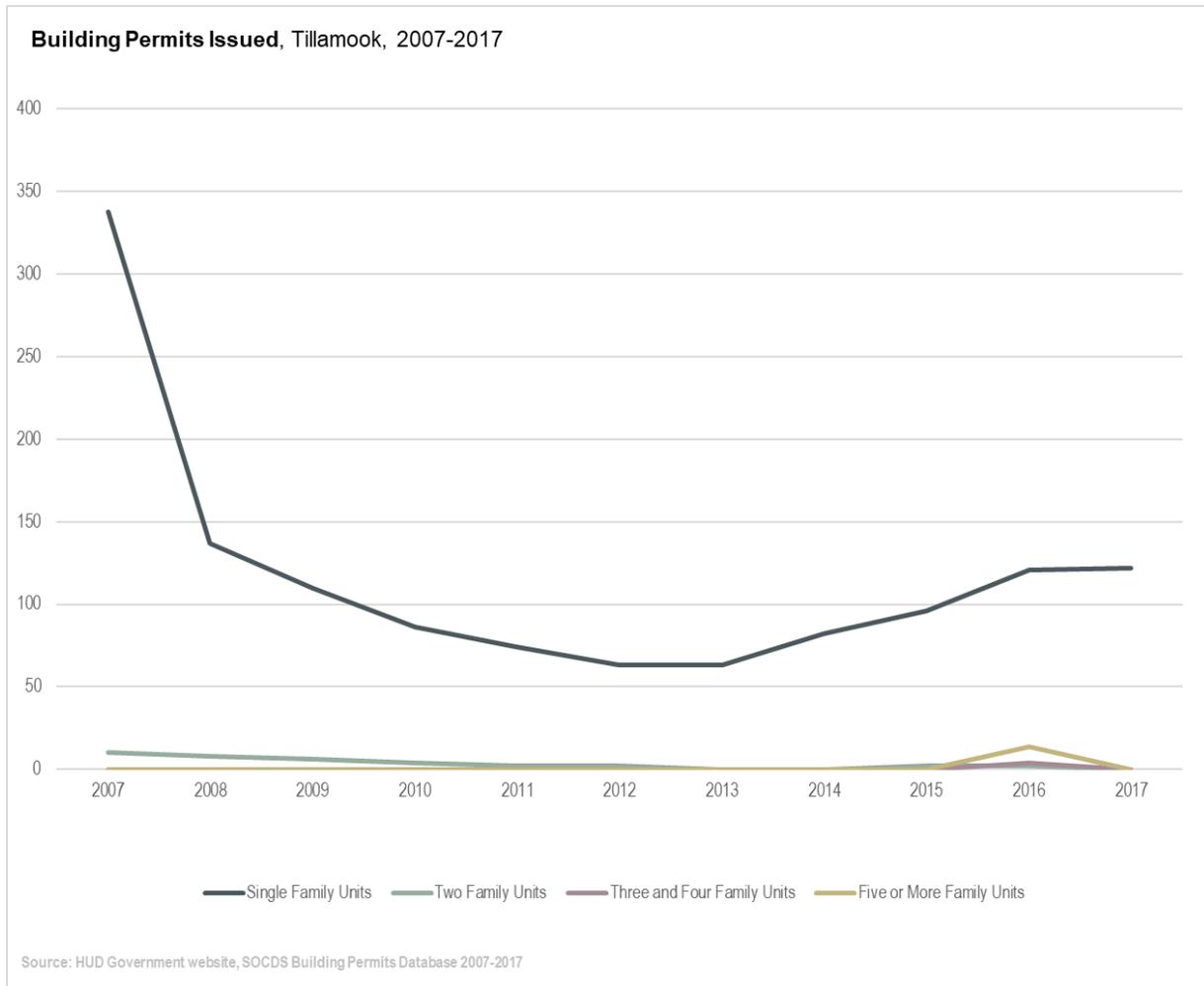


## Housing Construction Permitting Activity

During the past decade new housing construction in Tillamook County has been dominated by single family housing. Despite falling sharply following the recession, the county has issued an average of 117 single family permits annually for new construction since 2007. Issuance of new permits has picked up since its low of 2013 (**Exhibit 2.8**).

Housing production has not nearly kept up with the pace of demand. Between 2007 and 2017, about 120 new dwellings were added throughout Tillamook County annually with the vast majority as second homes. Most new housing construction has occurred in coastal “resort” towns, such as Manzanita, Neskowin, Pacific City and Rockaway Beach, where 66% -80% of the total housing stock is now owned by part-time residents. During this same time frame, it is estimated that about 80-90 existing dwelling units were converted to seasonal units or short-term vacation rentals each year. As such, the permanent year-round housing inventory in Tillamook County has been decreasing at a time when nearly 60 households were moving into the county each year.

**Exhibit 2.8**



## Housing Affordability

The median home price in Tillamook County was approximately \$323,000 (2019, 1<sup>st</sup> Q), which is slightly below the median home price in Oregon as a whole. As shown in **Exhibit 2.9**, year-over-year, home prices in Tillamook County increased by 12.2% from \$288,000 in 2018 to \$323,000 in 2019.



In general, home values declined following the Great Recession (2009 to 2014), then began a steady ascent. In Tillamook County, it is estimated that median home prices have increased by over 40%

between 2014 and 2019. During this same time frame, median household income levels in Tillamook County increased only 21%; thereby creating a major housing affordability challenge.

Based on active home listings and average sales over the past two years in Tillamook County, there is less than a three month supply of homes priced under \$300,000; and only a four to five month inventory of homes priced \$300,000 to \$500,000. For comparison, a healthy housing market is considered to have a six month housing inventory.

### Exhibit 2.9

#### Homes Sales and Inventory, Tillamook County

Sales Price Level	Recent Sales (past 2 years)	Avg. Sales Per Month (past 2 years)	Current Listings	Remaining Inventory (months)
Sales Price Level				
Less than \$100,000	175	7.3	4	0.5
\$100,000 to \$199,999	384	16.0	27	1.7
\$200,000 to \$299,999	556	23.2	61	2.6
\$300,000 to \$399,999	421	17.5	70	4.0
\$400,000 to \$499,999	270	11.3	57	5.1
\$500,000 or more	298	12.4	124	10.0
Total	2,104	88		

Source: Zillow.com; analysis by FCS 9/3/19.

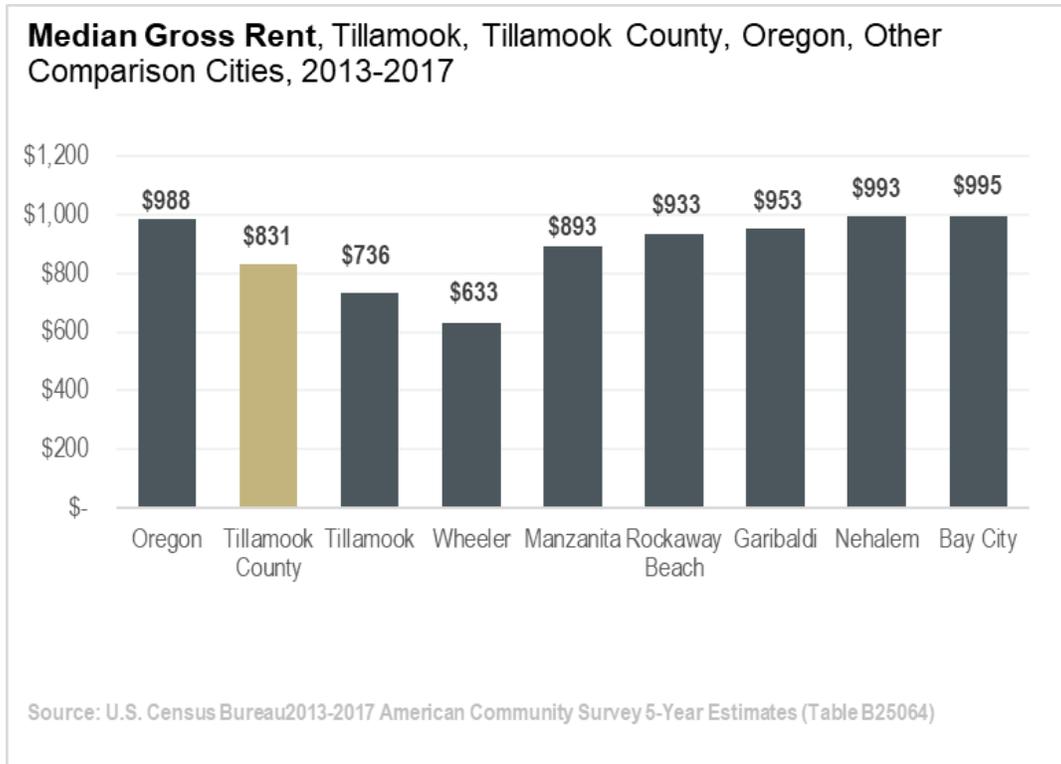
#### Median Home Price Sales Trends in Select Markets

	Aug-18	Aug-19	Change %
Tillamook County	\$288,000	\$323,000	12.2%
Bay City	\$213,000	\$244,000	14.6%
Nehalem	\$372,000	\$415,000	11.6%
Neskowin	\$425,000	\$457,000	7.5%
Pacific City	\$292,000	\$323,000	10.6%
Rockaway Beach	\$255,000	\$294,000	15.3%
Tillamook City	\$251,000	\$283,000	12.7%

Source: Zillow.com; analysis by FCS Group 1/24/18.

Median rents are also slightly lower in Tillamook County compared with the Oregon statewide average. However, in many communities within Tillamook County, rents are now on par with or have surpassed the statewide average (**Exhibit 2.10**).

