AGENDA

Newberg Housing Needs Analysis
Project Advisory Committee Meeting #2

2/27/2019
3:00 PM – 5:00 PM
Location: Newberg City Hall 414 E. First Street

3 – 3:10 p.m.	Introductions Approval of HNA Project Advisory Committee Meeting Minutes December 20, 2018	Keshia Owens/Doug Rux
3:10 – 4:10 p.m.	Overview of the Housing Needs Analysis Methodology and Preliminary Key Findings	Bob Parker
4:10 – 4:50 p.m.	Introduction to Housing Policies - Existing policies Potential new policies	Bob Parker
4:50 – 5:00 p.m.	Next Steps - Public Meeting this Evening - Revision of housing needs projection and BLI PAC 3: March 14	Bob Parker

HOUSING NEEDS ANALYSIS PROJECT ADVISORY COMMITTEE
December 20, 2018
Permit Center Conference Room, Newberg City Hall
414 E First Street

Chair Walker called the meeting to order at 2:00 pm.

ROLL CALL

Members present:	Curt Walker, Chair	Jessica Cain, Vice Chair
	Charlie Harris	Sam Espindola (left at 4 pm)
	Rick Rogers	Kevin Young, DLCD Project Manager
	Yanira Vera (left at 3:50 pm)	Todd Engle

Members absent: Gregg Koskela, Chuck Sabin, Corey Zielsdorf, Mike Corey (Council Liaison), Bob Andrews (Mayor, Ex-Officio), Angela Carnahan (DLCD Rep)

Staff present: Keshia Owens (Assistant Planner), Doug Rux (Community Development Director)

Consultants: Bob Parker (EcoNW)

PUBLIC COMMENTS

None

INTRODUCTIONS

Members provided brief introductions about themselves.

OVERVIEW OF HOUSING NEEDS ANALYSIS

Consultant Parker provided an overview of why Newberg is doing a Housing Needs Analysis (HNA) and asked questions that focused on the growth in the next 20 years, amounts of land, buildable land, and buildable residential land.

Consultant Parker said that the HNA is working to address Housing Goal 10 and the City's obligation is to plan to have enough land for development, not develop housing.

Member Harris asked if farm worker housing was included.

Consultant Parker answered yes, per 197.303.

Consultant Parker explained demand vs. need. Demand is based on market and indicated by what's built, while need is by type (financial need, tenure, condition, etc.). Demand vs. supply is what is needed and what is available.

Consultant Parker explained that population projections are done in 5-year increments and numbers start to decrease because of an aging population. He said there are anomalies in PSU's data, as Talent saw a 10% decrease, and other regional dynamics like where people want to live and affordability also affect data. He added that PSU updates data every 3 years and the further out you go, the smaller the area and the less reliable the data becomes.

Member Rogers said there is pent up demand in Newberg only because about 1,800 actually live and work in here.

Consultant Parker discussed the Buildable Lands Inventory (BLI) and said its purpose is to try to figure out land that has capacity for housing and listed steps on how this is done.

Member Harris asked if the BLI focuses on residential lands, then how to account for industrial lands.

CDD Rux said those lands aren't addressed in this BLI and Riverfront (industrial land) could be used if identified as a need for residential lands. He also explained that the Downtown Plan is included to capture 200-400 units on about 100 acres of land and Newberg hasn't responded to requests for large development on industrial lands because the lands aren't available.

Consultant Parker said that if Newberg doesn't have a clear development path, as required, then commercial lands won't be included in a BLI. He added that the State has been supportive about lands coming in, but some cities have been reluctant to let land in.

Consultant Parker provided a schedule of the HNA and said the project must be completed by June 2019. He explained that there will be an official recommendation through the Planning Commission to City Council, which will lead to an adoption by Council. He noted that if the study identifies a deficit of land the HNA can't be adopted by the City.

Member Harris asked if the study identifies a lack of R-3 land, can the City rezone the land to R-3 and what action can be taken in the meantime.

CDD Rux answered that we need both cooperative property owners and the HNA. He explained there's a deficit of R-2 and R-3 land and added code amendments will be part of the answer.

Member Harris asked if it is possible to take R-2 land and limit development in light of the HNA.

CDD Rux answered this will be a code amendment and it would be best to wait for HNA adoption, as that is required to make decision based off of findings.

Consultant Parker listed things that are big pieces to pay attention to in terms of community needs, which included farm worker housing, senior housing, work force housing, GFU students looking to move off campus, short term rentals, GFU students willing to have several roommates, short term rentals, mobile home preservation, mill property, and tiny homes/cottages.

DESIRED OUTCOMES

Consultant Parker explained that desired outcomes included increases in density, minimalizing displacement, and considering strategies to address homelessness.

BUILDABLE LANDS INVENTORY

Consultant Parker commented that the BLI land is any land that is not suitable constrained, such as natural hazards or protections. He also explained that the purpose of the BLI is to address infill (i.e. ADUs) and lands with a strong likelihood of redevelopment potential. He explained that the analysis will look at the development status of lands and various classifications of land (developed, vacant, and exempt). He commented that land with constraints are specifically identified and pulled out of the inventory.

NEXT STEPS

CDD Rux said the next steps include creation of a project website and a PowerPoint PDF will be sent out to committee members.

ADJOURNMENT

Chair Walker adjourned the meeting at 4:04 pm.

Approved by the HNA Project Advisory Committee this February 27, 2019

_____   _____
Curt Walker, Committee Chair   Keshia Owens, Assistant Planner

DATE: February 19, 2019
TO: Newberg Housing Needs Analysis Project Advisory Committee
CC: Keshia Owens and Doug Rux, City of Newberg
FROM: Bob Parker and Margaret Raimann, ECONorthwest
SUBJECT: DRAFT HOUSING NEEDS PROJECTION COVER MEMORANDUM

The City of Newberg is developing a Housing Needs Analysis (HNA). The purpose of the HNA is to provide information to the City about Newberg's housing market, to provide a basis for updating the Housing Element and housing policies of Newberg's Comprehensive Land Use Plan, and to determine if the city has enough residential land to accommodate projected population growth. The geographic focus of the HNA is the Newberg Urban Growth Boundary (UGB).

The HNA will provide information about housing and socio-economic trends, forecast growth and land needs for housing, inventory buildable residential land, and describe the need for new housing, and ultimately determine whether Newberg currently has enough land to meet identified housing needs. The HNA will provide a factual basis for understanding housing needs, particularly need for housing affordable for households of all income levels, and for developing policies to better meet Newberg's housing needs.

The HNA is funded through a grant from the Oregon Department of Land Conservation and Development (DLCD). The State contracted with ECONorthwest to develop the HNA in collaboration with City of Newberg staff, decisionmakers, and stakeholders in Newberg.

This memorandum presents an annotated outline of the Housing Needs analysis report, which provides context for the portions of the Housing Needs Analysis we are sharing with the Project Advisory Committee (PAC) ahead of the February meeting.

In addition, ECONorthwest is providing portions of the **draft** Housing Needs Analysis Report for review by the PAC. These sections of the report are intended to provide context for the discussion about Newberg's housing needs and the projection of housing growth at the February PAC meeting. These sections will be updated, and holes filled in, through continued development of the project. The sections of the report included with this memorandum are:

- **Chapter 3. Historical and Recent Development Trends** summarizes the state, regional, and local housing market trends affecting Newberg's housing market.

- **Chapter 4. Demographic and Other Factors Affecting Residential Development in Newberg** presents factors that affect housing need in Newberg, focusing on the key determinants of housing need: age, income, and household composition. This chapter also describes housing affordability in Newberg relative to the larger region.

- **Chapter 5 (partial). Housing Need in Newberg** presents the forecast for housing growth in Newberg.

Taken together, this memorandum and the attached sections of the draft Housing Needs Analysis are key deliverables for the Housing Needs Projection (Task 3 of the project scope).

Annotated Outline of the Housing Needs Analysis Report

This section presents an annotated outline of the HNA to provide context for the information presented in this memorandum, which is drawn directly from the draft HNA report.

Executive Summary

This chapter summarizes key findings for the HNA.

Chapter 1. Introduction

Chapter 1 provides background information regarding the purpose of housing needs analyses. It explains state requirements per Statewide Planning Goal 10 and other applicable requirements. The chapter's subsections are:

Framework for a Housing Needs Analysis

Organization of this report

Chapter 2. Residential buildable lands inventory

Chapter 2 will present the results of the buildable lands inventory for Newberg. The methodologies used to develop the buildable lands inventory and more detailed results of the inventory will be presented in Appendix A.

The chapter subsections are:

Definitions

Development Constraints

Buildable Land Inventory Results

Redevelopment Potential

Note to reviewers: A draft of Appendix A was provided to the PAC at the December meeting. Chapter 2 and an updated version of Appendix A will be included in the draft HNA document.

Chapter 3. Historical and Recent Development Trends

Chapter 3 will present data to illustrate how Newberg's housing market has changed over time. In general, we use the decennial census (2000 and 2010) and data from the American Community Survey (2012-2016 and 2013-2017). We include data from the U.S. Department of Housing and Urban Development, Redfin / Zillow, and population forecasts from Portland State University's Population Research Center. We also use data from OHCS's affordable housing inventory and Oregon's Manufactured Dwelling Park inventory.

The chapter subsections are:

Data used in the Analysis

Trends in Housing Mix (housing mix, building permits, residential development)

Trends in Tenure (owner vs renter)

Vacancy Rates

Government-Assisted Housing

Manufactured Homes

> Note to reviewers: A draft of Chapter 3 is attached to this memorandum.

Chapter 4. Demographic and Other Factors Affecting Residential Development in Newberg

Chapter 4 will present key demographic and socioeconomic trends to describe the dynamics of Newberg's housing market. The chapter will present a wide-range of demographic and socioeconomic data but will focus on the factors most closely associated with housing choice: age, household composition, and income. The chapter will present information about housing affordability in Newberg, such as housing sales prices, rents, cost burden, and the relationship between change in income and housing costs over the last years.

The chapter subsections are:

Demographic and Socio-Economic Factors Affecting Housing Choice

National and Statewide Housing Trends

Regional and Local Trends Affecting Affordability in Newberg

Summary of the Factors Affecting Newberg's Housing Needs

> Note to reviewers: A draft of Chapter 4 is attached to this memorandum.

Chapter 5. Housing Need in Newberg

Chapter 5 forecasts the need for new housing over the 20-year analysis period. It includes the forecast for new housing by type and by income.

The chapter subsections are:

Project New Housing Units Needed in the Next 20 years

Project Needed Housing by Income Level

Project Need for Government Assisted and Manufactured Housing

> Note to reviewers: A **partial** draft of Chapter 5 is attached to this memorandum.

Chapter 6. Residential Land Sufficiency in Newberg

Chapter 6 presents an evaluation of the sufficiency of vacant residential land in Newberg to accommodate expected residential growth over the analysis period. The chapter contents are:

Capacity Analysis

Residential Land Sufficiency

Conclusions and Recommendations

> Note to reviewers: A draft of the results in Chapter 6 will be provided to the PAC at the March meeting, with a draft of Chapter 6 likely presented to the PAC at the April PAC meeting.

Appendix A. Residential Buildable Lands Inventory Methodologies

Appendix A provides more details into the general structure of the buildable land (supply) analysis. Appendix A subsections are:

Overview of Methodology

Definitions

Development Constraints

Residential Buildable Land Inventory Results

Redevelopment Potential

> Note to reviewers: A draft of Appendix A was provided to the PAC at the December meeting, and will be updated for the draft HNA document.

3. Historical and Recent Development Trends

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

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

This HNA examines changes in Newberg's housing market from January 2000 to December 2018. We selected this time period because it provides information about Newberg's housing market before and after the national housing market bubble's growth, deflation, and the more recent increase in housing costs. In addition, data about Newberg's housing market during this period is readily available from sources such as the Census and the City building permit database.

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

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

For the purposes of this study, we grouped housing types based on: (1) whether the structure is stand-alone or attached to another structure and (2) the number of dwelling units in each structure. The housing types used in this analysis are consistent with needed housing types as defined in ORS 197.303:

Single-family detached includes single-family detached units, manufactured homes on lots and in mobile home parks, and accessory dwelling units.

Single-family attached is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.

Multifamily is all attached structures (e.g., duplexes, tri-plexes, quad-plexes, and structures with five or more units) other than single-family detached units, manufactured units, or single-family attached units.

In Newberg, government assisted housing (ORS 197.303(b)) and housing for farmworkers (ORS 197.303(e)) can be any of the housing types listed above.

Data Used in this Analysis

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

> The **Decennial Census**, which is completed every ten years and is a survey of *all* households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.

> The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2012 to 2016 or 2013 to 2017, the ACS sampled an average of 3.5 million households per year, or about 2.6% of the households in the nation. The ACS collects detailed information about households, including demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.

This report uses data from the 2012-2016 ACS for Newberg **and 2013-2017 ACS for Newberg for data related to Safe Harbor assumptions**.[1] Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this report includes population, income, and housing price data from the Oregon Office of Economic Analysis, the Oregon Bureau of Labor and Industries, the United States Department of Housing and Urban Development, Redfin, and Zillow. It also uses the Oregon Department of Housing and Community Services affordable housing inventory and Oregon's Manufactured Dwelling Park inventory.

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[1] OAR 660-024-0040 uses the following terminology "…indicated in the most current data for the urban area published by the U.S. Census Bureau." Data from 2013-17 ACS is the most current data and is used for all safe harbor assumptions in this analysis.

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

It is worth commenting on the methods used for the American Community Survey.[2] The American Community Survey (ACS) is a national survey that uses continuous measurement methods. It uses a sample of about 3.5 million households to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. It is also important to keep in mind that all ACS data are estimates that are subject to sample variability. This variability is referred to as "sampling error" and is expressed as a band or "margin of error" (MOE) around the estimate.

This report uses Census and ACS data because, despite the inherent methodological limits, they represent the most thorough and accurate data available to assess housing needs. We consider these limitations in making interpretations of the data and have strived not to draw conclusions beyond the quality of the data.

Trends in Housing Mix

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

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

> **Newberg's housing stock is predominantly single-family detached housing units.** 71% of Newberg's 8,580 dwelling units are single-family detached, 23% are multifamily, and 6% are single-family attached (e.g., townhouses).

> **Since 2000, Newberg's housing mix has remained relatively similar with a slight shift in multifamily and single-family attached unit composition.** Newberg's housing stock grew by about 33% (about 2,150 new units) between 2000 and the 2013-2017 period. The mix of housing types remained stable between 2000 and 2013-2017.

> **Single-family detached housing accounted for the majority of new housing growth in Newberg between 2005 and 2018.** Seventy-six percent of new housing permitted between 2005 and 2018 was single-family detached housing.

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[2] A thorough description of the ACS can be found in the Census Bureau's publication "What Local Governments Need to Know." https://www.census.gov/library/publications/2009/acs/state-and-local.html
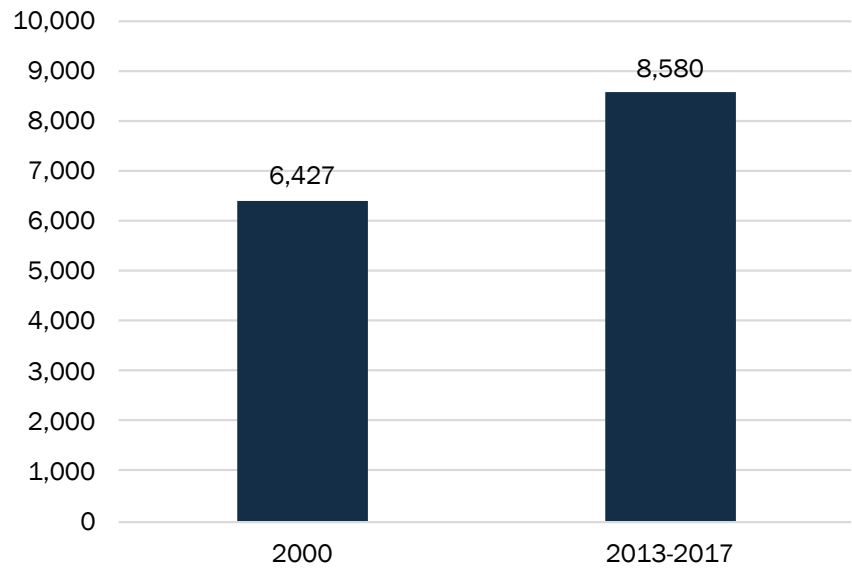
Housing Mix

The total number of dwelling units in Newberg increased by 33% from 2000 to 2013-2017.

Newberg added 2,153 units since 2000.

Exhibit 1. Total Dwelling Units, Newberg, 2000 and 2013-2017
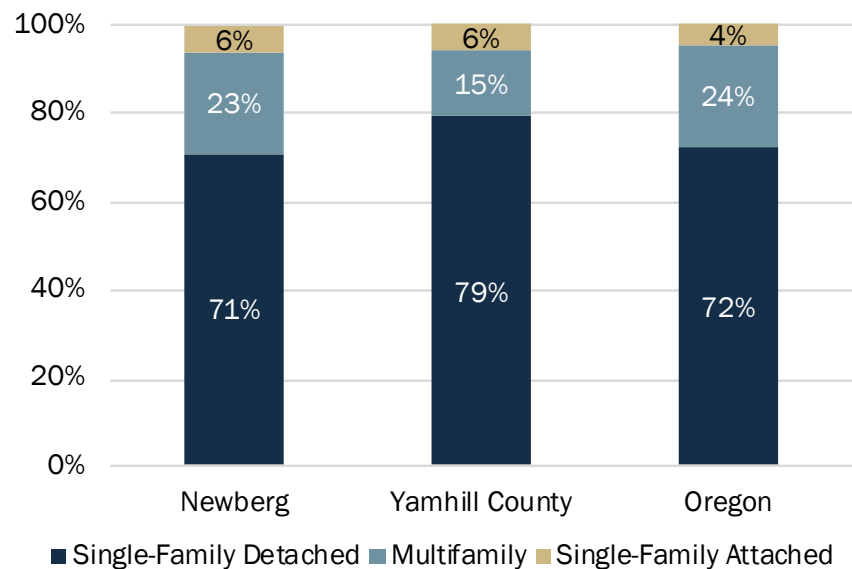Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2013-2017 ACS Table B25024.

About 70% of Newberg's housing stock is single-family detached.

Newberg has a slightly smaller share of people living in single-family detached housing than Yamhill County and Oregon.

Exhibit 2. Housing Mix, Newberg, Yamhill County, and Oregon, 2013-2017
Source: U.S. Census Bureau, 2013-2017 ACS Table B25024.

From 2000 to 2013-2017, the share of single-family attached households nearly doubled from 4% to 6% but remained a small portion of the housing mix overall.

The share of single-family detached and multifamily households remained relatively constant from 2000 to 2013-17.

Exhibit 3. Change in Housing Mix, Newberg, 2000 and 2013-2017
Source: U.S. Census Bureau, 2000 Decennial Census, SF3 Table H030, and 2013-2017 ACS Table B25024.
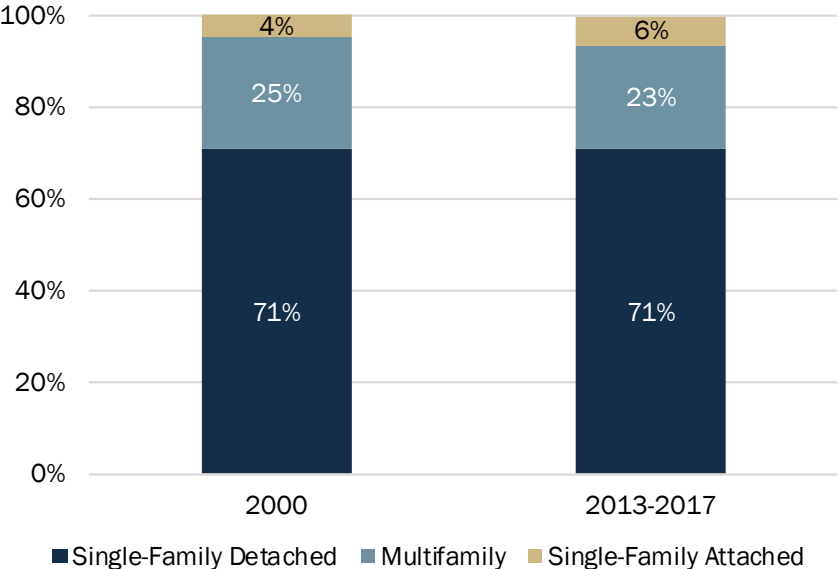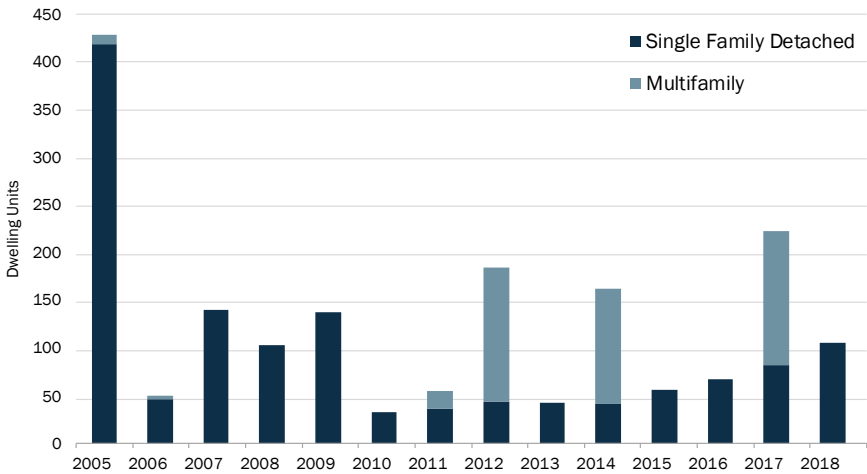
Residential Development

Over the 2005 to 2018 analysis period, new residential construction in Newberg resulted in 1,787 dwelling units, with an annual average of 137 dwelling units.

