

HOUSING 97

## HOUSING 97 - INTRODUCTION

The Oregon Housing and Community Services Department (OHCS) has prepared several documents to assist cities in the preparation of the housing element of their comprehensive plans. Included in these documents are recommendations on study components needed to fulfill periodic review requirements. Four main study components are recommended, a buildable residential lands analysis, an inventory of the status of the existing housing stock, housing market information, and an evaluation of zoning regulations affecting housing. The city's housing element utilizes this format.

### BUILDABLE RESIDENTIAL LAND ANALYSIS

#### **Buildable residential land - general**

The purpose of the buildable residential lands analysis is to ensure that the city has made adequate provision for residentially zoned land to accommodate the projected growth of the community. The population, housing and land-use element of the comprehensive plan background report contains this analysis. The analysis concluded that the city's existing urban growth boundary contains an adequate amount of land to accommodate the city's growth needs to the year 2010.

#### **Buildable residential land - housing type**

The residential buildable land inventory can be refined by including an analysis of the adequacy of available land by the type of housing structure. The types of structures used for this analysis are single-family dwelling, manufactured dwelling, duplex and multi-family dwelling.

Single-family dwellings and manufactured dwellings are permitted outright in each of the city's residential zones. The city has an adequate supply of residentially zoned property, or property that is intended to be zoned for residential purposes in its urban growth boundary. Therefore, even if 100% of the future residential development in the community consisted of single-family dwellings and/or manufactured dwellings, there would be an adequate supply of lots available to accommodate such projected growth. (According to the 1990 Census, 83.8% of the city's housing stock consisted of single-family dwellings and manufactured dwellings.)

Duplexes are permitted outright in the city's R-2 residential zone, subject to a dispersion standard that prohibits the location of new duplex within 99 feet of an existing duplex or triplex. The number of R-2 lots available for new duplexes was determined as follows. The location of all duplexes and triplexes in the city's R-2 zone was mapped (Duplexes and Triplexes in the R-2 Zone, March 1995). The duplex siting standard was applied, in conjunction with the location of each existing duplex and triplex, to determine the number of lots on which a duplex could not be placed because of the location of an existing duplex or triplex. Application of the duplex siting criteria to the existing 38 duplexes, eliminated 269 of the city's 730 R-2 lots from the supply of lots available for the placement of a new duplex. Thus there are 451 R-2 lots on which a duplex can be sited. It was assumed that all existing lots are available for the siting of duplexes. This assumption was based on a review of duplex applications between 1991 and 1994. The review found that of the 17 applications, eight were for duplexes on vacant lots and nine were for the conversion of an existing single-family dwelling into a duplex. The location of the existing 38 duplexes eliminated 269 lots from the potential supply of R-2 lots available for the siting of additional duplexes. Thus, the

siting of each duplex reduced the available supply of lots for a future duplex by seven lots (269 - 38). Therefore, the remaining 451 lots can provide for the siting of 64 additional duplexes (451 - 7). In the four-year period between 1991-94, 17 duplexes were approved, eight were constructed between 1991-1993 and it is assumed that six of the eight duplexes approved in 1994 will be built. This is the equivalent of 3.5 duplexes a year. Assuming the construction of 3.5 duplexes per year, the 64 available R-2 lots provide a 18-year supply of sites available for duplex construction. In addition to the R-2 zone, duplexes are permitted as an outright use in the RAM zones. Duplexes sited in this zone are not subject to the duplex siting standard. There are 39 lots in the RAM zone. These 39 lots can accommodate another 11-year supply of duplexes. Taken together, the R-2 and RAM zones can provide for an adequate supply of duplexes. The above analysis is based on the construction of 3.5 duplexes a year. According to the 1990 Census, 5.7% of the city's housing stock was in duplex units. If this percentage (5.7%) is applied to the 525 dwelling units needed to meet future residential requirements, provision for only 30 duplexes will be needed for the period to the year 2010.

