

**City of Cannon Beach Affordable Housing Task Force
Report on Findings and Deliberation
Affordable Housing Needs Assessment and Implementation Plan**

October 2016

Submitted By: Terri H. Silvis, Director of Development Services
Cascade Management Inc.

Submitted To: City of Cannon Beach Affordable Housing Task Force
Mark Barnes
Melissa Cadwallader
Duane Johnson
Todd Johnston
Brant Kucera
Ken McQuhae
Dave Norstedt
Brandon Ogilvie
Sheri Russell

Vision Statement

“To forge a housing plan that encourages and facilitates the creation of long-term workforce rental housing in Cannon Beach – identifying long term and short term strategies and solutions that are inclusive of all in the workforce.”

City of Cannon Beach Affordable Housing Task Force

Report on Findings and Deliberation

Affordable Housing Needs Assessment and Implementation Plan

Introduction/Overview: In December 2015, Dr. Silvis of Cascade Management was engaged by the City of Cannon Beach to create an Affordable Housing Needs Assessment and Implementation Report (“the Report.”) The City and local employers have recognized for several years that access to long term rental housing has been a challenge. The situation has become so egregious that employers are now finding it difficult to attract the workforce needed to meet the high needs of the tourist community. Long term full time employees cannot afford or even find a place to rent in the City. From a community development perspective, Cannon Beach is no longer healthy and balanced – with almost 60% of the homes being reported as “vacant” (meaning...vacation or second homes) and virtually no readily available rental housing for families or those professionals who are crucial to the functioning of the community (such as police and firefighters, city employees, and health officials).

The Cannon Beach Affordable Housing Task Force held six public meetings between December 2015 and August 2016 – one of which included active participation from City residents and potential “user group” members.¹

Over that time frame, the Task Force members reviewed information previously generated, revisited its goals/objectives given the community needs, the City Council charge to the task force, and assessed various options available to the community to implement a housing plan.

The information that helped guide the discussions included but were not limited to:

- the City’s 2013 affordable housing needs report and 2014 employment surveys (Appendices A and B);
- comments/discussion from six meetings of the Housing Task Force
- current census and employment data;
- models for workforce housing being used by other small tourist communities struggling with similar issues;
- input on City policies and design feasibility assessments from Carleton Hart Architecture, (Portland, Oregon).

This report provides a concise summary of discussions that progressed over 9 months, includes

¹ “User Group” in this context means full time employees and business owners and families who would prefer to live in Cannon Beach and be active members of the community if they could find decent affordable rental housing. People within this “user group” are often referred to in the housing industry as “the missing middle.” These are nurses, police, firemen/women, professionals, and relatively highly paid “other” workers – those who make too much money to income qualify for publicly subsidized housing but too little money to afford market rate rental units (if they can find them).

observations on appropriate approaches and tools available to the City, and provides recommendations based on the Task Force analysis. Options include developing housing (based on the levels of affordability and housing options identified to best meet the City’s workforce housing goals) and amending zoning codes and other public policies to help stem the tide of long term rental loss in the community.

After the first two meetings, the Task Force agreed unanimously to a common vision statement that would guide their work:

“To forge a housing plan that encourages and facilitates the creation of long-term workforce rental housing in Cannon Beach – identifying long term and short term strategies and solutions that are inclusive of all in the workforce.”

Refining the Problem Definition: Because of the extensive work completed previously, specifically the 2013 and 2014 housing reports/surveys already on hand, the Task Force began with a fairly advanced sense of what the problem is:

“People who work in Cannon Beach cannot afford to live in Cannon Beach; this has become a strain not only on local employers but on the community itself...which needs an array of residents/families to maintain its social balance and economic well-being.”

Thus the Task Force could quickly delve into the details of defining (a) what the real housing needs of the community are and (b) what “affordable housing” means for Cannon Beach -- which the Task Force recognized might be different than the federal definition of “affordable housing” (the latter of which guides the investment of public housing subsidies). The comprehensive summary notes outlining the many discussion points identified by the Task Force in its first meeting are included in Appendix C. However, the most relevant issues that guided the work of the group over the next several months included the following:

1. How do we define affordable housing? Is it housing cost as a percentage of income (per federal government definition?) Is it rather based on what is reasonable given wage rates in the City?
2. How do we define what is deemed “affordable” in light of the Cannon Beach workforce and incomes? Is it the government’s definition of “affordable” (serving households at or below 60% Area Median Income [AMI])?² Is it something less or more than that?
3. How much of the City’s housing issues can be solved (and should be solved) through cross jurisdictional initiatives, which includes regional planning efforts, regional transportation systems, and the sharing of information and resources across regional coastal communities?
4. How can/should City interface with County groups discussing similar issues? (The how of this was not fully determined but general agreement that interface should occur).

