

WILLOW CREEK VALLEY VALLEY HOUSING IMPLEMENTATION STRATEGY



Prepared for
Morrow County
and the Cities of Heppner,
Lone, and Lexington

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A. Introduction and Purpose

The Cities of Ione, Lexington, and Heppner have worked over the past 20 years to increase housing production in the Willow Creek Valley. Many of the new housing units have been the result of a public-private partnership between the Willow Creek Valley Economic Development Group (WCVEDG) and the Ione Community Agri-Business Organization (ICABO). While that formula has produced some new housing, the lack of infrastructure along with a lack of developer capacity in the area has caused housing development to stall.

Cities across Oregon are struggling to attract housing development, especially development that would be suited to low- and middle-income families. Findings from stakeholders indicate that the biggest barriers to housing development in the area include a lack of developer capacity, along with a lack of capacity to advocate for and pursue additional funding for infrastructure and amenities.

The cities have contracts with Anderson Perry & Associates (a civil engineering firm) to develop a plan to address water and wastewater infrastructure deficiencies. However, other barriers to housing development remain:

- Lack of city capacity and expertise to pursue planning projects and grant opportunities
- Lack of developer capacity in the region to build housing
- Lack of available funding for infrastructure and desired amenities

This Implementation Plan outlines a set of interventions for the cities to pursue to address the Willow Creek Valley’s housing needs.

The 2019 Morrow County Housing Strategies Report identified a number of strategies to support housing development throughout the county. The goal of this Housing Implementation Plan is to help the Cities of Heppner, Ione, and Lexington advance two strategies identified in that report:

Land Supply Strategy 1: Evaluate and Address Infrastructure Issues in the cities of Ione, Lexington, and Heppner.

Code Strategy 2: Enhance Local Amenities and Services. Garner local input on city amenities that residents desire to enhance livability in each town.

The Background Report, included in Appendix C, summarizes information on the housing market, proposed infrastructure, and amenity projects in each of the communities.

B. Implementation Framework

The purpose of this evaluation and implementation framework is to help the Cities of Lexington, Heppner, and Ione identify and phase investments to address housing needs. This framework provides a structure for the cities, Morrow County, and partners as they implement the recommended actions.

WHY: Collaborate to build capacity

The three cities want to build new housing and maintain current housing stock to attract families to the area and ensure that current residents can stay in the area. However, limited housing options and amenities make it challenging to attract and retain residents. The cities can better act if they do so in concert. This collaborative implementation plan seeks to identify actions for the cities to:

- **Upgrade their water/wastewater infrastructure to support new development.** The three communities are in various stages of planning work with Anderson Perry & Associates (a civil engineering firm) to update their respective water system and/or wastewater system master plans.
- **Pursue investments to overcome transportation and floodplain barriers.** The communities face similar challenges obtaining necessary funding to support community investments. They also lack sufficient planning and grant writing capacity and expertise to pursue projects and associated funding.
- **Attract developers or contractors for near-term development.** These communities lack the labor and developer capacity necessary to finance and construct new housing.

The Case for Collaboration

Regional Rural Revitalization Strategies is a developing partnership between the Cities of John Day, Burns, and Lakeview. The purpose of this partnership is to share staff and resources among the three municipalities to better cover costs related to housing needs and other public improvement projects. The partnership would essentially allow the small cities to “hunt as a pack” and pursue larger projects than they would otherwise be able to independently. The increased purchasing power and sharing of current assets results in accumulated cost savings.¹

The Willow Creek Valley should consider opportunities to collaborate when each city could benefit from combined action.

¹ Davis, J. (2022, May 25). Regional partnership taking shape between John Day, Burns and Lakeview. The Blue Mountain Eagle. Retrieved September 1, 2022, from https://www.bluemountaineagle.com/news/regional-partnership-taking-shape-between-john-day-burns-and-lakeview/article_522d25d8-d893-11ec-a656-abfb8599301e.html

WHO: Heppner, Lexington, and Ione in partnership with Morrow County and other regional organizations

Implementing the actions in this plan will have a higher likelihood of success if the Cities of Heppner, Lexington, and Ione coordinate with Morrow County, other local government entities, and community partners. While many actions in this plan will apply to all the cities, some will be more targeted. Morrow County can play a strong role in supporting cities in their individual efforts as well as coordinating communication and resources across the communities.

Possible roles

- **Heppner, Ione, and Lexington:** Lead implementers and grant writers
- **Morrow County:** Provide technical assistance (e.g., mapping and analysis), support planning capacity, pursue grants (supported by potential Community Development Director role)
- **Rural Engagement and Vitality Center:** Potential convener with other jurisdictions and engagement with students on key projects
- **Willow Creek Valley Economic Development Group:** Assuming funding is available, offer development, grant writing, and planning support, as well as provide grants for key projects
- **Oregon Department of Transportation:** Funder for transportation investments
- **Business Oregon:** Technical assistance and funding
- **Federal agencies:** the US Department of Agriculture (USDA) and other federal agencies will provide funding
- **Other funding organizations** could include Morrow County, Port of Morrow, Columbia River Enterprise Zone (CREZ) Board, ICABO, local employers, State of Oregon, the Ford Foundation, and other private foundations

WHAT: Interventions to support housing development

The biggest barriers to housing development in the three cities are lack of developer capacity and lack of capacity to advocate for and pursue additional funding for infrastructure and amenities. This plan identifies six interventions with implementing actions that provide the cities with a path forward to overcome these barriers.

WHERE: The Willow Creek Valley

The cities experience many overlapping barriers. Most interventions could be used in all three cities. However, when appropriate, it is noted where an action is most applicable.

WHEN: 5-Year Planning Horizon - Do Now, Do If, Do When

Due to limited funds and resources, the cities will need to prioritize and phase their actions. The “Do Now, Do If, Do When” framework detailed in Exhibit 1 can help the communities prioritize and phase city efforts and resources. This framework will allow the cities to quickly respond to external factors and initiatives such as new funding/grant announcements including Congressionally Directed Spending requests or new funds from the Oregon Legislature. Implementation steps for each proposed action are organized according to this framework.

- | Interventions | |
|---------------|--|
| A. | Fill infrastructure project funding gaps to build water and wastewater systems resiliency |
| B. | Seek funding for transportation infrastructure to support housing and other community priorities |
| C. | Address floodplain issues in Lone, Heppner, and Lexington |
| D. | Connect housing implementation to economic and workforce development |
| E. | Identify innovative ways to produce housing in rural areas |
| F. | Build planning and grant writing capacity |

Exhibit 1. “Do Now, Do If, Do When” Framework for Prioritizing Efforts and Resources

Do Now	Do If	Do When
<p>Actions to pursue immediately in 2023</p> <p>These actions can be pursued immediately and are not contingent on other actions or external factors. These actions are foundational to pursuing additional actions and strategies.</p>	<p>Actions that require additional consideration; not guaranteed</p> <p>The cities should only pursue these actions if certain conditions are met. External partners and/or funding sources will be required.</p>	<p>Pursue later</p> <p>The cities should pursue when necessary foundational actions are complete and funding and other resources are available. These actions span the 5-year planning horizon taking place in the next 1 to 5 years.</p>

HOW: Funding Sources and Partnerships

To address barriers to housing development, this plan provides action sheets for each intervention that the cities can take. These sheets detail implementation steps, potential partners, additional considerations, and potential funding sources.

Potential Funding Sources

To implement the actions in this plan and ultimately support housing development, the cities will need to pursue a variety of funding sources.

Some of the actions in this plan could be implemented using funds that have been dedicated to the cities, including CREZ, American Rescue Plan Act (ARPA), and Amazon allocations. Regional partners may also be willing to provide support, including WCVEDG, ICABO, or the Port of Morrow.

Other potential funding sources the cities could explore include state and federal sources and grants from private organizations. Some potential funding sources are listed below. A more detailed matrix of grants that can support the planning and construction of water infrastructure is included in Appendix A. In addition to these sources, the cities should continue to monitor state agency and legislature creation of new funding opportunities aimed at improving infrastructure and building capacity for planning and housing.

- **Regional Rural Revitalization (\$30 Million).**² This program, advocated for by multiple legislators, will be used to revitalize rural communities through innovative workforce housing and infrastructure solutions. Funds will be reserved for rural areas with a preference for counties with historically low growth rates and underinvestment in housing infrastructure.
- **Business Oregon.** Business Oregon administers water/wastewater financing programs that fund the design and construction of public infrastructure needed to ensure compliance with the Safe Drinking Water Act or the Clean Water Act. These programs have had an increase in the normal allocation and are discussed in Business Oregon’s One Stop Process.
- **Oregon Water Resources Department (OWRD).** The OWRD provides two types of funding for feasibility studies and implementation projects that meet in-stream and out-of-stream water supply needs and produce economic, environmental, and social/cultural benefits.
- **Department of Land Conservation and Development (DLCD).** DLCD’s General Fund grants are used primarily for Oregon communities’ comprehensive planning and plan updates, but they also partner with Oregon Department of Transportation (ODOT) to provide Transportation and Growth Management (TGM) grants. TGM grants help local communities plan for transportation and land use needs that increase transportation

Finding Funding for Key Infrastructure through the One Stop Process

All three cities will have One Stop meetings for their water and wastewater projects. The One Stop process brings together representatives from Business Oregon and other funding agencies to discuss project needs and identify the most promising funding package for the project and the city. While this can often be sufficient to meet city needs, sometimes gaps remain.

This plan does not explore One Stop funding in detail. However, per the cities’ requests, it does identify some supplemental funding sources for supporting water infrastructure resiliency and planning in Appendix A.

² Email from Representative Smith G. July 22, 2022 “Urgent Response Requested: Industrial Lands Fund Capitalization”

choices for Oregon residents and visitors. DLCD has recognized the need for capacity for small cities to do planning and may have additional funding and programs in the future.

- **Environmental Protection Agency (EPA).** The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established the WIFIA program, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects.
- **USDA Rural Development.** Focused on communities with populations of less than 10,000, offers funding for infrastructure (water and wastewater opportunities discussed in Business Oregon’s One Stop process), placemaking, housing, and other community priorities.
- **Bureau of Reclamation.** Provides 50/50 cost share funding for projects that conserve and use water more efficiently and accomplish other benefits that contribute to water supply reliability in the western United States.
- **Oregon Department of Transportation (ODOT).** ODOT manages programs that provide funding and technical assistance for transportation planning and improvements, including the Small City Allotment Program focused on cities with populations of 5,000 or fewer, Safe Routes to School Programs, and the TGM Program (joint program of DLCD and ODOT). Ione, Heppner, and Lexington have each utilized ODOT funding to varying degrees, but there are still opportunities to continue leveraging this funding for transportation improvements.
- **US Economic Development Administration (EDA).** EDA has a variety of grants and loan programs to support economic development in communities, including funds to support critical infrastructure that will allow businesses to locate or expand operations. If infrastructure projects or housing initiatives can be tied to business expansion or job retention, the cities could be eligible for some types of EDA funding.
- **Federal Emergency Management Agency (FEMA).** Grant funds are available for pre- and post-emergency or disaster-related projects. These funds support critical recovery initiatives, hazard mitigation, innovative research, and many other programs. Cities need to maintain an updated Natural Hazard Mitigation Plan (NHMP) to qualify for funding. Morrow County is coordinating a countywide NHMP update this fall. The cities and county should identify infrastructure projects necessary for resiliency as part of the NHMP update.
- **Ford Foundation.** Provides grants that help rural communities thrive, including their local economic base, social capital and community connections, community planning capacity, and public gathering spaces. They also provide technical assistance grants and capacity building opportunities.

