

**HB 4006 (2020) PUBLIC Community Forum
Meeting Minutes**

December 16, 2020 6:00 PM

Meeting held electronically due to COVID-19 pandemic

(This is for historical purposes as meetings are permanent retention documents and this will mark this period in our collective history)

Participants: Todd Engle
 Robert Moxley
 Michelle Andrews
 Shannon Eoff
 David Hostetler
 Melisa Daily
 Ronda Leno
 Andy McCann
 Megan Carda
 Mary Tolstoy
 EC Bell

Staff Present: Doug Rux, Community Development Director

**HB 4006 (2020)
Rent Burdened Households**

CDD Doug Rux thanked all for coming to the Community Forum. He noted we are going to talk about House Bill 4006 which came from the State Legislature. This is our third Community Forum that we've had to address the issue of rent burden households. Newberg is one of those communities identified because we have more than 25% of our renters who are paying 50% or more of their income towards their household expenses on rent and utilities. We have a requirement to hold this meeting by the end of December, but given the situation with Covid-19 we had to make some adjustments on scheduling.

The intent of the legislation:

CDD Rux noted this legislation was to raise awareness about the severe rent burden communities that we have across the State of Oregon. Oregon Housing Community Services (OHCS) and the Department of Land Conservation and Development (DLCD) are jointly managing this program. We are collecting data to get a better understanding. OHCS has a program and a plan in place to address the housing issues in a broader context across the State. Newberg is one of those communities that has a population larger than 10,000, with more than 25% of our renters are paying 50% of their monthly income towards rent and utilities. By the legislation, Newberg must hold at least one public meeting to discuss rent burdens, causes and solutions. February each year we submit a report to DLCD and OHCS about what we did for permitting of residential units over the prior calendar year.

CDD Rux noted, we are going to talk about the causes and consequences of severe rent burdens within the city, barriers to reducing rent burdens and possible solutions to reduce the rent burdened households. He noted if you go to the City's website under Community Development on the planning page there is a page that you can review the two prior years of information and meeting minutes.

CDD Rux noted some background information and for the current year based on data received from the State is that 28.4% of our households are severely rent burden. Our population has gone up, we're we are a little over 24,000. Severely rent burden individuals is 822 in the community. The total households that are renting is 2,899. He noted the 2020 numbers look better than they did last year. In 2019 we were at 28.6% severely rent

burdened of 890 people, compared to in 2020 we are at 28.4%. Our population was less at 23,795 people, with the total renter households at 3,045. The first year we did this was 2018, we were 28% severely rent burdened with households rent burdened at 790 and rental households were 2,853. We are right around 28%, a little above. Our population continues to grow, but overall our total rental households decreased over the two year period. This comes out of the American Community Survey estimates, it is not actual survey of every household.

Background: What's Been Completed:

CDD Rux noted Annexations were done, which means that if we do an Urban Growth Boundary expansion or an Annexation of 15 acres or greater net minus environmental lands, 10% of your land area has to be for high density residential. This allows a disbursement of multifamily housing throughout the community, rather than concentrating it in selected identified areas. We have done accessory dwelling unit regulations. A grant for manufactured homes and some of our most cost burdened households live in manufactured homes. We received a \$400,000 Grant and we worked with the Housing Authority of Yamhill County and homeowners to do repairs, such as windows, doors, ADA ramps, bathrooms, and HVAC systems etc. We did a Housing Needs Analysis that went to Council in 2019. We did some focus on the downtown area to allow and get more residential housing. We made some modifications to add another tool kit for residential parking and being able to pay a fee in lieu. In 2019 we had SB 1051 that did some additional modifications to ADU regulations, specifically on parking. We adopted the Riverfront Master Plan which allowed some additional residential development. We made some changes to our regulations on first floor in C-3 downtown zoning. We had some issues about commercial square footage requirements that were encumbering the ability to do housing in the downtown area. The City Council on November 16th adopted a construction excise tax that will be on new residential, commercial and industrial development. There are some provisions for exclusion, if you're doing affordable units at 80% or less with deed restrictions. For workforce housing there is some reductions in the fee you pay. Modifications for single family and duplexes were made on, when you need to pay your SDCs. We pushed back from the time of building permit issuance to when scheduling insulation inspection which helps the cost for developers who are building the housing units.

