

DATE: September 28, 2017
TO: Joe Dills
FROM: Beth Goodman
SUBJECT: HOOD RIVER: QUESTIONS ABOUT THE HOUSING NEEDS ANALYSIS

The Hood River Westside Area Concept Plan project is developing the framework for development of an area within Hood River. The project includes plans for infrastructure development and changes to Hood River's zoning code. The starting point for the Westside Area Concept Plan is the Hood River Housing Needs Analysis, completed by ECONorthwest in 2015.

One of the questions that has come up during the public discussions of the Westside Area Concept Plan is whether the City should revisit the Housing Needs Analysis (HNA) because new population forecasts for the city show slower population growth than the population forecast used in the HNA.

This memorandum addresses this question and describes the results of the HNA as they apply to planning in the Westside Area Concept Plan process.

Context for discussion

Before discussing the findings of the HNA and their implications for future planning in Hood River, it is useful to consider the requirements of Goal 10 and the changes to the population forecast for Hood River.

Requirements of Goal 10

Hood River's HNA was developed to meet the requirements of Goal 10.¹ The key requirements of Goal 10 are that cities: (1) provide appropriate types and amounts of land within their urban growth boundary to accommodate growth of needed housing types² and (2) that cities provide opportunities for development of housing that meets the needs of household of all income levels. As we discuss in the memorandum below, Hood River's residential land base was insufficient to accommodate expected residential growth (requiring assumptions about growth

¹ The requirements of Goal 10 are described in Oregon Administrative Rule 660-008, ORS 197.295 to 197.314, and ORS 197.475 to 197.490.

² Goal 10 defines needed housing types as "housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels." ORS 197.303 defines needed housing types as:

- (a) Housing that includes, but is not limited to, attached and detached single-family housing and multifamily housing for both owner and renter occupancy;
- (b) Government-assisted housing;
- (c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490; and
- (d) Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.

of multifamily housing in commercial zones) and did not provide sufficient opportunities for development of housing to meet all income levels. The Hood River Housing Strategy, completed as part of the HNA project, described potential actions to address these issues, such as allowing a wider-range of housing types in single-family zones, re-zoning land to provide opportunities for multifamily development, and policies to increase development of affordable housing.

New population forecasts

The HNA is based on the forecast that was the City's official forecast at the time the HNA was adopted. It showed that the Hood River Urban Growth Boundary (UGB) would grow from 9,317 people in 2015 to 13,845 people in 2035. This is an increase of 4,528 people at an average annual growth rate of 2.0%.

In the time since the HNA was adopted, Portland State University's Population Research Center developed a new, official population forecast for the Hood River UGB. This forecast shows that the Hood River UGB will grow from 9,675 people in 2016 to 12,576 people in 2035. Adjusting the forecast to a 20-year period³ shows that Hood River's UGB will have 12,725 new people by 2036. This is an increase of 3,050 people at an average annual growth rate of 1.4%.

The difference in population increase between the forecast used in the HNA and in the new forecast is 1,478, with less growth in the new forecast.

The HNA shows that the increase of 4,528 people will result in demand for 1,985 new dwelling units. Using the same methodology and assumptions to convert between growth of people and dwelling units, the new population forecast shows growth of 1,337 new dwelling units, about 648 fewer dwelling units than the HNA.

³ This adjustment was done consistent with the methodology specified in the following file (from the PSU PRC's Oregon Population Forecast Program website):
http://www.pdx.edu/prc/sites/www.pdx.edu/prc/files/Population_Interpolation_Template.xlsx

Potential impact of the new forecast on Hood River's housing needs

The question at hand is whether assuming a 1.4% average annual growth rate "changes everything" from the population growth rate of 2.0% in the HNA. Should the City re-evaluate housing needs before undertaking completion of the Concept Plan or implementing actions such as re-zoning?

As discussed above, growth of 1.4% annually over a 20-year period results in about 1,500 fewer people and about 650 fewer new households than the HNA assumes. Using the assumptions used to model housing growth and residential land sufficiency in the HNA, this slower rate of population growth results in a larger surplus of all residential land (described below) but a slower growth rate does not address the fundamental problems with Hood River's housing market in the short-term or in the long-term. These problems are:

