
City of Cottage Grove

Housing Needs Analysis

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City of Cottage Grove

REPORT

ECONorthwest
ECONOMICS • FINANCE • PLANNING

KOIN Center
222 SW Columbia Street
Suite 1600
Portland, OR 97201
503.222.6060

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1. Introduction

This report presents Cottage Grove’s Housing Needs Analysis for the 2018 to 2038 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 Cottage Grove has not updated its residential Comprehensive Plan policies since 1980. The city has changed considerably since then. Cottage Grove grew from 7,149 people in 1980 to 9,920 people in 2017. This is an addition of 2,772 people or 28% growth. Since 2000, Cottage Grove’s population has grown a little older on average and has become slightly more ethnically diverse, consistent with statewide trends.

This report provides Cottage Grove with a factual basis to update the Housing Element of the City’s Comprehensive Plan and zoning code, and to support future planning efforts related to housing and options for addressing unmet housing needs in Cottage Grove. This report provides information that informs future planning efforts, including development and redevelopment. This report provides the City with information about the housing market in Cottage Grove and describes the factors that will affect future housing demand in Cottage Grove, such as changing demographics. This analysis will help decision makers understand whether Cottage Grove 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 Lane County and Cottage Grove are the result of the individual decisions of thousands of households. These points help to underscore the complexity of projecting what types of housing will be built in Cottage Grove between 2018 and 2038.

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, we start our housing analysis 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 implementing policies.

At a minimum, local housing policies must meet the 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).¹ Goal 10 requires incorporated cities to 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.

Goal 10 defines needed housing types as “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.” ORS 197.303 defines needed housing types:

- (a) Housing that includes, but is not limited to, attached and detached single-family housing and multiple family housing for both owner and renter occupancy.
- (b) Government assisted housing.²
- (c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490.
- (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.

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.

Cottage Grove must identify needs for all of the housing types listed above as well as adopt policies that increase the likelihood that needed housing types will be developed. This housing

¹ ORS 197.296 only applies to cities with populations over 25,000.

² Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

needs analysis was developed to meet the requirements of Goal 10 and its implementing administrative rules and statutes.

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 Cottage Grove’s inventory of residential land.
- **Chapter 3. Historical and Recent Development Trends** summarizes the state, regional, and local housing market trends affecting Cottage Grove’s housing market.
- **Chapter 4. Demographic and Other Factors Affecting Residential Development in Cottage Grove** presents factors that affect housing need in Cottage Grove, focusing on the key determinants of housing need: age, income, and household composition. This chapter also describes housing affordability in Cottage Grove relative to the larger region.
- **Chapter 5. Housing Need in Cottage Grove** presents the forecast for housing growth in Cottage Grove, describing housing need by density ranges and income levels.
- **Chapter 6. Residential Land Sufficiency within Cottage Grove** estimates Cottage Grove’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 Cottage Grove 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 ECONorthwest 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

ECONorthwest developed the buildable lands inventory with a tax lot database from Lane County Geographic Information Systems (GIS). Maps produced for the buildable lands inventory used a combination of GIS data, adopted maps, and visual verification to verify the accuracy of county data. The tax lot database is current as of November 2017. The inventory builds from the database to estimate buildable land per Plan Designations that allow residential uses. The following definitions were used to identify buildable land for inclusion in the inventory:

- *Vacant land.* Tax lots that have no structures or have buildings with very little improvement value are considered vacant. For the purpose of this inventory, lands with improvement values under \$10,000 are considered vacant (not including lands that are identified as having mobile homes).
- *Partially vacant land.* Partially vacant tax lots are those occupied by a use, but which contain enough land to be developed further. Consistent with the safe harbor established in OAR 660-024-0050 (2)(a), tax lots that are one-half acre or larger are considered partially vacant.³ This was refined through visual inspection of recent aerial photos.
- *Developed land.* Developed land is developed at densities consistent with zoning and has improvements that make it unlikely to redevelop during the analysis period. Lands not classified as vacant or partially vacant are considered developed. In addition, tax lots that provide required parking for adjacent parcels — as identified through review by City of Cottage Grove staff — are also considered developed.

³ Under the safe harbor established in OAR 660-024-0050 (2)(a), the infill potential of developed residential lots of one-half acre or more may be determined by subtracting one-quarter acre (10,890 square feet) for the existing dwelling and assuming that the remainder is buildable land. The RBLI used this methodology.

Development Constraints

Consistent with state guidance on buildable lands inventories, ECONorthwest 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.

Buildable Lands Inventory Results

Land Base

Exhibit 1 shows residential land in Cottage Grove by classification (development status). The results show that the Cottage Grove UGB has 1,747 total acres in residential Plan Designations. (This includes the Commercial designation, which allows residential uses). Of the 1,747 acres in the UGB, about 1,114 acres (67%) are classified as Developed and do not have development capacity, and the remaining 561 acres (33%) are Vacant or Partially Vacant and have development capacity (not including development constraints). In addition, there are 72 acres of property owned by the school district that may be surplus property. If this property were surplus, it could then increase the total acres with development capacity up to 663 acres.

Exhibit 1. Residential acres by classification and Plan Designation, Cottage Grove UGB, 2018

Source: Appendix A. Note: The numbers in the table may not sum to the total as a result of rounding.

Plan Designation	Partially			Total Acres	Percent of Total
	Vacant	Vacant	Developed		
Low Density Residential	202	168	705	1,076	64%
Medium Density Residential	76	39	154	269	16%
High Density Residential	14	12	30	56	3%
Residential Commercial	1	2	22	24	1%
Community Commercial	13	12	107	133	8%
Central Business District	1	1	26	27	2%
Tourist Commercial	16	4	70	90	
Total Acres	323	238	1,114	1,675	100%
Percent of Total	19%	14%	67%	100%	
<i>School District Vacant</i>	72	-	-	72	

Exhibit 2 shows land in all residential Plan Designations by development and constraint status. After development constraints have been applied, about 59% of Cottage Grove’s total residential land (994 acres) has no development capacity, 17% (290 acres) is constrained, and 23% (391 acres) is unconstrained buildable. The school district property would add an additional 65 acres of unconstrained and buildable area if the sites are identified as surplus.

Exhibit 2. Residential land by comprehensive Plan Designation and constraint status, Cottage Grove UGB, 2018

Source: Appendix A. Note 1: “Acres with no development capacity” consists of developed parcels and the built portion of partially vacant parcels. Note 2: The numbers in the table may not sum to the total as a result of rounding.

Plan Designation	Tax Lots	Total Acres	Acres with No		Total Unconstrained Buildable Acres
			Development Capacity	Constrained Acres	
Low Density Residential	2,847	1,076	629	196	250
Medium Density Residential	644	269	133	54	82
High Density Residential	162	56	30	13	13
Residential Commercial	75	24	16	6	2
Community Commercial	221	133	104	4	24
Central Business District	167	27	23	3	2
Tourist Commercial	54	90	58	13	19
Total	4,170	1,675	994	290	391
Percent of Total		100%	59%	17%	23%
<i>School District Vacant</i>	2	72	0	7	65

Vacant Buildable Land

Exhibit 3 shows buildable acres (e.g., acres in tax lots after constraints are deducted) for vacant and partially vacant land by Plan Designation. Of Cottage Grove’s 391 unconstrained buildable residential acres, about 62% are in tax lots classified as vacant, and 38% are in tax lots classified as partially vacant. About 64% of Cottage Grove’s buildable residential land is in the Low Density Residential Plan Designation. Again, the school district’s property could increase the unconstrained and buildable area by 65 acres of vacant buildable land.

Exhibit 3. Buildable acres in vacant and partially vacant tax lots by Plan Designation and zoning, Cottage Grove UGB, 2018

Source: Appendix A. Note: The numbers in the table may not sum to the total as a result of rounding.

Plan Designation	Unconstrained	Unconstrained	Total
	Partially Vacant Acres	Vacant Acres	Unconstrained Buildable Acres
Low Density Residential	101.0	149.5	250.5
Medium Density Residential	24.7	56.9	81.5
High Density Residential	5.9	7.2	13.1
Residential Commercial	1.3	0.5	1.9
Community Commercial	11.2	12.9	24.0
Central Business District	0.7	0.9	1.5
Tourist Commercial	3.8	14.7	18.5
Total	149	243	391
Percent of Total	38%	62%	100%
<i>School District Vacant</i>	-	65.4	65.4

Exhibit 4 and 5 (upcoming page) show the results of Cottage Grove’s BLI. Appendix A presents more details of the inventory.

Exhibit 4. Residential Land by Development Status with Constraints, Cottage Grove UGB, 2018

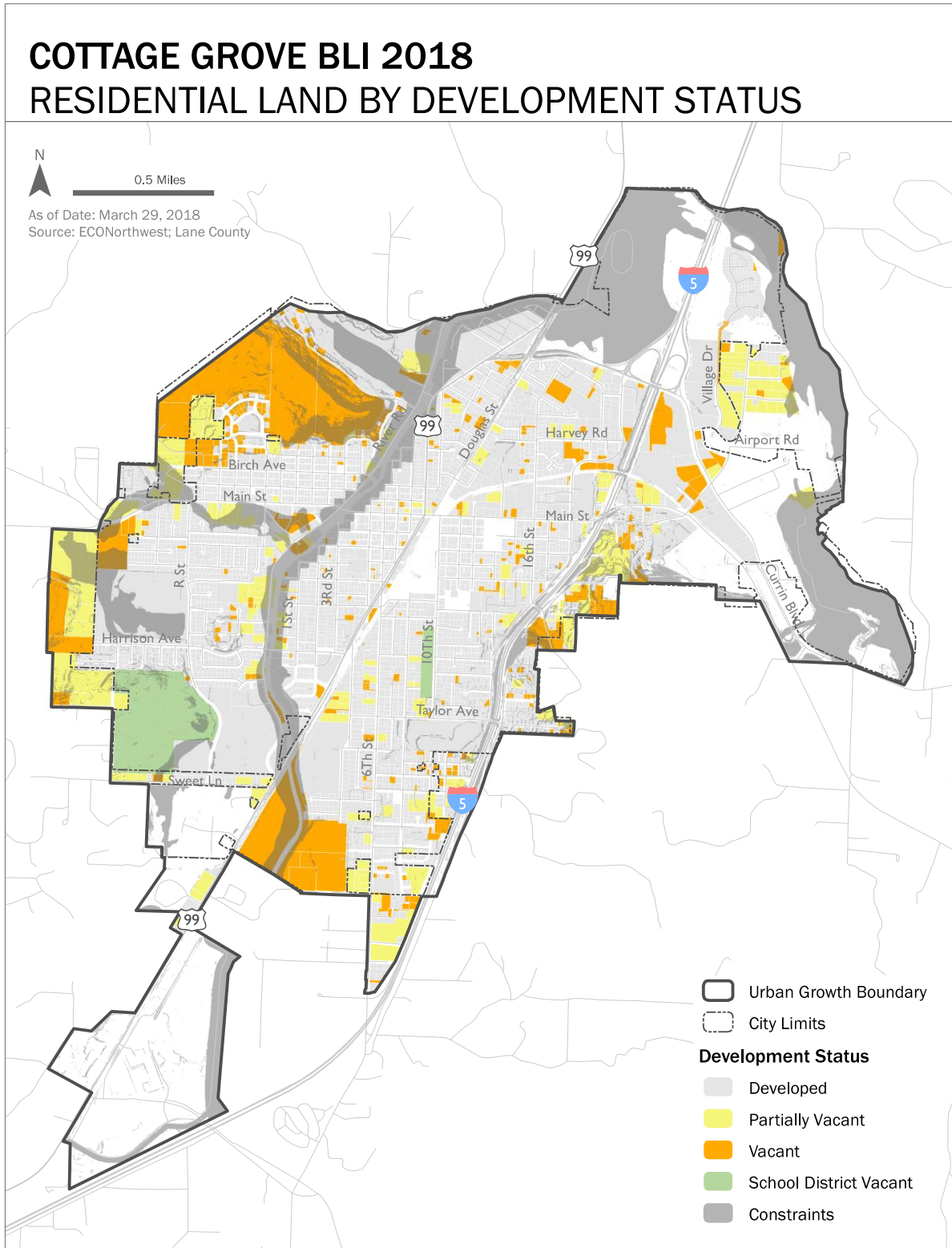
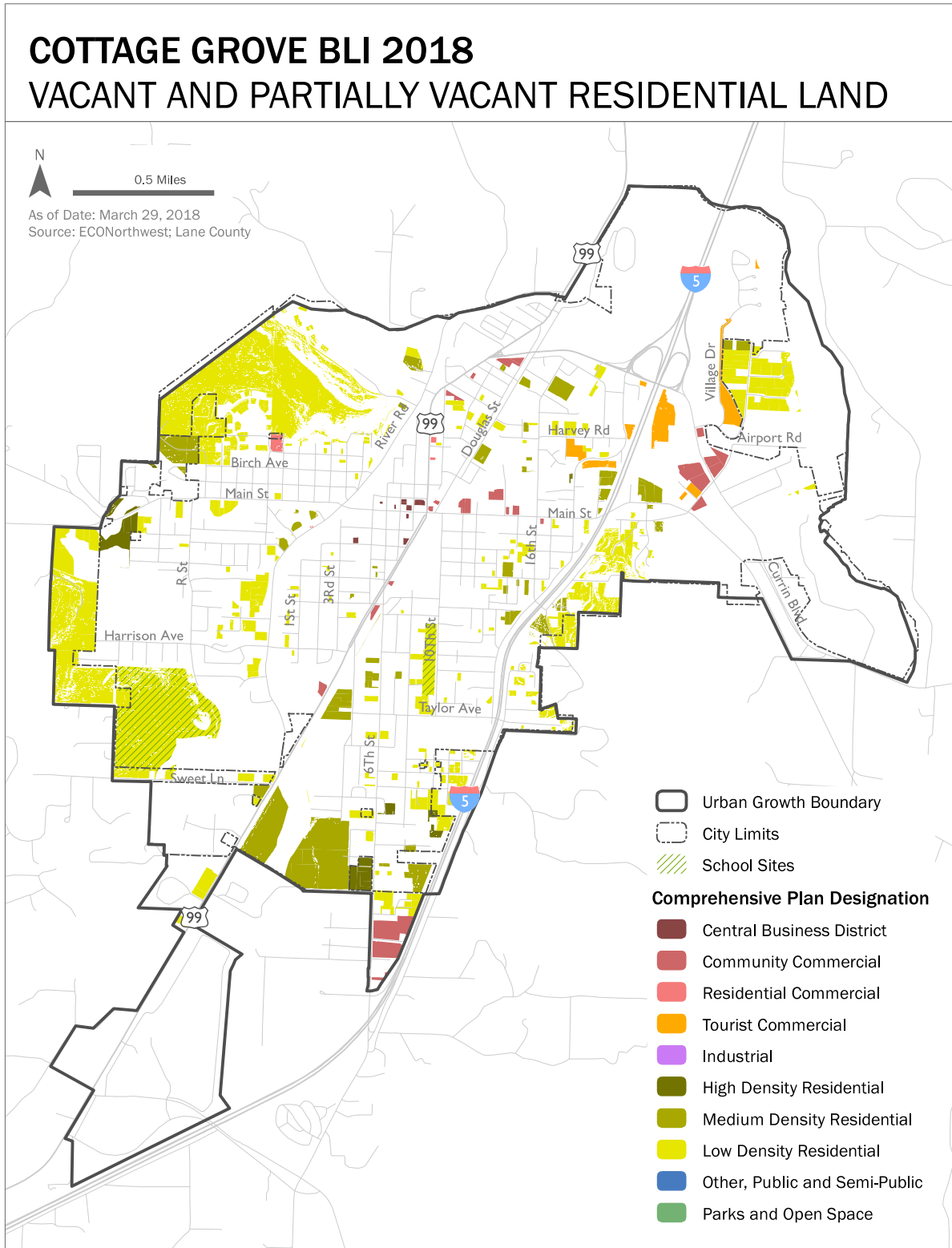


Exhibit 5. Unconstrained Vacant and Partially Vacant Residential, Cottage Grove UGB, 2018



3. Historical and Recent Development Trends

Analysis of historical development trends in Cottage Grove 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 Cottage Grove's housing market from January 2000 to December 2016. We selected this time period because it provides information about Cottage Grove's housing market before and after the national housing market bubble's growth and deflation. In addition, data about Cottage Grove's housing market during this period is readily available from sources such as the Census and the City building permit database.

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, we grouped housing types based on: (1) whether the structure is stand-alone or attached to another structure and (2) the number of dwelling units in each structure. The housing types used in this analysis are:

- **Single-family detached** includes single-family detached units, manufactured homes on lots and in mobile home parks, and accessory dwelling units.
- **Single-family attached** is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.
- **Multifamily** is all attached structures (e.g., duplexes, tri-plexes, quad-plexes, and structures with five or more units) other than single-family detached units, manufactured units, or single-family attached units.

Data Used in this Analysis

Throughout this analysis (including the subsequent Chapter 4), we used data 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 Cottage Grove. 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 Cottage Grove 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 Cottage Grove and compares Cottage Grove to Lane County and to Oregon. These trends demonstrate the types of housing developed in Cottage Grove 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 Cottage Grove:

- **Cottage Grove’s housing stock is predominantly single-family detached housing units.** Seventy-five percent of Cottage Grove’s housing stock is single-family detached, 20% is multifamily, and 5% is single-family attached (e.g., townhouses).
- **Since 2000, Cottage Grove’s housing mix has remained relatively similar with a slight shift in multifamily unit composition.** Cottage Grove’s housing stock grew by about 22% (about 750 new units) between 2000 and the 2012-2016 period. The mix of housing types remained stable between 2000 and 2012-2016.
- **Single-family detached housing accounted for the majority of new housing growth in Cottage Grove between 2004 and 2017.** Eighty-three percent of new housing permitted between 2000 and 2017 was single-family detached housing.

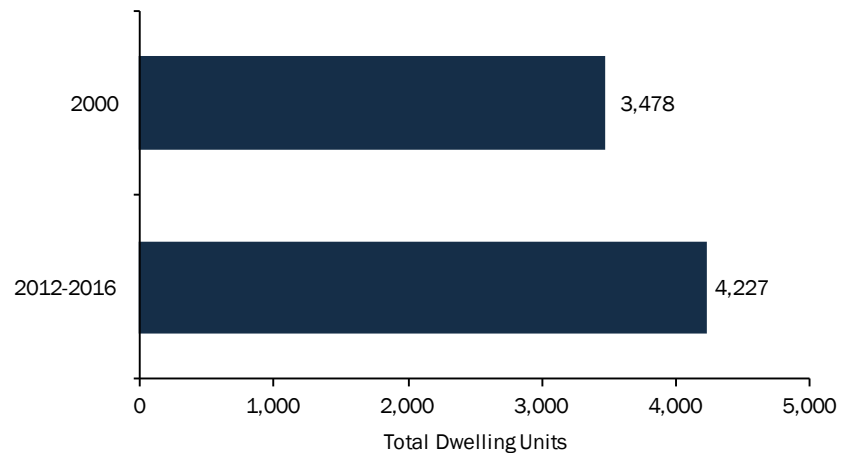
Housing Mix

The total number of dwelling units in Cottage Grove increased by 22% from 2000 to 2012-2016.

Cottage Grove added 749 unit increase since 2000.

Exhibit 6. Total Dwelling Units, Cottage Grove, 2000 and 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2012-2016 ACS Table B25024.

