

# City of Nehalem Housing Needs Analysis

February 2019



This page intentionally blank

## Table of Contents

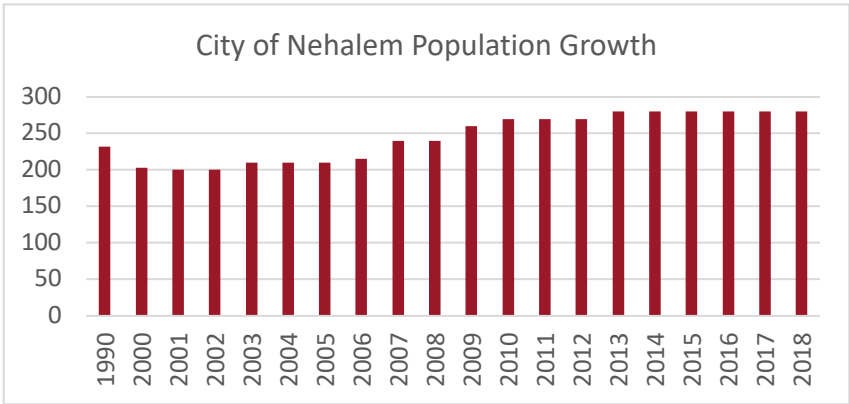
<b>1. INTRODUCTION</b>	<b>1</b>
FRAMEWORK FOR A HOUSING NEEDS ANALYSIS	2
ORGANIZATION OF THIS REPORT	4
<b>2. RESIDENTIAL BUILDABLE LANDS INVENTORY</b>	<b>6</b>
DEFINITIONS	6
DEVELOPMENT CONSTRAINTS	6
BUILDABLE LANDS INVENTORY RESULTS	7
<b>3. HISTORICAL AND RECENT DEVELOPMENT TRENDS</b>	<b>9</b>
DATA USED IN THIS ANALYSIS	9
TRENDS IN HOUSING MIX	10
BUILDING PERMITS	12
RESIDENTIAL DEVELOPMENT IN COMMERCIAL ZONES	12
TRENDS IN TENURE	12
VACANCY RATES	12
GOVERNMENT-ASSISTED HOUSING	12
MANUFACTURED HOMES	13
<b>4. DEMOGRAPHIC &amp; OTHER FACTORS AFFECTING RESIDENTIAL DEVELOPMENT</b>	<b>14</b>
DEMOGRAPHIC AND SOCIOECONOMIC FACTORS AFFECTING HOUSING CHOICE	14
NATIONAL TRENDS	15
STATE TRENDS	18
REGIONAL AND LOCAL DEMOGRAPHIC TRENDS THAT MAY AFFECT HOUSING NEED IN NEHALEM	19
GROWING POPULATION	21
AGING POPULATION	21
HOUSEHOLD SIZE AND COMPOSITION	23
INCOME OF NEHALEM RESIDENTS	23
REGIONAL AND LOCAL TRENDS AFFECTING AFFORDABILITY IN NEHALEM	24
SUMMARY OF THE FACTORS AFFECTING NEHALEM'S HOUSING NEEDS	27
<b>5. HOUSING NEED IN NEHALEM</b>	<b>31</b>
PROJECT NEW HOUSING UNITS NEEDED IN THE NEXT 20 YEARS	31
NEEDED HOUSING BY INCOME LEVEL	35
NEED FOR GOVERNMENT ASSISTED AND MANUFACTURED HOUSING	36
<b>6. RESIDENTIAL LAND SUFFICIENCY WITHIN NEHALEM</b>	<b>39</b>
CAPACITY ANALYSIS	39
RESIDENTIAL LAND SUFFICIENCY	40
LAND NEEDED FOR PUBLIC AND SEMI-PUBLIC USES	41
<b>7. CONCLUSIONS AND RECOMMENDATIONS</b>	<b>42</b>

This page intentionally blank

# 1. Introduction

This report presents Nehalem’s Housing Needs Analysis for the 2019 to 2039 period. It is intended to comply with statewide planning policies that govern planning for housing and residential development, including Goal 10 (Housing) and OAR 660 Division 8. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996).

The City of Nehalem has not updated its residential Comprehensive Plan policies since the early 1980’s, however the city has not changed considerably since then. As shown below, Nehalem reduced in size from 232 in 1990 to 200 in 2001. It has grown slowly since then with growth spurts when new housing has been constructed, especially on the north side of the City.



Source: Portland State University Population Research Center - 2018

### Population and Growth Rate – 2008-2018

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
240	260	270	270	270	280	280	280	280	280	280
0.0%	8.3%	3.8%	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Portland State University Population Research Center - 2018

Nehalem grew by 40 people between 2008 and 2018. The growth rate peaked in 2009 but that represents the construction of one housing development with 32 condos. Since 2000, Nehalem has grown a little older on average and has maintained its predominately Caucasian population.

While these population figures reflect land within the Nehalem City Limits, they do not include land within the Nehalem Urban Growth Boundary that is not annexed into the City. There is a significant amount of land in this urban growth area, and a substantial portion of it is developed to urban densities under county jurisdiction.

The Nehalem UGB, including all land within the UGB both inside and outside the City Limits, was the fastest growing region in Tillamook County during the 2000's.

	<b>2000</b>	<b>2010</b>	<b>AAGR (2000-2010)</b>
<i>Tillamook County</i>	24,262	25,250	0.4%
Bay City UGB	1,209	1,358	1.2%
Garibaldi UGB	915	783	-1.5%
Manzanita UGB	712	827	1.5%
Nehalem UGB	873	1,120	2.5%
Rockaway Beach UGB	1,475	1,510	0.2%
Tillamook UGB	5,226	5,605	0.7%
Wheeler UGB	391	420	0.7%
Outside UGBs	13,461	13,627	0.1%

*Source: Portland State University Population Research Center - 2018*

This growth is attributed to the urban density development of the Bayside Gardens area in the western portion of the UGB adjacent to the Manzanita UGB. This development consumed much of the buildable land in the area.

This report provides Nehalem with a factual basis to update the Housing Element of the City's Comprehensive Plan and any needed amendments to the Development Code. It will support future planning efforts related to housing and options for addressing any unmet housing needs in Nehalem. This report provides the City with information about the housing market in Nehalem and describes the factors affecting future housing demand in Nehalem. This analysis will help decision makers understand whether Nehalem has enough land to accommodate growth over the next 20 years.

### Framework for a Housing Needs Analysis

Economists view housing as a bundle of services for which people are willing to pay: shelter certainly, but also proximity to other attractions (job, shopping, recreation), amenities (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced both by economic forces and government policy. Moreover, different households will value what they can get differently. They will have different preferences, which in turn are a function of many

factors like income, age of household head, number of people and children in the household, number of workers and job locations, number of automobiles, and so on.

Thus, housing choices of individual households are influenced in complex ways by dozens of factors and the housing market in coastal Tillamook County is the result of the individual decisions of hundreds of households. These points help to underscore the complexity of projecting what types of housing will be needed in Nehalem between 2019 and 2039.

The complex nature of the housing market, demonstrated by the unprecedented boom and bust during the past decade, does not eliminate the need for some type of forecast of future housing demand and need. This includes resulting implications for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need. Thus, this housing analysis starts with a framework for thinking about housing and residential markets, and how public policy affects those markets.

### Statewide Planning Goal 10

The passage of the Oregon Land Use Planning Act of 1974 (ORS Chapter 197) established the Land Conservation and Development Commission (LCDC) and the Department of Land Conservation and Development (DLCD). The Act required the Commission to develop and adopt a set of statewide planning goals. Goal 10 addresses housing in Oregon and provides guidelines for local governments to follow in developing their local comprehensive land use plans and policies, as well as the implementing ordinances.

At a minimum, local housing policies must meet the applicable requirements of Goal 10 and the statutes and administrative rules that implement it (ORS 197.295 to 197.314, ORS 197.475 to 197.490, and OAR 600-008). Goal 10 requires incorporated cities to provide the buildable land necessary to provide for population growth over 20 years. This work requires a City complete an inventory of buildable residential lands. Goal 10 also requires cities to encourage the numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households. Some of the more detailed and analytical standards are required of cities with populations greater than 25,000. With Nehalem's population of 280, the primary requirement is to provide sufficient buildable lands to meet projected needs.

ORS 197.303 defines "Needed Housing". It reads:

*As used in ORS 197.307 (Effect of need for certain housing in urban growth areas), "needed housing" means all housing on land zoned for residential use or mixed residential and commercial use that is determined to meet the need shown for housing within an urban growth boundary at price ranges and rent levels that are affordable to households within the county with a variety of incomes, including but not limited to households with low incomes, very low incomes and extremely low incomes, as those*

terms are defined by the United States Department of Housing and Urban Development under 42 U.S.C. 1437a. “Needed housing” includes the following housing types:

- (a) *Attached and detached single-family housing and multiple family housing for both owner and renter occupancy;*
- (b) *Government assisted housing;*
- (c) *Mobile home or manufactured dwelling parks as provided in ORS 197.475 (Policy) to 197.490 (Restriction on establishment of park);*
- (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; and*
- (e) *Housing for farmworkers.*

However, subsections (a) and (d) do not apply to a city with a population less than 2,500 (ORS 197.30(2))

DLCD provides guidance on conducting a housing needs analysis in the document *Planning for Residential Growth: A Workbook for Oregon’s Urban Areas*, referred to as the Workbook.

Nehalem must identify needs for the housing types listed above as well as adopt policies increasing the likelihood needed housing types will be developed. This housing needs analysis was developed to meet the requirements of Goal 10 and its implementing administrative rules and statutes. It must be noted, this Analysis also looks at age-related housing needs, as retired residents are a significant part of the Nehalem community. This is consistent with Section 2.06 of the Nehalem Comprehensive Plan which establishes housing policy, including providing housing which will “meet the needs of a variety of age and income groups.”

## Organization of this Report

The rest of this document is organized as follows:

- **Chapter 2. Residential Buildable Lands Inventory** presents the methodology and results of Nehalem’s inventory of residential land.
- **Chapter 3. Historical and Recent Development Trends** summarizes the state, regional, and local housing market trends affecting Nehalem’s housing market.
- **Chapter 4. Demographic and Other Factors Affecting Residential Development in Nehalem** presents factors that affect housing need in Nehalem, focusing on the key determinants of housing need: age, income, and household composition. This chapter also describes housing affordability in Nehalem relative to the larger region.