Of these 1,787 dwelling units, about 76% were permits for single-family detached dwelling units.

Exhibit 4. New Residential Construction by Type of Unit, Newberg, 2005 through 2018

Source: City of Newberg Single Family Building Permits and Multifamily Inventory.

In 2017 and 2018, new residential development in Newberg accounted for a total of 328 dwelling units, of which 188 were single-family detached housing and 140 were multifamily units (apartments in the High-Density residential zone). Between 2005 and 2016, there were 292 multifamily units built in both High-Density and Mixed-Use zones. These multifamily dwelling units do not include student housing (apartments and dormitories) or assisted living dwelling units.

Residential Development in Commercial Zones

Residential development in Newberg's commercial zones is relatively uncommon, with about 156 multifamily dwelling units located in commercial zones. Much of the development is in the C-3 zone. Many of these units were developed in older existing buildings, rather than in newly built mixed-use buildings. Most of these dwelling units are in commercial buildings with fewer than ten dwelling units but three buildings have ten or more units per building.

Trends in Tenure

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

The homeownership rate in Newberg is lower than Yamhill County's and similar to Oregon's average. About 62% of Newberg's households own their own home. In comparison, 67% of Yamhill County households and 61% of Oregon households are homeowners.

Homeownership in Newberg stayed stable between 2000 and 2012-2016. In 2000, 63% of Newberg households were homeowners. This remained constant in 2010 and dropped slightly to 62% in 2012-2016.
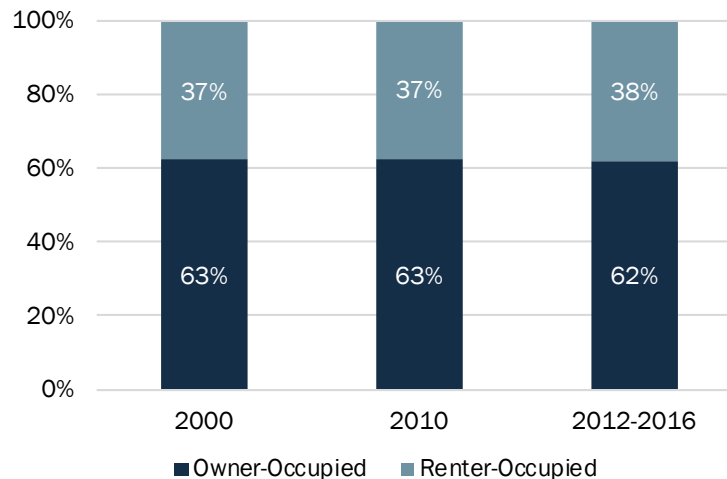
Nearly all Newberg homeowners (93%) live in single-family detached housing, while over half of renters (59%) live in multifamily housing.

The implications for the forecast of new housing are: (1) opportunities for rental housing in Newberg are limited, given that over half of renters live in multifamily housing and limited multifamily housing has been built in Newberg since 2005 (24% of new dwelling units between 2005 and 2018 were in multifamily dwellings), and (2) there may be opportunities to encourage development of a wider variety of affordable attached housing types for homeownership, such as townhomes.

The homeownership rate in Newberg has remained stable at roughly 63% since 2000.

**Exhibit 5. Tenure, Occupied Units, Newberg, 2012-2016**
Source: U.S. Census Bureau, 2000 Decennial Census SF1 Table H004, 2010 Decennial Census SF1 Table H4, 2012-2016 ACS Table B24003.

Nearly all homeowners (93%) live in single-family detached housing.

In comparison, over half of Newberg households that rent live in multifamily housing and almost a tenth of renters live in single-family attached units (i.e., townhomes).

Exhibit 6. Housing Units by Type and Tenure, Newberg, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25032.
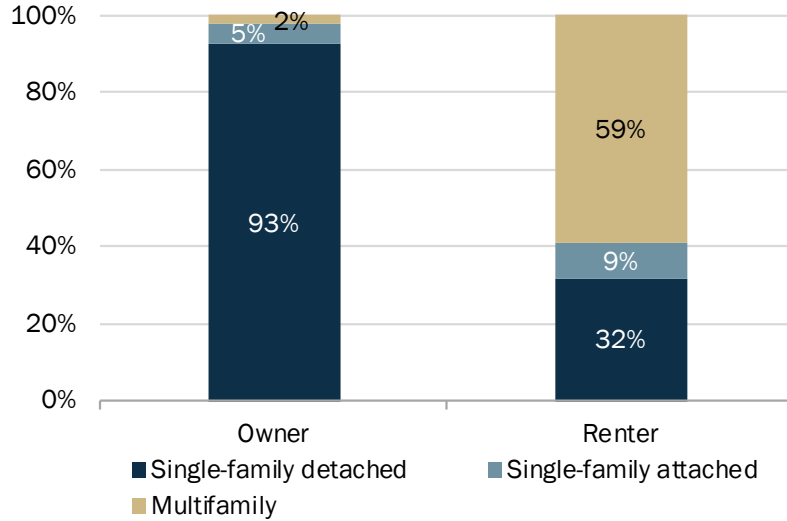
Vacancy Rates

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

According to the 2013-2017 Census, the vacancy rate in Newberg in was 5.3%, compared to 6.1% for Yamhill County and 9.3% for Oregon.

Government-Assisted Housing

Governmental agencies and nonprofit organizations offer a range of housing assistance to low- and moderate-income households in renting or purchasing a home. There are nine government-assisted housing developments in Newberg:[3]

- **Camellia Court Apartments** has 24 units of affordable housing for families.

- **Deborah Court** has 40 units of affordable housing for families.

- **Deskins Commons** has 55 units of affordable housing families.

- **Fresa Park C** has 2 units of affordable housing for farm workers.

- **Haworth Terrace Apartments** has 37 units for seniors, families, and people with disabilities.

- **Newberg Village** has 32 units of affordable housing for seniors.

- **Springbrook Place** has 15 units of affordable housing for persons with disabilities.

- **Vittoria Square** has 42 units of affordable housing for seniors.

- **Woodside Park** has 84 units of affordable housing for families.

None of Newberg's government-assisted housing developments specifically provide transitional housing for unhoused (homeless) individuals. Based on the 2018 point-in-time (PIT) count, Yamhill County had 1,386 unhoused individuals. Less than one quarter (17%) were sheltered. In our discussions with the PAC and other individuals, providing housing for the unhoused population is a growing concern in Newberg and Yamhill County.

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

Manufactured Homes

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

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

Newberg had 708 mobile/manufactured homes in 2000, and 540 mobile/manufactured homes in the 2012-2016 period, a decrease of 168 dwellings. According to Census data, 86% of the mobile homes in Newberg were owner-occupied in the 2012-2016 period.

OAR 197.480(4) requires cities to inventory the mobile home or manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial, or high-density residential development. Exhibit 7 presents the inventory of mobile and manufactured home parks within Newberg as of early 2018.

Newberg has eight manufactured home parks within the UGB. Within these parks, there are a total of 634 spaces, 10 of which were vacant as of September 2018.

Exhibit 7. Inventory of Mobile/Manufactured Home Parks, Newberg UGB, Mid-2018

Source: Oregon Manufactured Dwelling Park Directory.

Name	Location	Type	Total Spaces	Vacant Spaces	Comprehensive Plan Designation
Azalea Gardens Mobile Manor	1103 N Springbrook Rd	Family	53	0	C-2 Community commercial
Chehalem Mobile Park	217 Old Hwy 99W	Family	46	0	R-2 Medium density residential
Mountain View Mobile Home Park	2901 E 2nd St	55+	142	1	R-2 Medium density residential
Newberg Mobile Park LLC	501 E Illinois St	55+	25	1	R-2 Medium density residential
Nut Tree Ranch	2902 E 2nd Street	55+	114	0	R-2 Medium density residential
Ridgeview Village MHC	301 East Columbia Dr (Office)	Family	79	1	R-2 Medium density residential
Springbrook Estates	1000 Wilsonville Road #76	Family	125	7	R-2 Medium density residential
Sunrise Estates	300 S Everest Rd	Family	50	0	R-2 Medium density residential
Total			**634**	**10**	

4. Demographic and Other Factors Affecting Residential Development in Newberg

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

Demographic trends provide a context for growth in a region; factors such as age, income, migration, and other trends show how communities have grown and how they will shape future growth. To provide context, we compare Newberg to Yamhill County and Oregon. We also compare Newberg to nearby cities (Carlton, Dayton, Dundee, Lafayette, McMinnville, Sherwood, and Yamhill) where appropriate. Characteristics such as age and ethnicity are indicators of how the population has grown in the past and provide insight into factors that may affect future growth.

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

1. Project the number of new housing units needed in the next 20 years.

2. Identify relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix.

3. Describe the demographic characteristics of the population and, if possible, the housing trends that relate to demand for different types of housing.

4. Determine the types of housing that are likely to be affordable to the projected households based on household income.

5. Determine the needed housing mix and density ranges for each plan designation and the average needed net density for all structure types.

6. Estimate the number of additional needed units by structure type.

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

Demographic and Socioeconomic Factors Affecting Housing Choice[4]

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

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

- **Age of householder** is the age of the person identified (in the Census) as the head of household. Households make different housing choices at different stages of life. This chapter discusses generational trends, such as housing preferences of Baby Boomers, people born from about 1946 to 1964, and Millennials, people born between 1980 and 2000.

- **Size of household** is the number of people living in the household. Younger and older people are more likely to live in single-person households. People in their middle years are more likely to live in multiple person households (often with children).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Trends[5]

This brief summary on national housing trends builds on previous work by ECONorthwest, the Urban Land Institute (ULI) reports, and conclusions from *The State of the Nation's Housing, 2018* report from the Joint Center for Housing Studies of Harvard University. The Harvard report summarizes the national housing outlook as follows:

> "By many metrics, the housing market is on sound footing. With the economy near full employment, household incomes are increasing and boosting housing demand. On the supply side, a decade of historically low single-family construction has left room for expansion of this important sector of the economy. Although multifamily construction appears to be slowing, vacancy rates are still low enough to support additional rentals. In fact, to the extent that growth in supply outpaces demand, a slowdown in rent growth should help to ease affordability concerns."

However, challenges to a strong domestic housing market remain. High mortgage rates make housing unaffordable for many Americans, especially younger Americans. In addition to rising housing costs, wages have also failed to keep pace, worsening affordability pressures. Single-family and multifamily housing supplies remain tight, which compound affordability issues. *The State of the Nation's Housing* report emphasizes the importance of government assistance and intervention to keep housing affordable moving forward. Several challenges and trends shaping the housing market are summarized below:

Moderate new construction and tight housing supply, particularly for affordable housing. New construction experienced its eighth year of gains in 2017 with 1.2 million units added to the national stock. Estimates for multifamily starts range between 350,000 to 400,000 (2017). The supply of for sale homes in 2017 averaged 3.9 months, below what is considered balanced (six months) and lower cost homes are considered especially scarce. The State of the Nation's Housing report cites lack of skilled labor, higher building costs, scarce developable land, and the cost of local zoning and regulation as impediments to new construction.

Demand shift from renting to owning. After years of decline, the national homeownership rate increased from a 50-year low of 62.9% in 2016 (Q2) to 63.7% in 2017 (Q2). Trends suggest homeownership among householders aged 65 and older have remained strong and homeownership rates among young adults have begun stabilizing after years of decline.

Housing affordability. In 2016, almost one-third of American households spent more than 30% of their income on housing. This figure is down from the prior year, bolstered by a considerable drop in the owner share of cost-burdened households.

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[5] These trends are based on information from: (1) The Joint Center for Housing Studies of Harvard University's publication "The State of the Nation's Housing 2018," (2) Urban Land Institute, "2018 Emerging Trends in Real Estate," and (3) the U.S. Census.

Low-income households face an especially dire hurdle to afford housing. With such a large share of households exceeding the traditional standards for affordability, policymakers are focusing efforts on the severely cost-burdened. Among those earning less than $15,000, more than 70% of households paid more than half of their income on housing.

Long-term growth and housing demand. The Joint Center for Housing Studies forecasts that nationally, demand for new homes could total as many as 12 million units between 2017 and 2027. Much of the demand will come from Baby Boomers, Millennials,[6] and immigrants. The Urban Land Institute cites the trouble of overbuilding in the luxury sector while demand is in mid-priced single-family houses affordable to a larger buyer pool.

Changes in housing preference. Housing preference will be affected by changes in demographics; most notably, the aging of the Baby Boomers, housing demand from Millennials, and growth of immigrants.

    o   *Baby Boomers.* The housing market will be affected by continued aging of the Baby Boomers, the oldest of whom were in their seventies in 2018 and the youngest of whom were in their fifties in 2018. Baby Boomers' housing choices will affect housing preference and homeownership. Research shows that "older people in western countries prefer to live in their own familiar environment as long as possible," but aging in place does not only mean growing old in their own homes.[7] A broader definition exists which explains that aging in place also means "remaining in the current community and living in the residence of one's choice."[8] Therefore, some Boomers are likely to stay in their home as long as they are able, and some will prefer to move into other housing products, such as multifamily housing or age-restricted housing developments, before they move into to a dependent living facility or into a familial home. Moreover, "the aging of the U.S. population, [including] the continued growth in the percentage of single-person households, and the demand for a wider range of housing choices in communities across the country is fueling interest in new forms of residential development, including tiny houses."[9]

    o   *Millennials.* Over the last several decades, young adults increasingly lived in multi-generational housing – and increasingly more so than older

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[6] According to the Pew Research Center, Millennials were born between the years of 1981 to 1996 (inclusive). Read more about generations and their definitions here: http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/.

To generalize, and because there is no official generation of millennial, we define this cohort as individuals born between 1980 and 2000.

[7] Vanleerberghe, Patricia, et al. (2017). The quality of life of older people aging in place: a literature review.

[8] Ibid.

[9] American Planning Association. Making Space for Tiny Houses, Quick Notes.

demographics.[10] Despite this trend, as Millennials age over the next 20 years, they will be forming households and families. In 2018, the oldest Millennials were in their late-30s and the youngest were in their late-teens. By 2040, Millennials will be between 40 and 60 years old.

At the beginning of the 2007-2009 recession Millennials only started forming their own households. Today, Millennials are driving much of the growth in new households, albeit at slower rates than previous generations. From 2012 to 2017, millennials formed an average of 2.1 million net new household each year. Twenty-six percent of Millennials aged 25 to 34 lived with their parents (or other relatives) in 2017.

Millennials' average wealth may remain far below Boomers and Gen Xers and student loan debt will continue to hinder consumer behavior and affect retirement savings. As of 2015, Millennial's comprised 28% of active home buyers, while Gen Xers comprised 32% and Boomers 31%.[11] That said, "over the next 15 years, nearly $24 trillion will be transferred in bequests," presenting new opportunities for Millennials (as well as Gen Xers).

o *Immigrants.* Research on foreign-born populations find that immigrants, more than native-born populations, prefer to live in multi-generational housing. Still, immigration and increased homeownership among minorities could also play a key role in accelerating household growth over the next 10 years. Current Population Survey estimates indicate that the number of foreign-born households rose by nearly 400,000 annually between 2001 and 2007, and they accounted for nearly 30% of overall household growth. Beginning in 2008, the influx of immigrants was staunched by the effects of the Great Recession. After a period of declines, however, the foreign born are again contributing to household growth. The Census Bureau's estimates of net immigration in 2017–2018 indicate that 1.2 million immigrants moved to the U.S. from abroad, down from 1.3 million immigrants in 2016-2017 but higher than the average annual pace of 850,000 during the period of 2009–2011. However, if recent Federal policies about immigration are successful, growth in undocumented and documented immigration could slow and cause a drag on household growth in the coming years.

o *Diversity.* The growing diversity of American households will have a large impact on the domestic housing markets. Over the coming decade, minorities will make up a larger share of young households and constitute an important source of demand for both rental housing and small homes. The growing gap in homeownership rates between whites and blacks, as well as the larger share of

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[10] According to the Pew Research Center, in 1980, just 11% of adults aged 25 to 34 lived in a multi-generational family household and by 2008, 20% did (82% change). Comparatively, 17% of adults aged 65 and older lived in a multi-generational family household and by 2008, 20% did (18% change).

[11] Srinivas, Val and Goradia, Urval (2015). The future of wealth in the United States, Deloitte Insights. https://www2.deloitte.com/insights/us/en/industry/investment-management/us-generational-wealth-trends.html

minority households that are cost burdened warrants consideration. Since 1994, the difference in homeownership rates between whites and blacks rose by 1.9 percentage points to 29.2% in 2017. Alternatively, the gap between white and Hispanic homeownership rates, and white and Asian homeownership rates, both decreased during this period but remained sizable at 26.1 and 16.5 percentage points, respectively. Although homeownership rates are increasing for some minorities, large shares of minority households are more likely to live in high-cost metro areas. This, combined with lower incomes than white households, leads to higher rates of cost burden for minorities—47% for blacks, 44% for Hispanics, 37% for Asians/others, and 28% for whites in 2015.

Changes in housing characteristics. The U.S. Census Bureau's Characteristics of New Housing Report (2017) presents data that show trends in the characteristics of new housing for the nation, state, and local areas. Several long-term trends in the characteristics of housing are evident from the New Housing Report:[12]

o *Larger single-family units on smaller lots.* Between 1999 and 2017, the median size of new single-family dwellings increased by 20% nationally, from 2,028 sq. ft. to 2,426 sq. ft., and 20% in the western region from 2,001 sq. ft. in 1999 to 2,398 sq. ft in 2017. Moreover, the percentage of new units smaller than 1,400 sq. ft. nationally, decreased by more than half, from 15% in 1999 to 6% in 2017. The percentage of units greater than 3,000 sq. ft. increased from 17% in 1999 to 25% of new one-family homes completed in 2017. In addition to larger homes, a move towards smaller lot sizes is seen nationally. Between 2009 and 2017, the percentage of lots less than 7,000 sq. ft. increased from 25% to 31% of lots.

o *Larger multifamily units.* Between 1999 and 2017, the median size of new multiple family dwelling units increased by 5.3% nationally and 2.4% in the Western region. Nationally, the percentage of new multifamily units with more than 1,200 sq. ft. increased from 28% in 1999 to 33% in 2017 and increased from 25% to 28% in the Western region.

o *Household amenities.* Across the U.S. and since 2013, an increasing number of new units had air-conditioning (fluctuating year by year at over 90% for both new single-family and multi-family units). In 2000, 93% of new single-family houses had two or more bathrooms, compared to 97% in 2017. The share of new multifamily units with two or more bathrooms decreased from 55% of new multifamily units to 45%. As of 2017, 65% of new single-family houses in the U.S. had one or more garage (from 69% in 2000).

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[12] U.S. Census Bureau, Highlights of Annual 2017 Characteristics of New Housing. Retrieved from: https://www.census.gov/construction/chars/highlights.html.

State Trends

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

It identified the following issues that describe housing need statewide:[13]

> For housing to be considered affordable, a household should pay up to one-third of their income toward rent, leaving money left over for food, utilities, transportation, medicine, and other basic necessities. Today, one in two Oregon households pays more than one-third of their income toward rent, and one in three pays more than half of their income toward rent.

> More school children are experiencing housing instability and homelessness. The rate of K-12 homeless children increased by 12% from the 2013-2014 school year to the 2014–2015 school year.

> Oregon has 28,500 rental units that are affordable and available to renters with extremely low incomes. There are about 131,000 households that need those apartments, leaving a gap of 102,500 units.

> Housing instability is fueled by an unsteady, low-opportunity employment market. Over 400,000 Oregonians are employed in low-wage work. Low-wage work is a growing share of Oregon's economy. When wages are set far below the cost needed to raise a family, the demand for public services grows to record heights.

> Women are more likely than men to end up in low-wage jobs. Low wages, irregular hours, and part-time work compound issues.