Multifamily dwellings are permitted outright in the city's R-3, Residential High Density zone and in the RM, Residential Motel zone. They are also permitted as a conditional use in the RAM, Residential Alternative/Manufactured Dwelling zone and the C-1, Limited Commercial zone. There are seven vacant parcels in the R-3 zone that can accommodate 57 multifamily dwelling units (individual parcels can accommodate between three units and 25 units). According to the city's residential buildable land analysis, 525 dwelling units will be needed by the year 2010. According to the 1990 Census, 9.6% of the city housing stock was in multifamily structures of three or more units. Applying this percentage of the housing stock that is multifamily housing (9.6%), to the anticipated 525 dwelling units, results in a need for land to accommodate 50 multifamily dwelling units. The present R-3 zone contains adequate vacant land to meet the need for multifamily dwellings. There is also vacant land in the RAM, C-1 and RM zone which may also provide for multifamily development.

#### EXISTING HOUSING STOCK

The population, housing and land-use section of the comprehensive plan background report contains information on the city's housing stock by both type of dwelling unit and the tenure of the dwelling unit.

A review of building permit applications for 1989 through 1995 (the period since the last census) indicates that 232 new dwelling units were added to the city's housing stock. This total consisted of 140 single-family dwellings, 8 manufactured dwellings, 16 duplexes (32 units), 46 multifamily units, and 6 units added to existing dwellings. These figures have been adjusted to take into account the housing demolitions during the period. The 232 new units represent a 17% increase in the number of housing units reported by the 1990 U.S. Census. This level of growth is an indicator of the vigorous nature of the housing market in Cannon Beach.

There are three traditional sources of information on the condition of a community's housing stock, the decennial census, assessor records, and a local "windshield survey." The purpose of information on the condition of the housing stock is to establish the extent to which safe and decent housing is being provided for the communities residents. The condition of the existing housing stock is not a major community issue, therefore only information from the census is included in this report.

The census provides information on the following housing characteristics, dwelling units lacking complete plumbing facilities, dwelling units which do not have adequate sewer or water facilities, dwelling units which lack kitchen facilities, and dwelling units which do not have a source of heat. All dwellings in the city are required to

be connected to the city's sewer and water system. There are very few units without kitchen facilities or a source of heat. According to the 1990 Census, less than one percent of the city's housing units lacked complete kitchen facilities and no occupied housing units lacked a source of heat.

The age of a structure is often used as an indicator of a dwelling's condition. The assumption is that older units are generally in worse physical condition than newer units. The benchmark often used in housing studies is structures that are at least fifty years old. According to the 1990 U.S. Census, Cannon Beach contains fewer dwelling units that are at least 50 years old than does Clatsop County as a whole, 21.8% versus 32%. In a city such as Cannon Beach, with a very small and desirable housing market, the age of structures is not a useful indicator for determining housing units that may be in need of rehabilitation. High real estate values ensure that over time these units will be rehabilitated through the private sector.

The number of households living in overcrowded conditions is used as an indicator of a tight housing market, as well identifying a population that may be in need of affordable housing because of a lack of financial resources. The definition used by the U.S. Census of a dwelling unit that is considered "overcrowded" is one where the ratio of the number of residents to the number of rooms, exclusive of baths, kitchens, laundry facility, etc., is greater than one-to-one. According to the 1990 U.S. Census, 2.5% of the city's housing stock was defined as begin overcrowded. For Clatsop County, 2% of the owner-occupied households and 5% of the renter occupied household were considered living in overcrowded conditions. It should be noted that "doubling up" in sleeping rooms is an effective means of reducing the cost of housing and cannot always be considered as a circumstance which identifies a "housing need." This is particularly true of a seasonal tourist-based economy, such as Cannon Beach.