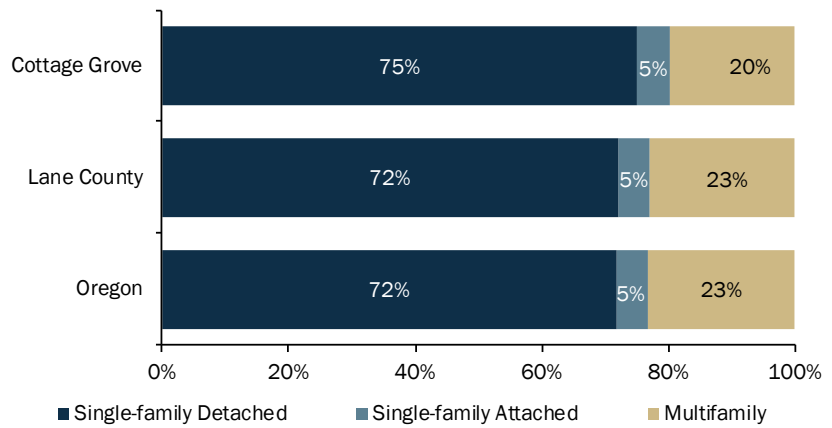


About 75% of Cottage Grove's housing stock is single-family detached.

Cottage Grove has a slightly smaller share of multifamily housing than Lane County and Oregon.

Exhibit 7. Housing Mix, Cottage Grove, Lane County, and Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Table B25024.

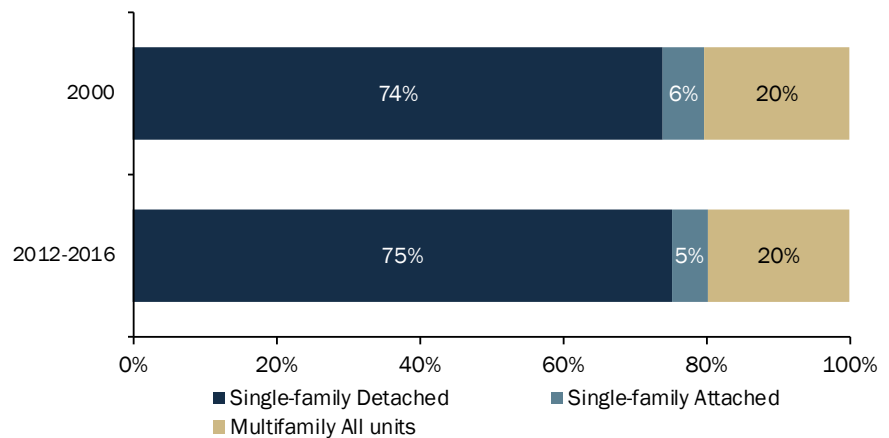


From 2000 to 2012-2016, the share of multifamily housing with two to four units increased while the share of multifamily housing with five or more units decreased.

Still, the share of all multifamily housing stayed static at 20% from 2000 to 2012-2016.

Exhibit 8. Change in Housing Mix, Cottage Grove, 2000 and 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2012-2016 ACS Table B25024.



Building Permits

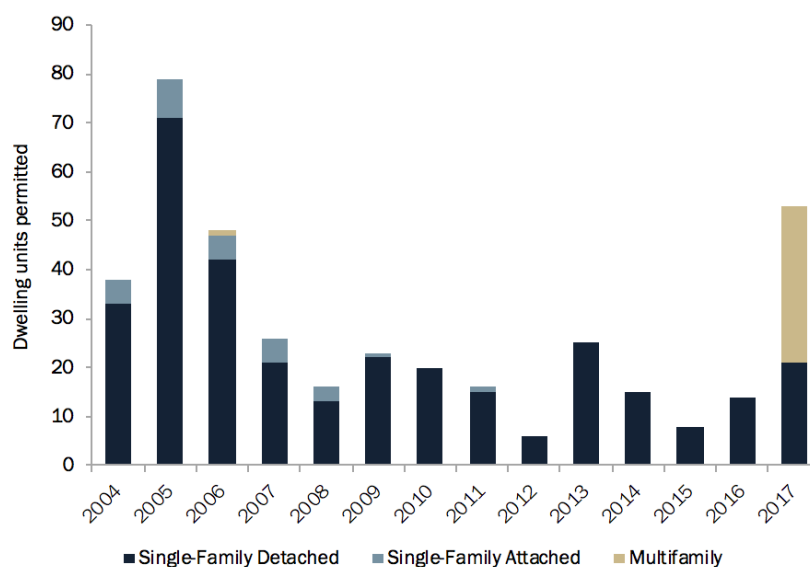
Over the 2004 to 2017 analysis period, Cottage Grove issued permits for 395 dwelling units, with an annual average of 28 permits issued.

Of these 395 permits, about 83% were permits for single-family detached dwelling units.

The 32 multifamily units permitted in 2017 were cottage housing units, permitted in the High-Density zone, at an average density of 10 dwelling units per acre.

Exhibit 9. Building Permits by Type of Unit, Cottage Grove, 2004 through 2017

Source: City of Cottage Grove.



In 2017, Cottage Grove issued a total of 54 building permits, of which 21 permits were for single-family detached housing, 32 permits were for multifamily units (cottage housing in the High-Density zone), and 1 permit was for an accessory dwelling unit (ADU). Prior to 2017, there was only one multi-family dwelling unit permit issued (back in 2006). The ADU permit issued in 2017 was the eighth permit of its kind since 2004.

Residential Development in Commercial Zones

Residential development in Cottage Grove's commercial zones is relatively common, with about 85 dwelling units located in commercial zones. Much of the development is in the C2 zone, consisting of one or more apartments on the upper floor(s) of commercial buildings. This development generally occurred in older existing buildings, rather than in newly built mixed-use buildings. Most of these dwelling units are in commercial buildings with fewer than nine dwelling units but two buildings have more than ten units per building.

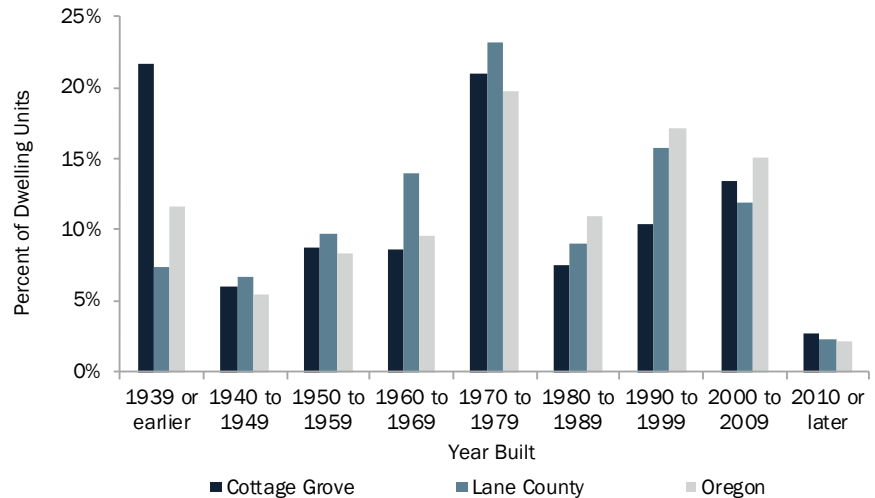
Age of Housing Stock

About 22% of dwelling unit structures in Cottage Grove were built before 1940 and 21% were built during the 1970s.

Approximately 66% of Cottage Grove’s structures were built before 1980, compared to 61% for Lane County and 55% for the state.

Exhibit 10. Year Structure Built, Cottage Grove, Lane County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25034.

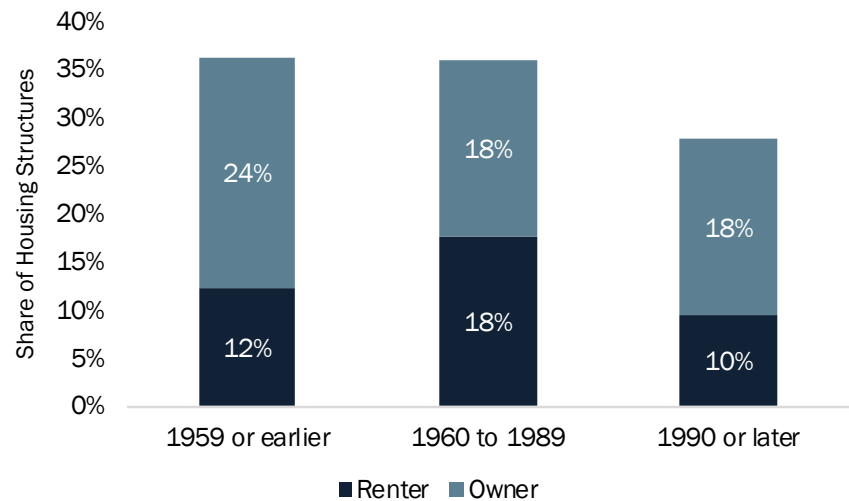


Thirty-six percent of Cottage Grove’s housing units were built before 1959; the same amount of housing was built between 1960 and 1989.

Cottage Grove saw more owner-occupied units constructed before 1959 than subsequent time periods. The city also saw fewer renter-occupied units constructed after 1990 than previous time periods.

Exhibit 11. Share of Total Structures Built by Year and Tenure, Cottage Grove, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25034.



Trends in Tenure

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

- **Homeownership in Cottage Grove is similar to Lane County’s and Oregon’s average.** About 60% of Cottage Grove’s households own their own home. In comparison, 59% of Lane County households and 61% of Oregon households are homeowners.

- **Homeownership in Cottage Grove stayed relatively stable between 2000 and 2012-2016.** In 2000, 62% of Cottage Grove households were homeowners. This dropped to 57% in 2010 and increased to 60% in 2012-2016.
- **Nearly all Cottage Grove homeowners (97%) live in single-family detached housing, while half of renters (50%) live in multifamily housing.**

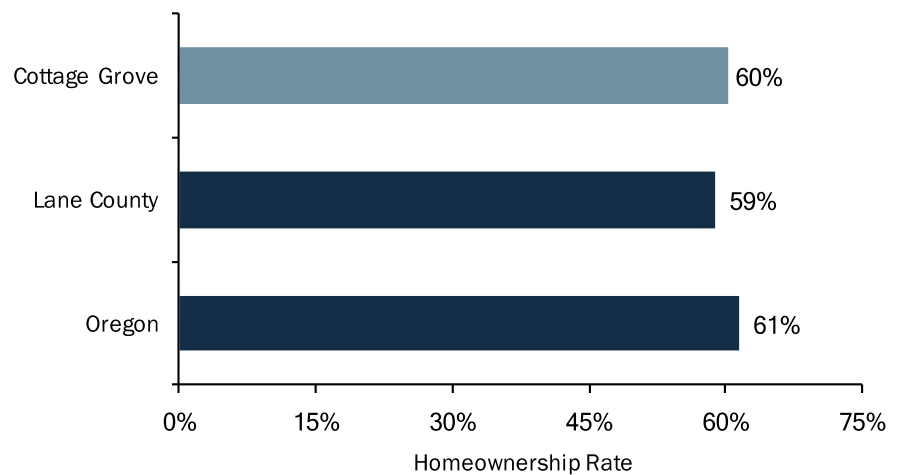
The implications for the forecast of new housing are: (1) opportunities for rental housing in Cottage Grove are limited, given that half of renters live in multifamily housing and little multifamily housing was built in Cottage Grove since 2000, and (2) the development of cottage housing in the High-Density zone in 2017 suggests that there may be opportunities to encourage development of a wider variety of affordable housing types, such as cottage housing or townhomes.

Cottage Grove has a similar homeownership rate to Lane County and the state.

About 60% of Cottage Grove households live in owner-occupied dwelling units.

Exhibit 12. Homeownership for Occupied Units, Cottage Grove, Lane County, Oregon 2012-2016

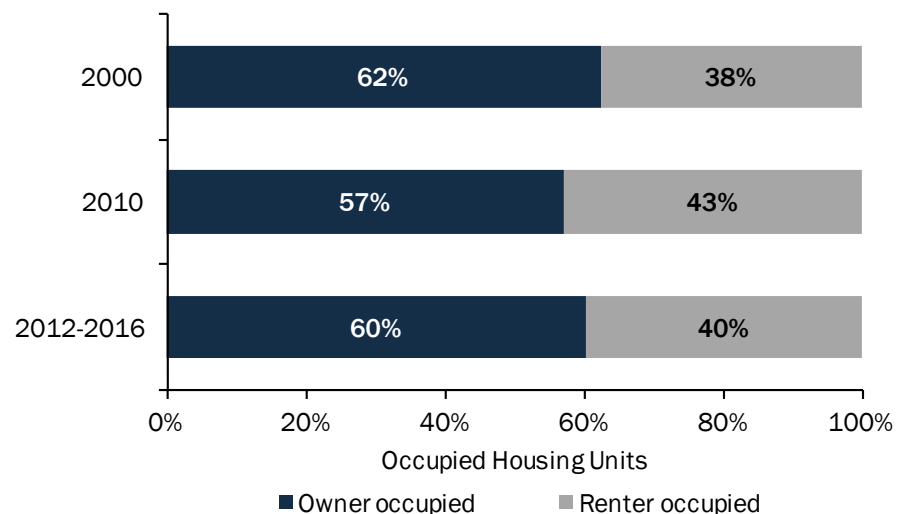
Source: U.S. Census Bureau, 2012-2016 ACS Table B25003.



The homeownership rate in Cottage Grove has remained stable at roughly 60% since 2000.

Exhibit 13. Tenure, Occupied Units, Cottage Grove, 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census SF1 Table H004, 2010 Decennial Census SF1 Table H4, 2012-2016 ACS Table B24003.

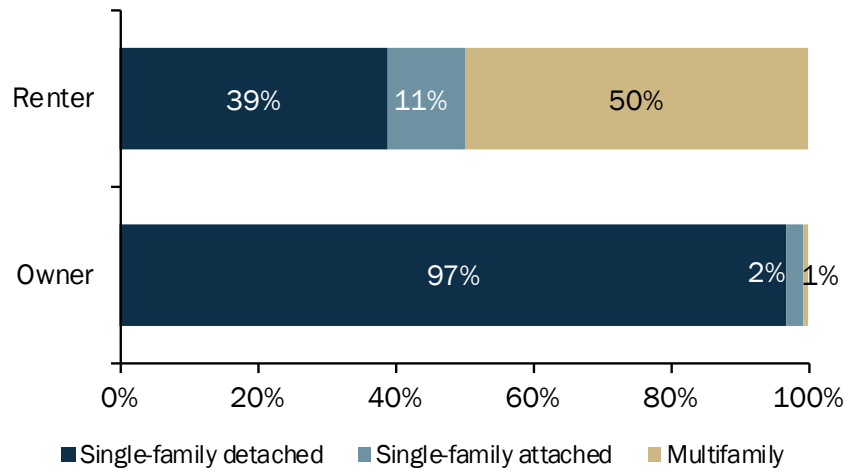


Nearly all homeowners (97%) live in single-family detached housing.

In comparison, half of Cottage Grove households that rent live in multifamily housing and just over a tenth of renters live in single-family attached units (e.g. townhomes).

Exhibit 14. Housing Units by Type and Tenure, Cottage Grove, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Table B25032.



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.

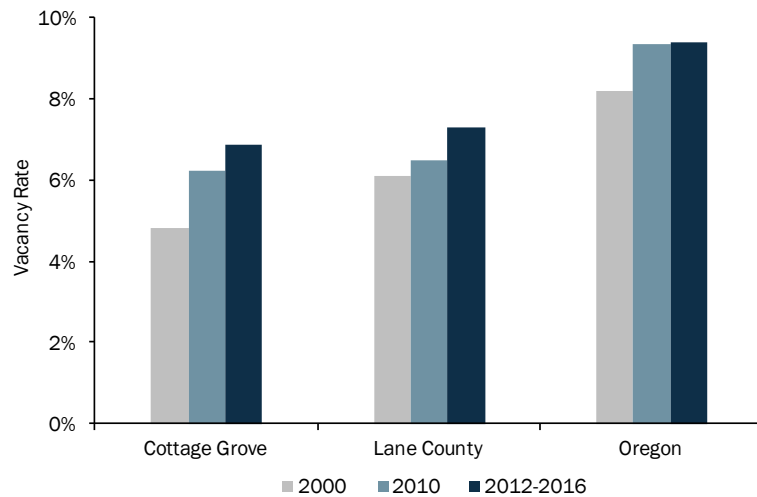
Discussions with stakeholders familiar with Cottage Grove's housing market suggest that in 2017 and 2018, vacancy rates have been substantially lower than the 6% reported by the Census, closer to 1% or 2%. This is consistent with trends in other cities in Oregon, where housing vacancy rents dropped to historically low rates over the 2015 to 2018 period.

From 2000 to 2012-2016, the vacancy rate in Cottage Grove has been consistently lower than that of Lane County and Oregon.

From 2000 to 2010, Cottage Grove's vacancy rate rose from 4.8% to 6.2%, but still stood below that of the county and the state.

Exhibit 15. Housing Units that are Vacant, 2000, 2010, 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census SF1 Table QT-H1, 2010 Decennial Census SF1 Table QT-H1, 2012-2016 ACS Table B25002.



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. There are 11 government-assisted housing developments in Cottage Grove:⁴

- **Applegate Apartments** has 16 units of affordable housing for persons with disabilities.
- **Corey Commons** has 21 units of affordable housing for farm workers.
- **Cottage Grove Senior Living Center** has 40 units of affordable housing for seniors and seniors with families.
- **Duplex Cottage Grove** has 2 units of affordable housing for persons with disabilities.
- **Gateway** has 37 units for families.
- **Jefferson Park** has 52 units of affordable housing for seniors and persons with disabilities.
- **Main St. Community** has 4 units of affordable housing for families and persons with disabilities.
- **Omer Apartments RFA** has 12 units of affordable housing for families.
- **South Lane Mental Health Transitional** has 1 unit of affordable housing for persons with specialized needs.
- **Riverview Terrace** has 12 units for families.
- **Witherspoon Court Apartments** has 20 units of affordable housing for seniors and persons with disabilities.

⁴ Oregon Housing and Community Services. (Jan. 2018). Affordable Housing Inventory in Oregon. Retrieved from: <http://www.oregon.gov/ohcs/Pages/research-multifamily-housing-inventory-data.aspx>.

Manufactured Homes

Manufactured homes provide a source of affordable housing in Cottage Grove. They 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).

Generally, manufactured homes in parks are owned by the occupants who pay rent for the space. Monthly housing costs are typically lower for a homeowner in a manufactured home park for several reasons, including the fact that property taxes levied on the value of the land are paid by the property owner, rather than the manufactured home owner. The value of the manufactured home generally does not appreciate in the way a conventional home would, however. Manufactured homeowners in parks are also subject to the mercy of the property owner in terms of rent rates and increases. It is generally not within the means of a manufactured homeowner to relocate to another manufactured home to escape rent increases. Homeowners living in a park is desirable to some because it can provide a more secure community with on-site managers and amenities, such as laundry and recreation facilities.

Cottage Grove had 224 mobile homes in 2000, and 292 mobile homes in the 2012-2016 period, an increase of 68 dwellings. According to Census data, 95% of the mobile homes in Cottage Grove were owner-occupied in the 2012-2016 period.

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. Exhibit 16 presents the inventory of mobile and manufactured home parks within Cottage Grove as of early 2018.

Cottage Grove has four manufactured home parks within the UGB.

Within these parks, there are a total of 166 spaces, 10 of which were vacant as of February 2018.

Exhibit 16. Inventory of Mobile/Manufactured Home Parks, Cottage Grove UGB, Early 2018

Source: Oregon Manufactured Dwelling Park Directory.

