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In Sea Change, New Homes Swamp Oregon's Coast

SUMMARY: At least 5,300 more units are in the pipeline to meet demand for second homes --straining services, hurting housing affordability and changing the mix of residents in once-sleepy towns

From the California border to the Washington state line, the Oregon Coast faces an unprecedented wave of home construction fueled by buyers drawn from across the West.

More than 5,300 units or building lots have been approved for development, according to a survey by The Oregonian of government planners, real estate experts and developers on the coast who said the boom --mostly in high-priced second homes --is like nothing they have ever seen.

With it comes daunting implications for coastal communities as they stare down the need to expand boundaries and build roads, sewer and water facilities while confronting a growing housing affordability problem and pondering how an influx of part-time residents might change the civic culture.

"Growth is very much a mixed blessing," said Lincoln City Mayor Lori Hollingsworth. "We're diligently working on balancing our growth with our quality of life."

Hollingsworth's town is ground zero for what is thought to be the biggest housing development on the coast, a 1,829-unit planned community so large it promises to increase the number of residences in the city by about 30 percent in six to 10 years. The 565-acre Villages at Cascade Head is planned to include a resort-style 18-hole golf course.

Hundreds of coastal lots have lain fallow in recent years, but they are finding an eager market today as "equity immigrants," who've sold long-held homes at a big profit, retirees and speculators all see a bargain.

They are lured by low interest rates, the potential for better investment returns than stocks, and cheap prices compared with coastal real estate elsewhere, said David L. Davis, a Bandon real estate broker. So confident is Davis that he is breaking ground this year on his own 30-acre housing development in Bandon.

"Just when you think you see things topping out --that there are no more people --there are," said Jason Locke, the city planner in Bandon. "It's astounding."

The influence from the Bandon Dunes Golf Resort has helped to send prices to unheard of levels in Bandon, with some prime properties doubling in value year over year in the past two years. Two oceanfront lots in Bandon are selling for \$1.1 million apiece.

Real estate agent and developer Davis said he thinks that when the airport in North Bend is improved to accommodate bigger jets, the town of Bandon will explode with new development and even higher prices. Already, he said, he has clients from Moscow and Iran buying in town. They come for the golf and stay for the beauty.

"It's not a national place. You need to understand that," Davis said. "It's an international place."

The influx of new buyers is transforming even economically depressed logging towns such as Reedsport. In that city, just north of Coos Bay, officials approved a 43-lot subdivision, and four others are in the planning stage.

Cities are expanding and taking on more urban densities, with small cabins being "scraped off" their lots and replaced by large homes in towns such as Manzanita and Cannon Beach.

The Oregonian surveyed planning departments in seven coastal counties, along with most cities, to gather current data on building permits, residential lots and major developments. Not all departments complied in full, citing workload, so the findings likely represent an underreporting of buildable lots and building permits.

The Oregon Coast is 362 miles of rugged cliffs and sweeping beaches that stretch from historic Fort Stevens State Park to the California border. Fifty-four percent of the coastline is publicly held, preventing the kind of intensive development seen on the California and Atlantic coasts.

Oregon's land-use planning laws also limit where growth can occur. Without the laws, passed in 1973, cities could sprawl at will up coastal highways.

Yet there is plenty of room for new development. Many coastal communities, like Neskowin, drew large growth boundaries more than 20 years ago. Even if a particular boundary is tight, the law requires that cities have a 20-year supply of buildable land, ensuring that communities will keep expanding.

Individual towns have gone through building surges in the past, but never has the entire coast faced such pressure, according to more than three dozen local officials, real estate agents and builders interviewed.

"I've been 20 years on the coast," said Jim Brien, a building official in the North Coast town of Gearhart. "I've never seen growth like this since I left Tigard."

Gearhart has 102 new lots and housing units approved, a nearly 10 percent increase in the number of units in town.

Larger coastal cities, such as Brookings, are simply getting bigger. Long a mecca for California emigrants, Brookings proposed in the 1990s a 3,941-acre boundary expansion that --at the time --was the largest in state history. Although opponents challenged it, courts upheld the expansion.

Since then, at least two other coastal cities have expanded urban growth boundaries, state officials said.

Brookings is now proposed to extend 3.4 miles south across the Chetco River. The town has already extended 1.5 miles north to accommodate the 1,000-unit community known as Lone Ranch --15 neighborhoods with rental town houses, moderately priced condominiums and expensive ocean-view homes on 553 acres across U.S. Highway 101 from a state park at Lone Ranch Beach.

That development will contribute to traffic congestion in coming years that potentially will force a five-lane highway through the city, city planner John Bischoff said. "When you are on the coast with the ocean in front of you and the mountains behind you, there is only one way to go, and that is up and down," Bischoff said.