CDD Rux noted there are some ongoing items we are continuing to work on. HB 4006 is something we have to do every year, have a community meeting, and do the reporting. We have an Affordable Housing Commission and we push out a notice of funding availability. We have limited funds, but we help and partner with home owners and developers to create Affordable Housing units. We are participating and on the board of the Yamhill County Affordable Housing Corporation. Commissioner Kula created Yamhill County Housing Solutions and we were meeting on a regular basis each month up until Covid-19 and hopefully will meet back regularly in the spring. Through the Strategic Economic Development Corporation we've been having discussions on Workforce Housing.

CDD Rux noted for the fiscal year 2021 and what we're doing now, based on some material we brought forward to the City Council the November 2nd meeting, identifying a five year work program to address housing issues within Newberg. We are working on a vertical housing tax abatement program in the Downtown Area. Working on a Urban Renewal program, which encompasses Downtown and the Riverfront Area. The City Council approved an Infrastructure Time Based Extension Request (ITBER), which is related to Middle Housing and is another legislative issue that came before many Cities across the State of Oregon. We are in the process of updating our Housing Needs Analysis (HNA) with the new buildable lands inventory and population. We have a separate Ad Hoc Committee who's working on Middle Housing. The first piece we need to work on is duplexes in single family zones, the second piece is triplexes, quadplexes, cottage clusters and townhomes. By the end of June we will have adopted duplex regulations and have code ready for triplex, quadplexes, cottage clusters and townhomes which will come back to City Council in the fall of 2021. In addition we are working on a Public/Semi-Public Land Analysis. We are working on an Economic Opportunities Analysis and what has been identified by the Committee is to have a healthy economy and to have business growth within the Community we need to have housing from very low income to those that are above 120%.

CDD Rux noted for fiscal year 2021/2022 we've identified some additional work activities. Fair Housing Council is offered to do a code audit for us, so that we can come up with clear and objective standards. We're going to be working on small homes, tiny homes, recreational vehicles, and car camping. An issue came up about being able to share utility lines for sewer and water which could reduce costs. We are looking at our limitations to only having one kitchen in a

home and if it could be revised to allow second kitchens. You could have for example a mother-in-law unit within an existing structure that is connected by doorways, where you can have two kitchens in one home.

CDD Rux noted in fiscal year 2022/2023 on July 1st we're looking at doing a Housing Implementation Strategy and looking at maximum lot sizes and minimum density standards. We could be looking at an affordable multifamily housing property tax abatement program, where there's some provisions and State Laws. Another topic that comes up is about housing on religious institution properties. We've been having some discussions with our faith based community on the topic. HB 2003 is a Housing Production Strategy and we predict this fiscal year we could have 25,000 or more in population and we will have to comply with those HB 2003 provisions.

CDD Rux noted in fiscal year 2023/2024 and 2024/2025, we will evaluate expanding density bonuses. We have stream corridors and we can't fully transfer density. We want to look at our storm water treatment regulations. We have been monitoring vacation rentals where we have more of those which takes housing units off the market. Another Topic substantial completion of utilities, final plat approval for subdivisions and partitions. The big one that comes up in all community discussions is reducing or waving building permit, planning fees and the SDCs.

CDD Rux noted when we get to fiscal year 2025/2026 and beyond there are other items that have been identified to work on, which have come from the Housing Newberg Group, City Council and Community members. There is a lot of things to look at including General Obligation Bond, Housing Ombudsman, subsidized work, living spaces, expedited review for permitting, public street standards, lift building height restrictions outside downtown so we can go up instead of out, SDC deferrals and loans, manufactured home park preservation, street lighting requirements for partitions, modify efficiency dwelling unit size for SDC reduction, right now if you are under 600 square feet you pay less and it has been brought up to raise to 1000 square feet. Vesting SDC charges has come up from the Home Builders Association.

CDD Rux noted on the income guidelines in the Portland Metropolitan Statistical Area for this year. Median household income is \$92,100. He showed the slide showing family sizes of one, two, three and four person households at 80%, 50% and 30% median income. Those that get the most cost burden are those that are in the 50% and 30% range. The next slide shows a graphic that comes out of the currently in process Housing Needs Analysis. 59% of our renters live in multifamily units, 9% are in attached single family and 32% are in detached single family. Disproportionately our renters are living in multifamily units within Newberg.