Name	Location	Type	Total Spaces	Vacant Spaces	Zone or Plan Designation
Calapooya Park	1338 E Quincy	Family	34	0	R2
Frontier Village Mobile Home Park	1557 N Pacific Hwy	Family	80	10	MHP
Prince Juniper, LLC	1661 Hwy 99 N	55+	21	0	MHP
Riverside Gardens MHP	1011 N 9th St	Family	31	0	MHP

4. Demographic and Other Factors Affecting Residential Development in Cottage Grove

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

Demographic trends provide a context for growth in a region; factors such as age, income, migration, and other trends show how communities have grown and how they will shape future growth. To provide context, we compare Cottage Grove to Lane County and Oregon. We also compare Cottage Grove to nearby cities (Coburg, Creswell, Eugene, Harrisburg, Junction City, Springfield, Veneta) where appropriate. Characteristics such as age and ethnicity are indicators of how the population has grown in the past and provide insight into factors that may affect future growth.

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 Choice⁵

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).

⁵ The research in this chapter is based on numerous articles and sources of information about housing, including:

Davis, Hibbits, & Midghal Research, "Metro Residential Preference Survey," May 2014.

The American Planning Association, "Investing in Place; Two generations' view on the future of communities," 2014.

Transportation for America, "Access to Public Transportation a Top Criterion for Millennials When Deciding Where to Live, New Survey Shows," 2014.

National Association of Home Builders International Builders, "Survey Says: Home Trends and Buyer Preferences," 2017.

Urban Land Institute, *The Case for Multi-family Housing*, 2003.

E. Zietz, *Multi-family Housing: A Review of Theory and Evidence*. Journal of Real Estate Research, Volume 25, Number 2. 2003.

C. Rombouts, *Changing Demographics of Homebuyers and Renters. Multi-family Trends*, Winter 2004.

J. McIlwain, *Housing in America: The New Decade*, Urban Land Institute, 2010.

D. Myers and S. Ryu, *Aging Baby Boomers and the Generational Housing Bubble*, Journal of the American Planning Association, Winter 2008.

M. Riche, *The Implications of Changing U.S. Demographics for Housing Choice and Location in Cities*, The Brookings Institution Center on Urban and Metropolitan Policy, March 2001.

L. Lachman and D. Brett, *Generation Y: America's New Housing Wave*, Urban Land Institute, 2010.

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

National Trends⁶

This brief summary on national housing trends builds on previous work by 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.
- **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

⁶ 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.

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,⁷ 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 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 stanchied 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

⁷ 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/>.

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:⁸
 - *Larger single-family units on smaller lots.* Between 1999 and 2016, the median size of new single-family dwellings increased by over 19% 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

⁸ U.S. Census Bureau, Highlights of Annual 2016 Characteristics of New Housing. Retrieved from: <https://www.census.gov/construction/chars/highlights.html>.

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:⁹

- For housing to be considered affordable, a household should pay up to one-third of their income toward rent, 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 rent, and one in three pays more than half of their income toward rent.
- 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.
- 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.

⁹ 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>.

- 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 Cottage Grove

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.

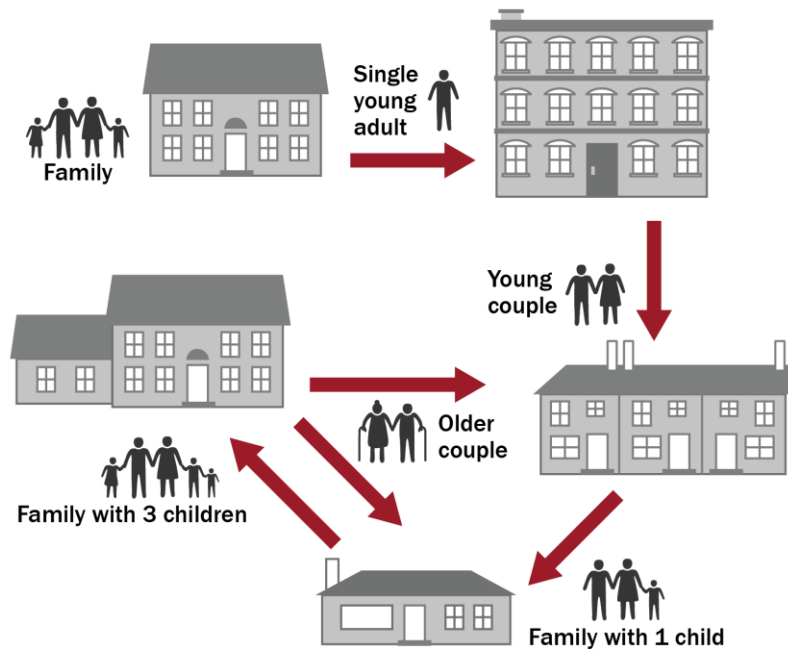
An individual's housing needs change throughout their life, with changes in income, family composition, and age. The types of housing needed by a 20-year-old college student differ from the needs of a 40-year-old parent with children, or an 80-year-old single adult. As Cottage Grove's population ages,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

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 17. Effect of demographic changes on housing need

Source: 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

Cottage Grove’s population growth will drive future demand for housing in the City over the planning period. Development projects such as the new South Lane School District elementary school¹⁰ and PakTech’s expansion¹¹ into the City (expected to bring in 35 to 100 jobs) may continue to shape population growth.

Cottage Grove’s population grew by 34% between 1990 and 2017.

Cottage Grove added 2,500 new residents, at an average annual growth rate of 1.1%.

Exhibit 18. Population, Cottage Grove, Lane County, Oregon, U.S., 1990-2017

Source: U.S. Decennial Census 1990, and Portland State University, Population Research Center.

Geography	1990	2017	Change 1990 to 2017		
			Number	Percent	AAGR
U.S.	248,709,873	325,719,178	77,009,305	31%	1.0%
Oregon	2,842,321	4,141,100	1,298,779	46%	1.4%
Lane County	282,912	370,600	87,688	31%	1.0%
Cottage Grove	7,402	9,920	2,518	34%	1.1%

Cottage Grove’s population within the urban growth boundary is projected to grow by 3,242 people between 2018 and 2038, at an average annual growth rate of 1.3%.¹²

Exhibit 19. Forecast of Population Growth, Cottage Grove UGB, 2018–2038

Source: Oregon Population Forecast Program, Portland State University, Population Research Center.

10,740 residents in 2018	13,981 residents in 2038	3,242 New residents 2018-2038	28% increase 1.3% AAGR
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Aging Population

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

- **Seniors.** Cottage Grove currently has a smaller share of elderly residents than Lane County and state averages. As Cottage Grove’s elderly population grows, it will have increasing demand for housing that is suitable for elderly residents.

Demand for housing for retirees will grow over the planning period, as the Baby Boomers continue to age and retire. The Lane County forecast share of residents aged 60

¹⁰ Register-Guard (2017). Building for the future: District breaks ground on a new elementary school in Cottage Grove. Retrieved from: <http://projects.registerguard.com/rg/news/local/35410366-75/groundbreaking-signals-construction-of-cottage-grove-elementary-school.html.csp>.

¹¹ City of Cottage Grove (n.d.). PakTech Expands to Cottage Grove. Retrieved from: <http://www.cottagegrove.org/citymanager/page/paktech-expands-cottage-grove>.

¹² This forecast of population growth is based on Cottage Grove’s urban growth boundary official population forecast from the Oregon Population Forecast Program. ECONorthwest extrapolated the population forecast for 2015 (to 2018) and 2035 (to 2038) based on the methodology specified in the following file (from the Oregon Population Forecast Program website):

http://www.pdx.edu/prc/sites/www.pdx.edu/prc/files/Population_Interpolation_Template.xlsx

years and older will account for 32% of its population (2035), compared to around 25% in 2015.

The impact of growth in seniors in Cottage Grove will depend, in part, on whether older people already living in Cottage Grove continue to reside there as they retire. National surveys show that, in general, most retirees prefer to age in place by continuing to live in their current home and community as long as possible.¹³

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.¹⁴

- **Cottage Grove has a larger proportion of younger people than Lane County and Oregon.** About 28% of Cottage Grove’s population is under 20 years old, compared to 22% of Lane County’s population and Oregon’s average of 24%. The forecast for population growth in Lane County shows the percent of people under 20 years old decreasing from 23% of the population in 2015 to 20% of the population by 2035.

People currently aged 22 to 37 are referred to as the Millennial generation and account for the largest share of population in Oregon.¹⁵ By 2035, they will be aged 39 to 54. The forecast for Lane County shows a slight shift in Millennials from about 27% of the population in 2015 to about 23% of the population in 2035.

Cottage Grove’s ability to attract people in this age group will depend, in large part, on whether the city has opportunities for housing that both appeals to and is affordable to Millennials. Retaining (or attracting) Millennials, such as those recently graduated from or attending school at the Lane Community College or the University of Oregon, will depend on availability of housing types (such as townhouses, cottages, duplexes and similar scale-multifamily housing, and apartments).

In the near-term, Millennials may increase demand for rental units. The long-term housing preference of Millennials is uncertain. Research suggests that Millennials’ housing preferences may be similar to the Baby Boomers, with a preference for smaller, less costly units. Recent surveys about housing preference suggest that Millennials want

¹³ 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>.

¹⁴ “Aging in Place: A toolkit for Local Governments” by M. Scott Ball.

¹⁵ Pew Research Center. (March 2018). “Defining generations: Where Millennials end and post-Millennials begin” by Michael Dimock. Retrieved from: <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>.

affordable single-family homes in areas that offer transportation alternatives to cars, such as suburbs or small cities with walkable neighborhoods.¹⁶

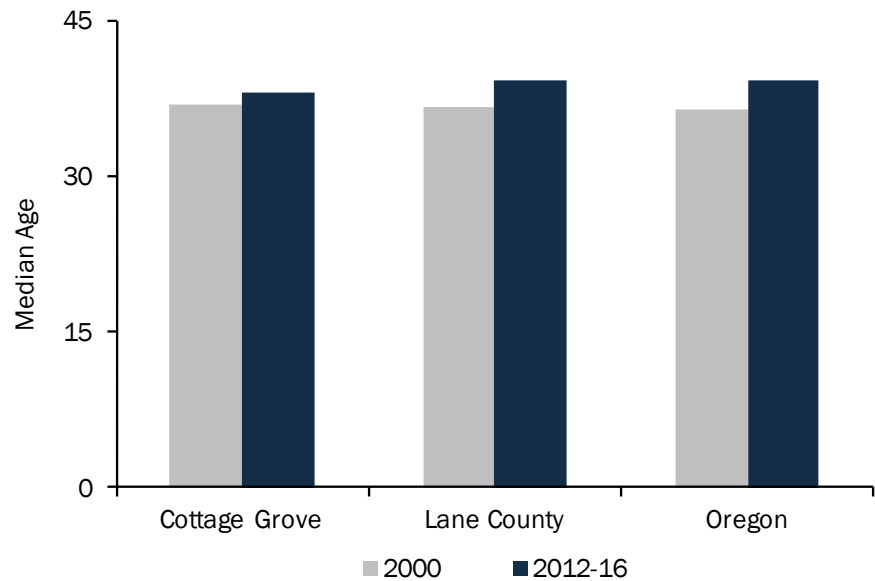
A recent survey of people living in the Portland region shows that Millennials prefer single-family detached housing. The survey finds that housing price is the most important factor in choosing housing for younger residents.¹⁷ The survey results suggest Millennials are more likely than other groups to prefer housing in an urban neighborhood or town center. While this survey is for the Portland region, it shows similar results as national surveys and studies about housing preference for Millennials.

Growth in Millennials in Cottage Grove will result in increased demand for both affordable single-family detached housing (including cottages), as well as increased demand for affordable townhouses and multifamily housing. Growth in this population will result in increased demand for both ownership and rental opportunities, with an emphasis on housing that is comparatively affordable. There is potential for attracting new residents to housing in Cottage Grove's commercial areas, especially if the housing is relatively affordable and located in proximity to services.

From 2000 to 2012-2016, Cottage Grove's median age increased from 36.8 to 38.1 years.

Exhibit 20. Median Age, Years, 2000 to 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census Table B01002, 2012-2016 ACS, Table B01002.



¹⁶ The American Planning Association, "Investing in Place; Two generations' view on the future of communities." 2014.

"Access to Public Transportation a Top Criterion for Millennials When Deciding Where to Live, New Survey Shows," Transportation for America.

"Survey Says: Home Trends and Buyer Preferences," National Association of Home Builders International Builders

¹⁷ Davis, Hibbits, & Midghal Research, "Metro Residential Preference Survey," May 2014.

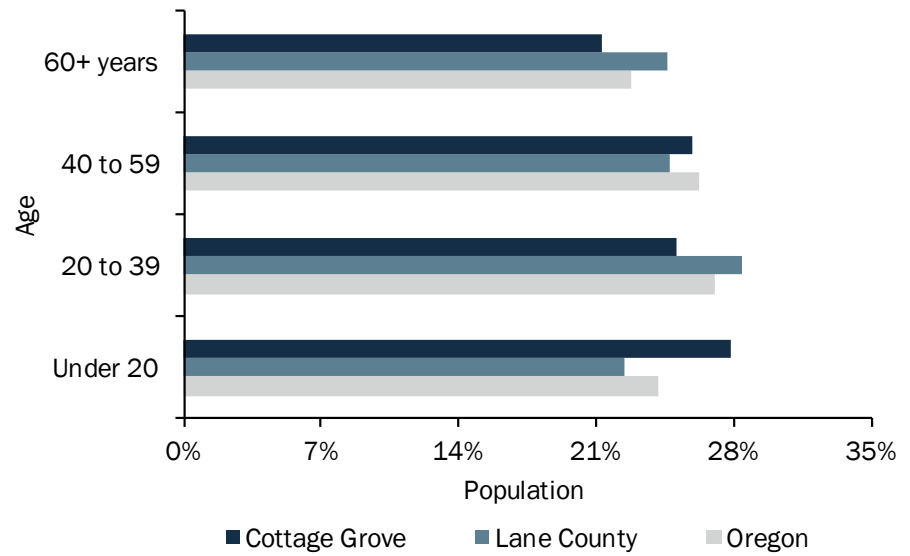
In 2010, about 51% of Cottage Grove's residents were between the ages of 20 and 59 years.

Cottage Grove has a smaller share of people over the age of 60 than the county and state.

About 28% of Cottage Grove's population is under 20 years old, compared to 22% of Lane County's population and 24% of Oregon's.

Exhibit 21. Population Distribution by Age, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS, Table B01001.

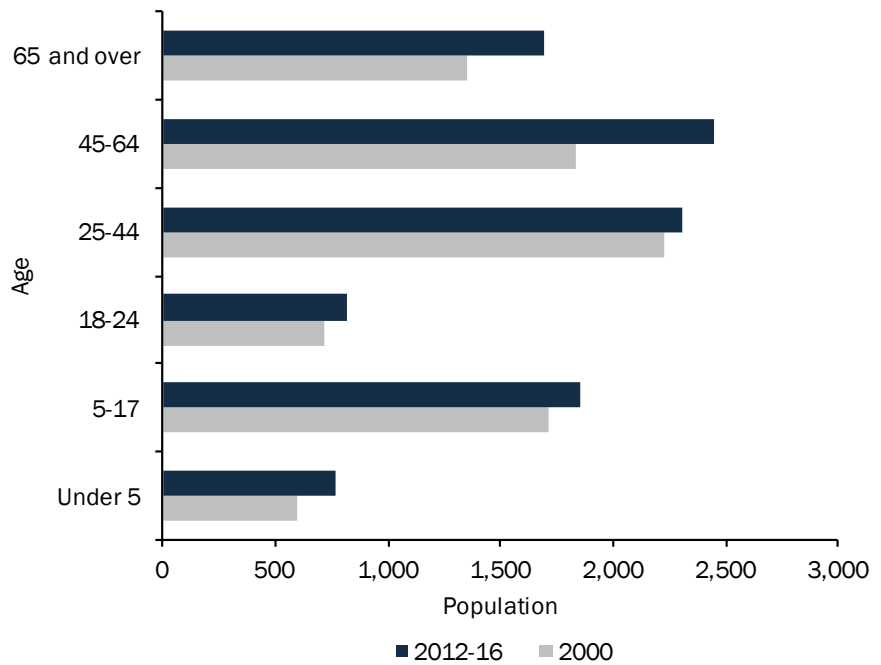


Between 2000 and 2012-2016, all age groups in Cottage Grove grew in size.

The largest increase in residents were those aged 45-64.

Exhibit 22. Population Growth by Age, 2000 to 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census Table P012 and 2012-2016 ACS, Table B01001.

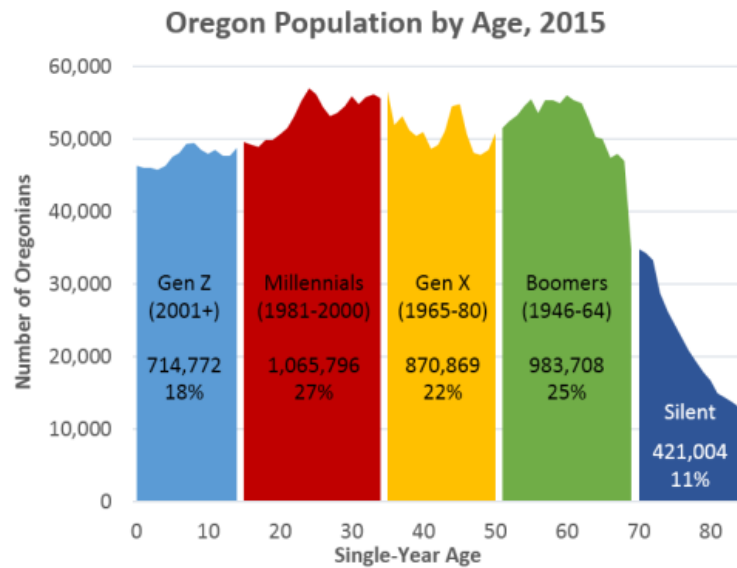


Oregon's largest age groups are the Millennials and the Baby Boomers.

By 2035, Millennials will be between 35 and 54 years old. Baby Boomers will be 71 to 89 years old.

Exhibit 23. Population Distribution by Generation and Age, Oregon, 2015

Source: Oregon Office of Economic Analysis, "Population, Demographics, and Generations" by Josh Lehner, February 5, 2015. <http://oregoneconomicanalysis.com/2015/02/05/population-demographics-and-generations/>



Source: Oregon Office of Economic Analysis

About 70% of population growth in Lane County is forecasted to be for people 60 years and older.

Exhibit 24. Fastest-growing Age Groups, Lane County, 2015 - 2035

Source: Portland State University, Population Research Center, Lane County Forecast, June 2015.

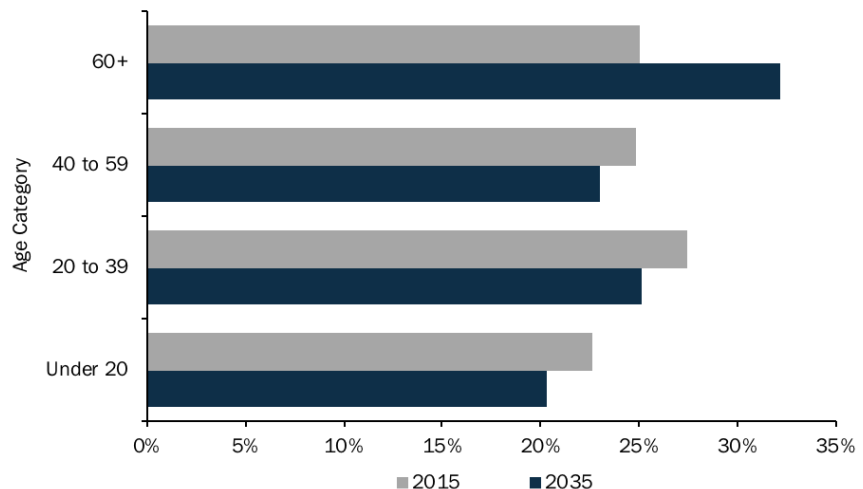
8%	13%	9%	70%
5,210 People	8,550 People	6,239 People	47,276 People
Under 20	20-39 Yrs	40-59 Yrs	60+ Yrs

By 2035, it is forecasted that Lane County residents over the age of 40 will make up 55% of the county's total population.