Where applicable, these potential sources and partners are noted in the Action Sheets.

C. Action Sheets

Attracting new housing to Willow Creek Valley will take a coordinated effort by the cities, Morrow County, regional partners, and funders. With targeted investments and partnerships, Willow Creek Valley could achieve its vision for more housing that supports the community. The strategic use of public funds can help to bridge funding gaps for infrastructure and new housing development. This chapter outlines six actions that can help the cities achieve their vision. Exhibit 2 provides an overview of the actions in the implementation plan.

Exhibit 2. Overview of Actions

	Action	Rationale	Cost to Cities*
A.	Fill infrastructure project funding gaps to build water and wastewater systems resiliency	Funding gaps may remain for all Willow Creek Valley infrastructure projects	Very high, many millions of dollars
B.	Seek funding for transportation infrastructure to support housing and other community priorities	Help to improve quality of life in the communities and can help to attract new residents.	Little direct cost to cities, but significant grant funding needed
C.	Address floodplain issues in lone, Heppner, and Lexington	Updating the floodplain map could reduce barriers to development and increase certainty for property owners.	Around \$250,000 in grant funding needed to support planning for map amendments
D.	Connect housing implementation to economic and workforce development	Link tourism, economic development, and placemaking opportunities to enhance funding opportunities. Focus on the construction trades to alleviate labor shortages and add development capacity to the region (longer term).	TBD
E.	Identify innovative ways to produce housing in rural areas	The cities may benefit from exploring how other rural cities have attracted developers through different types of incentives, innovative development models, or coordinated regional efforts	Depends on the approach used. The cities could pursue incentives that help to decrease the funding gap
F.	Build planning and grant writing capacity	The cities need additional planning capacity and expertise to pursue projects as well as funding to plan for and implement them.	TBD By collaborating, the cities can reduce costs

*Many of the costs for these actions have not been clearly identified, and the cities will need to explore costs as a part of their implementation process.

A. Fill infrastructure project funding gaps to build water and wastewater systems resiliency

Description: Water and wastewater infrastructure is expensive, and Willow Creek Valley communities especially struggle to cover the capital costs associated with developing new infrastructure given their limited tax and fee revenues. While all three cities have gone or will go through the One Stop process, the cities are also interested in identifying supplemental funding tools to support water system and wastewater system resiliency. There may be opportunities to improve regional coordination and pursue additional sources of funding to fill these gaps.

Rationale: With Anderson Perry’s support, the Cities of Lone, Heppner, and Lexington are well equipped to address their water and wastewater deficiencies and identify funding packages to support these projects. However, funding gaps may remain. Lone expects to have a capital funding gap of up to \$2 million for its wastewater infrastructure improvements. While Heppner and Lexington have not yet completed their water and/or wastewater infrastructure planning processes (which will include One Stop meetings), both cities are interested in identifying additional funding sources since they may also have funding gaps.

Funding Considerations: Given recent investments, there is more money available through the One Stop process to support these types of projects than in years past. However, potential supplemental sources to build water resiliency are listed below. A more detailed description of some of these programs is included in Appendix A: Grants/Loans for Water Infrastructure.

- Regional Rural Revitalization (\$30 Million)
- Oregon Water Resources Department Feasibility Study and Water Project Grants
- EPA Water Infrastructure Finance and Innovation Act program
- USDA Rural Development Water and Environmental Programs
- Bureau of Reclamation Water and Energy Efficiency grants and Small-Scale Water Efficiency grants
- FEMA Hazard Mitigation funding (Natural Hazard Mitigation Plan must be up to date to qualify)

Partners: Morrow County, CREZ, Port of Morrow

Implementation Steps: **Do now**

- Coordinate with Morrow County to determine how the cities can best communicate funding gaps to the County, Port, and CREZ Board to solicit support for priority projects from regional partners.
- Participate in the Morrow County Natural Hazard Mitigation Plan (NHMP) beginning fall 2022. Each city is due to be updated. This is an opportunity to identify projects that may qualify for mitigation funding.
- Review available funding sources listed under funding considerations to understand which sources may be most applicable if a gap exists. For more details on grants for water infrastructure and resiliency see Appendix A.
- Lone: Work with Anderson Perry & Associates and Business Oregon to plan for a new well.

Do If

- Consider convening the CREZ board to discuss the funding barriers and needs identified in the implementation plan process.

Do When

- Seek funding for projects identified in the NHMP process to ensure continued access to federal emergency resources
- When the master planning processes for water and wastewater infrastructure are complete, pursue gap funding considering the programs identified in this plan; tie funding sources to NHMP if applicable; coordinate with regional partners.

B. Seek funding for transportation infrastructure to support housing and other community priorities

Description: Heppner, Lone, and Lexington have limited local funds to support transportation infrastructure improvements, public transit, and other community priorities. The cities also have amenity projects that they are interested in pursuing that will require additional funding sources. Projects include:

- Lexington: historic preservation for buildings and property improvements in downtown; downtown/main street design; parks
- Lone: main street revitalization; bike/ped infrastructure (the City is interested in adding a bike path from the high school to potential new sports field off N H St.); street crossing improvements (e.g., improving safety for pedestrians coming off the pathway near Ella Road); road paving
- Heppner: infrastructure for new subdivisions; street crossing improvements

Rationale: Investments in amenities and transportation can help to improve quality of life in the communities and can help to attract new residents. ODOT's Transit and Housing Study³ completed in September 2022 highlights how transportation and housing are interrelated and affect a household's quality of life, physical environment, health outcomes, economic mobility, educational and cultural opportunities, and many other factors. Pedestrian/bike/transit infrastructure is especially important to consider when developing new housing, where residents may have limited access to vehicles (e.g., single-care households, students).

Funding Considerations: ODOT programs will fund transportation improvements that are in the floodplain, but this can add to project costs (e.g., additional stormwater management needs, etc.). ODOT needs to know of local floodplain considerations when the cities apply for funding to accurately allocate sufficient funding.

Available ODOT funding could include:

- The Small City Allotment Grant: includes up to \$250,000 for street improvements. All three cities have pursued this grant for the 2023 allocation.
- Safe Routes to School Program: Heppner recently conducted an Identification Plan (PIP) to identify street crossing issues and applied for Safe Routes to School funding based on those PIP priorities.
- Transportation and Growth Management: Lexington applied for \$175,000 to fund a Downtown Improvement Plan but did not receive the grant this cycle. The grant application has been recommended to the Quick Response Program instead.
- Funding related to implementation actions identified through the [Transit and Housing Study](#). The cities and County should remain vigilant for new ODOT funding opportunities that could become available in response to this Study. Available grants to support rural public transportation includes 5311 Formula Grants for Rural Areas. This could relate to connecting people in Willow Creek Valley with transit options to reach jobs further away. Identifying specific

³ Oregon Transit and Housing Study. ECONorthwest. September 2022.

https://www.oregon.gov/odot/Planning/Documents/ODOT_Transit_%26_Housing_Study_Final_Report.pdf

opportunities in the Valley could help the County to identify state and other funding.

Morrow County Public Transit is already a recipient of 5311 Formula Grants. The county, in coordination with other local partners, has developed several reports and studies that identify transit needs across the county. These reports could be used as a base for distributing funding or a starting point for additional studies, if needed.

- ODOT occasionally receives regional allocations

Other funding sources could include:

- Regional Rural Revitalization (\$30 million)
- Congressional direct spending
- Oregon Heritage grants for historic preservation of buildings (Lexington)
- Ford Foundation grants for community development
- USDA Rural Development grants for placemaking
- EDA grants if improvements are tied to economic development (e.g., to support bike tourism in Heppner)
- Cycle Oregon grants for promoting bike pathways

Partners: ODOT, Morrow County

Implementation Steps:

Do Now

- Work with the County to communicate transportation improvement needs to ODOT. ODOT occasionally receives regional allocations, and communicating transportation needs preemptively could help ensure the cities receive funding when it is available.
- Review ODOT's Transit and Housing Study Toolkit to understand how the cities and County can employ different tools and actions to encourage and promote diverse transit-supportive housing options. Consider how these efforts can align with County Transit efforts to add transit service and to create a rideshare program to create new commute options for workers throughout the County
- Pursue targeted grant funding suggested in the funding considerations (ODOT, EDA, USDA, private foundations); consider leveraging grant writing and collaboration options outlined in Action F to enhance capacity to pursue grants.
- **Ione:** Work with the County and ODOT to advance key safety projects. For instance, improving safety for pedestrians coming off the pathway near Ella Road has been a priority for the City, but the speed study conducted by ODOT is still pending review.

Do If

In 2022, Lexington applied for a TGM grant to fund a Downtown Improvement Plan but did not receive the grant. Instead, the grant application has been recommended for the Quick Response Program.

- **Lexington:** If the Quick Response Program grant is awarded, release request for proposal to solicit consultant support for the Downtown Improvement Plan.
- **Lexington:** If the Quick Response Program grant is not awarded, work with ODOT and DLCD to better understand the grant requirements and submit a new application in the future.

C. Address floodplain issues in Heppner, Lone, and Lexington

Description	Portions of all three cities are in the regulated floodplain, but the cities have taken steps to alleviate the hazard. The floodplain designation hinders new development and remodeling/restoration of existing buildings (if value is greater than 50%). The cities wish to re-evaluate the floodplain designation by pursuing a flood map amendment with FEMA. The existing floodplain maps can serve as a basis for starting the process. A licensed engineer would need to be involved. In addition, the cities' involvement in the Natural Hazards Mitigation Plan update will identify projects eligible for hazard mitigation grant dollars (e.g., Building Resilient Infrastructure and Communities [BRIC] grants).
Rationale	Updating the floodplain map could reduce barriers to development and increase certainty for property owners. Coordination on addressing floodplain issues in the Valley is an example of how the cities can join forces to tackle a challenge. Having an updated Natural Hazards Mitigation Plan opens up funding for existing infrastructure improvements.
Funding Considerations	Up to \$250,000 total for planning assistance to remap each of their floodplains. The County may have ARPA funding available that could be used to support floodplain mapping across the cities.
Location	lone (primarily) with some opportunity in Heppner and Lexington See floodplain maps in Appendix B
Partners	Morrow County Emergency Management and Planning, Department of Land Conservation and Development State Floodplain Coordinator, Federal Emergency Management Agency
Implementation Steps:	<p><u>Do Now:</u></p> <ul style="list-style-type: none"> ▪ Request assistance from the County's planning department to compile needed materials and funding assistance for planning work (estimated at \$250,000 for all three cities per Kim Cutsforth and WCVEDG); this should include all work to date and could encompass historical perspectives where available. ▪ Request County ARPA dollars to support floodplain mapping ▪ Schedule an initial meeting with the new state floodplain manager (consider a joint meeting with all WCV cities) ▪ lone and Heppner: Request an amendment or revision to a flood map to change the city's floodplain designation.⁴ Solicit cost estimate for engineering. Work with the County to file a letter of map revision/amendment. ▪ Determine steps for Lexington and Heppner ▪ Request County assistance with process to engage State Floodplain Coordinator and FEMA ▪ Consider how the cities can share investment in LIDAR mapping of the floodplain ▪ Secure funding for engineering <p><u>Do If:</u> If the County hires a community development director, the County may be able to provide more robust technical assistance.</p>

⁴ <https://www.fema.gov/flood-maps/change-your-flood-zone>

D. Connect housing implementation to economic and workforce development

Description: The cities could tie economic and workforce development to housing implementation in the Valley. The Port of Morrow’s mission is to create jobs, but the County struggles to attract the necessary workers since there are limited places to live. Supporting housing implementation such as through infrastructure investment in the Valley is one way to ensure that the workforce has places to live. The Port may also have a role in promoting the construction trades to increase long-term developer capacity.

