



CITY OF ASTORIA

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COMMUNITY DEVELOPMENT

MEMORANDUM

DATE: January 6, 2017
TO: CITY COUNCIL
FROM: KEVIN A CRONIN, COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: AFFORDABLE HOUSING STRATEGY – PROGRESS REPORT

BACKGROUND

The City Council held a special work session on September 14, 2015 to discuss the Affordable Housing Study that was completed by the Community Development Department in support of the City Council's goal setting for FY 14-15/15-16. At the work session, staff presented background information, a Draft Problem Statement, case studies, and a range of short term and long term solutions to create more housing opportunities in Astoria. The City Council directed staff to study the options in more detail and bring potential solutions back for review as part of an overall housing strategy. In November 2015, staff presented an affordable housing strategy based on comments received at the work session. In July 2016, the City Council held a work session to review the progress. Over the last year, staff has implemented various aspects of the strategy.

DISCUSSION/ANALYSIS

Below is an update on each element of the affordable housing strategy that Council approved in November 2015.

- **Administrative:** *The Department will establish a vacant house registry to encourage turnover and blight removal. As staff investigates code complaints in the field, new observations will be added. Existing derelict buildings that are under investigation will also be added.*

COMPLETE: The registry has 23 “zombie” houses on the list with more being added each month as staff investigates complaints and verifies in the field. A zombie house is defined as being vacant for an extended period, deteriorated

condition, not actively marketed for sale in the private market, and an inactive utility account. The purpose of the registry is to allow private investors to view the database for potential acquisitions. Staff has received multiple inquiries as a result of this action. The database is only available for reference at city hall. In terms of scale, the number of houses on the registry is a very small percentage (<1%) of the overall housing inventory.

- *A new code enforcement officer position is being explored.*

In Progress: The Building Official/Code Enforcement Officer position was hired in October 2016 and administers the building codes and nuisance code enforcement. Working with the Police Chief and Fire Chief, staff has created a Top Five Derelict Building List to prioritize the cases based on public safety risk.

1. **4559 Leif Erickson:** Mixed use. Declared Dangerous Building in 2016. Working through translator to determine next steps with property owner in Portland.
2. **1457 Irving:** Residential. Working with property owner's representative to clean up property. Multiple health, safety, and animal control issues observed through site visits.
3. **2611 Marine:** Mixed use. Working with property owner in Seaside to board up former Denturist Building. Illegal occupation. Requires long term solution to demolish or stabilize building.
4. **411 51st St:** Residential. County foreclosed house. Illegal occupation. Need long term solution once County auctions property.
5. **401 Industry:** Industrial. Fire investigation completed. Property owner responsible for future of building; maintain fencing and security measures to prevent entry.

The priority list galvanizes the effort of city staff and focuses limited resources on the cases with the highest safety risk in terms of building condition, illegal activity, illegal occupations, and threats to public health. As these cases are resolved, other new or outstanding cases will be considered based on public safety risk.

In addition to derelict buildings, the Department has actively monitored potential "vacation rentals" and investigated 44 listings on AirBnb since April 2016. Almost all of the listings have been brought into compliance from a zoning perspective. Some have required conditional use permits, while most have required a check on parking and a business license. The amount of listings varies as "hosts" leave and enter the marketplace. The majority of listings are owner occupied residents renting out rooms to cover housing expenses. The Department will continue to focus on enforcing non-owner occupied listings.

- **Advocacy:** *Council can lobby through League of Oregon Cities (LOC) for more Federal Housing and Urban Development (HUD) funding, flexibility, and updates to income limits through Congressional delegation.*

In Progress: The Mayor and staff have met with a representative from

Congresswoman Bonamicci's office to discuss housing policy. Staff has also met with Clatsop Community Action (CCA), Community Action Team (CAT), and the Northwest Housing Authority to explore advocacy opportunities. In partnership with the County, staff presented a list of policy options at a joint City/County meeting in Gearhart in March 2016, but no direction was received as a result of this meeting.

In December 2016, staff met with CAT and CCA to coordinate an application for HUD financing in 2017 to encourage rehab of single family housing on Bond Street. If CAT can secure funds, the Astoria Development Commission (ADC) could match with Astor West funds that were dedicated as part of the recently approved Astor West expansion on Bond Street. An official funding request will be presented to the Council prior to the submittal of an application.

- **Regulatory:** *Staff proposes an overhaul of the Development Code to allow more infill and redevelopment in existing neighborhoods. Provisions could include smaller lot sizes for single family and duplexes, accessory dwelling units in existing or new garages, less parking requirements for duplexes, and design standards to ensure compatibility with surrounding development patterns and architectural styles. In addition, the Department is reviewing the development review process and could include this as part of a larger package of code amendments for the streamlining project.*

In Progress: In January 2016, the Community Development Department initiated a code revision to address a lack of housing supply in the marketplace. Two sections, including Article 2 – Residential Use Zones and Article 3 – Accessory Dwelling Units (ADU) of the Development Code - were drafted and reviewed by the Planning Commission in two work sessions in February and March 2016. A public hearing that was scheduled and noticed in April 2016 was cancelled at the request of members of the Council. In lieu of a hearing, a work session with public comment was held to ascertain neighborhood concerns. In July 2016, the City Council held a work session to review and understand the proposed code amendments. As a result of the work session, a hearing and work session was scheduled for the ADU amendment with the Planning Commission in October 2016. On October 25, 2016, the Planning Commission recommended approval for final review and recommendation to Council for consideration. Hearings were scheduled for December 2016; however, those were postponed by Mayor LaMear to allow for new City Councilors to come on board and for the affordable housing issues to be discussed at goal setting sessions. The other code amendments (Article 2) have been tabled until staff receives direction from the Council.