CDD Rux continued onto the next slide showing the demographic and socioeconomic factors affecting housing choice, with information coming out of our 2021 HNA update. Some things socioeconomic components that affect housing is age of households, size of households, income of households, diversity/different ethnic groups have different household sizes, and that multifamily units are getting larger in size with additional cost. He noted on the right hand side is what is out of the Oregon Housing Community Services. Their 2018 Statewide Housing Program is talking about equity and racial justice, homelessness, permanent supportive housing, affordable rental housing, homeownership and rural communities. Newberg is one of those rural communities where we take all of those and how we address those issues.

CDD Rux noted on the next side we're seeing a growing Hispanic and Latino population. When we went back and looked at data from 2000 to the 2012/2016 census, we saw 2% increase in our Latino Hispanic population. When the census comes out with new numbers we will see where we are at and should be above the current 13%.

CDD Rux noted some additional information out of our 2021 HNA update is our median gross rent in Newberg is a little over \$1,100. Renters are much more likely to be cost burdened. About 56% to 58% of households are cost burdened, which means they're spending more than 30% of their income towards their housing and utility cost. If you break that down in the subset 28.4% are severely rent burden. About 56% of renters in Newberg pay \$1,000 or more in rent per month, 41% of Newberg's renters pay \$1,250 or more in gross rent per month. Cost burden rates vary by income. When you look at the data in the draft HNA on our website under our project page, you'll see nearly all households that earn less than \$35,000 per year are cost burdened.

CDD Rux showed a graphic to give an idea about income and what you can afford. Looking at a household income of \$27,000 a year, puts you in the 30% Median Family Income (MFI) and you can afford only \$690 a month for rent. Previously we showed the average rent is over \$1000 so there's a delta gap there. Looking at 50% MFI you can afford about \$1150 a month and if you were trying to have homeownership you can look at a range of \$138,000 to \$161,000.

You can't find a house at this price range in Newberg. About 80% can afford rent of \$1,840 and homeownership in in the range of \$258,000 and \$295,000, it is hard to find a home for this price in Newberg.

CDD Rux continued with examples of possible barriers. He noted wages, which comes back to economy and what you can afford to be able to provide enough income to put a roof over your family's head. Funding for affordable housing units is an example. The City Council did adopt the Construction Excise Tax so that puts us in a position to potentially partner with developers to get affordable housing units with deed restrictions. Housing vouchers are hard to come by. We have a lack of affordable housing units in high opportunity areas. We are seeing individuals desiring to live closer to downtown so they don't have to rely on a car with the additional car expense. Lack of family sized affordable units, as mentioned earlier our apartment sizes are continuing to increase, the latest number from ACS is that our household size is 2.61 individuals per household. Some other potential barriers are increasing demand, which is the supply and demand component. Infrastructure costs, land cost, construction costs continue to rise, and limited land supply is an issue Newberg has been facing for a number of years. In the HNA we are seeing that we have a deficiency in our high density and medium density residential land supply over the next 20 years. We have SDCs. Parking continues to come up in the Middle Housing Ad Hoc Committee of where can you park if you are only allowed per State Law one parking space per dwelling unit, which puts additional demand on street parking and changes the fabric of community neighborhood perceptions. Permit fees, cost of doing business continues to go up, and neighborhood opposition comes up across the State. For example a Newberg resident doesn't want that type of development in the neighborhood, but we have to accommodate housing for all individuals within the community. There is also the cost of financing that continues to go up and becomes more burdensome. The big one is about zoning regulations and modifications that we can do.

DISCUSSION ITEMS:

Cause:

Shannon Eoff commented that Portland has started seeing higher vacancy rates especially in studio and one bedroom units. Their rents were too high for the general population and are seeing higher vacancies in these types of units. Populations are progressively moving outward to more affordable suburb areas such as Beaverton or Sherwood. In general if a property owner can get a higher than expected rent, other owners will follow because they want more money and asked for higher rent.

Todd Engel noted it seems with such a shortage the costs are going to go up. We have houses that we're trying to give away at Friendsview to go onto existing property or buy property, but there is a shortage in the region to put these houses on. If people are willing to sell property the price is more than would be feasible to put them on. There's such a shortage that there's problems with all the properties that there are barriers that cannot be worked around. We have a group looking to put a project in the downtown area but we couldn't get a piece of property someone was wanting to sell.

Question: Is the decrease in rentals a change of single family houses from rentals or owner occupied or VRBO properties?