Exhibit 2.10

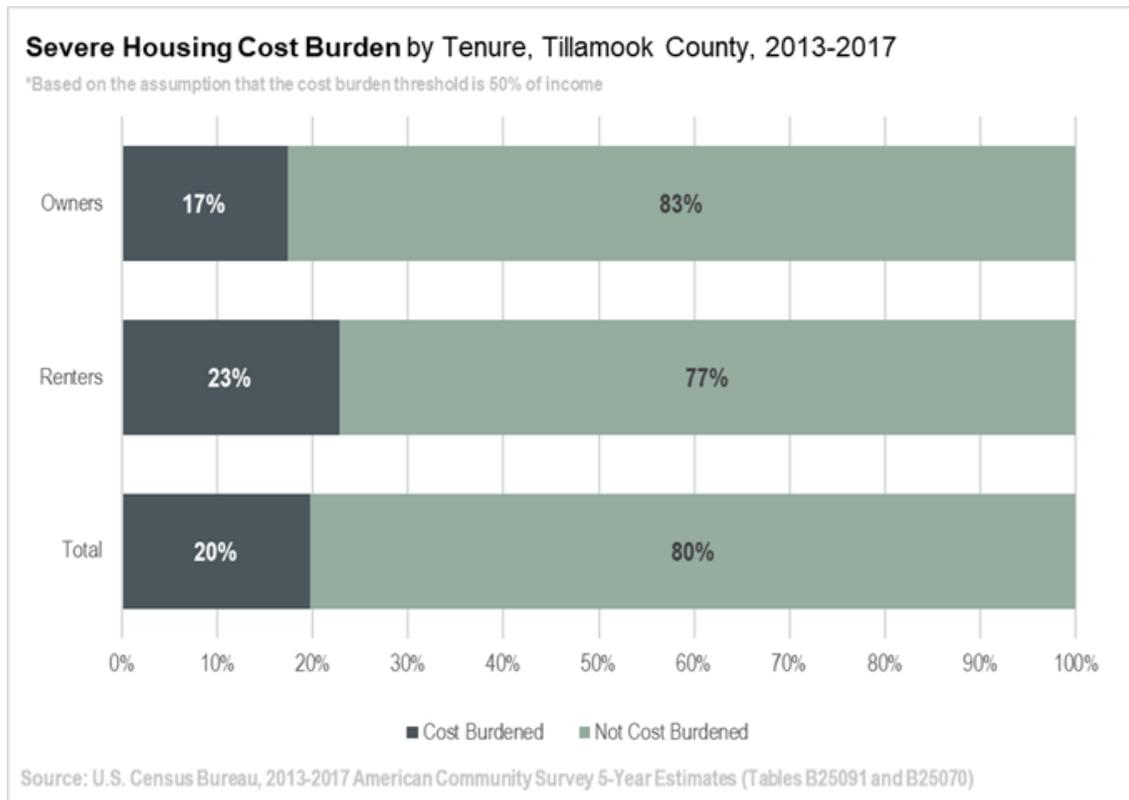


## Housing Cost Burdens

According to the U.S. Housing and Urban Development (HUD) standards, households are considered “cost burdened” if they pay over 30% of their income on housing. Households are “severely cost burdened” if they pay over 50% of their income on housing.

Despite relatively low housing costs, the fact that there limited numbers of family wage jobs makes finding attainably priced housing difficult for many residents. Approximately 23% of the renters and 17% of the owners in Tillamook County are severely cost burdened (see **Exhibit 2.11**).

Exhibit 2.11



Severe rent burdens vary widely between local areas. For example, Wheeler faces severe rent burden rates of just 10%, while 30% of Bay City renters are severely rent burdened (see **Exhibit 2.12**).

**Exhibit 2.13** further illustrates the link between lower incomes and housing cost burdens. Over 80% of households earning less than \$20,000 were cost burdened in Tillamook County. In fact, almost 60% of households earning less than \$50,000 are paying more than 30% of their income in housing costs.

Exhibit 2.12

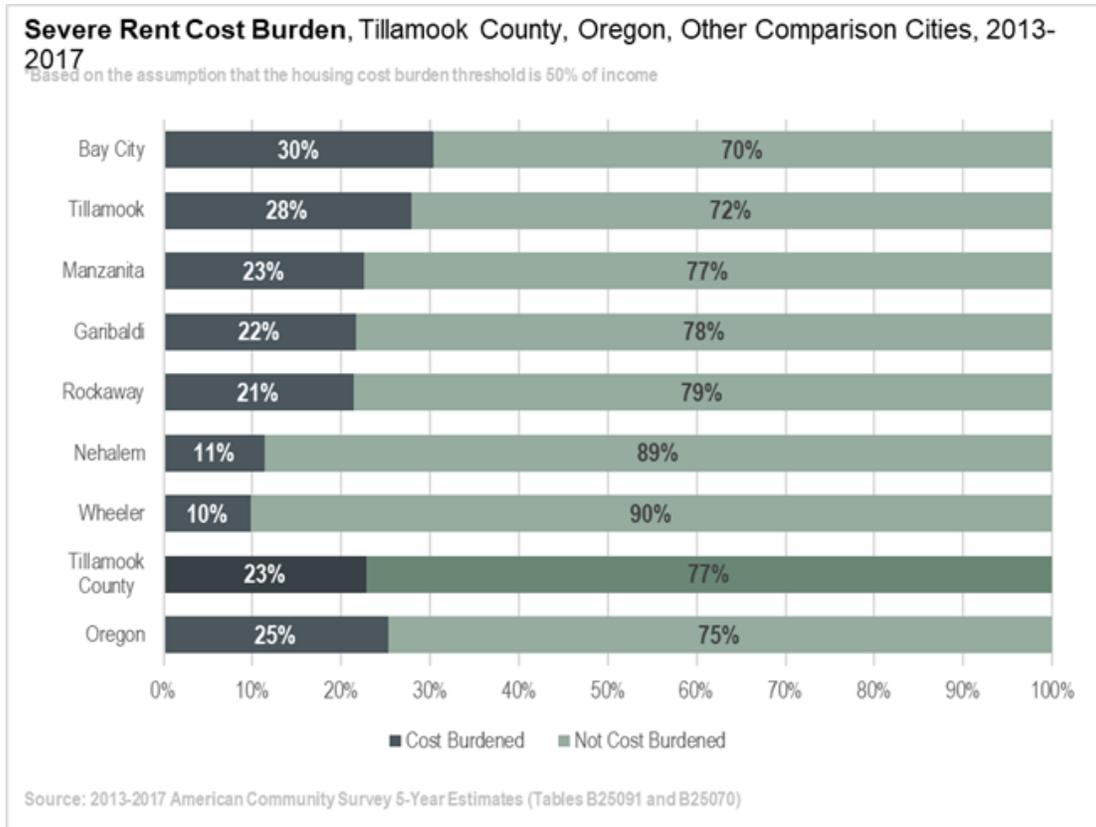
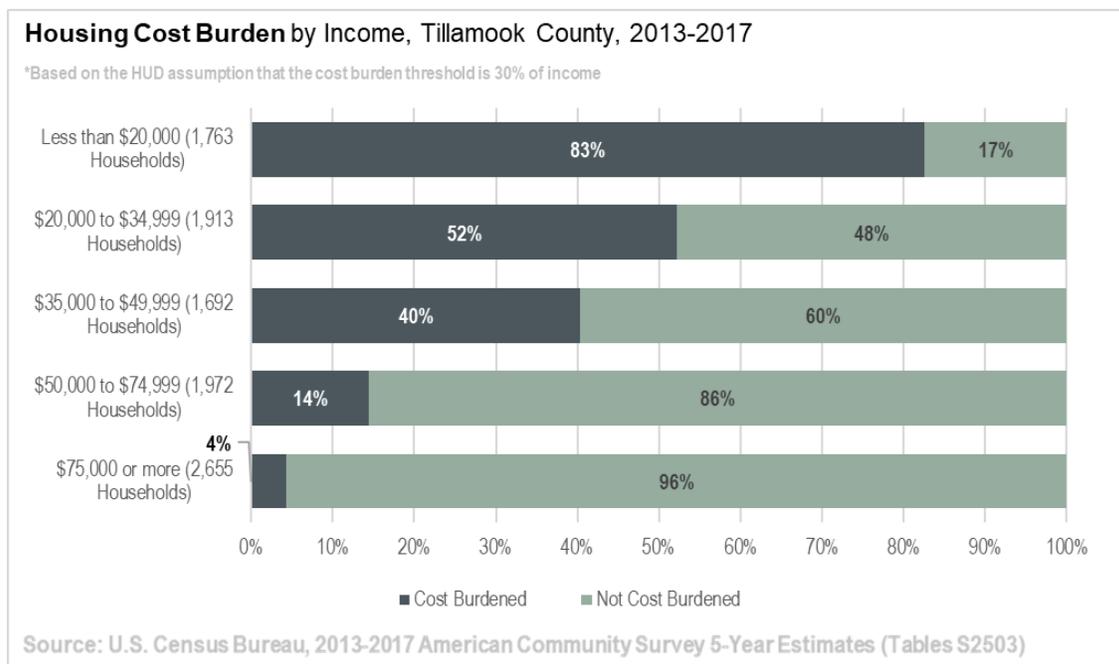


Exhibit 2.13



## Workforce Housing Demand

Representatives from local businesses, school districts, hospitals and emergency service sectors (e.g., police and fire districts) have voiced concern over the lack of attainable housing for their employees. Many workers now travel very long distances to jobs in Tillamook County. According to U.S. Census stats, **almost one in four workers in Tillamook County commute greater than 50 miles each way (100 miles per day); which is double the statewide average.** Nearly one in three local workers now reside outside Tillamook County.

Note: These findings are based on U.S. Census On-the-Map Longitudinal Employer-Household Dynamics (LEHD) data which are based on tabulated and modeled administrative employer survey data, which are subject to error. The Quarterly Workforce Indicators (QWI), LEHD Origin-Destination Employment Statistics (LODES), Job-to-Job Flows (J2J), and Post-Secondary Employment Outcomes (PSEO) are available online for public use.