> People of color historically constitute a disproportionate share of the low-wage work force. About 45% of Latinos, and 50% of African Americans, are employed in low-wage industries.

> The majority of low-wage workers are adults over the age of 20, many of whom have earned a college degree, or some level of higher education.

> In 2019, minimum wage in Oregon[14] was $11.25, $12,50 in the Portland Metro, and $11.00 for non-urban counties.

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[13] These conclusions are copied directly from the report: Oregon's 2016-2020 Consolidated Plan http://www.oregon.gov/ohcs/docs/Consolidated-Plan/2016-2020-Consolidated-Plan-Amendment.pdf.

[14] The 2016 Oregon Legislature, Senate Bill 1532, established a series of annual minimum wage rate increases beginning July 1, 2016 through July 1, 2022. https://www.oregon.gov/boli/whd/omw/pages/minimum-wage-rate-summary.aspx

Oregon's *2018 Statewide Housing Plan* identified six housing priorities to address in communities across the State over 2019 to 2023, summarized below. It includes relevant data to help illustrate the rationale for each priority. The *2018 Statewide Housing Plan* describes the Oregon Housing and Community Services' (OHCS) goals and implementation strategies for achieving the goals.[15]

Equity and Racial Justice. *Advance equity and racial justice by identifying and addressing institutional and systemic barriers that have created and perpetuated patterns of disparity in housing and economic prosperity.*

- o <u>Summary of the issue:</u> In Oregon, 26% of people of color live below the poverty line in Oregon, compared to 15% of the White population.

- o <u>2019-2023 Goal:</u> Communities of color will experience increased access to OHCS resources and achieve greater parity in housing stability, self-sufficiency and homeownership. OHCS will collaborate with its partners and stakeholders to create a shared understanding of racial equity and overcome systemic injustices faced by communities of color in housing discrimination, access to housing and economic prosperity.

Homelessness. *Build a coordinated and concerted statewide effort to prevent and end homelessness, with a focus on ending unsheltered homelessness of Oregon's children and veterans.*

- o <u>Summary of the issue:</u> According to the Point-in-Time count, approximately 14,000 Oregonians experienced homelessness in 2017, an increase of nearly 6% since 2015. Oregon's unsheltered population increased faster than the sheltered population, and the state's rate of unsheltered homelessness is the third highest in the nation at 57%. The state's rate of unsheltered homelessness among people in families with children is the second highest in the nation at 52%.

- o <u>2019-2023 Goal:</u> OHCS will drive toward impactful homelessness interventions by increasing the percentage of people who are able to retain permanent housing for at least six months after receiving homeless services to at least 85 percent. We will also collaborate with partners to end veterans' homelessness in Oregon and build a system in which every child has a safe and stable place to call home.

Permanent Supportive Housing. *Invest in permanent supportive housing, a proven strategy to reduce chronic homelessness and reduce barriers to housing stability.*

- o <u>Summary of the issue:</u> Oregon needs about 12,388 units of permanent supportive housing to serve individuals and families with a range of needs and challenges.

- o <u>2019-2023 Goal:</u> OHCS will increase our commitment to permanent supportive housing by funding the creation of 1,000 or more additional permanent

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[15] Priorities and factoids are copied directly from the report: Oregon Housing and Community Services (November 2018). Breaking New Ground, Oregon's Statewide Housing Plan, Draft. https://www.oregon.gov/ohcs/DO/shp/OregonStatewideHousingPlan-PublicReviewDraft-Web.pdf

supportive housing units to improve the future long-term housing stability for vulnerable Oregonians.

Affordable Rental Housing. *Work to close the affordable rental housing gap and reduce housing cost burden for low-income Oregonians.*

- o <u>Summary of the issue:</u> Statewide, over 85,000 new units are needed to house those households earning below 30% of Median Family Income (MFI) in units affordable to them. The gap is even larger when accounting for the more than 16,000 units affordable at 30% of MFI, which are occupied by households at other income levels.

- o <u>2019-2023 Goal:</u> OHCS will triple the existing pipeline of affordable rental housing — up to 25,000 homes in the development pipeline by 2023. Residents of affordable rental housing funded by OHCS will have reduced cost burden and more opportunities for prosperity and self-sufficiency.

Homeownership. *Provide more low- and moderate-income Oregonians with the tools to successfully achieve and maintain homeownership, particularly in communities of color.*

- o <u>Summary of the issue:</u> In Oregon, homeownership rates for all categories of people of color are lower than for white Oregonians. For White non-Hispanic Oregonians, the home ownership rate is 63%. For Hispanic and non-White Oregonians, it is 42%. For many, homeownership rates have fallen between 2005 and 2016.

- o <u>2019-2023 Goal:</u> OHCS will assist at least 6,500 households in becoming successful homeowners through mortgage lending products while sustaining efforts to help existing homeowners retain their homes. OHCS will increase the number of homebuyers of color in our homeownership programs by 50% as part of a concerted effort to bridge the homeownership gap for communities of color while building pathways to prosperity.

Rural Communities. *Change the way OHCS does business in small towns and rural communities to be responsive to the unique housing and service needs and unlock the opportunities for housing development.*

- o <u>Summary of the issue:</u> While housing costs may be lower in rural areas, incomes are lower as well: median family income is $42,750 for rural counties versus $54,420 for urban counties. Additionally, the median home values in rural Oregon are 30% higher than in the rural United States and median rents are 16% higher.

- o <u>2019-2023 Goal:</u> OHCS will collaborate with small towns and rural communities to increase the supply of affordable and market-rate housing. As a result of tailored services, partnerships among housing and service providers, private industry and local governments will flourish, leading to improved capacity, leveraging of resources and a doubling of the housing development pipeline.

Regional and Local Demographic Trends that may affect housing need in Newberg

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

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

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

Families of different sizes need different types of housing.

Exhibit 8. Effect of demographic changes on housing need
Source: ECONorthwest, adapted from Clark, William A.V. and Frans M. Dieleman. 1996. Households and Housing. New Brunswick, NJ: Center for Urban Policy Research.
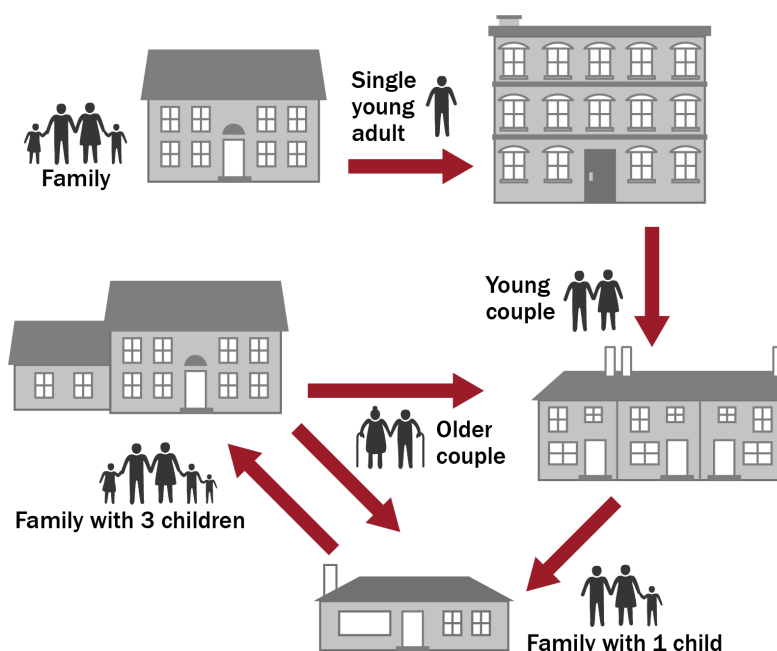
Growing Population

Newberg's population growth will drive future demand for housing in the City over the planning period.

Newberg's population grew by 82% between 1990 and 2018.

Newberg added 10,709 new residents, at an average annual growth rate of 2.2%.

Exhibit 9. Population, Newberg, Yamhill County, Oregon, U.S., 1990-2018
Source: U.S. Decennial Census 1990, and Portland State University, Population Research Center.

	1990	2018	Change 1990 to 2018		
			Number	Percent	AAGR
U.S.	248,709,873	327,167,434	78,457,561	32%	1.0%
Oregon	2,842,321	4,195,300	1,352,979	48%	1.4%
Yamhill County	65,551	107,415	41,864	64%	1.8%
Newberg	13,086	23,795	10,709	82%	2.2%

Newberg's population within the urban growth boundary is projected to grow by 12,412 people between 2017 and 2040, at an average annual growth rate of 2.1%.[16]

Exhibit 10. Forecast of Population Growth, Newberg UGB, 2017–2040
Source: Oregon Population Forecast Program, Portland State University, Population Research Center.

24,296 residents in 2017	**36,709** residents in 2040	**12,412** New residents 2017-2040	51% increase 2.1% AAGR

Aging Population

This section describes two key characteristics of Newberg's population (seniors and young adults, including millennials), with implications for future housing demand in Newberg:

Seniors. Newberg currently has a smaller share of elderly residents than Yamhill County and state averages. As Newberg's elderly population grows, it will have increasing demand for housing that is suitable for elderly residents.

Demand for housing for retirees will grow over the planning period, as the Baby Boomers continue to age and retire. The Yamhill County forecast share of residents aged 60 years and older will account for 28% of its population (2040), compared to around 23% in 2017.

The impact of growth in seniors in Newberg will depend, in part, on whether older people already living in Newberg continue to in their current residence as they age. National surveys show that most households prefer to age in place by continuing to live in their current home and community as long as possible.[17]

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[16] This forecast of population growth is based on Newberg's urban growth boundary official population forecast from the Oregon Population Forecast Program.

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

Growth in the number of seniors will increase demand for housing types specific to seniors, such as small and easy-to-maintain dwellings, assisted living facilities, or age-restricted developments. Senior households will make a variety of housing choices, including: remaining in their homes as long as they are able, downsizing to smaller single-family homes (detached and attached) or multifamily units, or moving into group housing (such as assisted living facilities or nursing homes), as their health declines. The challenges aging seniors face in continuing to live in their community include changes in healthcare needs, loss of mobility, the difficulty of home maintenance, financial concerns, and increases in property taxes.[18]

Newberg has a larger proportion of younger people than Yamhill County and Oregon. About 28% of Newberg's population is under 20 years old, compared to 27% of Yamhill County's population and Oregon's average of 24%. The forecast for population growth in Yamhill County shows the percent of people under 20 years old decreasing from 27% of the population in 2017 to 24% of the population by 2040. The student population at George Fox University also affects the age structure in Newberg, with about 4,140 students enrolled as of the 2018-2019 school year.[19]

People currently aged 18 to 38[20] are referred to as the Millennial generation and account for the largest share of population in Oregon.[21] By 2040, Millennials will be about 40 to 60 years of age. The forecast for Yamhill County shows that the share of the population who are millennials will remain largely constant at 25% from 2017 to 2040.

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

In the near-term, Millennials may increase demand for rental units. The long-term housing preference of Millennials is uncertain. Research suggests that Millennials' housing preferences may be similar to the Baby Boomers, with a preference for smaller, less costly units. Recent surveys about housing preference suggest that Millennials want affordable single-family homes in areas that offer transportation alternatives to cars, such as suburbs or small cities with walkable neighborhoods.[22]

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[18] "Aging in Place: A toolkit for Local Governments" by M. Scott Ball.

[19] About George Fox University. https://www.georgefox.edu/about/index.html.

[20] No formal agreement on when the Millennial generation starts or ends exists. For this report, we define the Millennial generation as individuals born in 1980 through 2000.

[21] Pew Research Center. (March 2018). "Defining generations: Where Millennials end and post-Millennials begin" by Michael Dimock. Retrieved from: http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/.

[22] The American Planning Association, "Investing in Place; Two generations' view on the future of communities." 2014.
"Access to Public Transportation a Top Criterion for Millennials When Deciding Where to Live, New Survey Shows,"

A recent survey of people living in the Portland region shows that Millennials prefer single-family detached housing. The survey finds that housing price is the most important factor in choosing housing for younger residents.[23] The survey results suggest Millennials are more likely than other groups to prefer housing in an urban neighborhood or town center. While this survey is for the Portland region, it shows similar results as national surveys and studies about housing preference for Millennials.

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

From 2000 to 2012-2016, Newberg's median age increased from 30 to 33 years. The median age in Newberg is lower than Yamhill County's and the State's.

Exhibit 11. Median Age, Years, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table B01002, 2012-2016 ACS, Table B01002.

Legend: 2000 (gray), 2012-16 (dark blue)

	Newberg	Yamhill County	Oregon
2000	30	36	34
2012-16	33	38	39
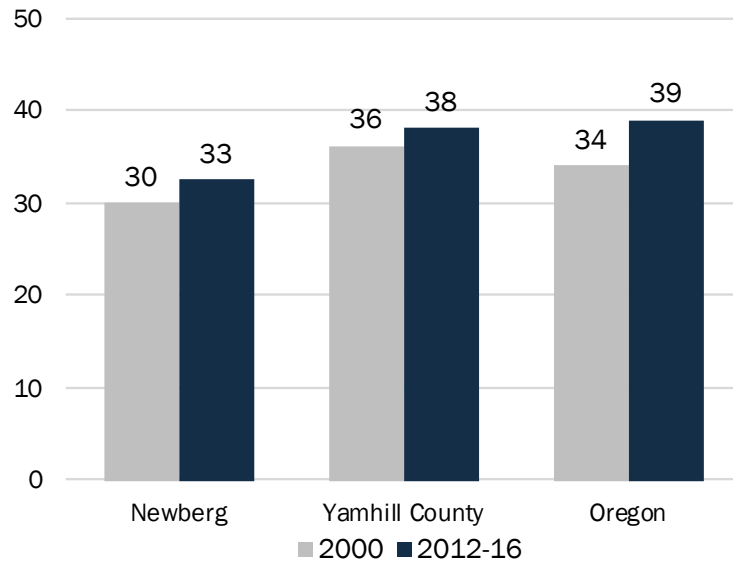
Transportation for America.

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

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

In 2012-16, about 56% of Newberg's residents were between the ages of 20 and 59 years.

Newberg has a smaller share of people over the age of 60 than the County and State.

About 28% of Newberg's population is under 20 years old, compared to 27% of Yamhill County's population and 24% of Oregon's.

Exhibit 12. Population Distribution by Age, 2012-2016
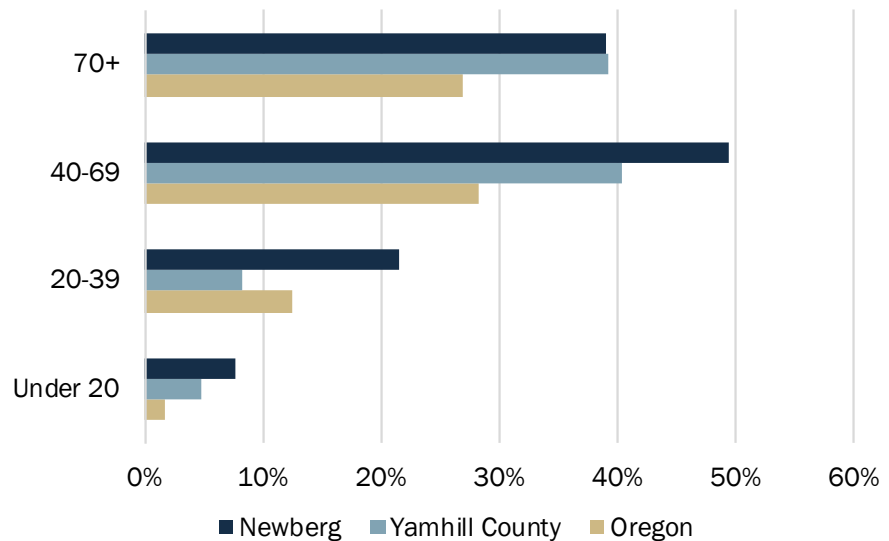Source: U.S. Census Bureau, 2012-2016 ACS, Table B01001.
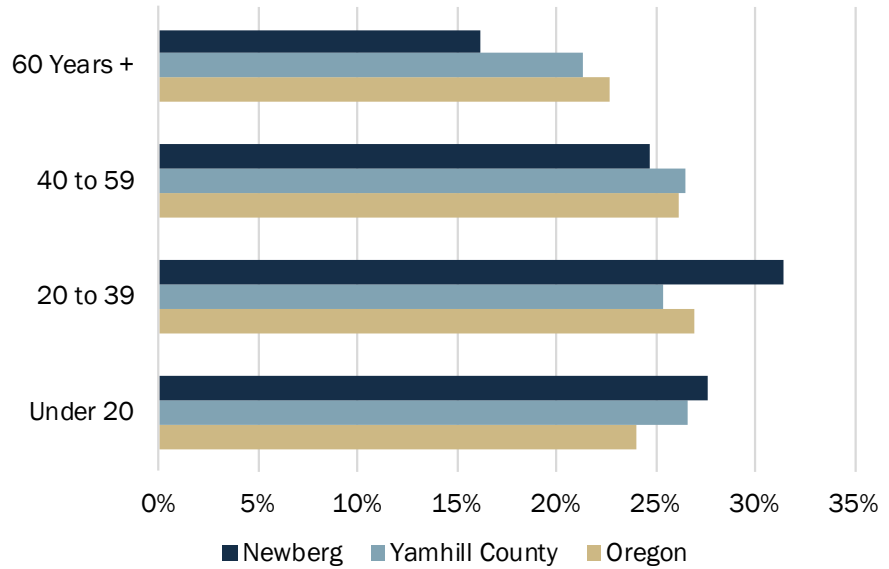
Between 2000 and 2012-2016, all age groups in Newberg grew in size.

The largest increase in residents were those aged 40-69 (49%).

Exhibit 13. Population Growth by Age, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table P012 and 2012-2016 ACS, Table B01001.

About 65% of population growth in Yamhill County is forecasted to be for people 60 years and older.

Exhibit 14. Forecast Growth Rate by Age Group, Yamhill County, 2017 - 2040

Source: Portland State University, Population Research Center, Yamhill County Forecast, June 2017.

19%	23%	30%	65%
5,478 People	6,246 People	8,123 People	15,912 People
Under 20	**20-39 Yrs**	**40-59 Yrs**	**60+ Yrs**

By 2040, it is forecasted that Yamhill County residents over the age of 40 will make up 53% of the county's total population.

The share of the population over the age of 60 is expected to account for 5% more of the population overall in 2040 than in 2017.

Exhibit 15. Population Growth by Age Group, Yamhill County, 2017, 2040

Source: Portland State University, Population Research Center, Yamhill County Forecast, June 2017.
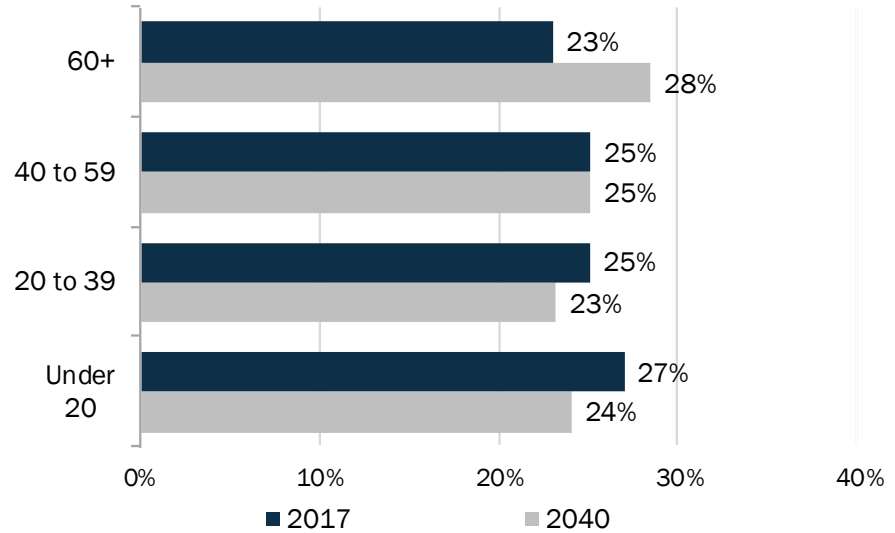
Increased Ethnic Diversity

Newberg is becoming more ethnically diverse. The Hispanic and Latino population grew from 11% of Newberg's population in 2000 to 13% of the population in the 2012-2016 period, adding about 1,055 new Hispanic and Latino residents. Newberg is about as ethnically diverse as Oregon and less ethnically diverse than Yamhill County.

The U.S. Census Bureau forecasts that at the national level, the Hispanic and Latino population will continue growing faster than most other non-Hispanic population between 2020 and 2040. The Census forecasts that the Hispanic population will increase 93% from 2016 to 2060 and foreign-born Hispanic population will increase by about 40% in that same time.[24]

Continued growth in the Hispanic and Latino population will affect Newberg's housing needs in a variety of ways.[25] Growth in first and, to a lesser extent, second and third generation Hispanic and Latino immigrants, will increase demand for larger dwelling units to accommodate the, on average, larger household sizes for these households. Foreign-born households, including Hispanic and Latino immigrants, are more likely to include multiple generations, requiring more space than smaller household sizes. As Hispanic and Latino households integrate over generations, household size typically decreases, and housing needs become similar to housing needs for all households.