Rationale: Tying tourism and placemaking opportunities with housing development can enhance opportunities for alternative funding sources. Additionally, workforce development programs could focus on the construction trades to alleviate labor shortages and add development capacity to the region (longer term).

Considerations: While targeting workforce development programs toward the construction trades could help improve development capacity, it is unlikely to make a large difference in the short term. Additionally, it may help with some capacity constraints in Willow Creek Valley, but graduates may locate to other areas. It may be beneficial to implement an internship program to utilize student capacity in the region or a workshop program where students build housing in the region.

Partners: Port of Morrow (Port has worked with Boardman and Irrigon on housing), County Tourism Coordinator, Morrow County School District and Lone School District (Student Housing Program), Morrow County Transit, Morrow County Community Development

Implementation Steps: **Do Now:**

- Work with the Port of Morrow to understand what role it might play in infrastructure development and how it can support workforce development in the trades to alleviate labor shortages in the construction trades.
- Work with the County Tourism Coordinator to align efforts
- Attend the Placemaking in Small and Rural Communities Online Conference, where the cities can learn about placemaking and future funding sources. Training is virtual and coordinated by USDA Rural Development, which might have relevance for the City of Lone since the One Stop meeting identified USDA Rural Development as the best direction for infrastructure funding.
- Explore grants, like the USDA Placemaking Grant, to increase amenities.
- Consider how these efforts can align with County Transit efforts to add transit service and to create a rideshare program to create new commute options for workers throughout the County

Example The Columbia Basin Student Homebuilder Program is a homebuilding program for high school students in Hermiston, Oregon. Sponsored by the Northeast Oregon Homebuilders Association in partnership with the City of Hermiston and the Hermiston School District, this program is designed to equip students with in-demand skills, addressing long-term workforce skills gaps in the trades while simultaneously meeting the need for additional housing in the area. Students across five programs of study are involved in all facets of the process, design, construction, oversight, and marketing of one high-quality, energy-efficient residential home per year. This program started with a \$400,000 grant to build the first home and is now self-sustaining as the sale of the home funds the next year’s build.

E. Identify innovative ways to produce housing in rural areas

Description: Water and wastewater infrastructure improvements alone will not guarantee additional housing development. All three cities face barriers when it comes to attracting development. Market-rate developers have little incentive to invest in the area due to limited opportunities for profitability. Not-for-profit organizations face staffing barriers to being able to manage development projects. Some contractors that have previously worked in the cities are backed up for multiple years. Financing also remains a barrier for both market-rate and not-for-profit developers.

Rationale: The cities may benefit from exploring how other rural cities have attracted developers through different types of incentives, innovative development models, or coordinated regional efforts.

Funding Considerations: A Housing Incentive District (TIF funding approach) and other ways to locally raise funds could help fill the gap to make a project profitable. (WCVEDG conducted a market study in 2019 that showed the gap for profitability to develop a unit was about \$25,000.) However, incentives alone may not be enough to attract an outside developer.

WCVEDG may be interested in developing more housing but needs funding to support a staff person to manage the development. The County or other partners could help WCVEDG seek ongoing funding for staff support. If WCVEDG were the developer, they may be able to take advantage of local incentives to ensure their projects are profitable.

Partners: WCVEDG, ICABO, Morrow County, Greater Eastern Oregon Development Corporation (GEODC), Housing Land Advocates, banks (e.g., Bank of Eastern Oregon)

Implementation Steps: **Do Now:**

- **Talk to developers who have been developing housing at a larger scale in Eastern Oregon** (e.g., GCT Land Management, which developed the Veteran’s Village in La Grande, Oregon, but is also working on market-rate housing)
- **Talk to prefabricated and modular builders** (Homes Direct has a prefabricated home viewing location in Albany, Oregon; Eastern Oregon Home Center is a KIT Custom Homebuilder–authorized retailer in La Grande, Oregon). This will allow the cities to explore how alternative housing types (modular and prefab housing) might alleviate limited developer and contractor capacity and reduce time and costs to build housing in Willow Creek Valley.
- **Explore implementation of a Housing Incentive District**, which offers Tax Increment Financing (TIF) to provide incentives for building within designated city areas that have deteriorated structures, underdevelopment, or lack of development.
- **Explore funding to support WCVEDG in developing additional housing in Willow Creek Valley.** WCVEDG has previously funded projects across the region and has interest in developing additional properties, but they need funding support to hire additional staff for managing housing development projects and filling profitability gaps.⁵ Oregon Housing and Community Services or USDA’s rural housing development programs could be a partner in helping on key projects.

⁵ Interview with Kim Cutsforth, Willow Creek Valley Economic Development Group, May 5th, 2022, and Open House, September 19, 2022.

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- **Utility funding.** Work with County or WCVEDG to provide partnerships and assistance developing a utility fund. The fund could be capitalized with \$500,000 in grant funds from CREZ, the cities, or another source for utility extensions and combined with the WCVEDG utility extension grant (\$10,000 per unit cap)
 - **Explore the creation of a revolving low-interest loan fund,** in partnership with a local bank. The cities could pool funding, in partnership with a bank and GEODC, and make it available on a revolving basis for eligible projects. This fund could be tied to affordability requirements.

Example

Housing Incentive Districts: The cities of John Day and Madras both established Urban Renewal Districts in their respective rural communities to help with compounding shortfalls of housing production. These Urban Renewal Districts use Tax Increment Financing (TIF) to provide incentives for building within designated city areas that have “deteriorated structures, under-development or lack of development.”

The City of John Day established their Urban Renewal District in 2018 covering about 130 acres of land, and the City of Madras established their Madras Housing Urban Renewal District (HURD) Plan in 2019 covering about 700 acres of land. Both cities offer incentives within their Urban Renewal Districts, including:

- Cash rebates on a portion of property taxes paid
- Direct contribution of funds
- Contributions to the developer for infrastructure development
- An agreement for the Urban Renewal Agency to complete infrastructure improvements that are required as a condition of development approval

Madras’s Urban Renewal District supports production of housing units across income levels. The 2020-2021 HURD report shows 19 new units completed and 366 additional units agreed upon and under contract.

Prefabricated Housing: Prefabricated and modular housing provide modern cost-saving methods to produce market-rate housing at a more affordable rate. These homes are built in a factory to about 80-90% of completion (typically 4-8 weeks) and are then trucked to the building site in “modular” pieces for quick on-site assembly. The building is subject to on-site inspection and approval after assembly to ensure local, state, and regional building codes are met (foundation approval can begin before assembling the building on the site). Construction labor shortages and large-scale unmet demand of housing in the Pacific Northwest make modular and prefabricated construction particularly intriguing.

Some of the benefits of modular and prefabricated housing include:^{6,7,8}

- **Reduced costs.** Prefabricated housing is typically 10-35% less expensive than on-site stick-built homes. Prefabricated housing generally produces less building material waste, has lower material transportation costs, and lower labor costs.

⁶ Manufactured or Modular Home - What's the Difference? Next Modular. (2021, May 10). Retrieved August 31, 2022, from <https://www.nextmodular.com/modular-manufactured-prefabricated-home/>

⁷ Warwick, S. (2021, September 25). What are modular homes and what do they cost? we have the lowdown. Real Homes. Retrieved August 31, 2022, from <https://www.realhomes.com/advice/what-are-modular-homes>

⁸ Bertram, N., Fuchs, S., Mischke, J., Palter, R., Strube, G., & Woetzel, J. (2019). (rep.). “Modular Construction: From projects to products.” McKinsey & Company. Retrieved September 1, 2022, from <https://www.ivvd.nl/wp-content/uploads/2019/12/Modular-construction-from-projects-to-products-full-report-NEW.pdf>.

-
- **Faster construction and quicker move in.** Prefabricated homes can typically be built 20-50% quicker than on-site stick-built homes, requiring fewer manufacturers, suppliers, and subcontractors. They are less impacted by weather with on-site assembly ranging from 1 day to 3 months.
 - **Personal and customizable homes that can be easily expanded in the future.**
-

F. Build planning and grant writing capacity

Description:	Planning for and funding desired projects remains a continuous challenge for the cities. Many staff are at capacity with their current workloads and have little or no time to pursue additional funding. There may be an opportunity to boost planning or grant writing capacity by collaborating with the County or WCVEDG to share capacity.
Rationale:	The cities identified the need for infrastructure and amenity projects beyond water and wastewater. The cities need additional planning capacity and expertise to pursue these projects as well as funding to plan for and implement them.
Funding Considerations:	The cities could consider pooling resources (together and with the county) to fund shared planning and grant writing staff or services. The cities could also solicit support from CREZ, Business Oregon, or WCVEDG.
Partners:	Morrow County, WCVEDG, Port of Morrow, GEODC, Rural Engagement and Vitality Center
Implementation Steps:	<p><u>Do Now:</u></p> <ul style="list-style-type: none">▪ Explore collaborative municipality models by talking with other cities that have implemented collaboration agreements to gather information on their experiences and how the cities may want to structure an agreement (e.g., Regional Rural Revitalization Strategies is a developing partnership between the Cities of John Day, Burns, and Lakeview)▪ Work with the County to identify which projects the cities would like to pursue that require the expertise of a planner and/or a grant writer.▪ Consider needs across the cities. How would a shared planner and/or grant writer split their time? Is there enough work for full-time employees between the cities and County? What are the cost differences between full-time employees and contract services? How can the County and WCVEDG best support the cities?▪ Monitor state activity that might create opportunities for direct funding and capacity building. Examples include legislation, Congressionally directed spending requests, DLCD Housing Needs and Analysis report recommendations, and DLCD or other state funding to create a regional program to help build capacity for small cities. Eastern Oregon University's REV Program or GEODC are entities that could expand in the future to include planning support for small cities. <p><u>Do When</u></p> <p>After needs are identified, the cities and County should work together to determine preferred way of building planning and grant writing capacity. Options could include:</p> <ul style="list-style-type: none">▪ Hiring shared full-time employees. A shared grant writer and/or a shared planner could be housed at the County with time split across the cities according to need or pre-established agreements. Costs could be split across the communities.▪ Sharing contracted services. The County has two grant writers of record as of summer 2022. The County could provide limited services in kind.

-
- **Building County capacity.** The County may consider hiring a Community Development Director to deploy support to cities as needed.
 - **Building WCVEDG capacity.** WCVEDG will be contracting with Heppner Community Foundation, which supports special districts and local government with administration and managing grants. If funding were available to support a full-time staff position, WCVEDG would be interested in providing grant writing and/or planning services to cities that demonstrated need.
 - **Build internal grant writing expertise.** The Ford Family Foundation's Pathways to Securing Rural Federal Funding Toolkit includes need-based mentoring to build grant writing expertise as well as (coming soon) a grant writer roster to assist agencies in developing and managing federal grant proposals.