- **Chapter 5. Housing Need in Nehalem** presents the forecast for housing growth in Nehalem, describing housing need by density ranges and income levels.
- **Chapter 6. Residential Land Sufficiency within Nehalem** estimates Nehalem's residential land sufficiency needed to accommodate expected growth over the planning period.

## 2. Residential Buildable Lands Inventory

---

This chapter provides a summary of the residential buildable lands inventory (BLI) for the Nehalem UGB. This buildable land inventory analysis complies with statewide planning Goal 10 policies that govern planning for residential uses. The full buildable lands inventory completed by MorganCPS is presented in Appendix A.

First, the analysis established the residential land base (parcels or portion of parcels with appropriate zoning), classified parcels by buildable status, identified/deducted environmental constraints, and lastly summarized total buildable area by Plan Designation.

### Definitions

MorganCPS developed the buildable lands inventory with a tax lot database from Tillamook County Geographic Information Systems (GIS). Maps produced for the buildable lands inventory used a combination of GIS data, adopted maps, satellite photography, and visual verification to verify the accuracy of county data. The inventory builds from the database to estimate buildable land per Plan Designations that allow residential uses.

### Development Constraints

Consistent with state guidance on buildable lands inventories, MorganCPS deducted the following constraints from the buildable lands inventory and classified those portions of tax lots that fall within the following areas as constrained, unbuildable land:

- *Lands within floodplains.* Flood Insurance Rate Maps from the Federal Emergency Management Agency (FEMA) were used to identify lands in floodways and 100-year floodplains.
- *Land within natural resource protection areas.* The Locally Significant Wetlands shapefile was used to identify areas within wetlands. A 25- or 50-foot buffer was added to all wetlands areas. Riparian corridors, defined as lands within 50 feet of rivers, and the Willamette River Greenway are all considered undevelopable. These wetlands/riparian buffers are consistent with the City's Zoning Code 3.7.500 and 3.7.300.
- *Land with slopes over 25%.* Lands with slopes over 25% are considered unsuitable for residential development.

Note that land in Tsunami Inundation Zones is not identified as constrained land upon advice from the Department of Land Conservation and Development consistent with ORS 197.296(10) and (4)(a). This reflects the fact there are no constraints on building within these areas.

# Buildable Lands Inventory Results

## Vacant Buildable Lands

Exhibit 1 shows buildable residential lots in Nehalem by zone, which is also the Comprehensive Plan designation. The results show that the Nehalem UGB (land both inside and outside the City Limits) has 270 buildable lots of varying sizes and zoning.

Exhibit 1. Residential acres by Zone and Plan Designation, Nehalem UGB, 2017  
Source: Appendix A.

<b>Nehalem Buildable Lands Inventory Table 3</b>						
<b>Number of Buildable Lots by Zone</b>						
<b>Zone</b>	<b>Partially Vacant Lots</b>		<b>Unconstrained Vacant Lots</b>		<b>Total: Partially Vacant and Vacant Lots</b>	
	<b>City</b>	<b>UGB</b>	<b>City</b>	<b>UGB</b>	<b>City</b>	<b>UGB</b>
<b>R-1</b>	2	10		33	2	43
<b>R-2</b>		24		42		66
<b>R-3</b>	1	11	16	29	17	40
<b>R-L</b>	2	11	8	31	10	42
<b>R-M</b>			38		38	
<b>R-T</b>		1		5		6
<b>L-M</b>		2				2
<b>C</b>		3				3
<b>A-1</b>		1				1
<b>M-R</b>						
<b>Subtotals</b>	<b>5</b>	<b>63</b>	<b>62</b>	<b>140</b>	<b>67</b>	<b>203</b>
<b>Total Buildable Lots</b>					<b>270</b>	

Exhibit 2 shows the buildable acreage by zone in both the City Limits and the Urban Growth Boundary area outside the City Limits

<b>Nehalem Buildable Lands Inventory Table 4</b>		
<b>Number of Buildable Acres</b>		
<b>By Zone</b>		
<b>Zone</b>	<b>Buildable Acres by Zone in City</b>	<b>Buildable Acres by Zone in UGB</b>
<b>R-1</b>	10.75	28.15
<b>R-2</b>		52.15
<b>R-3</b>	4.78	38.10
<b>R-L</b>	3.89	155.43
<b>R-M</b>	8.87	
<b>R-T</b>		31.96
<b>L-M</b>		5.76
<b>C</b>		1.85
<b>A-1</b>		3.07
<b>M-R</b>		
<b>Acreage Subtotals</b>	<b>28.29</b>	<b>316.47</b>
<b>Total Acreage</b>	<b>344.76</b>	
<b>Total # of Lots</b>	<b>67</b>	<b>203</b>
<b>REFERENCE</b>		
<b>R-1</b>	<b>Medium-Density</b>	<b>1/7,500 sq ft</b>
<b>R-2</b>	<b>Medium-Density</b>	<b>1/5,000 sq ft</b>
<b>R-3</b>	<b>Medium-Density</b>	<b>1/5,000 sq ft</b>
<b>R-L</b>	<b>Low-Density</b>	<b>1/10,000 sq ft</b>
<b>R-M</b>	<b>Medium-Density</b>	<b>1/5,000 sq ft</b>
<b>R-T</b>	<b>Trailer</b>	<b>1/5,000 sq ft</b>
<b>L-M</b>	<b>Industrial</b>	
<b>C</b>	<b>Commercial</b>	
<b>A-1</b>	<b>Low-Density</b>	<b>1/20,000 sq ft</b>
<b>MR</b>	<b>Marine Res</b>	<b>1/5000 sq. ft.</b>

### 3. Historical and Recent Development Trends

---

Analysis of historical development trends in Nehalem provides insight into the functioning of the local housing market. The mix of housing types and densities, in particular, are key variables in forecasting future land need. The specific steps are described in Task 2 of the *DLCD Planning for Residential Lands Workbook* as:

1. Determine the time period for which the data will be analyzed.
2. Identify types of housing to address (all needed housing types).
3. Evaluate permit/subdivision data to calculate the actual mix, average actual gross density, and average actual net density of all housing types.

This HNA examines changes in Nehalem’s housing market from 2008 to 2018.

The HNA presents information about residential development by housing type. There are multiple ways that housing types can be grouped. For example, they can be grouped by:

1. Structure type (e.g., single-family detached, apartments, etc.).
2. Tenure (e.g., distinguishing unit type by owner or renter units).
3. Housing affordability (e.g., units affordable at given income levels).
4. Some combination of these categories.

For the purposes of this study, housing types are grouped based on Housing Affordability.

#### Data Used in this Analysis

Throughout this analysis (including the subsequent Chapter 4), data was used from multiple sources, choosing data from well-recognized and reliable data sources. One of the key sources for housing and household data is the U.S. Census. This report primarily uses data from two Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of *all* households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.
- The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2012 to 2016, the ACS sampled an average of 3.5 million households per year, or about 2.6% of the households in the nation. The ACS collects detailed information about households, such as: demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational

attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.

In general, this report uses data from the 2012-2016 ACS for Nehalem. Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this report includes population, income, and housing price data from the Oregon Office of Economic Analysis, the Oregon Bureau of Labor and Industries, the United States Department of Housing and Urban Development, Redfin, and Zillow. It also uses the Oregon Department of Housing and Community Services affordable housing inventory and Oregon's Manufactured Dwelling Park inventory.

The foundation of the housing needs analysis is the population forecast for Nehalem from the Oregon Population Forecast Program. The forecast is prepared by the Portland State University Population Research Center.

## Trends in Housing Mix

This section provides an overview of changes in the mix of housing types in Nehalem and compares Nehalem to Tillamook County and to Oregon. These trends demonstrate the types of housing developed in Nehalem historically. Unless otherwise noted, this chapter uses data from the 2000 and 2010 Decennial Census and the 2012-2016 American Community Survey 5-Year Estimates.

This section shows the following trends in housing mix in Nehalem:

- **Nehalem's housing stock is predominantly single-family detached housing units.** 79.4% of Nehalem's housing stock is single-family detached, 13% is single-family attached (e.g., townhouses), and 8% is manufactured housing.
- **Since 2000, Nehalem's housing mix has become more diverse but still focused on owner-occupied dwellings.** Nehalem's housing stock grew over the last decade within the city limits by adding one detached single-family home and 22 attached townhouse condominiums. In Bayside Gardens, outside the Nehalem city limits, about 61 single family homes were built during the period. The owner-occupancy rate remains consistently around 75%, compared to 60% for Tillamook County as a whole.
- **Single-family detached and attached housing accounted for the new housing growth in Nehalem between 2000 and 2017.** All of new housing permitted between 2000 and 2017 was single-family attached or detached housing.

## Nehalem, Tillamook County, and Oregon Housing Type and Growth – 2010-2017

### Housing Growth - Nehalem

Type	2010	% of Total	2017	% of Total	Increase	Change
Single Family Detached	81	67%	143	79%	62	43%
Single Family Attached	22	18%	23	13%	1	4%
Duplex Units	0		0		0	
Multi-Family Units	0		0		0	
Manufactured Housing	18	15%	14	8%	-4	-29%
Total	121	100%	180	100%	59	49%

### Housing Growth - Tillamook County

Type	2010	% of Total	2017	% of Total	Increase	Change
Single Family Detached	7,788	70%	7,501	72%	(287)	-4%
Single Family Attached	167	1%	150	1%	(17)	-11%
Duplex Units	445	4%	287	3%	(158)	-55%
Multi-Family Units	890	8%	985	9%	95	10%
Manufactured Housing	1,847	17%	1,531	15%	(316)	-21%
Total	11,137	100%	10,454	100%	(683)	

### Housing Growth - Oregon

Type	2010	% of Total	2017	% of Total	Increase	Change
Single Family Detached	961,030	64%	1,001,017	64%	39,987	4%
Single Family Attached	62,969	4%	70,995	5%	8,026	11%
Duplex Units	43,479	3%	44,530	3%	1,051	2%
Multi-Family Units	299,853	29%	325,019	21%	25,166	8%
Manufactured Housing	131,935	9%	130,070	8%	(1,865)	-1%
Total	1,499,267	100%	1,571,631	100%	72,364	

### Comparison of Oregon, Tillamook County, and Nehalem

Type	Oregon	Tillamook	Nehalem
Single Family Detached	64%	72%	79%
Single Family Attached	5%	1%	13%
Duplex Units	3%	3%	0%

Multi-Family Units	21%	9%	0%
Manufactured Housing	8%	15%	8%

## Building Permits

In 2017, Nehalem issued no building permits for new housing construction.