² 2016 Area Median Incomes for Clatsop County for 1, 2, 3 and 4 person households respectively are: \$39,500 - \$45,100 -- \$50,700 -- \$56,300. Households that qualify for publicly subsidized housing must make at or below 60% of these wages, with priorities for households making at or below 50% of these wages. Though the need for housing at these lower incomes is still high, a majority of employees in Cannon Beach would not qualify for publicly subsidized housing.

5. What does the Task Force think about using local public resources? Which public resources?
6. What are the challenges besides housing availability and affordability to families that wish to live in Cannon Beach? (Schools? Transportation? Social Activities? Day care?)
7. What besides housing influences residency choice?

While there was a clear consensus that the City would like to attract a greater number of younger families to facilitate its return to a healthy rounded community, it was eventually also recognized that many of the influences for attracting a significant number of younger families back to Cannon Beach were/are beyond the reach/scope of the Task Force work. Outside of housing access and affordability, easy access to schools, after school activities, day care, and more comprehensive amenities in nearby communities (such as Seaside, Astoria and Tillamook) all influence housing location choice.

In the end, the Task Force agreed to focus on what it can influence and the tools the City could reasonably bring to bear to (a) facilitate the creation of housing to support local economic development, business growth, and City safety and well-being and (b) to stem the loss of long term rental housing stock.

But what does that look like: creating short term employee housing available during peak season? Or long term housing for full time employees? Prioritizing housing for first responders or others who are critical to the health, safety and well-being of the community overall? What tools that could be used by the City are legally, politically and financially available and attractive?

Identifying the Market: Having agreed upon a guiding objective or “vision statement,” the group began to better understand and define the market that would guide the parameters of an implementation plan. The group eliminated, at least for this first initiative, home ownership and seasonal employee housing--agreeing rather to focus on year round, full time employee rental housing.

Based on the information found in the 2014 employer surveys and updated population data from the census, we now better understand the general employment profile of the Cannon Beach workforce.

Out of 1,104 employees in 2014:

- 481 (43%) made less than \$11 an hour (est. 37%-50% AMI) -- 301 year-round staff
- 460 (42%) made between \$11-\$16 an hour (est. 50%-75% AMI) – 367 year-round staff
- 163 (15%) made between \$16-\$21 an hour (est. 72%-100% AMI) – 128 year-round staff

This means that over 45% of the full time year round employees in Cannon Beach earn more than 50% AMI.³ This being the case, accessing traditional public subsidies to develop affordable housing will not resolve the City’s affordable housing issue as a majority of the workforce would have incomes too high to qualify to residency. Rather the City’s housing problem is one of “lack of affordable housing for the missing middle.” As previously described, these are nurses, police, firefighters, city staff and other community professionals; they may be relatively highly paid and

³ See previous clarifying Note #2.

make too much money to income qualify for publicly subsidized housing but too little money to afford market rate rental units (if they can find them).

The 2014 American Community Survey data affirms what the Task Force already suspected. Cannon Beach's population is fairly stable, and household income overall has been increasing steadily (6% growth in Cannon Beach from 2010 to 2014). An estimated 45% of the full time employees earn greater than 60% AMI. Though workforce wages are increasing annually, incomes are still relatively modest, and rents full time employees could pay are still insufficient to entice owners of lucrative vacation rentals to convert them to long term use.

Even though there is sufficient housing stock for the community in terms of sheer number of units per number of households (over 1700 units of housing versus 722 total households in 2014), the vast majority is not available to the City's workforce. Of the total housing units, 722 (~40%) are occupied by the reported full time resident households while 60% are reported vacant (second homes or short term vacation rental properties). Of the 722 occupied households, 45% or 331 are renter occupied. This rental pool includes the 70 subsidized, income restricted units located in two complexes within the city (21% of all the rental units in the city), which are unavailable to those in the defined "missing middle."

Further, even if many of the existing housing units *were* available for use as long term rental properties, the type of units that exist are in conflict with the household size and needs of most of the workforce. 2014 census survey data shows that the workforce is mostly comprised of small households. Approximately 45% of the 722 households live alone and the remainder have an average household size of 2.9 – indicating a need for 1 and 2 bedroom units. However, over 50% of the 1795 units of housing on the ground are 3+ bedrooms (not surprising given the number and general nature of vacation rentals and second homes).