This accounts for a 5% increase from the county's 2015 age group estimate.

Exhibit 25. Population Growth by Age Group, Lane County, 2015, 2035

Source: Portland State University, Population Research Center, Lane County Forecast, June 2015.



Increased Ethnic Diversity

Cottage Grove is becoming more ethnically diverse. The Hispanic and Latino population grew from 5% of Cottage Grove’s population in 2000 to 11% of the population in the 2012-2016 period, adding about 650 new Hispanic and Latino residents. Still, Cottage Grove and Lane County’s population is less ethnically diverse than Oregon.

Continued growth in the Hispanic and Latino population will affect Cottage Grove’s housing needs in a variety of ways.¹⁸ Growth in first and, to a lesser extent, second and third generation Hispanic and Latino immigrants will increase demand for larger dwelling units to accommodate the, on average, larger household sizes for these households. Households for Hispanic and Latino immigrants are more likely to include multiple generations, requiring more space than smaller household sizes. As Hispanic and Latino households integrate over generations, household size typically decreases, and their housing needs become similar to housing needs for all households.

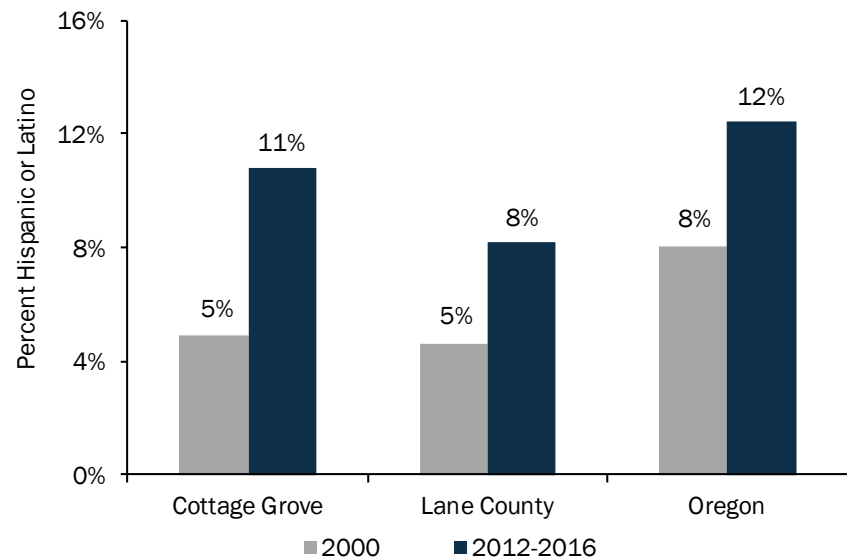
Growth in Hispanic and Latino households will result in increased demand for housing of all types, both for ownership and rentals, with an emphasis on housing that is comparatively affordable.

Cottage Grove’s Hispanic/Latino population more than doubled between 2000 and 2012-2016.

Cottage Grove is slightly less ethnically diverse than the state, but more diverse than Lane County.

Exhibit 26. Hispanic or Latino Population as a Percent of the Total Population, 2000, 2012-2016

Source: U.S. Census Bureau, 2000 Decennial Census Table P008, 2012-2016 ACS Table B03002.



¹⁸ The following articles describe housing preferences and household income trends for Hispanic and Latino families, including differences in income levels for first, second, and third generation households. In short, Hispanic and Latino households have lower median income than the national averages. First and second generation Hispanic and Latino households have median incomes below the average for all Hispanic and Latino households. Hispanic and Latino households have a strong preference for homeownership, but availability of mortgages and availability of affordable housing are key barriers to homeownership for this group.

Pew Research Center. *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, February 7, 2012. National Association of Hispanic Real Estate Professionals. *2014 State of Hispanic Homeownership Report*, 2014.

Household Size and Composition

Cottage Grove’s household size and composition show that households in Cottage Grove are somewhat different from Lane County and statewide averages. Cottage Grove’s households are larger than Lane County’s households, but about equivalent to Oregon’s households. A larger percentage of Cottage Grove’s households are family households with children relative to the county and the state.

Cottage Grove’s average household size is roughly equal to Oregon’s.

Exhibit 27. Average Household Size, Cottage Grove, Lane County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25010.

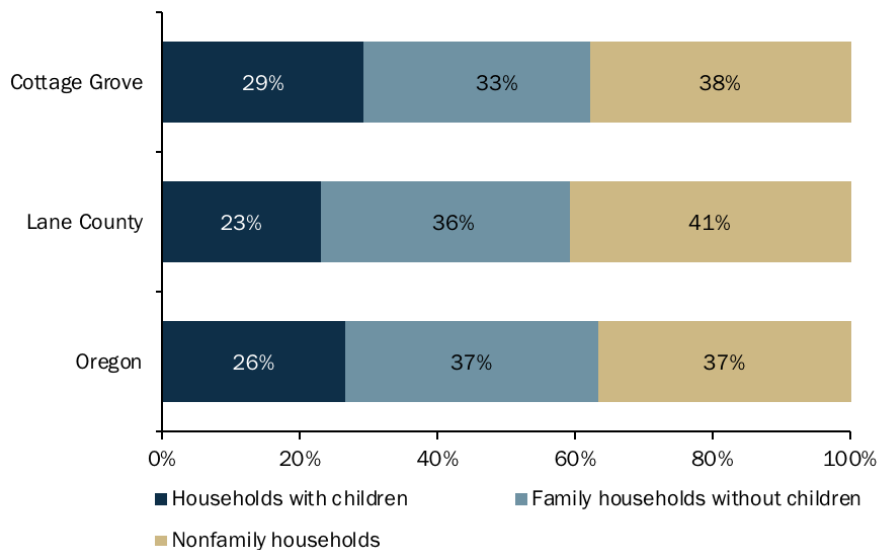
2.49 Persons	2.40 Persons	2.52 Persons
Cottage Grove	Lane County	Oregon

Cottage Grove has a larger share of households with children than Lane County or Oregon.

About 29% of Cottage Grove households have children, compared with 23% of Lane County households and 26% of Oregon households.

Exhibit 28. Household Composition, Cottage Grove, Lane County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table DP02.



Income of Cottage Grove Residents

Income is one of the key determinants in housing choice and households' ability to afford housing. Income for residents living in Cottage Grove is lower than the Lane County average and the state average.

Over the 2012-2016 period, Cottage Grove's median household income (MHI) was below that of the county and the state.

Over this period, Cottage Grove's MHI was \$38,994. Lane County's MHI was \$45,222 and Oregon's MHI was \$53,270.

Exhibit 29. Median Household Income, Cottage Grove, Lane County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25119.



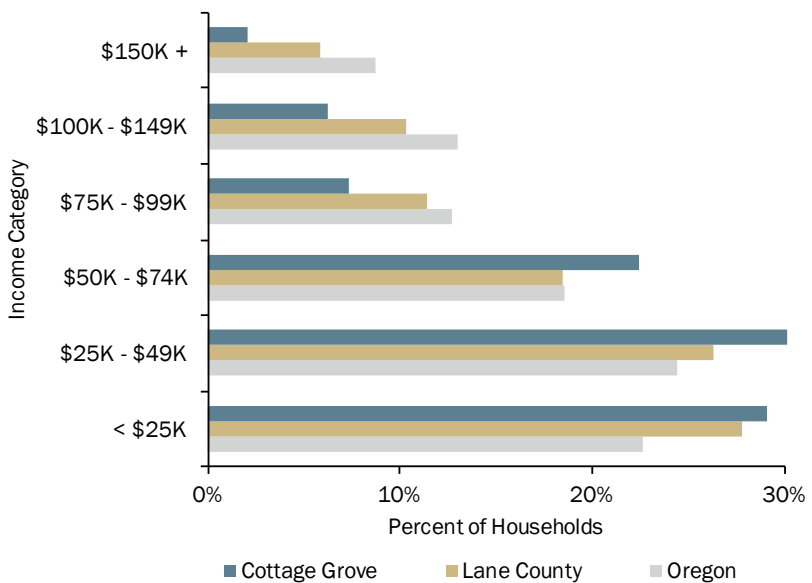
Cottage Grove has more households that make less than \$50,000 than the county or state.

For the 2012-2016 period, about 62% of Cottage Grove households made less than \$50,000 per year, compared to 54% of Lane County households, and 47% of Oregon households.

Similarly, Cottage Grove has fewer households making more than \$75,000 compared to Lane County and Oregon.

Exhibit 30. Household Income, Cottage Grove, Lane County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B19001.

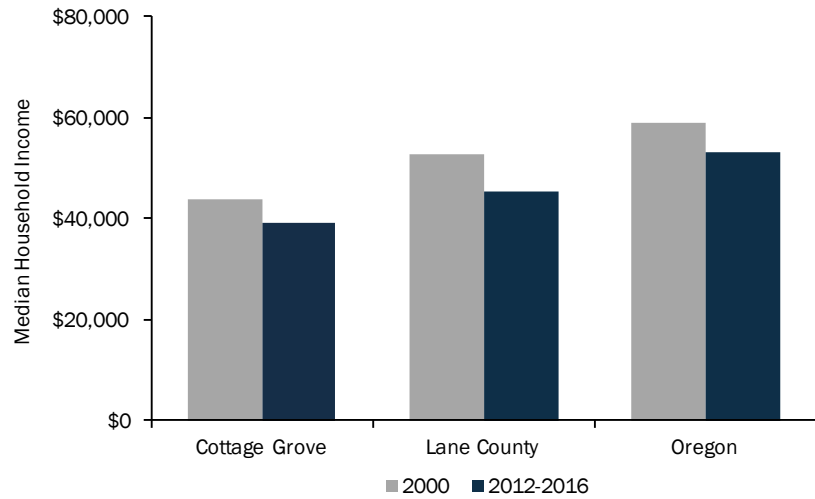


After adjusting for inflation, Cottage Grove's median household income (MHI) decreased by 11% from 2000 to 2012-2016, from \$43,887 to \$38,994 per year.

Cottage Grove's loss in MHI fell between Lane County (-14%) and Oregon (-9%).

Exhibit 31. Median Household Income, Cottage Grove, Lane County, Oregon, 2000 to 2012-2016, Inflation-adjusted

Source: U.S. Census Bureau, 2000 Decennial Census, Table HCT012; 2012-2016 ACS 5-year estimate, Table B25119.



Commuting Trends

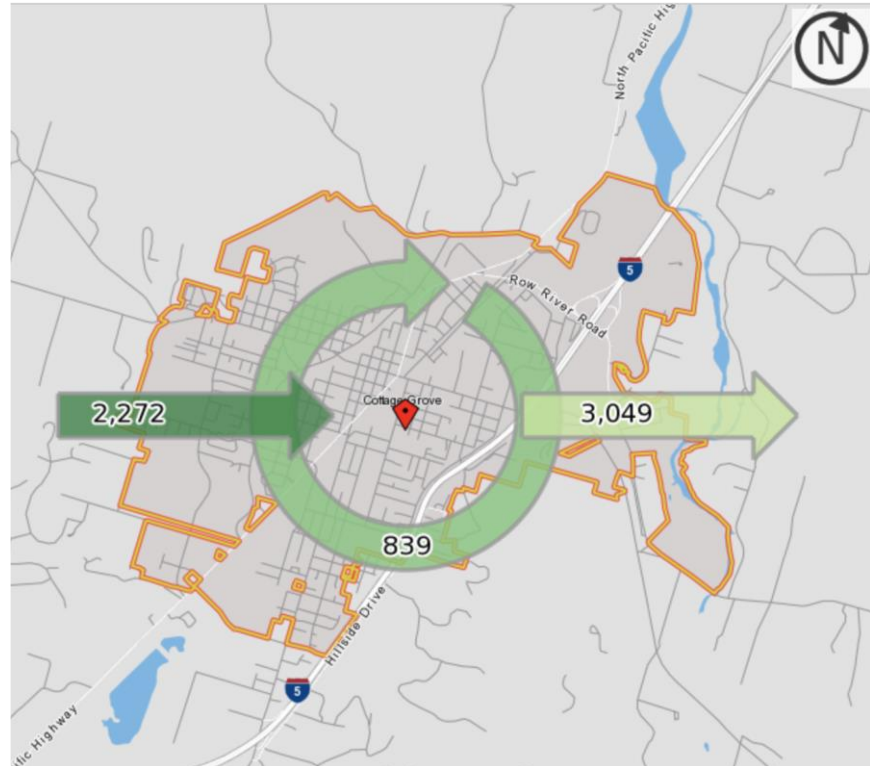
Cottage Grove is part of the complex, interconnected economy of Lane County. Of the more than 2,200 people who work in Cottage Grove, more than 73% of workers commute into Cottage Grove from other areas, most notably Eugene, Springfield, and Creswell. More than 3,000 residents of Cottage Grove commute out of the city for work, many of them to Eugene.

Cottage Grove is part of an interconnected regional economy.

More than 2,200 people commute into Cottage Grove for work, and more than 3,000 people living in Cottage Grove commute out of the City for work.

Exhibit 32. Commuting Flows, Cottage Grove, 2015

Source: U.S. Census Bureau, Census On the Map.

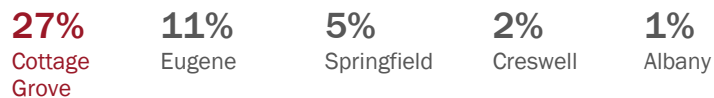


About 27% of people who work at businesses located in Cottage Grove also live in Cottage Grove.

The remainder commute from Eugene, Springfield, and other parts of Lane County.

Exhibit 33. Places Where Workers at Businesses in Cottage Grove Lived, 2015

Source: U.S. Census Bureau, Census On the Map.

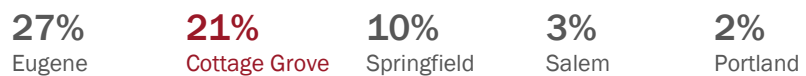


About 75% of Cottage Grove residents work in Lane County.

Less than a quarter of Cottage Grove residents live and work within City limits.

Exhibit 34. Places Where Cottage Grove Residents were Employed, 2015

Source: U.S. Census Bureau, Census On the Map.

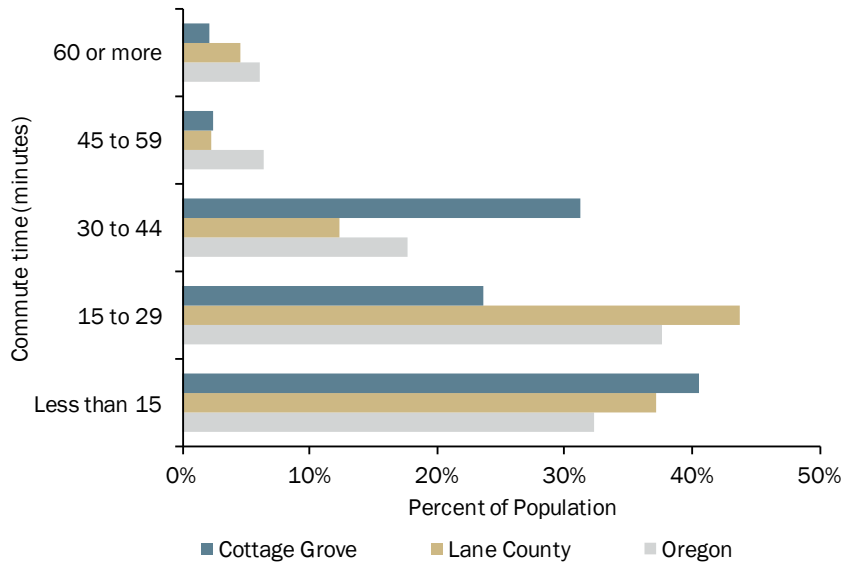


Most Cottage Grove residents (64%) have a commute time that takes less than 30 minutes.

Comparatively, 81% of Lane County residents and 70% of Oregon residents have a commute time of less than 30 minutes.

Exhibit 35. Commute Time by Place of Residence, Cottage Grove, Lane County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B08303.



Regional and Local Trends Affecting Affordability in Cottage Grove

This section describes changes in sales prices, rents, and housing affordability in Cottage Grove, Eugene, Springfield, Creswell, Veneta, Junction City, Coburg, Harrisburg, Lane County, and Oregon since 2000.

Changes in Housing Costs

With a median sales price of \$208,000 in 2017, Cottage Grove’s housing sales were generally lower than all comparison cities in this analysis. Cottage Grove’s housing prices fluctuated with comparison cities over the February 2015 to December 2017 time frame and these prices tended to remain below that of all other cities, save a small number of months in the 35-month period.

Cottage Grove’s median home sales price was below that of all comparison cities in 2017.

Exhibit 36. Median Home Sale Price, Cottage Grove and Comparison Cities, 2017

Source: Redfin.

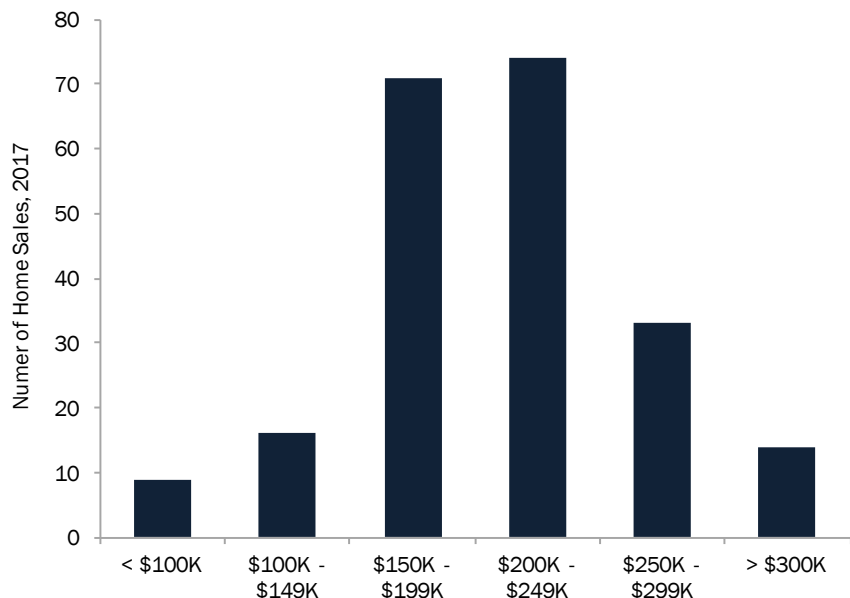
\$208K Cottage Grove	\$390K Coburg	\$250K Creswell	\$284K Eugene
\$224K Harrisburg	\$239K Junction City	\$235K Springfield	\$237K Veneta

In 2017, more than half of homes (67%) sold in Cottage Grove cost between \$150,000-\$249,999.

About 4% of homes sold for less than \$100,000, while 22% sold for more than \$250,000.

Exhibit 37. Distribution of Home Sale Prices, Cottage Grove, 2017

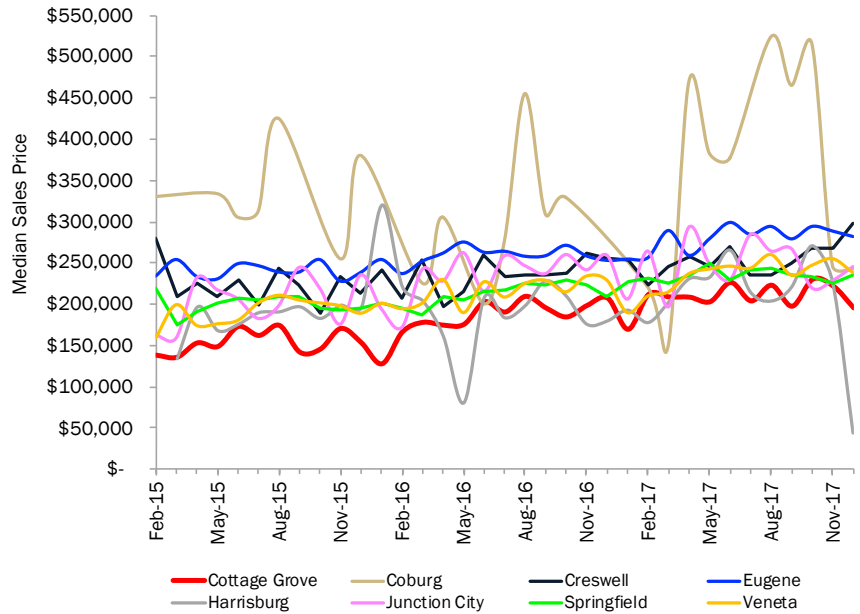
Source: Redfin.