## Residential Development in Commercial Zones

Residential development in Nehalem’s commercial zones is not allowed.

## Trends in Tenure

Housing tenure describes whether a dwelling is owner- or renter-occupied. This section shows:

- **Homeownership in Nehalem is higher than Tillamook County’s and Oregon’s average.** About 70% of Nehalem’s households own their own home. In comparison, 60% of Tillamook County households and 61% of Oregon households are homeowners.
- **Homeownership in Nehalem stayed relatively stable between 2000 and 2012-2016.** In 2000, 71.3% of Nehalem households were homeowners. This dropped slightly to 70.6% in 2010.

The implication for the forecast of new housing is opportunities for rental housing in Nehalem are limited given fact there are no multi-family apartment complexes. This suggests that there may be opportunities to encourage development of a wider variety of affordable housing types, such as cottage housing or townhomes.

## Vacancy Rates

The Census defines vacancy as: "Unoccupied housing units... determined by the terms under which the unit may be occupied, e.g., for rent, for sale, or for seasonal use only." The 2010 Census identified vacancy through an enumeration, separate from (but related to) the survey of households. Enumerators are obtained using information from property owners and managers, neighbors, rental agents, and others.

Discussions with stakeholders familiar with Nehalem’s housing market suggest that in 2017 and 2018, vacancy rates have been close to 1% or 2%.

## Government-Assisted Housing

Governmental agencies and nonprofit organizations offer a range of housing assistance to low- and moderate-income households in renting or purchasing a home. However, there are no government-assisted housing developments in Nehalem.



## Manufactured Homes

Manufactured homes provide a form of homeownership that can be made available to low- and moderate-income households. Cities are required to plan for manufactured homes—both on lots and in parks (ORS 197.475-492).

There are no manufactured housing parks in Nehalem. According to the American Community Survey in 2017 there were 14 manufactured homes on single lots. In 2010 there were 18 showing a net loss of 4 homes of this type.

## 4. Demographic & Other Factors Affecting Residential Development

---

Demographic trends are important for a thorough understanding of the dynamics of the Nehalem housing market. Nehalem exists in a regional economy; trends in the region impact the local housing market. This chapter documents demographic, socioeconomic, and other trends relevant to Nehalem at the national, state, and regional levels.

A recommended approach to conducting a housing needs analysis is described in *Planning for Residential Growth: A Workbook for Oregon's Urban Areas*, the Department of Land Conservation and Development's guidebook on local housing needs studies. As described in the workbook, the specific steps in the housing needs analysis are:

1. Project the number of new housing units needed in the next 20 years.
2. Identify relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix.
3. Describe the demographic characteristics of the population and, if possible, the housing trends that relate to demand for different types of housing.
4. Determine the types of housing that are likely to be affordable to the projected households based on household income.
5. Determine the needed housing mix and density ranges for each plan designation and the average needed net density for all structure types.
6. Estimate the number of additional needed units by structure type.

This chapter presents data to address steps 2, 3, and 4 in this list. Chapter 5 presents data to address steps 1, 5, and 6 in this list.

### Demographic and Socioeconomic Factors Affecting Housing Choice

Analysts typically describe housing demand as the *preferences* for different types of housing (e.g., single-family detached or apartment), and *the ability to pay* for that housing (the ability to exercise those preferences in a housing market by purchasing or renting housing; in other words, income or wealth).

Many demographic and socioeconomic variables affect housing choice. However, the literature about housing markets finds that age of the householder, size of the household, and income are most strongly correlated with housing choice.

- **Age of householder** is the age of the person identified (in the Census) as the head of household. Households make different housing choices at different stages of life. This chapter discusses generational trends, such as housing preferences of Baby Boomers, people born from about 1946 to 1964, and Millennials, people born from about 1980 to 2000.
- **Size of household** is the number of people living in the household. Younger and older people are more likely to live in single-person households. People in their

middle years are more likely to live in multiple person households (often with children).

- **Income** is the household income. Income is probably the most important determinant of housing choice. Income is strongly related to the type of housing a household chooses (e.g., single-family detached, duplex, or a building with more than five units) and to household tenure (e.g., rent or own).

This chapter focuses on these factors, presenting data that suggests how changes to these factors may affect housing need in Nehalem over the next 20 years.

## National Trends<sup>1</sup>

This brief summary on national housing trends builds on previous work by MorganCPS/ECONorthwest, the Urban Land Institute (ULI) reports, and conclusions from *The State of the Nation's Housing, 2017* report from the Joint Center for Housing Studies of Harvard University. The Harvard report summarizes the national housing outlook as follows:

“A decade after the onset of the Great Recession, the national housing market is finally returning to normal. With incomes rising and household growth strengthening, the housing sector is poised to become an important engine of economic growth. But not all households and not all markets are thriving, and affordability pressures remain near record levels. Addressing the scale and complexity of need requires a renewed national commitment to expand the range of housing options available for an increasingly diverse society.”

Several challenges to a strong domestic housing market remain. Demand for housing is closely tied to jobs and incomes, which are taking longer to recover than in previous cycles. While trending downward and starting to bottom out, the number of underwater homeowners, delinquent loans, and vacancies remains high. *The State of the Nation's Housing* report projects that it will take changes in financing and government intervention at all levels for market conditions to return to normal.

- **Post-recession construction increases, but tightening supply.** New construction experienced the seventh year of gains in 2016 with 1.17 million units added to the national stock. However, the rate of new-unit production is still well below the 1.4 – 1.5 million unit average rates of the 1980s and 1990s. When including the Great Recession, housing completions over the 10-year period leading to 2016 totaled only 9.0 million units. This low rate of new construction, combined with continued increases in housing demand, have kept the market tight. This is further reflected in the lowest gross vacancy rate since 2000.

---

<sup>1</sup> These trends are based on information from: (1) The Joint Center for Housing Studies of Harvard University's publication "The State of the Nation's Housing 2017," (2) Urban Land Institute, "2017 Emerging Trends in Real Estate," and (3) the U.S. Census.

- **Continued declines in homeownership.** The national homeownership rate declined for the twelfth consecutive year and is at about 63% as of 2016. The Urban Land Institute projects that homeownership will continue to decline to somewhere in the low 60% range by 2025 (the lowest point since the 1950s).
- **Housing affordability.** In 2016, almost one-third of American households spent more than 30% of their income on housing. This figure is down from the prior year, bolstered by a considerable drop in the owner share of cost-burdened households. Low-income households face an especially dire hurdle to afford housing. With such a large share of households exceeding the traditional standards for affordability, policymakers are focusing efforts on the severely cost-burdened. Among those earning less than \$15,000, more than 70% of households paid more than half of their income on housing.
- **Long-term growth and housing demand.** The Joint Center for Housing Studies forecasts that nationally, demand for new homes could total as many as 13.6 million units between 2015 and 2025. Much of the demand will come from Baby Boomers, Millennials,<sup>2</sup> and immigrants.
- **Changes in housing preference.** Housing preference will be affected by changes in demographics; most notably, the aging of the Baby Boomers, housing demand from Millennials, and growth of immigrants.
  - *Baby Boomers.* The housing market will be affected by continued aging of the Baby Boomers, the oldest of whom were in their early 70s in 2017 and the youngest of whom were in their early 50s in 2017. Baby Boomers' housing choices will affect housing preference and homeownership. Some Boomers are likely to stay in their home as long as they are able, and some will prefer other housing products, such as multifamily housing or age-restricted housing developments.
  - *Millennials.* As Millennials age over the next 20 years, they will be forming households and families. In 2017, the oldest Millennials were in their mid-30s and the youngest were in their early 20s. By 2035, Millennials will be between 39 and 54 years old.
  - Millennials were in the early period of household formation at the beginning of the 2007-2009 recession. Across the nation, household formation fell to around 600,000 to 800,000 in the 2007-2013 period, well below the average rate of growth in previous decades. Despite recent sluggish growth, several demographic factors indicate increases in housing growth to come. The Millennial generation is the age group most likely to form the majority of new households. While low incomes have kept current homeownership rates among young adults below their potential, Millennials may represent pent-up

---

<sup>2</sup> According to the Pew Research Center, Millennials were born between the years of 1981 to 1996 (inclusive) and as of 2018, they were between the ages of 22-37. Read more about generations and their definitions here: <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>.

demand that will release when the economy fully recovers. As Millennials age, they may increase the number of households in their 30s (though 2025) by 2.4 to 3.0 million.

- *Immigrants.* Immigration and increased homeownership among minorities could also play a key role in accelerating household growth over the next 10 years. Current Population Survey estimates indicate that the number of foreign-born households rose by nearly 400,000 annually between 2001 and 2007, and they accounted for nearly 30% of overall household growth. Beginning in 2008, the influx of immigrants was stanching by the effects of the Great Recession. After a period of declines, however, the foreign born are again contributing to household growth. The Census Bureau's estimates of net immigration in 2015–2016 indicate an increase of 1.0 million persons over the previous year. This is a decrease from 1.04 million during 2014–2015, but higher than the average annual pace of 850,000 during the period of 2009–2011. However, if proposed policies are successful, undocumented and documented immigration could slow down and cause a drag on household growth in the coming years.