Because the estimates are not derived from a probability-based sample, no sampling error measures are applicable. While no direct measurement of these joint effects has been obtained, precautionary steps are taken in all phases of collection and processing to minimize the impact of nonsampling errors.

As indicated in **Exhibit 2.14**, FCS GROUP has documented market gaps in Tillamook County’s available housing inventory. Conversion of homes to seasonal and vacation rentals, low vacancy rates, and inadequate housing construction levels result in market gaps that can only be corrected by supply additions. Based on relatively low market capture rates, as of year 2017, there is a housing gap of approximately 406 units for housing units needed for moderate income households at 50% to 120% of the area median family income (MFI) level.

In addition, there is also a significant market gap for government assisted housing available to households earning less than 50% of the MFI level. This analysis indicates that the market gap for rental housing at this price point equates to over 600 dwellings. In light of inadequate levels of state and federal housing grants, we have assumed a 33% market capture rate or approximately 200 units of low income housing demand is needed at this time.

### Exhibit 2.14 Existing Housing Market Gaps, Tillamook County

#### Current Housing Market Gap for Housing at 50% to 120% MFI or higher, Tillamook County

		Total Dwelling Units	Rental Units	Owner Units
Existing Workers in Tillamook County	9,476			
Long Distance commuters (over 100 miles per day)	2,030			
Market Demand Sensitivity Analysis				
Low Capture Rate	15%	305	152	152
Midpoint Capture Rate	20%	406	203	203
High Capture Rate	25%	508	254	254

Based on U.S. Census Bureau, On-The-Map data for Tillamook County, 2017.

**Current Market gap for Housing at less than 50% MFI, Tillamook County**

Affordable Monthly Rent Costs *	Current # of Renter-Occupied Households	Estimated Available Rental Units at this rent level	Housing (Gap) or Surplus	Capture Rate for Analysis	Housing Needed (units)
Less than \$500	<b>1,139</b>	<b>528</b>	<b>(611)</b>	33%	<b>202</b>

Source: U.S. Census Bureau, American Community Survey, 2017. \* Assumes 30% of income towards rent.

This analysis conservatively assumes that the level of near-term pent up market demand could support development of over 400 units of rental housing, with about half needed for households in the 50% to 120% of the MFI level for Tillamook County.

## II.D. FUTURE HOUSING NEEDS

The methodology includes three housing forecast scenarios which were reviewed and discussed by the Housing Committee. They include:

Scenario A Baseline Forecast

Scenario B Baseline + Workforce Housing Forecast

Scenario C Policy Scenario as modified version of Scenario 2

Scenario D Midpoint of low and high growth forecasts

### Scenario A: Baseline Housing Demand Forecast

The future (20 year) housing forecast for Tillamook County takes into account the population and socioeconomic and housing characteristics described earlier.

The baseline forecast applies the long term population forecast by Portland State University, and assumes that current household size, group quarters demand, vacancy rates and seasonal housing rates remain constant. With the baseline forecast, Tillamook County is projected to add 2,936 people which will require 2,305 new dwellings over the next 20 years. If the future housing demand is distributed within Tillamook County based on the current housing mix, the 20-year housing demand in the unincorporated areas would equate to 510 dwellings, and the various incorporated area UGBs would need to accommodate the remaining 1,795 housing unit (see **Exhibit 2.15**).

### Exhibit 2.15 Scenario A Baseline Forecast

Baseline Housing Demand Forecast, Tillamook County, 2019-2039

	Net New Population <sup>1</sup>	Group Quarters Share	Group Quarters Pop. <sup>2</sup>	Avg. HH Size <sup>2</sup>	Occupied Dwellings <sup>2</sup>	Seasonal & Vacancy Rate <sup>2</sup>	Seasonal & Vacant Dwellings	Total Dwelling Need (excl. group quarters)
<b>Unincorporated areas</b>	<b>707</b>	2.6%	18.4	2.41	<b>286</b>	<b>44.0%</b>	<b>225</b>	<b>510</b>
Tillamook UGB	796	0.88%	7.0	2.47	319	8.5%	30	349
Nehalem UGB	370	0.00%	-	3.43	108	25.0%	36	144
Bay City UGB	348	0.00%	-	3.43	101	14.6%	17	119
Manzanita UGB	299	0.00%	-	3.43	87	86.6%	562	649
Rockaway Beach UGB	272	0.00%	-	2.27	120	73.7%	336	456
Garibaldi UGB	73	0.75%	0.5	2.62	28	31.8%	13	41
Wheeler UGB	72	1.45%	1.0	2.62	27	29.4%	11	38
<b>Total</b>	<b>2,936</b>	<b>0.9%</b>	<b>27</b>		<b>1,076</b>	<b>53.3%</b>	<b>1,229</b>	<b>2,305</b>

Notes: <sup>1</sup> population forecast from PSU Population Research Center, interpolated by FCS GROUP; <sup>2</sup> based on 2017 ACS. Numbers may not add due to rounding.

### Scenario B: Baseline + Workforce Housing Forecast

This scenario includes the baseline housing forecast based on future growth along with a capture of a portion of the current market gap for workforce housing.

As discussed earlier in this report, there is a demonstrated “market gap” for workforce housing in Tillamook County. In this scenario, it is assumed that the overall housing demand over the next 20 years equates to the baseline demand described in Scenario A plus an additional 400 units of pent up demand for rental housing. This would include approximately 200 units of moderate income rental housing attainable to households earning 50% to 120% of the MFI; and another 200 units for households earning less than 50% of the MFI level.

This forecast scenario assumes that the majority of the housing production would occur in communities that can provide water and sanitary sewer service, with capacity that can be increased as needed to accommodate new housing development. As shown in **Exhibit 2.16**, the housing forecast under Scenario B equates to 2,730 dwelling units over 20 years.

**Exhibit 2.16 Baseline + Workforce Housing Forecast Scenario B**

	Demand Dist. (Scenario A)	Demand Dist. (Scenario B)	Pent Up Rental Workforce Housing Need (units)	Baseline Total Housing Need (Scenario A)	Total Housing Need (Scenario B)
Tillamook UGB	15%	25%	106	349	455
Nehalem UGB	6%	5%	21	144	165
Bay City UGB	5%	5%	21	119	140
Manzanita UGB	28%	10%	43	649	691
Rockaway Beach UGB	20%	10%	43	456	499
Garibaldi UGB	2%	5%	21	41	62
Wheeler UGB	2%	5%	21	38	59
Subtotal UGBs	78%	65%	276	1,795	2,071
<b>Unincorporated areas</b>	<b>22%</b>	<b>35%</b>	<b>149</b>	<b>510</b>	<b>659</b>
<b>Total Dwelling Units</b>	<b>100%</b>	<b>100%</b>	<b>425</b>	<b>2,305</b>	<b>2,730</b>

## Scenario C: Coordinated Policy Forecast

This scenario assumes that same level of overall Countywide housing demand as with Scenario B, but takes into account the fact that many of the coastal communities may have achieved market prices for land and housing that is out of reach for most residents. Small cities and resort communities in Tillamook County may not be capable of accommodating all of the potential market demand. Limiting factors may include inadequate infrastructure (particularly sewer) and environmental risks associated with developing housing in floodways, floodplains and tsunami hazard areas.

As shown in **Exhibit 2.17**, with this scenario it is assumed that the share of housing demand that will be accommodated within incorporated cities is 59% of total demand, down from about three quarters of total demand in the prior scenarios. Hence, the level of demand that would need to be addressed within unincorporated portions of Tillamook County would increase to 41% of the Countywide housing demand, compared with 22% to 24% in Scenarios A and B.

**Exhibit 2.17 Housing Market Share by Scenario**

	Demand Dist. (Scenario A)	Demand Dist. (Scenario B)	Demand Dist. (Scenario C)	Total Housing Need (Scenario C)
Tillamook UGB	15%	17%	30%	819
Nehalem UGB	6%	6%	5%	137
Bay City UGB	5%	5%	5%	137
Manzanita UGB	28%	25%	5%	137
Rockaway Beach UGB	20%	18%	10%	273
Garibaldi UGB	2%	2%	2%	55
Wheeler UGB	2%	2%	2%	55
Subtotal UGBs	<b>78%</b>	<b>76%</b>	<b>59%</b>	<b>1,611</b>
<b>Unincorporated areas</b>	<b>22%</b>	<b>24%</b>	<b>41%</b>	<b>1,119</b>
<b>Total Dwelling Units</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>2,730</b>

## Comparison of Housing Forecast Scenarios

These findings indicate that the future housing market in Tillamook County is expected to remain strong, barring natural disasters or global or national economic downturns. Population increases due largely to second home investors will likely account for just over half of the future housing demand. In order for housing prices and rents to be attainable to households at 120% or less of the local median income level for the County (\$45,060), for sale housing would need to be priced at \$299,000 or less and rentals priced at \$1,352 or less (per month for 2 bedroom unit). For additional analysis of housing affordability levels, please refer to **Appendix A**.

**Exhibit 2.18** provides a comparison of the housing demand within local areas for each of the three forecast scenarios. The findings indicate a low and high range of housing needs along with a mid-point demand forecast, which is referred to as Scenario D.