Between February 2015 and December 2017, home sales prices in Cottage Grove followed similar trends to other nearby cities but tended to remain lower overall.

Exhibit 38. Median Sales Price, Cottage Grove and Comparison Cities, February 2015 – December 2017

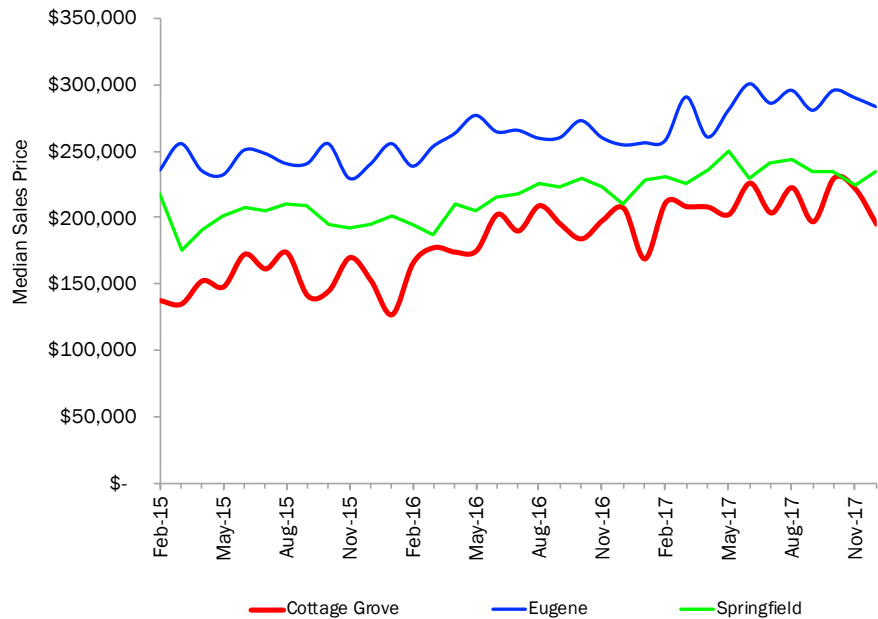
Source: Redfin, Zillow.



A closer look shows that housing prices in Cottage Grove are consistently below those in Eugene and Springfield.

Exhibit 39. Median Sales Price, Cottage Grove, Eugene, and Springfield, February 2015 – December 2017

Source: Redfin, Zillow.



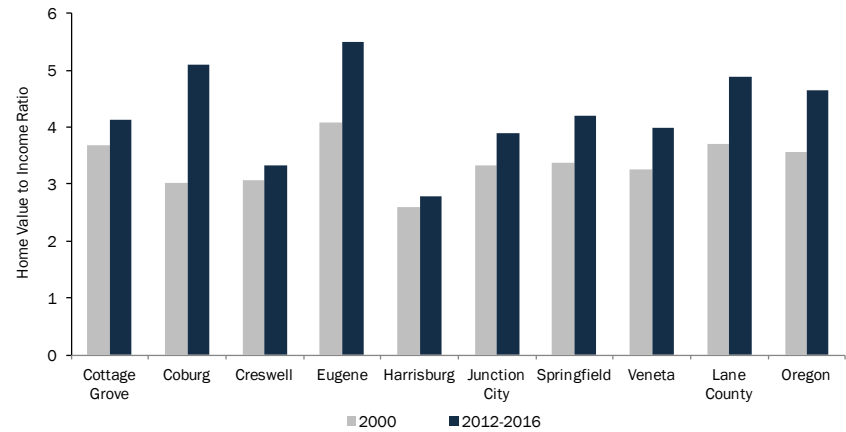
Since 2000, housing costs in Cottage Grove have increased faster than incomes, but to a lesser degree than for Lane County and Oregon.

The household reported median value of a house in Cottage Grove was 3.7 times the median household income (MHI) in 2000, and 4.1 times MHI in the 2012-2016 period.

This decline of housing affordability was smaller in Cottage Grove than it was for many comparison cities in the region (such as Coburg, Eugene, Junction City, Springfield, and Veneta).

Exhibit 40. Ratio of Median Housing Value to Median Household Income, Cottage Grove, Lane County, Oregon, Comparison Cities, 2000 to 2012-2016¹⁹

Source: U.S. Census Bureau, 2000 Decennial Census, Tables HCT012 and H085, and 2012-2016 ACS, Tables B19013 and B25077.



¹⁹ This ratio compares the median value of housing in Cottage Grove (and other places) to the median household income. Inflation-adjusted median owner values in Cottage Grove decreased slightly from \$161,304 in 2000 to \$161,000 in 2012-2016. Over the same period, median income decreased from \$43,796 to \$38,994.

Rental Costs

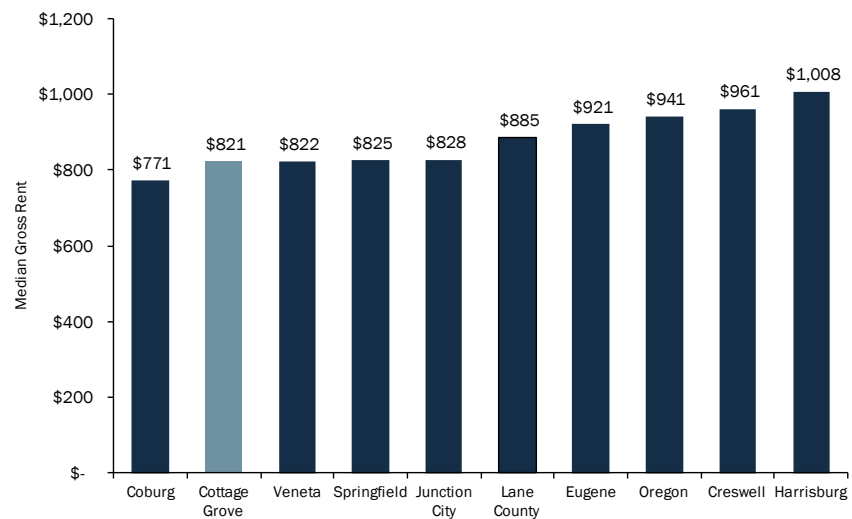
Rent costs in Cottage Grove are lower than average for Lane County and are lower than statewide averages. The following charts show gross rent (which includes the cost of rent plus utilities) for Cottage Grove in comparison to other cities in the region based on Census data.

The median gross rent in Cottage Grove is \$821.

Rent in Cottage Grove is lower than Lane County's median rent and lower than Oregon.

Exhibit 41. Median Gross Rent, Cottage Grove, Lane County, Oregon, Other Comparison Cities, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25064.

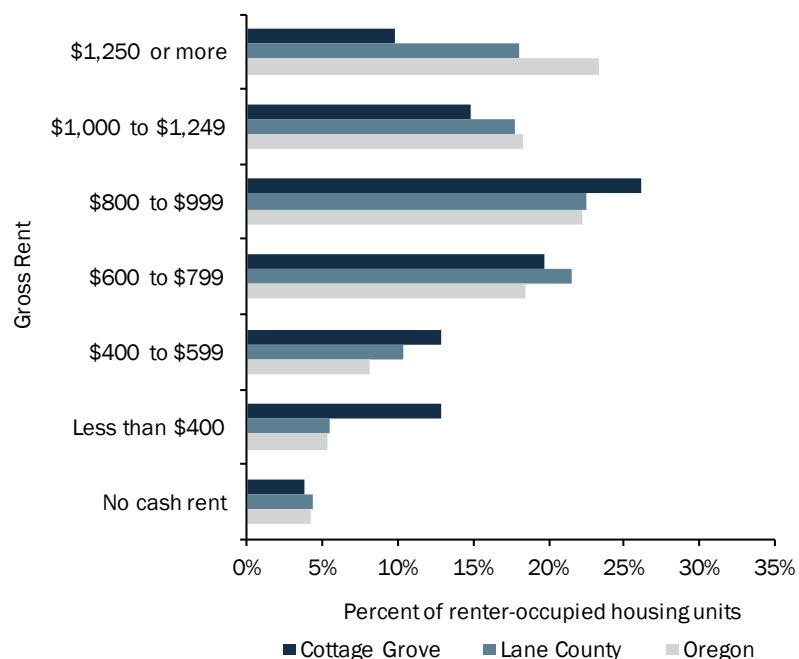


About 75% of renters in Cottage Grove pay less than \$1,000 per month.

About 10% of Cottage Grove's renters pay \$1,250 or more in gross rent per month, a smaller share than Lane County or the state.

Exhibit 42. Gross Rent, Cottage Grove, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Table B25063.



Census data includes limited data about rental costs and is based on information collected over the 2012-2016 period. Rental costs have increased substantially in cities across Oregon in recent

years. Cottage Grove has a small quantity of housing units available for rent and a rather small rental housing stock overall. Given this, we reached out to a handful of property management companies in the City to understand its rental market to gain a deeper understanding beyond the summary tables provided by the U.S. Census.

Across Cottage Grove, we spoke with companies that manage approximately 415 to 465 rental units in total. Of this rental housing stock, few are currently available to the public for rent. The majority of the units currently on the market were described as *tiny homes*, with two to three bedrooms, about 900 to 1,100 square feet of space, and a monthly rental rate of about \$1,000 to \$1,200. Other available rentals include apartments of varying sizes from one to two bedrooms costing between \$675 and \$925 per month.

From our conversations, we found one-bedroom, one-bathroom units to be the scarcest rental size in Cottage Grove. These units generally cost between \$350 to \$625 per month depending on a unit's square footage and other available amenities.

Over the last two years, property managers saw rental prices increase dramatically relative to the last two decades. Property managers indicated that the primary reason for this change was that property taxes on brand new rental units became prohibitively expensive. In turn, this has discouraged new construction, reducing the overall supply of new units. Due to the City's relatively large population of youth (under 20 years of age), property managers also noted that demand for rental units increased, particularly for young high school graduates seeking housing away from their parents. As a result, the City's supply of rental units was unable to keep up with demand.

Housing Affordability

A typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of household income for housing, including payments and interest or rent, utilities, and insurance. The Department of Housing and Urban Development's guidelines indicate that 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 47% of Cottage Grove's households are cost burdened. About 57% of renter households are cost burdened, compared with 16% of homeowners. Overall, Cottage Grove has a larger share of cost-burdened households than Lane County, Oregon, and comparison cities. Cottage Grove also has more cost-burdened renter households (65%) than Lane County (58%) or Oregon (53%).

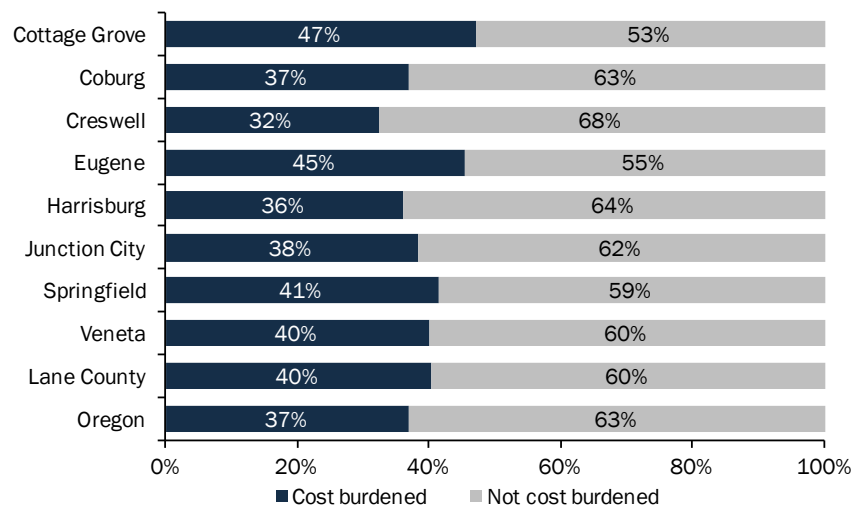
For example, about 29% of Cottage Grove's households have an income of less than \$25,000 per year. These households can afford rent of less than \$625 per month, or a home with a value of less than \$62,500. Most, but not all, of these households are cost burdened.

Overall, about 47% of all households in Cottage Grove are cost burdened.

Cottage Grove has the largest share of cost burdened households relative to all comparison cities as well as Lane County and Oregon for the 2012-2016 period.

Exhibit 43. Housing Cost Burden, Cottage Grove, Lane County, Oregon, Other Comparison Cities, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Tables B25091 and B25070.

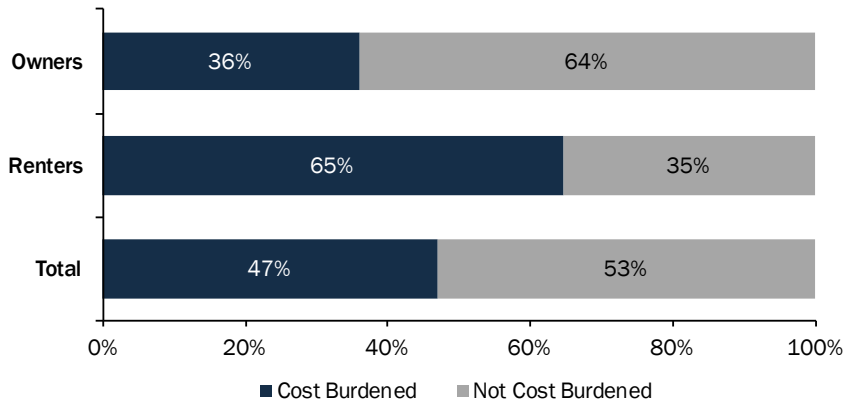


Renters are much more likely to be cost burdened than homeowners.

In the 2012-2016 period, about 65% of renters were cost burdened, compared to 36%.

Exhibit 44. Housing Cost Burden by Tenure, Cottage Grove, 2012-2016

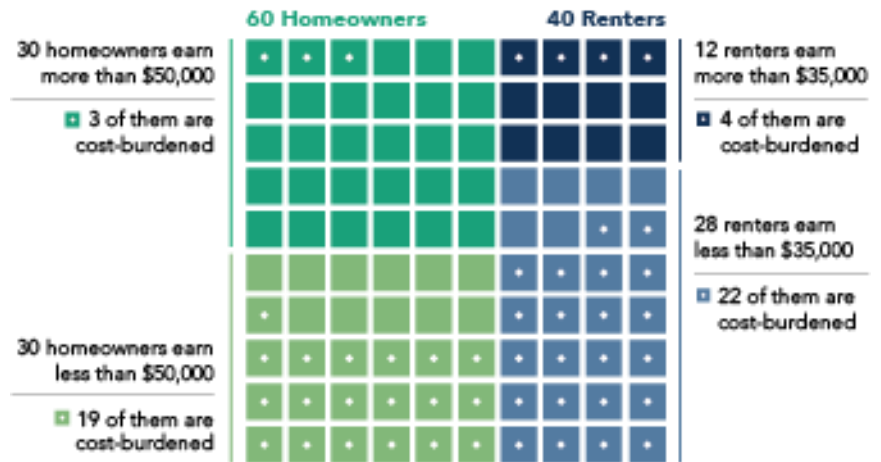
Source: U.S. Census Bureau, 2012-2016 ACS Tables B25091 and B25070.



Cost burden rates also vary by income. Nearly all renter households that earn less than \$35,000 per year are cost burdened.

Exhibit 45. Illustration of Cost Burden If all of Cottage Grove's Households were 100 Residents

Source: U.S. Census Bureau, 2012-2016 ACS Table S2503.

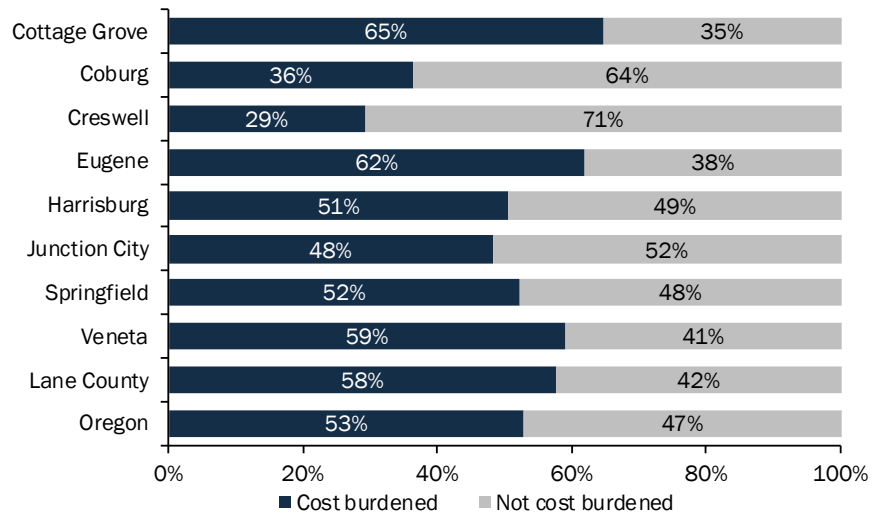


Renter cost burden is also more common in Cottage Grove than in other nearby cities.

About 65% of Cottage Grove’s renter households are cost burdened, which is a higher rate than all nearby cities considered in this analysis.

Exhibit 46. Housing Cost Burden, Renter Households, Cottage Grove, Lane County, Oregon, Other Comparison Cities, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Table B25070.



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.

Cost burden is only one indicator of housing affordability. Another way of exploring the issue of financial need is to review housing affordability at varying levels of household income.

Fair Market Rent for a 2-bedroom apartment in Lane County is \$889.

Exhibit 47. HUD Fair Market Rent (FMR) by Unit Type, Lane County, 2017

Source: U.S. Department of Housing and Urban Development.

\$564	\$669	\$889	\$1,289	\$1,553
Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom

A household must earn at least \$17.10 per hour to afford a two-bedroom unit in Lane County.

Before taxes, a full-time job at \$17.10 per hour is an annual salary of \$35,568.

Nearly half (46%) of Cottage Grove's households have income less than \$35,400 and cannot afford a two-bedroom apartment at Lane County's Fair Market Rent (FMR) of \$889.

Exhibit 48. Affordable Housing Wage, Lane County, 2017

Source: U.S. Department of Housing and Urban Development; Oregon Bureau of Labor and Industries.

\$17.10/hour

Affordable Housing Wage for two-bedroom Unit in Lane County

Exhibit 49. Financially Attainable Housing, by Median Family Income (MFI) for Lane County (\$59,000), Cottage Grove, 2017

Source: U.S. Department of Housing and Urban Development 2016. U.S. Census Bureau, 2012-2016 ACS Table 19001. Note: MFI is Median Family Income, determined by HUD for Lane County.