According to the *State of Hispanic Homeownership* report from the National Association of Hispanic Real Estate Professionals[26], Hispanics accounted for 28.6% of the nation's household formation in 2017. Household formations, for Hispanic homeowners specifically, accounted for 15% of the nation's net homeownership growth. The rate of homeownership for Hispanics increased from 45.4% in 2014[27] to 46.2% in 2017. The only demographic that increased their rate of homeownership from 2016 to 2017 was Hispanics.

The *State of Hispanic Homeownership* report also cites the lack of affordable housing products as a substantial barrier to homeownership. The report finds that Hispanic households are more likely than non-Hispanic households to be nuclear households, comprised of married couples with children, and multiple-generation households in the same home, such as parents and adult children living together.

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[24] U.S. Census Bureau, *Demographic Turning Points for the United States: Population Projections for 2020 to 2060,* pg. 7, https://www.census.gov/content/dam/Census/library/publications/2018/demo/P25_1144.pdf

[25] Pew Research Center. *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, February 7, 2013, Appendix 8, http://www.pewsocialtrends.org/2013/02/07/appendix-1-detailed-demographic-tables/.
National Association of Hispanic Real Estate Professionals. *2017 State of Hispanic Homeownership Report*, 2017.

[26] National Association of Hispanic Real Estate Professionals (2017). *2017 State of Hispanic Homeownership Report*.

[27] National Association of Hispanic Real Estate Professionals (2014). *2014 State of Hispanic Homeownership Report*.

These housing preferences—affordability and larger household size—will influence the Newberg housing market as the Hispanic and Latino population continues to grow. [28] **Accordingly, growth in Hispanic and Latino households will result in increased demand for housing of all types, both for ownership and rentals, with an emphasis on housing that is comparatively affordable.**

Newberg's Hispanic/Latino population increased slightly between 2000 and 2012-2016 from 11% to 13%.

Newberg is slightly less ethnically diverse than the County, but more diverse than the State.

Exhibit 16. Hispanic or Latino Population as a Percent of the Total Population, 2000, 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table P008, 2012-2016 ACS Table B03002.

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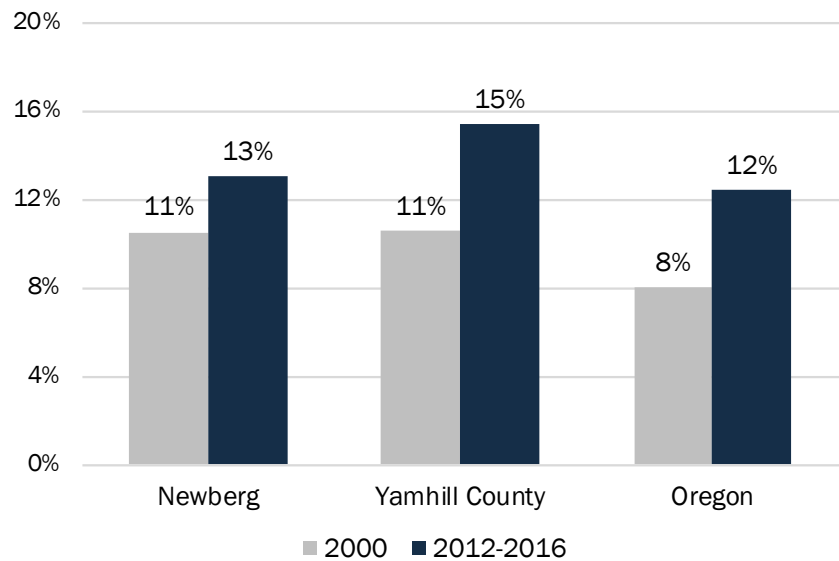
[28] National Association of Hispanic real Estate Professionals (2017). *2017 Sate of Hispanic Homeownership Report*.

Household Size and Composition

Newberg's household size and composition show that households in Newberg are somewhat similar in composition to Yamhill County and somewhat different from statewide averages. Newberg's households are similar in size to Yamhill County's households but are larger than Oregon's households. A larger percentage of Newberg and Yamhill County households are family households with children relative to the state.

Newberg's average household size is roughly equal to Yamhill County's and larger than Oregon's.

Exhibit 17. Average Household Size, Newberg, Yamhill County, Oregon, 2013-2017
Source: U.S. Census Bureau, 2013-2017 ACS 5-year estimate, Table B25010.

2.62 Persons
Newberg

2.70 Persons
Yamhill County

2.50 Persons
Oregon

Newberg's share of households with children is similar to Yamhill County's, but above Oregon's.

About 30% of Newberg households have children, compared with 29% of Yamhill County households and 26% of Oregon households.

Exhibit 18. Household Composition, Newberg, Yamhill County, Oregon, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table DP02.
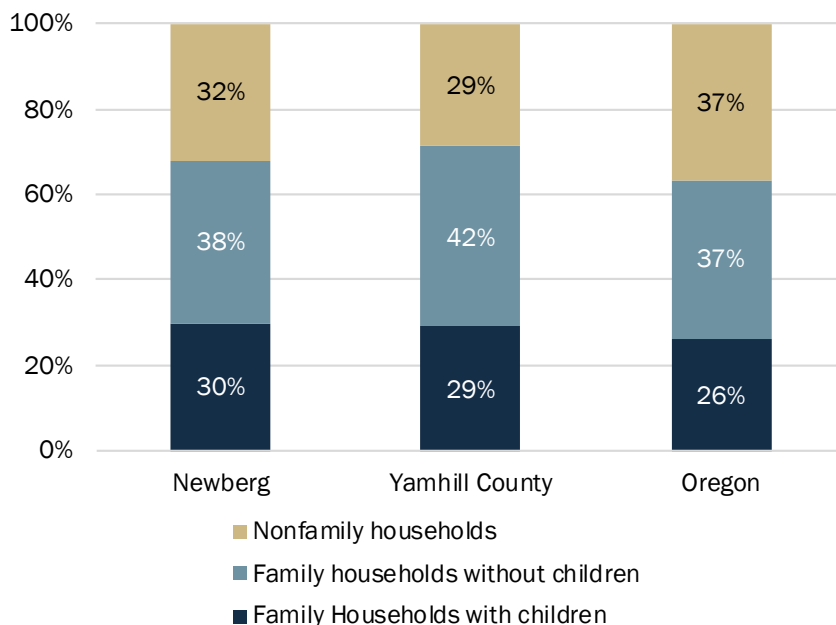
Income of Newberg Residents

Income is one of the key determinants in housing choice and households' ability to afford housing. Income for residents living in Newberg is similar to the Yamhill County average and the state average.

Over the 2012-2016 period, Newberg's median household income (MHI) was slightly below the County's and comparable to the State's.

Over this period, Newberg's MHI was $53,075. Yamhill County's MHI was $54,951 and Oregon's MHI was $53,270.

Exhibit 19. Median Household Income, Newberg, Yamhill County, Oregon, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25119.
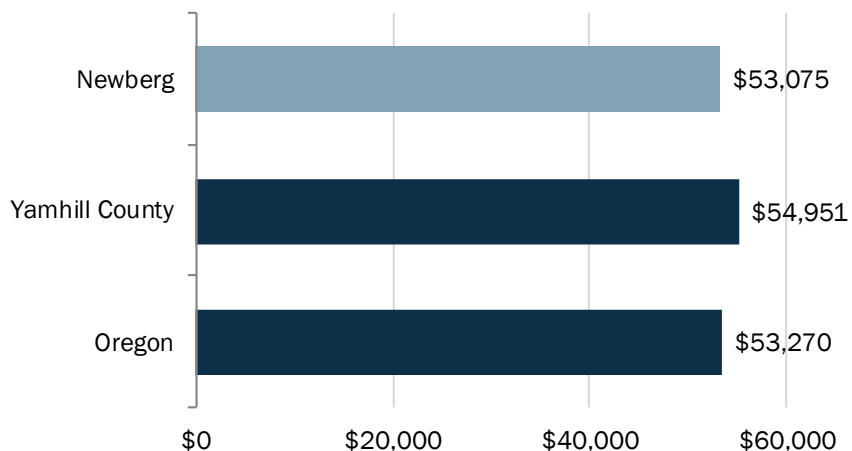
Median household income, inflation adjusted to 2016 dollars

For the 2012-2016 period, about 47% of Newberg households made less than $50,000 per year, similar to the County (46%) and State (47%).

Similarly, Newberg's share of households making more than $75,000 is nearly identical to Yamhill County and Oregon.

Exhibit 20. Household Income, Newberg, Yamhill County, Oregon, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B19001.
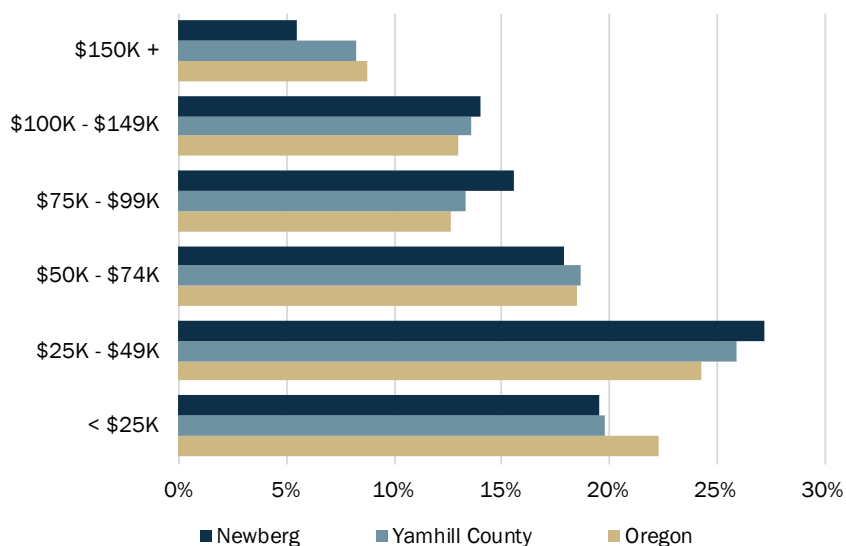
After adjusting for inflation, Newberg's median household income (MHI) decreased by 17% from 2000 to 2012-2016, from $64,228 to $53,075 per year.

Newberg's loss in MHI was greater than Yamhill County's (-14%) and Oregon's (-9%)

Exhibit 21. Median Household Income, Newberg, Yamhill County, Oregon, 2000 to 2012-2016, Inflation-adjusted

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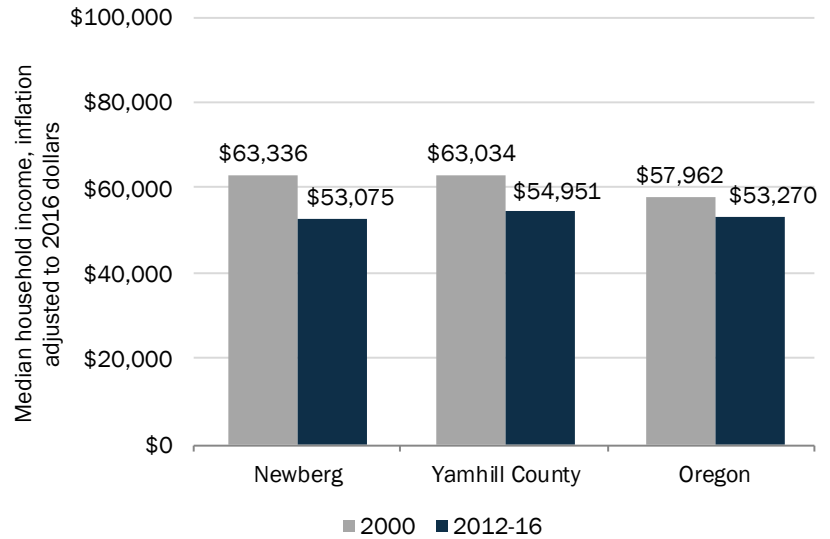
Commuting Trends

Newberg is part of the complex, interconnected economy of Yamhill County. Of the more than 8,000 people who work in Newberg, more than 75% of workers commute into Newberg from other areas, most notably McMinnville, Portland, and Lafayette. More than 7,000 residents of Newberg commute out of the city for work, many of them to Portland.

Newberg is part of an interconnected regional economy.

More than 6,000 people commute into Newberg for work, and more than 7,400 people living in Newberg commute out of the City for work.

Exhibit 22. Commuting Flows, Newberg, 2015
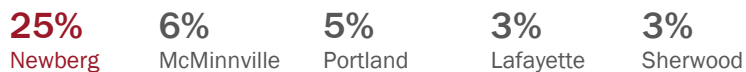Source: U.S. Census Bureau, Census On the Map.
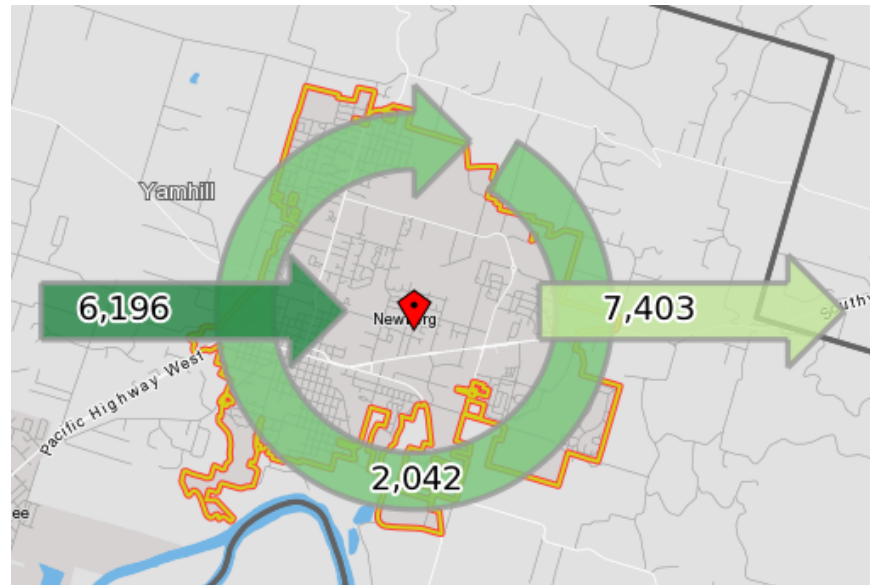
About 25% of people who work at businesses located in Newberg also live in Newberg.

The remainder commute from McMinnville, Portland, and other parts of Yamhill County and the State.

Exhibit 23. Places Where Workers at Businesses in Newberg Lived, 2015
Source: U.S. Census Bureau, Census On the Map.

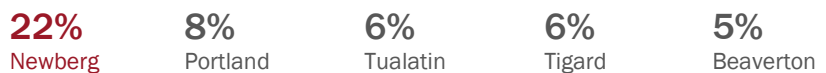| 25%	6%	5%	3%	3%
Newberg	McMinnville	Portland	Lafayette	Sherwood

Only about 34% of Newberg residents work in Yamhill County.

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

Exhibit 24. Places Where Newberg Residents were Employed, 2015
Source: U.S. Census Bureau, Census On the Map.

| 22%	8%	6%	6%	5%
Newberg	Portland	Tualatin	Tigard	Beaverton

Most Newberg residents (62%) had a commute time of less than 30 minutes.

Comparatively, 63% of Yamhill County residents and 70% of Oregon residents have a commute time of less than 30 minutes.

Exhibit 25. Commute Time by Place of Residence, Newberg, Yamhill County, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B08303.
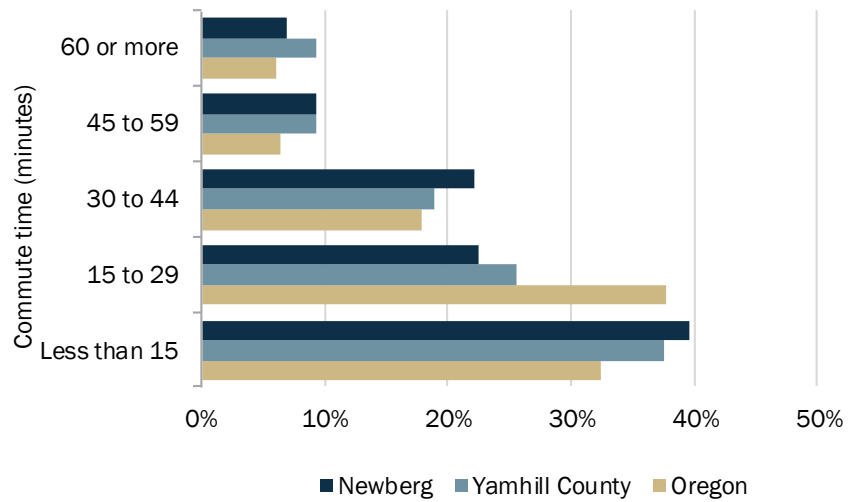
Regional and Local Trends Affecting Affordability in Newberg

This section describes changes in sales prices, rents, and housing affordability in Newberg, Carlton, Dayton, Dundee, Lafayette, McMinnville, Sherwood, Yamhill, Yamhill County, and Oregon since 2000.

Changes in Housing Costs

With a median sales price of $334,000 in 2017, Newberg's housing sales prices were higher than some comparison cities in this analysis and lower than others. Newberg's housing prices fluctuated with comparison cities over the January 2016 to September 2018 time frame, but these prices tended to remain between that of all other cities, save a small number of months in the 33-month period.

Newberg's median home sales price was between that of McMinnville's and Sherwood's in 2017.

Exhibit 26. Median Home Sale Price, Newberg and Comparison Cities, 2017
Source: Redfin.

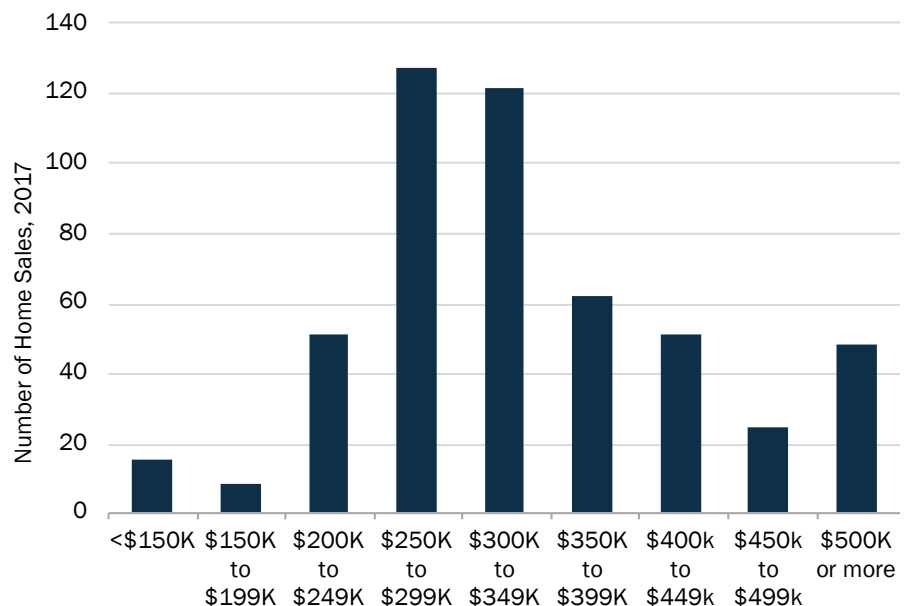| $334K	$297K	$392k
Newberg	McMinnville	Sherwood
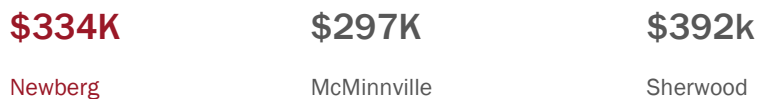
In 2017, about half of homes (49%) sold in Newberg cost between $250,000-$349,999.

In Newberg, 36% of homes sold for more than $350,000 with 9% of homes selling for over $500,000.

**Exhibit 27. Distribution of Home Sale Prices, Newberg, 2017**
Source: Property Radar; Geography: City of Newberg as defined by Property Radar

Between January 2016 and September 2018, home sales prices in Newberg followed similar trends to other nearby cities but remained between McMinnville's and Sherwood's.