Examples

The **Regional Rural Revitalization Strategies** is a developing partnership between the Cities of John Day, Burns, and Lakeview. The purpose of this partnership is to share staff and resources among the three municipalities to better cover costs related to housing needs and other public improvement projects.

Appendix A. Grants/Loans for Water Infrastructure

This appendix includes a limited number of potential grant opportunities that the cities could pursue to support water infrastructure. The cities should continue to monitor state agency and legislature creation of new funding opportunities for water infrastructure as well as funding opportunities aimed at building capacity for planning and for housing.

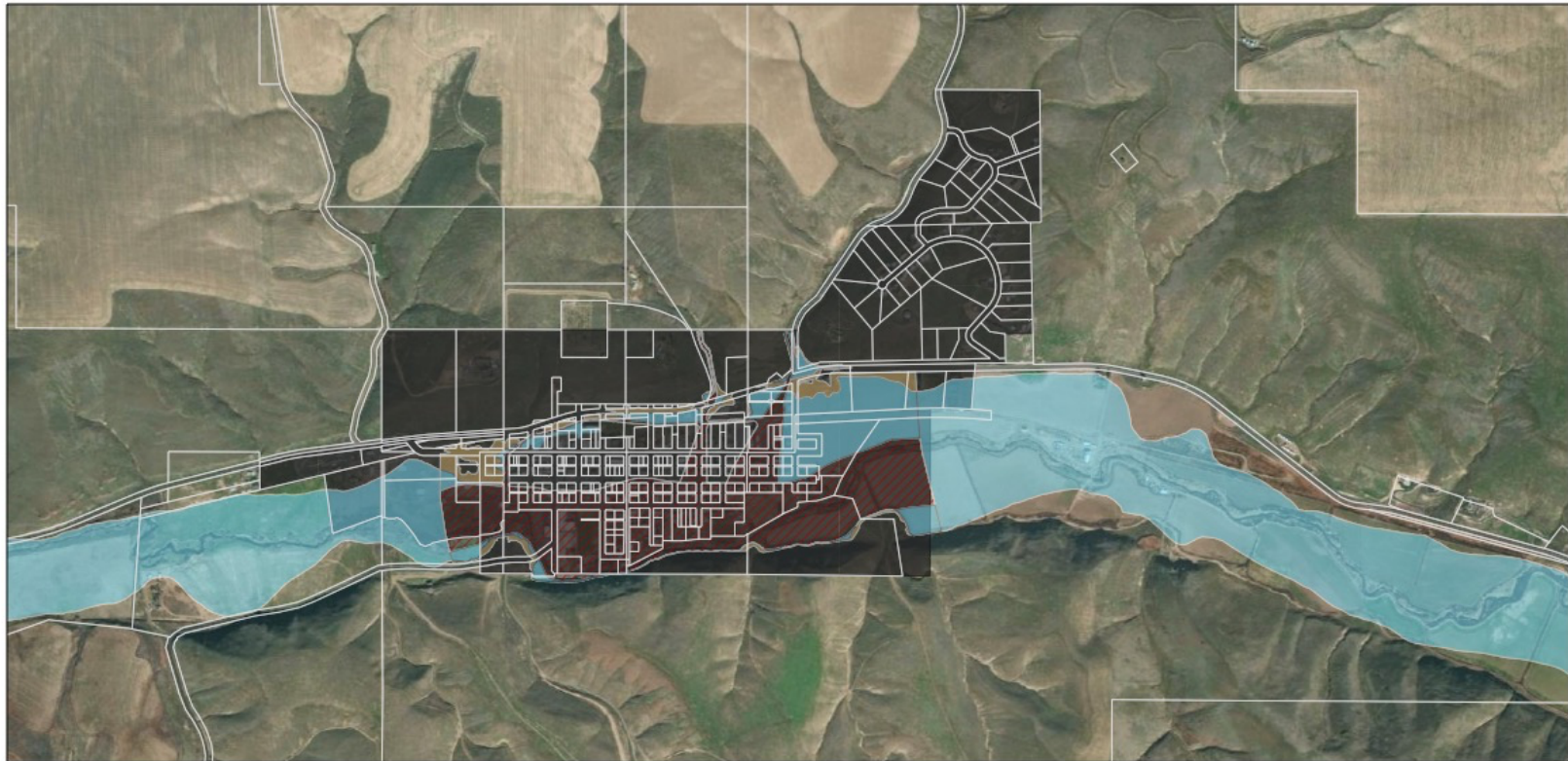
ID	Funding Program	Program Description	Eligible Projects	Eligible Applicants	Grant Program Criteria Evaluated	Funding Capacity
1	OWRD Water Projects Grants and Loans Funding Agency: Oregon Water Resources Department	Funding for projects that will help Oregon meet its in-stream and out-of-stream water supply needs and produce economic, environmental, and social/cultural benefits. This competitive funding opportunity is meant for implementation-ready projects. Grants and loans are offered on an annual basis, with the applications due each spring.	Funds implementation-ready projects in conservation, reuse, above-ground storage, below-ground storage, streamflow protection or restoration, water distribution, conveyance or delivery systems, and other water resource development projects that result in economic, environmental, and public benefits.	Any local or tribal government or person may apply for funding.	Criteria document available on their webpage. Looking for highest likelihood of achieving greatest public benefits under three categories: economic, environmental, and social. Each category must achieve minimum rating of 7.	Past funding has ranged from \$150,000 to \$3 million. Funding is provided through the sale of lottery revenue bonds. An additional \$15 million in lottery revenue bonds, scheduled to be sold in March 2023, will provide funding for future cycles. Grant requires a 25% cost match
2	OWRD Feasibility Study Grants Funding Agency: Oregon Water Resources Department	Feasibility Study Grants fund qualifying costs of studies to evaluate the feasibility of developing water conservation, reuse, and storage projects. This competitive funding opportunity helps individuals and communities investigate whether a project is worth pursuing. Grants are offered on an annual basis, with applications due each fall.	Funds studies to evaluate the feasibility of developing water conservation, reuse, and storage projects	Any local or tribal government or person may apply for funding. *Grant applications would likely require engineering expertise and assistance with grant writing	Technical preparedness, study goal, water availability and strategies, community engagement.	Grants require a 50% cost match of the total cost of the feasibility study, up to \$500,000.
3	Sustainable Infrastructure Planning Projects (SIPP) Funding Agency: Oregon Health Authority	SIPP provides a 100% forgivable loan for planning infrastructure projects for water utilities to make them more sustainable and resilient. Grant cannot be used for any construction or engineering, only planning.	Feasibility Studies, Asset Management Plan, System Partnership Studies, Water Rate Analysis, Leak Detection Studies, Security Risk and Vulnerabilities Studies, Water System Master Plan for water systems with <300 connections, Seismic Risk Assessment and Mitigation	A water system may be awarded SIPP funds once every three years	System size (small systems prioritized), capital improvement history, future project potential, readiness to proceed, priority deliverable	Up to \$20,000 per project, 100% forgivable loan

ID	Funding Program	Program Description	Eligible Projects	Eligible Applicants	Grant Program Criteria Evaluated	Funding Capacity
4	Water Infrastructure Finance and Innovation Act Program Funding Agency: Environmental Protection Agency	The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established the WIFIA program, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects.	Projects that are eligible for Clean Water and Drinking Water State Revolving Funds (SRFs), drought mitigation, alternative water supply, energy efficiency projects. Funds can be used for development, construction, acquisition costs.	Local, state, tribal, and federal government entities, partnerships and joint ventures, corporations and trusts and Clean Water and Drinking Water State Revolving Fund (SRF) programs	The program determines whether the project satisfies each category of criteria (Project Impact, Project Readiness, and Borrower Creditworthiness).	\$5 million minimum size for small communities (<25,000), 49% costs eligible for WIFIA funding, Federal funding cannot exceed 80% of project costs, 35-year maximum maturity for completion, 5 additional years after completion for repayment. In some cases, loans from the SDWRLF can be used as required match funding for WIFIA funding.
5	USDA Rural Development Water and Environmental Programs: Emergency Community Water Assistance Grants Funding Agency: USDA Rural Development	This program helps eligible communities with a population of 10,000 or less prepare, or recover from, an emergency that threatens the availability of safe, reliable drinking water. Emergency events including drought or flood, earthquake, tornado or hurricane, disease outbreak, chemical spill or leak, other disasters (federal disaster declaration is not required).	Funds can be used 1) to construct waterline extensions, repair breaks or leaks in existing water distribution lines, and address related maintenance necessary to replenish the water supply, and 2) to construct a water source, intake, or treatment facility. The area to be served must have a median household income less than the state's median household income for nonmetropolitan areas.	Most state and local governmental entities, nonprofits, federally recognized tribes	Unclear from website. Website suggests speaking to a program specialist before attempting to fill out any forms or applications	Water transmission line grants up to \$150,000 Water source grants up to \$1,000,000

ID	Funding Program	Program Description	Eligible Projects	Eligible Applicants	Grant Program Criteria Evaluated	Funding Capacity
6	WaterSMART: Water and Energy Efficiency Grants Funding Agency: Bureau of Reclamation	On-the-ground water management improvement projects, including projects that conserve water and address water supply reliability.	Projects should result in quantifiable water savings, implement renewable energy components, and support broader sustainability benefits.	State, regional, or local authorities, whose members include one or more organizations with water or power delivery authority.	Quantifiable water savings, renewable energy, sustainability benefits, etc.	Up to \$500,000 for projects to be completed within two years; up to \$2 million for projects to be completed within three years; and up to \$5 million for large projects to be completed within three years. Non-Federal Cost Share: 50% or greater.
7	WaterSMART: Small-Scale Water Efficiency projects Funding Agency: Bureau of Reclamation	The WaterSMART Small-Scale Water Efficiency Projects Reclamation provides 50/50 cost share funding to irrigation and water districts, tribes, states and other entities with water or power delivery authority for small water efficiency improvements that have been identified through previous planning efforts. Projects eligible for funding include installation of flow measurement or automation in a specific part of a water delivery system, lining of a section of a canal to address seepage, or other similar projects that are limited in scope.	Canal lining/piping, municipal metering, Irrigation flow measurement, supervisory control and data acquisition (SCADA), landscape Irrigation measures, high-efficiency indoor appliances and fixtures, upgrades to commercial cooling systems to improve water-use efficiency Other projects that are like those tasks listed above may be submitted for consideration and will be allowed to the extent that they are consistent with program authorization and goals.	State, regional, or local authorities, whose members include one or more organizations with water or power delivery authority.	Project benefits, planning efforts supporting the project, project implementation, nexus to reclamation, Presidential and Department of the Interior priorities	In 2022, applicants were eligible for up to \$100,000 for 2-year projects, with maximum total project costs of \$225,000. 50% non-Federal cost share