% of Lane County MFI	<30%	30%-60%	60%-80%	80%-120%	>120%
Annual Income	< \$17,700	\$17,700-\$35,400	\$35,400-\$47,200	\$47,200-\$70,800	> \$70,800
Monthly Affordable Housing Cost	<\$443	\$443-\$885	\$885-\$1,180	\$1,180-\$1,770	> \$1,770
% of Cottage Grove Households	20%	26%	13%	22%	19%
Attainable Owner Housing Types	None	Mfg. in parks	Single-family attached; Single-family detached, Condos, Duplexes, Mfg. on lots	All housing types of lower values	All housing types of higher values
Attainable Renter Housing Types	Apts., new and used govt assisted housing	Apts., Mfg. in parks, duplexes	Single-family attached, detached, Mfg. on lots; apts.	All housing types of lower values	All housing types of higher values

Exhibit 50 compares the number of households by income with the number of units affordable to those households in Cottage Grove. Cottage Grove currently has a deficit of housing affordable to households earning less than \$50,000. The deficit of housing for households earning less than \$35,000 (about 60% of Area Median Income) results in these households living in housing that is more expensive than they can afford. Households in this income range are generally unable to afford market rate rents. When lower cost housing (such as government subsidized housing) is not available, these households pay more than they can afford in rent. This is consistent with the data about renter cost burden in Cottage Grove.

The housing types that Cottage Grove has a deficit of are more affordable housing types such as apartments, duplexes, tri- and quad-plexes, manufactured housing, townhomes, and smaller single-family housing.

Exhibit 50. Affordable Housing Costs and Units by Income Level, Cottage Grove, 2016

Source: U.S. Census Bureau, 2012-2016 ACS. Note: MFI is Median Family Income, determined by HUD for Lane County.

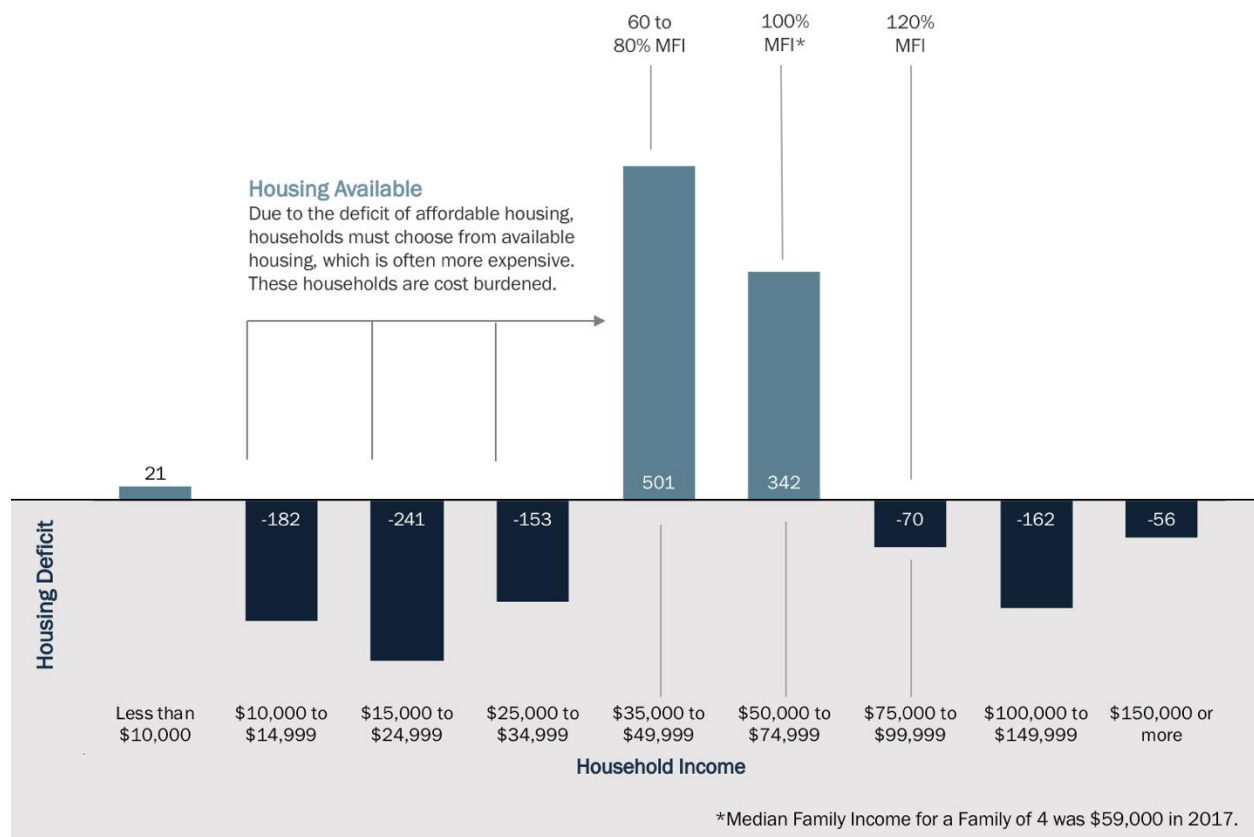
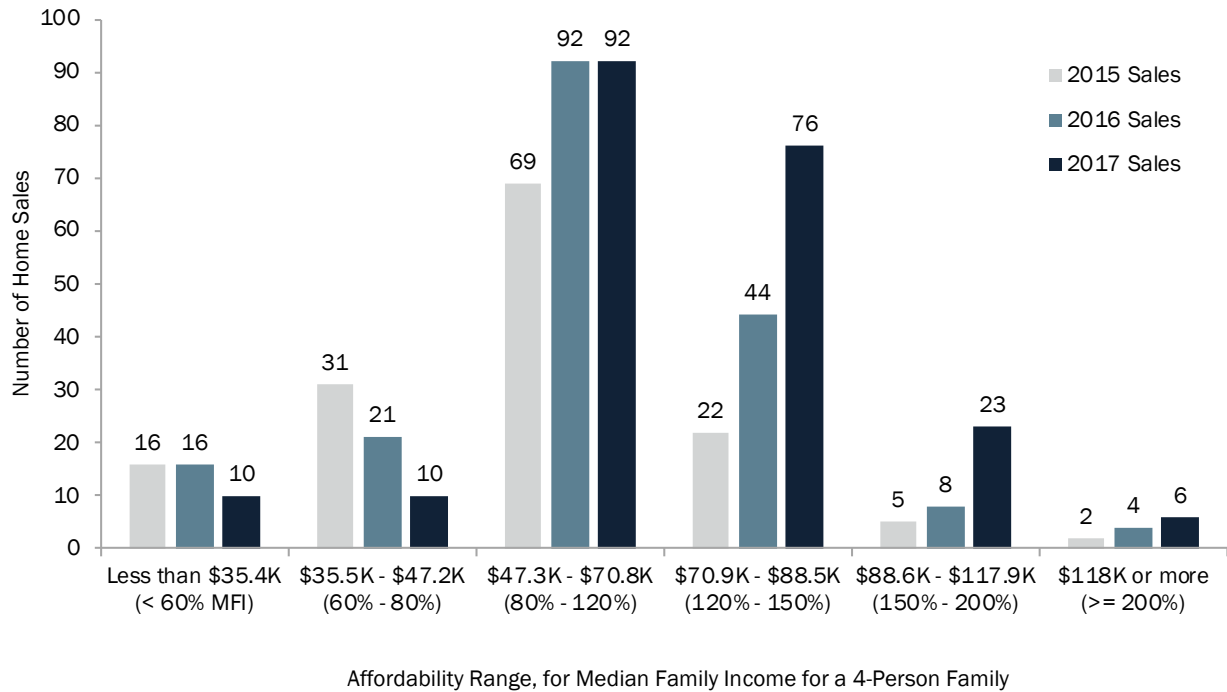


Exhibit 51 shows the distribution of home sales prices by affordability range for 2017. Most housing sold in Cottage Grove in 2017 was affordable to households earning between 80% and 150% of the Median Family Income (MFI), or a household income of about \$47,000 to \$88,000.

Exhibit 51. Distribution of Home Sales Prices by Affordability Range, Cottage Grove, 2017

Source: Redfin.



Summary of the Factors Affecting Cottage Grove'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.

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."²⁰ Thus, simply looking at the long wave of demographic trends can provide good information for estimating future housing demand.

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 Cottage Grove over the next 20 years:

- **Growth in housing will be driven by growth in population.** Between 1990 and 2017, Cottage Grove's population grew by 2,518 people (34%). The population in Cottage Grove's UGB is forecasted to grow from 10,740 to 13,981, an increase of 3,242 people (28%) between 2018 and 2038.²¹
- **Housing affordability will be a growing challenge in Cottage Grove.** Housing affordability is a challenge in most of the region in general, and Cottage Grove is affected by these regional trends. Housing prices are increasing faster than incomes in Lane County, which is consistent with state and national challenges. Cottage Grove has a smaller share of multifamily housing (about 20% of the City's housing stock), and almost half of renter households are cost burdened. Cottage Grove's key challenge over the next 20 years is providing opportunities for development of relatively affordable

²⁰ See *Planning for Residential Growth: A Workbook for Oregon's Urban Areas* (June 1997).

²¹ This forecast is based on Lane County's certified population estimate and official forecast from the Oregon Population Forecast Program for the 2018 to 2038 period, shown in Exhibit 19.

housing of all types, from lower-cost single-family housing to market-rate multifamily housing.

- **Without substantial changes in housing policy, 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.

The City's residential policies can impact the amount of change in Cottage Grove's housing market, to some degree. If the City adopts policies to increase opportunities to build smaller-scale single-family and multifamily housing types (particularly multifamily that is affordable to low- and moderate-income households), a larger percentage of new housing developed over the next 20 years in Cottage Grove may begin to address the City's needs. Examples of policies that the City could adopt to achieve this outcome include: allowing a wider range of housing types (e.g., duplex or townhouses) in single-family zones, ensuring that there is sufficient land zoned to allow single-family attached multifamily housing development, supporting development of government-subsidized affordable housing, and encouraging multifamily residential development in downtown. The degree of change in Cottage Grove's housing market, however, will depend on market demand for these types of housing in Lane County.

- **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 Cottage Grove's future housing needs are: (1) the aging of the Baby Boomers, (2) the aging of the Millennials, and (3) the continued growth in Hispanic and Latino population.

- *The Baby Boomer's population is continuing to age.* By 2035, people 60 years and older will account for 32% of the population in Lane County (up from 25% in 2015). The changes that affect Cottage Grove'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 Cottage Grove.
- *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.
- *Hispanic and Latino population will continue to grow.* The U.S. Census projects that by about 2040, Hispanic and Latino population will account for one-quarter of

the nation's population. The share of Hispanic and Latino population in the Western U.S. is likely to be higher. Hispanic and Latino population currently accounts for about 11% of Cottage Grove's population. In addition, the Hispanic and Latino population is generally younger than the U.S. average, with many Hispanic and Latino people belonging to the Millennial generation.

Hispanic and Latino population growth will be an important driver in growth of housing demand, both for owner- and renter-occupied housing. Growth in Hispanic and Latino population will drive demand for housing for families with children. Given the lower income for Hispanic and Latino households, especially first-generation immigrants, growth in this group will also drive demand for affordable housing, both for ownership and renting.²²

In summary, an aging population, increasing housing costs (although lower than the Region), housing affordability concerns for Millennials and the Hispanic and Latino populations, and other variables are factors that support the conclusion of need for smaller and less expensive units and a broader array of housing choices. Growth of retirees 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, Hispanic, and Latino populations 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 (or at most five) 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.

²² The following articles describe housing preferences and household income trends for Hispanic and Latino families, including differences in income levels for first, second, and third generation households. In short, Hispanic and Latino households have lower median income than the national averages. First and second generation Hispanic and Latino households have median incomes below the average for all Hispanic and Latino households. Hispanic and Latino households have a strong preference for homeownership, but availability of mortgages and availability of affordable housing are key barriers to homeownership for this group.

Pew Research Center. *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, February 7, 2012.

National Association of Hispanic Real Estate Professionals. *2014 State of Hispanic Homeownership Report*, 2014.

5. Housing Need in Cottage Grove

Project New Housing Units Needed in the Next 20 Years

The results of the housing needs analysis are based on: (1) the official population forecast for growth in Cottage Grove over the 20-year planning period, (2) information about Cottage Grove's housing market relative to Lane County, Oregon, and nearby cities, and (3) the demographic composition of Cottage Grove's existing population and expected long-term changes in the demographics of Lane County.

Forecast for Housing Growth

This section describes the key assumptions and presents an estimate of new housing units needed in Cottage Grove between 2018 and 2038. The key assumptions are based on the best available data and may rely on safe harbor provisions, when available.²³

- **Population.** A 20-year population forecast (in this instance, 2018 to 2038) is the foundation for estimating needed new dwelling units. Cottage Grove UGB will grow from 10,740 persons in 2018²⁴ to 13,981 persons in 2038, an increase of 3,242 people.²⁵
- **Persons in Group Quarters²⁶.** 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

²³ 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."

²⁴ Portland State University's population forecast shows that in 2015, the Cottage Grove urban growth boundary had 10,415 people. We extrapolated from 2015 to get to 10,740 in 2018 using Portland State University's method, a required use.

²⁵ This forecast is based on Cottage Grove UGB's official forecast from the Oregon Population Forecast Program for the 2018 to 2038 period.

²⁶ 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.

market. Nonetheless, group 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 0.9% of Cottage Grove’s population (85 people) was in group quarters. **For the 2018 to 2038 period, we assume that 0.9% of Cottage Grove’s new population, approximately 28 people, will be in group quarters.**

- **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 Cottage Grove was 2.49 people. **Thus, for the 2018 to 2038 period, we assume an average household size of 2.49 persons.**
- **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, Cottage Grove’s vacancy rate was 6.9%. **For the 2018 to 2038 period, we assume a vacancy rate of 6.9%.**

Cottage Grove will have demand for 1,379 new dwelling units over the 20-year period, with an annual average of 64 dwelling units.

Exhibit 52. Forecast of demand for new dwelling units, Cottage Grove UGB, 2018 to 2038

Source: Calculations by ECONorthwest.

Change in persons	3,241
<i>minus</i> Change in persons in group quarters	28
<i>equals</i> Persons in households	3,213
Average household size	2
New occupied DU	1,290
<i>times</i> Aggregate vacancy rate	0
<i>equals</i> Vacant dwelling units	89
Total new dwelling units (2018-2038)	1,379
Annual average of new dwelling units	69

Housing Units Needed Over the Next 20 Years

Exhibit 52 presents a forecast of new housing in Cottage Grove's UGB for the 2018-2038 period. This section determines the needed mix and density for the development of new housing developed over this 20-year period in Cottage Grove.

Exhibit 53 shows that, in the future, the need for new housing developed in Cottage Grove 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 Cottage Grove's future housing needs are: (1) the aging of the Baby Boomers, (2) aging of the Millennials, and (3) continued growth in Hispanic and Latino populations. Growth of these groups has the following implications for housing need in Cottage Grove:
 - *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. Some Baby Boomers may prefer housing in walkable neighborhoods, with access to services.
 - *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, at the edges of Cottage Grove's UGB. Some Millennials will prefer to locate in walkable neighborhoods, possibly choosing small single-family detached houses, townhouses, or multifamily housing.
 - *Hispanic and Latino populations.* Growth in the number of Hispanic and Latino households will result in increased demand for housing of all types, both for ownership and rentals, with an emphasis on housing that is comparatively affordable. Hispanic and Latino households are more likely to be larger than average, with more children and possibly with multigenerational households. The housing types that are most likely to be affordable to the majority of Hispanic and Latino households are existing lower-cost single-family housing, single-family housing with an accessory dwelling unit, and multifamily housing. In addition, growth in the number of farmworkers will increase need for affordable housing for farmworkers.

- About 47% of Cottage Grove’s households face housing affordability problems. About 65% of Cottage Grove’s renters have affordability problems. In 2016, nearly all (97%) housing sales were to households with income above 120% of MFI. These factors indicate that Cottage Grove needs more affordable housing types, especially for renters. A household earning median household income (about \$44,000) could afford a home valued up to about \$147,000, which is below the median home sales price of about \$208,000 in Cottage Grove.

In addition, Cottage Grove has a small supply of multifamily housing, which accounts for about one-fifth of the city’s housing stock. About half (55%) of Cottage Grove’s multifamily buildings are relatively small (2-4 units), as a result of the City’s development code, which restricts multifamily development.

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 Cottage Grove’s needed housing mix is for a broader range of housing types than are currently available in Cottage Grove’s housing stock. The types of housing developments that Cottage Grove will need to provide 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 quad-plexes, small apartment buildings, and larger apartment buildings.

Exhibit 53 shows a forecast of needed housing in the Cottage Grove UGB during the 2018 to 2038 period. The projection is based on the following assumptions:

- Cottage Grove’s official forecast for population growth shows that the City will add 3,242 people over the 20-year period. Exhibit 52 shows that the new population will result in need for 1,379 new dwelling units over the 20-year period.
- The assumptions about the mix of housing in Exhibit 53 are:
 - **About 65% of new housing will be single-family detached**, a category which includes manufactured housing. Exhibit 8 shows that 74% of Cottage Grove’s housing was single-family detached in the 2012-2016 period.
 - **Nearly 10% of new housing will be single-family attached**. Exhibit 8 shows that 6% of Cottage Grove’s housing was single-family attached in the 2012-2016 period, with little change since 2000.
 - **About 25% of new housing will be multifamily**. Exhibit 8 shows that 20% of Cottage Grove’s housing was multi-family in the 2012-2016 period, with little change since 2000.

Cottage Grove will have demand for 1,379 new dwelling units over the 20-year period, 65% of which will be single-family detached housing.

Exhibit 53. Forecast of demand for new dwelling units, Cottage Grove UGB, 2018 to 2038

Source: Calculations by ECONorthwest.

Needed new dwelling units (2018-2038)	1,379
Dwelling units by structure type	
<i>Single-family detached</i>	
<i>Percent single-family detached DU</i>	65%
<i>equals Total new single-family detached DU</i>	896
<i>Single-family attached</i>	
<i>Percent single-family attached DU</i>	10%
<i>equals Total new single-family attached DU</i>	138
<i>Multifamily</i>	
<i>Percent multifamily</i>	25%
<i>Total new multifamily</i>	345
Total new dwelling units (2018-2038)	1,379

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.

Exhibit 54 allocates needed housing to plan designations in Cottage Grove. The allocation is based, in part, on the types of housing allowed in the zoning designations in each plan designation by zone. Exhibit 54 shows:

- **Low Density** land will accommodate new single-family detached housing, including manufactured houses.
- **Medium Density** land will accommodate new single-family detached and attached housing, including manufactured houses, townhouses, duplexes, and triplexes.
- **High Density** land will accommodate dense single-family detached housing as cottage cluster housing, townhouses, duplexes, triplexes, and other multifamily housing.
- **Commercial** land will accommodate multifamily housing with 5 or more units per structure.

Exhibit 54. Allocation of needed housing by housing type and plan designation, Cottage Grove UGB, 2018 to 2038

Source: ECONorthwest.

Comprehensive Plan Designation	Residential Plan Designations			Commercial	Total
	Low Density	Medium Density	High Density		
Dwelling Units					
Single-family detached	564	290	41	-	895
Single-family attached	-	110	28	-	138
Multifamily	-	83	152	110	345
Total	564	483	221	110	1,378
Percent of Units					
Single-family detached	41%	21%	3%	0%	65%
Single-family attached	0%	8%	2%	0%	10%
Multifamily	0%	6%	11%	8%	25%
Total	41%	35%	16%	8%	100%

Exhibit 55 shows the following needed densities, in net and gross acres.²⁷ Exhibit 55 converts 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 Cottage Grove. For example, in residential development in the Medium Density designation, 20% of developed land is in rights-of-way.

