

City of Florence Housing Needs Assessment



October 2008

Acknowledgements

This report summarizes the results of the Housing Needs Assessment Project that was conducted from the fall of 2007 through the fall of 2008. This report and analysis was prepared by Carol Heinkel, City of Florence Planning Consultant, together with Sandra Belson, Florence Community Development Director. Lane Council of Governments Geographic Information Systems staff Ellen Courier and Bill Clingman used the State Housing Needs Model to generate the data reports used in this report. This Housing Needs Assessment was funded, in part, by a Technical Assistance Grant from the Oregon Department of Land Conservation and Development.

The recommendations in this report are those of the Florence Housing Advisory Committee which was involved in all stages of development of this study, including data inputs, assumptions, and review and comment on this report.

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Executive Summary

Findings and Recommendations

Findings

1. **The Model and Model data results are useful for long-range planning but are not appropriate for current programs to meet imminent needs.**

The model, as applied in the context of the Florence housing needs assessment, was found to be a useful tool for long range planning (2025 and 2030), but did not provide reliable data to use in a determination of housing needs in the short term (2010).

The model relies on data from the 2000 Census which is now almost nine years out of date. Affordable housing programs that rely on accurate, up-to-date information for documentation of housing need cannot rely on model results based on Census data that are almost a decade old. Other tools will be used to document needs for these programs. The model results in this report, therefore, pertain to long range planning, i.e., 2025 and 2030.

2. **Affordable Housing Needs**

a. **Affordable housing is a problem in Florence today, based on the following observations and data:**

- Based on an up-to-date, accurate accounting of Florence incomes and the price of homes and rental rates, the average wage earner in town cannot afford to purchase a home at the median home price offered today and there are not enough dwellings having the amenities and acceptable level of condition in the price range that he or she can afford.
- Part of the problem in Florence is the oversupply of residential lots and a pool of potential buyers that cannot afford to purchase them.
- Florence is not as rent burdened as other communities, when rent averages are viewed in the context of median income in the Florence community. A rent survey of all multi-family units was completed in 2006 and an update to that survey will be conducted in the future.
- The market most likely will shift towards rentals which will eliminate some of the problems in the short-term. As far as ownership of housing, the community is not showing any positive change. Unless prices drop, there will be a permanent underclass of renters in the community.
- Three bedroom houses are in the greatest demand.
- The Casino recognizes there is a need for affordable housing in the Florence area for its employees.

b. Affordable housing is projected to continue to be a problem in the community over the next 17-22 years (Scenario 2025 and Scenario 2030), based on the results of the Model used in this study:

- There is a projected need for housing units of all types by 2025 and 2030. In both Scenario years, the greatest percentage of need is for owner-occupied single-family detached units and multi-family apartments for renters.
- For rental units, in both Scenarios, the greatest share of the projected need is in the lowest rental rate category and there is a corresponding projected over-supply (surplus) in the highest rental rates, which reflects development of high-end vacation rental units in the community. In both Scenarios, the greatest projected need for renters is for housing in the lower rental price brackets, with about 50% of the need for rental housing at rates in the lowest rent categories.
- By 2025, about 99% of the projected needed rental housing will be for non single-family detached housing, primarily 5+ multi-family apartments and duplexes; and by 2030, about 74% of the rental housing needed will be for non single-family detached housing, again primarily 5+ multi-family apartments and duplexes.
- There is a projected need for senior housing, overall, in all income and rental ranges, in both Scenarios; and the lower the income and rental range, the greater the projected housing need for seniors aged 65-74 and 75 and older. The need for rental housing for seniors in the group aged 75 and older is slightly higher than the need for the lower age group, in all income ranges except the highest. These projections highlight the importance of ensuring housing opportunities for the aging population; and, in providing this type of housing, consideration should be made for the type of senior housing that is appropriate for older citizens in Florence. This may not be the same type of senior housing that is desirable in more urban centers and metropolitan areas.
- By 2025 and 2030, there is a projected need for owner-occupied housing overall, and, while there is a projected surplus at the very lowest price range, there is a projected need in all other price categories. Most of the projected need for owner-occupied housing is for single-family detached housing, in both Scenarios.

3. Projected Residential Land Needs

Based on the results of the Model, there is a projected surplus of residential land, overall, in the UGB in both Scenarios (2025 and 2030), although the surplus is not evenly distributed among Plan designation types (land in some Plan categories will be needed in this timeframe). These results indicate the need to update the Buildable Lands Inventory in the next several years, perhaps when the new Census data are released in about 2011. This could be done in conjunction with the recommended monitoring and evaluation steps, below.

Recommendations

1. Code Amendments

- Adopt Incentive-Based Inclusionary Zoning Code Provisions.
- Adopt Accessory Dwelling Unit Code Provisions to Promote Infill Development.
- Adopt Housing Preservation Ordinance.
- Review and Revise Zoning and Subdivision Code Provisions and Plan and Zone Maps.

2. Education

- Develop and Maintain a Public Education Program for Affordable Housing.
- Promote Employer Assisted Housing.

3. Other Assistance with Affordable Housing

- Broker and Leverage Private and Non-profit Affordable Housing Programs with CDBG Funds, Tax Increment Financing, and Assistance to Non-profit Groups.

4. Monitoring and Evaluation

- Monitor the results of the model, as needed and indicated by observations in the market place, by adjusting the data inputs.
- Update the renter survey, such as the survey done in 2006; revisit model assumptions, and re-run model.
- Update and re-run model after the next census in 2010 and re-populate the model templates with updated census data.
- Adjust Planning Assumptions and evaluate the effects of various policy alternatives by adjusting the housing type and distribution assumptions in the Model.
- Re-evaluate residential land needs in the future.

I. Introduction and Methodology

Introduction

“The 1949 Housing Act adopted the goal of ‘a decent home and suitable living environment for every American family.’ This goal has become elusive as the number of working families with critical housing needs continues to increase due to the disparity between rising housing costs and stagnating wages for low-wage jobs. Low-wage jobs anchor a substantial sector of local and regional economies and high rental costs place many low-wage workers one paycheck away from homelessness.

Affordability problems affect both renters and homeowners. Even among people with relatively better paying jobs, higher housing costs precipitate a significant decline in real, spendable income. For both renters and homeowners, housing and transportation costs consume a large share of the household budget. The widespread problem of housing affordability has a profound impact on the quality of life for families, especially children, and on the overall well-being of neighborhoods and communities.”

American Planning Association Policy Guide on Housing
Adopted by the Board of Directors April 23, 2006

This Housing Needs Assessment represents an accurate, sustainable Housing Needs Analysis Program that can be used as a tool for policy and program recommendations. The study relies on data generated through the State Housing Needs Model and on a policy alternatives evaluation based on extensive literature and policy research.

This study expands on a previous study, the *Housing Needs Study, Florence, Oregon, as of September 12, 2006*, by Sylvia MacFarland, Real Estate Appraiser and Consultant. That study focused on estimating the unmet need for affordable housing for households making less than 60 percent of the Florence median income. The current study used data from that earlier study and also expanded the data and policy analysis in order to provide the City with recommendations, based on a data and policy analysis, related to affordable housing.

Completion of this study is a Florence City Council Goal for 2008 for the Community Development Department.

Methodology: Policy Analysis

This project was conducted under the guidance of the Florence Housing Advisory Committee, formed in April, 2007 to advise the Florence City Council on all matters affecting housing. The role of the committee is put forth in detail in Title 2, Chapter 14 of the Florence City Code. A description of the committee’s work and progress is contained in Appendix B of this report, “Housing Advisory Committee Report to Council,” February 4, 2008. Additional reports on the committee’s input and feedback on this study are contained in the minutes of committee meetings, on file in the Florence Community Development Department.

The project was also guided by the “Workforce Housing Policy” established by the Florence City Council in Resolution No. 31, Series 2008, passed on September 8, 2008 (Appendix C). That policy established the role of the City to identify and support programs and solutions that will

provide long-term benefits and be sustainable in the Florence community while avoiding property tax exemptions or fee reductions that would negatively affect the City's revenue base.

Policy alternatives were identified through an extensive literature search and, where readily available, sample Code provisions were reviewed and incorporated into this report to help inform the development of recommendations. These alternatives were evaluated in light of the policy guidance provided by the Florence Housing Advisory Committee and the Florence City Council.

Methodology: Data Analysis

The data in this report were generated by the Housing and Land Needs Analysis Model. The model is a dynamic tool that can be used to test various policy alternatives, as well as different assumptions about current and future conditions. The model is described in detail in the article in Appendix A: "A Housing and Land Needs Analysis Methodology and Model©" by Richard Bjelland, State Housing Analyst, Oregon Housing and Community Services Department (attached). The Florence Housing Advisory Committee provided specific direction on the inputs for the Housing Needs Assessment model, including providing direction on definitions, assumptions, and data to use in the study.

Limitations of the Model and Model Data

The model, as applied in the context of the Florence housing needs assessment, was found to be a useful tool for long range planning (2025 and 2030), but did not provide reliable data to use in a determination of housing needs in the short term (2010). This finding is based on the following:

- The model relies on data from the 2000 Census which is now almost a decade old.
- Local conditions in Florence have changed dramatically in this time, particularly in the last two to three years.
- Florence is a small town and, for this reason, the use of current data is particularly important. This is because the smaller the population, the greater the resulting data analysis is distorted.
- In general, the shorter the planning horizon, the more imminent the need, and the greater the requirements are for data to be based on up-to-date information.

Affordable housing programs that rely on accurate, up-to-date information for documentation of housing need cannot rely on model results based on Census data that are almost a decade old. Other tools will be used to document needs for these programs. The model results in this report, therefore, pertain to long range planning, i.e., 2025 and 2030.

The need for greater data accuracy and reliability in the short-term is also due to the nature of the decisions upon which the data are based. In the short term, it is critical that the housing needs data are highly accurate and reliable because the data are used to meet an imminent need, i.e., the continuation of existing housing programs and the initiation of new housing programs that are based on demonstrated need. In contrast, the data used for long range planning estimates conditions far into the future and the policies upon which the data are based, such as additional studies and research or housing policy to promote specific types of housing, have long range effects. These effects are monitored and evaluated over time and policy adjustments are made periodically as new and more current data are available. This is the nature of long range planning.

For example, 20-year population forecasts frequently rely on Census data to project past trends into the future. It is recognized in that process that the projection is an estimate and that estimate is revisited and revised as new Census data are available. The long range projections are a relia-

ble basis for policy decisions with effects anticipated over the long term; and it is recognized that a monitoring and evaluation program is necessary in order to ensure the policies are achieving the identified goals, objectives, and criteria. The monitoring and evaluation program for the data and policies in this report is presented in Chapter VI.

Model Use in Florence

Lane Council of Governments (LCOG) input the data, with the City's assistance, into the State Housing Model, ran the model, and compiled data into a Housing Needs Assessment with reports showing the amount of housing needed by tenure type and income level to address the needs of the existing population as well as the needs of the projected population for the years 2010, 2025, and 2030, although only 2025 and 2030 data results are used in this assessment and policy analysis. The total UGB populations for those three years were consistent with adopted, coordinated population forecasts for the Florence UGB.

The model was also used to project residential land needs. The entire assessment with all data tables is presented in Appendix D. Due to the limitations of the model described in the section above, this report discusses the model results for Scenarios 2025 and 2030. The data for 2010 remain in Appendix D but they are not used in this report as the basis for policy or program recommendations.

It is important to understand that this model is fundamentally different from the traditional "market trends" approach commonly used to predict future housing "demand." As described more fully in Mr. Bjelland's discussion, attached, this housing needs model is based on the assumption that housing should be "affordable" (i.e., "no more than 30% of a household's income should be spent on housing costs"). The model uses household-income brackets to establish corresponding categories of affordable housing values.

It is important to note that these categories are not intended to reflect market prices or availability, but simply to reflect what is deemed affordable to households within the different income brackets. The model also allows these categories to be adjusted up or down to reflect the effect of high or low mortgage rates, which have a strong influence on housing affordability. A middle set of value classes is based on historical average mortgage rates. These "price points" are displayed in the tables in this report as well as in Appendix D.

Model Inputs

The data inputs are important to understand because the values assigned to these inputs can dramatically affect the analysis. As noted above, the model is a dynamic tool that can be used to test various policy alternatives, as well as different assumptions about current and future conditions. The data inputs that can be adjusted and suggested processes for future runs of the model are discussed in detail in Chapter VI, Monitoring and Evaluation.

Base-Year Demographic Distribution

All demographic data input into the model is 2000 U.S. Census data. The model assigns all households (HHs) in the UGB into 7 age brackets, each of which is further broken down into 7 income brackets, resulting in 49 Age-Income "cohorts." The HH-distribution factors for these cohorts appear on Template 3 of the model and are from the individual city template provided by Mr. Bjelland.

These distributions, combined with the tendency of each cohort to own or rent (see discussion below for more information on those factors), result in the calculated needs shown on Templates

4 and 5 and on Graphs 1 and 2. Again, these “indicated” housing needs are based strictly on income and affordability.

Out Factors

The model uses Out Factors in Template 5 to represent the percentage of households in each income bracket who will choose to live in a lower cost level than the higher level they could afford. The instructions for the model state that these estimates should not be based on supply-side constraints, i.e. not enough housing in a given price range, but should be based solely on preference. Approximate numbers were generated for this variable by doing a comparison of the total population in a given income bracket to the total population living in units at a given price range, as reflected in Census data. Thirty percent of annual income was used to determine what would be affordable to each income bracket. At the low end of rental and mortgage rates, none of the population “prefers” to live in a lower-cost unit because no lower categories are available. The percentages of those households choosing to live in a lower cost unit increase as income increases and additional lower-cost categories become available.

Tenant Vouchers

Tenant vouchers for Florence were obtained from Lane County.

Current Housing Inventory

The model requires the current inventory of housing to be categorized by both unit type and value class. 2008 data was used for the current housing inventory and 2000 census assumptions were used, because these were the most up-to-date data for these inputs available. The 2010 census will present an opportunity to re-run the model with more up-to-date data for those variables (see Chapter VI. Monitoring and Evaluation).