## HOUSING MARKET ANALYSIS

The nature of Cannon Beach's housing market differs significantly from that of most communities. Generally, the housing costs in an area are established by the regional economy and that economy's ability to support a range of housing prices. This is not the case in Cannon Beach. Cannon Beach's housing market is driven by the market for "second homes." Therefore, rather than the Clatsop County economy being the main variable in establishing the parameters of the housing market, it is the economy of the Portland and Seattle metropolitan area. This situation puts local residents at a significant disadvantage in the housing market. Not only are the median household and family incomes less in Cannon Beach than in these two metropolitan areas, but it is dramatically less than the incomes of persons in the market for second homes.

A survey of the sales price of single-family dwellings, detached and attached, was conducted for the period January 1, 1995 to March 10, 1996. During this 14.5 month period, there were 50 sales. The median sales price was \$165,000 and the average sales price was \$212, 048 (the average sales price for non-oceanfront dwellings was \$175,830). The average sales price of the dwellings in the lowest quartile was \$109, 917.

For comparison, the median sales price of residential dwelling units in the Portland metropolitan area in January 1996 was \$133,300.

A similar sales price survey was conducted in Cannon Beach for the period August 1989 to August 1990. At that time, the average sales price for non-oceanfront lots was \$110,000 and the sales price for the lowest quartile was \$52,500.

The average sales price of non-oceanfront single-family dwellings increased by 60% from the period 1989-90 to 1995-96. In the same period, the average sales price for dwellings in the lowest quartile more than doubled, increasing by 109%.

Comparable sales figures are not available for other communities in Clatsop County. However, according to the *Housing Needs Analysis for Clatsop County, November 1995*, the following were the average assessed values of detached single-family dwellings in April of 1995:

Astoria	\$77,662
Cannon Beach	\$210,297
Gearhart	\$176,336
Seaside	\$119,600
Warrenton	\$71,332
Rural Clatsop County	\$116,347
Clatsop County (entire)	\$117,536

The average assessed value of detached single-family dwellings in Cannon Beach is 79% higher than the county's average and is 19% percent higher than that of Gearhart, the community with the second highest assessed valuation.

The following summarizes the current rent structure in Cannon Beach. The information is based on a review of rental ads from the Cannon Beach Gazette for the period 6/95 to 2/96, discussions with property managers and current rental rates at multifamily dwellings.

One bedroom	\$325-\$465
Two bedroom	\$450-\$850
Three bedroom	\$550-\$850

In comparison, rental rates in Seaside in April of 1996 were \$325-\$425 for a one bedroom unit and \$450-\$700 for a two-bedroom unit.

Whereas the cost of owner-occupied housing, based on the 1994 average assessed value, is 43% higher in Cannon Beach than Seaside, the rental rates are not significantly different.

The rental rates for the Elk Creek Terrace Apartments, a low income housing project where rents are subsidized, in April 1996 were: one bedroom \$317, two bedroom \$385, and three bedroom \$446. In comparison, the rents at 147 E. Dawes, a non-subsidized apartment, were \$425 for a one bedroom unit and \$525 for a two-bedroom unit. Thus, the rents at Elk Creek Terrace are approximately 25% below market rates for one and two bedroom units.

Vacancy rates determine the number of available rental units, which in turn affect both the ease with which rental housing may be obtained and the cost of that housing. Traditionally, a housing market where the vacancy rate for

rental dwellings is less than 5% is considered a “tight” housing market. On a year-round basis, the city’s rental vacancy rate has consistently been less than 1.5%. No rental units are available during the summer months.

The vacancy rate for owner occupied dwellings is not a meaningful standard for assessing the city housing market because of the high proportion of the total housing stock which is held for occasional use (60% according to the 1990 census). However, the high sales price of single-family dwellings is indicative of the strength of the city’s housing market.

A key component of the description of any housing market is an assessment of the extent to which the market is providing housing that is affordable to the residents and workers of a given geographic area. Numerous methods are employed to define what constitutes “affordable housing” and the extent to which such housing is needed. The following summarizes data available for Cannon Beach on affordable housing.