The growing diversity of American households will have a large impact on the domestic housing markets. Over the coming decade, minorities will make up a larger share of young households and constitute an important source of demand for both rental housing and small homes. The growing gap in homeownership rates between whites and blacks, as well as the larger share of minority households that are cost burdened, is therefore troubling. During the 12-year period leading up to 2017, the difference in homeownership rates between whites and blacks rose by 2.3 percentage points to 29.7% in 2016. Alternatively, the gap between white and Hispanic homeownership rates, and white and Asian homeownership rates, both decreased during this period by 2.8 percentage points. Although homeownership rates are increasing for some minorities, large shares of minority households are more likely to live in high-cost metro areas. This, combined with lower incomes than white households, leads to higher rates of cost burden for minorities—47% for blacks, 44% for Hispanics, 37% for Asians/others, and 28% for whites in 2015.

- **Changes in housing characteristics.** The U.S. Census Bureau's Characteristics of New Housing Report (2016) presents data that show trends in the characteristics of new housing for the nation, state, and local areas. Several long-term trends in the characteristics of housing are evident from the New Housing Report:<sup>3</sup>
  - *Larger single-family units on smaller lots.* Between 1999 and 2016, the median size of new single-family dwellings increased by over 19%

---

<sup>3</sup> U.S. Census Bureau, Highlights of Annual 2016 Characteristics of New Housing. Retrieved from: <https://www.census.gov/construction/chars/highlights.html>.

nationally, from 2,028 sq. ft. to 2,422 sq. ft., and over 21% in the western region from 2,001 sq. ft. to 2,430 sq. ft. Moreover, the percentage of new units smaller than 1,400 sq. ft. nationally, decreased by more than half, from 15% in 1999 to 7% in 2016. The percentage of units greater than 3,000 sq. ft. increased from 17% in 1999 to 30% of new one-family homes completed in 2016. In addition to larger homes, a move towards smaller lot sizes is seen nationally. Between 2009 and 2016, the percentage of lots less than 7,000 sq. ft. increased from 25% to 30% of lots.

- *Larger multifamily units.* Between 1999 and 2016, the median size of new multiple family dwelling units increased by almost 6% nationally and 2.5% in the Western region. Nationally, the percentage of new multifamily units with more than 1,200 sq. ft. increased from 28% in 1999 to 37% in 2016 and increased from 25% to 27% in the Western region.
- *More household amenities.* Between 1990 and 2013, the percentage of single-family units built with amenities such as central air conditioning, two or more car garages, or two or more baths all increased. The same trend in increased amenities is seen in multifamily units.

## State Trends

*Oregon's 2016-2020 Consolidated Plan* includes a detailed housing needs analysis as well as strategies for addressing housing needs statewide. The plan concludes that “a growing gap between the number of Oregonians who need affordable housing and the availability of affordable homes has given rise to destabilizing rent increases, an alarming number of evictions of low- and fixed- income people, increasing homelessness, and serious housing instability throughout Oregon.”

It identified the following issues that describe housing need statewide:<sup>4</sup>

- For housing to be considered affordable, a household should pay no more than one-third of their income toward housing costs, leaving money left over for food, utilities, transportation, medicine, and other basic necessities. Today, one in two Oregon households pays more than one-third of their income toward housing costs, and one in three pays more than half of their income toward these costs.
- More school children are experiencing housing instability and homelessness. The rate of K-12 homeless children increased by 12% from the 2013-2014 school year to the 2014–2015 school year.

---

<sup>4</sup> These conclusions are copied directly from the report: Oregon's 2016-2020 Consolidated Plan <http://www.oregon.gov/ohcs/docs/Consolidated-Plan/2016-2020-Consolidated-Plan-Amendment.pdf>.

- Oregon has 28,500 rental units that are affordable and available to renters with extremely low incomes. There are about 131,000 households that need those apartments, leaving a gap of 102,500 units.
- Housing instability is fueled by an unsteady, low-opportunity employment market. Over 400,000 Oregonians are employed in low-wage work. Low-wage work is a growing share of Oregon’s economy. When wages are set far below the cost needed to raise a family, the demand for public services grows to record heights.
- Women are more likely than men to end up in low-wage jobs. Low wages, irregular hours, and part-time work compound issues.
- People of color historically constitute a disproportionate share of the low-wage work force. About 45% of Latinos, and 50% of African Americans, are employed in low-wage industries.
- The majority of low-wage workers are adults over the age of 20, many of whom have earned a college degree, or some level of higher education.
- Minimum wage in Oregon was \$9.25 in 2016. A minimum wage worker must work 72 hours a week, and 52 weeks a year, to afford a two-bedroom apartment at Fair Market Rents.

## Regional and Local Demographic Trends that may affect housing need in Nehalem

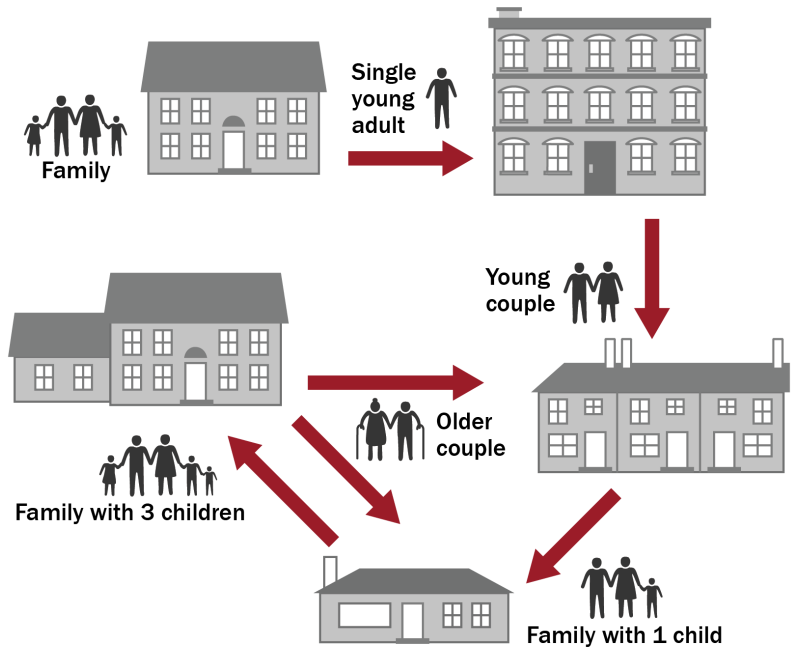
Demographic trends that might affect the key assumptions used in the baseline analysis of housing need are: (1) the aging population, (2) changes in household size and composition, and (3) increases in diversity.

An individual’s housing needs change throughout their life, with changes in income, family composition, and age. The types of housing needed by a 20-year-old college student differ from the needs of a 40-year-old parent with children, or an 80-year-old single adult. As Nehalem’s population ages, different types of housing will be needed to accommodate older residents. The housing characteristics by age data below reveal this cycle in action in Nehalem.

Housing needs and preferences change in predictable ways over time, such as with changes in marital status and size of family.

Families of different sizes need different types of housing.

Exhibit 2. Effect of demographic changes on housing need  
 Source: MorganCPS/ECONorthwest, adapted from Clark, William A.V. and Frans M. Dieleman. 1996. Households and Housing. New Brunswick, NJ: Center for Urban Policy Research.





## Growing Population

Nehalem’s population growth will drive future demand for housing in the City over the planning period. As new housing and employment developments are few, growth generally takes the form of new single family homes on individual lots.

As noted on Page 1 and in the table below, population growth in Nehalem has been sporadic over the last decade predicated on construction of new subdivision and planned development projects creating growth capacity. This growth totaled 40 new residents.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
240	260	270	270	270	280	280	280	280	280	280
0.0%	8.3%	3.8%	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%

The Nehalem City Limits encompasses only about one third of the land inside the Nehalem Urban Growth Boundary. Much of the land west of the Nehalem City Limits is urbanized and is where most of the new construction and population increases have taken place, but specific data for that area are not available.

The Portland State University Population Research Center makes the following summary of its projections for Nehalem:

*The 5-year average annual housing unit growth rate is assumed to increase to 1.49 percent during the first 10 years and then decline thereafter. The occupancy rate is assumed to be steady at 70.6 percent throughout the 50 year horizon. PPH is assumed to be stable at 2.08 over the forecast period. Group quarters population is assumed to remain at 32.<sup>5</sup>*

## Aging Population

This section shows two key characteristics of Nehalem’s population, with implications for future housing demand in Nehalem:

**Seniors.** The senior population of Nehalem, meaning age 65 and over, represents about 15% of the total population. Seniors make up about 24% of Tillamook County residents as a whole while Oregon population has about 16% seniors. Demand for housing for retirees will grow over the planning period, as the Baby Boomers continue to age and retire.<sup>6</sup>

<sup>5</sup> Coordinated Population Forecast – 2017 through 2067 – Tillamook County, Population Research Center, Portland State University, June 30, 2017

<sup>6</sup> American Community Survey, US Census Bureau, 2018

The impact of growth in seniors in Nehalem will depend, in part, on whether older people already living in Nehalem continue to reside there as they retire. National surveys show that, in general, most retirees prefer to continue to live in their current home and community as long as possible. It is predicted that the senior population of Tillamook County will grow from 25.3% of the total population to 29.8% by 2035<sup>7</sup>

Growth in the number of seniors will result in demand for housing types specific to seniors, such as small and easy-to-maintain dwellings, assisted living facilities, or age-restricted developments. Senior households will make a variety of housing choices, including: remaining in their homes as long as they are able, downsizing to smaller single-family homes (detached and attached) or multifamily units, or moving into group housing (such as assisted living facilities or nursing homes), as their health declines. The challenges aging seniors face in continuing to live in their community includes changes in healthcare needs, loss of mobility, the difficulty of home maintenance, financial concerns, and increases in property taxes.<sup>8</sup>

**Nehalem has a smaller proportion of younger people than Tillamook County and Oregon.** About 16% of Nehalem’s population is under 20 years old, compared to 21% of Tillamook County’s population and Oregon’s average of 24%.

**Nehalem exceeds both Tillamook County and Oregon in people of middle age.** The median age in Oregon is 39.2 while the median age in Tillamook county is 48.0. The median age in Nehalem is substantially less at 29.2.

**Nehalem’s unique housing needs.** These statistics reveal that Nehalem has an unique population make-up with the majority of the population of middle-age. This presents interesting housing opportunities and needs.