**Exhibit 2.18**

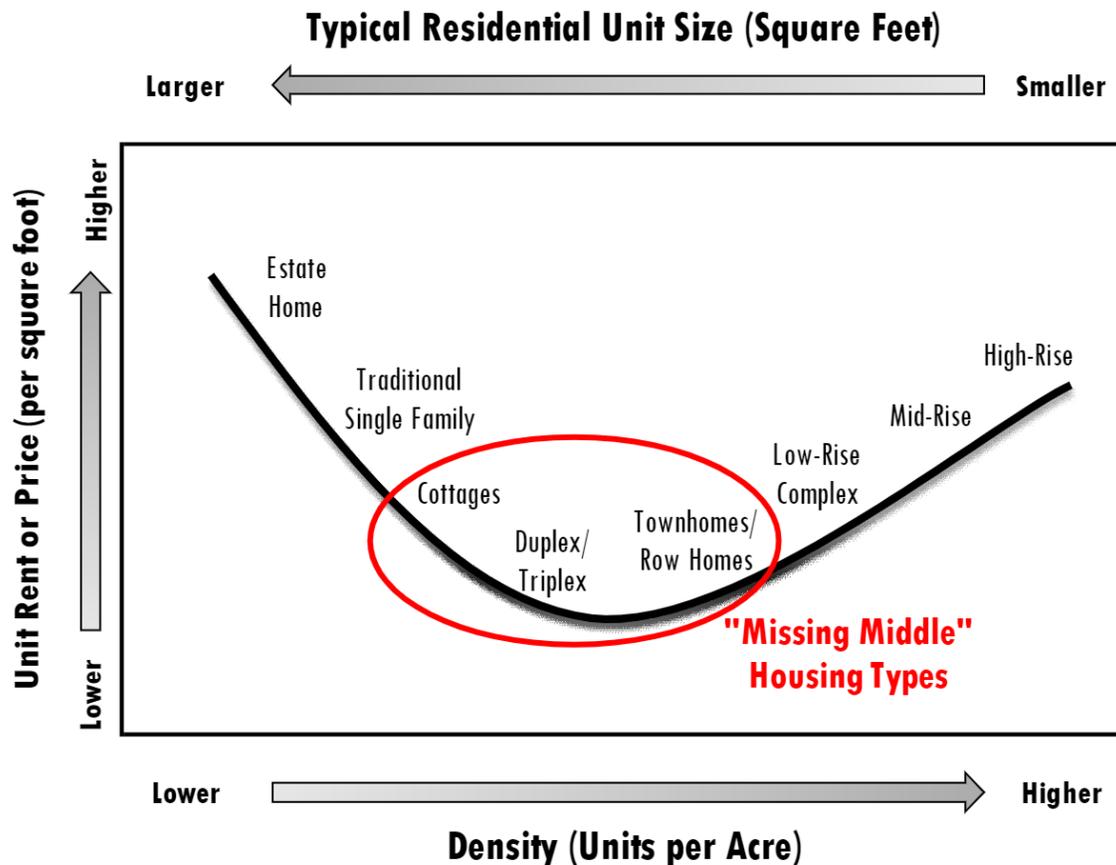
<b>Tillamook County 20-year Housing Forecast Scenarios (dwelling units)</b>			
	<b>Scenario A</b>	<b>Scenario B</b>	<b>Scenario C</b>
Tillamook UGB	349	455	819
Nehalem UGB	144	165	137
Bay City UGB	119	140	137
Manzanita UGB	649	691	137
Rockaway Beach UGB	456	499	273
Garibaldi UGB	41	62	55
Wheeler UGB	38	59	55
Subtotal UGBs	<b>1,795</b>	<b>2,071</b>	<b>1,611</b>
<b>Unincorporated areas</b>	<b>510</b>	<b>659</b>	<b>1,119</b>
<b>Total Dwelling Units</b>	<b>2,305</b>	<b>2,730</b>	<b>2,730</b>
	<b>Low</b>	<b>High</b>	<b>Midpoint (Scenario D)</b>
Tillamook UGB	349	819	584
Nehalem UGB	137	165	151
Bay City UGB	137	140	138
Manzanita UGB	137	691	414
Rockaway Beach UGB	273	499	386
Garibaldi UGB	55	62	58
Wheeler UGB	55	59	57
Subtotal UGBs	<b>1,141</b>	<b>2,435</b>	<b>1,788</b>
<b>Unincorporated areas</b>	<b>510</b>	<b>1,119</b>	<b>815</b>
<b>Total Dwelling Units</b>	<b>1,651</b>	<b>3,554</b>	<b>2,603</b>

**Source:** prior exhibits.

## Projected Needs by Housing Type

In light of the current housing affordability challenges, the future demand for attainably priced housing within Tillamook County will need to increase measurably in the future. This would require development of affordable “missing middle” housing types, such as market rate and government assisted plexes, townhomes and apartments as well as cottage homes, manufactured homes and accessory dwelling units (ADUs). As shown in **Exhibit 2.19**, these housing types can be delivered at a lower cost and rent level per square foot than other housing types.

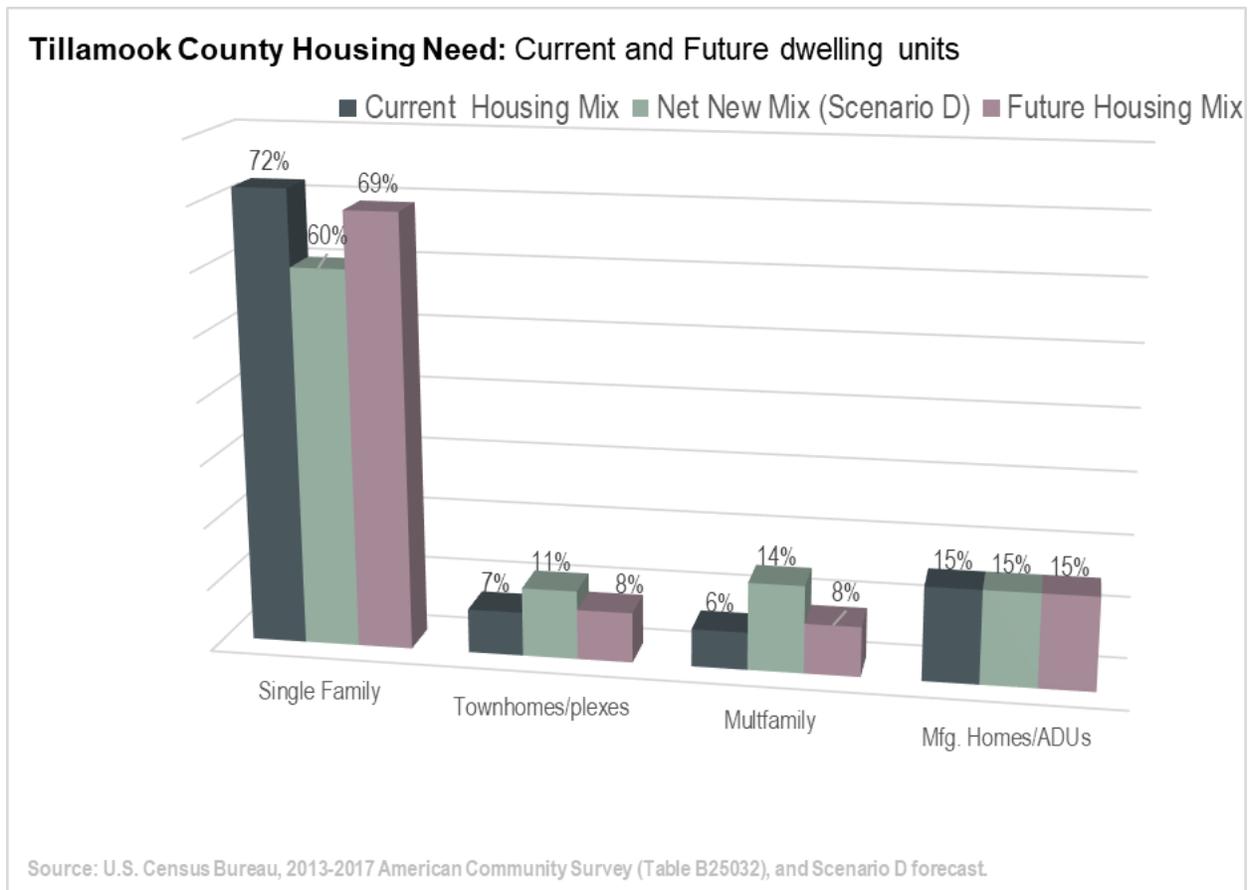
Exhibit 2.19



The forecasted housing mix that addresses future demand will likely consist of: 1,562 single-family detached homes (including cottage homes), 286 townhomes/duplexes/ADUs, 364 multifamily housing units and 390 manufactured housing units (see **Exhibit 2.20**). There will also be some “group quarters” housing demand for about 30 additional residents that will require shared living arrangements (such as congregate care or interim housing).

The graph below juxtaposes the housing mix in Tillamook County today compared with the projected mix of units to be added in the next twenty years and the overall housing mix observed in the county after twenty years. As shown in **Exhibit 2.21**, the Policy Scenario D would increase the overall share of multifamily, townhomes, and plexes in comparison to the current mix. The share of single family detached housing would decline and the share of manufactured housing would remain relatively constant.

**Exhibit 2.20**



At midpoint of the forecast scenarios (Scenario D), the net new housing need is expected to consist of: 1,796 owner-occupied dwellings and 807 renter-occupied dwellings. As shown in **Exhibit 2.21**, the types of housing that is most suited to meet qualifying income levels for home ownership vary by family income level. The owner and rental housing forecast that's suited to meet qualifying income levels is shown below

**Exhibit 2.21 Current and Future Housing Mix, Scenario D**

	Current Housing Mix	Net New Housing Mix (Policy Scenario C)	Future Housing Mix
Single Family	72%	60%	69%
Townhomes/Plexes	7%	11%	8%
Multi family	6%	14%	8%
Mfg. home / other	15%	15%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	Current Housing Mix	Net New Housing Mix (Policy Scenario C)	Future Housing Mix
Single Family	7,501	1,562	9,063
Townhomes/Plexes	781	286	1,067
Multi family	641	364	1,005
Mfg. home / other	1,531	390	1,921
<b>Total</b>	<b>10,454</b>	<b>2,603</b>	<b>13,057</b>

**Source:** prior exhibits.

As we consider the demand for housing by affordability level, the vast majority of housing demand needs will be from households at 120% or below of the Median Family Income level for Tillamook County (see **Exhibit 2.22**).