- **Low Density Residential:** 22% of land is in rights-of-way. The densities by zone in this Plan Designation area are between 4.0 dwelling units per net acre and 6.0 dwelling units per net acre.
- **Medium Density Residential:** 20% of land is in rights-of-way. The densities by zone in this Plan Designation area are between 6.0 dwelling units per net acre and 12.0 dwelling units per net acre. Development in the Medium Density Designation is generally occurring towards the lower end of the density range, in recent years.
- **High Density Residential:** 18% of land is in rights-of-way. The densities by zone in this Plan Designation area are a minimum of 10.0 dwelling units per net acre, with no specified maximum density. The maximum density is regulated by the maximum height limit (40 feet). For example, single-family detached housing is not allowed in this Designation, unless it is built as new cottage housing at a density of at least 10 dwelling units per acre.
- **Commercial:** 25% of land is in rights-of-way. Development densities in Commercial Plan Designations are generally higher than in other areas of the City, between 17 dwelling units per gross acre and more than 100 dwelling units per gross acre. These densities were largely achieved through development of apartments on the second

²⁷ OAR 660-024-0010(6) uses the following definition of net buildable acre. "Net Buildable Acre" "...consists of 43,560 square feet of residentially designated buildable land after excluding future rights-of-way for streets and roads." While the administrative rule does not include a definition of a gross buildable acre, using the definition above, a gross buildable acre will include areas used for rights-of-way for streets and roads. Areas used for rights-of-way are considered unbuildable.

floor of existing buildings. Given the limited number of buildings that provide opportunities for adaptive reuse for second story apartments, we assume a more moderate average future density for multifamily development in Commercial Plan Designations.

Exhibit 55. Needed density for housing built in the Cottage Grove UGB, 2018 to 2038

Source: ECONorthwest. Note: DU is dwelling unit.

Plan Designation	Average Net Density (du/acre)	Percentage for Rights-of-Way	Average Gross Density (du/acre)
Low Density Residential	5	22%	3.9
Medium Density Residential	8	20%	6.4
High Density Residential	21	18%	17.2
Commercial Plan Designations	30	25%	22.5

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 ECONorthwest.

The analysis in the next Exhibit is based on American Community Survey data about income levels in Cottage Grove, using information shown in Exhibit 49. Income is categorized into market segments consistent with HUD income level categories, using Lane 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 46% of Cottage Grove's future households will have income below 50% of Lane County's median family income (less than \$35,400 in 2016 dollars) and about 35% will have incomes between 50% and 120% of the county's MFI (between \$35,400 and \$70,800).

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

Exhibit 56. Financially Attainable Needed New Housing, by Median Family Income (MFI) for Lane County (\$59,000), Cottage Grove, 2018-2038

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

% of Lane County MFI	<30%	30%-50%	50%-80%	80%-120%	>120%
Annual Income	< \$17,700	\$17,700-\$35,400	\$35,400-\$47,200	\$47,200-\$70,800	> \$70,800
Monthly Affordable Housing Cost	< \$443	\$443-\$885	\$885-\$1,180	\$1,180-\$1,770	> \$1,770
Percent of Cottage Grove Households	20%	26%	13%	22%	19%
New Households 2018-2038	280	354	178	299	268
Attainable Owner Housing Types	None	Mfg. in parks	Single-family attached, Condos, Duplexes, and Mfg. on lots	All housing types of lower values	All housing types of higher values
Attainable Renter Housing Types	Apts., New and used government assisted housing	Apts., Mfg. in parks, 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.). Cottage Grove allows development of government-assisted housing in all residential plan designations, with the same development standards for market-rate housing. This analysis assumes that Cottage Grove 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.** Cottage Grove allows manufactured homes on lots in the R-1 and R-2 zones, which are the zones where single-family detached housing is allowed. Cottage Grove 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,²⁸ Cottage Grove has four manufactured home parks within the City, with 166 spaces and ten vacant spaces.

ORS 197.480(2) requires Cottage Grove 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.

- Exhibit 52 shows that Cottage Grove will grow by 1,379 dwelling units over the 2018 to 2038 period.
- Analysis of housing affordability shows that about 46% of Cottage Grove's new households will be low income, earning 50% or less of the region's median family income. One type of housing affordable to these households is manufactured housing.
- Manufactured housing in parks accounts for about 3.7% (about 156 dwelling units) of Cottage Grove's current housing stock.

²⁸ Oregon Housing and Community Services, Oregon Manufactured Dwelling Park Directory, <http://o.hcs.state.or.us/MDPCRParcs/ParkDirQuery.jsp>

- 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 56 shows that the households most likely to live in manufactured homes in parks are those with incomes between \$17,700 and \$35,400 (30% to 50% of MFI), which include 26% of Cottage Grove households. However, households in other income categories may live in manufactured homes in parks.

Manufactured home park development is an allowed use in the Mobile Home Park zone. The national and 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 Cottage Grove is unlikely.

Our conclusion from this analysis is that development of new manufactured home parks in Cottage Grove 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 Cottage Grove. The forecast of housing assumes that no new manufactured home parks will be opened in Cottage Grove 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 Cottage Grove. 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.

While there is statewide regulation of the closure of manufactured home parks designed to lessen the financial difficulties of this closure for park residents,²⁹ the City has a role to play in ensuring that there are opportunities for housing for the displaced residents. The City's primary roles are to ensure that there is sufficient land zoned for new multifamily housing and to reduce barriers to residential development to allow for development of new, relatively affordable housing. The City may use a range of policies to encourage development of relatively affordable

²⁹ ORS 90.645 regulates rules about closure of manufactured dwelling parks. It requires that the landlord must do the following for manufactured dwelling park tenants before closure of the park: give at least one year's notice of park closure, pay the tenant between \$5,000 to \$9,000 for each manufactured dwelling park space, and cannot charge tenants for demolition costs of abandoned manufactured homes.

housing, such as allowing a wider range of moderate density housing (e.g., duplexes or cottages) in the R-2 and R-3 zones, designating more land for multifamily housing, removing barriers to multifamily housing development, using tax credits to support affordable housing production, developing an inclusionary zoning policy, or partnering with a developer of government-subsidized affordable housing.

6. Residential Land Sufficiency within Cottage Grove

This chapter presents an evaluation of the sufficiency of vacant residential land in Cottage Grove 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 Cottage Grove’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,”³⁰ can be used to evaluate different ways that vacant residential land may build out by applying different assumptions.

³⁰ 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.

Cottage Grove 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 shown in Exhibit 55.

Exhibit 57 shows that **Cottage Grove’s vacant land has capacity to accommodate approximately 1,794 new dwelling units**, based on the following assumptions:

- **Buildable residential land.** The capacity estimates start with the number of buildable acres in residential Plan Designations as shown in Chapter 2. The exception is Commercial Plan Designations. We assume that a small portion of the land in Commercial Designations (5.0 acres of 46 vacant acres) 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. Those densities were derived from the needed densities shown in Exhibit 55.

Exhibit 57. Estimate of residential capacity on unconstrained vacant and partially vacant buildable land, Cottage Grove UGB, 2018

Source: Buildable Lands Inventory; Calculations by ECONorthwest. Note: DU is dwelling unit.

Plan Designation	Total	Density	Capacity (Dwelling Units)
	Unconstrained Buildable Acres	Assumption (DU/Acre)	
Low Density Residential	250	3.9	976
Medium Density Residential	82	6.4	521
High Density Residential	13	17.2	224
Commercial Plan Designations	5.0	22.5	112
Total	350	5.2	1,833

Residential Land Sufficiency

The next step in the analysis of the sufficiency of residential land within Cottage Grove is to compare the demand for housing by Plan Designation (Exhibit 54) with the capacity of land by Plan Designation (Exhibit 57).

Exhibit 58 shows that Cottage Grove has sufficient land to accommodate development in the Low Density and Medium Density Designations, with a surplus of capacity for 412 and 38 dwelling units respectively. Cottage Grove essentially has no surplus of land in the High Density Residential Designation.

Exhibit 58. Comparison of capacity of existing residential land with demand for new dwelling units and land surplus or deficit, Cottage Grove UGB, 2018-2038

Source: Buildable Lands Inventory; Calculations by ECONorthwest. Note: DU is dwelling unit.

Plan Designation	Capacity (Dwelling Units)	Demand for New Housing	Comparison (Supply minus Demand)
Low Density Residential	976	564	412
Medium Density Residential	521	483	38
High Density Residential	224	221	3
Commercial Plan Designations	112	110	2

Cottage Grove's surplus of Low Density Residential capacity (412 dwelling units) means that the City has an approximate surplus of 106 gross acres of Low Density land (at 3.9 dwelling units per gross acre). The City's surplus of Medium Density Residential capacity (38 dwelling units) means that the City has an approximate surplus of 6 gross acres of Medium Density land (at 6.4 dwelling units per gross acre).

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 Cottage Grove'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 semi-public uses.** This includes churches, non-profit organizations, and related semi-public uses. The analysis includes land need assumptions using acres per 1,000 persons for all lands of these types.
- **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 by the South Lane School District, beyond land owned by the District, for new schools.

- **Lands needed for parks and open space.** The City’s adopted parks plan, *2003 Water To Woods Parks Master Plan*, describes park and open space land needed to meet existing residents’ parkland needs in Cottage Grove.

Exhibit 58 shows that Cottage Grove has 9.7 acres of land for public operations and facilities in residential plan designations in 2017, at 1.0 acres per 1,000 people. If future needs are consistent with current needs, Cottage Grove will need 3.0 acres of residential land for public operations and facilities to accommodate growth over the 2018 to 2038 period.

Cottage Grove has 28 acres in residential designations for semi-public uses, averaging 2.9 acres per 1,000 people. Assuming continuation of this land need, Cottage will need 9.0 acres of residential land for semi-public uses to accommodate growth over the 2018 to 2038 period.

Exhibit 59. Public and semi-public land uses in 2017 and land needs, Cottage UGB, 2018-2038

Source: Lane County Assessor’s database; Calculations by ECONorthwest

	2017		2018-2038	
	Acres	Acres per 1,000 people	Acres per 1,000 people	Needed Acres
Public Operations & Facilities	9.7	1.0	1.0	3.0
Semi-Public Uses	28.4	2.9	2.9	9.0

In addition, Cottage Grove will need land for parks, as described in the City’s *2003 Water To Woods Parks Master Plan*. The plan calls for the following land needs for parks likely to be located within Cottage Grove’s UGB on vacant residential land: mini parks at 0.1 acre per 1,000 people, neighborhood parks at 2.0 acres per 1,000 people, and community parks at 4.0 acres per 1,000 people. In total, Cottage Grove’s adopted parks plan calls for 6.1 acres per 1,000 people, would result in demand for 20 acres of park land to meet growth of population between 2018 and 2038.³¹

Cottage Grove’s total land need for public and semi-public lands is for 32 acres. This land need can be accommodated in the surplus of more than 100 acres 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 Cottage Grove Buildable Lands Inventory.

³¹ *2003 Water To Woods Parks Master Plan, Park IV: Park Definitions and Development Standards.*

<http://www.cottagegrove.org/cd/page/2003-water-woods-parks-master-plan-0>

This analysis assumed that Cottage Grove would not have additional need for vacant residential land to accommodate the following types of specialized parks within the UGB: nodal parks along greenways, natural resource areas (in upland natural areas), and greenways.

Conclusions and Recommendations

The key findings of the Cottage Grove Housing Needs Analysis are that:

- **Cottage Grove’s population is forecast to grow faster than in the past.** Cottage Grove UGB is forecast to grow from 10,740 people in 2018 to 13,981 people in 2038, an increase of 3,242 people. This population growth will occur at an average annual growth rate of 1.3%.
- **Cottage Grove is planning for 1,379 new dwelling units.** The growth of 3,242 people will result in demand for 1,379 new dwelling units over the 20-year planning period, averaging 69 new dwelling units annually.
- **Cottage Grove will plan for more single-family attached and multifamily dwelling units in the future to meet the City’s housing needs.** Historically, about 75% of Cottage Grove’s housing was single-family detached. While 65% of new housing in Cottage Grove is forecast to be single-family detached, the City will need to provide opportunities for development of new single-family attached (10% of new housing) and multifamily units (25% of new housing).
 - The factors driving the shift in types of housing needed in Cottage Grove include changes in demographics and decreases in housing affordability. The aging of the Baby Boomers and the household formation of the Millennials will drive demand for renter- and owner-occupied housing, such as small single-family detached housing, townhouses, duplexes, and apartments. Both groups may prefer housing in walkable neighborhoods, with access to services.
 - Cottage Grove’s existing deficit of housing affordable for low- and high-income households indicates a need for a wider range of housing types, especially for renters. About 47% of Cottage Grove’s households have affordability problems, including a cost burden rate of 65% for renter households (a higher rate than most cities in the region).
 - Without diversification of housing types, lack of affordability will continue to be a problem, possibly growing in the future if incomes continue to grow at a slower rate than housing costs. Under the current conditions, 634 of the forecast for new households will have incomes of \$35,400 (in 2016 dollars) or less. These households cannot afford market rate housing without government subsidy. More than 477 new households will have incomes between \$35,400 and \$70,800. These households will all need access to affordable housing, such as the housing types described above.
- **Cottage Grove should take actions expand development opportunities for multifamily housing.** Cottage Grove is able to accommodate growth of multifamily but has no excess capacity for multifamily housing in the High-Density Designation. Cottage Grove can address provide opportunities for multifamily development in a number of ways: (1) by increasing minimum densities in the High-Density Designation to increase development densities in the future, (2) by identifying land to be zoned for high density

development, increasing the amount of buildable land in this zone, or (3) by changing the city policies so that multifamily development can occur more easily in Commercial Designations, such as allowing residential buildings without commercial uses on some commercial lands.

- **The location of Cottage Grove's High-Density residential land presents barriers to development of multifamily housing.** Generally speaking, the vacant High Density residential land is located near the edges of the city, with some located in areas that are difficult to service. The same is generally true for Cottage Grove's Medium Density land. The city should consider opportunities for rezoning land to High Density (or even Medium Density) Designations or changing zoning policy is to allow multifamily housing development in commercial areas.
- **The city may have an opportunity to work with the Cottage Grove's School District on redevelopment of two sites that the School District is considering identifying as surplus to the District's need.** The City could also purchase the sites from the school district to land bank or develop. These sites, especially the larger site in the western part of Cottage Grove, present an opportunity for development of a mixture of housing types, such as smaller single-family detached housing, duplexes, townhouses, and multifamily buildings. Depending on the School District's preferences for development in these areas, these areas may present opportunity for development of housing that is affordable to middle-income households, such as households earning around 80% of MFI (households with income around \$50,000).

ECONorthwest's recommendations to Cottage Grove for addressing the City's housing needs are:

- **Cottage Grove should plan to provide opportunities for development of the housing need identified in this report.** This analysis found that Cottage Grove'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 high rate of cost burden for renters and small amount of land available for multifamily housing, Cottage Grove should focus on providing opportunities for development of multifamily housing and other types of rental housing. The City should evaluate opportunities to lower barriers to development of types of housing that are relatively more affordable (e.g., townhouses and multifamily housing) and ensure that sufficient land is available to accommodate these housing types.

The City may consider partnering with organizations involved in producing affordable housing, such as affordable housing developers, both for government-subsidized affordable housing and market-rate affordable housing (e.g., housing affordable to households earning 60% to 120 % of MFI).

- **Cottage Grove should update its Comprehensive Plan policies.** As part of this project, we evaluated and made recommendations for revisions to the City's residential

Comprehensive Plan policies. We recommend the City adopt the revised policies, as well as this housing needs analysis.

- **Cottage Grove should identify and lower (or remove) barriers to housing development, especially multifamily housing.** The key barrier to multifamily housing development is the limited amount of vacant land in the High-Density Designation.
- **Cottage Grove should update its zoning code to provide opportunities for development of a wider range of housing** This project results in recommendations for the following revisions to Cottage Grove’s zoning code:
 - Allow Manufactured Home Parks in the R-2 and R-3 zones, as required by State law.³²
 - Evaluate increasing densities in the R-1 zone from 4 to 6 dwelling units per acre to 4 to 8 dwelling units per acre.
 - Evaluate increasing densities in the R-2 zone from 6 to 12 dwelling units per acre to 8 to 12 dwelling units per acre.
 - Evaluate increasing the minimum density in the R-3 zone from 10 dwelling units per acre to 12 dwelling units per acre.
 - Evaluate increasing the maximum building height in the R-3 zone from 40 feet (4.5 stories tall) to 60 feet.
 - Evaluate relaxing regulations on cottage housing development, such as allowing it as a permitted use in the R-2 and R-3 zones (rather than a conditional use) and removing the restriction on the number of cottages per parcel.
 - Evaluate allowing multifamily development in commercial areas, excluding the Historic Downtown, in residential buildings without commercial uses on the ground floor.
 - Conduct a detailed audit of the City’s zoning code to identify barriers to residential development and identify alternatives for lowering or eliminating the barriers.
- Cottage Grove should develop policies to support development of low-income and workforce affordable housing, such as:
 - Collaborate with affordable housing providers to support affordable housing development.
 - Develop a tax abatement program, such as the multiple-unit limited tax exemption program, to promote development of affordable and market-rate multifamily housing. The City may choose to evaluate development of a tax abatement program, as part of a longer-term affordable housing strategy.

³² ORS 197.480(1)(b) requires cities to allow the development of manufactured home parks as a permitted use in areas planned and zoned for a residential density of six to 12 units per acre.

- Consider and encourage use of Tax Increment Financing in the Urban Renewal Areas to support government-subsidized and market-rate multifamily housing development. This policy would require development of an Urban Renewal District and Plan.
- Develop a program to defer systems development charges and other fees for affordable housing development.
- Identify sources of funding to support government-subsidized affordable housing development, such as a Construction Excise Tax (CET).
- **Cottage Grove will need to encourage multifamily housing development in Commercial areas (or redesignate land for multifamily development) to meet its housing needs.** In addition to the other policy changes suggested in this section, Cottage Grove can increase opportunities for multifamily housing by identifying and lowering barriers to development in Commercial Designations or by redesignating land to allow multifamily development, in Medium or High Density Designations.

For example, allowing residential development in Commercial Designations (outside of the Historic district) provides opportunities for more multifamily development. Another opportunity is working with the School District on redevelopment of sites the District may identify as surplus for school uses. The larger of these sites could be master planned for developed with a mixture of housing types, including small single-family detached, cottage housing, townhouses, and apartments.

- **Cottage Grove should monitor residential land development.** Monitoring residential land development will help the City ensure that there is enough residential land to accommodate the long-term forecast for population growth. We recommend that the City develop and implement a system to monitor the supply of residential land. This includes monitoring residential development (through permits) as well as land consumption (e.g. development on vacant, or re-developable lands).

Appendix A – Residential Buildable Lands Inventory

The general structure of the buildable land (supply) analysis is based on the DLCD HB 2709 workbook “*Planning for Residential Growth – A Workbook for Oregon’s Urban Areas,*” which specifically addresses residential lands. The buildable lands inventory uses methods and definitions that are consistent with Goal 10/OAR 660-008.

This inventory does not use the process outlined in the Division 38 Simplified Urban Growth Boundary Method. OAR 660-038 was adopted in 2016 to provide cities with a simplified method to evaluate and amend urban growth boundaries (UGBs). OAR 660-038-0060 and 0070 describes the process for a simplified residential land inventory within the UGB. These methods must be used if a city wants to use the Division 38 simplified UGB review pathway. It is our understanding that Cottage Grove desires to use the traditional pathway. We call attention to the differences because the results of a BLI using the traditional Goal 10/OAR 660-008 pathway does not comply with the Division 38 requirements.

ECONorthwest used 2017 data for this report. The following provides an overview of the buildable land inventory methodology and results.

Overview of the Methodology

The Cottage Grove BLI includes all residential land designated in the comprehensive plan within the Cottage Grove UGB. From a practical perspective, this means that ECONorthwest inventoried all lands within tax lots identified by the Lane County Technology Services that fall within the UGB. The inventory then builds from the tax lot-level database to estimates of buildable land by plan designation.