Dwelling Unit Values

Data from the Lane County Assessment and Taxation, carried on the regional GIS, were used to determine the total assessed value (land value plus improvement value) for each tax lot (as of mid-2008). The Assessor’s records also contain data on market value, but this value was not used for the model because it was not an accurate portrayal of true market value of properties in Florence. This is another limitation of the model that makes the data results more useful for relative comparisons of data sets in long range planning (20 years or more) than any indication of needs in the short term.

The total assessed value was divided by the total number of units on each tax lot to derive value per unit for each dwelling unit. Based on those unit values, each dwelling unit was assigned to one of the six value classes needed for model input. Maps showing distributions of value classes were generated to visually confirm the results of this approach. These maps are included in this report and are available in digital form; they are, themselves, a useful byproduct of the analysis.

In addition to the tenant voucher adjustments describe above, 1000 multi-family (5+) rental units were moved into the lowest rent category to reflect the housing units actually owned by various housing agencies in the local area, where rents are kept low through subsidy programs other than tenant vouchers.

Dwelling Unit Types

The regional GIS data used for the Current Housing Inventory provide information about dwelling-unit type, e.g. Single Family, Duplex, Multi-Family, Mobile or Manufactured Home in a

park (Mobile/Mfg in park), and Mobile or Manufactured Home on an individual lot (Mobile/Mfg. on lot). Those types were assigned to the five dwelling-unit types used in the housing needs model as follows:

- Single Family Units = Single Family plus Mobile/Mfg on individual lots
- Manufactured Dwelling Park Units = Mobile/Mfg in park
- Duplex Units = Duplex
- Tri-Quadplex Units = Multi-family units were broken out into the model's "Tri-Quadplex" category based on more detailed GIS use codes. Owner-occupied condos were assumed to fall into the Tri-Quadplex category.
- 5+ Multi-Family Units = Multi-family units were broken out into the model's "5+ Multi-Family Units" category based on more detailed GIS use codes. This category applies to rental units only (apartments).

Rental vs. Ownership Status (Tenure)

As described more fully in Appendix D, the model uses a set of factors to predict the tendency of households in each of the 49 age-income cohorts to choose between owning vs. renting (also known as tenure choice). Likewise, the model requires that the input housing inventory be segregated into owner-occupied units and rental units. The determination of rental vs owner-occupancy is a very time-consuming and somewhat uncertain process. LCOG used a parcel-by-parcel comparison between GIS site addresses and the owner addresses from the assessment records for each taxlot to make these determinations.

Owner house numbers and street names were parsed from assessment and taxation owner addresses. On taxlots where both of these fields matched the corresponding fields from the site address, dwelling units were flagged as owner-occupied. Units with owner addresses from other states or other cities in Oregon outside of Lane County were flagged as rentals. All multi-family units in structures with five or more units were assumed to be rentals. Addresses that included post office (P.O.) boxes and others that could not be determined were flagged as unknowns. This can be problematic in small communities where a large proportion of residents use P.O. boxes. Units with a clearly definable tenure status (owner-occupied or rental) were summarized into separate value-by-type matrices. Owner/rental ratios established from these units with known tenure were then used to allocate units with unknown tenure in each value/type category into one matrix or the other. Again, maps were generated displaying unit value-classes for rentals vs. owner-occupied units to provide visual confirmation.

The resulting owner-occupied matrix was used to populate that input table in the model (the lower half of Template 6).

Rental Rates

Note that price points in the model are in 1999 dollars, in order to be consistent with the timeframe for data inputs from the 2000 Census.

Multi-family rental rates were estimated using data from the *Housing Needs Study, Florence, Oregon, as of September 12, 2006*, by Sylvia MacFarland.

The determination of rental rates for single-family units was based on a very simplistic assumption that monthly rents are equal to 1% of unit value, *i.e.*, a unit valued at \$75,000 would rent for \$750 a month. Based on that assumption, dwelling units were assigned to the six rent-rate classes needed for the model input, again based on the affordability assumption that no more than 30% of a household's income should go to housing costs. Known rental units, as determined according to the methodology described above, were divided into the rent-class-by-unit-type matrix

needed as model input. Units with unknown tenure that had been allocated to the rental inventory, as described above, were then allocated into the matrix based on the proportions of known rentals of each type and rent class, and then loaded into the top half of Template 6 of the model.

Future-Year Demographic Distribution

The future HH-distribution factors for the 49 Age-Income cohorts (which appear on Template 9 of the model) were based on expected changes within each age bracket, reflecting overall aging of the population and other changes due to in-migration, births, and deaths. These projections were developed by the Oregon Office of Economic Analysis. Changes within each age bracket were allocated across the income subbrackets based on current shares of those income subbrackets within each age bracket.

Future Housing Units Planned by Housing Type

For this initial run of the model, the future mix of housing types in each value category (Template 12) was simply based on the same percentages as the current inventory (as shown on Template 6). Additional work could be done to investigate the effects of assuming different mixes of type and price point.

The Future Needs data are organized by tenure, value, and type. Templates 10 and 11 and Graphs 4 and 5 display the future housing unit needs calculated directly from the future household age-income distribution factors (just like Templates 4 and 5 and Graphs 1 and 2 did for current-year households). Graphs 6 and 7 show the future needs for additional (new) units by tenure and price category.

Future Land Needs

The model also contains a number of additional templates and graphs related to land supply and future land needs. The analysis used in applying the model to Florence is based on the updated Florence Zoning Map.

II. Existing Conditions and Policy Direction

“There exists a need for affordable housing within the City of Florence, and, that need has a profound impact on both the livability of the community and economic development in Florence, as well as the cost of public safety, public health, and public school systems. Safe and affordable housing gives people an opportunity to build better lives and is a basic human need.”

Florence City Council Resolution No. 31, Series 2008

The City of Florence has taken the initiative in the last year to address the topic of affordable housing and workforce housing. The Housing Advisory Committee was formed in April, 2007. The Committee has met regularly since its inception and has done considerable work in defining the problem, discussing possible solutions, and establishing goals and criteria. This Chapter summarizes the discussion and direction of the Committee and City Council resulting from this 18-month process.

Existing Conditions

The following information on existing conditions in Florence was summarized from Housing Advisory Committee and City Council minutes of discussions of affordable housing. This information provides the context for problem definition and policy direction presented below.

- The median price for a home in Florence is currently about \$238,000. That is, half the single family dwellings that were sold in the Florence area sold for more than \$238,000, and half sold for less. Based on the most recent wage level information available from the Oregon Employment Department, the average wage earner in Florence makes \$26,000 per year. At this income level, the average Florence worker could afford a house costing \$132,000, or a monthly payment of approximately \$750 per month.
- A \$200,000 residence would require an income of \$3,500 per month, well above the average monthly wage. The purchase of a residence at the median price of \$238,000 would require an income of \$4,000 per month and a monthly payment of approximately \$1,820. In other words, the average wage earner in town cannot afford anywhere near the median home price and there are not enough dwellings having the amenities and acceptable level of condition in the price range that he or she can afford.
- Part of the problem in Florence is the oversupply of residential lots and a pool of potential buyers that cannot afford to purchase them. There are several new subdivisions that have begun to be built, starting in 2006, for example, Fawn Ridge. The rate of new construction was very high in 2004 and 2005; but that declined in mid to late 2006. At the same time that the land became available, the demand for custom homes died; so, there are numerous lots with very little absorption. This is very similar to what had happened in the early 1990s. In turn, land prices will eventually come down.
- Florence is not as rent burdened as other communities, when rent averages are viewed in the context of median income in the Florence community. A rent survey of all multi-family units was completed in 2006 and an update to that survey will be conducted in the future.

- The market most likely will shift towards rentals which will eliminate some of the problems in the short-term. As far as ownership of housing, the community is not showing any positive change. Unless prices drop, there will be a permanent underclass of renters in the community.
- Three bedroom houses are in the greatest demand; and, in Lane County, 16% of all housing contains two bedrooms. For example, in the Greentrees development in Florence, on average, there are one and two bedroom homes.
- The Casino recognizes there is a need for affordable housing in the Florence area for its employees; and estimates that there 60 to 80 families currently seeking a place to live. The Casino has found that most of their current labor supply is coming from the local market, and only about 5% of the 400 employees that they hired came from outside the area. During the grand opening of the Casino, about 80% of the total staffing was on the floor working. Today, there are less working at one time but with the same employee count.

Policy Direction

The Committee has determined that the goal for Florence is to increase the number of workforce and affordable housing units. The Committee had many discussions about possible solutions to the problem and these options are included in the Policy Alternatives and Analysis in Chapter IV.

Policy direction for affordable housing solutions is presented in City Council Resolution No. 31, Series 2008, passed on September 8, 2008; and included as Appendix C. The resolution was reviewed and approved by the Housing Advisory Committee on August 7, 2008.

City Council Resolution No. 31, Series 2008 contains the following criteria for workforce housing in Florence:

1. Targeting working families with children that need help with rental housing and owner occupied housing with the emphasis on rental units.
2. Focus on multi-family non-traditional attached housing such as duplexes, triplexes, zero lot lines and/or prefabricated modular housing (not single family detached housing).
3. Promote infill in the older areas of town such as apartments over buildings and rehabilitation of existing houses for both home owner- and renter- occupied.
4. Decide if renting is more effective and cost effective than buying, however examine both options.
5. Limit housing programs to the city limits and urban growth boundary (UGB).
6. Avoid city landlord programs.
7. Avoid property tax exemptions, fee reductions, any contributions other than in-kind, or write-offs as the City needs this revenue stream to balance its budget.
8. As a matter of policy, the council prefers that housing be provided by the private sector without the City's involvement as property owner or developer.

9. Focus on smaller developments for families and workforce housing as this will best support both current and long term needs of the community by providing service for retired residents and putting new students in the school system that has a declining enrollment.
10. Identify and support programs and solutions that will provide long-term benefits and be sustainable in the Florence community.

In preparing the Resolution, Council had stressed that it was not the intent of the City to become the owner or developer when it comes to finding solutions to address the housing problem. It was also made clear that the committee should avoid property tax exemptions or fee reductions because the City needs its current revenue stream to balance its budget. However, the focus will be for the City to identify and support programs and solutions that will provide long-term benefits and be sustainable in the Florence community.

Policy Criteria Key

In order to base an evaluation of various policy alternatives on the criteria in Resolution No. 31, Series 2008, it is necessary to translate the criteria into a Policy Criteria Key that summarizes and synthesizes the criteria into distinct areas of evaluation.

The basic criteria contained in the Resolution are presented below in summary format. These criteria serve as a key to the policy analysis in Chapter IV.

Threshold Criteria

The Resolution contains threshold criteria that apply to all policy and program options for affordable housing. These are:

- All housing programs and policies are limited in application to the area inside the Florence city limits and UGB.
- The exclusive role of the private sector in providing housing is to be maintained. Policy and programs will avoid City landlord programs and exclude property tax or fee exemptions, in order to sustain a healthy municipal revenue stream.

Specific Criteria

1. **Housing for Working Families with Children:** Target housing for working families with children, with an emphasis on smaller developments and rental programs, to increase school enrollment.
2. **Multi-family and Attached Housing:** Focus on multi-family housing over single-family detached.
3. **Workforce Housing:** Focus on workforce housing.
4. **Senior Housing:** Focus on housing for seniors with services for retired residents.
5. **Infill Development:** Promote infill such as apartments located over businesses.
6. **Rehabilitation:** Promote rehabilitation of existing units for owners and renters.

7. **Effective and Cost Effective Solutions:** Pursue effective and cost-effective policy alternatives for both rental and owner units.
8. **Sustainability:** Provide long-term benefits and sustainability in the Florence Community.

III. Model Results and Data Analysis

This section of the report summarizes the model results and presents an analysis of the data for Scenarios 2025 and 2030. The data are discussed in terms of housing, in general, and then in terms of rental housing and owner housing. These categories of analysis were used because these categories of ownership lend themselves to different public policy approaches. The last section of the Chapter reports the model results for land needs.

In interpreting these results, it is important to note that the price-point classifications used in this model are in 1999 dollars and are not meant to be predictors of what is available on the market, but are based strictly on the affordability of housing for households in the various income brackets.

Please refer to Chapter I for a discussion of the limitations of the model and the appropriate use of model data. The Committee found the model to be useful for long range planning, but not for decisions related to programs to meet current needs.

Housing Needs, In General

Table 1 displays the new dwelling units needed by Scenario. As shown, there will be an increasing need for housing units of all types by 2025 and 2030. In both Scenarios, the greatest percentage of need is for owner-occupied single-family detached units and multi-family apartments for renters.

Table 1. New Units Needed, by Dwelling Unit Type and Scenario											
	Single Family		Manufactured Dwelling in Parks		Duplex		Tri-Quad Plex		5+ Multi-Family Apartments (rental)		Total
Scenario	No.	%	No.	%	No.	%	No.	%	No.	%	
2025	1,310	75	19	1	92	5	58	3	266	15	1,746
2030	1,950	76	35	1	127	5	107	4	335	13	2,553

Rental Housing Needs

Table 2 displays the Rental Housing Needed by Rental Price Range, By Scenario. As shown, there is a projected need for about 1,088 rental units by 2025 and 1,408 units by 2030. In both Scenarios, the greatest share of the need is in the lowest price category and there is a corresponding over-supply (surplus) in the highest price ranges, which reflects development of high-end vacation rental units in the community. In both Scenarios, the greatest need is for housing in the lower rental price brackets, with about 50% of the need for housing at rental rates in the lowest rent categories.

Table 3 shows the Rental Housing Needed by Housing Type. As shown, by 2025, about 99% of the needed rental housing will be for non single-family detached housing, primarily 5+ multi-

family apartments and duplexes; and by 2030, about 74% of the rental housing needed will be for non single-family detached housing, again primarily 5+ multi-family apartments and duplexes.

Rental Price Range	Scenario	
	2025	2030
LOW	593 (55%)	665 (47%)
\$0-194	593	665
MEDIUM	280 (26%)	432 (31%)
\$195-422	233	321
\$423-655	47	111
HIGH	215 (19%)	311 (22%)
\$656-897	154	216
\$898-1132	61	95
VERY HIGH	(677)	(666)
\$1133+	(677)	(666)
Total Units Needed:	1,088	1,408

Notes: Units Needed for 2025, and 2030 are the needed units minus current inventory and planned units.