For additional analysis regarding housing affordability price points for owner occupied and renter occupied housing please refer to **Appendix A**.

**Exhibit 2.22 Forecasted Housing Demand by Affordability (Scenario D)**

Approximate Attainable Home Price*	Owner-Occupied	Renter-Occupied	Total	Dist. %	Attainable Housing Products
Upper (120% or more of MFI)	790	166	956	36.7%	Standard Homes, Townhomes, Condos
Upper Middle (80% to 120% of MFI)	647	135	782	30.0%	Small Homes, Townhomes, Apartments
Lower Middle (50% to 80% of MFI)	269	163	433	16.6%	ADUs, Townhomes, Mfgd. Homes,
Low (30% to 50% of MFI)	90	190	279	10.7%	Govt. Assisted Apts. & Plexes
Very Low (less than 30% of MFI)	0	153	153	5.9%	Govt. Assisted Apts.
<b>Total</b>	<b>1,796</b>	<b>807</b>	<b>2,603</b>	<b>100.0%</b>	

\*Assumes 30% of income is used for rental or mortgage payments. Derived from Appendix A.

## Projected Residential Land Needs

Using the mid-points of the housing demand forecasts, the buildable land that will be needed to accommodate planned housing production is shown in **Exhibit 2.23**. **At the midpoint of the growth forecast scenarios (Scenario D), the overall amount of residential land that will be needed within all of Tillamook County over the next 20 years equates to just over 1,340 buildable acres of land area.**

It should be noted that actual gross land needs could be much higher given the limited availability of sewer infrastructure capacity with in Tillamook County.

The forecast of residential land that is needed within each local community and incorporated cities is provided below by general land use type (low, medium and high density) for discussion and policy planning purposes.

**Exhibit 2.23**

<b>Tillamook County 20-year Housing Land Need Forecast at Midpoint</b>										
	Total Housing Need (Midpoint)	Housing Mix*				Land Need (Buildable acres)				Total Land Need (buildable acres)
		Very Low Density (single family homes)	Low Density (single family and mfg. homes)	Medium Density (townhomes, plexes)	Higher Density (apartments)	Very Low Density	Low Density	Medium Density	Higher Density	
Tillamook UGB	584	-	292	124	169	-	97	21	14	132
Nehalem UGB	151	-	75	32	44	-	25	5	4	34
Bay City UGB	138	-	69	29	40	-	23	5	3	31
Manzanita UGB	414	-	207	88	120	-	69	15	10	94
Rockaway Beach UGB	386	-	193	82	112	-	64	14	9	87
Garibaldi UGB	58	-	29	12	17	-	10	2	1	13
Wheeler UGB	57	-	28	12	17	-	9	2	1	13
Subtotal UGBs	<b>1,788</b>	-	<b>894</b>	<b>378</b>	<b>518</b>	-	<b>298</b>	<b>63</b>	<b>43</b>	<b>404</b>
Unincorporated areas**	<b>815</b>	<b>407</b>	<b>326</b>	<b>81</b>	<b>-</b>	<b>815</b>	<b>109</b>	<b>14</b>	<b>-</b>	<b>937</b>
<b>Total</b>	<b>2,603</b>	<b>407</b>	<b>1,220</b>	<b>460</b>	<b>518</b>	<b>815</b>	<b>407</b>	<b>77</b>	<b>43</b>	<b>1,341</b>
*Assumes mix and density as follows:										
	City/Town Housing Mix	Unincorp. Area Mix**	Dwellings per acre (avg.)							
Very Low Density*	0%	50%	0.5							
Low Density	50%	40%	3							
Medium Density	21%	10%	6							
Higher Density	29%	0%	12							
<b>Total</b>	<b>100%</b>	<b>100%</b>								
Source: compiled by FCS GROUP based on midpoint of housing forecast scenarios and expected market demand.										

## Section III. BUILDABLE LAND INVENTORY

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This section includes a summary of the residential buildable land inventory (BLI) in Tillamook County. The focus of this 2019 BLI analysis is on the following geographic areas:

- Tillamook County, unincorporated areas outside existing urban growth boundaries (UGBs)
- Tillamook UGB
- Manzanita UGB
- Bay City UGB

In addition to these locations, this report cites findings from prior adopted plans and BLI studies to ascertain buildable lands in the following locations:

- Garibaldi UGB
- Nehalem UGB
- Rockaway Beach UGB
- Wheeler UGB

### METHODOLOGY

As part of Tillamook County's Housing Needs Analysis process, an estimate of buildable lands was completed to assess the supply of available land for housing development in unincorporated areas as well as three cities that opted to update their land inventories at this time. The Buildable Lands Inventory (BLI) was completed in accordance with OAR 660-008-0005 (2) and guidance provided by the Department of Land Conservation and Development (DLCD).<sup>1</sup>

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<sup>1</sup> While Oregon state regulations pertaining to BLI methods apply only to UGBs of incorporated areas, the same methodology was applied to unincorporated portions of Tillamook County with one exception which was reviewed by the Housing Committee: the removal of 100-year flood zones from the vacant land inventory for unincorporated areas only. The BLIs for incorporated areas assume land within 100-year flood zones is considered to be unconstrained and buildable.

The objective of the residential BLI is to determine the amount of developable land available for future residential housing development. The steps taken to perform this analysis are as follows:

1. Create a unified environmental constraints layer. These are areas where land is unsuitable for development due to natural hazards
2. Generate the residential land base by identifying all taxlots that are zoned to allow residential development (either permitted outright or as a conditional use)
3. Subtract all environmentally constrained land from the residential land base
4. Classify land by development category (vacant, partially vacant, or redevelopable)
5. Calculate total net buildable acres by netting out land needed for public facilities such as roads and utility infrastructure and factoring a redevelopment rate for parcels deemed redevelopable

**Please refer to the separate Tillamook County Residential Buildable Land Inventory reports by Cascadia Partners for additional details regarding the methodology used for each location.**

## ALL AREAS OF THE COUNTY

An estimate of the total buildable land for residential development is provided in **Exhibit 3.1**. The results indicate that overall there is over 3,700 acres of buildable residential land area throughout the county, with the vast majority located in unincorporated areas.

It should be noted that the term density is used to reflect the average number of housing units per buildable acre on a particular site. Density is a relative term that generally reflects the type of housing that a land use zone is planned to accommodate. Based on local construction trends and market activity in Tillamook County, the density and housing types generally fall into the following categories:

- Very Low Density: 1 dwelling per 2 acres on average. Rural development typically relies on septic systems and connections to local water systems.
- Low Density: average of 3 dwellings per acre. Typically single family detached housing or mobile homes.
- Medium Density: 6-9 dwellings per acre. May include duplexes, townhomes and small lot cottage homes.
- High Density: typically 9-18 dwellings per acre. Includes townhomes and apartments.

## TILLAMOOK COUNTY (UNINCORPORATED AREAS)

Based on the BLI finding for the unincorporated portions of Tillamook County shown in **Exhibit 3.2 and Map 3.1**, approximately 2,135 acres of land are available in the residential buildable lands inventory. Not surprisingly, as most of unincorporated Tillamook County is rural, most of the land available falls under low density residential zoning (roughly 54%). Medium density residential and high density residential make up 34% and 10% of the residential buildable lands inventory

respectively. Only 2% of the residential land base is comprised of land zoned as commercial / mixed-use.

Vacant land represents by far the largest opportunity for development, comprising more than 95% of the land available in the buildable lands inventory. While less partially vacant and redevelopable land is available, the location of specific parcels are important as they may represent geographies where development is highly desired (i.e., areas close to commercial cores) or where infrastructure (water and sewer) is available.

**Exhibit 3.1: Summary of Residential Buildable Lands Inventory, Unicorp. Tillamook County (acres)**

Location (BLI Source)	Relative Zoned Housing Density Class				Total
	Very Low	Low	Medium	High	
County Commercial (Cascadia 2019)	30		25		54
County Residential Zones (Cascadia 2019)	1,710	286	11	11	2,017
Manzanita UGB (Cascadia 2019)		52	69	6	127
Neahkahnie (Cascadia 2019)		13	25	76	114
Nehalem (2018)		207	95	43	345
Nehalem (COG 2007)		36	94	19	149
Neskowin (Cascadia 2019)	235	158	2	0	395
Netarts (Cascadia 2019)		59	56	18	133
Oceanside (Cascadia 2019)		82	1		82
Pacific City (Cascadia 2019)	30	49	34	83	196
Tillamook UGB (Cascadia 2019)	-	-	17	45	62
Wheeler (COG 2007)		61	18		79
<b>Total</b>	<b>2,004</b>	<b>1,001</b>	<b>446</b>	<b>302</b>	<b>3,753</b>

**Source:** various Tillamook County and local area Buildable Land Inventory studies, as noted.

**Exhibit 3.2: Residential Buildable Lands Inventory, Unincorporated Tillamook County, 2019**

Housing Category	Vacant	Partially Vacant	Redevelopable	Total Buildable
Very low density Residential	1,097	27	21	1,145
Medium Density Residential	694	29	4	727
High Density Residential	205	8	1	214
Commercial / Mixed-use	45	2	1	48
<b>Total:</b>	<b>2,042</b>	<b>66</b>	<b>27</b>	<b>2,135</b>

**Source:** Tillamook County Buildable Land Inventory by Cascadia Partners et al., September 2019.

**Incorporated Cities**

In addition to the 2019 BLI studies by Cascadia Partners and FCS GROUP, other communities in Tillamook County have completed residential buildable land inventories (BLIs) within the last 15 years. The objective of the residential BLI is to determine the amount of developable land available for future residential housing development within the UGB. BLI highlights include the following