Exhibit 28. Median Sales Price, Newberg and Comparison Cities, January 2016 – September 2018

Source: Redfin, Zillow.
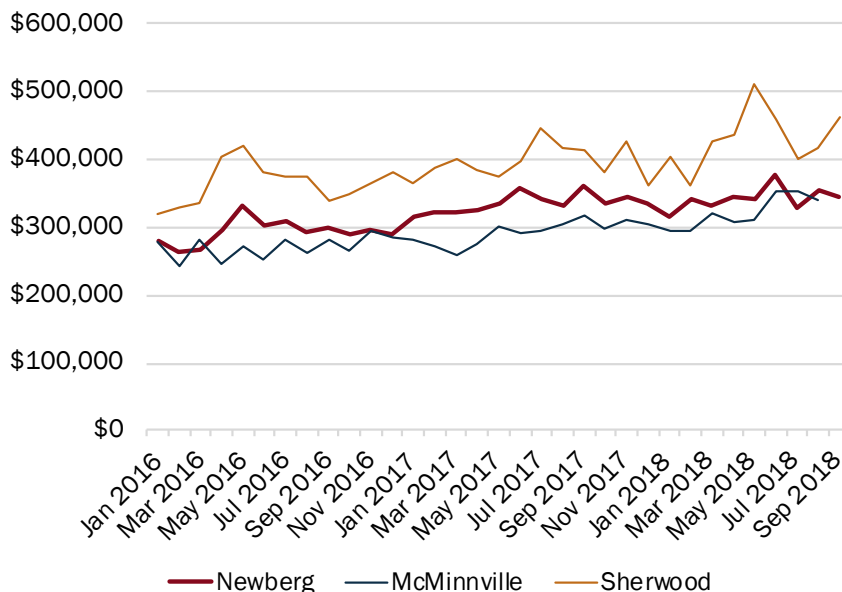
Since 2000, housing costs in Newberg have increased faster than incomes at a similar rate to Yamhill County, but have not increased as much as they have for Oregon.

The household reported median value of a house in Newberg was 3.0 times the median household income (MHI) in 2000, and 4.3 times MHI in the 2012-2016 period.

This decline of housing affordability was larger in Newberg than it was for all comparison cities.

Exhibit 29. Ratio of Median Housing Value to Median Household Income, Newberg, Yamhill County, Oregon, Comparison Cities, 2000 to 2012-2016[29]

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

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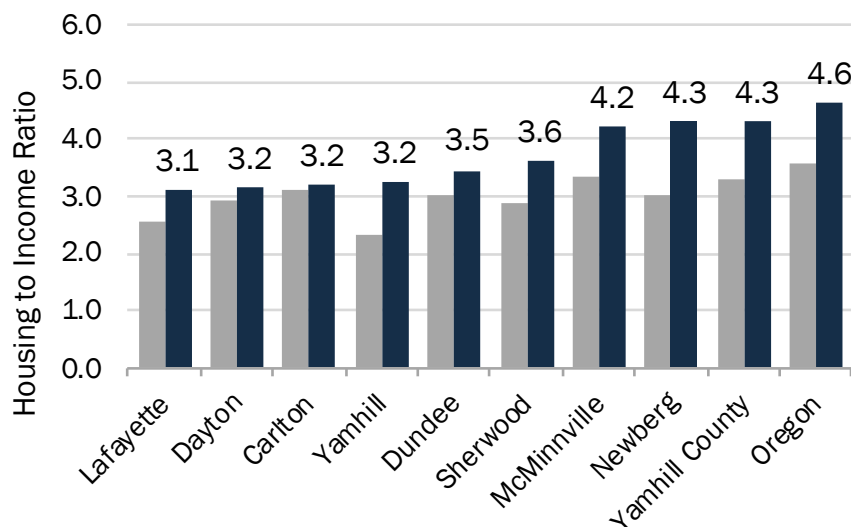
[29] This ratio compares the median value of housing in Newberg (and other places) to the median household income. Inflation-adjusted (2016 dollars) median owner values in Newberg increased from $194,976 in 2000 to $228,000 in 2012-2016. Over the same period, inflation-adjusted median income decreased from $64,228 to $53,075.

Rental Costs

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

The median gross rent in Newberg is $1,159.

Median rent in Newberg is higher than Yamhill County's and Oregon's median rents.

Exhibit 30. Median Gross Rent, Newberg, Yamhill County, Oregon, Other Comparison Cities, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25064.
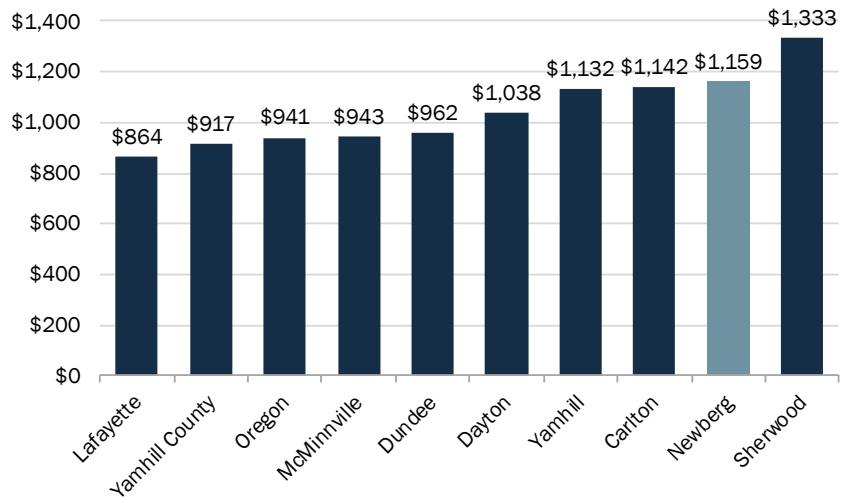
About 45% of renters in Newberg pay $1,000 or more in rent per month.

About 32% of Newberg's renters pay $1,250 or more in gross rent per month, a larger share than Yamhill County and the State.

Exhibit 31. Gross Rent, Newberg, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25063.
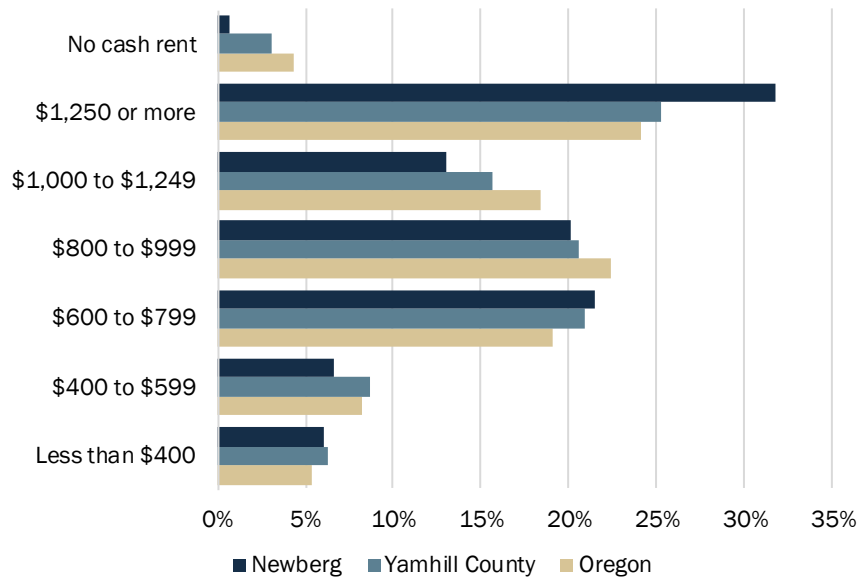
Housing Affordability

A typical standard used to determine housing affordability is that a household should pay no more than 30% of household income for housing, including payments and interest or rent, utilities, and insurance. The Department of Housing and Urban Development's guidelines indicate that households paying more than 30% of their income on housing experience "cost burden," and households paying more than 50% of their income on housing experience "severe cost burden." Using cost burden as an indicator is one method of determining how well a city is meeting the Goal 10 requirement to provide housing that is affordable to all households in a community.

About 38% of Newberg's households are cost burdened. Renters experience much higher rates of cost burden than homeowners: about 56% of renter households in Newberg are cost burdened, compared with 32% of homeowners. Overall, Newberg has a slightly smaller share of cost-burdened households than Yamhill County, but a larger share than Oregon, and other comparison cities. Newberg also has slightly more cost-burdened renter households (56%) than Yamhill County (53%) or Oregon (53%).

For example, about 20% of Newberg's households have an income of less than $25,000 per year. These households can afford rent of less than $625 per month, and likely cannot afford to buy a home. Furthermore, Exhibit 34 shows that about 91% of households with incomes less than $20,000 are cost burdened.

Overall, about 38% of all households in Newberg are cost burdened.

Newberg was second only to Yamhill County in terms of overall cost-burden in the 2012-2016 analysis period.

Exhibit 32. Housing Cost Burden, Newberg, Yamhill County, Oregon, Other Comparison Cities, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Tables B25091 and B25070.
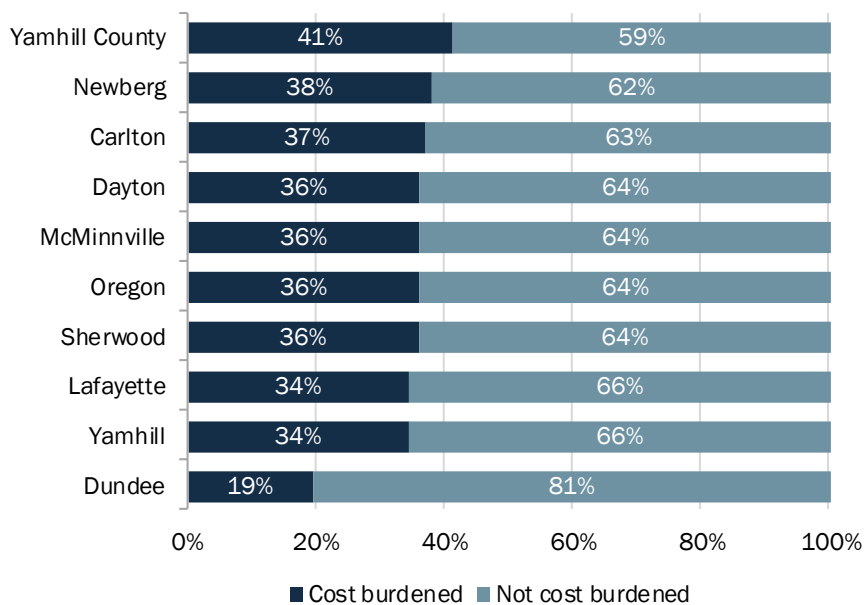
Renters are much more likely to be cost burdened than homeowners.

In the 2012-2016 period, about 56% of renters were cost burdened, compared to 32% of owners.

Exhibit 33. Housing Cost Burden by Tenure, Newberg, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Tables B25091 and B25070.
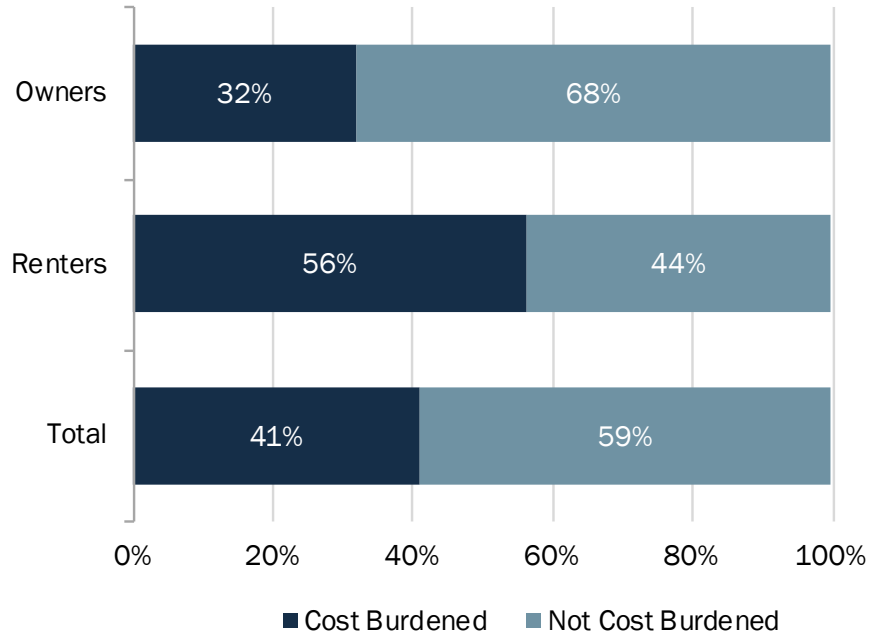
Cost burden rates also vary by income. Nearly all households that earn less than $35,000 per year are cost burdened.

Exhibit 34. Housing Cost Burden by Income, Newberg, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table S2503.
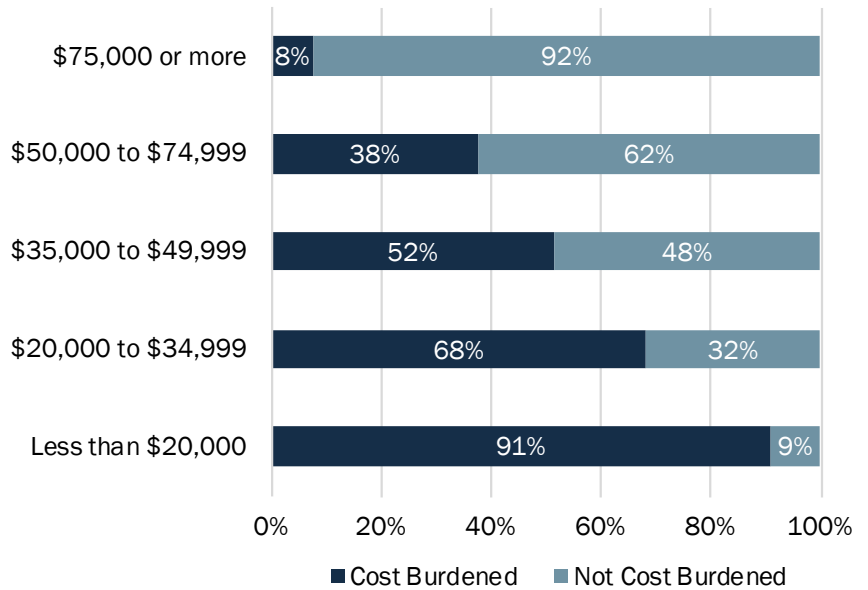
Cost burden rates also vary by income. Nearly all renter households that earn less than $35,000 per year are cost burdened.

Exhibit 35. Illustration of Cost Burden If all of Newberg's Households were 100 Residents
Source: U.S. Census Bureau, 2012-2016 ACS Table S2503.

62 Homeowners   **38 Renters**

40 homeowners earn more than $50,000

▫ 8 of them are cost-burdened

22 homeowners earn less than $50,000

▫ 11 of them are cost-burdened

13 renters earn more than $35,000

▫ 1 of them is cost-burdened

25 renters earn less than $35,000

▫ 20 of them are cost-burdened

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

A household is defined as cost burdened if the housing costs exceed 30% of their income, regardless of actual income. The remaining 70% of income is expected to be spent on non-discretionary expenses, such as food or medical care, and on discretionary expenses. Households with higher incomes may be able to pay more than 30% of their income on housing without impacting the household's ability to pay for necessary non-discretionary expenses.

Cost burden compares income to housing costs and does not account for accumulated wealth. As a result, the estimate of how much a household can afford to pay for 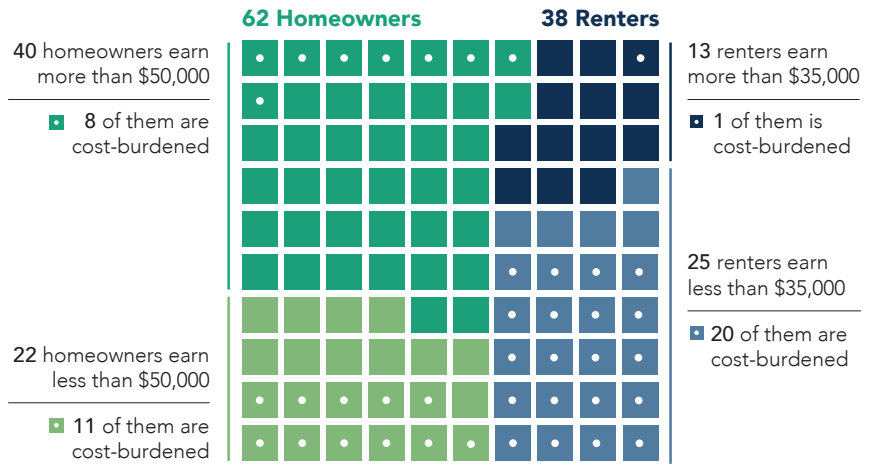housing does not include the impact of a household's accumulated wealth. For example, a household of retired people may have relatively low income but may have accumulated assets (such as profits from selling another house) that allow them to purchase a house that would be considered unaffordable to them based on their household income.

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

Fair Market Rent for a 2-bedroom apartment in Yamhill County is $1,330.

Exhibit 36. HUD Fair Market Rent (FMR) by Unit Type, Yamhill County, 2017
Source: U.S. Department of Housing and Urban Development.

$1,026	**$1,132**	**$1,330**	**$1,935**	**$2,343**
Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom

A household must earn at least $25.58 per hour to afford a two-bedroom unit in Yamhill County.

Before taxes, a full-time job at $25.58 per hour is an annual salary of $53,200.

Exhibit 37. Affordable Housing Wage, Yamhill County, 2018
Source: U.S. Department of Housing and Urban Development; Oregon Bureau of Labor and Industries.

$25.58/hour

Affordable Housing Wage for two-bedroom Unit in Yamhill County

Exhibit 38 Financially Attainable Housing, by Median Family Income (MFI) for Yamhill County ($81,400), Newberg, 2018

If your household earns....

$24,000	$41,000	$65,000	$81,000	$98,000
(30% of MFI)	(50% of MFI)	(80% of MFI)	(100% of MFI)	(120% of MFI)

Then you can afford....

$600 monthly rent	$1,020 monthly rent	$1,625 monthly rent	$2,025 monthly rent	$2,450 monthly rent
	OR	OR	OR	OR
	$123,000-$144,000 home sales price	$228,000-$260,000 home sales price	$284,000-$324,000 home sales price	$343,000-$392,000 home sales price

Fry Cook $24,685

Clerk $41,578

Firefighter $65,904

School Psychologist $81,678

Electronics Engineer $97,114

Healthcare Support $36,705

Real Estate Broker $52,287

Forester $74,032

Construction Manager $90,045

Source: U.S. Department of Housing and Urban Development, Yamhill County, 2018. Bureau of Labor Services, Portland MSA, 2017.

A household earning median income ($81,400) can afford a monthly rent of about $2,025 or a home valued at about $293,000.

About 35% of Newberg's households have incomes of less than $40,700 and cannot afford a two-bedroom apartment at Yamhill County's Fair Market Rent (FMR) of $1,330.

Exhibit 39. Share of Households, by Median Family Income (MFI) for Yamhill County ($81,400), Newberg, 2018

Source: U.S. Department of Housing and Urban Development, Yamhill County, 2018. U.S. Census Bureau, 2012-2016 ACS Table 19001. *Note: MFI is Median Family Income, determined by HUD for Yamhill County.*
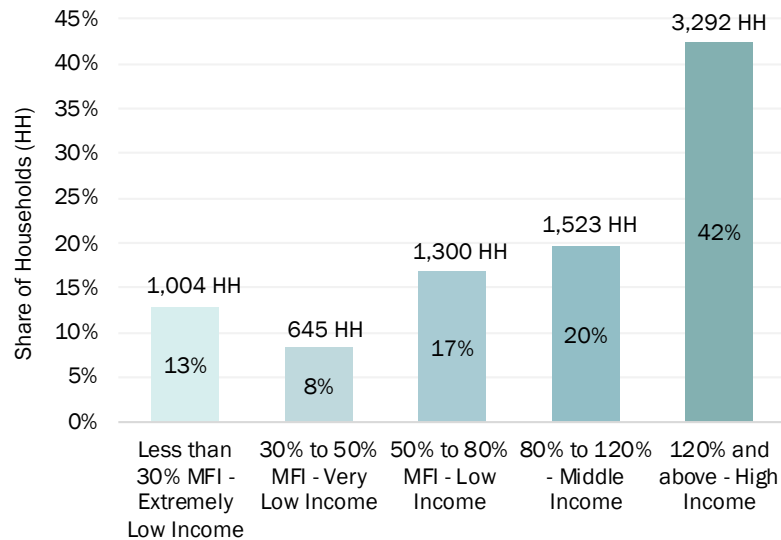
Exhibit 40 on the following page compares the number of households by income with the number of units affordable to those households in Newberg. Newberg currently has a deficit of housing affordable for households earning less than $24,999 and for households earning between $35,000 and $49,999. The deficit of housing for households earning less than $35,000 (a little less than 50% of Median Family Income) results in these households living in housing that is more expensive than they can afford. Households in this income range are generally unable to afford market rate rents. When lower cost housing (such as government subsidized housing) is not available, these households pay more than they can afford in rent. This is consistent with the data about renter cost burden in Newberg.