Antidotal observations shows Nehalem is home to a combination of families with children and couples in their late working years and early retirement years. Nehalem has likely attracted these citizens because of several quality-of-life aspects of the community.

Nehalem is relatively affordable compared to Manzanita next door. This is likely because Manzanita is ocean-front and Nehalem is bay-front. Manzanita attracts many more second home owners than Nehalem because of its ocean-front location and this all contributes to very high average housing costs. Residents of Nehalem can enjoy much of the same environment and life-style for less money spent on housing.

Nehalem is a quiet community, generally free from the traffic and activities of a tourist oriented community such as Manzanita and Rockaway Beach.

---

<sup>7</sup> A survey conducted by the AARP indicates that 90% of people 50 years and older want to stay in their current home and community as they age. See <http://www.aarp.org/research>.

<sup>8</sup> “Aging in Place: A toolkit for Local Governments” by M. Scott Ball.

Nehalem is the type of community not anxious for growth. Growth has never been the character of the community. There has not been a market that drives housing growth. It is a stable, rural, small, coastal community.

An exception is made for the Bayside Gardens area in the western portion of the urban growth boundary but outside the city limits. This large area between Nehalem and Manzanita was subdivided, under the jurisdiction of the County, in the 1970's and 1980's. It has filled in with smaller homes many of which are second homes. There are quite a few vacant lots remaining in this area which likely will be the site of any significant housing growth inside the UGB over the planning period.

Growth in Nehalem will likely remain consistent with the historic trends; slow, focused on home ownership, and affordable relative to other communities on the coast. As existing middle-age residents, the predominant cohort of Nehalem citizens, age, opportunities should be created for housing appropriate to allow people to stay in Nehalem. Also, recognizing the fact the buildable lands inventory shows there are essentially no large developable parcels within the urban growth boundary, housing development will be focused on continued single family housing construction likely with affordable homes, some expansion of attached townhomes, and infill where appropriate. Also, there is an opportunity for higher density around the downtown by modifying the Commercial zone to allow new multi-family housing either free-standing or in mixed-use buildings.

## Household Size and Composition

Nehalem's household size and composition show that households in Nehalem are somewhat smaller than Tillamook County and significantly smaller than statewide averages. Nehalem has 2.1 persons per household while Tillamook County has 2.3 and Oregon has 2.52 persons per household.] Nehalem has a smaller share of households with children than Tillamook County or Oregon.

About 33% of Nehalem households have children, compared with 36% of Tillamook County households and 46% of Oregon households.

## Income of Nehalem Residents

Income is one of the key determinants in housing choice and households' ability to afford housing. Income for residents living in Nehalem is higher than the Tillamook County average and slightly lower than the state average.

According to the 2017 American Community Survey, Oregon's median household income was \$56,119, Tillamook's was \$45,061, and Nehalem's median household income was \$53,750.

49% of Nehalem's residents make less than \$50,000 per year, compared to Tillamook County at \$69% and Oregon at 45%.

All in all the population statistics and the income statistics show Nehalem is a small community marked by a population of small households making income above the county average. This relatively prosperous situation creates stability and defines the general directions for the future.

### Regional and Local Trends Affecting Affordability in Nehalem

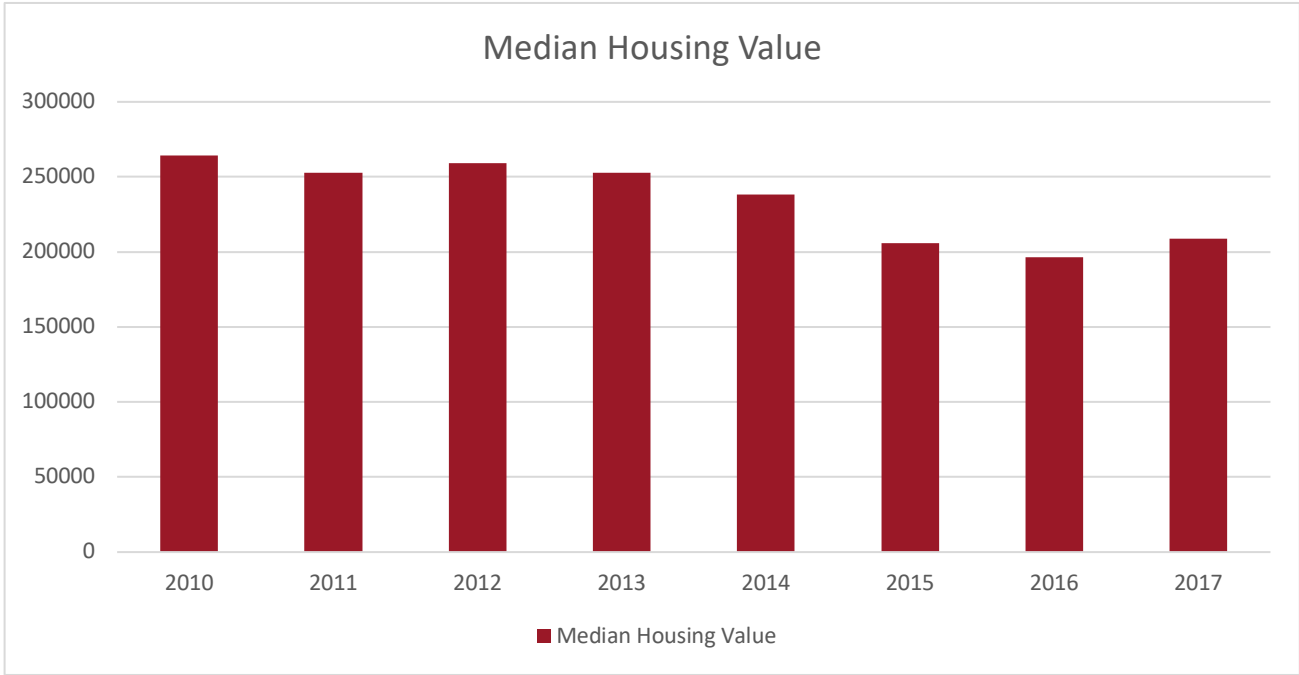
This section describes changes in sales prices, rents, and housing affordability in Nehalem, Tillamook County, and Oregon since 2000.

#### Changes in Housing Value

With a median housing value of \$208,000 in 2017, Nehalem’s value was lower than the Tillamook County as a whole, which has a median value of \$233,500, and lower than Oregon as a whole, which as a medial value of \$265,700.

It must be noted that Tillamook County’s housing values are highly diverse depending on a home’s proximity to the ocean. As Nehalem has no ocean front, housing values do not reflect this extraordinary influence on housing price.

Nehalem’s median housing values have also depressed significantly since 2010 as shown in the following table<sup>9</sup>. It is assumed these changes are due to the influences of the recession of the 2010 decade.



## Housing Costs and Affordability

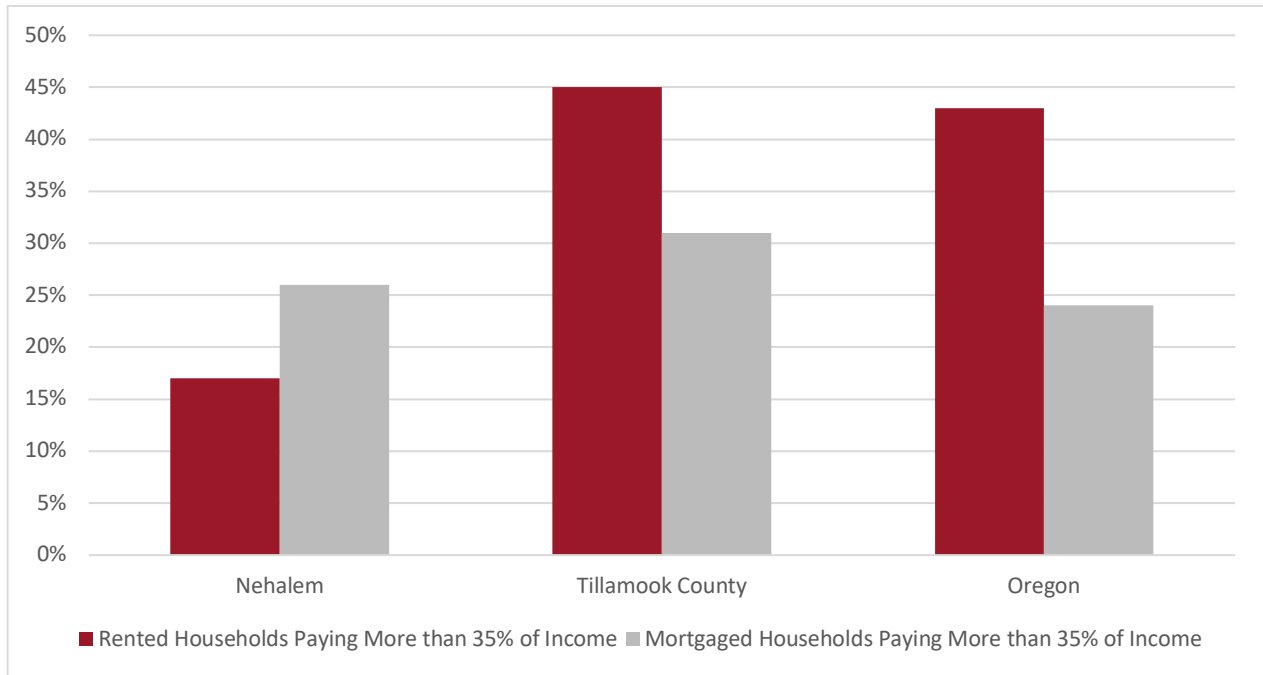
Rent costs in Nehalem average \$993 per month. Tillamook County as a whole has average rent of \$831 and Oregon's \$988. Tent price points in Nehalem are illustrated below<sup>9</sup>:



The important data are those illustrating affordability. Nehalem ranks well compared to Tillamook County and Oregon.

---

<sup>9</sup> 2013-2017 American Community Survey, US Census Bureau



<sup>1</sup>2013-2017 American Community Survey, US Census Bureau

The Department of Housing and Urban Development’s guidelines indicate households paying more than 30% of their income on housing experience “cost burden,” and households paying more than 50% of their income on housing experience “severe cost burden.” Using cost burden as an indicator for housing affordability is consistent with the Goal 10 requirement to provide housing that is affordable to all households in a community.