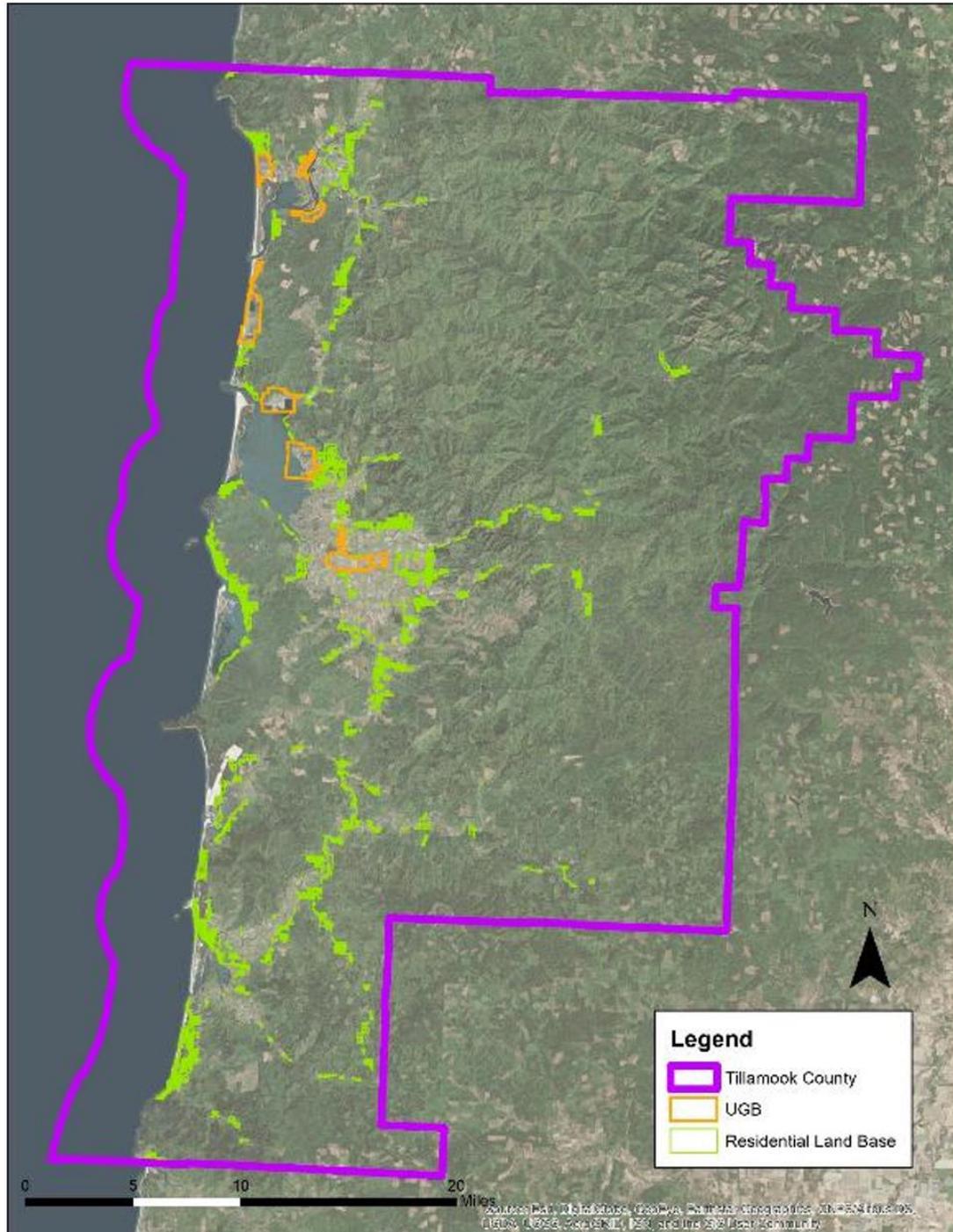
- **Tillamook:** draft findings by FCS GROUP/Cascadia Partners indicate that there is a current need for additional low- and medium-density zoned land area within the Tillamook UGB that ranges from approximately 48 to 76 acres of net buildable land area.
- **Nehalem:** according to the City of Nehalem, no residential land shortages were identified for the planning horizon (2007-2027) with an overall residential buildable land **surplus of 121.4 acres**. The City is in the process of approving a new buildable land inventory which indicates a **supply of 377.15 acres of residential land**. That BLI work is still in process.
- **Wheeler:** according to the City, no residential land shortages were identified for the planning horizon (2007-2027) with an overall residential buildable land **surplus of 66.7 acres**.
- **Rockaway Beach:** according to the City of Rockaway Beach, no residential land shortages were identified for the planning horizon (2007-2027) with an overall residential buildable land **surplus of 57 acres**.
- **Bay City:** Buildable Land Inventory is in process; however Housing Needs Analysis appears to be outdated.

- **Manzanita:** FCS/Cascadia identified a total land inventory of 122 net acres (residential zones) plus 4 acres of mixed use zoning (BLI adopted by City in Sept. 2019). This level of supply appears to be adequate for meeting the 20 year demand identified earlier in this report (94 acres at midpoint of low and high forecast scenarios).

These findings indicate the City of Tillamook may be able to justify a UGB expansion or a Comprehensive Plan amendment and with changes in zoning to allow for more housing. However, it is unlikely that other cities can do so in the near future.

In light of the significant level of housing demand outside the incorporated cities and their urban growth boundaries, and the desire to encourage more development in those locations, several local and state policy actions are identified in the next Section of this report for additional consideration.

Map 3.1 Residential Land Base, Unincorporated Tillamook County



# Section IV. ACTION PLAN

## POLICY RECOMMENDATIONS

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This section summarizes relevant federal and state housing policies and identifies a set of Action Plan recommendations.

### RECENT POLICIES

Several recent policy changes have occurred at the federal, state and regional level that may affect the future housing supply and demand in Tillamook County.

#### Federal Policies

##### **Tax Cuts and Jobs Act**

Passed in 2017, the Tax Cuts and Jobs Act initiates large scale federal tax reform. The reform made changes in many ways but most notable was the shift in the federal corporate tax rate, decreasing from 35% to 21%. The new tax cuts also lower most individual income tax rates, including the top marginal rate from 39.6 percent to 37 percent. The lower tax rates potentially affect Tillamook County and its municipalities because it makes tax free municipal bonds and affordable housing tax credits less attractive to investors because the relative advantage of lowering taxable income by investing in tax exempt bonds would decrease in most cases. However, with the adoption of measure 102 (see below), Oregon voters have expressed the need for investing in affordable housing bonds, and these state measures should mitigate the impact of this federal act.

##### **Low Income Housing Tax Credits**

The Low Income Housing Tax Credits program is a series of tax incentives administered by the IRS to encourage developers to construct affordable housing. Currently the program accounts for the largest source of new affordable housing in the U.S. In securing these credits, developers agree to rent out housing at an affordable level, often below market price (this is referred to as a use restriction). State agencies distribute credits to developers based on a state designed application process. These credits come in two forms, 9% (this raises about 70% of total cost) and 4% (this raises about 30% of the total cost), where 4% tax credits are often complimented with support from state bonds. In Oregon and in Tillamook County's case, Measure 102 (see below) should enable more funding of housing tax credit bonds and strengthen the effect of these tax credits on a for affordable housing development in Tillamook County.

## Oregon Policies

### **Oregon's Statewide Housing Plan: "Breaking New Ground"**

Oregon's 2018 Statewide Housing Plan is a long-term plan designed to increase housing in Oregon. The plan was researched and developed by Oregon Housing Community Services (OHCS) and its implementation will rely on OHCS in conjunction with local governments and private businesses. OHCS is Oregon's housing finance agency and as such the organization issues grants and loans to help facilitate home ownership in the state. OHCS regards housing in Oregon as a statewide crisis. Housing production has failed to keep up with Oregon's population growth therefore demand has outpaced supply, pushing up home prices. From 2000 to 2015, an additional 155,156 housing units would need to have been built throughout Oregon to keep up with demand.<sup>2</sup>

The Statewide Housing Plan calls for over 85,000 new units to be constructed for households earning below 30% of Median Family Income (MFI). The plan is outlined in six priorities and each promotes increased housing supply. Priorities include an increase housing supply that: (1) improves racial equity; (2) combats homelessness; (3) increases housing stability for families; (4) makes rent affordable; (5) proliferates homeownership; and (6) empowers rural communities. With this in mind, OHCS will triple the existing pipeline of affordable rental housing — up to 25,000 homes in the development pipeline by 2023.

The plan proposes increased access to housing through partnerships with community organizations, loans with low interest rates, better access to OHCS resources, funding grants for housing projects, improved technology, and streamlined processes with a foundation of collaboration. Implementation seems to rely on each area's ability to utilize and engage with OHCS as the plan clarifies goals and does not specify implementation policies.

### **Senate Bill 1533**

Enacted by the 2016 Oregon Legislature, this bill aims to promote affordable housing development through local regulations and a new source of funding: the Affordable Housing Construction Excise Tax (CET). The bill allows municipalities to adopt regulations that impose conditions on development for new multifamily structures (20 units or more per project), including: requirements for the inclusions of some affordable housing; or the option of paying an in-lieu fee (construction excise tax) not to exceed \$1 per square foot of floor area for residential, and \$0.50 per square foot for nonresidential structures (with a maximum cap of \$25,000 per building or structure). For new

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<sup>2</sup> Up for Growth, "Housing Underproduction in the U.S.: Economic, Fiscal and Environmental Impacts of Enabling Transit-Oriented Smart Growth to Address America's Housing Affordability Challenge," Up For Growth National Coalition, 2018, 9.

affordable housing projects, this legislation supports special incentives including: full or partial exemption of ad valorem property taxes, SDC waivers or reductions and other incentives.