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

Exhibit 40. Affordable Housing Costs and Units by Income Level, Newberg, 2018
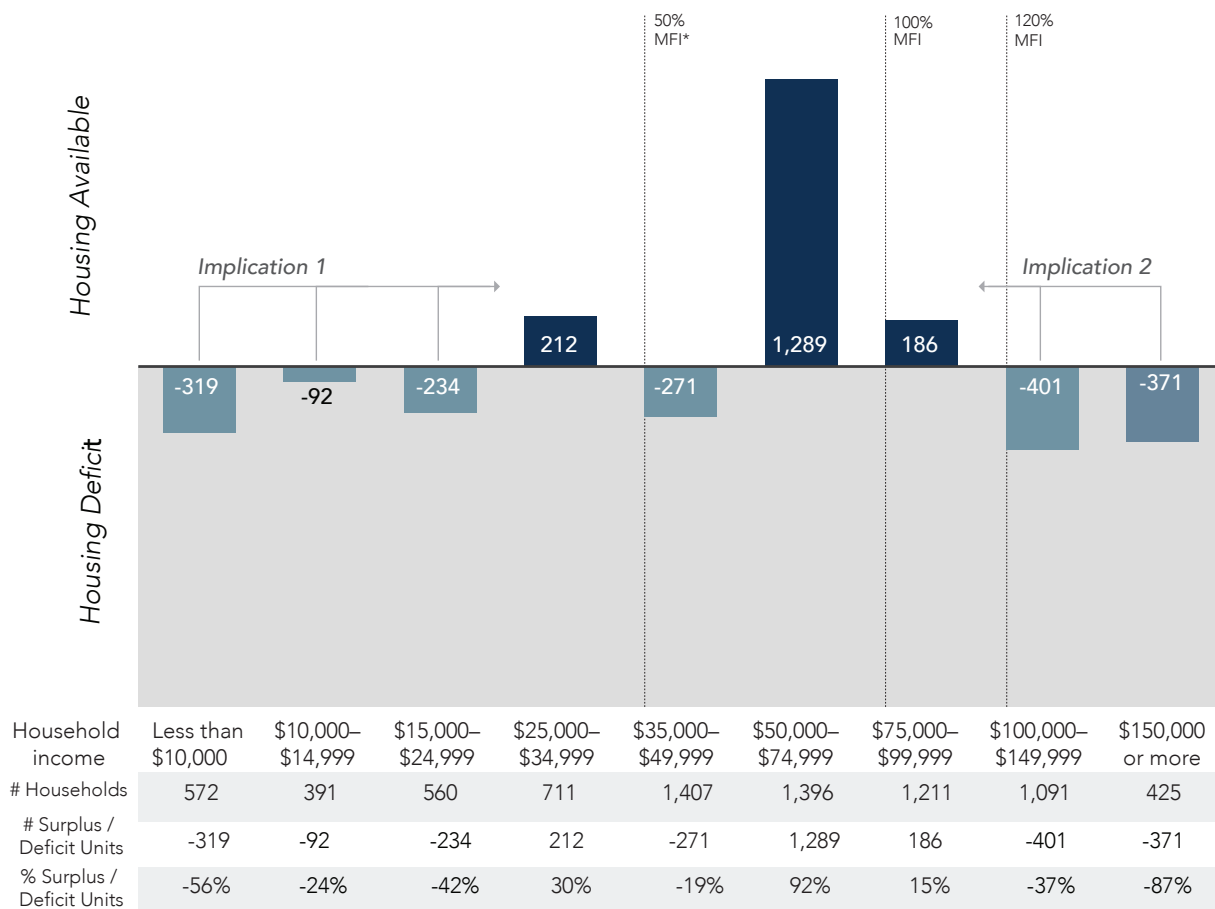Source: U.S. Census Bureau, 2012-2016 ACS. *Note: MFI is Median Family Income, determined by HUD for Yamhill County.*

Affordable Housing Costs and Units by Income Level, Newberg, 2018

The types of housing available at different income levels does not always align with housing needs at those income levels as demonstrated by the graphic below.

Household income	Less than $10,000	$10,000–$14,999	$15,000–$24,999	$25,000–$34,999	$35,000–$49,999	$50,000–$74,999	$75,000–$99,999	$100,000–$149,999	$150,000 or more
# Households	572	391	560	711	1,407	1,396	1,211	1,091	425
# Surplus / Deficit Units	-319	-92	-234	212	-271	1,289	186	-401	-371
% Surplus / Deficit Units	-56%	-24%	-42%	30%	-19%	92%	15%	-37%	-87%

*Median Family Income for a family of four

Implication 1

Some lower-incomer households live in housing that is more expensive than they can afford because affordable housing is not available. These households are cost-burdened.

Implication 2

Some higher-income households choose housing that costs less than they can afford. This may be the result of the household's preference or it may be the result of lack of higher-cost and higher-amenity housing that would better suit their preferences.

Summary of the Factors Affecting Newberg's Housing Needs

The purpose of the analysis thus far has been to provide background on the kinds of factors that influence housing choice. While the number and interrelationships among these factors ensure that generalizations about housing choice are difficult to make and prone to inaccuracies, it is a crucial step to informing the types of housing that will be needed in the future.

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

The data illustrates what more detailed research has shown and what most people understand intuitively: life cycle and housing choice interact in ways that are predictable in the aggregate; age of the household head is correlated with household size and income; household size and age of household head affect housing preferences; and income affects the ability of a household to afford a preferred housing type. The connection between socioeconomic and demographic factors and housing choice is often described informally by giving names to households with certain combinations of characteristics: the "traditional family," the "never-marrieds," the "dinks" (dual-income, no kids), and the "empty-nesters."[30] Thus, simply looking at the long wave of demographic trends can provide good information for estimating future housing demand.

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

> **Growth in housing will be driven by growth in population.** Between 1990 and 2018, Newberg's population grew by 10,709 people (79%). The population in Newberg's UGB is forecasted to grow from 24,296 to 36,709, an increase of 12,412 people (51%) between 2017 and 2040.[31]

> **Housing affordability will be a growing challenge in Newberg.** Housing affordability is a challenge in most of the region in general, and Newberg is affected by these regional trends. Housing prices are increasing faster than incomes in Yamhill County, which is consistent with state and national challenges. Newberg has a smaller share of multifamily housing (about 23% of the City's housing stock), and over half of renter households are cost burdened. Newberg's key challenge over the next 20 years is providing opportunities for development of relatively affordable housing of all types, from lower-cost single-family housing to market-rate multifamily housing.

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

[31] This forecast is based on Yamhill County's certified population estimate and official forecast from the Oregon Population Forecast Program for the 2017 to 2040 period, shown in **Exhibit 10**.

Without substantial changes in housing policy, on average, future housing will look a lot like past housing. That is the assumption that underlies any trend forecast, and one that is important when making an effort to address demand for new housing.

The City's residential policies can impact the amount of change in Newberg's housing market, to some degree. If the City adopts policies to increase opportunities to build smaller-scale single-family and multifamily housing types (particularly multifamily that is affordable to low- and moderate-income households), a larger percentage of new housing developed over the next 20 years in Newberg may begin to address the City's needs.

Examples of policies that the City could adopt to achieve this outcome include: allowing a wider range of housing types (e.g., duplex or townhouses) in single-family zones, ensuring that there is sufficient land zoned to allow single-family attached multifamily housing development, supporting development of government-subsidized affordable housing, and encouraging multifamily residential development in downtown. Newberg is doing some of this already but will need to consider additional policies given the depth of housing need. The degree of change in Newberg's housing market, however, will depend on market demand for these types of housing in Yamhill County.

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

Key demographic and economic trends that will affect Newberg's future housing needs are: (1) the aging of the Baby Boomers, (2) the aging of the Millennials, and (3) the continued growth in Hispanic and Latino population.

- *The Baby Boomer's population is continuing to age.* By 2040, people 60 years and older will account for 28% of the population in Yamhill County (up from 23% in 2017). The changes that affect Newberg's housing demand as the population ages are that household sizes and homeownership rates decrease. The majority of Baby Boomers are expected to remain in their homes as long as possible, downsizing or moving when illness or other issues cause them to move. Demand for specialized senior housing, such as age-restricted housing or housing in a continuum of care from independent living to nursing home care, may grow in Newberg.
  - *Millennials will continue to age.* By 2040, Millennials will be roughly between 40 and 60 years old. As they age, generally speaking, their household sizes will increase, and their homeownership rates will peak by about age 55. Between 2020 and 2040, Millennials will be a key driver in demand for housing for families with children. The ability to attract Millennials will depend on the City's availability of affordable renter and ownership housing. It will also depend on the location of new housing in Newberg as many Millennials prefer to live in

more urban environments.[32] The decline in homeownership among the Millennial generation has more to do with financial barriers rather than the preference to rent.[33]

- *Hispanic and Latino population will continue to grow.* The U.S. Census projects that by about 2040, Hispanic and Latino population will account for one-quarter of the nation's population. The share of Hispanic and Latino population in the Western U.S. is likely to be higher. Hispanic and Latino population currently accounts for about 13% of Newberg's population. In addition, the Hispanic and Latino population is generally younger than the U.S. average, with many Hispanic and Latino people belonging to the Millennial generation.

   Hispanic and Latino population growth will be an important driver in growth of housing demand, both for owner- and renter-occupied housing. Growth in Hispanic and Latino population will drive demand for housing for families with children. Given the lower income for Hispanic and Latino households, especially first-generation immigrants, growth in this group will also drive demand for affordable housing, both for ownership and renting.[34]

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

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[32] Choi, Hyun June; Zhu, Jun; Goodman, Laurie; Ganesh, Bhargavi; Strochak, Sarah. (2018). Millennial Homeownership, Why is it So Low, and How Can We Increase It? Urban Institute. https://www.urban.org/research/publication/millennial-homeownership/view/full_report

[33] Ibid.

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

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

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

No amount of analysis is likely to make the distant future completely certain: the purpose of the housing forecasting in this study is to get an approximate idea about the future (so policy choices can be made today). Economic forecasters regard any economic forecast more than three (or at most five) years out as highly speculative. At one year, one is protected from being disastrously wrong by the sheer inertia of the economic machine. A variety of factors or events could, however, cause growth forecasts to be substantially different.

5. Housing Need in Newberg

This chapter analyzes housing needs in Newberg for the next 20 years consistent with Goal 10 requirements. The analysis also provides projections of housing by type and density (as indicated by plan designation).

Project New Housing Units Needed in the Next 20 Years

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

Forecast for Housing Growth

This section describes the key assumptions and presents an estimate of new housing units needed in Newberg between 2020 and 2040. The key assumptions are based on the best available data and may rely on safe harbor provisions, when available.[35]

Population. A 20-year population forecast (in this instance, 2020 to 2040) is the foundation for estimating needed new dwelling units. The Newberg UGB will grow from 25,889 persons in 2020 to 36,709 persons in 2040, an increase of 10,819 people.[36]

Persons in Group Quarters.[37] Persons in group quarters do not consume standard housing units: thus, any forecast of new people in group quarters is typically derived from the population forecast for the purpose of estimating housing demand. Group quarters can have a big influence on housing in cities with colleges (dorms), prisons, or a large elderly population (nursing homes). In general, any new requirements for these housing types will be met by institutions (colleges, government agencies, health-care corporations) operating outside what is typically defined as the housing

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

[36] This forecast is based on Newberg UGB's official forecast from the Oregon Population Forecast Program for the 2020 to 2040 period.

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

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

The 2013-2017 American Community Survey shows that 7.2% of Newberg's population (1,241 people) was in group quarters. **For the 2020 to 2040 period, we assume that 7.2% of Newberg's new population, approximately 778 additional people, will be housed in group quarters.**

Household Size. OAR 660-024 established a safe harbor assumption for average household size—which is the figure from the most-recent decennial Census at the time of the analysis. According to the 2013-2017 American Community Survey, the average household size in Newberg was 2.62 people. **Thus, for the 2020 to 2040 period, we assume an average household size of 2.62 persons.**

Vacancy Rate. The Census defines vacancy as: "unoccupied housing units are considered vacant. Vacancy status is determined by the terms under which the unit may be occupied, e.g., for rent, for sale, or for seasonal use only." The 2010 Census identified vacant through an enumeration, separate from (but related to) the survey of households. The Census determines vacancy status and other characteristics of vacant units by enumerators obtaining information from property owners and managers, neighbors, rental agents, and others.

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

OAR 660-024 established a safe harbor assumption for vacancy rate—which is the figure from the most-recent decennial Census. According to the 2013-2017 American Community Survey, Newberg's vacancy rate was 5.3%. **For the 2020 to 2040 period, we assume a vacancy rate of 5.3%.**

Newberg will have demand for 4,035 new dwelling units over the 20-year period, with an annual average of 202 dwelling units.

Exhibit 41. Forecast of demand for new dwelling units, Newberg UGB, 2020 to 2040
Source: Calculations by ECONorthwest.

Change in persons	**10,819**
minus Change in persons in group quarters	778
equals Persons in households	10,041
Average household size	2.62
New occupied DU	3,832
times Aggregate vacancy rate	5.3%
equals Vacant dwelling units	203
Total new dwelling units (2019-2039)	**4,035**
Annual average of new dwelling units	**202**

Housing Units Needed Over the Next 20 Years

Exhibit 41 presents a forecast of new housing in Newberg's UGB for the 2020-2040 period. This section determines the needed mix and density for the development of new housing developed over this 20-year period in Newberg.

Exhibit 42 shows that, in the future, the need for new housing developed in Newberg will generally include housing that is more affordable, with some housing located in walkable areas with access to services. This assumption is based on the following findings in the previous chapters:

- Demographic changes suggest moderate increases in demand for attached single-family housing and multifamily housing. The key demographic trends that will affect Newberg's future housing needs are: (1) the aging of the Baby Boomers, (2) aging of the Millennials, and (3) continued growth in Hispanic and Latino populations. Growth of these groups has the following implications for housing need in Newberg:
  - *Baby Boomers.* Growth in the number of seniors will have the biggest impacts on demand for new housing through demand for housing types specific to seniors, such as assisted living facilities or age-restricted developments. These households will make a variety of housing choices, including: remaining in their homes as long as they are able, downsizing to smaller single-family homes (detached and attached) or multifamily units, moving into age-restricted manufactured home parks (if space is available), or moving into group housing (such as assisted living facilities or nursing homes), as their health declines. In the last decade, medical advances and social motivations have allowed older adults in their 60s, 70s, and 80s to prolong moving or downsizing into smaller units.[38] This trend will slow as Baby Boomers continue to age. Minor increases in the share of Baby Boomers who downsize to smaller housing will result in increased demand for single-family attached, multifamily housing, and multi-generational housing types like accessory dwelling units. Some Baby Boomers may prefer housing in walkable neighborhoods, with access to services.
  - *Millennials.* Growth in Millennials will result in increased demand for both ownership and rental opportunities, with an emphasis on housing that is comparatively affordable. Some Millennials may prefer to locate in traditional single-family detached housing, at the edges of Newberg's UGB. Some Millennials will prefer to locate in walkable neighborhoods, possibly choosing small single-family detached houses, townhouses, or multifamily housing.
  - *Hispanic and Latino populations.* Growth in the number of Hispanic and Latino households will result in increased demand for housing of all types, both for ownership and rentals, with an emphasis on housing that is comparatively affordable. Hispanic and Latino households are more likely to be larger than

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[38] Lehner, Josh. Fun Friday: Do People Really Downsize? Oregon Office of Economic Analysis. https://oregoneconomicanalysis.com/2018/05/18/fun-friday-do-people-really-downsize/

average, with more children and possibly with multigenerational households. The housing types that are most likely to be affordable to the majority of Hispanic and Latino households are existing lower-cost single-family housing, single-family housing with an accessory dwelling unit, and multifamily housing. In addition, growth in the number of farmworkers will increase need for affordable housing for farmworkers.

- About 38% of Newberg's households face housing affordability problems. About 56% of Newberg's renters have affordability problems. These factors indicate that Newberg needs more affordable housing types, especially for renters. A household earning median family income for Yamhill County (about $81,400) could afford a home valued up to about $293,000, which is below the median home sales price of about $334,000 in Newberg.

  Continued increases in housing costs may increase demand for denser housing (e.g., multifamily housing or smaller single-family housing). To the extent that denser housing types are more affordable than larger housing types, continued increases in housing costs will increase demand for denser housing.

These findings suggest that Newberg's needed housing mix is for a broader range of housing types than are currently available in Newberg's housing stock. The types of housing developments that Newberg will need to provide opportunity for over the next 20-years are: smaller single-family detached housing (e.g., cottages or small single-family detached units), manufactured housing, "traditional" single-family detached housing, townhouses, duplexes and quad-plexes, small apartment buildings, and larger apartment buildings.

Exhibit 42 shows a forecast of needed housing in the Newberg UGB during the 2020 to 2040 period. The projection is based on the following assumptions:

- Newberg's official forecast for population growth shows that the City will add 10,819 people over the 20-year period. Exhibit 41 shows that the new population will result in need for 4,035 new dwelling units over the 20-year period.

- The assumptions about the mix of housing in Exhibit 42 are:

  ◦ **About 65% of new housing will be single-family detached**, a category which includes manufactured housing. Exhibit 3 shows that 71% of Newberg's housing was single-family detached in the 2013-2017 period.

  ◦ **About 8% of new housing will be single-family attached.** Exhibit 3 shows that 6% of Newberg's housing was single-family attached in the 2013-2017 period, with little change since 2000.

  ◦ **About 27% of new housing will be multifamily**. Exhibit 3 shows that 23% of Newberg's housing was multi-family in the 2013-2017 period, with little change since 2000.

Newberg will have demand for 4,035 new dwelling units over the 20-year period, 65% of which will be single-family detached housing.

Exhibit 42. Forecast of demand for new dwelling units, Newberg UGB, 2020 to 2040
Source: Calculations by ECONorthwest.

Needed new dwelling units (2019-2039)	**4,035**
Dwelling units by structure type	
Single-family detached	
Percent single-family detached DU	65%
equals Total new single-family detached DU	2,623
Single-family attached	
Percent single-family attached DU	8%
equals Total new single-family attached DU	323
Multifamily	
Percent multifamily	27%
Total new multifamily	1,089
Total new dwelling units (2019-2039)	**4,035**

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

> Note to reviewers: We are currently working on a draft allocation of needed housing type and plan designation, and will aim to have a draft to present by the February PAC meeting.

Needed Housing by Income Level

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

The analysis in the next Exhibit is based on American Community Survey data about income levels in Newberg. Income is categorized into market segments consistent with HUD income level categories, using Yamhill County's 2018 Median Family Income (MFI) of $81,400. The Exhibit is based on current household income distribution, assuming that approximately the same percentage of households will be in each market segment in the future.

About 35% of Newberg's future households will have income below 50% of Yamhill County's median family income (less than $40,700 in 2018 dollars) and about 44% will have incomes between 50% and 120% of the county's MFI (between $40,700 and $97,680).

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

Exhibit 43. Future (New) Households, by Median Family Income (MFI) for Yamhill County ($81,400), Newberg, 2020 to 2040
Source: U.S. Department of Housing and Urban Development. U.S. Census Bureau, 2012-2016 ACS Table 19001.
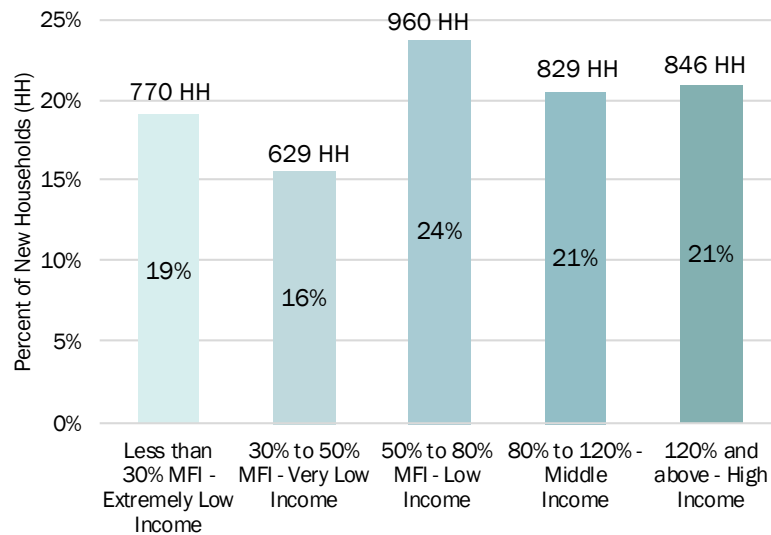
ECONorthwest

ECONOMICS · FINANCE · PLANNING

DATE: February 19, 2019
TO: Newberg Housing Needs Analysis Project Advisory Committee
CC: Keshia Owens and Doug Rux, City of Newberg
FROM: Bob Parker and Margaret Raimann, ECONorthwest
SUBJECT: DRAFT: NEWBERG HOUSING POLICIES AND ACTIONS

The Department of Land Conservation and Development contracted ECONorthwest to develop a Housing Needs Analysis for the City of Newberg. The Housing Needs Analysis will determine whether the City of Newberg has enough land to accommodate 20-years of population and housing growth. The Housing Needs Analysis will provide the basis for an update to the City's Comprehensive Plan Housing Element, as well as development of an action plan to implement the Housing policies.