In 1993, the city completed a study entitled "Housing Affordability Study: Cannon Beach Employers and Employees." A total of 152 employers and 303 employees were surveyed. The study was designed to identify the housing needs and affordability characteristics for individuals employed within the city. The following were the key findings of the survey:

- Forty percent (40%) of surveyed employers reported that their employees had trouble finding housing in Cannon Beach. Of the employers who stated that their employees had trouble obtaining housing in Cannon Beach, 75% stated that the housing was too expensive and 71% mentioned an inadequate supply of housing.
- Employees stated the following reasons for not residing in Cannon Beach: personal choice, 50%; housing too expensive, 39%; other reasons, 19%; an inadequate supply, 12%; and living space not the right size, 4%.
- Thirty-eight percent of the employees stated that they had trouble finding housing in Cannon Beach. The most commonly reported problems in obtaining housing were: too expensive, 73%; inadequate supply, 63%; other reasons, 25%; and living space not the right size, 11%.
- Housing cost (including rent/mortgage, property taxes for owners, insurance for owners, and utilities for owners and for renters, if not included in the rent) were: for owners, the mean monthly cost was \$674 and the median cost was \$585; and for renters, the mean cost was \$464 and the median cost was \$450.
- Among owners, the percent of monthly income spent on housing was a mean of 21% and a median of 18%.
- For renters, the percentage of monthly income spent on housing was a mean of 32% and a median of 30%.
- Utilizing HUD Section 8 income limits for Clatsop County, October 1, 1992: 41% of all the respondents resided in households with an income of 80% or less of the median county income (lower income) and 24% resided in households that were at or below 50% of the median income limits (very low income). For survey respondents who lived in Cannon Beach or who did not live in the city, but who

mentioned cost, supply and/or size as a reason for not living in Cannon Beach, 45% were at or below 80% of median county income and 28% were at or below 50% of median county income. For survey respondents who were employees, that is they were not employers or did not live with employers, 48% lived in households with 80% or less of median county income and 28% lived in households with 50% or less of median county income.

Based on the results of the "Housing Affordability Study: Cannon Beach Employers and Employees," it is estimated that approximately 94 renter households, in 1993, would have met the HUD standard for "low income", i.e., 50% of less of median family income, and would consider living in Cannon Beach.

A housing market analysis was undertaken by Shelter Resources in conjunction with the proposed Shorewood development. The conclusion of the February 7, 1995-report was that there was a demand for 134 dwelling units by households which could meet the income qualifications for the Rural Economic and Community Development Services 515 program ( household income that is 60% or less of the county median income). The market area consisted of a five-mile radius from the center of Cannon Beach. Nineteen ninety-four (1994) household income information was used for the analysis.

A 1995 Clatsop County Housing Authority study, "Housing Needs Analysis for Clatsop County, Oregon" used households earning 80% or less of the county median income and paying more than 35% of household income as a measure of households with a housing need. According to the 1990 Census, there were 89 households meeting this criterion in 1989.

The CHAS report utilizes a simple formula, which correlate household income and housing costs, as a means of assessing how much household income is required in order for housing at various costs to be considered affordable. For owner-occupied units, this formula is based on the assumption that the monthly capital costs, taxes, insurance and utilities will total about 1% of the real property value of the dwelling unit. It is also assumed that a household will pay no more than 30% of its gross income on housing. Applying this formula to Cannon Beach's owner-occupied housing market illustrates the "affordability problem" for owner occupied dwellings. Using the 1% formula, an annual household income of \$66,000 is required to be able to afford the median valued \$165,000 house. Even if a household were able to obtain financing which permitted allocating 40% of income to housing, an income of \$49,500 would be required for the purchase of the median dwelling in Cannon Beach. The same analysis applied to the average sales price of a dwelling in the lowest quartile of the city's housing market (\$110,000) finds that a household income of \$44,000 is required to finance such a dwelling if 30% of household income is allocated to housing and \$33,000 if 40% of household income is allocated to housing costs.