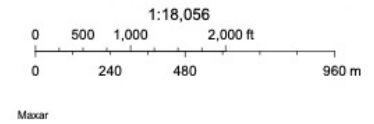
Appendix B. Flood Plain Maps

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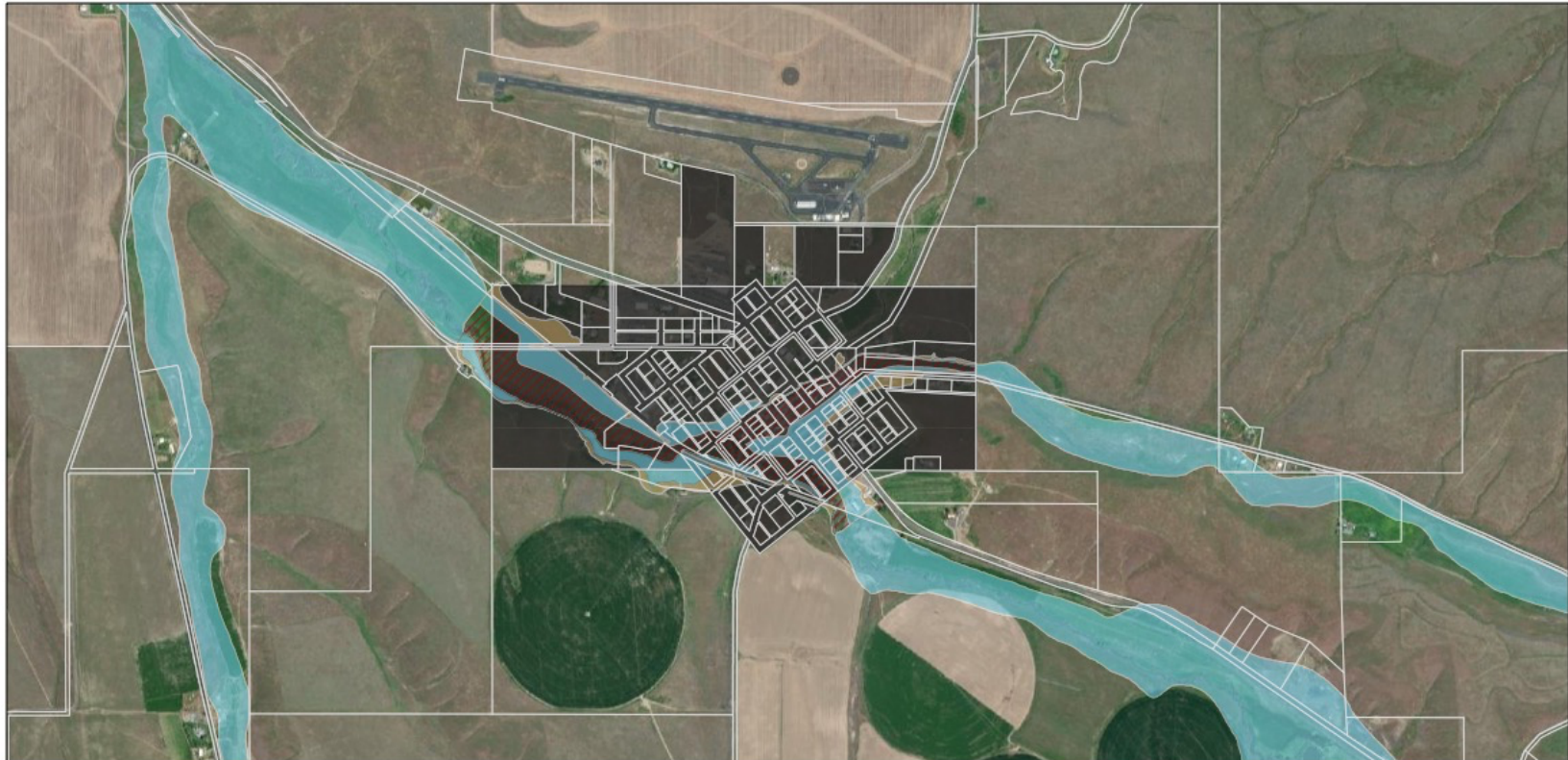
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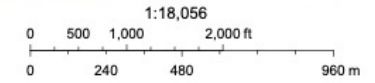
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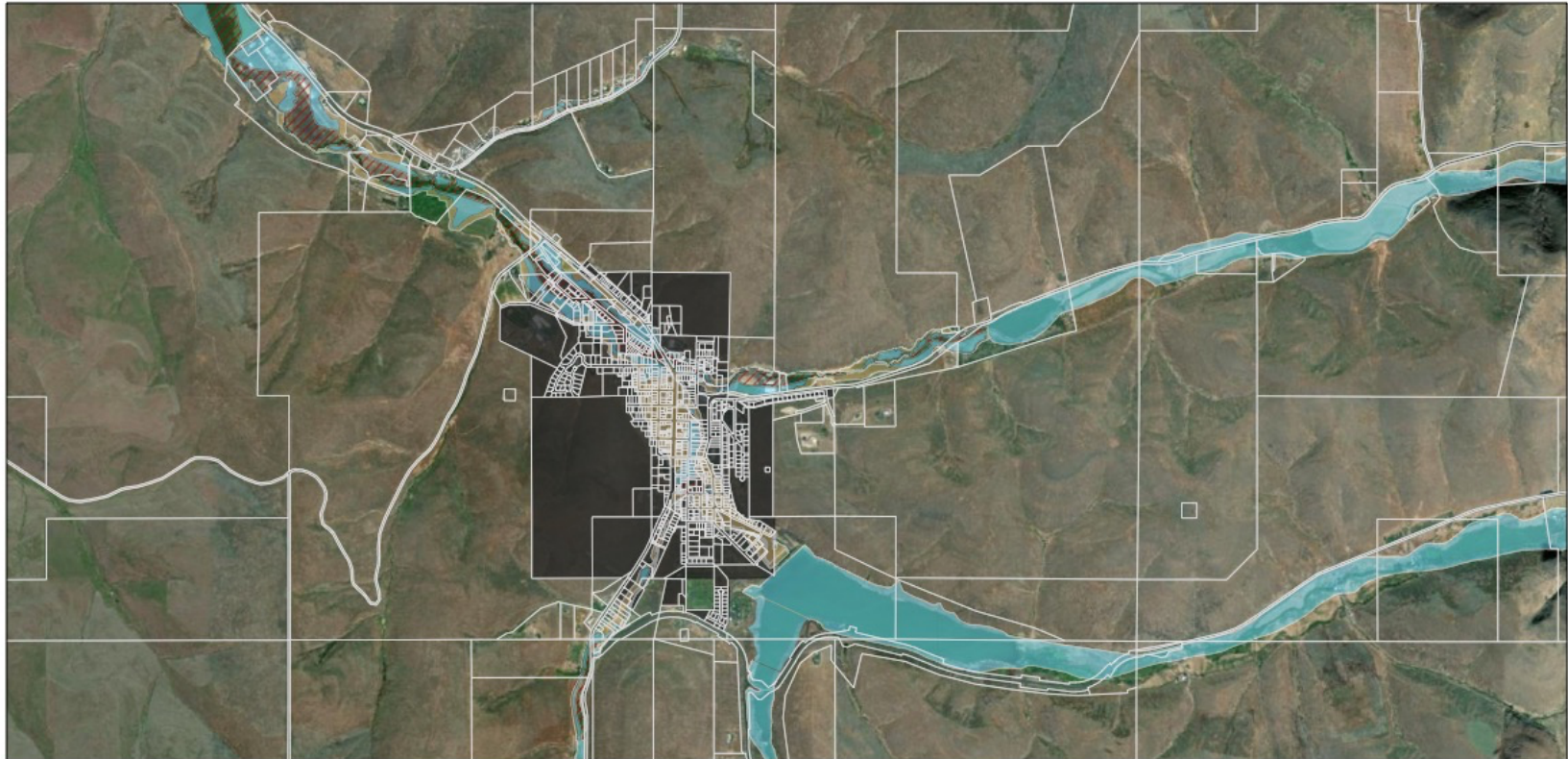
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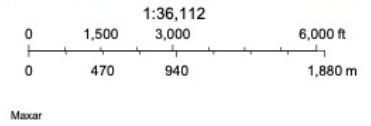
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Web AppBuilder for ArcGIS
Morrow County Planning Department

Morrow County Housing Implementation Strategy Background Report

August 2022

Prepared for: Morrow County and the Cities of Heppner, Lone, and Lexington

Report

Introduction and Purpose

The three small Cities of Ione, Lexington, and Heppner have worked collaboratively over the past 20 years to increase housing production in the Willow Creek Valley. Many of the new housing units have been the result of a public-private partnership between the Willow Creek Valley Economic Development Group (WCVEDG) and the Ione Community Agri-Business Organization (ICABO). While that formula has produced some new housing, the lack of infrastructure along with a lack of developer capacity in the area has caused housing development to stall.

The purpose of this Background Report is to summarize information on the housing market, proposed infrastructure, and amenity projects in each of the communities, and to identify a set of possible interventions, including policy changes and funding tools, that can help to move these projects forward. This will include interviews with stakeholder groups including community and advocacy organizations and housing developers.

The next step will be to write an Implementation Strategy that will help the cities address the needs and gaps identified in this report.

This Background Report has the following sections:

- **Housing Market Context for Ione.** This section outlines factors in the housing market that drive the need for a well-honed strategy.
- **Housing Market Context for Heppner.** This section outlines factors in the housing market that drive the need for a well-honed strategy.
- **Housing Market Context for Lexington.** This section outlines factors in the housing market that drive the need for a well-honed strategy.
- **Implications and Next Steps.** This section outlines barriers that the cities face and implications that will guide the Implementation Strategy moving forward.

The overall goal of the project is to prepare a Housing Implementation Strategy focused on two of the strategies identified in the 2019 Morrow Housing Strategies Report:

Land Supply Strategy 1: Evaluate and Address Infrastructure Issues in the cities of Ione, Lexington, and Heppner.

Code Strategy 2: Enhance Local Amenities and Services. Garner local input on city amenities that residents desire to enhance livability in each town.

Housing Market Context - Ione

Housing Market Summary⁹

The City of Ione had a total population of 337 as of 2020.¹⁰ Relative to Morrow County and Oregon, the City of Ione has a larger portion of older residents and a lower median family income. Just over 20% of residents in Ione were over 65 years old as of 2017, which is a higher share than either Morrow County or Oregon. From 2010 to 2018, median household income in Ione shrank from \$56,250 to \$51,786—a decrease of 8%.

The majority of residents in Ione own their homes. The Housing Needs Analysis (HNA) found that among homeowners, there was an estimated surplus of 17 houses. In contrast, the HNA found a shortage of 8 units among renters, with 31 units supplied compared to an estimated 39 units needed. However, conversations with the City suggest that there is a shortage of homes available for both ownership and renting.

From 2000 to 2018, the population of Ione grew at a modest rate of 2% from 329 people to 338. Between now and 2039, the population of Ione is expected to grow slightly, by 0.11%. By 2039, housing demand in Ione is expected to reach a total of 155 units, with the majority of new housing being single-family detached housing.

Past Efforts and Barriers

The City of Ione residents and businesses use individual, privately owned septic tanks and drainfields to treat and dispose of wastewater on each developed lot in the city. According to the City's one stop application, *"The original Ione town site was platted with small, narrow lots that, in most cases, do not provide sufficient area for conventional wastewater drain field placement or the required additional area for future drain field replacement. This has become a hindrance to growth and development of vacant properties."*

The City has been working since the mid-2010s to develop an investment plan for a potential wastewater system. The recently submitted Wastewater Feasibility Study Amendment (under Oregon Department of Environmental Quality review) has a viable alternative the City is eager to pursue.