What this illustrates is that, for the missing middle market, even if the existing housing units were made available as long term rental, the sheer size of the homes means that the rents would likely be unaffordable to our target market.

Identifying Opportunities/Options/Objectives: The Task Force also discussed practical steps, tools and resources already available to the City that would enable Cannon Beach to pursue solutions to workforce and community housing challenges.

Cross Jurisdictional Initiatives – Most of this discussion focused on the idea that transit may indeed be one of the solutions to the affordable workforce housing issue in Cannon Beach – especially for short term employee housing. As an example, it was noted that Clackamas County has a successful and widely used bus system out of Sandy that transports not only visitors but employees up to Timberline and other resorts on Mt. Hood. The Sunset Empire Transit District (SETD) is currently expanding the number of routes and stops in the area and is considering how it can better serve the traditionally "underserved" in the communities. This includes people with disabilities and low/moderate income families who may have long term housing options in Seaside or Astoria. It is a timely opportunity to weigh in on the number and times of routes coming into and out of Cannon Beach, especially during the high season for employees (tourist season). Employers in the group granted that, given the demographics of those who apply for seasonal jobs (mostly young singles, often students, who follow seasonal tourist employment opportunities), supporting housing efforts in larger communities to the north and advocating for increased bus routes into town likely is the

best approach to seasonal housing challenges in Cannon Beach.

It was also generally agreed that the City should have representation on or at least reach out to collaborate with those who are struggling with similar affordable housing issues in the surrounding communities of Wheeler, Warrenton, Astoria, Seaside, Tillamook, Manzanita, Gearhart and Nehalem. No action was taken at this time, but City staff will begin forging connections with housing groups located across the two counties.

Zoning Code/Public Policy Tools: The Cannon Beach Municipal Code can be readily amended to (1) make sure that new accessory dwelling units (ADUs) are not used as short-term rentals and (2) limit growth of short-term rentals.

City Land for New Development: After a review of the inventory of City-owned land, the following potential development options were identified:

- a. A portion of the 55+ acres owned by the City on the north side of the highway, purchased for other policy reasons, could be developed for workforce rental housing. However, it will take significant money and time to install the basic infrastructure and access needed for development, and current zoning does not allow housing on this site. Consequently, this is possibly part of a longer term solution but not available for a more immediate approach.
- b. A portion of the City owned 9.43 acres that currently sites a RV Park and several acres of greenspace should be analyzed to see if it is appropriate for a more immediate development opportunity.
- c. The City owned large parking lot west of Spruce Street, between First and Second Streets should be assessed for development potential.
- d. A fourth option -- building infill housing on the Children's Center site by Tolovana Hall -- was added to the list of potential development opportunities.

The Task Force consensus was to have options (b), (c) and (d) above turned over to Carleton Hart Architects (CHA) of Portland to begin the design feasibility assessments.

Workforce Housing Models: To further stimulate discussion, the group reviewed a number of housing models used in tourist communities with similar housing issues (Appendix E). These examples included the towns of Vail and Aspen as well as Sun Valley, Idaho. Having already eliminated the City subsidizing home ownership as being too expensive with fewer beneficiaries (as promoted by some communities), the group focused on the rental housing models. Screening criteria used by other communities often focused on housing preferences for emergency and first responders, critical public employees, and verified full-time employees of local businesses. Each program is distinct in that the screening criteria is customized to meet the housing needs of each community and includes provisions that reach across income levels -- meaning that moderate income workers are not eliminated by using federal or state subsidies with more stringent income qualifications. The models depended on local housing authorities to administer the programs (even though they were not specifically limited to low income households), and the cities all subsidized at some levels incentives to/assistance to housing providers and residents.

Aspen/Pitkin County (<http://www.apcha.org/>) -- The program prioritizes year round units for people on waiting lists who are considered 'essential workers' in the community (such as first responders

and others crucial to maintaining the safety and welfare of the community). The program is administered through the Aspen Pitkin County Housing Authority, and applicants must be working at least 30 hours a week for a minimum of 9 months out of the year to qualify for the waiting list.

Vail County (<http://www.vailgov.com/departments/human-resources/employment/employee-housing-opportunities>) – The program assists full time County employees by offering a loan to get into long term rental housing. Loans can be will be up to \$2000 to help with upfront costs (first and last month's rent, security deposit), and must be paid back to the Town of Vail. Applicants submit information to the Town of Vail to get the loan.