This memorandum presents Newberg's existing housing policies for discussion with the Project Advisory Committee (PAC) at the February, March, and June meetings. Our expectation is that these policies may be revised or substituted based on comments from the PAC, comments from the public at the May 15 Open House, and comments from the City of Newberg's Planning Commission or City Council.

This memorandum discusses housing affordability. It distinguishes between two types of affordable housing: (1) housing affordable to very low-income and extremely low-income households and (2) housing affordable to low-income and middle-income households. The following describes these households, based on information from the Newberg Housing Needs Analysis.

- **Very low-income and extremely low-income households** are those who have an income of 50% or less of Yamhill County Median Family Income (MFI)[1] which is an annual household income of $40,700. About 35% of Newberg's households fit into this category. They can afford a monthly housing cost of $1,018 or less.[2] Development of housing affordable to households at this income level is generally accomplished through development of government-subsidized income-restricted housing.

- **Low-income and middle-income households** are those who have income of 50% to 120% of Yamhill County's MFI or income between $40,700 to $97,680. About 44% of Newberg's households fit into this category. They can afford a monthly housing cost of $840 to $2,000. The private housing market may develop housing affordable to households in this group, especially for the higher income households in the group.

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[1] Median Family Income is determined by the U.S. Department of Housing and Urban Development. In 2018, Yamhill County's MFI was $81,400.

[2] This assumes that households pay less than 30% of their gross income on housing costs, including rent or mortgage, utilities, home insurance, and property taxes.

Summary and Schedule of Actions

Revised Housing Policies

Policies, Objectives, and Actions

POLICY 1:

> **Objective 1.1:**

>> **Action 1.1a:**

>>> Implementation Steps:

>>> Priority:

Appendix A: Newberg's Existing Comprehensive Plan Policies

The most recent update to Newberg's Comprehensive Plan Housing Element was adopted in January 2006.

Housing Goal

Newberg's existing comprehensive plan includes the following housing goal:

To provide for diversity in the type, density and location of housing within the City to ensure there is an adequate supply of affordable housing units to meet the needs of City residents of various income levels.

Residential Development Goals, objectives and Policies

The following goals, objectives, and policies are copied from Newberg's comprehensive plan:

1. Density Policies

   a. Density rather than housing type shall be the most important development criteria and shall be used to classify different types of residential areas on the plan.

   b. Target densities shall be as follows:

Units Per Classification	Gross Acre*
Urban Low Density	4.4
Urban Medium Density	9
Urban High Density	16.5

      Includes a 25 percent allowance for streets, walkways and other right-of-ways, utilities, small open spaces, preservation of resources, and similar features.

   c. In determining net residential densities, developers may be given density credit for land donated and accepted by the City for needed public facilities.

   d. The City encourages the creation of affordable housing through density bonuses. Developers may be given density bonuses for projects meeting minimum City standards for housing affordability and design, as defined under subsection 3, Housing Mix and Affordability.. (Ordinance 2006-2634, January 3, 2006, Ordinance 2010-2730, October 18, 2010)

   e. In determining net residential densities, developers may be given density credit for land donated and accepted by the City for needed public facilities.

2. Location Policies

   a. Medium and high density areas should be located for immediate access to collector streets or minor arterials and should not cause traffic to move through low density

areas. High density areas should be easily accessible to arterial streets. They should also be located near commercial services and public open spaces.

    b.   While the policies in (a) above are desirable, they are not absolute requirements and are a lower priority than the goal of dispersing R-3 multi-family housing throughout the City. (Ordinance 2018-2826, May 7, 2018)

    c.   The City will encourage medium density housing in and adjacent to the commercial core of the Riverfront District and lower intensity residential uses in the western portions of the Riverfront District. (Ordinance 2002-2564, April 15, 2002; Ordinance 2018-2826, May 7, 2018)

3. Mix Policies

AFFORDABLE HOUSING means a dwelling unit that provides housing for a family or individual(s) with a household income less than the median household income for the Newberg area, such that a household pays no more than 30 percent of its annual income on housing (rent/mortgage, utilities, property taxes). Affordable housing may include a care home for low-income individuals. Affordability can be assured through deed-restriction or other recorded documents that specify qualifying income of buyers or renters, and limiting sales price, rent levels and appreciation. Affordable housing may also include small, market-rate dwelling units (e.g., studios, apartments and accessory dwelling units). (Ordinance 2010-2730, October 18, 2010).

    a.   The City will encourage innovative approaches to solving the problem of meeting low income housing needs. Such approaches may include, but are not limited to the following: rent subsidies, federally funded development under HUD programs, state and regional housing programs.

    b.   Multi-family housing should not be concentrated within particular areas of the City. (Ordinance 2018-2826, May 7, 2018)

    c.   Manufactured dwellings shall be recognized as a source of affordable housing.

    d.   Modular housing (prefabricated structures) meeting all building codes and placed on permanent foundations shall be treated as single-family units. They will be subject to the same location and density requirements as other single-family dwellings. Manufactured housing on individual lots shall be subject to special development standards to assure design consistency and compatibility. (Ordinance 2380, June 6, 1994).

e. Manufactured homes shall be permitted in the following locations: 1) manufactured dwelling and mobile home parks, 2) manufactured home subdivisions, and 3) individual lots within all residential districts when units meet manufactured home standards. Manufactured dwellings shall be allowed in manufactured dwelling parks, mobile home parks and manufactured home subdivisions when units meet the provisions of the Development Code. (Ordinance 2380, June 6, 1994, Ordinance 2011-2747, September 8, 2011).

f. The City shall ensure that enough land is planned for manufactured homes, particularly in conjunction with transportation corridors.

g. Home occupations shall be permitted provided that such uses are compatible with adjoining residential uses and there are no outward manifestations of the business.

h. To reduce distances between land uses, a mixture of all compatible uses will be encouraged. As such, convenience commercial areas may be located within residential districts provided they meet special development standards.

i. The City shall encourage the provision of affordable subsidized housing for low- and very low-income households, which are defined as those earning between 50 percent and 80 percent, and those earning 50 percent or less, of the median household income in Newberg. (Ordinance 2010-2730, October 18, 2010)

j. The City shall encourage innovation in housing types and design as a means of offering a greater variety of housing and reducing housing costs.

k. The City shall encourage an adequate supply of multi-family housing dispersed throughout the City to meet the needs of renters. (Ordinance 2018-2826, May 7, 2018)

l. The City shall encourage residential occupancy of upper floors within multi- story commercial buildings.

m. Within the urban area, land use policies will attempt to provide a broad range of residential uses and encourage innovative development techniques.

n. The City will encourage housing development in commercial areas within the Riverfront District on upper floors, above ground floor commercial, office, or retail spaces. (Ordinance 2002-2564, April 15, 2002)

o. The City has adopted a comprehensive approach to meeting local housing needs that balances density, design, and flexibility in code standards and procedures. The City shall use development incentives such as density bonuses, flexible development standards, and streamlined review procedures to stimulate or require the production and preservation of affordable housing. (replaces old policy "o")

p. The City shall create a local housing trust fund for the purpose of encouraging the production and retention of affordable housing in Newberg.

q. The City shall provide financial incentives for affordable housing, such as system development charge deferrals or waivers, permit application fee reductions or

waivers, and land cost write-downs or donations for qualified affordable housing developments. These incentives could be paid by a housing trust fund.

r. The City shall support the retention of affordable housing through public education, planning, zoning and community development programs.

s. The City shall support state legislative efforts that strengthen tenant rights, for example, by ensuring relocation costs and replacement housing are addressed when manufactured home parks close and when low-income housing is converted to other uses.

t. The City shall support state legislative efforts to expand the range of regulatory tools (e.g., inclusionary housing) and non-regulatory tools available to cities in meeting local housing needs.

u. The City shall build understanding and support for affordable housing through educational forums with residents and employers, pre-application consultations with developers, and through local housing studies.

v. The City shall work with local affordable housing providers in developing an overall strategy for meeting Newberg's housing needs.

w. City resources shall be directed toward assisting public and private entities in producing and preserving affordable housing throughout the community.

x. Where large parcels or groups of parcels are to be brought into the urban growth boundary and designated low or medium density residential, the City shall apply a mixture of residential designations, to include some HDR-designated lands, consistent with the policy of distributing multi-family housing throughout the community. Such designations shall be applied to portions of the property that are most suitable for high density development.

    For the purposes of this policy, "large" is defined as an area greater than 15 net acres, after subtracting for land in stream corridor overlays. "Some" is defined as 10% of the net size of the application. (Ordinance 2018-2826, May 7, 2018)

y. Where large LDR or MDR designated parcels or groups of parcels are to be annexed, the applicant(s) shall concurrently apply for a comprehensive plan map amendment to include some HDR-designated/R-3 zoned lands, consistent with the policy of distributing R-3 multi-family housing throughout the community. Such zoning shall be applied to portions of the property that are most suitable for high density development.

    For the purposes of this policy, "large" is defined as an area greater than 15 net acres, after subtracting for land in stream corridor overlays. "Some" is defined as 10% of the net size of the application. (Ordinance 2018-2826, May 7, 2018)

z. The City shall promote and support employer programs that assist employees to secure affordable housing. (Ordinance 2018-2826, May 7, 2018)

aa. To the extent possible, the City shall zone residential housing near employment centers. (Ordinance 2018-2826, May 7, 2018)

bb. The City shall promote and support public and/or private transit systems that connect housing to employment centers. (Policies o. through x. and z. through ab. Ordinance 20102730, October 18, 2010; Ordinance 2018-2826, May 7, 2018)

cc. Accessory dwelling units are encouraged where existing single family dwellings are constructed on a lot or parcel as an interior, attached or detached residential structure that is used in connection with or that is accessory to a single-family dwelling. (Ordinance No. 2018-2832, July 2, 2018)

Appendix A. Housing Policy Alternatives

This appendix provides the City with information about potential policies that could be implemented in Newberg to address the City's housing needs. Implementing some of the strategies in this appendix may be beyond Newberg's current staff or financial resources.

Land Use Regulations

The following policies focus on ways in which the City can modify its current land use regulations in order to increase housing affordability and available housing stock. Policies are broken into two categories: those that affect regulatory changes, and those which increase the land available for housing.

Strategy Name	Description	Scale of Impact
Regulatory Changes		
Streamline Zoning Code and other Ordinances	Complexity of zoning, subdivision, and other ordinances can make development more difficult, time consuming, and costly. Streamlining development regulations can result in increased development. As part of the streamlining process, cities may evaluate potential barriers to affordable workforce housing and multifamily housing. Potential barriers may include: height limitations, complexity of planned unit development regulations,	**Scale of Impact - Small to moderate**. The level of impact on production of housing and housing affordability will depend on the changes made to the zoning code and other ordinances.
Administrative and Procedural Reforms	Regulatory delay can be a major cost-inducing factor in development. Oregon has specific requirements for review of development applications. However, complicated projects frequently require additional analysis such as traffic impact studies, etc. A key consideration in these types of reforms is how to streamline the review process and still achieve the intended objectives of local development policies.	**Scale of Impact - Small**. The level of impact on production of housing and housing affordability will be small and will depend on the changes made to the city's procedures.

Strategy Name	Description	Scale of Impact
Expedited / Fast-tracked Building Permit	Expedite building permits for pre-approved development types or building characteristics (e.g. green buildings).	**Scale of Impact - Small**.
Allow Small Residential Lots	Small residential lots are generally less than 5,000 sq. ft. This policy allows individual small lots within a subdivision or short plat. Small lots can be allowed outright in the minimum lot size and dimensions of a zone, or they could be implemented through the subdivision or planned unit development ordinances. This policy is intended to increase density and lower housing costs. Small lots limit sprawl, contribute to a more efficient use of land, and promote densities that can support transit. Small lots also provide expanded housing ownership opportunities to broader income ranges and provide additional variety to available housing types.	**Scale of Impact – Small to moderate**. Cities have adopted minimum lot sizes as small as 3,000 sq. ft. However, it is uncommon to see entire subdivisions of lots this small. Small lots typically get mixed in with other lot sizes.
Mandate Maximum Lot Sizes	This policy places an upper bound on lot size and a lower bound on density in single-family zones. For example, a residential zone with a 6,000 sq. ft. minimum lot size might have an 8,000 sq. ft. maximum lot size yielding an effective net density range between 5.4 and 7.3 dwelling units per net acre. This approach ensures minimum densities in residential zones by limiting lot size. It places bounds on building at less than maximum allowable density. Maximum lot sizes can promote appropriate urban densities, efficiently use limited land resources, and reduce sprawl development.	**Scale of Impact—Small to moderate**. Mandating maximum lot size may be most appropriate in areas where the market is building at substantially lower densities than are allowed or in cities that do not have minimum densities.

Strategy Name	Description	Scale of Impact
Mandate Minimum Residential Densities	This policy is typically applied in single-family residential zones and places a lower bound on density. Minimum residential densities in single-family zones are typically implemented through maximum lot sizes. In multifamily zones, they are usually expressed as a minimum number of dwelling units per net acre. Such standards are typically implemented through zoning code provisions in applicable residential zones. This policy increases land-holding capacity. Minimum densities promote developments consistent with local comprehensive plans and growth assumptions. They reduce sprawl development, eliminate underbuilding in residential areas, and make provision of services more cost effective.	**Scale of Impact—Small to moderate**. Increasing minimum densities and ensuring clear urban conversion plans may have a small to moderate impact depending on the observed amount of underbuild and the minimum density standard.
Increase Allowable Residential Densities	This approach seeks to increase holding capacity by increasing allowable density in residential zones. It gives developers the option of building to higher densities. This approach would be implemented through the local zoning or development code. This strategy is most commonly applied to multifamily residential zones. For cities with maximum densities, consider removing maximum allowable densities. This change may be most relevant. Higher densities increase residential landholding capacity. Higher densities, where appropriate, provide more housing, a greater variety of housing options, and a more efficient use of scarce land resources. Higher densities also reduce sprawl development and make the provision of services more cost effective.	**Scale of Impact—Small to moderate**. This tool can be most effective in increasing densities where very low density is currently allowed or in areas where a city wants to encourage higher density development.

Strategy Name	Description	Scale of Impact
Allow Clustered Residential Development	Clustering allows developers to increase density on portions of a site, while preserving other areas of the site. Clustering is a tool most commonly used to preserve natural areas or avoid natural hazards during development. It uses characteristics of the site as a primary consideration in determining building footprints, access, etc. Clustering is typically processed during the site review phase of development review.	**Scale of Impact—Moderate.** Clustering can increase density, however, if other areas of the site that could otherwise be developed are not developed, the scale of impact can be reduced.
Reduced Parking Requirements	Jurisdictions can reduce or eliminate minimum off-street parking requirements, as well as provide flexibility in meeting parking requirements. Reducing parking requirements positively impact development of any type of housing, from single-family detached to multifamily housing. Reduced parking requirements are most frequently used in conjunction of development of subsidized affordable housing, but cities like Portland have reduced or eliminated parking requirements for market-based multifamily housing in specific circumstances.	**Scale of Impact—Small to Moderate.** The City could require the developer to prove the need and public benefit or reducing parking requirements to increase housing affordability.

Strategy Name	Description	Scale of Impact
Reduce Street Width Standards	This policy is intended to reduce land used for streets and slow down traffic. Street standards are typically described in development and/or subdivision ordinances. Reduced street width standards are most commonly applied on local streets in residential zones. This strategy could be applied to alleys, when required, to ensure that alleys are relatively narrow to reduce development and maintenance costs. Narrower streets make more land available to housing and economic-based development. Narrower streets can also reduce long-term street maintenance costs.	**Scale of Impact—Small**. This policy is most effective in cities that require relatively wide streets.
Preserving Existing Housing Supply	Housing preservation ordinances typically condition the demolition or replacement of certain housing types on the replacement of such housing elsewhere, fees in lieu of replacement, or payment for relocation expenses of existing tenants. Preservation of existing housing may focus on preservation of smaller, more affordable housing. Approaches include: • Housing preservation ordinances • Housing replacement ordinances • Single-room-occupancy ordinances • Regulating demolitions	**Scale of Impact—Small**. Preserving small existing housing can make a difference in the availability of affordable housing in a city but it is limited by the existing stock of housing, especially smaller, more affordable housing.

Strategy Name	Description	Scale of Impact
Inclusionary Zoning	Inclusionary zoning policies tie development approval to, or provide regulatory incentives for, the provision of low- and moderate-income housing as part of a proposed development. Mandatory inclusionary zoning requires developers to provide a certain percentage of low-income housing. Incentive-based inclusionary zoning provides density or other types of incentives. The price of low-income housing passed on to purchasers of market-rate housing. Inclusionary zoning impedes the "filtering" process where residents purchase new housing, freeing existing housing for lower-income residents.	**Scale of Impact—Small to moderate**. Inclusionary zoning has recently been made legal in Oregon. The scale of impact would depend on the inclusionary zoning policies adopted by the city.

Strategy Name	Description	Scale of Impact
Increasing Land Available for Housing		
Redesignate or rezone land for housing	The types of land rezoned for housing are vacant or partially vacant low-density residential and employment land rezoned to multifamily or mixed use. In rezoning land, it is important to choose land in a compatible location, such as land that can be a buffer between an established neighborhood and other denser uses or land adjacent to existing commercial uses. When rezoning employment land, it is best to select land with limited employment capacity (i.e., smaller parcels) in areas where multifamily housing would be compatible (i.e., along transit corridors or in employment centers that would benefit from new housing). This policy change increases opportunity for comparatively affordable multifamily housing and provides opportunities for mixing residential and other compatible uses.	**Scale of Impact - Small to large:** Scale of impact depends on the amount and location of land rezoned and the densities allowed on the rezoned land.
Encourage multifamily residential development in commercial zones	This tool seeks to encourage denser multifamily housing as part of mixed-use projects in commercial zones. Such policies lower or eliminate barriers to residential development in commercial or mixed-use zones. They include: eliminating requirements for non-residential uses in commercial zones (e.g., requirements for ground floor retail) or requiring minimum residential densities. This policy can increase opportunities for multifamily development on commercial or mixed-use zones or increase the density of that development.	**Scale of Impact – Small to moderate:** Many cities already encourage multifamily housing in commercial zones. Further encouraging multifamily housing in commercial zones would likely have a small impact, as multifamily housing is allowed in many of the commercial areas where it would be desirable.

Strategy Name	Description	Scale of Impact
Increasing Land Available for Housing		
Promoting Infill Development	This policy seeks to maximize the use of lands that are fully developed or underdeveloped. Make use of existing infrastructure by identifying and implementing policies that (1) improve market opportunities, and (2) reduce impediments to development in areas suitable for infill or redevelopment. Regulatory approaches to promote infill development include: • Administrative streamlining • Allowing accessory dwelling units (ADUs) • Allowing small lots • Density bonuses	**Scale of Impact – Small**. In general, infill development, especially small-scale infill, is more expensive than other types of residential development. Some types of infill development, such as ADUs, may provide opportunities for relatively affordable housing.
Transfer or Purchase of Development Rights	This policy is intended to move development from sensitive areas to more appropriate areas. Development rights are transferred to "receiving zones" and can be traded and can increase overall densities. This policy is usually implemented through a subsection of the zoning code and identifies both sending zones (zones where decreased densities are desirable) and receiving zones (zones where increased densities are allowed).	**Scale of Impact - Small to moderate**. Actual impact will depend on the extent to which the policy is used. TDRs may have little impact on overall densities since overall density is not changed; rather it is moved around. TDRs can be used to encourage higher densities in selected areas.
Provide Density Bonuses to Developers	The local government allows developers to build housing at densities higher than are usually allowed by the underlying zoning. Density bonuses are commonly used as a tool to encourage greater housing density in desired areas, provided certain requirements are met. This strategy is generally implemented through provisions of the local zoning code and is allowed in appropriate residential zones. Bonus densities can also be used to encourage development of low-income or workforce affordable housing. An affordable housing bonus would allow for more housing units to be built than allowed by zoning if the proposed project provides a certain number of affordable units.	**Scale of Impact - Small**.

Increase the types of housing

The following policies focus on ways in which the City can increase the types of housing available in order to increase housing affordability. Policies focus on increasing housing density or the number of residents within existing City lots.