Scenario	Single Family		Manufactured Dwelling in Parks		Duplex		Tri-Quad Plex		5+ Multi-Family Apartments		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2025	4	.9	39	10	73	18	31	8	266	65	412
2030	195	26	49	7	102	14	61	8	335	45	742

Rental Housing Needs for Senior Citizens

Table 4 displays the Senior Rental Housing Needed by Rental Price Range, By Scenario, for householder aged 65-74; and Table 5 displays this same data for householder aged 75 and older. As shown, there is a projected need for senior housing, overall, in all income and rental ranges, in both Scenarios; and the lower the income and rental range, the greater the need for both age groups and in both timeframes. The need for rental housing for seniors in the group aged 75 and older is slightly higher than the need for the lower age group, in all income ranges except the highest.

These projections highlight the importance of ensuring housing opportunities for the aging population; and, in providing this type of housing, consideration should be made for the type of senior housing that is appropriate for older citizens in Florence. This may not be the same type of senior housing that is desirable in more urban centers and metropolitan areas.

Table 4. Senior Rental Housing Needed By Rental Price Range, By Scenario, Householder Age 65-74			
Income (In Thou- sands)	Rental Price Range	Rental Housing Units Needed By Scenario (Year)	
		2025	2030
<\$10	\$0-194	106	117
\$10<20	\$195-422	186	205
\$20<30	\$423-655	98	108
\$30<40	\$656-897	97	107
\$40<50	\$898-1132	32	35
\$50+	\$1133+	9	10
	Total Units Needed:	528	583

Notes: Units Needed for 2025 and 2030 are the needed units minus current inventory and planned units.

Table 5. Senior Rental Housing Needed By Rental Price Range, By Scenario, Householder Age 75 and Older			
Income (In Thou- sands)	Rental Price Range	Rental Housing Units Needed By Scenario (Year)	
		2025	2030
<\$10	\$0-194	196	216
\$10<20	\$195-422	192	211
\$20<30	\$423-655	139	154
\$30<40	\$656-897	100	110
\$40<50	\$898-1132	36	40
\$50+	\$1133+	9	10
	Total Units Needed:	671	740

Notes: Units Needed for 2025 and 2030 are the needed units minus current inventory and planned units.

Owner Housing Needs

Table 6 displays the Owner Housing Needed by Price Range, By Scenario. As shown, by 2025 and 2030, there is a projected need for owner housing overall, and, while there is a projected surplus at the very lowest price range, there is a projected need in all other price categories.

Table 7 displays the owner housing needed by dwelling unit type by scenario. As shown, most of the projected need is for single-family detached housing, in both Scenarios.

Table 6. Owner Housing Needed By Price Range, By Scenario		
Price Range (In thousands)	New Owner Housing Units Needed By Scenario (Year)	
	2025	2030
LOW	422 (32%)	653 (36%)
<\$61	(210)	(167)
\$61<93.1	493	587
\$93.1<125	139	233
MEDIUM	492 (37%)	675 (37%)
\$125<156.7	342	434
\$156.7<236.3	150	241
HIGH	419 (31%)	482 (27%)
\$236.3+	419	482
Total Units Needed:	1,334	1,811

Notes: Units Needed for 2025, and 2030 are the needed units minus current inventory and planned units.

Table 7. New Owner Units Needed, by Dwelling Unit Type and Scenario									
	Single Family		Manufac- tured Dwelling in Parks		Duplex		Tri-Quad Plex (Includes Condo Units)		Total
	Scenario	No.	%	No.	%	No.	%	No.	
2025	1307	98	(20)	0	19	1	27	2	1,334
2030	1,757	97	(14)	0	24	1	46	3	742

Notes: Units Needed for 2025, and 2030 are the needed units minus current inventory and planned units.

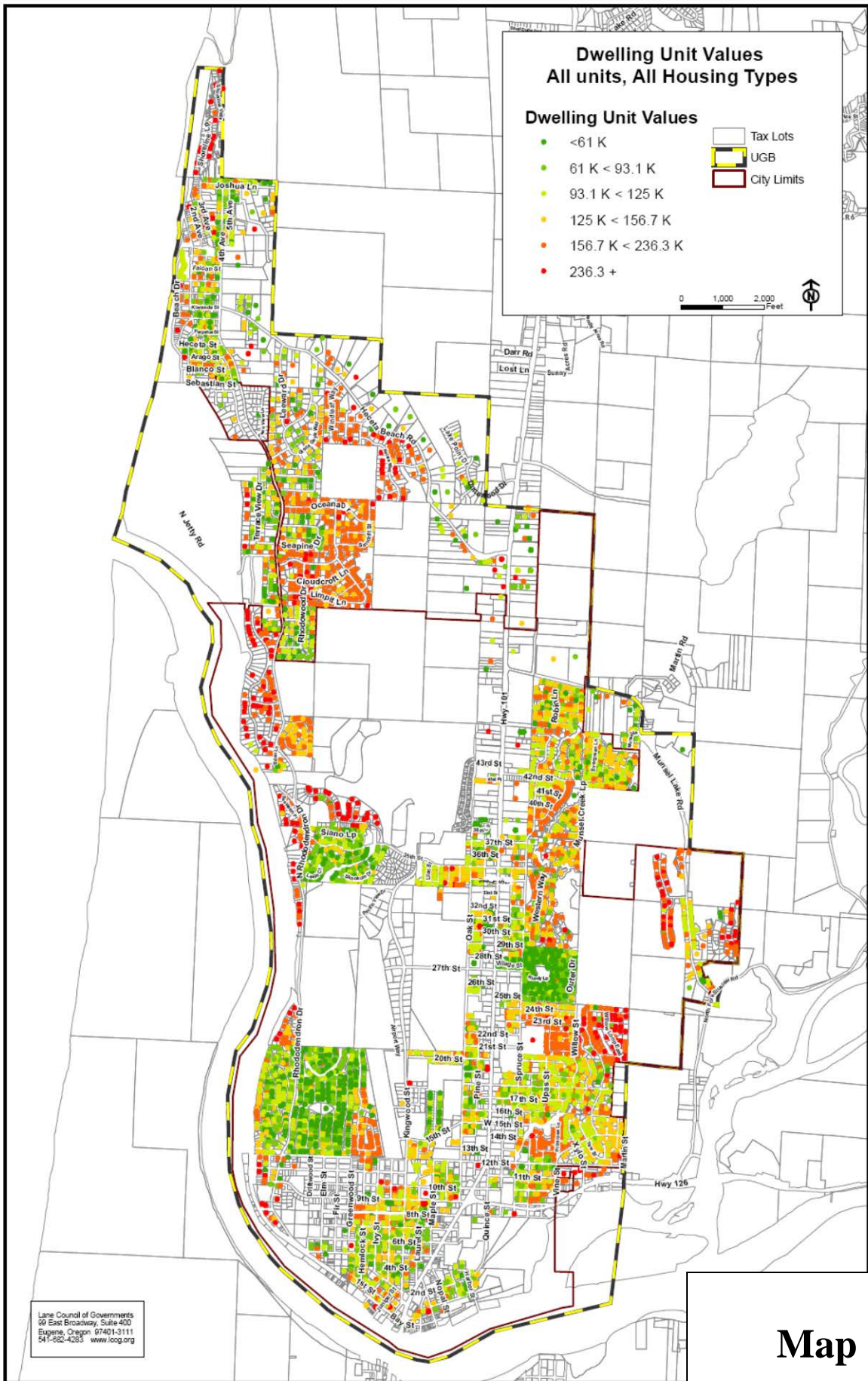
Residential Land Needs

This section of the analysis relied on data from the City's Residential Buildable Lands Inventory, adopted as part of the Comprehensive Plan in March 2004. Table 8 shows the projected new residential acres needed by residential land use planning category for each Scenario. As shown, there is a projected surplus of residential land, overall, in the UGB in both Scenarios. In both Scenarios: there is a surplus of land in the categories Medium Density, Heceta Beach Neighborhood Cluster, and West 9th Street Area; there is a need for land in High Density and Downtown

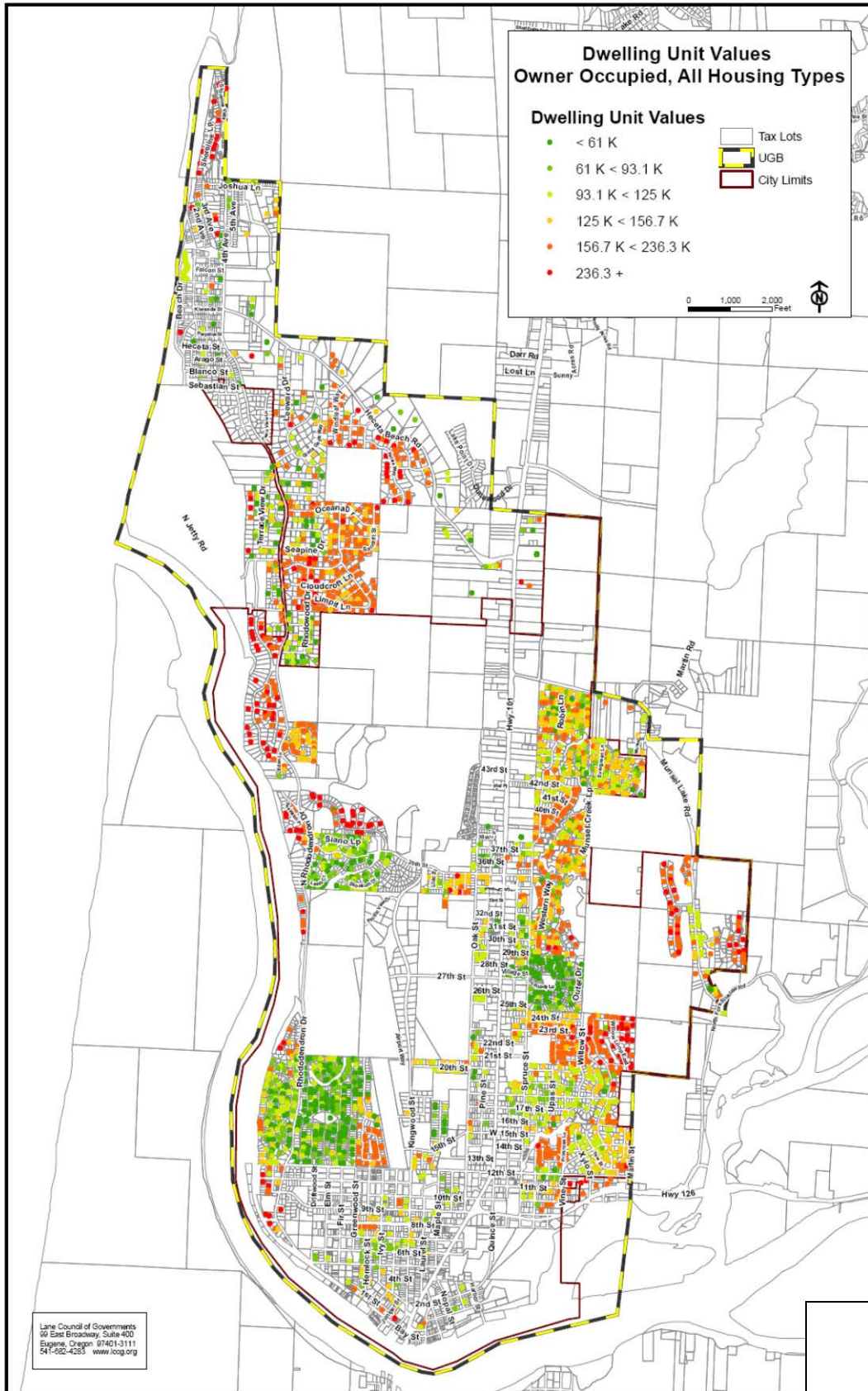
categories; and there is a projected need for Low Density (about 18 acres) by 2025 and (about 113 acres) by 2030.

These results indicate the need to update the Buildable Lands Inventory in the next several years, perhaps when the new Census data are released in about 2011. Different Scenario assumptions can be tested in future model runs at that time, including various planning assumptions (see Chapter VI, Monitoring and Evaluation). The results may indicate the need to change the Plan designation of some lands to accommodate the needs identified; or, to adjust the planning assumptions related to zoning and anticipated densities. Please see Chapter VI, Monitoring and Evaluation, for more information.