Other Creative Housing Developments: Though there are other models across the country that can be explored (such as the employee village for summer peak time staff in Roche Harbor, San Juan Islands, WA), across the nation and locally policy makers are looking to expand the supply of "missing middle" housing. By allowing Accessory Dwelling Units, cottage clusters, and corner duplexes (among other examples), communities can capitalize on infill and lower cost housing options that result in more affordability for local workers. Though these projects can be difficult to complete in some areas because of zoning requirements and other regulations, Cannon Beach already has the basis of such allowances in place and has the flexibility to enhance the rigor of such policy tools to address its housing dilemma.

It is this latter option (looking at smaller, more intimate spaces for smaller households) that generated the most interest at a Task Force discussion wherein potential user groups participated in the discussion. At this meeting the potential of capitalizing on the benefits of Park Model Homes was explored (<http://parkmodels.com/northwest>). Park Model Homes would potentially provide a relatively quick, affordable option for small rental units, which resonated with the sense of creating small, cottage like structures for workforce housing in the City.

Development Scenarios: Having the above base of knowledge as a background and basis for analysis, in the spring of 2016 the Task Force reviewed the four potential traditional rental housing design scenarios on City owned land, presented by Carleton Hart Architects (See Appendix F for all conceptual scenarios presented):

- Between 24-48 units of housing on the downtown parking (with versus without parking)
- 25 units of housing on a podium over the downtown parking lot
- 24 units of housing on a portion of the RV park
- 9 units of housing on the Children's Center site adjacent to Tolovana Hall

Dr. Silvis followed up with a high level financial analysis of three preferred options – incorporating what the Task Force considered to be reasonable rents for employees and not including any public subsidies outside of those that could be theoretically offered by the City. It was generally understood that local financial supports would be needed to make the projects financially feasible, including land (possibly via a long term land lease from the city to a developer) and waived systems development charges and permits/fees.

In relatively short order, the Task Force ruled out the development of the parking lot downtown as being politically and financially infeasible. Valuable parking would be lost; the construction itself (especially if with a podium to preserve parking) would be expensive; and the poor soil conditions in that area would likely require pilings or other supports that would render the development cost

prohibitive. Additionally, the site is in the tsunami inundation zone, with relatively long evacuation routes to high ground.

Though the RV park was more attractive and more feasible as a rental community option, not only would it also require significant public investment there would be a fairly significant loss of revenue. Even the smaller of the RV park rental housing scenarios would require that about a dozen RV slots be lost. In the end, of the traditional multi-family housing development options presented, only the Children's Center infill lot remained under active consideration.

Conclusions/Recommendations: After further deliberation, having reviewed the City's updated strategic plan goals around housing and in consideration of public comment, the Task Force agreed unanimously to recommend that the City Council approach the housing dilemma in Cannon Beach with a multi-pronged approach. The recommendations will help meet the goals established by the Task Force which are reflected in the updated City of Cannon Beach Strategic Plan: (a) meet the short term goal of increasing the supply of long-term rental housing by 25 units and (b) address the long term goal of stemming the loss of long term rental housing stock.

First, there are several options that should be pursued by the City in the very short term:

- Fees: Examine permit fees and systems development charges to see if these are a disincentive for the development of long-term rental housing. The financial feasibility analysis revealed that fee waivers are a powerful tool in making rental housing developments feasible. Though most commonly used to subsidize low income housing, it is a tool more frequently considered by communities across the state struggling with how to create housing for the "missing middle."
- Short-Term Rentals: Limit the growth of short-term rentals by imposing some combination of caps on the number of permits; specifying neighborhoods where short-term rentals are not allowed; and pursuing more aggressive enforcement.
- Accessory Dwelling Units: Examine existing ordinance treatment of ADUs to see if more ADUs in long-term rental can be encouraged.
- Duplexes and multi-family housing: Examine the treatment of multi-family development in the zoning ordinance to make sure these developments are not unfairly discouraged.

Second, the Task Force has forged a two-pronged approach to increasing the supply of long term rental housing in a relatively short time frame:

Development Option #1– Cannon Beach Park Home Community -- The Task Force recommends that the City dedicate *up to* 10 of spots in the RV park, creating a pilot program for affordable workforce housing. It was further suggested that anywhere from 3-8 park homes may be a good number to test the market, leaving room for expansion for up to 25 spots if the initial program is successful. Park Model Homes generally are approximately 400 square feet, are built according to specific manufactured home/RV codes and requirements, can be customized for design preferences, and generally cost between \$30,000 and \$60,000 (depending on finishes). The small space would accommodate generally 1 person (possibly a couple), and the installation is simple. The homes would fit in the current RV spaces and could be readily hooked up to the existing water and electrical systems that are available to all RVs. Rents could be set at an affordable price to support the pilot program.