About 20% of Nehalem’s households are cost burdened. About 17% of renter households are cost burdened, compared with 26% of homeowners. Overall, Nehalem has a smaller share of cost-burdened households than Tillamook County and Oregon.

While cost burden is a common measure of housing affordability, it does have some limitations. Two important limitations are:

- A household is defined as cost burdened if the housing costs exceed 30% of their income, regardless of actual income. The remaining 70% of income is expected to be spent on non-discretionary expenses, such as food or medical care, and on discretionary expenses. Households with higher incomes may be able to pay more than 30% of their income on housing without impacting the household’s ability to pay for necessary non-discretionary expenses.
- Cost burden compares income to housing costs and does not account for accumulated wealth. As a result, the estimate of how much a household can afford to pay for housing does not include the impact of a household’s

accumulated wealth. For example, a household of retired people may have relatively low income but may have accumulated assets (such as profits from selling another house) that allow them to purchase a house that would be considered unaffordable to them based on the cost burden indicator.

Nehalem cannot be considered a cost-burdened community. While not a wealthy community compared to Manzanita and other oceanfront communities, housing prices are generally consistent with affordability for both rent-paying and mortgage-paying households.

This is consistent with the nature of Nehalem as a rural coastal community which is home to households smaller than regional and state averages, and which predominantly is made up of citizens in their pre- and early-retirement years.

The housing types that Nehalem has relatively low inventory of are more affordable housing types such as apartments, duplexes, tri- and quad-plexes, manufactured housing, and smaller single-family detached and attached housing.

### Summary of the Factors Affecting Nehalem's Housing Needs

The purpose of the analysis thus far has been to provide background on the kinds of factors that influence housing choice. While the number and interrelationships among these factors ensure that generalizations about housing choice are difficult to make and prone to inaccuracies, it is a crucial step to informing the types of housing that will be needed in the future. This is also compounded by Nehalem's small size where any new housing development can significantly skew overall percentages.

There is no question that age affects housing type and tenure. Mobility is substantially higher for people aged 20 to 34. People in that age group will also have, on average, less income than people who are older and they are less likely to have children. These factors mean that younger households are much more likely to be renters, and renters are more likely to be in multifamily housing.

The data illustrates what more detailed research has shown and what most people understand intuitively: life cycle and housing choice interact in ways that are predictable in the aggregate; age of the household head is correlated with household size and income; household size and age of household head affect housing preferences; and income affects the ability of a household to afford a preferred housing type. The connection between socioeconomic and demographic factors and housing choice is often described informally by giving names to households with certain combinations of characteristics: the "traditional family," the "never-marrieds," the "dinks" (dual-income, no kids), and the "empty-nesters."<sup>10</sup> Thus, simply looking at the long wave of demographic trends can provide good information for estimating future housing demand.

---

<sup>10</sup> See *Planning for Residential Growth: A Workbook for Oregon's Urban Areas* (June 1997).

Still, one is ultimately left with the need to make a qualitative assessment of the future housing market. The following is a discussion of how demographic and housing trends are likely to affect housing in Nehalem over the next 20 years:

- **Growth in housing will be driven by growth in population.** The population in Nehalem’s UGB is forecasted to grow from 1,240 to 1,566, an increase of 326 people (26%) between 2017 and 2035.<sup>11</sup> This represents about 155 new households.
- **The land within the UGB is adequate to accommodate this growth.** The buildable land inventory determined there is an adequate amount of land within the existing Urban Growth Boundary to allow for this projected increase. It also determined there is adequate land in the various residential zones to allow for development of smaller single family detached and attached homes, smaller multi-family structures ranging from duplexes to small apartment houses, and manufactured housing in new parks. There are no parcels large enough to accommodate large apartment complexes, but the opportunity is definitely there on smaller parcels to build affordable housing. This information is repeated here:

<b>Nehalem Buildable Lands Inventory Number of Buildable Acres By Zone</b>		
<b>Zone</b>	<b>Buildable Acres by Zone in City</b>	<b>Buildable Acres by Zone in UGB</b>
<b>R-1</b>	10.75	28.15
<b>R-2</b>		52.15
<b>R-3</b>	4.78	38.10
<b>R-L</b>	3.89	155.43
<b>R-M</b>	8.87	
<b>R-T</b>		31.96
<b>L-M</b>		5.76
<b>C</b>		1.85
<b>A-1</b>		3.07
<b>M-R</b>		
<b>Acres Subtotals</b>	<b>28.29</b>	<b>316.47</b>
<b>Total # of Lots</b>	<b>67</b>	<b>203</b>

▪ **On average, future housing will look a lot like past housing.** That is the assumption that underlies any trend forecast, and one that is important when making an effort to address demand for new housing. Two key factors will drive new housing development by type in Nehalem:

- Nehalem will continue to attract residents who are comfortably well off matching the existing character of the community. As it is not oceanfront, it will not attract the truly wealthy,

<sup>11</sup> This forecast is based on Tillamook County’s certified population estimate and official forecast from the Oregon Population Forecast Program for the 2018 to 2038 period.



but will attract smaller households seeking a rural coastal lifestyle. Nehalem offer this lifestyle also with a high degree of livability.

- The zoning and number of smaller developable lots and parcels will allow for development of affordable housing in smaller detached and attached single family homes, and in smaller rental buildings. There is land for additional manufactured housing.

The one opportunity to allow more higher-density housing is to allow apartments in the City's commercial zone, especially in mixed use buildings. This change would have a positive effect on the viability and vibrancy of the commercial district.

- **If the future differs from the past, it is likely to move in the direction, on average, of smaller units and more diverse housing types.** Most of the evidence suggests that the bulk of the change will be in the direction of smaller average house and lot sizes for single-family housing. This includes providing opportunities for development of smaller single-family detached homes, townhomes, and multifamily housing.

Key demographic and economic trends that will affect Nehalem's future housing needs are the aging of the Baby Boomers and the aging of the Millennials.

- *The Baby Boomer's population is continuing to age.* By 2035, people 65 years and older will account for 30% of the population in Tillamook County, up from 25% in 2015. The changes that affect Nehalem's housing demand as the population ages are that household sizes and homeownership rates decrease. The majority of Baby Boomers are expected to remain in their homes as long as possible, downsizing or moving when illness or other issues cause them to move. Demand for specialized senior housing, such as age-restricted housing or housing in a continuum of care from independent living to nursing home care, may grow in Tillamook County, with some of that demand coming from Nehalem residents.
- *Millennials will continue to age.* By 2035, Millennials will be roughly between 35 and 55 years old. As they age, generally speaking, their household sizes will increase, and their homeownership rates will peak by about age 55. Between 2018 and 2038, Millennials will be a key driver in demand for housing for families with children. The ability to attract Millennials will depend on the City's availability of affordable renter and ownership housing.

In summary, an aging population, increasing housing costs (although lower than the Region), housing affordability concerns for Millennials, and other variables are factors that support the conclusion of the continuing need for smaller and less expensive units and a broader array of housing choices. Growth of retirees in the region will drive demand for small single-family detached houses and townhomes for homeownership, townhome and multifamily rentals, age-restricted housing, and assisted-living facilities. Growth in Millennials will drive demand for

affordable housing types, including demand for small, affordable single-family units (many of which may be ownership units) and for affordable multifamily units (many of which may be rental units).

- **No amount of analysis is likely to make the distant future completely certain: the purpose of the housing forecasting in this study is to get an approximate idea about the future so policy choices can be made today.** Economic forecasters regard any economic forecast more than three years out as highly speculative. At one year, one is protected from being disastrously wrong by the sheer inertia of the economic machine. A variety of factors or events could, however, cause growth forecasts to be substantially different. This is particularly true in a small community like Nehalem where one new housing project can significantly alter the economic and demographic profile.

## 5. Housing Need in Nehalem

---

### Project New Housing Units Needed in the Next 20 Years

The results of the housing needs analysis are based on the official population forecast for growth in Nehalem over the 20-year planning period, information about Nehalem's housing market relative to Tillamook County, and the demographic composition of Nehalem's existing population and expected long-term changes in the demographics of Tillamook County.

#### Forecast for Housing Growth

This section describes the key assumptions and presents an estimate of new housing units needed in Nehalem between 2018 and 2038. The key assumptions are based on the best available data and may rely on safe harbor provisions, when available.<sup>12</sup>

- **Population.** A 20-year population forecast (in this instance, 2018 to 2038) is the foundation for estimating needed new dwelling units. The population in Nehalem's UGB is forecasted to grow from 1,240 to 1,566, an increase of 326 people (26%) between 2017 and 2035.<sup>13</sup> This represents about 155 new households.<sup>14</sup>
- **Persons in Group Quarters<sup>15</sup>.** Persons in group quarters do not consume standard housing units: thus, any forecast of new people in group quarters is typically derived from the population forecast for the purpose of estimating housing demand. Group quarters can have a big influence on housing in cities with colleges (dorms), prisons, or a large elderly population (nursing homes). In general, any new requirements for these housing types will be met by institutions (colleges, government agencies, health-care corporations) operating outside what is typically defined as the housing market. Nonetheless, group

---

<sup>12</sup> A safe harbor is an assumption that a city can use in a housing needs analysis that the State has said will satisfy the requirements of Goal 14. OAR 660-024 defines a safe harbor as "... an optional course of action that a local government may use to satisfy a requirement of Goal 14. Use of a safe harbor prescribed in this division will satisfy the requirement for which it is prescribed. A safe harbor is not the only way, or necessarily the preferred way, to comply with a requirement and it is not intended to interpret the requirement for any purpose other than applying a safe harbor within this division."

<sup>13</sup> This forecast is based on Tillamook County's certified population estimate and official forecast from the Oregon Population Forecast Program for the 2018 to 2038 period.

<sup>14</sup> This forecast is based on Nehalem UGB's official forecast from the Oregon Population Forecast Program for the 2018 to 2038 period.