The City of Ione faces a shortage of housing and space for recreational vehicles. This new wastewater system would dramatically help this community that is currently solely on septic tanks.

⁹ Data are summarized from the 2019 Morrow County Housing Strategies Report unless otherwise noted.

¹⁰ Population estimates from the Population Resource Center at Portland State University

Proposed Infrastructure and Amenity Projects - Cost and Potential Funding Sources

Key projects identified by the community include a community wastewater system and road paving projects on key corridors. Ione's water system is in good shape and does not need improvements.

Community Wastewater System

The proposed project includes a new community wastewater collection, treatment, and disposal system. If the proposed project is constructed, the City will no longer need to rely on existing individual drainfields to collect and dispose of the City's wastewater.

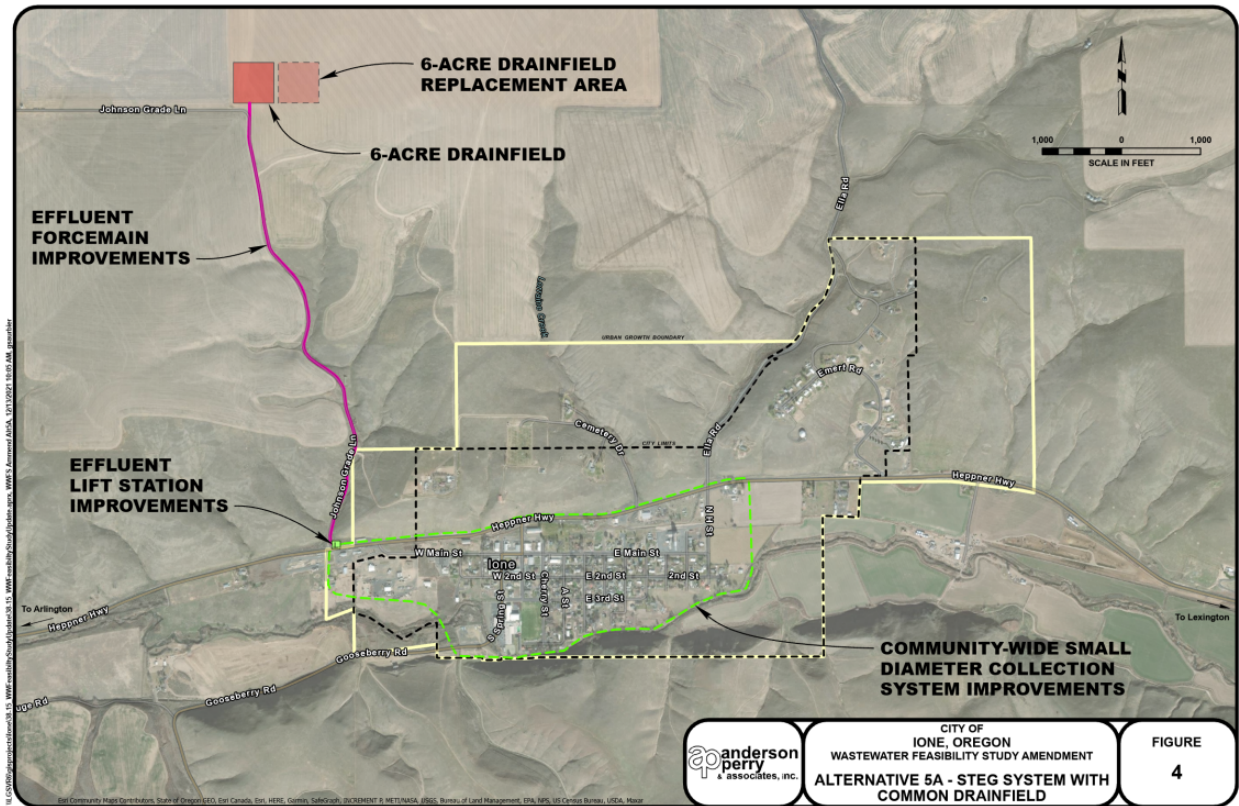
In August 2021, Anderson Perry (a civil engineering firm) completed a feasibility study for the wastewater system that evaluated two alternatives: a drain field (up Johnson Grade) and evaporative lagoons. The recommended community wastewater system project is a gray water from individual septic tanks flowing up Johnson Grade to a drainfield. The project would provide 176 connections (not including Emert Addition) for residents (single-family and RV park residents), businesses, city properties, and the school. It would allow for 166 residential connections, with a total of 10 other connections.¹¹ Since the project would be located above shallow groundwater, Ione's project would include small diameter mainlines and no manholes.

The total cost of the project is estimated to be **\$5.5 to 5.7 million, including contingency**. These costs will continue to rise the longer it takes to implement the project.

¹¹ Ione Wastewater Improvements One Stop Meeting Presentation, April 8, 2022.

Exhibit 3. Ione Community Wastewater System

Source: Anderson Perry



Funding

In April 2022, the City met with representatives from several funding agencies at the One Stop Funding Meeting hosted by Business Oregon. The most viable funding alternative was a USDA grant of \$2.5 million coupled with a loan. Monthly user fees under this scenario would be \$43, which is within the City’s affordability threshold.

The City of Ione has preliminary local grant commitments consisting of:

- **The Ione Community Charter School** (Potential for up to \$800,000; not guaranteed)
- **Ione Community Agri-Business Organization (ICABO)** \$100,000 committed to date
- **City American Rescue Plan Funds.** The City is receiving \$200,000 in one-time payments in 2022 and an additional payment of \$64,000 in either 2022 or 2023.
- **Columbia River Enterprise Zone (CREZ).** The City is expecting to receive \$200,000 per year from 2022 through 2031, but it is not guaranteed
- **Amazon payment.** The City received \$200,000 in 2022.

There remains a gap of up to \$2 million which the City is hoping to bridge through additional local grant commitments.

Next Steps

- Obtain funding for the proposed Wastewater System Improvements Project
- Finalize 2021 amendment to the 2014 Wastewater Feasibility Study¹²
- Obtain approval from DEQ for system design (expected before the end of 2022)
- Design System Improvements
- Construct System Improvements

Transportation Infrastructure Improvements

The City has identified two road enhancement projects that would contribute to the livability of the community. The City has received an ODOT Small City allotment of \$250,000 to pay for these improvements. The City may need additional grants, depending on the project scope.

- **Roadwork on Main Street.** The City of Ione is pursuing funding to pay for paving and pothole repair on 2nd Street.
- **Emert Road Improvements.** The City of Ione would like to improve Emert Road, which serves the Emert Addition. This road is partially paved but is prone to periodic washboarding. The County is responsible for grading the road.

Housing Development

Willow Creek Valley Economic Development Group Housing Developments. The group has agreed to build another duplex in Ione but is waiting on a contractor. The contractor they used previously is out four years in projects. They have approved funding, but it is hard to switch to a new contractor.¹³

Water System Resiliency Improvements

In addition to the community wastewater system described above, the City of Ione is interested in making improvements to its water system. The City of Ione has two wells and only one pump, which may need to be repaired or replaced. The City of Ione is interested in adding a second water pump to its system. In a conversation with Regional Solutions on August 1, 2022, ECONorthwest learned that the City of Ione can apply for Business Oregon grants to conduct water system planning to better outline the costs for the secondary pump and other drinking water infrastructure needs.

¹² City of Ione, Oregon Wastewater System Improvements One-Stop. April 8th, 2022

¹³ Interview with Kim Cutsforth, Willow Creek Valley Economic Development Group, April 2022.

Housing Market Context - Heppner

Housing Market Summary¹⁴

The City of Heppner had a total population of 1,295 as of 2020.¹⁵ Heppner has a larger share of older residents and a lower median family income relative to Morrow County and Oregon. About one-fifth of residents in Heppner were over the age of 65 in 2017. Between 2010 and 2018, the median household income in Heppner increased 52% from \$32,833 to \$50,000, but as of 2018 was still lower than that of Morrow County or Oregon.

Most residents in Heppner own their homes. The Housing Needs Analysis (HNA) identified a surplus of homes available for ownership (27 units) and a deficit of homes available for rent (4 units). However, conversations with the City indicate that there are fewer homes available for ownership than found in the HNA. There are limited homes available for higher-income households.

From 2000 to 2018, the City of Heppner experienced a 7% decrease in its population, from 1,411 residents in 2000 to 1,310 in 2018. Between now and 2039, the population of Heppner is expected to grow at a modest rate of 0.12%. Between 2018 and 2039, Heppner is anticipated to need a total of 27 new housing units to meet rental demand, half of which will be single-family detached with the rest a mix of multifamily and mobile homes.

Past Efforts and Barriers

The City of Heppner has aging water and wastewater infrastructure, which needs improvements to address deficiencies, build capacity, and add redundancy. The City is working on addressing the water and sewer service issues on a 22-acre parcel owned by the Willow Creek Valley Economic Development Group (WCVEDG) to prepare for the development of approximately 15 new homes. The City needs to drill a well that would serve the 22-acre site while also adding redundancy to the City's overall water system. However, while the 22-acre parcel is important for new housing development, the City's infrastructure needs extend beyond this parcel and any improvements need to be considered within the context of the whole City.

Land use rules and regulations as well as land constraints are also hindering development in Heppner. As described in the Morrow County Housing Strategies Report (2019), *"Nearly all of the land area in the City's R3 zone, the only residential zone that allows for multi-family housing outright, is classified as Difficult to Serve. Thus, 84% of the estimated citywide housing unit capacity is*

¹⁴ Data are summarized from the 2019 Morrow County Housing Strategies Report unless otherwise noted.

¹⁵ Population estimates from the Population Resource Center at Portland State University.

located on Difficult to Serve parcels.” Heppner needs to revisit its Comprehensive Plan and zoning ordinances to remove barriers to the development of a variety of housing types.

As identified in the Morrow County Housing Strategies Report (2019), Heppner lacks housing for households earning over \$50,000 annually. Enhancing local amenities could help drive demand and encourage developers to invest in new housing projects that target higher-income households. The City of Heppner has been actively improving its amenities. Fiber optic internet is now available throughout the city. The City and Park District, which is a stand-alone entity, have been maintaining parks (of which Heppner has an ample supply due to the Flood Zone) and other desired recreational amenities.¹⁶ The City recently put in sidewalks from one side of the City to the other, including a walking bridge. The Howard and Beth Bryant Foundation has also been instrumental in meeting community needs by funding a fitness center, mini-golf course, community center, weight room, and batting cage, among other improvements.

Other barriers to housing development include a lack of developers and builders in the area. Many builders are backed up for multiple years. Heppner, like other cities in Morrow County, has limited staff capacity to facilitate planning processes and pursue funding opportunities, which can further complicate and expand timelines.

Proposed Infrastructure and Amenity Projects - Cost and Potential Funding Sources

Key projects identified by the City include updating the community’s water and wastewater systems and updating City codes and ordinances.