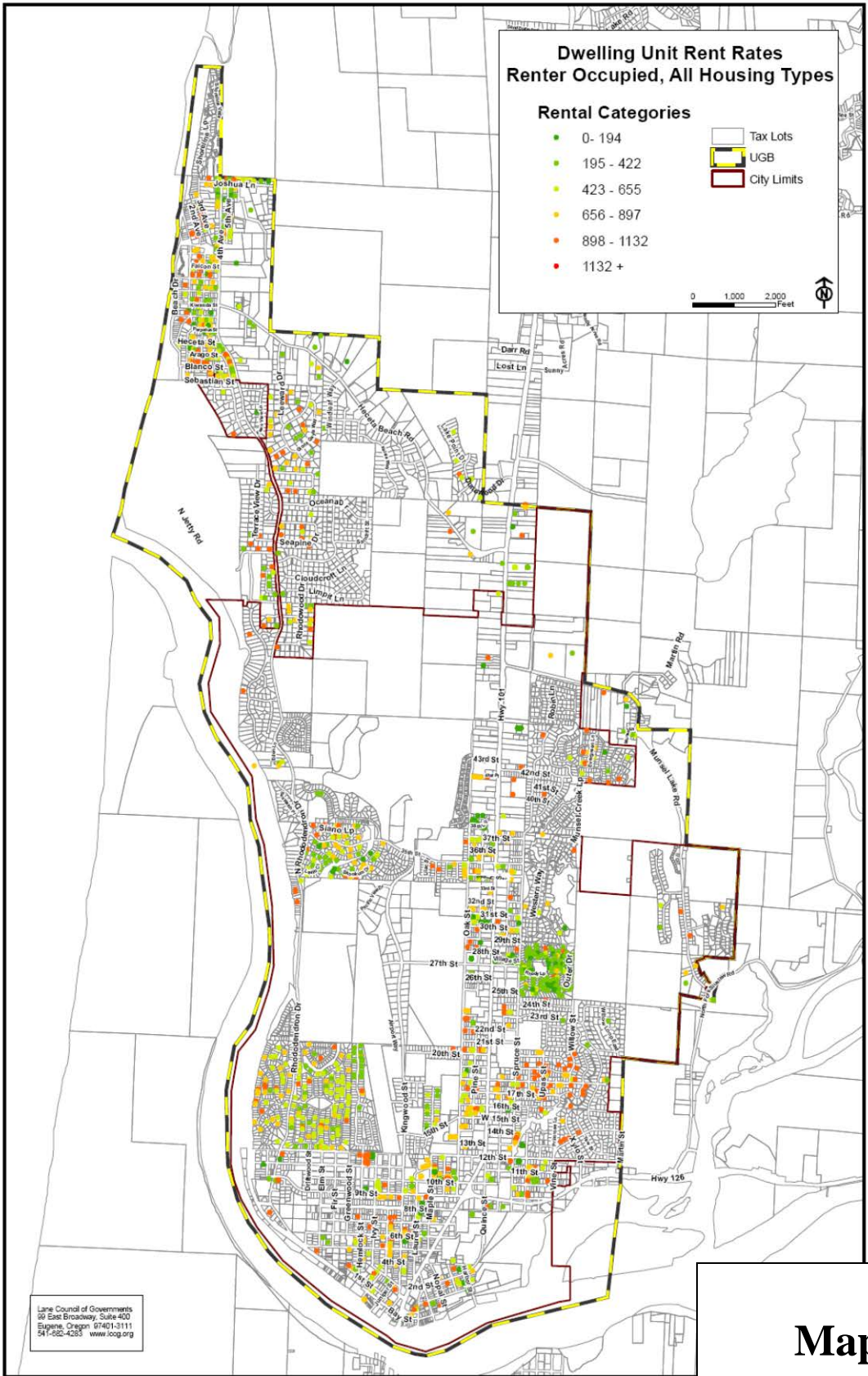
Table 8. New Residential Acres Needed by Land Use Type and Scenario							
	Low Density	Medium Density	High Density	Heceta Beach Neighborhood Cluster	West 9th Street Area	Down-town	Total
Scenario							
2025	18.3	(158.6)	1.2	(24)	(14.1)	3.2	(174)
2030	113.3	(102.3)	8.7	(18.7)	(5.7)	4.2	(0.5)

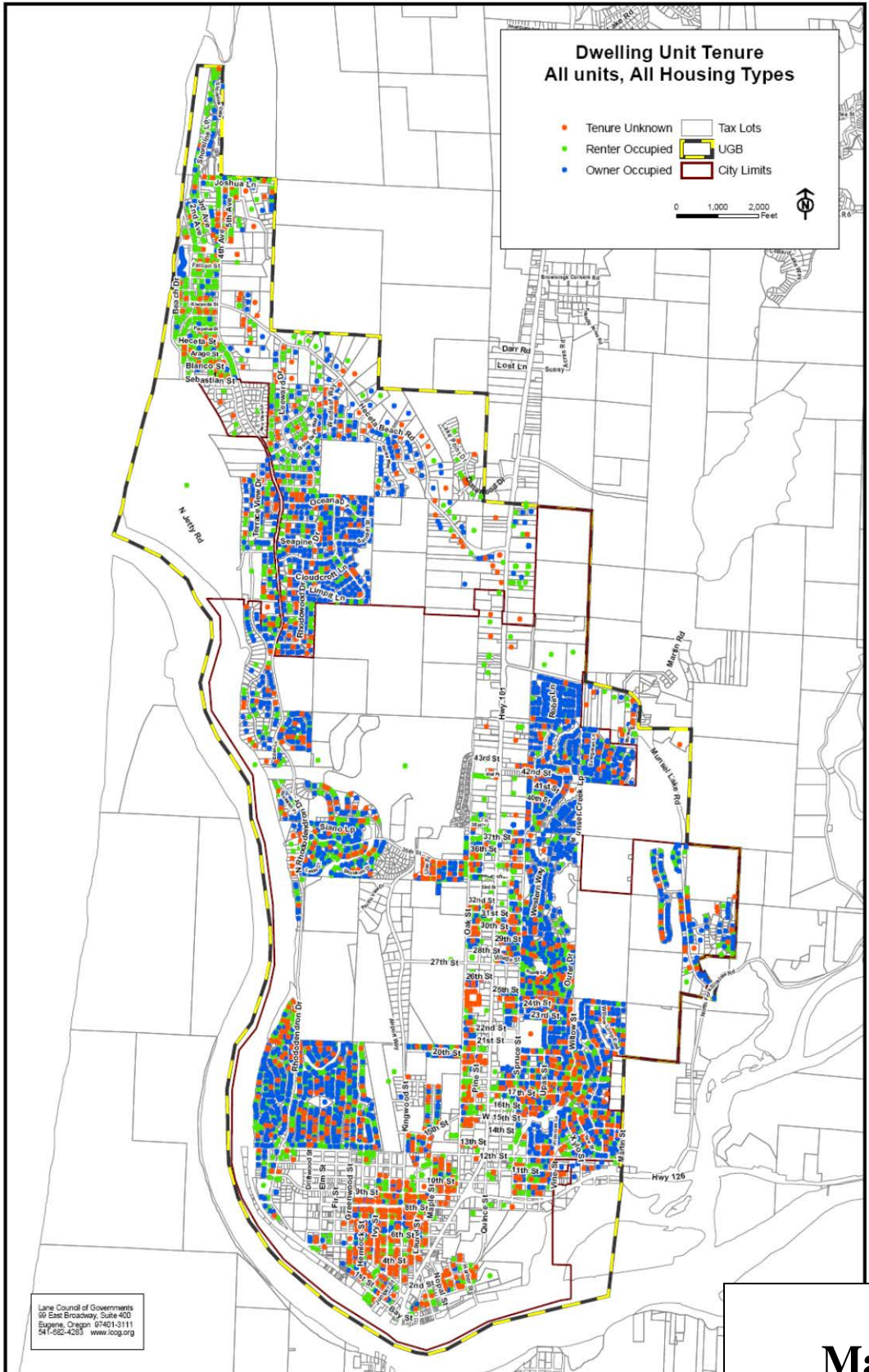


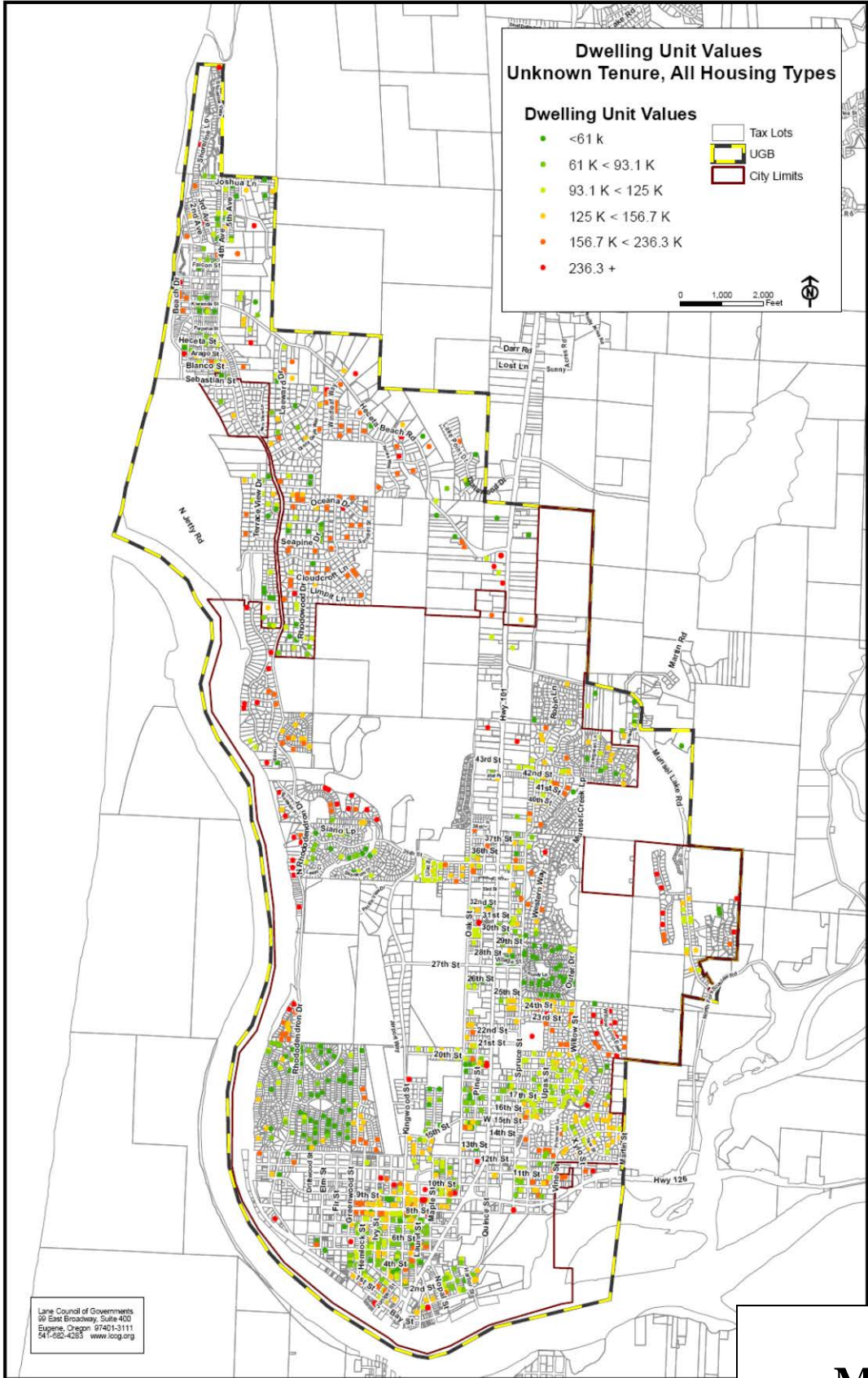
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Map 2







Map 5

IV. Policy Alternatives and Analysis

Numerous tools are available to address issues with, and to proactively promote, affordable housing in a community. In this analysis, the tools in Table 9 were examined for potential applicability in Florence, and evaluated in the context of the policy direction given by the Florence City Council in Resolution No. 31, Series 2008 which lists the top criteria to consider in alternatives for affordable housing programs in Florence.

Table 9 presents various policy and program alternatives for the City to consider in addressing the problems identified in Chapter II. The Policy Criteria Key, below, is discussed in detail in Chapter II is used in Table 9 as a tool to evaluate the alternatives.

Policy Criteria Key

Threshold Criteria

The Resolution contains threshold criteria that apply to all policy and program options for affordable housing. These are:

- TC 1.** All housing programs and policies are limited in application to the area inside the Florence city limits and UGB.
- TC 2.** The exclusive role of the private sector in providing housing is to be maintained. Policy and programs will avoid City landlord programs and exclude property tax or fee exemptions, in order to sustain a healthy municipal revenue stream.

All of the tools in Table 9 meet, or can be designed to meet, Threshold Criteria 1 (TC 1).

Tools that do not meet Threshold Criteria 2 (TC 2) may be included in Table 9 for illustrative purposes but they are not analyzed further or included in the Recommendations in Chapter V.

Specific Criteria

All of the tools identified are evaluated in Table 9 as to whether or not they address one or more of the following specific criteria:

- 1. Housing for Working Families with Children:** Target housing for working families with children, with an emphasis on smaller developments and rental programs, to increase school enrollment.
- 2. Multi-family and Attached Housing:** Focus on multi-family housing over single-family detached.
- 3. Workforce Housing:** Focus on workforce housing.
- 4. Senior Housing:** Focus on housing for seniors with services for retired residents.
- 5. Infill Development:** Promote infill such as apartments located over businesses.
- 6. Rehabilitation:** Promote rehabilitation of existing units for owners and renters.

7. **Effective and Cost Effective Solutions:** Pursue effective and cost-effective policy alternatives for both rental and owner units.
8. **Sustainability:** Provide long-term benefits and sustainability in the Florence Community.

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria^{1 2}
Employer Assisted Housing	<p>Employer Assisted Housing is used by employers to provide workforce housing, including assistance to make housing costs more affordable, rental assistance, helping employees purchase homes, and building housing for employees.</p> <p>As a major employer, the City could implement a pilot program to demonstrate to, and educate private employers about, the benefits of this approach.</p>	<p>Relies on employers, primarily in the private sector, for implementation; and cannot be effective unless private businesses can perceive sufficient benefits to the program.</p>	<p>Meets Threshold Criteria 2.</p> <p>Directly implements Criteria #3: Workforce Housing.</p> <p>Meets Criteria 1, 3, 7, and 8.</p>
Inclusionary Zoning	<p>Inclusionary zoning policies tie development approval to, or provide regulatory incentives for, the provision of low- and moderate-income housing as part of a proposed development. Mandatory inclusionary zoning-requires developers to provide a certain percentage of low-income housing. Incentive-based inclusionary zoning-provides density or other types of incentives.</p>	<p>Price of low-income housing passed on to purchasers of market-rate housing; inclusionary zoning impedes the "filtering" process where residents purchase new housing, freeing existing housing for lower-income residents. Mandatory requirements are prohibited by statute (ORS 197.309); incentives and covenants are allowed.</p> <p>See Appendix E for sample incentive code provisions in Brookings.</p>	<p>Incentive-based approaches that do not involve City subsidy or fee waiver meet Threshold Criteria 2.</p> <p>Meet Criteria 1, 2, 3, 4, 5, 6, 7, and 8.</p>
Linkage Ordinances	<p>Linkage ordinances require developers of office buildings or other forms of non-</p>	<p>Potential constitutional issues of nexus and proportionality as established by Nollan v. Califor-</p>	<p>Does not meet Threshold Criteria 2.</p>

¹ For a detailed discussion of the City Council's Affordable Housing Criteria, see Chapter II, Existing Conditions and Policy Direction.

² All alternatives in Table 9 meet or can be designed to meet Threshold Criteria 1: Applies with the City Limits and UGB.