Even Waldport, long a sleepy town in Lincoln County, is facing tremendous levels of development.

A 200-acre parcel recently purchased by a Washington developer could be built with a density of 200 to 1,000 housing units. No plans for the development have been submitted or approved, but if built to its maximum, it would double the town's population of 2,060, said city planner Larry Lewis.

"It's pretty crazy," Lewis said.

Community leaders say growth has its benefits: More homes mean more property taxes for schools; local businesses benefit from the increased jobs created by construction; and a higher level of retail services is offered as more customers seek out coffee shops, delicatessens and wine shops.

But with the benefits come costly new demands.

With growth expected to overtake the city's water supply in five years, Lincoln City persuaded voters to pass a \$4 million bond measure to pay for water from Gleneden Beach to the south.

The town is already widely know as the most traffic-congested on the coast, and more is coming. Including the Villages at Cascade Head and a handful of other subdivisions, Lincoln City has 1,918 lots approved for homes and condominiums, according to city planning records.

One traffic solution discussed in the past has been a Highway 101 bypass, much like one built around Cannon Beach in the 1950s. Lincoln City's director of community development, Richard Townsend, said with all the new traffic, people may ask for a bypass again.

They can ask, said Oregon Department of Transportation planner John deTar, but at an estimated cost of \$100 million or more, no money exists for such highway work today. Further, the environmental challenges of such a road would be enormous, he said. Instead, ODOT is trying to relieve the congestion by widening roads.

That is not likely to solve the long-term problem. "With the rapidity of development happening," deTar said, "it's not likely ODOT and the state will be able to keep up." To varying degrees, it is the same story up and down the coast.

Consider the community of Yachats, a town so attractive with its tidepools and rocky cliffs it has been featured in The New York Times as one of the gems of the Pacific Coast.

Five developments have been approved totaling 80 lots, a big expansion for a town that recorded only 619 housing units in the 2000 Census. Yet, developers are lined up like airliners on a runway. The city is unable to hook up any more sewers until a new \$5.9 million treatment plant is finished, likely in the year 2007.

At 58, Belva Thompson decided the Oregon Coast could await her arrival no longer. This year, she refinanced her home in Sacramento, selected a \$295,000 vacation home in Rockaway Beach, then paid for it in cash.

The nurse and grandmother decided to keep her California home for the winter months, joining a throng of snowbirds flocking to the coastal real estate market.

"I have a younger grandson and a great-grandson, and they love the ocean," Thompson said. "It's a family home."

Second-home ownership is not new to the coast, but it appears to be increasing, say experts who monitor coastal communities and worry about what it portends.

Much of the concern centers on the lack of civic participation by part-time residents, who tend to have less voice in civic affairs and come for the ambiance instead of jobs that contribute to the economy.

"Most of these are trophy homes," said Osso Husing, director of the Oregon Coastal Zone Management Association. "You can't build a sound and equitable economy around vacation rentals and trophy homes."

Accelerating housing prices mirror what has happened inland. Homes that 18 months ago sold for \$200,000 now sell for \$300,000 to \$400,000, real estate agents in Bandon, Rockaway and Florence said. As prices rise so do rents, making life for maids, restaurant servers and others in the lower-paying service industry more difficult.

James Genereaux started his Park Village subdivision in 2002 with the first of four phases. He said his goal was to build the most affordable site-built homes in Florence. The first phase sold out in one week last year at \$150,000 to \$200,000 per home. The second, with 29 homes, had a waiting list of 130 families looking to pay \$170,000 to \$230,000.

Worried that some buyers in the first phase planned to flip the homes for a quick profit, Genereaux required buyers in phase two to be owner-occupants. Still, the last few homes are priced between \$190,000 and \$260,000.

Genereaux said there is an affordability crisis in Florence.

"Our median income for a household is \$30,000 a year," he said. "You can't buy a house in Florence with that income."

Employers feel the pinch

The problem has hit The Confederated Tribes of Coos, Lower Umpqua & Siuslaw Indians, which opened a casino in Florence last year. The tribes employ about 213 in the area. Many commute from the Willamette Valley and towns up and down the coastline, and the casino needs more workers.

"It's a real issue for us," said Bob Garcia, the tribes' economic development director. "People are finding it difficult. They can't find affordable housing. . . . There are literally no starter homes in Florence."

Adrienne Dombrosky, 38, leapt at the chance to work at the casino when it opened. As the director of hospitality, she has great pay, benefits and working environment. She also has a three-hour round trip from her home outside Eugene, where she and her family live on five acres.

"I could never sell what I have out here and be able to purchase something in Florence," she said. "We would have to live in a tract home, and I won't do that."

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