Community Water System

Working with Anderson Perry & Associates (a civil engineering firm) the City is putting together a Water System Master Plan (WSMP). The WSMP will evaluate the City’s entire municipal water system, including supply, storage, and distribution systems. This plan is expected to be completed in March 2023 (with a draft in January 2023).¹⁷ It will include total estimated project costs and potential funding sources the City can pursue to fund selected improvements.

One early project the City identified is the need to construct an additional well. This well would resolve capacity issues and build redundancy into the water system as well as serve a new residential district. The City is working to build the telemetry system this year.

¹⁶ Community residents have expressed a desire for a trail that connects Heppner with neighboring cities, however, land needed to make those connections is under private ownership. Interviews with local stakeholders suggest this is unlikely to change.

¹⁷ Business Oregon General Application for the City of Heppner’s Waster System Master Plan

Funding

Anderson Perry submitted a grant application for \$20,000 on behalf of the City of Heppner to fund the planning work, which is expected to cost \$65,000. The City is paying the remaining \$45,000.

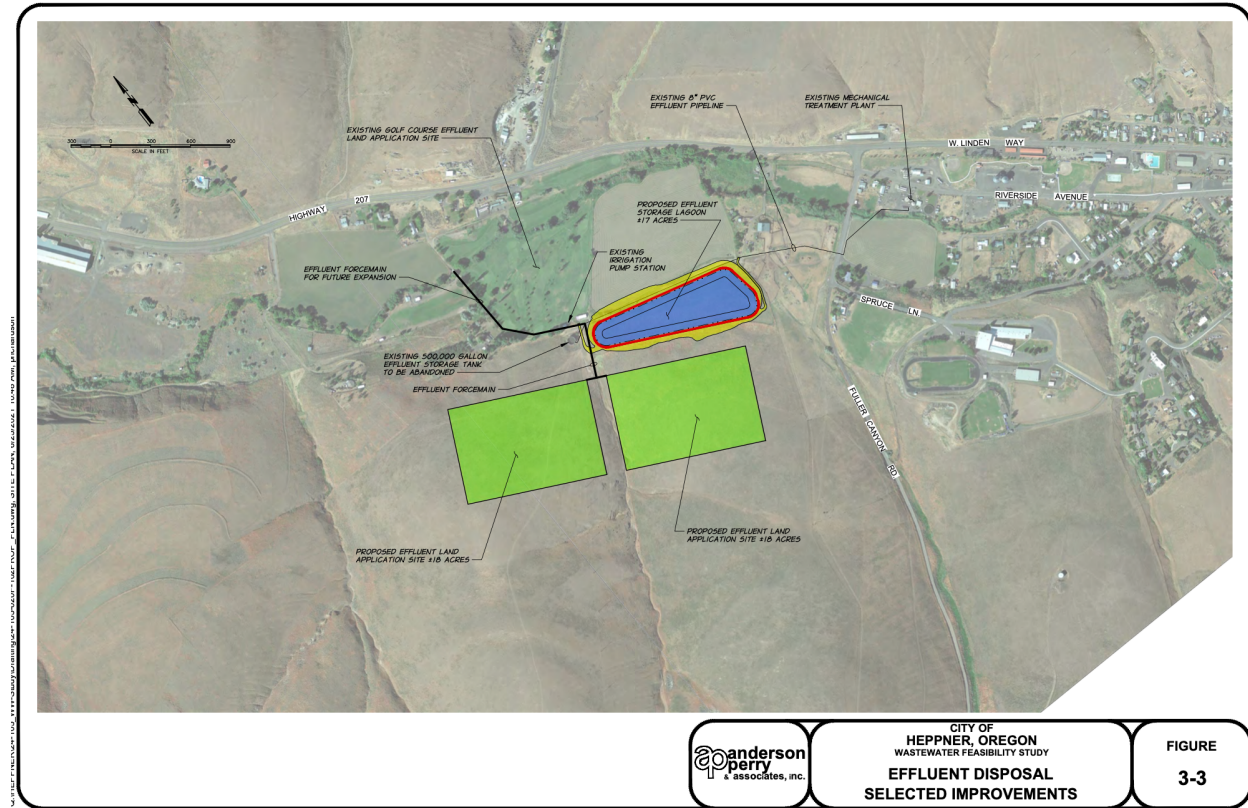
The City, in collaboration with Morrow County, applied for an Economic Development Administration (EDA) grant and a separate construction grant to support the final design and construction of the water system. The City has upward of \$750,000 in the General Fund if needed as well. A One Stop meeting is expected to take place early next year. At that point, the City will have a better understanding of any funding gaps. However, the City expects to need additional funding sources and is interested in identifying grants and loans that that will help them build resilience into their water system.

Community Wastewater System

The City is working on improvements to its wastewater treatment and disposal systems. In 2021, Anderson Perry & Associates completed the Wastewater Feasibility Study for the City, which evaluated improvement alternatives and developed design criteria. The study also included a financial plan and project implementation plan. Based on Anderson Perry's analysis, the City chose to pursue improvements to the existing mechanical wastewater treatment facility and construct a new effluent storage lagoon with additional land application irrigation systems (Exhibit 4). As noted in the Study, these improvements are expected to provide a system that can treat wastewater to acceptable levels and provide increased capacity for disposal of treated effluent for a 20-year planning period.

Exhibit 4. Heppner Effluent Disposal Selected Improvements

Source: Anderson Perry & Associates, City of Heppner Wastewater Feasibility Study, 2021



The total cost of the project is estimated to be **about \$6 million (Exhibit 5), including contingency and land acquisition** (The City identified a need to secure approximately 15 acres for the wastewater infrastructure, which will likely cost between \$100,000 and \$200,000). These costs will rise the longer it takes to implement the project.

Exhibit 5. Summary of Estimated Costs for Wastewater Systems Improvements

Source: Anderson Perry & Associates, City of Heppner Wastewater Feasibility Study, 2021

Note: As funding applications are developed, the cost should be projected to the year of anticipated construction to account for inflation.

Improvement	Costs
Mechanical Treatment Plan Improvements	\$1,449,000
Wastewater Effluent Storage and Disposal	\$2,222,000
Construction Contingency (20 percent)	\$734,000
Other Project Costs (Engineering, Environmental, Land Acquisition, etc.)	\$1,219,000
Total Estimated Project Cost (Year 2021)	\$5,624,000
Total Estimated Project Cost (Year 2022)	\$5,976,000

Funding

As indicated by the City, the design work for system improvements has been funded. However, the City still needs to identify funding sources for the construction of wastewater system improvements. The Wastewater Feasibility Study detailed potential funding sources the City could pursue, of which Business Oregon's Water/Wastewater program, the DEQ's Clean Water State Revolving Fund Loan Program, and a Rural Development bond appeared to be the most promising. These options will be discussed with funding agencies at a One Stop meeting, which will take place in late 2022 or early 2023. The City recently completed its income survey and found it does not qualify for Community Development Block Grant (CDBG) funding.

Debt Capacity

As described in the Wastewater Feasibility Study, if the entire wastewater project was funded through a loan, the utility rate could jump from \$34.84 per connection per month to approximately \$68 per month or more depending on the loan. Estimated loan capacities are based on the current estimate of 733 connections and annual operation and maintenance expenditures that increase 5% each year.

Updating Ordinances and Codes

The City has limited available, unconstrained land zoned for residential development. To encourage more housing development, the City is working on updating ordinances and codes. The City adopted Goal 10 last year and is working on updating it in the Comprehensive Plan as a next step. The City is interested in reviewing flood control ordinances, although the City needs to try to reduce the number of pages incorporated due to costs. The City also intends to review ordinances for the Downtown District and other areas that are not well defined for building and construction. This planning review will be funded with a \$1,000 DLCD planning assistance grant. The City will contribute any other needed funding to complete the review.

Transportation Infrastructure Improvements

The City has been actively working on updating and maintaining its road network. The City received over \$3 million in the past couple of years and should get another couple of million in the next couple of years to continue this work.

Other Amenities

While the City has been active in improving and expanding amenities, there may be an opportunity for the City to expand restaurant offerings in the area. Initial discussions indicate there might be an opportunity for coffee shops and/or fast-food restaurants.

Additional Funding and Timing Considerations

While the City has been building up a financial reserve, it does not have enough to cover the full cost of infrastructure improvements and will need to compile funding from a variety of sources, including local government sources (General Fund), raising utility rates, and state and federal loans and grants.

Understanding funding revenues and what they support will be critical to meeting Heppner's infrastructure needs. Some sources can only be used for specific purposes but will need to be considered within the greater context of the whole City improvements. For instance, the City received a grant from the state for approximately \$2 million for street improvements for 2022, which will be done in coordination with water and wastewater work.

Funding Sources that Could Support Projects

While the City will have One Stop meetings to identify funding for the water and wastewater projects, the City has already secured or is interested in pursuing funding from the following sources that could support projects.

- **State of Oregon.** The City received \$500,000 for economic benefit – spending requirements unclear at this point
- **Morrow County**
 - *Columbia River Enterprise Zone (CREZ).* The City is expecting to receive \$200,000 per year from 2022 through 2031, but this is not guaranteed. This is likely to be split equally between water, wastewater, and streets.
 - *Amazon payment.* The City is receiving \$200,000 in 2022.
- **City ARPA funds.** \$280,000 in two installments
 - **2022:** \$140,000 – received approximately \$65,000 for water and sewer projects
 - **2023:** \$140,000 – not allocated, flexible in how it can be spent
- **ODOT Small City Allotment Program.** Pursuing \$250,000 in 2022 and 2023 to upgrade streets (for paving around the hospital, deteriorating road)

Next Steps for Water and Wastewater System Improvements

- Finish Water System Master Plan (WSMP)
- Hold a One Stop meeting for wastewater system improvements
- Hold a One Stop meeting for water system improvements

Housing Market Context - Lexington

Housing Market Summary¹⁸

The City of Lexington had a total population of 265 as of 2020.¹⁹ Lexington has a larger share of older residents and a lower median family income relative to Morrow County and Oregon. The City has fewer families with children than the County and an average household size of 3.3 persons. About one-fifth of residents in Lexington were over the age of 65 in 2017. The estimated median household income in Lexington was \$29,400 in 2018 compared to Morrow County's \$54,400.

Most residents in Lexington own their homes. The Housing Needs Analysis found that the City has a surplus of homes available for ownership (18 units) and a deficit of homes available for rent (17 units). There are limited homes available for higher-income households.

The City of Lexington experienced a 10% decrease in its population from 263 residents in 2000 to 238 in 2010 before increasing again to 265 in 2018. Between 2018 and 2039, the population of Lexington is expected to decrease at an annual rate of 0.66%. Between 2018 and 2039, Lexington is anticipated to need a total of 17 new housing units to meet rental demand, which is expected to be a mix of single-family detached and mobile homes.

Past Efforts and Barriers

The City of Lexington's current water system is unable to keep up with demand. In recent years, the City has had to put water restrictions in place to preserve its supply, which is particularly constrained in the summer months. The City also has limited options for treating wastewater. Residents and businesses use individual, privately owned septic tanks and drainfields to treat and dispose of wastewater on each developed lot in the city. This limits the density of development, making it generally only suitable for single-family detached housing. Addressing water system deficiencies is a priority for the City and is necessary before making changes to wastewater management.