- **Public-private partnerships:** *The City can immediately begin to work with local non-profit partners such as Community Action Team (CAT), Clatsop Community Action (CCA) and the Northwest Oregon Housing Authority (NOHA) to look for creative methods of providing affordable housing. As each organization develops*

its pipeline, the City can determine what role if any it can play to partner on a project. For example, the City property between Hilltop Apartments (owned by CCA) and Astoria Middle School could be flagged as a prime site and reserved for future housing. Other city-owned properties already zoned residential could also be disposed and leveraged for affordable housing.

In Progress: As mentioned above, staff has met with housing agency partners, but no projects have moved from the concept stage due to a lack of funding or capacity. If an agency partner is able to move forward, City staff will entertain a partnership opportunity and present to the Council for review.

- *Regarding workforce housing, the City can partner with private owners to create more multi-family apartments, ADUs, and smaller houses with lower price points for service industry workers in or near the downtown. Renovation of buildings such as the Gunderson, Waldorf, and State Hotel are potential adaptive reuse projects. Finally, the former Central School and Blue Ridge sites are larger redevelopment areas ripe for a new mix of housing types.*

In Progress: Staff has met and spoke with a number of developers and property owners over the last year. The properties identified above have unique challenges that make it difficult to develop. As a result, there has been little progress on these projects. The only area of Astoria that is seeing private sector interest is in the South Slope/Young's Bay area because more land is available at lower rates, but still offers good views and relative easy access to Warrenton and other neighborhoods in Astoria. However, no proposals have been received to date.

Although there is occasional interest in converting underutilized upper floors in downtown buildings, parking can be a challenge from a developer/financing perspective. In addition, the rents (i.e. cash flow) may not be high enough to make back the initial investment needed to bring the spaces up to current building codes. Some property owners, including the owner of the State Hotel, do not want to take on the additional risk or property management responsibilities. Staff continues to look for a candidate property owner to do a case study on this issue.

Finally, the Oregon Legislature passed SB 1533 that allows local governments to enact a workforce housing requirement for any project that exceeds 20 units of multi-family. Below is a summary from the League of Oregon Cities 2016 Legislative Session Summary of Bills:

SB 1533 will return two tools to cities to encourage the development of housing. First, the bill partially lifts the preemption on mandatory inclusionary housing requirements. A city may adopt a mandate that multifamily housing projects of more than 20 units must include affordable housing units. However, the city cannot require that more than 20 percent of the units be affordable. In addition, the city must provide financial offsets for the developer as

proscribed in the bill. SB 1533 also clarifies that cities can work with developers to provide more units or lower the threshold for affordability through a voluntary inclusionary housing program.

Astoria could enact this provision in the Development Code. However, funding for such a program would need to be secured. A new program would require City Council review and approval.

- **Funding:** *Urban renewal funding and possibly the City's revolving loan ("DQ Fund") could be explored as a housing generator in the Astor West URD, as it has been in Astor East.* Potential sites could include the Uniontown Apartments (22 units) and older mixed use buildings with vacant apartments. The City could partner with NOHA to gap finance the rehabilitation of the exterior while NOHA renovates underutilized interior units. Staff will continue a dialogue with NOHA as part of the development of a larger Astor West Strategy (Council Goal FY 15-16). For future funding sources, the Council could consider the development of an "equity fund" in concert with the State, Community Development Financial Institutions such as Craft 3, local lending institutions, and larger employers who need workforce housing. *Astor Hotel was a housing preservation project and not a generator of new housing units.*

In Progress: The companion piece to SB 1533 allows local governments to adopt a "construction excise tax" to fund affordable housing investments. The City already collects a small percentage for the Astoria School District Construction Excise Tax so the administration of the fee would be similar. Below is an excerpt from the League of Oregon Cities 2016 Legislative Session Summary of Bills.

SB 1533 lifts the preemption on construction excise taxes (CET). However, the bill limits the rate of a residential CET to 1 percent of permit valuation, a number set at the state level. Residential CETs must be spent in a specific manner: 15 percent is remitted to the state for the home ownership assistance program; 50 percent must be spent on the same types of financial offsets as can be used for an inclusionary housing program; and the remaining 35 percent must be used for a locally determined affordable housing program. Any CET on industrial or commercial buildings is uncapped, and one-half of these funds must be used on a locally determined affordable housing program. The other half may be spent at the city's discretion, provided it is outlined in the enacting ordinance.

Based on this summary, the amount of funding that could be generated would largely depend on the percentage assessed on commercial and industrial projects. The residential portion would generate less revenue based on the 1 percent cap. The following is summary of the last two fiscal year building permit valuation for commercial projects and the potential funds generated by a percentage rate.

Fiscal Year	Commercial Building Value	Potential CET Funds (%)
14-15	\$12.9M	\$129,000 (1%) \$645,000 (5%)
15-16	\$25.4M	\$245,000 (1%) \$1,225,000 (5%)

As you can see, a minimum of \$245,000 could be generated based on a 1 percent rate. As the percentage rises, the potential for additional funds rises. These funds could be dedicated to an equity fund or as a revolving loan fund to provide lower interest rate construction loans to qualified projects with funds returned with interest when the project secures permanent financing from the primary lender. As funds are returned and replenished, new projects can be funded. In 2006, the City of Bend has successfully used this program to fund 770 units of affordable housing (80% or below Median Household Income). Of all the tools under consideration, this could have the largest impact on the supply side of the local housing market.