**Tillamook County voters soundly defeated a local CET ballot measure in 2017, and there is little appetite to pursue another CET at this time.**

#### **Measure 102: Passed by Oregon voters in November 2018**

Measure 102 is intended to empower the collaborative partnerships described in Oregon’s Statewide Housing Plan. Measure 102 amends the state’s constitution to allow cities and counties to issue bonds for the construction of affordable housing construction without retaining 100% public ownership of the property. The goal is to allow local governments to pursue private public partnerships to better facilitate demand for housing.

## KEY FINDINGS AND POLICY RECOMMENDATIONS

Based on the 20-year population growth forecasts for Tillamook County (forecasted increase of 2,936 year-round residents) and seasonal housing and demographic characteristics, **the recommended housing needs for Tillamook County requires 2,305 to 2,603 net new dwelling units.** The Tillamook County Housing Needs Analysis supports a variety of housing is needed over the next 20 years, including approximately 1,692 owner-occupied dwellings and 911 renter-occupied dwellings.

### Recommended Actions

Market factors combined with limiting state and local land use policies have led to unprecedented housing challenges facing Tillamook County today. Addressing these challenges will require a coordinated effort by local and state government officials.

**Vacancy rates for long-term rental units are now near zero in most communities in Tillamook County.** While there is a strong and stable level of near term and long term demand for new housing construction throughout Tillamook County, there are very few local builders/developers that are focused on constructing the missing middle housing types needed for the workforce. To attract private investment and development of new workforce housing, a mix of local, state and federal policies, incentives and actions need to occur.

#### **Local Policies and Actions**

**Challenge: Relatively high land and development costs in coastal areas hamper financial viability of developing attainable workforce housing for permanent residents. As a result, Tillamook County has an existing deficit for “missing middle” housing.**

Tillamook County is tied for the second highest rate of economically distressed households in Oregon. Cities including Tillamook and Bay City have the highest share of severe rent burdened households at 28% and 30% of households, respectively.

To help encourage or incentivize construction of missing middle housing priced at 120% or below of the median family income levels, the County should continue to pursue state OHCS housing investment grants and work with local cities to consider the following policies:

### Short-term Actions (1-2 years)

- ✓ Identify public-owned properties (excluding park/open space areas) that could be developed for a mix of housing types.
- ✓ Work with cities and sewer districts to update SDCs so that they are lower for smaller housing units than larger homes. Encourage SDC deferrals so that payments can be deferred for a period of time after building permit issuance for developments that contain deed restricted housing units.
- ✓ Consider a tax abatement program, such as the multiple-unit limited tax exemption program to promote development of affordable housing.
- ✓ Embark on a program that encourages Accessory Dwelling Units (ADUs) and “Cottage Homes” and “Tiny Home Communities” as an allowed use or conditional use within low density zones.
- ✓ Allow “lot size averaging” so that the site of individual lots in a short-plat development can vary from the zoned minimum or maximum density, in a manner that the overall development still meets average lot size requirements.
- ✓ Encouraging upper-level redevelopment and conversions in downtown Tillamook and other locations through financial assistance programs, such as use of urban renewal funds as loans.
- ✓ Tillamook County and its eligible local communities should leverage CDBG funds, state grants and bonds to help communities expand water, sewer and transportation infrastructure within areas planned for workforce housing through establishment of local improvement districts or reimbursement district programs.



### Long-term Actions (2-5 years)

**Challenge: locations with available sewer capacity are limited to areas such as the city of Tillamook.**

- ✓ Support Tillamook UGB expansion and potential rezoning efforts that result in additional housing development opportunities. The current Tillamook UGB contains 98 acres of buildable residential land inventory, yet residential land needs are forecasted to be up to 175 acres. In light of this finding the City and County should identify ways to increase low and medium density housing development opportunities through a UGB expansion
- ✓ Work local sewer and water districts to document their current and planned capacity levels to address future housing needs and inform the county wide housing strategy.

**Challenge: Tillamook County like many rural locations has a short supply of qualified residential construction workers and specialty contractors.** This results in higher housing prices as construction workers and crews must be obtained from the Willamette Valley region and temporarily housed.

- ✓ Facilitate development of trade related certification programs for people interested in residential construction and trades offered by Tillamook Bay Community College and Tillamook High School in partnership with home builders and general contractors.

### State Policies and Potential Actions<sup>3</sup>

**Challenge: Oregon planning requirements for urban areas hamstring local cities and counties ability to create coordinated and creative housing strategies.**

- ✓ Engage DLCD and Oregon Legislature to draft new planning guidelines for rural counties (e.g., population under 50,000) to adopt a coordinated county-wide Housing Needs Strategy. This would enable jurisdictions to prepare housing strategies that meet PSU's baseline forecasts countywide and allows for a localized allocation of housing and population (among cities and rural centers). This regional HNA approach would be intended to reflect unique market conditions and development opportunities and constraints in order to optimize the provision of more attainable housing.
- ✓ Engage DLCD and Oregon Legislature to include new state rules that allow rural development centers (outside UGBs) to rezone land for housing as long as there are adequate public facilities.

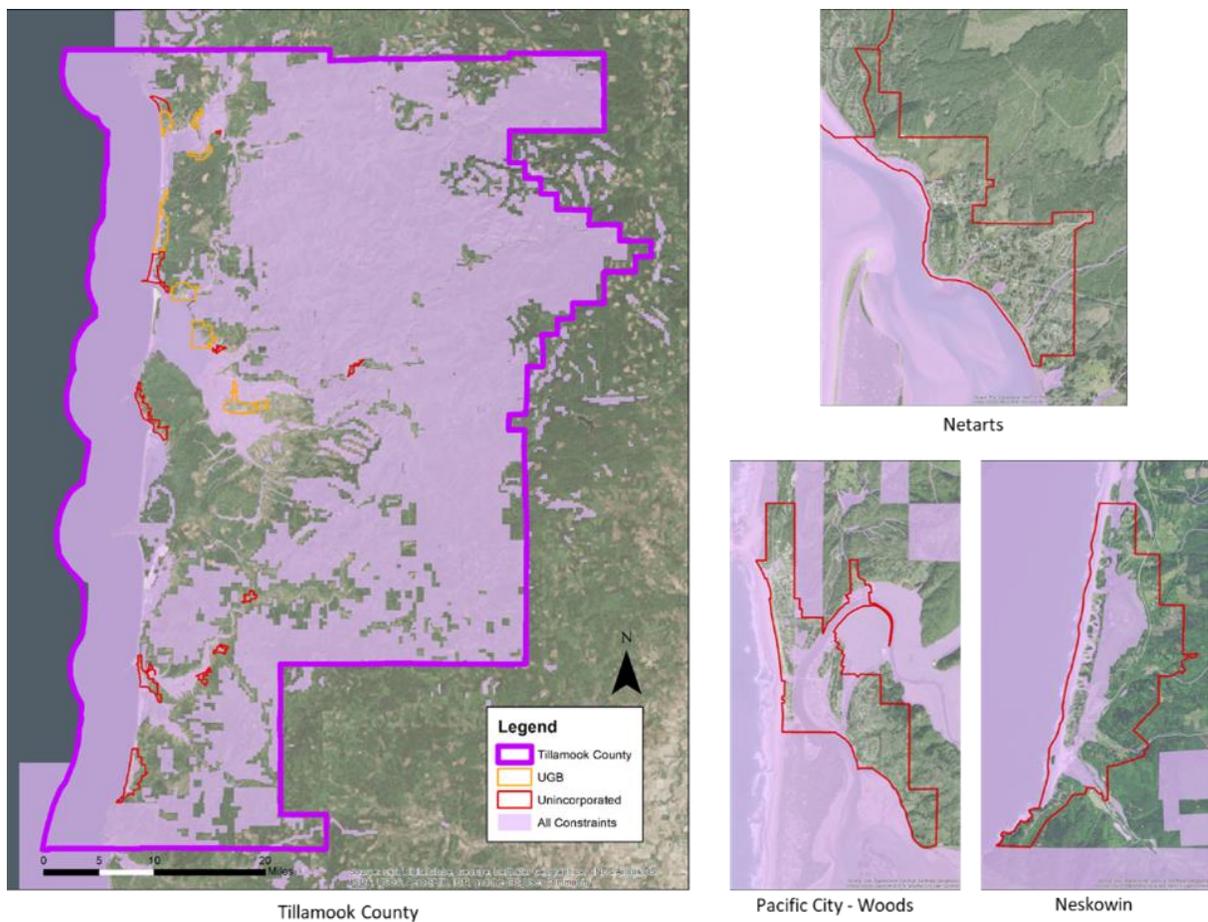
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<sup>3</sup> Input received from DLCD staff regarding current interpretation of state rules applying to local HNAs and Economic Opportunity Analysis (EOA) compliance is provided in Appendix B.

**Challenge: Tillamook County has a large share of vacant lands in areas that are subject to frequent flooding and agricultural use restrictions.** This restricts the amount of development that is likely to occur in rural residential zones (see **Map 3.2**).

- ✓ The County should pursue Oregon Legislature initiated amendments to the Oregon Administrative Rules to allow property owners to transfer future development rights (TDRs) from environmentally sensitive areas (such as vacant land within floodplains and tsunami hazard zones) and agricultural areas onto receiving areas that are located in communities that can provide adequate public facilities, such as roads, sewer and water services.