- **Insufficient housing to meet current needs.** There is currently not enough housing to meet the needs of people currently living in Hood River now or people who would like to live in Hood River. Some dimensions of this need include:
 - Hood River has a deficit of affordable housing for existing residents.
 - About 32% of households in Hood River are cost burdened, including 40% of renters.⁴
 - Housing costs in Hood River have increased substantially since 2000, making it more difficult to find affordable rental and ownership housing opportunities.⁵
 - Hood River has a deficit of housing affordable to people who earn less than \$25,000 (about 200 units) and a deficit for people earning \$35,000 to \$100,000 (about 550 units).⁶ Housing for people in these income groupings will include relatively dense housing types such as: smaller single-family houses, cottages, townhouses, market-rate apartments, and government-subsidized apartments. These needs are for people who already live in Hood River but cannot afford their current housing (are cost burdened).
 - Anecdotal information from employers and employees in Hood River indicates that finding housing, much less affordable housing, is difficult and sometimes impossible. A number of large employers testified during the HNA hearings about the difficulty that professionals in Hood River (such as teachers, nurses,

⁴ Hood River Housing Needs Analysis, Figure B-25.

⁵ Hood River Housing Needs Analysis, pages B-47 through B-50.

⁶ Hood River Housing Needs Analysis, Table B-14.

tech workers, and others) have in finding housing, much less housing that they can afford within their salaries. People from the farmworker community testified that finding lower- and moderate-income housing in Hood River is all but impossible. These accounts fit with the finds in the data analysis that Hood River does not have enough housing to meet the needs of current residents and workers at businesses in Hood River.

- **Growth in population will increase the need for denser housing types.** The description above does not begin to address the housing needs of future residents, who are part of the people who would move to Hood River in either forecast scenario (between 3,000 to 4,500 new people) over the next 20 years. It is very likely that the housing needs of these households will be similar to housing needs of existing households. These new residents will also need housing that is relatively dense, such as: smaller single-family houses, cottages, townhouses, market-rate apartments, and government-subsidized apartments. These types of housing are underrepresented in Hood River.
 - The HNA shows that 69% of new residents in Hood River will have income below 120% of Hood River County's Median Family Income (\$76,800 in 2015). These households range from very low income (and can afford only very inexpensive housing) to middle income households (and can afford higher-cost rentals or lower-cost houses as homeowners).⁷
 - Assuming that 69% of new residents have income below 120% of the Median Family Income, between 2,100 new residents (1.4% forecast) and 3,100 new residents (2% forecast) will need these denser housing types.
- **Growth of second homes may continue to consume residential land.** The PSU forecast does not account for growth of second homes. While the City has new rules to limit growth of second homes, additional growth of second homes will require new land, consuming land that would otherwise be available for primary homes.

Another consideration in the implementation of the recommendations from the HNA, such as the Westside Area Concept Plan, are the character of Hood River's vacant land inventory and potential constraints on future expansion of the City's UGB.

- **Most vacant residential land is concentrated on the western side of Hood River.** The majority of vacant residential land is located on Hood River's western side, with much of that land within the Westside Concept Plan Area. The HNA showed 318 acres of vacant and partially vacant residential land. The Westside Area includes 60% of the City's vacant/partially vacant land (189 acres).⁸

⁷ Hood River Housing Needs Analysis, Table 7.

⁸ Hood River Housing Needs Analysis, Chapter 2, Residential Buildable Lands Inventory

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- **Timing of development of land in Hood River.** The land within the Westside Concept Plan Area may be more likely to develop over the next 5 to 10 years than other larger areas within Hood River.
 - One of the other larger areas for development is 66 acres in farm deferrals. While we are not aware of the landowners' current plans for their lands, a concern during the HNA was development of this land and whether the landowners would choose to develop this area over the 20-year planning period. By State law, we considered this land buildable.
 - Planning for infrastructure in the Westside Concept Plan Area is further along than it is for many other larger areas within Hood River, such as the areas in farm deferral.
 - The current and future need for housing underline the importance of the Westside Concept Plan Area for providing development opportunities in Hood River over the near-term (next 5 years) and long-term (10-20 years). The Westside Area provides the largest area with development potential (vacant land) and planning for infrastructure to support new development.
 - **Hood River already has a deficit of land for multifamily development, no matter which growth rate is used.** While the HNA found that Hood River had sufficient land to accommodate growth, it also identified a deficit of land for multifamily land. It addressed this deficit by assuming: (1) more residential development would occur in commercial zones, (2) the City would allow a wider range of housing (from smaller single-family lots to townhouses to multifamily housing), and (3) the City would identify opportunities for development of multifamily housing through policy changes and re-zoning land. These actions are described in the Hood River Housing Strategy.
 - The HNA shows that Hood River is already (in 2015) unable to accommodate its need for high density housing on R-3 land (of which there is only 18 acres vacant).
 - The HNA makes an automatic land-use efficiency assumption that 12 acres of C-2 land would develop at densities higher than densities in R-3 to accommodate the need for multifamily housing.
 - Even at a lower growth rate (1.4%), Hood River would need to accommodate some of its multifamily need (93 dwelling units) on C-2 land. Even at this growth rate, the City will need to continue to adjust policies to accommodate multifamily housing.
 - **Hood River could consider opportunities to increase infill and redevelopment to meet these needs.** Another way to accommodate growth of some of these housing types (such as smaller-single-family units, townhouses, or apartments) is through infill or redevelopment. Infill is additional development on lots with existing housing, such as building more housing on underutilized land (e.g., a one-acre lot with one house on it). Redevelopment is demolition of existing housing and building new, denser housing