<sup>15</sup> The Census Bureau's definition of group quarters is as follows: A group quarters is a place where people live or stay, in a group living arrangement, that is owned or managed by an entity or organization providing housing and/or services for the residents. The Census Bureau classifies all people not living in housing units (house, apartment, mobile home, rented rooms) as living in group quarters. There are two types of group quarters: (1) Institutional, such as correctional facilities, nursing homes, or mental hospitals and (2) Non-Institutional, such as college dormitories, military barracks, group homes, missions, or shelters.

quarters require residential land. They are typically built at densities that are comparable to that of multi-family dwellings.

The 2012-2016 American Community Survey shows that none of Nehalem's population was in group quarters. **For the 2018 to 2038 period, it is assumed this situation will generally continue with any population in group quarters will be in single-family homes, as is found with adult foster homes for people with disabilities.**

- **Household Size.** OAR 660-024 established a safe harbor assumption for average household size—which is the figure from the most-recent decennial Census at the time of the analysis. According to the 2012-2016 American Community Survey, the average household size in Nehalem was 2.1 people. **Thus, for the 2018 to 2038 period, an average household size of 2.1 persons is assumed.**
- **Vacancy Rate.** The Census defines vacancy as: "unoccupied housing units are considered vacant. Vacancy status is determined by the terms under which the unit may be occupied, e.g., for rent, for sale, or for seasonal use only." The 2010 Census identified vacant through an enumeration, separate from (but related to) the survey of households. The Census determines vacancy status and other characteristics of vacant units by enumerators obtaining information from property owners and managers, neighbors, rental agents, and others.

Vacancy rates are cyclical and represent the lag between demand and the market's response to demand for additional dwelling units. Vacancy rates for rental and multifamily units are typically higher than those for owner-occupied and single-family dwelling units.

OAR 660-024 established a safe harbor assumption for vacancy rate—which is the figure from the most-recent decennial Census. According to the 2012-2016 American Community Survey, Nehalem's vacancy rate was 5.1%. **For the 2018 to 2038 period, we assume a vacancy rate of 5.1%.**

It is projected Nehalem will grow by 326 new residents by 2035. With the persons per household rate of 2.1 holding constant over the planning period, this equates to 155 new homes. With a vacancy rate of 5.1%, **the total new dwelling units needed by 2038 is 162.**

### Housing Units Needed Over the Next 20 Years

This section determines the needed mix and density for the development of new housing developed over this 20-year period in Nehalem. In the future, the need for new housing developed in Nehalem will generally include housing that is more affordable, with some housing located in walkable areas with access to services. This assumption is based on the following findings in the previous chapters:

- Demographic changes suggest moderate increases in demand for attached single-family housing and multifamily housing. The key demographic trends that will

affect Nehalem's future housing needs are the aging of the Baby Boomers, and the aging of the Millennials. Growth of these groups has the following implications for housing need in Nehalem:

- *Baby Boomers.* Growth in the number of seniors will have the biggest impacts on demand for new housing through demand for housing types specific to seniors, such as assisted living facilities or age-restricted developments. These households will make a variety of housing choices, including: remaining in their homes as long as they are able, downsizing to smaller single-family homes (detached and attached) or multifamily units, moving into age-restricted manufactured home parks (if space is available), or moving into group housing (such as assisted living facilities or nursing homes), as their health declines. Minor increases in the share of Baby Boomers who downsize to smaller housing will result in increased demand for single-family attached and multifamily housing.
- *Millennials.* Growth in Millennials will result in increased demand for both ownership and rental opportunities, with an emphasis on housing that is comparatively affordable. Some Millennials may prefer to locate in traditional single-family detached housing while some will prefer to locate in denser neighborhoods, possibly choosing small single-family detached houses, townhouses, or multifamily housing.
- About 20% of Nehalem's households face housing affordability problems. This means Nehalem is not technically a rent-burdened community, but it still represents a community need. Nehalem needs to continue to provide affordable housing types, especially for renters. A household earning the median household income of \$53,570 could afford a home valued up to about \$178,500 which is below the median home sales price of about \$208,000 in Nehalem.

In addition, Nehalem has no multifamily housing. While multifamily is allowed in the City's development code and land is zoned for it, the market has not responded with new apartment complexes. Continued increases in housing costs may increase demand for denser housing (e.g., multifamily housing or smaller single-family housing). To the extent that denser housing types are more affordable than larger housing types, continued increases in housing costs will increase demand for denser housing.

These findings suggest that Nehalem's needed housing mix is for a broader range of housing types than are currently available in Nehalem's housing stock. It must be noted Nehalem's Development Code allows for multi-family and duplex development in most zones, but this does not reflect the historic market trend in Nehalem which has been for conventional detached single-family and for attached single family in one planned development.

The types of housing developments that Nehalem will need to continue providing opportunity for over the next 20-years are: smaller single-family detached housing (e.g.,

cottages or small single-family detached units), manufactured housing, “traditional” single-family detached housing, townhouses, duplexes, and small apartment buildings.

A forecast of needed housing in the Nehalem UGB during the 2018 to 2038 period is given below. The projection is based on the following assumptions:

- Nehalem’s official forecast for population growth shows that the City will add 326 people over the 20-year period. This new population will result in need for 162 new dwelling units over the 20-year period.
- The assumptions about the mix of housing are given below. These are based on current housing mixes and the zoning of available land:
  - **About 80% of new housing will be single-family detached**, a category which includes manufactured housing. 80% of Nehalem’s housing was single-family detached in the 2012-2016 period. **Therefore, 130 new detached single family homes will be needed.**
  - **Nearly 15% of new housing will be single-family attached.** 14% of Nehalem’s housing was single-family attached in the 2012-2016 period, with little change since 2000. **This means 24 additional townhouses are needed.**
  - **About 5% of new housing will be multifamily.** Nehalem currently has no multi-family housing, but the assumption is made that as the demand for smaller, less-expensive homes increases as the average age of the Nehalem resident increases, the market will develop for some multi-family development. **It is projected this will equate to 8 dwellings in multi-family structures.**

The forecast of new units does not include dwellings that will be demolished and replaced. This analysis does not factor those units in; however, it assumes they will be replaced at the same site and will not create additional demand for residential land.

The table below allocates needed housing to plan designations in Nehalem. The allocation is based, in part, on the types of housing allowed in the zoning designations in each plan designation by zone. It shows:

- **Low Density** land will accommodate new single-family detached housing, including manufactured houses. It consists of land zoned R-L.
- **Medium Density** land will accommodate new single-family detached and attached housing, including manufactured houses, townhouses, duplexes, and triplexes. This land consists of land zoned R-1, R-2, R-3, and R-M.
- **Commercial** land can accommodate multifamily housing in mixed use buildings or projects if the text of the Commercial zone is amended as this analysis recommends. The zone is C.

Zoning	Low Density Zone	Medium Density Zones	Commercial Zone	Total
Single Family Detached Units	10	120		130
Single Family Attached Units		24		24
Multi-Family Units			8	8

Adjustments need to be made to convert between net acres and gross acres to account for land needed for rights-of-way. Based on empirical analysis of existing rights-of-way by plan designation in Nehalem, these adjustments must be made.

- **Low Density Residential:** 22% of land is in rights-of-way. The densities by zone in this these areas are between 3 and 3.5 dwelling units per net acre.
- **Medium Density Residential:** 20% of land is in rights-of-way. The densities by zone in these areas are between 6 and 8 dwelling units per net acre.
- **Commercial:** 25% of land is in rights-of-way. Development densities in Commercial zones in other Cities are highly variable. These densities are largely achieved through development of apartments on the second floor of existing buildings. Given the limited number of buildings that provide opportunities for adaptive reuse for second story apartments, it is assumed these housing units will be scattered in several locations in the downtown area.

## Needed Housing by Income Level

The next step in the housing needs analysis is to develop an estimate of need for housing by income and housing type. This analysis requires an estimate of the income distribution of current and future households in the community. Estimates presented in this section are based on (1) secondary data from the Census, and (2) analysis by MorganCPS/ECONorthwest.

The analysis in the next Exhibit is based on American Community Survey data about income levels in Nehalem, using information shown in Exhibit 49. Income is categorized into market segments consistent with HUD income level categories, using Tillamook County’s 2017 Median Family Income (MFI) of \$59,000. The Exhibit is based on current household income distribution, assuming that approximately the same percentage of households will be in each market segment in the future.

About 23% of Nehalem’s future households will have income below 50% of the City’s median family income and about 77% will have incomes between 50% and 120% of the City’s median income.

This trend shows a some need for affordable housing types, such as manufactured homes, apartments, townhomes, duplexes, and small single-family homes.

Exhibit 3. Financially Attainable Needed New Housing, by Median Family Income (MFI) for Tillamook County (\$53,750), Nehalem, 2018-2038

Source: U.S. Department of Housing and Urban Development. U.S. Census Bureau, 2012-2016 ACS Table 19001.

% of Tillamook County MFI	<30%	30%-50%	50%-80%	80%-120%	>120%
Annual Income	< \$16,125	\$16,125-\$26,875	\$26,875-\$43,000	\$43,000-\$64,500	> \$64,500
Monthly Affordable Housing Cost	< \$403	\$403-\$672	\$672-\$1,075	\$1,075-\$1,612	> \$1,612
Percent of Nehalem Households	12%	11%	20%	22%	35%
New Households 2018-2038	19	17	33	36	57
Attainable Owner Housing Types	None	Mfg. in parks	Single-family detached and attached, Condos, Duplexes, and Mfg. on lots	All housing types of lower values	All housing types of higher values
Attainable Renter Housing Types	Apts., Mfg. in parks or lots	Apts., Mfg. in parks or lots, and Duplexes	Single-family attached, Single-family detached, Mfg. on lots, and Apts.	All housing types of lower values	All housing types of higher values

### Need for Government Assisted and Manufactured Housing

ORS 197.303 requires cities to plan for government-assisted housing, manufactured housing on lots, and manufactured housing in parks.

- Government-subsidized housing.** Government-subsidies can apply to all housing types (e.g., single family detached, apartments, etc.). Nehalem allows development of government-assisted housing in all residential plan designations, with the same development standards for market-rate housing. This analysis assumes that Nehalem will continue to allow government housing in all of its residential plan designations. Because government assisted housing is similar in character to other housing (with



the exception being the subsidies), it is not necessary to develop separate forecasts for government-subsidized housing.