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria ^{1 2}
	residential uses to build housing, pay a fee in lieu of construction into a housing trust fund, or make equity contributions to a low-income housing project.	<p>nia Coastal Commission. May discourage economic development.</p> <p>This approach may be more appropriate in a growth environment. It is not recommended for Florence at this time, but is retained in the tool box as an alternative that may be appropriate at some time in the future.</p>	<p>Could place the City in a landlord position if a trust fund approach is used. Could place City in position of owner or developer of affordable housing.</p>
<p>Brokering and/or Leveraging Grants and City Programs for Affordable Housing</p>	<p>This tool could involve using tax increment financing from an Urban Renewal District or grant funds as leverage for private and non-profit programs to promote affordable housing.</p> <ul style="list-style-type: none"> • Community Development Block Grants (CDBG) • Urban Renewal District • Assisting nonprofit organizations that build low-income housing 	<p>Administrative costs.</p>	<p>Brokering/Leveraging grants can be designed to meet Threshold Criteria 2.</p> <p>Meets Criteria 1, 3, 4, 7, and 8.</p>
<p>Financing, or Providing Financial Incentives for Affordable Housing</p>	<p>A housing trust fund is generally defined as a "dedicated source of revenue available to help low- and moderate-income people achieve affordable housing." Sources of funds can include linkage payments, tax increment financing, endowments and grants, surplus funds from refinancing municipal bond issues, and taxes and fees.</p>	<p>Potential impacts on municipal revenue streams and administrative costs of coordinating programs.</p> <p>SDC Deferment would result in a loss of interest income to the City.</p> <p>See Appendix E, Brookings Code, for sample SDC deferment provisions.</p> <p>This approach is a viable option for the private</p>	<p>Does not meet Threshold Criteria 2.</p> <p>Meets Criteria 1, 3, 4, 7, and 8.</p>

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria^{1 2}
	<p>Cities can subsidize housing development through the following programs or methods:</p> <ul style="list-style-type: none"> • HOME Investment Partnership Program • Urban Development Action Grants (UDAG) • Housing Opportunities for People Everywhere (HOPE) • Rural Development program (USDA) • Deferment of Systems Development Charges (SDCs) <p>This would offer options for gaining ownership of real estate in the community. The land trust could be set up in such a way that once a structure is built, after the first tenant moves out, that the residence continues to remain affordable at a work-force level.</p>	<p>sector, and it is not recommended for the City of Florence at this time. It is retained in the tool box as an alternative that may be appropriate at some time in the future.</p>	
<p>Promoting Infill Development</p>	<p>Infill development promotes housing affordability by using existing infrastructure and services rather than extensions of services. Regulatory approaches include:</p> <ul style="list-style-type: none"> • Accessory dwelling units • Administrative streamlining • Density bonuses • Density shifts within single site plan • Zoning Code changes and re-zoning 	<p>Impacts to existing property owners; concerns about increasing density in existing neighborhoods.</p> <p>See Appendix E for sample provisions for Accessory Dwelling Units (Junction City and Brookings) and for Density Bonuses and deed restriction sample provisions (Brookings); and Cottage Housing Development Zoning (Langley, Washington).</p>	<p>Meets Threshold Criteria 2.</p> <p>Directly implements criteria #5 and #6.</p> <p>Meets all Criteria.</p> <p>This approach could promote infill in the older areas of town and include such techniques as allowing</p>

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria^{1 2}
	<ul style="list-style-type: none"> Placing deed restrictions on infill development to maintain affordability 		apartments over businesses and rehabilitation of existing houses for both owner-occupied and rental housing.
Releasing surplus land	Revising policies requiring maximum cash value for land may allow City to release surplus properties suitable for affordable housing development. City may also transfer deeds of vacant, damaged, or demolished homes to housing developers. City may access discounted land from the Bureau of Land Management.	Effects on City budget. This approach is not recommended for Florence at this time.	Does not meet Threshold Criteria 2.
Preserving Existing Housing Supply	Housing preservation ordinances typically condition the demolition or replacement of certain housing types on the replacement of such housing elsewhere, fees in lieu of replacement, or payment for relocation expenses of existing tenants. Approaches include: <ul style="list-style-type: none"> Housing preservation ordinances Housing replacement ordinances Historic tax credits Rent control Single-room-occupancy ordinances 1:1 replacement of existing units Closing loopholes in code enforcement Implementing initiatives to stop blight Housing rehabilitation programs 	Interference with local market; rent control could discourage investment in new housing and maintenance. Rent control and other measures that involve direct City interference in the marketplace are not recommended for Florence.	Meets Threshold Criteria 2, as long as approach does not involve City subsidy or fee waiver. Directly implements Criteria #6 and meets all Criteria. This approach could promote rehabilitation of existing houses for both owner-occupied and rental housing.

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria^{1 2}
	for low-income, rural, or elderly homeowners, including for owners of mobile homes		
Transfer of Development Rights	Transfers limited to uses such as: preservation or facilitation of affordable housing, open space, historic preservation, community facilities, and community recreation	<p>Ease of administration.</p> <p>Could have positive effect on all criteria; need to find sample provisions and do more research on ease of administration of program.</p> <p>This approach is not recommended for Florence at this time.</p>	<p>Meets Threshold Criteria #2.</p> <p>Potentially meets all Criteria.</p>
Zoning and Subdivision Reform	<p>Development ordinances that regulate minimum lot size, setbacks, lot coverage, lot dimensions, street widths and other aspects of residential development contribute to housing costs. Approaches include developing clear and objective standards for affordable housing in the following areas:</p> <ul style="list-style-type: none"> • Zero lot line zoning • Cluster zoning • Mixed-use zoning • Planned unit development • Accessory dwelling units • Street width or other street design modifications • Lot coverage and dimension requirements • Plan and zone map changes 	<p>Need to find sample provisions and do more research on Florence Code provisions where this approach could be used.</p> <p>Code audit needed to determine potential applicability in Florence. Planned Unit Development provisions could create greatest opportunity for new development to address affordable housing needs.</p> <p>Code audit could focus on multi-family non-traditional attached housing such as duplexes, triplexes, zero lot lines and pre-fabricated modular housing over single-family detached housing.</p> <p>It is important to protect industrial land, that is suitable for industrial use, from conversion to residential.</p>	<p>Meets Threshold Criteria #2.</p> <p>Directly implements Criteria #5 and meets criteria 1, 2, 3, 4, 7, and 8.</p> <p>See also “Promoting Infill Development,” above.</p>

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria^{1 2}
Adequate Public Facilities Ordinances	Adequate Public Facilities Requirements (APFRs) help local governments avoid the negative impacts of rapid growth, such as insufficient sewer capacity and traffic congestion. The main objective of APFRs is to ensure that new development has adequate urban services. They serve to give local governments more control over the timing and location of new development.	The impacts of a set of requirements can be difficult to predict; requiring high service levels may discourage certain types of development; the development approval process will be more complicated; APFRs will place new demands on capital improvement budgets. This approach is not recommended for Florence.	Not applicable to criteria. City is in the process of developing policy related to sewer service provision and annexation in the urbanizable area; APFRs are not an applicable tool for Florence because the City does not have service area limitations.
Administrative and Procedural Reforms	Regulatory delay can be a major cost-inducing factor in development. Oregon has specific requirements for review of development applications. Complicated projects frequently require additional analysis such as traffic impact studies, etc.	How to streamline the review process and still achieve the intended objectives of local development policies. City is now in the process of reviewing administrative provisions and this is an opportunity to address the needs of affordable housing projects through the development of clear and objective standards. See tool, zoning and subdivision reform, above.	Meets Threshold Criteria #2. Directly implements Criteria #7 (Cost-effective) and meets Criteria 1, 2, 3, 4, 5, and 8.
Direct administration of housing assistance for individuals	Cities can directly assist persons with housing needs by funding the following types of programs: <ul style="list-style-type: none"> • Mortgage buy-down programs • Forgivable mortgages (after period of occupancy) • Partnership with deed covenant or community land trust organizations • Financial literacy programs 	Would negatively affect municipal revenue streams; and add administrative costs to City for administration. Perhaps non-profit organizations can play a stronger role in these activities in Florence. Not recommended for the City of Florence; appropriate for private sector and non-profits.	Does not meet Threshold Criteria #2.

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria ^{1 2}
	<ul style="list-style-type: none"> • Post-purchase counseling • Rental assistance (including Section 8) • Administering HUD programs 202 for the elderly and 811 for the disabled • Transitional housing programs • Helping developers find renters or homebuyers for affordable units • Assistance for essential workers (police, fire, nursing, etc.) • Maintaining databases with affordable units • Administration of Individual Development Accounts • Down payment assistance programs • Low- or No-interest or forgivable loan programs 		
<p>Public Education</p>	<p>Cities partner with non-profit organizations to educate residents and businesses about affordable housing, and address concerns about devaluation of property.</p> <p>Education of both existing and potential businesses about Employer Assisted Housing and education of existing residents about the benefits of increased density and mitigation of associated neighborhood impacts could help promote affordable housing in existing neighborhoods.</p>	<p>Administrative costs of education program; effort needs to be budgeted or non-profit sector needs to be encouraged to provide education.</p> <p>Could be a low-cost option for promoting affordable housing for all citizen groups.</p>	<p>Meets Threshold Criteria 2.</p> <p>Meets all Criteria.</p>

Table 9. Affordable Housing Tools and Analysis

Tool	Description	Potential Issues	Florence City Council Resolution No. 31, Series 2008 Criteria^{1 2}
	<p>Education could also take the form of providing the public with information about community resources, grants, subsidized housing programs, and agencies that help with credit applications.</p> <p>City web site an opportunity as well as televised public forums or hearings, brochures at City counters, and direct mailings in utility bills.</p>		

Sources: Evaluation for Florence provided by authors; information from Jackson County Affordable Housing Needs Assessment and Affordable Housing: Proactive and Reactive Strategies, White, 1992. Additional information from San Mateo, CA, San Juan County, WA, Dane County, WI, Lake County, CA, Hawaii County, HI, Arlington County, VA, Miami-Dade County, FL, Broward County, FL, Durham County, NC, Okaloosa County, FL, Edina, MN, Wichita, KS, Suffolk County, NY, Anne Arundel County, MD, Albemarle County, VA, Clark County, NV and Santa Clara County, CA as well as from Fannie Mae.

V. Recommendations

The Florence Housing Advisory Committee recommends the following tools for the City of Florence to use to promote and sustain affordable housing in the community. Where readily available, sample provisions from other small cities in Oregon are cited, and included in Appendix E of this report.

The recommended tools below are those alternatives in Table 9 that were found by the Housing Advisory Committee to be those that the City could administer and that would have the highest likelihood of addressing the community's needs for affordable housing, as that is defined in the City's adopted "Workforce Housing Policy" criteria discussed in Chapters II and IV.

Note that all of the recommended tools meet both Threshold Criteria #1: "Apply within city limits and UGB" and Threshold Criteria #2: "The exclusive role of the private sector in providing housing is to be maintained. Policy and programs will avoid City landlord programs and exclude property tax or fee exemptions, in order to sustain a healthy municipal revenue stream; and have potential application in Florence."

Recommended Tools

The recommended tools are placed into the following categories: Code Amendments; Education; Other Assistance.

Code Amendments

1. Adopt Incentive-Based Inclusionary Zoning Code Provisions.

Adopt incentive-based inclusionary zoning code amendments to provide regulatory incentives, such as density, for the provision of low- and moderate-income housing as part of a proposed development. Regulatory approaches include placing deed restrictions on infill development to maintain affordability. For sample Density Bonus and deed restriction provisions, see the City of Brookings ordinance in Appendix E.

Background

Incentive-based Inclusionary Zoning policies provide regulatory incentives for the provision of low- and moderate-income housing as part of a proposed development. It is commonly believed that inclusionary zoning is not legal in Oregon. To the contrary, inclusionary zoning is legal if it is in the form of incentives, contract commitments, density bonus, or other voluntary regulation, provision or condition designed to increase the supply of moderate or lower cost housing units; or housing covenants (ORS 456.270 to 456.295, see Appendix F).

In Oregon, Inclusionary Zoning is governed by the provisions in state law, specifically ORS 197.039, as follows:

"ORS 197.309 Local ordinances or approval conditions may not effectively establish housing sale price or designate class of purchasers; exception. (1) Except as provided in subsection (2) of this section, a city, county or metropolitan service district may not adopt a land use regulation or functional plan provision,

or impose as a condition for approving a permit under ORS 215.427 or 227.178, a requirement that has the effect of establishing the sales price for a housing unit or residential building lot or parcel, or that requires a housing unit or residential building lot or parcel to be designated for sale to any particular class or group of purchasers.

(2) This section does not limit the authority of a city, county or metropolitan service district to:

(a) Adopt or enforce a land use regulation, functional plan provision or condition of approval creating or implementing an incentive, contract commitment, density bonus or other voluntary regulation, provision or condition designed to increase the supply of moderate or lower cost housing units; or

(b) Enter into an affordable housing covenant as provided in ORS 456.270 to 456.295. [1999 c.848 §2; 2007 c.691 §8]”

One reason this approach is sometimes not embraced by the development community is that it can have the effect of driving up the price of market-rate housing by limiting the supply. An unintended result could be limiting the supply of existing housing affordable to lower income residents, because some home buyers will look to existing housing due to the higher price of new housing.

Appendix E contains sample incentive-based inclusionary zoning provisions from the City of Brookings, for both rental units and owner-occupied units, implemented through density bonuses and covenants. Note that the Brookings Code also provides affordable housing incentives through two-year deferment of systems development charges (SDCs) and through allowances for accessory dwelling units (see Appendix E and the sections *Financial Incentives and Subsidies* and *Land Use Incentives*, below).

2. Adopt Accessory Dwelling Unit Code Provisions to Promote Infill Development.

Infill development promotes housing affordability by using existing infrastructure and services rather than extensions of services. Infill development in Florence would allow residents over businesses and additional dwelling units on single lots (i.e., “granny flats”).

Background

Resistance to infill development by existing neighbors can create obstacles for the implementation of this tool. Setting up processes whereby the existing neighborhood is involved in the design of the structures and design standards that address potential impacts have been very successful in other communities implementing this technique.

See Appendix E for sample provisions for Accessory Dwelling Units (Junction City and Brookings) and Cottage Housing Development Zoning (Langley, Washington).