In the past, the City has had limited success seeking funding and support for wastewater treatment facilities given the small population, limited land for development (most of the capacity for residential units is on parcels classified as "difficult to serve," which makes extending infrastructure to these sites costly and difficult), and future population growth projections. Instead of developing a municipal wastewater treatment system, the Morrow County Housing Strategies Report (2019) identified the following recommendations while recognizing that these approaches may be cost prohibitive at the scale likely for Lexington:

¹⁸ Data are summarized from the 2019 Morrow County Housing Strategies Report unless otherwise noted.

¹⁹ Population estimates from the Population Resource Center at Portland State University.

- Investigate the feasibility of using package wastewater treatment systems or the on-site collection and off-site treatment of wastewater. The Oregon Department of Environmental Quality and Multnomah County sanitarian would be a good resource for information about these techniques.
- Identify larger parcels that have adequate space for a common septic field that could treat wastewater from multiple units. Housing units could be clustered and potentially built more economically as attached housing on such sites, with a common drainfield located in open areas on the site. Cottage cluster development is one example of this type of development.

Like the rest of the County, Lexington may also have opportunities to enhance local amenities and services to both improve the quality of life for current residents as well as attract additional residents to the city. The City identified a need for parks and recreational amenities as well as sidewalks.

Other barriers to housing development include a lack of developers and builders in the area. Many builders are backed up for multiple years. Lexington, like other cities in the county, has limited staff capacity to facilitate planning processes and pursue funding opportunities, which can further complicate and expand timelines.

Proposed Infrastructure Projects: Community Wastewater System and Water System

Key projects identified by the City include updating the community's water system and evaluating options for wastewater treatment. The City also identified opportunities to improve roadway facilities and add recreational amenities.

Community Water System

Working with Anderson Perry & Associates (a civil engineering firm), the City is putting together a Water System Study which will evaluate the municipal water system piping and new water supply well options. This plan is expected to be completed in February 2023 (with a draft in December 2022).²⁰ It will include total estimated project costs and potential funding sources the City can pursue to fund needed improvements. The first work session was held in March 2022.

Funding

Anderson Perry submitted a grant application with Business Oregon for \$20,000 on behalf of the City of Lexington to fund this planning work which is expected to cost \$40,000. The City is paying the remaining \$20,000.

²⁰ Business Oregon General Application for Lexington's Waster System Study

On July 1, 2022, the City raised the rate for 10,000 gallons of water from \$48 to \$49 for basic services. Initial discussions with Anderson Perry indicate that the City will not need to conduct an income study to pursue affordability restricted funding, as the City already meets or exceeds the affordability rate.

A One Stop meeting to identify funding options is expected to take place in early 2023 after the completion of the study.

Wastewater System

Working with Anderson Perry & Associates, the City of Lexington is putting together a Wastewater System Feasibility Study which will evaluate options for a communitywide municipal wastewater system. The most serious issue at this point is that the City needs a septic tank drain field. This plan is expected to be completed in February 2023 (with a draft in December 2022).²¹ It will include total estimated project costs and potential funding sources the City can pursue to fund needed improvements. The first work session with Anderson Perry was held on May 10, 2022.

Funding

Anderson Perry submitted a grant application with Business Oregon for \$20,000 on behalf of the City of Lexington to fund this planning work, which is expected to cost \$40,000. The City is paying the remaining \$20,000. A One Stop meeting to identify funding options is expected to take place in early 2023 after the completion of the study.

Transportation Infrastructure Improvements

The City is pursuing a Transportation and Growth Management grant through the Oregon Department of Land Conservation and Development, which could be used to update their Transportation System Plan or create a Downtown Plan. As of April 2022, the City was still waiting for award allocations. Most of the City's streets are paved due to receiving the Small City Allotment Grant from the Oregon Department of Transportation, but the City still has several streets that need to be resurfaced or upgraded from gravel to pavement.

Other Amenities

The City currently has two small parks off Highway 74. Neither of these parks is large enough for a playground. The City has expressed interest in adding a larger park that can support a playground. The City also wants to fence in the parks to improve safety, as well as add amenities such as picnic tables and benches.

Residents have also expressed a desire to build a sidewalk down one side of Main Street to the highway, which would improve safety for pedestrians. This would be a part of the Downtown Improvement Plan project area, which could include sidewalks on both sides of the downtown area.

²¹ Business Oregon General Application for Lexington's Wastewater System Study

Additional Funding and Timing Considerations

The City does not have a large enough financial reserve built up to cover infrastructure improvements and will need to compile funding from a variety of sources, including local government sources, raising utility rates, and state and federal loans and grants.

Additional funding sources that could support projects

While the City will have One Stop meetings to identify funding for the water and wastewater projects, the City has already secured or is interested in pursuing funding from the following sources to support projects.

- **Morrow County (secured)**
 - *Columbia River Enterprise Zone (CREZ)*. The City is expecting to receive \$200,000 per year from 2022 through 2031, but this money is not guaranteed
 - *Amazon payment*. The City is receiving \$200,000 in 2022.
- **City ARPA funds (secured)**. \$26,000
- **ChangeX (Amazon micro grants)**. Awarded \$5,000 for technology improvements to the town hall.
- **Small City Allocation Grant (ODOT)**. Pursuing \$250,000 for road improvements
- **TGM grant**. Pursuing \$175,000 for Downtown Improvement Plan

Next Steps for Water System Improvements

- Finish water system and wastewater system feasibility studies
- Hold One Stop meetings for water and wastewater system improvements

Implications and Next Steps

With Anderson Perry’s support, the Cities of Ione, Heppner, and Lexington are well equipped to address their water and wastewater deficiencies and identify funding packages to support these projects. However, water and wastewater infrastructure improvements alone will not guarantee additional housing development. Cities across Oregon are having difficulties attracting housing development, especially development that would be suited to low- and middle-income families. Findings from initial conversations with stakeholders indicate that the biggest barriers to housing development in the area include a lack of developer capacity, along with a lack of capacity to advocate for and pursue additional funding for infrastructure and amenities.

Over the summer of 2022, ECONorthwest will draft an implementation plan to address the needs and gaps identified in this background report. Based on our research to date, we have identified the following implications that will guide our work on the implementation plan moving forward.

The three communities could collaborate to attract investment in amenities and infrastructure and build professional services capacity across the whole Valley.

The cities have barriers when it comes to planning, both in staff capacity and expertise and in grant writing. The cities may benefit from a regional planner, shared between the three cities, potentially housed in the County. The cities might consider using some of the funds identified during this process to support regional planning and grant writing capacity.

Next steps for developing the implementation plan

- **Explore ways to support city planning.** The cities identified infrastructure and amenity projects beyond water and wastewater that need the expertise of a planner to pursue them. As a next step, ECONorthwest will explore how other cities have overcome planning capacity constraints through best practices research and interviews with regional partners. The implementation plan could detail how a regional planner might be shared between the three cities and how they might be funded.
 - *Potential interviews/small group discussion:* Courtney Crowell, Regional Solutions Coordinator; Susan Anderson, Enterprise Community Partners (Susan is a national expert in rural housing development that ECONorthwest has worked with on past projects and can provide best practices ideas from around the country)
 - For City of Ione, include the City’s plan to request an amendment or revision to a flood map in an effort to change the city’s floodplain designation.²²
- **Explore ways to improve grant writing capacity.** Funding desired projects remains a continuous challenge for the cities. Many staff are at capacity with their current

²² <https://www.fema.gov/flood-maps/change-your-flood-zone>

workloads and have little or no time to pursue additional funding. There may be an opportunity to boost grant writing capacity across the three cities by pursuing either on-call grant writing services or hiring permanent staff members to pursue grants. The cities could join with the County and share capacity or could pursue these options individually. ECONorthwest will discuss options and best practices during interviews or small group discussions with regional partners. The implementation plan will detail how grant writing capacity could be improved across the three cities.

- *Potential interviews:* same for Planning
- **Advocate for filling infrastructure and amenity project funding gaps.** In the implementation plan, we will provide a high-level characterization of the expected capital funding gap and potential funding sources for Ione's wastewater infrastructure improvements, but other communities have not yet completed their planning and one stop meeting. Thus, our overall findings may be higher level and include next steps like the following:
 - **Coordinate with Morrow County** to determine how the cities can best communicate funding gaps for priority projects
 - **Present to the CREZ Board.** The CREZ board may be able to provide valuable feedback on this background report. Over the next 5 years, CREZ is set to receive significant funds that could help support city needs. The County/cities may want to consider convening the CREZ board to discuss the barriers identified through the implementation plan process.
 - **Explore the Port's role in infrastructure for the cities.** There may be value in discussing city infrastructure needs with the Port. The Port is important at least for Heppner because they own the old Mill Site. Discussions with the Port would help establish what role, if any, the Port could play in helping with infrastructure.
 - *Potential interview:* Mark Patton, Port COO
 - **Identify potential funding and financing tools for infrastructure and amenities that the cities are interested in pursuing.** This could include exploring ways to raise additional funds such as using the TIF funding approach (e.g., Housing Incentive District). It may also include exploring targeted grant funding from sources such as ODOT, RDI, EDA, private foundations, OWRD Water Feasibility Grant, etc.
 - *Potential Interviews:* Ken Patterson, ODOT representative, City of Madras (regarding [Housing Incentive District](#)), Julie Keniry (REV Program), Melissa Drugge (Business Oregon)

Identify innovative ways to produce housing in rural areas

All three cities face barriers when it comes to attracting development. Market-rate developers have little incentive to invest in the area due to limited opportunities for profitability. Not-for-profit organizations face barriers to accessing contractors. Some contractors that have previously worked in the cities are backed up for multiple years. Financing also remains a

barrier for both market-rate and not-for-profit developers. The cities may benefit from exploring how other rural cities have attracted developers and implementing ideas in a coordinated effort across the region.

Next steps for developing the implementation plan

- **Explore how other communities have been able to attract development.** The three cities, like many rural areas, struggle to attract development. ECONorthwest will explore how other communities have dealt with development barriers such as limited contractor capacity and limited opportunities for profitable market-rate development. Are there ways cities have gotten around these issues? How have developers in other cities overcome financing constraints? The implementation plan will include steps to address these barriers.
 - *Potential interviews:* WCVEDG – discuss an approach for not-for-profit development; Susan Anderson, Enterprise Community Partners; Julie Keniry, Rural Engagement and Vitality Center
- **Link housing planning with economic development planning.** There may be an opportunity for the cities to tie tourism and placemaking opportunities with housing development, enhancing opportunities for alternative funding options. The implementation plan could include next steps such as:
 - Explore grants, like the USDA Placemaking Grant, and attend the Placemaking in Small and Rural Communities Online Conference, which is an opportunity for the cities to learn about placemaking and future funding sources.

Consider WCVEDG’s role. The Willow Creek Valley Economic Development Group has previously funded projects across the region. The implementation plan could consider what WCVEDG’s continued role in the communities will be, both in direct development and funding support.²³ WCVEDG has recently focused on the following:

- ***Business Enhancement Grants*** for any business in WCVEDG territory. Can spend up to \$25,000 over the life of a business
- ***Housing Rehabilitation Fund*** - up to \$20,000; capital improvements only
- ***Demolition Grant*** - \$5,000 to \$10,000 for tearing down a building; either sell or develop in a year

²³ Interview with Kim Cutsforth, Willow Creek Valley Economic Development Group, May 5th, 2022.