Taking this approach will allow the City to put in place relatively quickly and at a reasonable price long term rentals for small households, and it would not remove a significant amount of revenue from the City. This is because the park model option puts in place long term rental units that operate at 100% occupancy year round rather than for only half of the year, allowing RV rental revenue losses to be partially or potentially completely off-set by rental income.

City staff has identified several options for funding the pilot project. The homes could be funded directly from the general fund via a budget amendment in FY16-17 or by a new allocation in the FY17-18 budget. The City could borrow the money and use the rents to partially/wholly repay the loans. The loans could be from a bank or some other municipal finance mechanism. A budget needs to be created for maintenance, management and upkeep of the units, ideally out of rental revenues, and all of these details need to be further discussed to determine what the best implementation plan may be.

Development Option #2 –Tolovana Hall Site: The City should develop a portion of this property into 2 bedroom apartments for couples and small families. The current conceptual scenario reflects a small complex of 9 units. In reality, the zoning code would allow more units to be developed – though the number would still be somewhat limited by parking and landscaping requirements as well as by the City’s desire whether or not to maintain Tolovana Hall for community use. City resources would be needed to ensure financial feasibility, including donating or leasing the land to a developer and waiving permits and fees for construction.

Questions on Implementation: Should the City Council proceed with the recommendations above, an implementation plan must be created. This requires more thought, staff time, and Council directive. Questions outstanding include the below, and initial staff thoughts are included for further discussion.

- How would we finance the Park Home Model pilot program? Who would run it? How much would it cost? What partners would we need to have? How do we set rents? How much would it cost annually for operations/administration?

Staff Input: The Park Model pilot program could be financed directly from the general fund or using burrowed funds. Screening of potential tenants should be done by an outside vendor (possibly the NW Oregon Housing Authority) using criteria consistent with this report’s recommendations and with Fair Housing laws. A maintenance fund could be established to protect the City’s investment, and a third party management firm could be retained.

- Would we solicit for development partners for the Tolovana Hall site complex? Who would manage this? How do we set rents? How much would it cost annually for operations/administration?

Staff Input: The City should consider entering into a partnership or developer agreement for this project. It needs to be designed in a way that maintains or enhances the functionality of Tolovana Hall. Rent levels and tenant selection criteria should be established as part of the partnership/developer agreement. The City should decide between transfer or long-term lease of the property based on the developer/partner’s ability to meet City goals for this project.

- Given the relatively small number of units to be developed, how would applicants apply for rental housing? Given the general agreement of the Task Force to prioritize housing for full time employees and possibly even first/early responders in the community, should there be a qualifying point system that prioritizes applicants? There are approaches that have precedence in other communities that could be explored?

Staff Input: Generally the City should rely on an experienced third party to screen tenants, collect rent, and manage these rental properties. Tenant screening should be done in a manner that meets the requirements of Fair Housing laws, and meets the goals of this report.

- Who would receive, qualify and manage the applicant pool? What role does the NW Oregon Housing Authority have, if any? Who are our other potential partners?

Staff Input: Our primary potential partners include NW Oregon Housing Authority, Community Action Team, and existing businesses in Cannon Beach. The City might also identify potential partners through solicitation/request for proposals.

If City Council agrees to move forward with the development proposals described, additional analysis, discussion, and planning will be needed to move forward thoughtfully with an implementation plan. This planning should include at a minimum the City Manager, City Planner, City Financial Officers, City Attorney, and outside technical assistance.

Appendices

Appendix A	City of Cannon Beach 2013 Affordable Housing Needs Assessment
Appendix B	City of Cannon Beach 2014 Employer Survey Results
Appendix C	Summary Notes from initial December 2015 meeting of the Task Force
Appendix D	Review of City codes and policies, Carleton Hart Architects
Appendix E	Workforce Housing Models Summary
Appendix F	Conceptual Development Scenarios, Carleton Hart Architects
	F (1) -- Parking Lot Conceptual Drawings
	F (2) – RV Elk Land Road Conceptual Drawings
	F (3) – Children’s Center at Tolovana Hall Conceptual Drawings