3. Adopt Housing Preservation Ordinance.

Adopt Housing preservation ordinance that condition the demolition or replacement of certain housing types on the replacement of such housing elsewhere, fees in lieu of replacement, or payment for relocation expenses of existing tenants. Recommended approaches include provisions for:

- Housing preservation
- Housing replacement (e.g., 1:1 replacement of existing units)

- Single-room-occupancy
- Closing loopholes in code enforcement
- Implementing initiatives to stop blight

4. **Review and Revise Zoning and Subdivision Code Provisions and Plan and Zone Maps.**

Conduct an audit of existing provisions for opportunities to promote, and remove obstacles to affordable housing, where the regulations do not promote a public good or provide a defined public benefit. Planned Unit Development provisions could create greatest opportunity for new development to address affordable housing needs. Code audit could focus on multi-family non-traditional attached housing such as duplexes, triplexes, zero lot lines and pre-fabricated modular housing over single-family detached housing.

Implement this recommendation as part of Code Update process through the following actions:

- a. Review and revise provisions in Florence Code that regulate minimum lot size, setbacks, lot coverage, lot dimensions, street widths and other aspects of residential development that contribute to housing costs. Regulations that should be examined and potentially reformed are:
 - Zero lot line zoning
 - Cluster zoning
 - Mixed-use zoning
 - Planned unit development
 - Accessory dwelling units
 - Street width or other street design modifications
 - Lot coverage and dimension requirements
 - Plan and zone map changes. In considering any Plan and Zone map changes, it is important to protect industrial land, that is suitable for industrial use, from conversion to residential.
- b. Develop clear and objective standards and provide for administrative review and approval, where appropriate, in order to streamline the land use permitting process.
- c. In order to ensure that Council criterion for housing for working families with children is addressed, it will be important to include requirements for open space in any multi-family type of housing. For example, row houses (town houses) are typically designed so that a common green space is located directly across from the front of the houses so that each unit has direct access, both visually and physically, to the area.
- d. Find sample provisions.

Background

The report, “Study of Subdivision Requirements as a Regulatory Barrier,” prepared for the U.S. Department of Housing and Urban Development Office of Policy Development and Research Washington, DC, by NAHB Research Center Upper Marlboro, MD, April 2007, presented the following conclusions about this tool, following a nation-wide study of zoning and subdivision code requirements:

“Local subdivision regulations represent a major tool by which local governments manage and shape the housing development process. In addition to laying land plats or site plans, these regulations establish infrastructure or site requirements to support new residential development, i.e., they establish specifications for streets, sidewalks, water and sewer, drainage, curbs and gutters, street signs, landscaping. In many cases, subdivision regulations also provide for trees, utility easements, and dedications of land or fees for recreational and/or school facilities.

Subdivision regulations are intended to ensure that proposed housing developments are cost-effective (i.e., reduce extensive long-term maintenance by the locality), meet health and safety requirements, are properly designed, and have a favorable impact on the community. The cost of these requirements represents a significant share of the cost of producing new housing. Such requirements can reasonably be considered “regulatory barriers” to affordable housing if the locally determined requirements are greater (and hence, more costly) than those necessary to achieve health and safety requirements in the community. This has been a concern for many years, and has been identified in the report, *Not in My Backyard* (prepared by the President’s Commission on Regulatory Barriers to Affordable Housing) as a potential major contributor in raising the cost of housing and limiting the supply of affordable housing in communities.”

Education

1. Develop and Maintain a Public Education Program for Affordable Housing.

The City should develop, implement, and maintain a Public Education Program to accomplish the following:

- Serve as a clearinghouse for information.
- Partner with non-profit organizations to educate residents and businesses about affordable housing.
- Inform citizens about the benefits of increased density to promote affordable housing in existing neighborhoods and methods to mitigate associated neighborhood impacts; and address citizen concerns about devaluation of property and other perceived impacts of increased density.
- Educate existing and potential businesses about Employer Assisted Housing.
- Provide the public with information about community resources, grants, subsidized housing programs, and agencies that help with credit applications.

Tools that can be an integral part of the Program include:

- Staff education
- City web site
- Press releases and media packets
- Televised public forums and hearings
- Make brochures and other printed material (City, private, and non-profit) available at City counters

- Direct mailings in utility bills.

2. **Promote Employer Assisted Housing.**

As part of the Public Education Program, below, promote Employer Assisted Housing.

Employer Assisted Housing is a technique used by employers in many parts of the country to provide workforce housing, particularly where the availability of affordable housing is an obstacle to obtaining and maintaining a stable work force for that industry or business. This technique can include such measures as assistance to make housing costs more affordable, rental assistance, helping employees purchase homes, and actually building housing for employees. If it can be determined through surveys or interviews with potential employers, that the lack of workforce housing is probably discouraging firms from locating in Florence, or driving them to re-locate out of the Florence area, this technique could be considered by employers with a strong interest in locating to or remaining in Florence.

Background

The advantages of Employer Assisted Housing to the community and workers are perhaps more obvious than the advantages to employers, beyond better assurances of a stable work force. Providing or fostering housing opportunities near jobs is advantageous to employers because it results in a greater pool of employees and thus reduces the competitiveness for competent workers. In contrast, where there is insufficient affordable housing, the labor pool is reduced and labor costs increase, due to staff turnover, training and replacement. Furthermore, as the price of gas escalates, commute distance is increasingly a factor in location choice for workers; and locating or helping to locate affordable housing close to employment provides an important incentive for employers to attract and retain a stable workforce.

Employer Assisted Housing can and does occur without any intervention from local, state, or federal governments. The advantages to the employer can be sufficiently significant as to encourage these activities on their own. This is especially the case for employers with a strong “stake” in locating in the community, e.g., proximity to the inputs of production, investment in site or buildings, legal or political incentives for locating in that community, etc.

The City may decide to provide incentives to employers to offer Employer Assisted Housing; or it can educate employers about this option and consider this alternative as one of the approaches in the City’s affordable housing toolbox, or do all three of these.

As one of the major employers in Florence, the City may want to consider some type of Employer Assisted Housing program for City employees. This could have the added benefit of serving as a model, or it could be a pilot program, to educate and inform private employers. In any event, the Housing Advisory Committee could survey top employers in the community to determine what kind of workforce housing needs exist and what kind of solutions would work best from their perspective.

Other Assistance with Affordable Housing

1. Broker and Leverage Private and Non-profit Affordable Housing Programs with CDBG Funds, Tax Increment Financing, and Assistance to Non-profit Groups.

Use tax increment financing from an Urban Renewal District and grant funds as leverage for private and non-profit programs to promote affordable housing:

- Community Development Block Grants (CDBG)
- Urban Renewal District
- Assisting nonprofit organizations that build low-income housing

VI. Monitoring and Evaluation

The following options are available for on-going monitoring and evaluation of the model results and data and policy analysis in this report.

- 1. Monitor the results of the model, as needed and indicated by observations in the market place, by adjusting the following data inputs:**
 - Template 2: Future Persons in Group Quarters
Future Persons Per Household
 - Template 5: Out factors (percent of current renters or current owners in each category who can afford a higher rent or price home but choose a lower rent or price)
 - Template 11: Out factors (percent of future renters or future owners in each category who can afford a higher rent or price home but choose a lower rent or price)
- 2. Update the renter survey, such as the survey done in 2006; revisit model assumptions, and re-run model.**
- 3. Update and re-run model after the next census in 2010 and re-populate the following model templates with updated census data:**
 - Template 3: Tenure by Income – Current (all data inputs in template)
 - Template 9: Tenure by Income – Future Year (all data inputs in template)
- 4. Adjust Planning Assumptions and evaluate the effects of various policy alternatives by adjusting the housing type and distribution assumptions in Template 12.**

Template 12 determines needed units in various rent and ownership categories based on the current distribution of units into housing type categories. This assumption carries forward the existing zoning code allowances for these housing types in the city. If different planning assumptions are used, for example, assuming an increase of one type of housing and a decrease in another over time, the model will yield a different set of needs.
- 5. Re-evaluate residential land needs in the future.**

In conjunction with the model runs conducted as part of Option #4, above, re-visit the Residential Buildable Lands Analysis in the future; evaluate the model results for land needs by Plan designation category; and make needed adjustments, if any, to the planned inventory of residential land.

Appendix A

A Housing and Land Needs Analysis Methodology and Model©

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Oregon Housing and Community Services Department

Synopsis

This article describes a methodology and resultant model for determining housing and land needed for that housing in accordance with Oregon's Land Use Planning Goals. A study area's current and projected demographics, existing housing inventory, and regional tenure choices drive the model's results. The model's output includes needed housing units by tenure (owning versus renting), price point, and housing type as well as the acreage needed by land use zone. It generates current unmet needs as well as future housing needs and will automatically produce tables and graphs of model results for presentation and report uses.

Background

Oregon has been in the forefront of land use planning in the United States and was the first state to employ the concept of an urban growth boundary to direct growth patterns around cities. Since 1973, Oregon has maintained a strong statewide program for land use planning. The foundation of that program is a set of 19 statewide planning goals. The goals express the state's policies on land use and on related topics, such as citizen involvement, housing, and natural resources.

Oregon's State Land Use Planning Goal 10—the Housing goal—provides direction and guidance to the state and its city governments about how to plan for balanced housing opportunities in Oregon communities. A key part of Goal 10 links a community's income characteristics to determining the need for various housing types by price, density, and location throughout the community.⁶ A good data base and statistical methodology is essential for conducting a community's Goal 10 housing needs analysis. However, over the years many communities have had difficulty developing and maintaining the data needed to conduct a complete housing needs analysis. Furthermore, methodologies have varied widely as to their capabilities and capacities to incorporate Goal 10's requirement to factor household income into a housing needs analysis. The consequence has been that many cities' acknowledged Goal 10 work is based on past market demand and trend lines, instead of current and projected need as called for under Goal 10.

Goal 10 states that "plans shall encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density."

Oregon Housing and Community Services (OHCS) and the Department of Land Conservation and Development (DLCD)—the administrative arm of the Land Conservation and Development Commission (LCDC)—began discussing the various data and methodology gaps in implementing Goal 10 several years ago when it became apparent that many Willamette Valley cities undergoing periodic review would benefit by an improved methodology. The Community Solutions Team—a cabinet level group formed by Governor John Kitzhaber from the five primary infrastructure state agencies in Oregon—joined with 12 Linn and Benton County jurisdictions to study the region's housing and economic development patterns as part of an enhanced periodic review project. This project produced an extensive housing and economic development database for the region and each of its participating cities. However, it did not provide an easy solution to

the Goal 10 link between household income and housing cost. In response, OHCS and DLCD staffs began work in early 2000 to develop a methodology and model for determining housing needs.

Methodology Development and Model Design Approach

A guiding principle in the development of The Housing Needs Model was that the methodology for calculating housing needs was to be driven by the demographics of the study area as opposed to the past trends in housing production. The standard practice in Oregon has been to extrapolate forward the past 5 or more years in housing production as the basis for determining a region's future housing requirements. "Demand" or market supply was assumed to be equivalent to "need."

While this market or demand driven approach was commonly used to define the housing "needs" for an area, the true housing "needs" of that area's population may not have been addressed. Tenure, price, and housing type choices are used in determining housing "needs" in this model. Local housing markets are frequently not a "perfect" market where the "demand" or supply is in equilibrium and balance with the "need". In many regions, the new housing supply is a function of what the local builders are inclined or able to produce, which may not be what the households in the region actually need or desire and can afford, *i.e.*, not be cost burdened. Goals for the model design included the following:

- The model structure should be built around individual modules for each analytical component through the use of Excel templates.
- Model modules should handle all calculations and require minimum input by user.
- Data needed to drive the model must be available.
- Data gathering requirements for each locality should be minimized.
- Parameters in the model should be easy to update and modify.
- The model should be a user-friendly tool for city staff or interested parties.
- The model should allow users to easily test out different growth scenarios.
- The model should automatically produce tables and graphs that can be used as printed material for public dissemination of model results.
- The model should reflect local conditions and characteristics.
- The model should work for any size city and location.
- The model should accommodate interaction with other planning goals.
- The model should be flexible and have a variety of uses beyond satisfying Goal 10.

Summary of Methodology and Model

The Housing Needs Analysis model and its templates are based on a methodology that uses the demographics of a study area in conjunction with current regional housing tenure data to calculate the housing needs for that study area. For purposes of Goal 10, a study area typically includes the city's incorporated territory (for the current year projection) and all territory within the urban growth boundary (for the future year projection).

Demographic information for potential Oregon study areas have been compiled from several sources including the U.S. Bureau of Census Census 2000 data, Portland State University Population Research Center projections, and Claritas, Inc data. The model was designed to use Census 2000 and other updated data, as it becomes available.

A critical step in the development of this model was the identification of those demographic variables that would be highly correlated with housing needs. After researching various demographic variables and their usefulness in predicting housing tenure, two variables—age of head of

household (*Age—A*) and household income (*Income—I*)— demonstrated significantly stronger correlation with housing tenure than other variables including household size and were selected as the primary demographic variables for the model. In addition, household income is the key variable in determining the affordability component of housing needs. These two variables also met an important requirement—there must be a source for this data for each potential study area. Data gathered during research on model development verified that dissimilar Age/Income (AI) cohorts make significantly different housing tenure choices. Analysis of the data established that the use of seven Age and seven Income ranges would enhance the sensitivity and accuracy of the model. The seven *Age* ranges are under 25, 25-34, 35-44, 45-54, 55-64, 65-74, and 75 and older and when combined with seven *Income* ranges create 49 AI cohorts.

A major assumption in the model is that housing need is defined by cohort tenure choices and is equivalent to the actual cohort tenure data found within a large regional area. While the local supply of rental versus ownership housing may not be in equilibrium with tenure need in some markets, it is assumed that on a larger regional basis it is in equilibrium. The initial version of the model used all of Oregon as the regional area for parameter calculation and assignment. An examination of the Census 2000 data demonstrated that significantly different housing choice decisions were being made in urban oriented communities as compared to rural communities and these differences were also correlated with the size of the community. After research on this issue, three categories of Oregon communities were defined and model parameters were calculated for each of the categories. There are now three versions of the model—Version U for communities that are either urban, college oriented, or resort oriented; Version M for rural communities between the size of 6,750 and 22,500; and Version S for rural communities under 6,750 in population.

Table II-1 contains the Homeownership percentages derived from Census 2000 data that is currently used in the Version U and Version S models. This table illustrates the strong correlation between age and income in determining tenure choice that is found in all three models and the different tenure choices made by same cohort households in these communities.

