

Housing

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Why is there a problem?

Oregon's population is growing rapidly.

From 2010 to 2019, the state grew to 4.2 million people from 3.8 million, but according to state economist Josh Lehner, Oregon built fewer new housing units in the 2010s than at any point since World War II on a growth-adjusted basis.

Affordable housing is commonly described as 30% of household income being spent for housing for a family that earns 60% of an area's median income for apartment or 80% for home ownership.

In Jefferson, an affordable rent for an apartment would be \$856 per month and monthly mortgage for a house at \$1,141. That's in an area where the average sales price was \$295,652 in 2019, according to the Willamette Valley MLS.

In the 2000 to 2016 time frame in Marion County, there were 89 units built for every 100 households formed, according to an ECONorthwest Report. That number is lower in Polk County where it was about 70 units per 100 households.

The issue isn't limited to the Willamette Valley, though.

A 2018 report by Lehner showed that while incomes in rural areas of Oregon are equal with other rural areas of the United States, home prices are 30% higher – \$179,400 vs. \$137,500 – and rents are 16% higher – \$580 vs \$500.

At the same time, rural areas of Oregon have seen faster population growth than in other rural areas in the country.

Construction of new high-density housing, such as apartments, duplexes and condos, can be one solution to the lagging housing market in smaller cities, as can single-family homes being built on smaller lots.

But many new homes are being built at the higher end of the price spectrum.

"Homeownership, especially among millennials, is low," Willis said. "Homeownership is a building block of building wealth. I would like to see more owner-occupied multi-family housing."

In a 2017 report, Donald-based agricultural machine company GK Machine estimated it loses employees every 24 months in part due to long commute

times for many of its employees who work in the city.

Apartments and houses are scarce in the city and the median rent of an apartment was \$1,995.

Many smaller cities have aging infrastructure, and many are already at capacity in their water and sewer systems.

When more single-family homes are added, it strains an already stressed system; multi-family residences could extend that infrastructure past capacity.

In unincorporated communities such as Brooks, the only land zoned for housing is single-family as its sewer and water systems are already at or near capacity.

In small cities with no apartment complexes, finding project funding can be a challenge.

"You don't have that kind of comparables so that may not be able to get that loan," said Ariel Nelson, a lobbyist for the League of Oregon Cities.

By Oregon law, cities and counties charge fees called system development charges for new construction to pay for things like the additional use of existing infrastructure – water filtration and distribution, recreation and transportation.

Those fees differ from city to city and by type of development.

In Jefferson, the systems development charge for a single-family unit is about \$12,000, which is on the low range of the spectrum.

"SDC's are just one element of the cost for developers," Willis said. "One of the things that happened is because of the way our cities have developed, it's most cost efficient for a developer to roll out 500 or 1,000 homes."

Where is the problem the worst?

Jefferson, Mill City and Mt. Angel are the areas areas where affordable complexes are needed the most, according to the Mid-Willamette Valley Community Action Agency's ARCHES Project.

But those are not the only cities where work is being done.

New home construction is booming in Turner, a city five miles southeast of Salem.

A new 205-unit subdivision is underway on the north side of town on the banks of Turner Lake, a 47-unit subdivision south of that is progressing and smaller subdivisions are sprouting around the city as the housing market

booms.

As people have spread out of Salem's city's boundaries, Turner, population 2,200, became a desirable destination to live, but those homes are selling for over \$300,000.

Turner is becoming a bedroom community for Salem with fewer of its residents working in the city, and it is quickly running out of land in its urban growth boundary to develop into new housing.

Oregon's land use planning laws date to 1974 when the state created a set of standards to control urban sprawl and allow for controlled growth based on 20-year population growth projections.

Cities with a population over 10,000 are required to periodically review their housing needs and growth projections, but those under that size are not and cities under 2,500 are not required to have a broader range of housing types.

For Donald, population 990, to expand its urban growth boundary by about 80 acres in 2018, the city received grant money from Marion County and the state, and it took two years to complete.

"They're an example of a city that actually did take the initiative," said Gordon Howard, Community Services Division Manager for the Department of Land Conservation and Development.

Before cities can expand their urban growth boundary, they must consider if land already inside their border could be redeveloped into high-density housing; land on the edges of the existing boundaries may not be suitable for high-density housing.

Cities are required to look at land in its proximity that isn't deemed high value farmland first for inclusion.

And many smaller cities don't have the staff to take on such tasks and contract their planning.

"Looking at a buildable land supply to meet needed housing is a multi-prong effort and requires many steps before a UGB expansion can be approved," said Renata Wakeley, the community development coordinator for the Mid-Willamette Council of Governments.

What is the solution?

Larger cities such as Bend, Medford and Newport have employed strategies such as fees (1/3 of 1%) to fund affordable housing programs, deferring system development charges and property tax exemptions for units earmarked for

affordable housing.

But those policy decisions may not be as effective for smaller cities.

"I know that a lot of the smaller, more bedroom communities, it can come down to their planning and zoning and the last time they did a housing needs analysis," said Ariel Nelson, a lobbyist for the League of Oregon Cities.

Turner's city council adopted an ordinance that will give a 20% reduction in system development charges for sewer and water for apartments, the first time the city had adopted a policy to encourage multi-family housing.

A developer is proposing to build a 130-unit apartment complex in Turner, which would help make up for a shortfall in affordable housing in a city that has little.

Sublimity, population 2,900, has had significant new home construction over the years, but the majority has been single-family homes.

Its planning commission is scheduled to consider a variance that would allow a 32-lot medium density residential subdivision.

In Lyons, a city of 1,200 in the Santiam Canyon on the south side of the North Santiam River, the city has been considering allowing accessory dwelling units since last year.

Donald's project with GK Machine is part of a pilot program with the state.

The city received a grant from the state to purchase land, it intends to upgrade its water and wastewater treatment plants and plans to support 95 new homes with the hope of 465 total new residences.

Marion County has undertaken a regional planning effort to increase housing production within its cities.

State Rep. Rick Lewis of Silverton said he is going to offer up for consideration a bill that would allow cities and counties to waive system development charges for affordable housing units for multi-family development in rural communities and be reimbursed by the state.

"What does that do to our community," asks said Alison McIntosh, Policy and Communications Director of Neighborhood Partnerships, "when your preschool teacher or the nice lady who fixes your coffee can't live in the community?"

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