No recent income figures are available for Cannon Beach. However, for this analysis it is assumed that Cannon Beach's median family income and personal per capita income comparable to that of Clatsop County. According to the Department of Housing and Urban Development (HUD), the 1995 median family income for a family of four was \$34,500. Applying the "1% formula" to this income indicates that such a family could afford an \$86,200 home, if 30% of its income is allocated to housing. If 35% of its income is allocated to housing, the family could afford a \$100,625 home. The result of this analysis is only slightly different if one uses 1994 U.S. Department of Commerce personal per capita income of \$19,340 for Clatsop County. A family with two wage earners would have a family income of \$38,680. Applying the "1% formula" to this income indicates that such a family could afford a \$97,000 home, if 30% of its income is allocated to housing. If 35% of its income is allocated to housing, the

family could afford a \$112,817 home. These figures clearly demonstrate that a family earning the median income cannot even afford the housing in the lowest quartile of the city's housing market.

The recent rental housing survey found that a one bedroom unit rented in the range of \$325- \$465 and two bedroom units rented in the range of \$450-\$850. For the purpose of the following affordability analysis, the rental rates charged at the apartment located at 147 E. Dawes will be used as a representative example. Assuming that 30% of income is applied to housing costs, an annual income of \$17,000 is required to make the one bedroom unit affordable. If 35% of income is applied to housing costs, the required annual income is \$14,570. Assuming that 30% of income is applied to housing costs, an annual income of \$21,000 is required to make a two-bedroom unit affordable. If 35% of income is applied to housing costs, the required annual income is \$18,000. The following hourly wage rates are required to generate the income levels described above, assuming 2,000 hours of annual work: \$14,570 - \$7.30/hr.; \$17,000 - \$8.50/hr.; \$18,000 - \$9.00/hr.; and \$21,000 - \$10.50. The majority of the employment opportunities available in the city are in the service sector, positions such as cooks, waitpersons, receptionist, retail counter attendant, custodian, and maid. These jobs generally pay less than \$10.00/hr.; many of these jobs are part time in nature.

## EVALUATION OF THE REGULATIONS AFFECTING HOUSING

The OHCS recommends that a city's land use regulations provide for a broad range of housing types in order to meet the Goal 10 objective of providing for the housing needs of the community. The types of housing that are recommended are: single-family detached, single-family attached manufactured dwelling on an individual lot, mobile home on an individual lot, condominiums, duplex, multifamily, accessory apartments, mobile home parks.

Single-family detached dwellings are permitted as an outright use in the city's RVL, RL, R-1, R-2, RAM, R-3 and RM zones. The residential buildable lands inventory demonstrates that the city's urban growth boundary can accommodate the anticipated level of residential growth.

Single-family attached dwellings are provided for through cluster development standards. Cluster development is permitted in any zone, upon approval by the Planning Commission, in conjunction with a proposed subdivision or planned development.

Pursuant to the requirements of ORS 197.307, the city permits manufactured dwellings on individual parcels as an outright use in all its residential zones, the RVL, RL, R-1, R-2, RAM, R-2, and RM zone.

The city has one residential zone, the RAM zone, which provides for a mobile home on an individual lot. A mobile home being a manufactured dwelling which does not meet the design standards specified by ORS 197.307.

A condominium is a form of land ownership not a housing type. (However, condominium ownership is generally associated with multi-family dwellings.) The city's zoning code does not regulate the form of land ownership, except that a duplex may not be a condominium. The purpose of this standard is to ensure that duplexes provide for rental housing.

Duplexes are permitted as an outright use in the R-2, RAM and R-3 zone. The buildable lands section demonstrates that there is adequate land in these zones to provide for the additional number of duplex units needed to the year 2010.

Multifamily structures are an outright use in the R-3 and RM zone. The buildable lands section demonstrates that there is adequate land in the R-3 zone to provide for the additional multifamily dwelling units needed to the year 2010. Multifamily structures are also permitted as a conditional use in the RAM and C-1 zone. Land in these zones may provide additional opportunities for multifamily housing.