**Map 3.2 Constrained Land Areas**



## APPENDIX A. HOUSING ATTAINABILITY ANALYSIS

### Appendix A. Housing Attainability Analysis for Tillamook County

Median Family Income Level (2017)*		\$45,061	
<b>Market Segment by Income Level</b>			
	<b>Lower-end</b>	<b>Upper-End</b>	
High (120% or more of MFI)		120%	
Upper Middle (80% to 120% of MFI)	80%	120%	
Lower Middle (50% to 80% of MFI)	50%	80%	
Low (30% to 50%)	30%	50%	
Very Low (less than 30% of MFI)	30%		
<b>Qualifying Income Level</b>			
	<b>Lower-end</b>	<b>Upper-End</b>	
High (120% or more of MFI)	\$54,073	or more	
Upper Middle (80% to 120% of MFI)	\$36,049	\$54,073	
Lower Middle (50% to 80% of MFI)	\$22,531	\$36,049	
Low (30% to 50%)	\$13,518	\$22,531	
Very Low (less than 30% of MFI)	\$13,518	or less	
<b>Available Annual Housing Payment (@30% of income level)</b>			
	<b>Lower-end</b>	<b>Upper-End</b>	
High (120% or more of MFI)	\$16,222	or more	
Upper Middle (80% to 120% of MFI)	\$10,815	\$16,222	
Lower Middle (50% to 80% of MFI)	\$6,759	\$10,815	
Low (30% to 50%)	\$4,055	\$6,759	
Very Low (less than 30% of MFI)	\$4,055	or less	
<b>Available Monthly Rent or Payment (@30% of income level)</b>			
	<b>Lower-end</b>	<b>Upper-End</b>	
High (120% or more of MFI)	\$1,352	or more	
Upper Middle (80% to 120% of MFI)	\$901	\$1,352	
Lower Middle (50% to 80% of MFI)	\$563	\$901	
Low (30% to 50%)	\$338	\$563	
Very Low (less than 30% of MFI)	\$338	or less	
<b>Approximate Attainable Home Price**</b>			
	<b>Lower-end</b>	<b>Upper-End</b>	
High (120% or more of MFI)	\$299,000	or more	
Upper Middle (80% to 120% of MFI)	\$199,000	\$299,000	
Lower Middle (50% to 80% of MFI)	\$104,000	\$166,000	
Low (30% to 50%)	\$62,000	\$104,000	
Very Low (less than 30% of MFI)	\$62,000	or less	

\* based on U.S. Census American Community Survey 2013-17.

\*\* High and upper middle income levels assume 20% down payment on 30-year fixed mortgage at 5% interest.

\*\* Lower middle and low income levels assume 0% down payment on 30-year fixed mortgage at 5% interest.

**Source:** Housing and Urban Development guidelines, and U.S. Census data, analysis by FCS Group

**Tillamook County Owner-Occupied Housing Needs, 20-year Forecast\***

Family Income Level	Upper Range of Qualifying Income	Upper Range of Home Price*	Attainable Housing Products	Estimated Distribution of Owner-Occupied Units	Projected Owner-Occupied Units Needed
Upper (120% or more of MFI)	Greater than \$54,073	Greater than \$299,000	Standard Homes	44%	790
Upper Middle (80% to 120% of MFI)	\$54,073	\$299,000	Small Homes, Townhomes	36%	647
Lower Middle (50% to 80% of MFI)	\$36,049	\$166,000	Mfgd. Homes, Plexes	15%	269
Low (30% to 50% of MFI)	\$22,531	\$104,000	Govt. Assisted	5%	90
Very Low (less than 30% of MFI)	\$13,518			0%	0
<b>Total Dwelling Units</b>				<b>100%</b>	<b>1,796</b>

\*Assumes 30% of income is used for mortgage payment, with 5% interest, 30-year term with 20% downpayment for upper middle and high income levels, and 5% downpayment for lower income levels.

**Tillamook County Renter-Occupied Housing Needs, 20-year Forecast\***

Family Income Level	Upper Range of Qualifying Income	Upper Range of Monthly Rent*	Attainable Housing Products	Estimated Distribution of Units	Projected Renter-Occupied Units Needed
Upper (120% or more of MFI)	Greater than \$54,073	Greater than \$1,551	Standard Homes, Townhomes, Condos	21%	166
Upper Middle (80% to 120% of MFI)	\$54,073	\$1,551	Small Homes, Townhomes, Apartments	17%	135
Lower Middle (50% to 80% of MFI)	\$36,049	\$1,034	ADUs, Townhomes, Mfgd. Homes, Plexes, Apts.	20%	163
Low (30% to 50% of MFI)	\$22,531	\$646	Govt. Assisted Apts.	23%	190
Very Low (less than 30% of MFI)	\$13,518	\$388	Govt. Assisted Apts.	19%	153
<b>Total Dwelling Units</b>				<b>100%</b>	<b>807</b>

\*Assumes 30% of income is used for rental payments.

## APPENDIX B. DLCD STAFF INPUT

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**From:** "Phipps, Lisa" <[lisa.phipps@state.or.us](mailto:lisa.phipps@state.or.us)>  
**Date:** Monday, December 16, 2019 at 10:40 AM  
**To:** Paul Wyntergreen <[pwyntergreen@tillamookor.gov](mailto:pwyntergreen@tillamookor.gov)>  
**Subject:** FW: HNAs and EOAs

Hi, Paul,

Here are the answers to the questions regarding the life span of a document and HNA approach. I met with Kevin Young in Salem to address these questions:

- 1) Do EOAs have a lifespan? The City of Tillamook had an EOA completed around 2013 and are now looking at updating their HNA, etc. Is it possible that a review of the EOA could show that it is still relevant (or mostly still relevant)? Would a letter just accompany that review showing it is still relevant? Or regardless, do they need to go through a full-blown process?

*In 2013 it should have projected a 20-year need for employment lands. Since then, best practice would be to track what has developed since that time so they have a current understanding of their inventory of employment lands. There's no requirement for periodic updates of EOAs at this time, but what often drives a local gov. to do that is running short on land supply. The most recently adopted EOA remains valid until it is replaced by an updated EOA. There's no expiration date, but if they run out of land it becomes pretty irrelevant.*

- 2) The City of Tillamook is currently having a BLI completed. I held a Planning Commission 101 workshop for the city before Thanksgiving and one of the questions that came up was whether it was acceptable to do a regional HNA? I know that 10-13 years ago, three of the cities and Tillamook County did a regional BLI and HNA with each community getting a HNA that was unique to them as well. So there was this broad overview of the area and its needs and then the community-specific HNAs were completed. Are you comfortable with this approach? Also, the commission asked about Safe Harbor and what pitfalls there might be in moving in that direction.

*I think a regional HNA makes sense, as we discussed. I would not encourage use of the safe harbor methods from Div. 24. Reportedly, those have not worked that well. They created quite a bit of confusion with the recent Dallas HNA.<sup>4</sup>*

Paul, I talked to Kevin about several different ways to approach the HNA. The first was to do an HNA just for the city, but one that included a regional overview given the City's place as the County seat and home of most of the industry. He thought that made good sense but wanted to make sure that in terms of any decisions that might come out of the HNA with this approach, that it was related to the city limits only – but that the overview could provide good context.

The second was that the City partner with the county (and other cities), to do a broader and more global HNA – however, in order for it to be of value for the City (in terms of UGBs, etc.) it would also need to include an HNA specific to the City of Tillamook (and the other cities).

Does that make sense? I did ask, that as you get closer, if we could hold a workshop for Tillamook and he said yes...if you want one!

Thanks!  
Lis



**Lisa M. Phipps**

North Coast Regional Representative | Ocean/Coastal Services Division

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<sup>4</sup> Note by T. Chase, FCS GROUP with respect to Safe Harbors. "**Safe harbor**" means an optional course of action that a local government may use to satisfy a requirement of Goal 14 (urbanization) based on projected population, and residential zoned density levels; and if the city needs to expand their urban growth boundary, a safe harbor analysis lends protections from appeals on certain elements which can cost time and money. A safe harbor approach per OAR 660-024-0040(1)-(8) is not the only way or necessarily the preferred way to comply with the requirements of a housing needs analysis. It was employed for the city of Dallas (along with other approaches) as an alternative way of looking at residential land need scenarios for the 20-year forecast. The Dallas City Council successfully adopted their HNA in December 2019 without appeal.

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From: Paul Wyntergreen [mailto:[pwyntergreen@tillamookor.gov](mailto:pwyntergreen@tillamookor.gov)]  
Sent: Monday, December 16, 2019 2:11 PM  
To: Phipps, Lisa <[lphipps@dlcd.state.or.us](mailto:lphipps@dlcd.state.or.us)>  
Cc: Debbi Reeves <[dreeves@tillamookor.gov](mailto:dreeves@tillamookor.gov)>  
Subject: Re: HNAs and EOAs

Thank you Lisa; this is very helpful and yes let's schedule up a workshop for February or March.

It is wonderful to see that a regional approach is a possibility. I am still a bit confused by your last couple of paragraphs; I understand that the City and the County (with other cities) would each do an HNA, but it is unclear as to whether the project demand could be allocated. Since High-premium cities at the beach will probably not produce sufficient approachable housing at rent levels that its service workers could afford, but places like Tillamook City could, is it allowable to assign additional growth allocation to certain cities if agreement is reached between communities?

***Paul Wyntergreen***  
**City Manager**  
**City of Tillamook**  
**210 Laurel Avenue**  
**Tillamook, OR 97141**

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**From:** "Phipps, Lisa" <[lisa.phipps@state.or.us](mailto:lisa.phipps@state.or.us)>  
**Date:** Friday, December 20, 2019 at 1:29 PM  
**To:** Paul Wyntergreen <[pwyntergreen@tillamookor.gov](mailto:pwyntergreen@tillamookor.gov)>  
**Cc:** Debbi Reeves <[dreeves@tillamookor.gov](mailto:dreeves@tillamookor.gov)>  
**Subject:** RE: HNAs and EOAs

Hi, Paul,

That is a great question with a good philosophical foundation. But, I am not sure that the laws have caught up with the realities of what regions like ours face. I will reach out again with the nuance described below, but my initial reaction, that while the regional approach will give people a better understanding of the how and why, the growth will still be confined to the PSU estimate for each city.

But, I will follow up.

Thanks, Lisa



**Lisa M. Phipps**

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