(e.g., on a lot zoned for medium and high density, demolition of a single-family house and development of a multifamily structure).

Infill and redevelopment were considered as a way to meet the city's housing needs during the HNA process. They were not pursued as policy recommendation because of potential disruption to existing neighborhoods.

Another important consideration in implementation of the recommendations of the HNA and the Housing Strategy is the long-term availability of land in Hood River. Most cities can expand their UGB as they grow and need more land. Hood River, however, is surrounded by the Columbia River Gorge National Scenic Area and by farmland. Expansion in either of these areas will be extremely complicated and difficult.

- Expanding into the National Scenic Area will require coordination with the Columbia River Gorge Commission, an agency with representatives from Oregon, Washington, each of the six counties within the National Scenic Area, and the U.S. Forest Service. Expansion into the National Scenic Area may require federal legislation to authorize an expansion of urban uses into the Area.
- State law discourages expansion onto farmlands and requires that all other alternatives, such as increasing development capacity within the existing UGB or expansion onto non-farmlands, be exhausted or found infeasible before expansion onto farmlands. Expansion onto farmlands will require coordination with local and regional stakeholders, some of whom strongly oppose expansion onto farmlands.
- Given the complexities of any UGB expansion and the added complexities of expanding Hood River's UGB, the HNA recommends strongly that the City consider policies to use land within Hood River's UGB efficiently. The policies proposed in the Westside Concept Plan are exactly the types of policies recommended in the HNA.
- If the City grows faster than the PSU forecast,⁹ then the City will need to begin planning for a UGB expansion in 5 to 7 years. Waiting to plan for UGB expansion for 10 to 15 would be unwise because it is possible (and perhaps probable) that the process for obtaining a UGB expansion will take a decade or more. If, instead the City grows at 1.4%, the City would have longer before it would need a UGB expansion.
 - The HNA shows that Hood River has capacity for 2,460 new dwelling units on its vacant residential land, including development of multifamily housing on 12 acres of C-2 land.
 - At an average annual growth rate of 2%, all of Hood River's residential capacity would be consumed in 25 years.

⁹ Hood River's population growth rate between 1990-2013 and between 2000-2013 was about 2%. The City's growth since 1990 has been remarkably consistent, maintaining an average of 2% per year.

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- At an average annual growth rate of 1.4%, Hood River's residential capacity would be consumed in 37 years.

Conclusions

The discussion above describes why it is important for Hood River to plan for a different type of housing than the City has had in the past. Planning for these types of housing will require the City to take the actions recommended in the HNA and the Housing Strategy, regardless of which of the two population projections are used. Many of these recommendations are present in the Westside Concept Plan, such as allowing a wider-variety of housing types in residential zones and rezoning lower density land to allow medium and high-density development.

As the author of Hood River's HNA and dozens of other HNAs for cities of all sizes across the state, I am confident that revisions to the HNA with the 1.4% growth rate will not change the key conclusions of the HNA. Those conclusions are:

- While Hood River has enough land to accommodate growth at the expected growth rate (whether 1.4% or 2%), the City has unmet housing needs.
- Current residents are unable to find affordable housing and employers report that availability of housing is a barrier (even for recruiting people with middle- and high-wages). Future residents are likely to have the same problems.
- Hood River has a deficit of land for multifamily housing, which the HNA addresses through assuming that about half of multifamily development will occur in C-2. Even with the lower forecast, about 90 multifamily units would need to be located in C-2 because of the small amount of vacant R-3 land.
- The City should consider land-use efficiency policies to address these unmet needs to: (1) provide opportunities for development of a wider range of housing affordable to lower-, moderate-, and middle-income households, (2) provide opportunity for multifamily housing, and (3) delay the need to expand the UGB. The City should take the additional actions described in the Housing Strategy.