The R-2 and RAM zones permit accessory dwellings as an outright use. In addition, accessory dwellings are permitted as a conditional use in the city's other residential zones, the RVL, RL and R-1 zone. The number of available parcels demonstrates that the city has made adequate provision for accessory dwellings

Mobile home parks are permitted as a conditional use in the city's MP zone. There are two parcels zoned MP.

In summary, the city's land-use regulations provide for the recommended range of housing types. Adequate land is zoned for each housing type, subject to clear and objective standards.

Government assisted housing can be considered another type of housing, one intended to meet the needs of persons with low incomes. Two government assisted housing projects have been initiated in the city during the past five years. The Elk Creek Terrace Apartments, containing 36 units, began occupancy in the winter of 1994. Shorewood, a 34-unit project, received city approval in the spring of 1996. Occupancy is anticipated to be the fall of 1997.

The 1990 Census found that the city contained 207 rental housing units in 1989. City building permit records indicate the city added approximately 90 rental housing units between 1989 and 1995. With the addition of the 34 units in the Shorewood development, the city's rental housing stock will be 331 units, of which 21% is government assisted. There are ten existing or approved government assisted housing developments in Clatsop County. These projects contain 332 units, of which 144 are limited to senior citizens. Cannon Beach has 70 existing or approved government housing units. This represents 37% of the total non-senior housing and 21% of all assisted housing units. Cannon Beach has approximately 4% of the county's population. These figures demonstrate that the city has made adequate provision for government assisted housing.

The OHCS recommends that a city's development codes provide not only for a range of housing types, but also for housing that meets the needs of groups of persons with special housing requirements. Individuals in these defined groups typically require some level of social service to lead reasonably normal lives. Groups with special housing needs include the frail elderly, persons recovering from drug/alcohol abuse, persons with developmental or physical disabilities, and victims of domestic violence. OHCS's objective with regard to housing for groups with special needs is that the local plan and development regulations do not limit these types of housing opportunities.

There are four general types of housing for the frail elderly: nursing homes, assisted living, adult foster homes and adult day care. The city's zoning code does not make provision for either nursing homes or assisted living facilities. Adult foster homes are permitted in all the city's residential zones under the definition of a residential home. Adult day care is permitted as an outright use in all the city's residential zones. There are no facilities serving the frail elderly in Cannon Beach.

All the other housing needs of defined groups, such as persons with developmental disabilities or persons recovering from drug or alcohol abuse, are defined as either a residential home or a residential facility. The city's zoning code permits residential homes and residential facilities as an outright use in all the city's residential zones. There are no residential homes or residential facilities in Cannon Beach.

## HOUSING PROGRAM

In 1991, the Planning Commission completed a housing study whose objective was the preparation of an action plan for improving housing opportunities in the city. The study made a variety of recommendations on amendments to the city's zoning code. The city has implemented most of the recommendations. The following summarizes the actions the city has taken to implement the recommendations contained in the 1991 study.

- Reduced the minimum lot size for new duplexes to 5,000 square feet.
- Rezoned two parcels R-3, High Density Residential in order to create additional opportunities for multifamily housing. One of these parcels has been developed by the Cannon Beach Community Development Corporation for 36 units of government assisted housing, the Elk Creek Terrace Apartments.
- Changed the off-street parking requirement for multifamily dwellings so that the number of parking spaces required corresponds to the type of apartment, e.g., one bedroom or two bedroom, rather than requiring two parking spaces for each dwelling unit.
- Created a new type of multifamily housing, the limited triplex, which permits three dwelling units on a 5,000 square foot lot in the R-3 zone. This use is permitted outright.
- Permitted manufactured dwelling on individual parcels in all residential zones.
- Permitted accessory dwellings as an outright use in the R-2 and RAM zone and as a conditional use in the RVL, RL, and R-1 zone.