- **Manufactured housing on lots.** Nehalem allows manufactured homes on lots in the R-1 and R-2 zones, which are the zones where single-family detached housing is allowed. Nehalem does not have special siting requirements for manufactured homes. Since manufactured homes are subject to the same siting requirements as site-built homes, it is not necessary to develop separate forecasts for manufactured housing on lots.
- **Manufactured housing in parks.** OAR 197.480(4) requires cities to inventory the mobile home or manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial, or high density residential development. According to the Oregon Housing and Community Services' Manufactured Dwelling Park Directory,<sup>16</sup> Nehalem has four manufactured home parks within the Urban Growth Boundary outside the City Limits, with 140 spaces 55 of which are senior living only.

ORS 197.480(2) requires Nehalem to project need for mobile home or manufactured dwelling parks based on: (1) population projections, (2) household income levels, (3) housing market trends, and (4) an inventory of manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial, or high density residential.

- Nehalem will grow by 162 dwelling units over the 2018 to 2038 period.
- Analysis of housing affordability shows that about 33% of Nehalem's new households will be low income, earning 50% or less of the city's median family income. One type of housing affordable to these households is manufactured housing.
- National, state, and regional trends since 2000 showed that manufactured housing parks are closing, rather than being created. For example, between 2000 and 2015, Oregon had 68 manufactured parks close, with more than 2,700 spaces. Discussions with several stakeholders familiar with manufactured home park trends suggest that over the same period, few to no new manufactured home parks have opened in Oregon.
- Exhibit 3 shows that the households most likely to live in manufactured homes in parks are those with incomes between \$16,125-\$26,875 (30% to 50% of MFI), which include 11% of Nehalem households. However, households in other income categories may live in manufactured homes in parks.

Manufactured home park development is an allowed use in the Medium-density Residential – R3 zone and the Residential Trailer zone. The national and

---

<sup>16</sup> Oregon Housing and Community Services, Oregon Manufactured Dwelling Park Directory, <http://o.hcs.state.or.us/MDPCRParcs/ParkDirQuery.jsp>

state trends of closure of manufactured home parks, and the fact that no new manufactured home parks have opened in Oregon in over the last 15 years, demonstrate that development of new manufactured home parks in Nehalem is unlikely.

This analysis concludes development of new manufactured home parks in Nehalem over the planning period is unlikely over the 2018-2038 period. It is, however, likely that manufactured homes will continue to locate on individual lots in Nehalem. The forecast of housing assumes that no new manufactured home parks will be opened in Nehalem over the 2018-2038 period. The forecast includes new manufactured homes on lots in the category of single-family detached housing.

- Over the next 20 years (or longer) one or more manufactured home parks may close in Nehalem. This may be a result of manufactured home park landowners selling or redeveloping their land for uses with higher rates of return, rather than lack of demand for spaces in manufactured home parks. Manufactured home parks contribute to the supply of low-cost affordable housing options, especially for affordable homeownership.

## 6. Residential Land Sufficiency within Nehalem

---

This chapter presents an evaluation of the sufficiency of vacant residential land in Nehalem to accommodate expected residential growth over the 2018 to 2038 period. This chapter includes an estimate of residential development capacity (measured in new dwelling units) and an estimate of Nehalem’s ability to accommodate needed new housing units for the 2018 to 2038 period, based on the analysis in the housing needs analysis. The chapter ends with a discussion of the conclusions and recommendations for the housing needs analysis.

### Capacity Analysis

The buildable lands inventory summarized in Chapter 2 (and presented in full in Appendix A) provides a *supply* analysis (buildable land by type), and Chapter 5 provided a *demand* analysis (population and growth leading to demand for more residential development). The comparison of supply and demand allows the determination of land sufficiency.

There are two ways to calculate estimates of supply and demand into common units of measurement to allow their comparison: (1) housing demand can be converted into acres, or (2) residential land supply can be converted into dwelling units. A complication of either approach is that not all land has the same characteristics. Factors such as zone, slope, parcel size, and shape can affect the ability of land to accommodate housing. Methods that recognize this fact are more robust and produce more realistic results. This analysis uses the second approach: it estimates the ability of vacant residential lands within the UGB to accommodate new housing. This analysis, sometimes called a “capacity analysis,”<sup>17</sup> can be used to evaluate different ways that vacant residential land may build out by applying different assumptions.

### Nehalem Capacity Analysis Results

The capacity analysis estimates the development potential of vacant residential land to accommodate new housing, based on the needed densities by the housing type categories.

The table shows that **Nehalem’s vacant land has capacity to accommodate approximately 1,142 new dwelling units**, based on the following assumptions:

- **Buildable residential land.** The capacity estimates start with the number of buildable acres in residential zones as shown in Chapter 2. The exception is

---

<sup>17</sup> There is ambiguity in the term *capacity analysis*. It would not be unreasonable for one to say that the “capacity” of vacant land is the maximum number of dwellings that could be built based on density limits defined legally by plan designation or zoning, and that development usually occurs—for physical and market reasons—at something less than full capacity. For that reason, we have used the longer phrase to describe our analysis: “estimating how many new dwelling units the vacant residential land in the UGB is likely to accommodate.” That phrase is, however, cumbersome, and it is common in Oregon and elsewhere to refer to that type of analysis as “capacity analysis,” so we use that shorthand occasionally in this memorandum.

Commercial Plan Designations. It is assumed a small portion of the land in Commercial Designations will develop with mixed-use buildings, which assumes a slight increase in development of housing in commercial areas over historical development patterns.

- **Needed densities.** The capacity analysis assumes development will occur at needed densities. Given the minimum lot size and density requirements in the various zones, it is assumed average development will occur at three dwelling units per acre in low density zones and four per acre in medium density zones. This is based on current development patterns which reflect right-of-way dedications and topography. It presents a “worst-case scenario” as multi-family development of more than four dwelling units per acre can occur in the medium density zones which equates to an even greater capacity to accommodate growth inside the current Urban Growth Boundary.

Estimate of residential capacity on unconstrained vacant and partially vacant buildable land, Nehalem UGB, 2018

Source: Buildable Lands Inventory; Calculations by MorganCPS/ECONorthwest.

Note: DU is dwelling unit.

Zones	Total Buildable Acres	Density Assumption (DU/Acre)	Capacity for Dwelling Units
Low Density zones	239.01	3	717
Medium Density zones	103.80	4	415
Commercial <sup>18</sup>	N/A	N/A	10
Total	342.81		1,142

## Residential Land Sufficiency

The next step in the analysis of the sufficiency of residential land within Nehalem is to compare the demand for housing by Plan Designation with the capacity of land by Plan Designation.

Nehalem allows multi-family housing outright in the R3 zone, and as a conditional use in the RM zone. There are 51.65 buildable acres in these two zones. Also duplexes are

---

<sup>18</sup> There is no buildable land in the Commercial zone as the zone does not allow housing. But, it is assumed the text of the zone will change, as this analysis recommends, and new development and redevelopment of existing buildings will include second story apartments.

allowed outright on all parcels in the RL, RM, R2, and R3 zones, which encompass 263.12 vacant buildable acres.

Nehalem has more than sufficient land to accommodate development of all housing types in the Low Density and Medium Density Designations, with a surplus capacity for about 1,100 new housing units. Nehalem will not need to expand its Urban Growth Boundary to accommodate needed housing for several decades.

### Land Needed for Public and Semi-Public Uses

Public uses include government facilities (i.e., water or wastewater facilities, schools, or parks) and semi-public uses include churches and fraternal organizations. Land within Nehalem's UGB has been planned for public and semi-public uses.

For the purpose of estimating land needed for other uses, these lands are classified into three categories:

- **Lands needed for public operations and facilities.** This includes lands for city offices and maintenance facilities, county facilities, state facilities, and other related public facilities. Land needs are estimated using acres per 1,000 persons for all lands of these types.
- **Land needed for schools.** This is land needed for new schools.
- **Lands needed for parks and open space.** The City's adopted parks plan describes park and open space land needed to meet existing residents' parkland needs in Nehalem.

Because of its very small size, Nehalem does not need additional land for public facilities and schools. The City and School District have sufficient land to accommodate all needs during the planning period.

Nehalem might wish to have additional land for parks as development occurs. However, as there are few large vacant parcels acquisition for formal planned parks is unlikely. It is more likely land in flood plain and tsunami hazard areas may be set aside for permanent open space, parks, and recreation use.

Nehalem's total land need for public and semi-public lands is minimal. This land need can be accommodated in the large surplus of residential land, as described in the prior section. In addition, some of this park land need may be met on land with constraints, such as wetlands or floodplain, in areas that do not have development potential, based on the analysis in the Nehalem Buildable Lands Inventory.

## 7. Conclusions and Recommendations

---

The key findings of the Nehalem Housing Needs Analysis are that:

- **Nehalem’s population is forecast to grow faster than in the past.** Nehalem , meaning all land inside the UGB including land within the City Limits, is forecast to grow from 1,240 people in 2018 to 1,566 people in 2038, an increase of 326 people at an average annual growth rate of 1.3%.
- **Nehalem is planning for 162 new dwelling units.** The growth of 326 people will result in demand for 162 new dwelling units over the 20-year planning period.
- **Nehalem’s existing land and zoning will accommodate all needed growth based on population increases and affordable housing needs.**

MorganCPS/ECONorthwest’s recommendations to Nehalem are:

- **Nehalem should continue to provide opportunities for development of the housing need identified in this report.** This analysis found that Nehalem’s housing needs are for more development of single-family attached housing and multifamily housing. While the City does not generally have a direct role in housing development, the City’s planning framework sets the context for housing development.

Given the ample available opportunities for development of detached and attached single family, duplex, and multi-family dwellings, Nehalem is positioned well to respond to the housing market as it meets housing needs.

- **Nehalem should take actions to expand development opportunities for multifamily housing.** Nehalem should change city policies and zoning text so that multifamily development can occur in the Commercial zone within mixed use buildings.
- **Nehalem should update its Comprehensive Plan policies.** The City’s residential Comprehensive Plan policies should be updated to reflect the findings and recommendations of this Housing Needs Analysis.