Strategy Name	Description	Scale of Impact
Allow Duplexes, Cottage housing, Townhomes, Row Houses, and Tri- and Quad-Plexes in single-family zones	Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.	**Scale of Impact - Small**. Allowing these types of housing in more zoning districts may provide a relatively small number of new, relatively affordable, housing opportunities.
Permit Accessory Dwelling Units (ADUs) in single-family zones	Communities use a variety of terms to refer to the concept of accessory dwellings: secondary residences, "granny" flats, and single-family conversions, among others. Regardless of the title, all of these terms refer to an independent dwelling unit that share, at least, a tax lot in a single-family zone. Some accessory dwelling units share parking and entrances. Some may be incorporated into the primary structure; others may be in accessory structures. Accessory dwellings can be distinguished from "shared" housing in that the unit has separate kitchen and bathroom facilities. As of July 1, 2018, ORS 197.312 requires cities to allow at least one ADU for each detached single-family dwelling in areas zoned for detached single-family dwellings. Jurisdictions can make development of ADUs more likely by limiting restrictive standards and procedures, such as reducing systems development charges for ADUs or allowing ADUs regardless of where the primary dwelling is owner-occupied.	**Scale of Impact - Small**. Oregon law recently changed to require cities to allow ADUs.

Strategy Name	Description	Scale of Impact
Allow small or "tiny" homes	"Tiny" homes are typically dwellings that are 500 square feet or smaller. Some tiny houses are as small as 100 to 150 square feet. They include stand-alone units or very small multifamily units. Tiny homes can be sited in a variety of ways: locating them in RV parks (they are similar in many respects to Park Model RVs), tiny home subdivisions, or allowing them as accessory dwelling units. Smaller homes allow for smaller lots, increasing land use efficiency. They provide opportunities for affordable housing, especially for homeowners.	**Scale of Impact - Small:** Scale of impact depends on regulation of tiny homes, where they are allowed, and market demand for tiny homes.
Allow Co-housing	Co-housing is a type of intentional community that provides individual dwelling units, both attached and detached, along with shared community facilities. Members of a co-housing community agree to participate in group activities and members are typically involved in the planning and design of the co-housing project. Private homes contain all the features of conventional homes, but residents also have access to extensive common facilities, such as open space, courtyards, a playground, and a common house. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones.	**Scale of Impact - Small**. While co-housing may be able to achieve multi-family housing densities, it is unlikely that this housing type would make up a large portion of new housing stock, thereby diminishing its impact.

Financial assistance to homeowners and renters

The following policies focus on ways in which the City and other community stakeholders can provide financial assistance to potential residents in order to increase housing affordability and accessibility for multiple income groups.

Strategy Name	Description	Scale of Impact
Home ownership programs	Cities use a variety of programs to assist with homeownership • **Homebuyer Assistance Programs.** These Down Payment Assistance loans help low- or moderate-income households cover down payment and closing costs to purchase homes on the open market. These programs either give loans or grants, most frequently to first time homebuyers. • **Inclusionary Housing Program.** Some cities have an Inclusionary Housing Ordinance (IH) requiring that new residential development contribute at least 20% of the total units as permanently affordable housing. Options for meeting this requirement can allow the affordable units to be located on or off site. Cities that use inclusionary housing generally have programs to ensure that housing continues to be affordable over the long-term. • **Partnerships**. Cities often work with partnerships with nonprofit agencies that provide homeownership assistance.	**Scale of Impact - Small**. While homeownership programs are important, limited funds mean that the number of households that benefit from homeownership programs is relatively small.
Rental assistance programs	Cities use a variety of programs to provide rental assistances • **Section 8 Voucher**: This assistance subsidizes the difference between 30 to 40 percent of a household's income and the area's Fair Market Rent (FMR). • **Rental assistance programs**. These programs offer a range of services, such as assistance with security deposits. • **Rent Control**. Rent control regulations control the level and increases in rent, over time resulting in rents that are at or below market rates. • **Partnerships**. Cities often work with partnerships with nonprofit agencies that provide rental assistance.	**Scale of Impact - Small**. Renter assistance programs are important. However, limited city funds mean that the number of households that benefit from rental assistance from city funding is relatively small.

Strategy Name	Description	Scale of Impact
Housing Rehabilitation Programs	Cities often offer home rehabilitation programs, which provide loans to low- and moderate-income households for rehabilitation projects such as making energy efficiency, code, and safety repairs. Some programs provide funding to demolish and completely reconstruct substandard housing.	**Scale of Impact - Small**. Limited fund availability means that relatively few households will be able to access housing rehabilitation funds.

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Lowering development or operational costs

The following policies focus on ways in which the City and other entities involved in development can provide financial assistance to lower development or operational costs in a city in order to increase housing affordability and available housing stock.

Strategy Name	Description	Scale of Impact
Programs or policies to lower the cost of development		
Parcel assembly	Parcel assembly involves the city's ability to purchase lands for the purpose of land aggregation or site assembly. It can directly address the issues related to limited multifamily lands being available in appropriate locations (e.g., near arterials and commercial services). Typical goals of parcel assembly programs are: (1) to provide sites for rental apartments in appropriate locations close to services and (2) to reduce the cost of developing multifamily rental units Parcel assembly can lower the cost of multifamily development because the City is able to purchase land in strategic locations over time. Parcel assembly is often associated with development of government-subsidized affordable housing, where the City partners with nonprofit affordable housing developers.	**Scale of Impact - Small to moderate:** Parcel assembly is most likely to have an effect on a localized area, providing a few opportunities for new multifamily housing development over time.
Land Banking	Land banks support housing development by reducing or eliminating land cost from development, with the goal of increasing the affordability of housing. They can take several forms. Many are administered by a non-profit or non-governmental entity with a mission of managing a portfolio of properties to support affordable housing development over many years or decades. Ideally, a land bank is set up to manage financial and administrative resources, including strategic property disposal, for the explicit purpose of supporting affordable housing development. Cities can partner with non-profits or sometimes manage their own land banks. Cities may also donate, sell, or lease publicly-owned land for the development of affordable housing even without a formal 'land bank' organization. Land banks are purposed for short-term ownership of lands. Lands acquired are often vacant, blighted, or environmentally-contaminated. Land banks may also acquire lands with title defects or of which derelict structures sit. Lands are eventually transferred to a new owner for reuse and redevelopment.	**Scale of Impact - Small to moderate:** A land bank will have the biggest impact on production of low- and moderate-income affordable housing. Considering how difficult it is to build this type of affordable housing and the level of need for affordable housing, a land trust could increase nonprofits' capacity to build affordable housing.

Strategy Name	Description	Scale of Impact
Land Trusts	A land trust is typically a nonprofit organization that owns land and sells or leases the housing on the land to income-qualified buyers. Because the land is not included in the housing price for tenants / buyers, land trusts can achieve below-market pricing. Land trusts are most commonly used as a method for supporting affordable home ownership goals. Land trusts are purposed for long-term stewardship of lands and buildings. Lands / buildings acquired may have need for remediation or redevelopment. Lands / buildings may have also been acquired to preserve affordability, prevent deferred maintenance, or protect against foreclosure	**Scale of Impact - Small to moderate:** A land trust will have the biggest impact on production of low- and moderate-income affordable housing. Considering how difficult it is to build this type of affordable housing and the level of need for affordable housing, a land trust could increase nonprofits' capacity to build affordable housing.
Public Land Disposition	The public sector sometimes controls land that has been acquired with resources that enable it to dispose of that land for private and/or nonprofit redevelopment. Land acquired with funding sources such as tax increment, EB-5, or through federal resources such as CDBG or HUD Section 108 can be sold or leased at below market rates for various projects to help achieve redevelopment objectives. This increases development feasibility by reducing development costs and gives the public sector leverage to achieve its goals via a development agreement process with the developer. Funding can come from Tax Increment, CDBG/HUD 108, or EB-5.	**Scale of Impact – Small.** Depends on whether the City has surplus land that would be appropriate for future housing development.
Reduced / Waived Building Permit fee, Planning fees, or SDCs	Programs that reduce various development fees as an incentive to induce qualifying types of development or building features. There are a number of avenues to seek reduced or waived fees. For example, stormwater improvements can be made through the Commercial Stormwater Fee Reduction. There are commonly used tools, often implemented in conjunction with development agreements or other development negotiation processes.	**Scale of Impact - Small**.

Strategy Name	Description	Scale of Impact
SDC Financing Credits	May help to offset the an SDC charge, which is a one-time fee that is issued when there is new development or a change in use. SDC financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. Alternately, credits allow developers to make necessary improvements to the site in lieu of paying SDCs. Note that the City can control its own SDCs, but often small cities manage them on behalf of other jurisdictions including the County and special districts. SDCs are granted when the project makes lasting improvements, such as improving roads, reducing number of trips, create or improve parks or recreational centers, and permanently removing water services.	**Scale of Impact – Small.** The City may consider changes in SDCs to allow financing but the City would want to ensure that the impact should be spread-out and non-negatively impact one entity.
Sole Source SDCs	Retains SDCs paid by developers within a limited geographic area that directly benefits from new development, rather than being available for use city-wide. This enables SDC-eligible improvements within the area that generates those funds to keep them for these improvements. Improvements within smaller areas can enhance the catalytic and redevelopment value of the area. This tool can also be blended with other resources such as LIDs and Urban Renewal (Tax Increment Financing). Funding can come from an SDC fund or general fund. In some cases, there may be no financial impact. The housing can come in the form of student, low-income, or workforce housing.	**Scale of Impact – Small.** Depends on how the tool is implemented and whether it is used with other tools, such as LIDs or Urban Renewal.
Fees or Other Dedicated Revenue	Directs user fees into an enterprise fund that provides dedicated revenue to fund specific projects. Examples of those types of funds can include parking revenue funds, stormwater/sewer funds, street funds, etc. The City could also use this program to raise private sector funds for a district parking garage wherein the City could facilitate a program allowing developers to pay fees-in-lieu or "parking credits" that developers would purchase from the City for access "entitlement" into the shared supply. The shared supply could meet initial parking need when the development comes online while also maintaining the flexibility to adjust to parking need over time as elasticity in the demand patterns develop in the district and influences like alternative modes are accounted for. Funding can come from residents, businesses, and developers. Also, these fees or revenues allow for new revenue streams into the City.	**Scale of Impact – Small.**

Strategy Name	Description	Scale of Impact
Reimbursement District	A Reimbursement District is a cost sharing mechanism, typically Initiated by a developer. The purpose is to provide a reimbursement method to the developer of an infrastructure improvement, through fees paid by property owners at the time the property benefits from the improvement. A developer applies to create a Reimbursement District by demonstrating benefit to properties beyond their own. In addition, the size of the improvement must be measurably greater than would otherwise be ordinarily required for the improvement Eligible Reimbursement District projects typically include (but are not limited to) construction or connections of a sewer, water, storm water or street improvements. Applications typically include: a fee sufficient to cover the cost of administrative review, a description of the project, properties that would be impacted, and a detailed methodology and calculation of how the estimated costs would be reimbursed by payments from benefitted properties over a specified timeframe. A report from the City Engineer is generated in review of the submitted application. After a public hearing process, the council will approve, reject or modify the proposal. The approval of a Reimbursement District results in a resolution and distribution of notice among benefitted properties before construction can begin. Benefitted properties must pay the Reimbursement Fee when they make a physical connection to the improvement (or in the case of a sewer project, when the benefitted property creates an impervious surface that drains into the public sewer) within the Reimbursement District Area. Reimbursement fees are collected by the City and are distributed to the developer for the duration of the Reimbursement District, which are typically 10-15 years. Paid by benefitted properties at the time the property benefits from the improvement, typically at connection to the sewer, water or storm drain system.	**Scale of Impact – Small to moderate**.
Linkage Fees	Linkage fees are charges on new development, usually commercial and / or industrial development only, that can be used to fund affordable housing. To implement them, a city must undertake a nexus study that identifies a legal connection between new jobs housed in the developments, the wages those jobs will pay, and the availability of housing affordable to those employees. • Can be used for acquisition and rehabilitation of existing affordable units. • Can be used for new construction.	**Scale of Impact – Small.**

Strategy Name	Description	Scale of Impact
Tax abatement programs that decrease operational costs by decreasing property taxes		
Vertical Housing Tax Abatement (Locally Enabled and Managed)	The 2017 Legislature passed legislation moving the administration of Vertical Housing Program from Oregon Housing and Community Services (OHCS) to the local City and County beginning Oct 6th, 2017. OHCS no longer administers this program. The legislation subsidizes "mixed-use" projects to encourage dense development or redevelopment by providing a partial property tax exemption on increased property value for qualified developments. The exemption varies in accordance with the number of residential floors on a mixed-use project with a maximum property tax exemption of 80 percent over 10 years. An additional property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80 percent of area median income or below).	**Scale of Impact – Small to moderate**. The design of the tax abatement program will impact whether and how many developers use the tax abatement, which will affect the scale of the impact.

Strategy Name	Description	Scale of Impact
Multiple-Unit Limited Tax Exemption Program (Locally Enabled and Managed)	Through the multifamily tax exemption, a jurisdiction can incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten-years on structural improvements to the property. Though the state enables the program, each City has an opportunity to shape the program to achieve its goals by controlling the geography of where the exemption is available, application process and fees, program requirements, criteria (return on investment, sustainability, inclusion of community space, percentage affordable or workforce housing, etc.), and program cap. The City can select projects on a case-by-case basis through a competitive process. The passing of HB 2377 - Multiunit Rental Housing Tax Exemption allows cities and counties to create a property tax exemption for newly rehabilitated or newly constructed multi-unit rental housing within their boundaries depending on the number of units made available to low-income households, for up to 10 consecutive years. The bill was crafted to strengthen the connection to affordability by requiring cities and counties to establish a schedule in which the number of years an exemption is provided increases directly with the percentage of units rented to households with an annual income at or below 120 percent of MFI, and at monthly rates that are affordable to such households. While not specifically referenced in the measure, ORS 308.701 defines "Multi-unit rental housing" as: "(a) residential property consisting of four or more dwelling units" and; "does not include assisted living facilities." All new multifamily units that are built or renovated that offer rent below 120% of AMI are potentially eligible for this tax exemption. In a city with an AMI of $55,000 (common outside of Portland), that's rent of $1,650 per month or less. The tax exemption is for all taxing districts which is administered by the City. Due to this, smaller jurisdictions may have more trouble managing this program. Local taxing jurisdictions that agree to participate–cities, school districts, counties, etc.	**Scale of Impact – Small to moderate**. The design of the tax abatement program will impact whether and how many developers use the tax abatement, which will affect the scale of the impact.

Strategy Name	Description	Scale of Impact
Affordable Housing Property Tax Abatement	Incentivizes construction of affordable housing by offering property tax abatements. Since 1985, the State of Oregon has allowed for affordable housing property tax abatements when they are sought separately by non-profits that develop and operate affordable rental housing. Only the residential portion of a property located within a City that is used to house very low-income people, or space that is used directly in providing housing for its low-income residents is eligible for a property tax exemption.	**Scale of Impact – Small to moderate**. The design of the tax abatement program will impact whether and how many developers use the tax abatement, which will affect the scale of the impact.
Oregon Affordable Housing Tax Credit	Reduces cost of living in affordable, multi-family rental units by awarding a state income tax credit to the owner, who is required to pass the entire amount of the credit along to the residents through a reduction in rent. Provides a state income tax credit for affordable housing equity investments that help reduce the financing costs for multi-family rental units. Applications must demonstrate a 20-year term that the benefit of the tax credit will be entirely passed on to reduce rents for the tenants. The tax credits are provided for affordable housing loans where a lender has reduced the interest rate by up to 4%. The program contains a stipulation that the credit be used solely to reduce rents for tenants for a twenty-year term	**Scale of Impact – Small**. The design of the tax abatement program will impact whether and how many developers use the tax abatement, which will affect the scale of the impact.

Funding sources to support residential development

The following policies focus on ways to pay for the costs of implementing the affordable housing programs and infrastructure development.

Strategy Name	Description	Scale of Impact
Urban Renewal / Tax Increment Finance (TIF)	Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes (i.e., City, County, school portions) is used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls. TIFs defer property tax accumulation by the City and County until the urban renewal district expires or pays off bonds. Over the long term (most districts are established for a period of 20 or more years), the district could produce significant revenues for capital projects. Urban renewal funds can be invested in the form of low-interest loans and/or grants for a variety of capital investments: • Redevelopment projects, such as mixed-use or infill housing developments • Economic development strategies, such as capital improvement loans for small or startup businesses which can be linked to family-wage jobs • Streetscape improvements, including new lighting, trees, and sidewalks • Land assembly for public as well as private re-use • Transportation enhancements, including intersection improvements • Historic preservation projects • Parks and open spaces	**Scale of Impact – Moderate**. Urban Renewal funding is a flexible tool that allows cities to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs). Portland used Urban Renewal to catalyze redevelopment across the City, including the Pearl District and South Waterfront.

| Construction Excise Tax (CET) | Funds land use planning throughout the region by taxing construction permits.

CET is a tax assessed on construction permits issued by local cities and counties. The tax is assessed as a percent of the value of the improvements for which a permit is sought, unless the project is exempted from the tax. In 2016, the Oregon Legislature passed Senate Bill 1533 which permits cities to adopt a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects. CETs may be residential only, commercial only, or residential and commercial. If the City were to adopt a CET, the tax would be up to 1% of the permit value on residential construction and an uncapped rate on commercial and industrial construction. The allowed uses for CET funding are defined by the state statute. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:

• 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.)
• 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
• 15% flows to Oregon Housing and Community Services for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted. The rate may exceed 1% if levied on commercial or industrial uses. | **Scale of Impact – Depends on the amount of funding available**. |
| General Fund and General Obligation (GO) Bonds | Allows funding for a project that is not dependent on revenue from the project to back the bond.
City can use general fund monies on hand or can issue bonds backed by the full faith and credit of the city to pay for desired public improvements.
Property taxes are increased to pay back the GO bonds. | **Scale of Impact – Moderate to Large**. GO Bonds can be used to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs). |

Local Improvement District (LID)	Enables a group of property owners to share the cost of a project or infrastructural improvement. A special assessment district where property owners are assessed a fee to pay for capital improvements, such as streetscape enhancements, underground utilities, or shared open space. For residential property, the estimated assessment cannot exceed the pre-improvement value of the property based on assessor records. An ordinance must be passed through a public hearing process which must be supported by a majority of affected property owners. Part of this process includes an estimation of the improvement costs and the portion of those costs in which property owners will be responsible to pay for. The public hearing process allows for LIDs to be challenged by property owners. The City collects the funds and regardless if the actual cost is greater than the estimated cost (on which the assessment was based), the City may make a deficit assessment for the additional cost, which would be prorated among all benefitted properties. Another public hearing would be held, in the event that an additional assessment were placed property owners (due to underestimation).	**Scale of Impact – Depends on the amount of funding available**.
General Fund Grants or Loans	A city can use general fund or tax increment dollars to directly invest in a specific affordable housing projects. These grants or loans can serve as gap funding to improve development feasibility. There are several options for using general fund grants or loans, including the potential for bonds to generate upfront revenue that is repaid over time, as recently approved in the City of Portland. Another option is to use general fund dollars to contribute to other programs that are successfully operating, such as non-profit land trusts or even other government agencies that have the administrative capacity to maintain compliance requirements over time, using intergovernmental agreements.	**Scale of Impact – Depends on the amount of funding available**.

Transient Lodging Tax (TLT)	Generates revenue by primarily taxing tourists and guests using temporary lodging services. Taxes for temporary lodging at hotels, motels, campgrounds, and other temporary lodgings. Oregon has a statewide TLT and cities and counties can also charge a local TLT subject to certain limitations. The statutes specify that 70% must be used for tourism promotion or tourism related facilities and 30% is unrestricted in use, and there cannot be a reduction of the total percent of room tax. The state tax is specified at 1.8%; local government tax rates vary as local governments set the rate for their jurisdiction by ordinance. Cities and counties may impose taxes on transient lodging. Alternatively, some cities have an agreement for the county to impose the tax and cities share in a percent of the revenue.	**Scale of Impact – Small.** The amount of funding from TLT is likely to be relatively small, given that only 30% of TLT funds have unrestricted use.
CDBG	The Community Development Block Grants program is a flexible program that provides annual grants on a formula basis to both local governments and States. Grants are awarded on a 1, 2, or 3-year period. It is required that at least 70% of the CDGB funds are used for activities that benefit low- and moderate- income. Additionally, each activity must address any threats to health or welfare in the community (for which other funding is unavailable). These funds can be used for acquisition and rehabilitation of existing affordable units, as well as new construction that prioritizes community development efforts.	**Scale of Impact – Depends on the amount of funding available**.

AGENDA

Newberg Housing Needs Analysis
Public Meeting #1

2/27/2019
6 PM – 8 PM
Location: Public Safety Building, 401 E. Third Street

6 – 6:15 p.m.	Introduction to Project	Keshia Owens/Doug Rux
6:15 – 6:45 p.m.	Project Overview and Preliminary Results of the Housing Needs Analysis	Bob Parker
6:45 – 7:30 p.m.	Q&A / Public Comments	Bob Parker with City staff
7:30 – 8 p.m.	Wrap up of Discussion Next Steps - Next Public Meeting: May 15	Bob Parker