The buildable lands analysis was completed through several sequential steps.

Step 1: Generate “land base.” First, the analysis established the residential land base (parcels or portion of parcels with appropriate zoning). Per Goal 10, this process involves selecting all of the taxlots in the Cottage Grove UGB with residential plan designations or other plan designations that allow residential uses. Plan designations included in the residential inventory were:

- Low Density Residential
- Medium Density Residential
- High Density Residential
- Residential Commercial
- Community Commercial
- Central Business District

- Tourist Commercial

Step 2: Classify lands by development status. Next, the analysis classified each parcel into one of the following categories based on development status.

- Developed land
- Vacant land
- Partially vacant land

Step 3: Identify constraints. The next step in the BLI is to identify lands with development constraints. This includes floodways, regulated wetlands, significant Goal 5 resources (including required setbacks), and land identified for future public facilities as constrained or committed lands. All constraints were merged into a single constraint file, which was then used to identify the area of each tax lot that is constrained. These areas are deducted from lands that were identified as vacant or partially vacant.

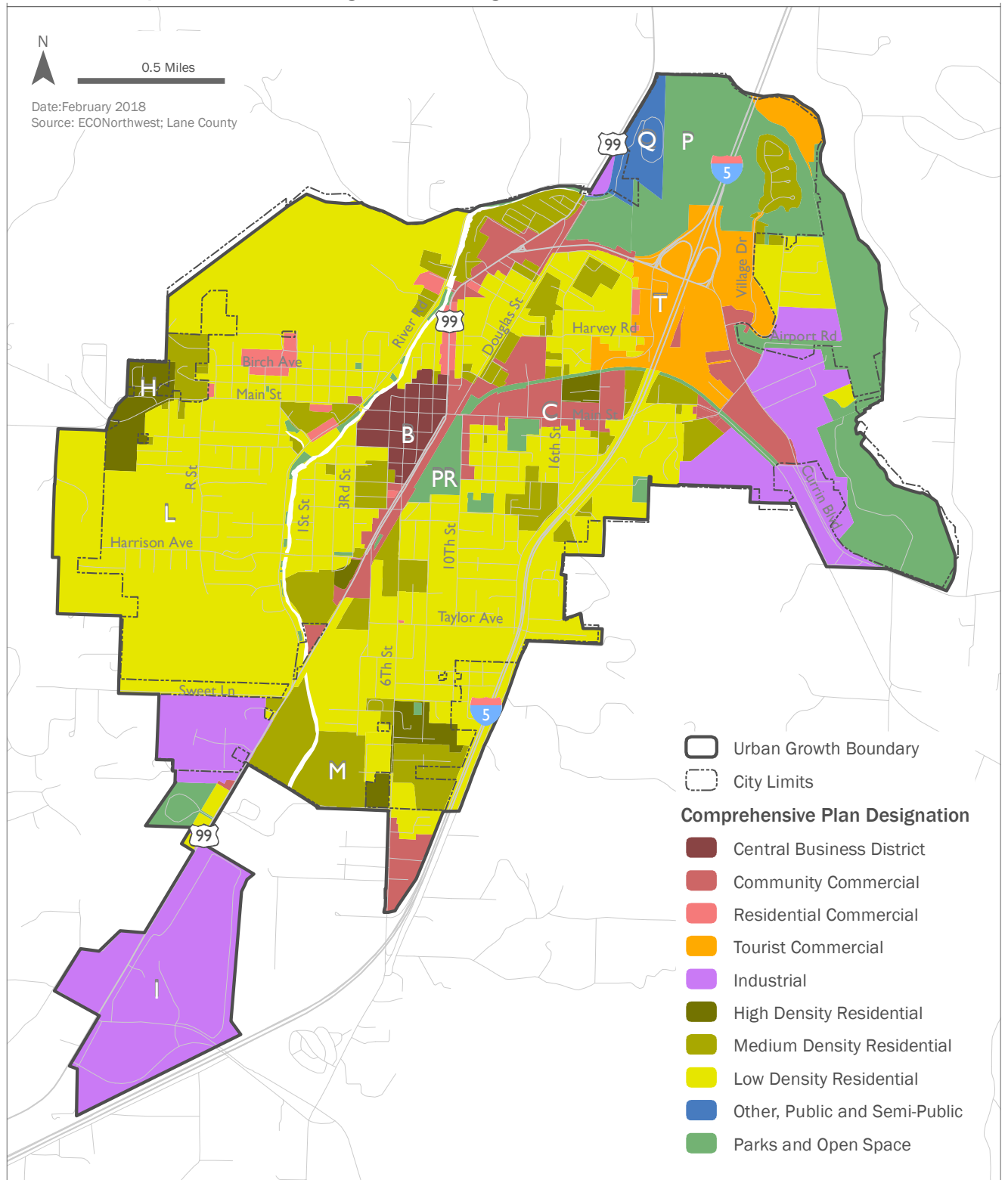
Step 4: Verification. ECONorthwest used a multi-step verification process to ensure the accuracy of the BLI. The first verification step included a “rapid visual assessment” of land classifications using GIS and recent aerial photos to verify uses on the ground. The second round of verification involved City staff verifying the rapid visual assessment output. ECONorthwest amended the BLI based on City staff review and a discussion of the City’s comments.

The inventory was completed primarily using Geographic Information Systems (GIS) mapping technology. The output of this analysis is a database of land inventory information, which is summarized in both tabular, and map format. Although data for the inventory was gathered and evaluated at the parcel level, the inventory does not present a parcel-level analysis of lot availability and suitability. The results of the inventory have been aggregated by comprehensive Plan Designations, consistent with state planning requirements. As such, the inventory is considered to be accurate only in the aggregate, and not at the parcel level.

Data used for the analysis was provided by Lane County Technology Services. Specific data used included city/urban growth boundaries, tax lots, zoning, Locally Significant Wetlands, the Willamette River Greenway, floodway and floodplains, and slopes. The tax lot data was current as of November 2017.

Exhibit 60 (on the following page) shows comprehensive plan designations for the City of Cottage Grove. This BLI includes lands in the Low Density Residential, Medium Density Residential, High Density Residential, Residential Commercial, Community Commercial, Central Business District, and Tourist Commercial Plan Designations.

Exhibit 60. Comprehensive Plan Designations, Cottage Grove UGB, 2018



Definitions

A key step in the buildable lands analysis is to classify each tax lot into a set of mutually exclusive categories based on development status. For the purpose of this study, all residential tax lots in the UGB are classified into one of the following categories:

- *Vacant land.* Tax lots that have no structures or have buildings with very little improvement value are considered vacant. For the purpose of this inventory, lands with improvement values under \$10,000 are considered vacant (not including lands that are identified as having mobile homes).
- *Partially vacant land.* Partially vacant tax lots are those occupied by a use, but which contain enough land to be developed further. Consistent with the safe harbor established in OAR 660-024-0050 (2)(a), tax lots that are one-half acre or larger are considered partially vacant.³³ This was refined through visual inspection of recent aerial photos.
- *Developed land.* Developed land is developed at densities consistent with zoning and has improvements that make it unlikely to redevelop during the analysis period. Lands not classified as vacant or partially vacant are considered developed. In addition, taxlots that provide required parking for adjacent parcels—as identified through review by City of Cottage Grove staff—are also considered developed.

Development Constraints

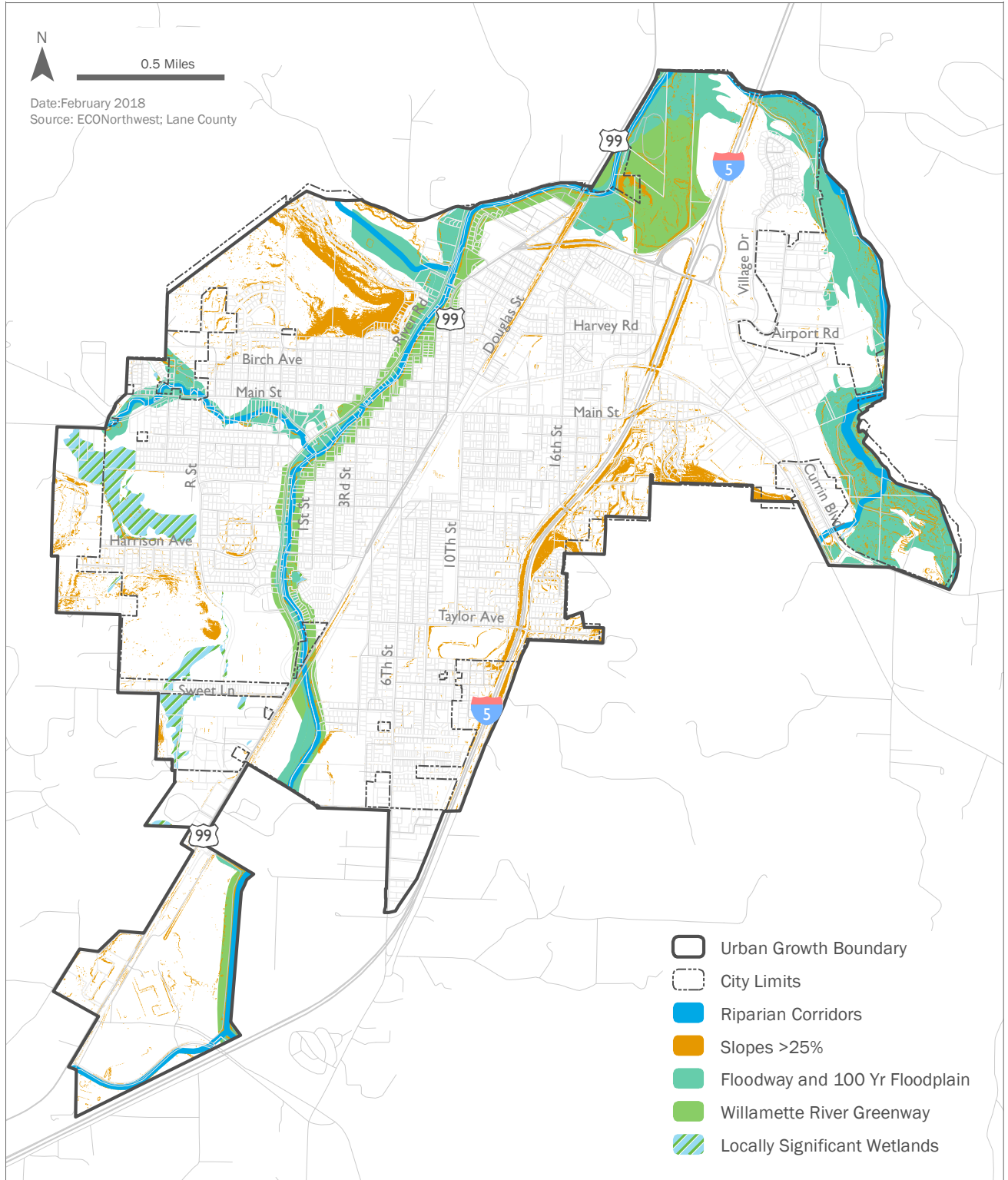
Consistent with state guidance on buildable lands inventories, ECONorthwest deducted portions of residential tax lots that fall within certain constraints from the buildable lands (e.g. wetlands and steep slopes). We used categories consistent with OAR 660-008-0005(2):

- *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 are defined as lands within 50 feet of rivers, and the Willamette River Greenway are all considered undevelopable. These wetlands and riparian buffers are consistent with Cottage Grove 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.

Exhibit 61 maps the development constraints used for the residential BLI.

³³ Under the safe harbor established in OAR 660-024-0050 (2)(a), the infill potential of developed residential lots of one-half acre or more may be determined by subtracting one-quarter acre (10,890 square feet) for the existing dwelling and assuming that the remainder is buildable land. The RBLI used this methodology.

Exhibit 61. Development Constraints, Cottage Grove UGB, 2018



Residential Buildable Land Inventory Results

Land Base

The next Exhibit shows residential land in Cottage Grove by classification (development status). The results show that the Cottage Grove UGB has 1,747 total acres in residential Plan Designations. This analysis includes the Commercial designation, which allows residential uses. Of the 1,747 acres in the UGB, about 1,114 acres (67%) are classified as Developed and do not have development capacity, and the remaining 561 acres (33%) are Vacant or Partially Vacant and have development capacity (not including development constraints). In addition, there are 72 acres of property owned by the school district that may be surplus property. If this property was surplus, it would could then increase the total acres with development capacity to 663 acres.

Exhibit 62. Residential acres by classification and Plan Designation, Cottage Grove UGB, 2018

Source: ECONorthwest. Note: The numbers in the table may not sum to the total as a result of rounding.

Plan Designation	Partially			Total Acres	Percent of Total
	Vacant	Vacant	Developed		
Low Density Residential	202	168	705	1,076	64%
Medium Density Residential	76	39	154	269	16%
High Density Residential	14	12	30	56	3%
Residential Commercial	1	2	22	24	1%
Community Commercial	13	12	107	133	8%
Central Business District	1	1	26	27	2%
Tourist Commercial	16	4	70	90	
Total Acres	323	238	1,114	1,675	100%
Percent of Total	19%	14%	67%	100%	
<i>School District Vacant</i>	72	-	-	72	

The Exhibit on the following page shows land in all residential Plan Designations by development and constraint status. After development constraints have been applied, about 59% of Cottage Grove’s total residential land (994 acres) has no development capacity, 17% (290 acres) is constrained, and 23% (391 acres) is unconstrained buildable. The school district property would add an additional 65 acres of unconstrained and buildable area if surplus.

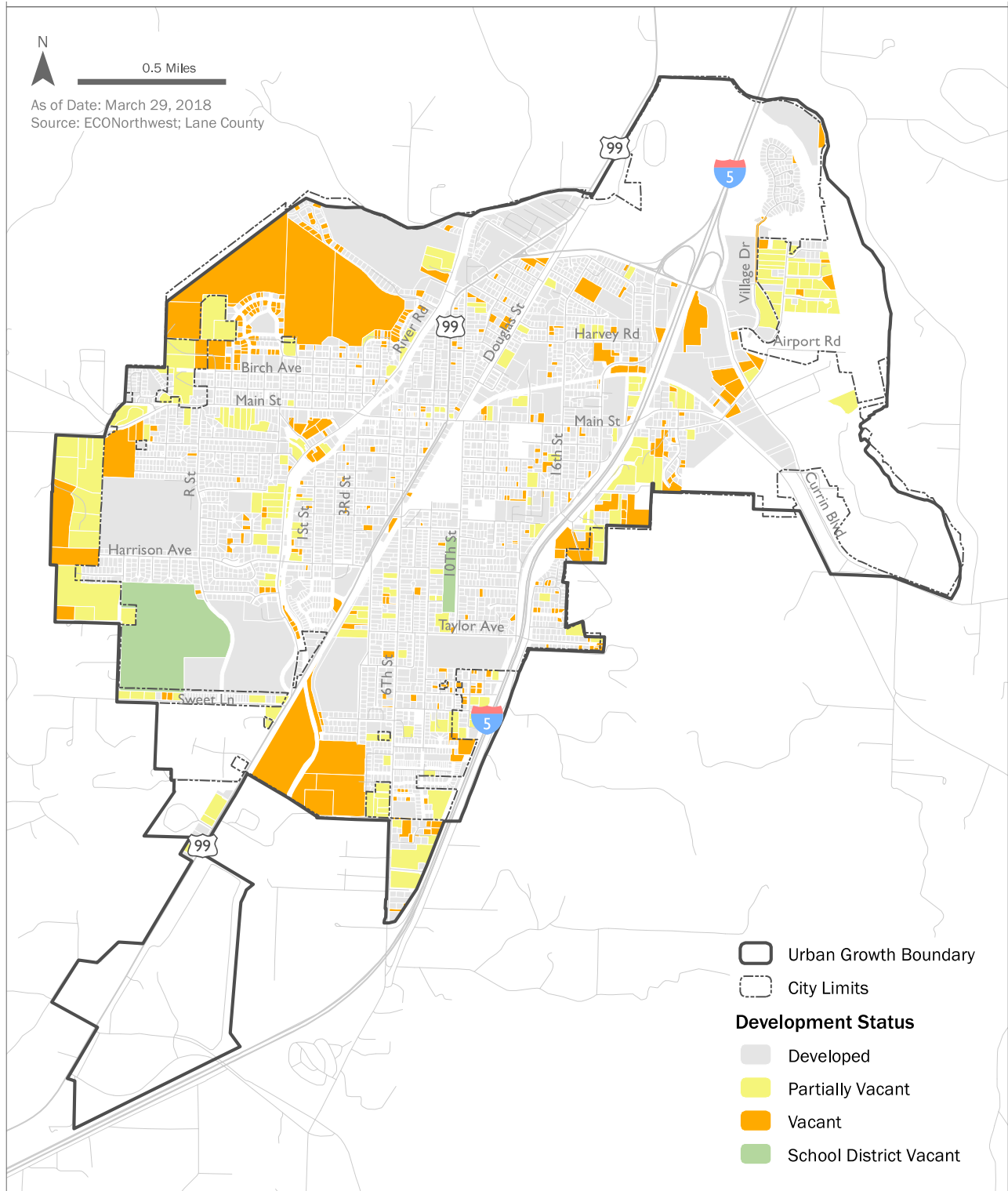
Exhibit 63. Residential land by comprehensive Plan Designation and constraint status, Cottage Grove UGB, 2018

Source: ECONorthwest. Note 1: "Acres with no development capacity" consists of developed parcels and the built portion of partially vacant parcels. Note 2: The numbers in the table may not sum to the total as a result of rounding.

Plan Designation	Tax Lots	Total Acres	Acres with No		Total
			Development Capacity	Constrained Acres	Unconstrained Buildable Acres
Low Density Residential	2,847	1,076	629	196	250
Medium Density Residential	644	269	133	54	82
High Density Residential	162	56	30	13	13
Residential Commercial	75	24	16	6	2
Community Commercial	221	133	104	4	24
Central Business District	167	27	23	3	2
Tourist Commercial	54	90	58	13	19
Total	4,170	1,675	994	290	391
Percent of Total		100%	59%	17%	23%
<i>School District Vacant</i>	2	72	0	7	65

The Exhibit on the following page shows residential land by development status with constraints overlaid.

Exhibit 64. Residential Land by Development Status, Cottage Grove UGB, 2018



Vacant Buildable Land

Exhibit 65 shows buildable acres (i.e., acres in tax lots after constraints are deducted) for vacant and partially vacant land by Plan Designation. Of Cottage Grove’s 391 unconstrained buildable residential acres, about 62% are in tax lots classified as vacant, and 38% are in tax lots classified as partially vacant. About 64% of Cottage Grove’s buildable residential land is in the Low Density Residential Plan Designation. Again, the school district’s property could increase the unconstrained and buildable area by 65 acres of vacant buildable land.

The Exhibit on the following page maps Cottage Grove’s buildable vacant and partially vacant residential land.

Exhibit 65. Buildable acres in vacant and partially vacant tax lots by Plan Designation and zoning, Cottage Grove UGB, 2018

Source: ECONorthwest. Note: The numbers in the table may not sum to the total as a result of rounding.

Plan Designation	Unconstrained	Unconstrained Vacant Acres	Total
	Partially Vacant Acres		Unconstrained Buildable Acres
Low Density Residential	101.0	149.5	250.5
Medium Density Residential	24.7	56.9	81.5
High Density Residential	5.9	7.2	13.1
Residential Commercial	1.3	0.5	1.9
Community Commercial	11.2	12.9	24.0
Central Business District	0.7	0.9	1.5
Tourist Commercial	3.8	14.7	18.5
Total	149	243	391
Percent of Total	38%	62%	100%
<i>School District Vacant</i>	-	65.4	65.4

Exhibit 66. Unconstrained Vacant and Partially Vacant Residential, Cottage Grove UGB, 2018