Parameters derived from Census 2000 data taken from Summary File 3. The other principal assumption is that housing that is at “price ranges and rent levels commensurate with the financial capabilities of Oregon households” means that no more than 30% of a household’s income should be spent on housing costs, *i.e.*, is affordable.

The seven *Income* ranges in conjunction with the 30% limit on housing costs established the price ranges and rent levels used in the model to calculate the housing units needed at each price point. The price ranges for ownership units in the model can be automatically adjusted to reflect projected levels of mortgage interest rates during the study period. Interest usually constitutes a significant portion of ownership costs and the price one can afford to pay for a housing unit is inversely related to the mortgage interest rate on that unit. Thus the model’s ownership price points reflect the potential variation in housing prices that would be affordable for each *Income* range as a result of three possible scenarios of mortgage interest rates—low, historical average, or high—corresponding to rates of 6% to 12% over a planning time frame.

Model Structure

The design of the model involved creating a series of modules (Excel templates), each reflecting the different steps needed to conduct a housing and land needs analysis that is based on the previous criteria. The resulting model resides in an Excel file that has up to 21 worksheets containing 19 templates, 11 graphs, and miscellaneous tables. The model examines housing and land needs for two time periods—an analysis of current housing needs and an analysis of estimated needs based on a planning period end date.

Current Housing Status Analysis

The model first calculates the total number of housing units needed for the planning period by utilizing:

- population estimates,
- number of people in group quarters,
- number of occupied housing units and/or number of households,
- average household size, and
- desired vacancy rate for the study area.

The population estimate, people in group quarters, and occupied housing units or number of households (which equal each other) are taken from Census data for the current year and drive the *Description of Current Housing Status* template. Vacancy data for this template may be derived from the Census or from local sources.

The number of households in each *AI* cohort for the study area is calculated in the model by utilizing Census data to calculate the percentages of households in each city that are in the 49 *AI* cohorts. The model uses percentages to reflect the *AI* cohorts of each city as opposed to raw numbers as percentages allows easier adjustments for projections of different time frames within that city and for comparisons to other communities.

Users can quickly test different scenarios of the future by varying the estimated population and/or the percentage distribution of the 49 *AI* cohorts. The *AI* cohort percentages have been calculated for every Oregon city and are entered into the model before being delivered to a user. The Census generated tenure parameters used in the model represent the probabilities of either being a renter or homeowner for each of the 49 *AI* cohorts. Based on these tenure parameters, the model allocates those households in each *AI* cohort to an indicated number of rental and ownership units at the price point that is affordable for the *Income* range for that cohort. The model then adjusts each of the 49 cohort numbers of ownership units to reflect that many homeowners have paid off their mortgages and therefore can “afford” a higher priced unit than their income would otherwise indicate.

Census data was used to determine the percentage of homeowner households in each cohort that owned their homes free and clear. The model then aggregates the units for each different price point to show the total units that could be afforded at each price point by tenure.

Price points for housing units were calculated on the basis that housing costs should take no more than 30% of the household’s income, *i.e.*, a household with \$30,000 in income could afford to pay $\$30,000 \times .3 / 12 = \750 per month for housing. This assumption resulted in a range of monthly housing costs that would be ‘affordable’ for each *AI* cohort. Monthly rent ranges were calculated for each *Income* category after subtracting out estimated costs for utilities. Ownership price points were calculated for each *Income* category as discussed earlier and were based on examining the typical housing costs associated with owning a home with mortgage rates that varied from 6% to 12%.

These rates resulted in affordable price ranges that were approximately 2.5-3 times annual household income. Thus 2.5 and 3 times annual income factors are used to determine two of the three affordable ownership price ranges for ownership units. The average historical interest rate was used to arrive at a third ownership price range. The next step in the model attempts to simulate the real world where some households choose to live in a unit at a lower price point than the price point that they could afford.

When they do, they remove that unit from the supply of units needed for those households who could only afford that price point. Therefore, adjustment factors to the indicated number of housing units that could be afforded at each price point are utilized in this part of the model to arrive at the final estimate of needed housing units. These adjustment factors represent the percentage of households who could afford that cost level but choose a lower cost unit (*Out Factor*) offset by households who could afford a higher cost unit but choose this cost level (*In Factor*). The determination of localized adjustment factors for each price point is left to the user in each study area although base line adjustment factors are being developed through input from various sources.

An additional off-setting variable to the Out Factor is the estimated number of units which are rented to households who could only afford to live in those units and not be cost burdened due to tenant-based subsidies that the household receives such as a Section 8 voucher that pays the difference between the market rent and what the tenant could afford. The total units inputted for this factor at each relevant price point represents the estimated number of households who pay only that amount of rent out of their own funds with the balance of the market rent coming from the tenant subsidy.

The last step in the current housing status part of the model utilizes information on the existing housing inventory in conjunction with the current housing units needed by tenure and price point to determine whether current needs are being met, and if not, where and how large are the gaps. Each community will need to develop data on their current housing inventory for input into the *Current Inventory of Dwelling Units* template. The existing inventory of units would be placed into the five housing types that have been established for use in the model. Each of these housing types can be owner occupied or renter occupied.

The five classifications of dwelling units are:

1. Single Family Units—either site built or manufactured single family dwellings on their own lot
2. Manufactured Dwelling Park Unit—a single family dwelling unit located in a rental park
3. Duplex Unit—a two-family dwelling unit located on its own lot
4. Tri-plex or Quad-plex Unit—a three or four-family dwelling unit
5. 5+ Multi-family Unit—dwelling units in buildings with 5 or more units per building

These five classifications were selected to facilitate the use of the model output for both land use planning purposes and housing needs assessments by housing type. The future need for housing units by housing type drive the determination of land needed based on the planned density of the land use zones associated with each housing type.

Future Housing Status Analysis

In order to determine the future housing needs for a projected population, users of the model must estimate the demographic composition of that population and make some assumptions regarding their housing type choices by price point. Entering the future *AI* cohort percentages will automatically produce the number of future total units indicated by price point and tenure. After the future *Out Factors* are entered, the model calculates the future total units needed by price point and tenure. **These numbers are the basis for the principal planning effort involved in using the model—determining the appropriate allocation of housing types to meet the identified housing needs for that community.** This allocation process will take place by completing the *Future Housing Units Planned by Housing Type* template. This template uses percentages of the five housing types as the means to allocate the needed units.

If the *Current Inventory of Dwelling Units* template has been completed and the Housing Units Planned allocation data entered, the model will calculate the number of new units needed by price point, tenure, and housing type to bring the market into balance with the projected need at the end of the planning period. The model summarizes the new needs by housing type, which can then be used by the community to drive their land use planning and housing policy decisions.

The land use module can utilize the buildable lands inventory cities are required to gather to input the data needed for the *Buildable Lands Inventory for Housing* Template. The *Existing Housing Units by Land Use Type* template calculates the percent of the housing inventory that exists by housing type and land use type. The *Projected Distribution of New Housing by Land Use Type* template is used to allocate the new housing units needed to the land use zones that accept that housing type. Based on the planned density for each land use zone, the model calculates the land needed for the new housing and determines whether additional land is needed for each land use zone.

Uses of the Methodology and Model

Different scenarios can be run on the model to test out various assumptions about the study area and its future economic development and/or demographic composition. For each scenario run for the study area, the model and its underlying methodology will generate a series of tables and graphs that represent the model's outputs.

A city in Periodic Review would use the model to determine its Goal 10 housing and associated land needs by comparing the model projections to its existing housing stock or inventory. Current information about the city's housing price structure by location, type and density should be matched against the model data to determine what actions should take place to meet needed housing requirements. Actions include making applicable changes to the comprehensive plan's text, policies, and land use diagram including the Urban Growth Boundary; the zoning ordinance; housing programs; implementation strategies; and timetables.

Besides benefiting state agencies and city governments who work directly to implement Goal 10 and housing programs, results of the model should assist a number of other public, private and non-profit organizations as they deal with housing in Oregon. Results of the model will help OHCS and the non-metro entitlement areas in implementing the state's Consolidated Plan. The model can be a tool for housing developers and sponsors to identify unmet housing needs. Lending institutions, non-profit and for-profit housing developers and homebuilders, and housing advocates should all benefit by using information that results from the model. The model design allows for easy modification of its parameters for use in other regions of the United States by incorporating tenure choices appropriate to their area.

Appendix E: Sample Affordable Housing Provisions

Sample Workforce Housing Code City of Brookings

Chapter 17.180 WORKFORCE HOUSING

Sections:

- 17.180.010 Purpose.**
- 17.180.020 Definitions**
- 17.180.030 Density bonus.**
- 17.180.040 Accessory dwelling unit.**
- 17.180.050 System Development Charge (SDC) deferrals.**

17.180.010 Purpose.

Affordable housing is needed within our community to provide for those individuals and households earning less than the median income as defined by the United States Department of Housing and Urban Development (HUD). The provisions of this Chapter are intended to create flexibility, provide developer incentives and provide a means for developing affordable housing.

17.180.020 Definitions.

“Affordable ownership unit” means housing with a mortgage payment that does not exceed 30% of the qualifying annual net income.

“Affordable rental unit” means that the rent charged for the dwelling unit does not exceed 23% of the qualifying annual net income.

“Accessory dwelling unit (ADU)” means a separate dwelling unit contained within or detached from a single-family dwelling on a single lot, containing 1000 square feet or less, excluding any garage area or accessory buildings, and sharing a driveway with the primary dwelling unless from an alley. A recreational vehicle cannot be used as an accessory dwelling unit.

“Accessory dwelling unit occupant” means the renter of the ADU.

“Qualifying annual income” means annual net income that does not exceed 80% for ownership and 60% for rentals of the area median income as determined by the United States Department of Housing and Urban Development (HUD).

17.180.030 Density bonus.

When applying to create a subdivision or planned unit development (PUD), the option of using a density bonus is available based on the following criteria:

Residential developments may devote 20% of the proposed lots to affordable housing pursuant to the following requirements:

1. In the following Residential zones; SR, R-1, R-MH, a density bonus for up to 20% of the proposed lots would allow a minimum lot area for each dwelling unit of 4,000 square feet. No specific minimum lot width is required.
2. In the following Residential zones; R-2, R-3, a density bonus for up to 20% of the proposed lots would allow a minimum lot area of 5,000 square feet for the first two dwelling units and for each additional unit, the lot area shall increase by 1000 square feet. No specific minimum lot width is required
3. All other provisions and requirements of the zoning district shall apply.
4. Any lots created using the Density Bonus lesser square footage requirement must site a dwelling unit in compliance with one of the following options:
 - A. Affordable housing for purchase. Dwelling units designated as affordable housing available for purchase shall:
 1. Only be sold to individuals or families whose annual net income does not exceed 80% of the area median income as determined by HUD; and
 2. Have a mortgage payment not to exceed 30% of the monthly net income as outlined below:
 - a. Studio Apartment – 1 person qualifying monthly income
 - b. 1 bedroom – 2 person qualifying monthly income
 - c. 2 bedrooms – 4 person qualifying monthly income
 - d. 3 bedrooms – 6 person qualifying monthly income
 - e. 4 bedroom – 7 person qualifying monthly income; and
 3. Have a deed restriction signed and recorded establishing a period of affordability of not less than 15 years. In no event will a purchaser be required to sell the unit subject to this agreement for less than the purchase price plus any applicable closing costs and realtor fees. If an owner of a dwelling unit subject to this deed restriction decides to rent the unit, 17.180.030 (B), below, is applicable.
 - B. Affordable housing for rent. Dwelling units designated as affordable housing available for rent shall:
 1. Only be rented to individuals or families whose annual net income does not exceed 60% of the area median income as determined by HUD; and
 2. Have the rent charged not exceed 23% of the qualifying family net income as outlined below:
 - a. Studio Apartment – average of the 1 & 2 person qualifying monthly income.
 - b. 1 bedroom – average of the 2 & 3 person qualifying monthly income.
 - c. 2 bedrooms – average of the 3, 4, & 5 person qualifying monthly income.
 - d. 3 bedrooms – average of the 4, 5, 6, & 7 person qualifying monthly income.
 - e. 4 bedrooms – average of the 5, 6, 7, & 8 person qualifying monthly income; and
 3. Have a deed restriction signed and recording establishing a period of affordability of not less than 15 years.
 4. An annual registration fee, set by resolution of the City Council, must be paid and a copy of the current rental agreement provided

to the City. Beginning January 1st of each year the City will conduct an annual review of registered affordable rentals to ensure compliance. Properties determined to be non-compliant shall be subject to abatement pursuant to BMC 8.15.090.

5. With any change of tenants new qualifying information must be provided to the City.

17.180.040 Accessory dwelling unit.

The Site Plan Committee shall authorize an Accessory Dwelling Unit (ADU) only if it is found that all of the following general requirements are and will be met by the applicant.

- A. An ADU may be created within, or detached from, any single-family dwelling, whether existing or new, as an accessory use.
- B. Only one ADU may be created per parcel accessory to the single-family dwelling;
- C. Only the property owner may apply for an ADU. The property owner must occupy the primary dwelling as their primary residence. A primary residence shall be the residence where the owner is registered to vote, used as the primary residence for tax purposes, or other proof that the residence is primary. The owner shall sign an affidavit before a notary affirming that the owner occupies the primary dwelling. A deed restriction shall be recorded and a copy provided to the City declaring the Accessory Dwelling Unit status of the subject property.
- D. The rental of an ADU must comply with 17.180.030 (4) (B), Affordable housing for rent, BMC.
- E. An owner may convert an ADU to another lawful accessory use. If the owner wishes to re-convert the space to a dwelling unit, it may only be used in compliance with the ADU requirements.
- F. One off-street parking space shall be provided for the ADU in addition to the two off-street parking spaces required for the primary dwelling pursuant to BMC 17.88.
- G. ADU's shall contain 1,000 square feet or less.
- H. All other applicable standards for the zone including, but not limited to setbacks, must be met with the exception of requiring a garage.
- I. An annual ADU registration fee, set by resolution of the City Council must be paid. Upon sale of the property, the new owner shall be required to reregister the ADU.
- J. If a garage or detached structure does not currently meet setbacks, it may not be converted to an ADU.
- K. The owner of the property shall pay System Development Charges (SDC) for the additional dwelling unit and accept full responsibility for sewer and water bills.
- L. Neither the ADU nor the primary dwelling may be used as a short-term rental.
- M. Beginning January 1st of each year the City will conduct an annual review of registered ADUs to ensure compliance. Properties determined to be in non-compliance shall be subject to abatement pursuant to BMC 8.15.090.

17.180.050 System Development Charge (SDC) deferrals.

The City of Brookings will offer SDC deferrals to developers of housing projects that contain affordable units as defined in 17.180.020, BMC pursuant to the following requirements:

- A. SDC deferrals will be offered for a period of two (2) years at a 0% interest rate. Developers utilizing this incentive will be required to sign a Promissory Note and System Development Charge Deferral Agreement with the City of Brookings. The SDC Deferral Agreement must be recorded and a copy provided to the City.
- B. SDCs will be due in full or will need to be financed with the City of Brookings prior to transfer of ownership or at the end of the two (2) years deferral period.

- C. The rental of a dwelling unit with a SDC deferral must comply with 17.180.030 (4) (B), Affordable housing for rent, BMC.

Junction City, Oregon Accessory Dwelling Unit Provisions

Accessory Dwelling Units are allowed outright in residential zones with the following standards:

- (6) **Accessory dwelling units** provided they conform to the following:
 - (a) Accessory dwelling unit must comply with the Oregon Uniform Building Code--One and Two Dwelling Specialty Code.
 - (b) The accessory dwelling unit may be a detached cottage, a unit attached to or above a garage, or in a portion of an existing house.
 - (c) The primary residence or accessory dwelling shall be owner-occupied or occupied by a family member. A deed restriction is required, and a copy of the recorded deed shall be submitted to the city administrator or designee prior to issuance of a building permit.
 - (d) A maximum of one accessory dwelling unit is allowed per lot.
 - (e) The floor area of the accessory dwelling unit shall not exceed 800 square feet.
 - (f) The building height of a detached accessory dwelling (*i.e.*, separate cottage or second floor above a detached garage) shall not exceed 25 feet.
 - (g) An accessory dwelling is subject to existing setback requirements, with the exception of the rear setback if the rear lot line borders an alley, in which case the minimum setback shall be 4 feet.

SMART GROWTH IN ACTION

Third Street Cottages

LANGLEY, WASHINGTON

Langley, Washington, is a small town on Whidbey Island in the Puget Sound, an hour away from downtown Seattle and Everett by road and ferry. The town is home to about 1,000 people and retains a village character despite being under moderate development pressure.

In 1995, the city of Langley adopted the "Cottage Housing Development (CHD) Zoning Ordinance" to expand housing options, foster strong neighborhoods, and retain and enhance Langley's rural character. The CHD allowed detached homes at twice the previously allowable density in all single-family zones, up to 12 homes per acre.

Third Street Cottages is the first development in Langley to be built under the CHD. Neighbors initially voiced a few concerns about added traffic and loss of parking; however, with just 12 residents and 10 vehicles added to the neighborhood, these worries proved unfounded. The development is three blocks from downtown shopping and dining, and it is close to bike paths and routes around the island. To maintain consistency with the town's character, the Langley Design Review Board established minimal parameters on design, fencing, and landscaping of the development.

Homes in the Third Street Cottages development sold for \$140,000 to \$150,000, with five of eight sold before construction was completed in 1998. The centerpiece of the community is a landscaped common area containing a garden, tool shed, mailboxes, and a workshop. It is designed to facilitate community interaction and build cohesiveness. Though the cottages are no more than 975 square feet, the developers used natural light and architectural details to make the spaces seem open and airy. Typical owners are singles, couples, or families with one child.

The success of Third Street Cottages has motivated other localities in the region to adopt similar zoning requirements and legalize the construction of cottage-style homes and neighborhoods. The town has been able to increase housing supply with minimal land consumption. Building these homes under Langley's previous zoning would have consumed up to three times as much land. Although the developer added a hydrant and extended the sewer collection system to accommodate development, the smaller footprint and location near the existing downtown saved construction costs, avoided road building, and used existing water services.

"I grew up in wartime Maui, in a small cottage like this one," said owner Faith Smith to the Seattle Times. "This place reminds me of that very tight community where everyone kept an eye on each other."

— Solving Sprawl, NRDC



SMART GROWTH PRINCIPLES THIRD STREET COTTAGES

#1	Includes Mixed Land Uses	
#2	Exhibits Compact Building Design	✓
#3	Provides Range of Housing Types	✓
#4	Promotes Walkable Neighborhoods	
#5	Exhibits a Distinct Sense of Place	✓
#6	Preserves Open Space	✓
#7	Utilizes Existing Development	✓
#8	Provides Transportation Choices	
#9	Practices Fair Decision-making	✓
#10	Promotes Stakeholder Participation	✓

QUICK FACTS

Contact: Ross Chapin Architects
PO Box 230
Langley, Washington 98260
360-221-2373
inquiry@rosschapin.com

Location: Langley, Washington
Web: www.rosschapin.com/Projects/projects.html
Implemented: 1998

Additional Smart Growth Initiatives can be found at www.smartgrowth.org.

Appendix F: Oregon Revised Statutes on Affordable Housing Covenants

AFFORDABLE HOUSING COVENANTS

456.270 Definitions for ORS 456.270 to 456.295. As used in ORS 456.270 to 456.295:

(1) “Affordable housing covenant” means a nonpossessory interest in real property imposing limitations, restrictions or affirmative obligations that encourage development or that ensure continued availability of affordable rental and owner-occupied housing for low or moderate income individuals.

(2) “Area median income” means the median income for the standard metropolitan statistical area in which the affordable housing is located, as determined by the Housing and Community Services Department, adjusted for household size.

(3) “Eligible covenant holder” means:

(a) A public body, as defined in ORS 174.109;

(b) An agency of the United States government;

(c) A public benefit corporation or religious corporation, as those terms are defined in ORS 65.001, one purpose of which is to provide affordable housing for low or moderate income households;

(d) A consumer housing cooperative, as defined in ORS 456.548;

(e) A manufactured dwelling park nonprofit cooperative corporation; or

(f) A federally recognized Indian tribe.

(4) “Low income household” means a household with income less than or equal to 80 percent of the area median income.

(5) “Moderate income household” means a household with income less than or equal to 120 percent and greater than 80 percent of the area median income.

(6) “Subsidy” includes, but is not limited to:

(a) A grant, loan or contract made by a federal agency, a federally recognized Indian tribe or a public body, as defined in ORS 174.109;

(b) A grant, loan or contract made by a nonprofit corporation or a limited liability company the sole member of which is a nonprofit corporation;

(c) A subsidized loan from a lending institution that makes loans for residential housing; or

(d) A subsidized private transaction.

(7) “Third-party right of enforcement” means a right provided in an affordable housing covenant to a third party to enforce the terms of the covenant. [2007 c.691 §2]

Note: 456.270 to 456.295 were enacted into law by the Legislative Assembly but were not added to or made a part of ORS chapter 456 or any series therein by legislative action. See Preface to Oregon Revised Statutes for further explanation.

456.275 Legislative findings. The Legislative Assembly finds and declares that:

(1) There is a serious shortage of decent, safe and sanitary housing available and affordable to low and moderate income households in the State of Oregon.

(2) The inadequacy in the supply of decent, safe and sanitary affordable housing endangers the public health and jeopardizes the public safety and general welfare of the state.

(3) To obtain the benefits of covenants and restrictions that seek to preserve and maintain affordable housing, the Legislative Assembly authorizes the creation and enforcement of affordable housing covenants. [2007 c.691 §1]

Note: See note under 456.270.

456.280 Covenant creation, effect, conveyance, duration and termination. (1) A person may create an affordable housing covenant as a condition of giving or receiving a subsidy during ownership or upon conveyance of real property, in the form of a covenant, servitude, easement, condition or restriction in a deed, declaration, land sale contract, trust deed, mortgage, security agreement, assignment, will, trust, rental agreement, lease or other written instrument that is:

(a) Executed by the owner of the real property and the covenant holder; and
(b) Recorded in the deed and mortgage records of the county in which the real property is located.

(2) The affordable housing covenant creates a real property right in an eligible covenant holder to:

(a) Limit the use of real property to occupancy by low or moderate income households in rental or owner-occupied housing;

(b) Restrict the rental rate or sale price of real property to ensure affordability by future low and moderate income households; or

(c) Limit, restrict or condition the use and enjoyment of real property to create or retain rental or owner-occupied affordable housing for occupancy by low or moderate income households.

(3) The affordable housing covenant may be conveyed, assigned, modified or terminated by a written instrument recorded in the deed and mortgage records of the county in which the real property is located. The affordable housing covenant may be:

(a) Conveyed or assigned by a written instrument executed by the conveying or assigning covenant holder and the accepting covenant holder;

(b) Modified by a written instrument executed by the covenant holder and the owner of the real property; or

(c) Terminated by a written instrument executed by the covenant holder and a third party with the right to enforce the covenant.

(4) An affordable housing covenant is not invalid because a holder of the covenant is not an eligible covenant holder. A covenant holder who is not an eligible covenant holder may not modify, terminate or commence an action to enforce the covenant. However, the covenant holder may convey or assign the covenant to an eligible covenant holder who may modify or terminate the covenant or commence an action to enforce the covenant.

(5) An affordable housing covenant is unlimited in duration unless:

(a) The instrument creating the covenant provides otherwise;

(b) The duration of the covenant is modified prior to the expiration of its stated term; or

(c) The covenant is terminated.

(6) Upon termination of an affordable housing covenant for any reason prior to the expiration of its stated term, the covenant holder is entitled to receive the difference between the fair market value of the real property immediately before termination and the fair market value of the real property immediately after termination.

(7) An interest in real property in existence when an affordable housing covenant is created is not impaired by the affordable housing covenant unless the owner of the interest is a party to the affordable housing covenant, subordinates the interest to the affordable housing covenant or otherwise agrees to be bound by the affordable housing covenant.

(8) The instrument creating an affordable housing covenant may grant the eligible covenant holder, or a designee of the eligible covenant holder, a right to enter the real property to ensure compliance with the covenant and, if the right is granted, the instrument shall designate the time and manner in which the eligible covenant holder or designee may enter the real property.

(9) An affordable housing covenant holder may assign a third-party right of enforcement, by a written instrument executed by the covenant holder and recorded in the deed and mortgage records of the county in which the real property is located, to a person that qualifies to be an eligible covenant holder but that is not the holder of that covenant.

(10) An affordable housing covenant is automatically terminated if:

(a) The only holder of the covenant is a corporation, as defined in ORS 65.001, that is dissolved without conveying or assigning the covenant; and

(b) No person is entitled to exercise a third-party right of enforcement pursuant to subsection

(9) of this section. [2007 c.691 §3]

Note: See note under 456.270.

456.285 Permissible provisions. An affordable housing covenant may:

- (1) Include limitations, restrictions and affirmative obligations on the sale price or rental rate of real property or the use of real property or the income or assets of purchasers or tenants;
- (2) Limit the amount of equity appreciation that a property owner may derive from ownership of the real property;
- (3) Grant a right of first refusal or an option to purchase to the eligible covenant holder;
- (4) Restrict the class of persons to whom real property may be sold, leased or rented according to, but not limited to, household income, assets, residency and prior homeownership;
- (5) Limit the use of the real property to residential use as the primary residence of a low or moderate income household;
- (6) Limit, condition or prohibit leasing or subletting;
- (7) Impose obligations for maintenance and insurance of the real property;
- (8) Limit, condition or prohibit the owner from allowing liens on the real property; and
- (9) Make other limitations, conditions or prohibitions that affect the affordability of real property for low or moderate income households. [2007 c.691 §4]

Note: See note under 456.270.

456.290 Validity of covenant. (1) An affordable housing covenant is valid and enforceable even though the covenant is not of a character traditionally recognized at common law or is inconsistent with a common law doctrine of real property law that might invalidate, impair enforcement of or cause the termination of the covenant, including but not limited to common law doctrine that holds that:

- (a) The covenant is not appurtenant to an interest in the real property.
 - (b) The covenant imposes a negative burden.
 - (c) The covenant imposes affirmative obligations upon the owner of an interest in the burdened real property or the eligible covenant holder.
 - (d) The covenant is held by an eligible covenant holder that does not have an interest in the real property that is benefited by enforcement of the covenant against the burdened property.
 - (e) The benefit of the covenant does not touch or concern real property in any other way.
 - (f) There is no privity of estate or privity of contract.
 - (g) The covenant can be or has been conveyed or assigned to a covenant holder.
 - (h) The covenant is an unreasonable restraint on alienability.
 - (i) The covenant is a clog on the equity of redemption.
 - (j) The covenant lacks adequate consideration.
- (2) An affordable housing covenant is valid and enforceable even if the covenant violates the rule against perpetuities set forth in ORS 105.950 to 105.975.
- (3) If a court denies equitable enforcement of an affordable housing covenant because of a change of circumstances that renders the covenant not in the public interest, the court may award damages as the only remedy in an action to enforce the affordable housing covenant.
- (4) The court may not use a comparative economic test as a basis for a determination that an affordable housing covenant is not in the public interest. [2007 c.691 §6]

Note: See note under 456.270.

456.295 Action affecting covenant. An action affecting an affordable housing covenant may be commenced or intervened in by:

- (1) The owner of an interest in the real property burdened by the covenant;
- (2) An eligible covenant holder of the benefit of the covenant;
- (3) A person that has a third-party right of enforcement; or

(4) A public body, as defined in ORS 174.109, in the jurisdiction of which the real property burdened by the covenant is located. [2007 c.691 §5]

Note: Section 9, chapter 691, Oregon Laws 2007, provides:

Sec. 9. (1) Sections 1 to 6 of this 2007 Act [456.270 to 456.295] apply to a covenant:

(a) Created under sections 1 to 6 of this 2007 Act on or after the effective date of this 2007 Act [January 1, 2008].

(b) Created before the effective date of this 2007 Act if the covenant would have been enforceable under sections 1 to 6 of this 2007 Act had it been created on or after the effective date of this 2007 Act.

(2) Sections 1 to 6 of this 2007 Act do not invalidate an otherwise enforceable affordable housing covenant, as defined in section 2 of this 2007 Act [456.270], created before, on or after the effective date of this 2007 Act. [2007 c.691 §9]

Note: See note under 456.270.