CDD Rux noted he thinks it's a combination, some property owners may have a rental they've chosen to sell and put back on the market which becomes owner occupied. We've also seen an increase in our short term rentals over the last four years. We've had individuals buy properties, their absentee and they use that particular unit as a short term rental which takes it off the long term market.

Todd asked with all the things your doing are you seeing some bearing more fruit than others.

CDD Rux responded it's hard to say, we're only three years into this. When I got here six years ago housing was an issue and there have been a number of things to put into place. A combination of many things that need to occur in order to address the affordability issue. I think as we continue on, track more of the data and come up with better metrics about what we're able to do. For example the Construction Excise Tax, the City Council made it very clear about having some metrics on the success of it and putting a sunset provision in so by the time we get to year 5 we will be back in front of City Council to look how successful were we with this tool.

Todd asked if there has been success in small housing and accessory dwelling units since the regulations have been updated.

CDD Rux noted we have. A couple years ago was very prohibitive, you had to go through a conditional use process which was lengthy with public hearings. Then the State Law changed and we saw an increase in the number of applications. People were converting garages or adding a second floor onto a garage, interiors were modified taking interior space turning it into an accessory dwelling unit and we have seen detached units too. We saw a spike initially and now it has leveled off. If you have a lot pre 2010 is when the lot size in an R-1 zone was 7,500 square feet minimum you had space to do an attached or detached accessory dwelling unit. With a 5,000 square foot lot it makes it more challenging to try to do an Accessory Dwelling Unit but not impossible. In R-2 we went from 5,000 square foot lot requirement down to 3,000 square foot requirement. Some comments out of our Middle Housing Ad Hoc Committee is you end up not having any yard at all. I have talked with some developers about ADUs to pre design them so when they're building the original home contemplating doing that ADU at the same time.

Shannon noted on the stats out of Portland, the vacancy rates are going up dramatically month to month. Which shows the high end development could not be sustainable. They are still building and I expect that they're going to see long rates of not being able to fill units in these new buildings, They're going to see drops in asking rents for those new projects and older buildings over the next few years. We've seen a plateau as far as how high the rents can go up. She noted the rents are going to actually drop a bit in the next one or two years.

CDD Rux noted one of the things he has seen is the cost of housing on the other side of the hill. We have family members who say I can get a more cost effective house if I go over the hill and commute out of Newberg. In the HNA we are showing that commuting pattern is going up, more people are driving out of Newberg to go to work someplace else which is a disconnect within the community.

Todd noted his assumption is we have low income people such as housekeepers and caregivers that are living in St Paul or as far out as Hubbard and that are driving into Newberg. Then we have higher income residence here that are driving out of Newberg to work someplace else.

CDD Rux noted based on 2017 ACS data, we have 8,200 people who drive out of Newberg to go to work someplace else, about 6,200 people drive into Newberg every day for a job and we have a little less than 2,000 people who actually live here and work here in Newberg.

Todd asked Doug if he has an idea of the types of incomes people have that are commuting in or out of Newberg.

CDD Rux noted it would take some additional searching in the Census Data to figure that out. He did note that if you live and work in Newberg you make less household income than if you live in Newberg and commute out someplace else to work.

Robert Moxley questioned how to incentivize Affordable Housing with the supply and demand issue because rents are going up. With his rentals he noted he has a waiting list and his rent income is between \$1,850 and \$2,000 a month. We need affordable housing other than tax breaks or any type of monetary opportunity. The big picture is how we fix this.

CDD Rux noted one of the things with the Middle Housing is HB 2001 we are looking at duplexes and how we can make them more feasible within Newberg to build. Right now the regulations read, if you want to do a duplex in the R-1 zone you have to do a 10,000 square foot lot. Developers would look at that and say why, I'll just break it into two lots and build two detached single-family homes. On the new regulations being discussed is that you could build a duplex on a 5,000 square foot lot, the same as you would do a detached single family. That will potentially bring costs down, and it depends in part on the type of unit you are building and how many accoutrements you add. Similarly in R-2 zone, today you can build a duplex on a 6,000 square foot lot and in the new State regulations you can now build a duplex in R-2 on a 3,000 square foot lot. The opposition is from the neighbors that do not want a duplex on that vacant lot next to them, they want to have the same type of house as the rest of the neighborhood. Last year we had some conversations about having neighborhoods that are a mix of income and housing styles which are actually better for students where their educational attainment scores go up.

Melisa Dailey noted she feels like we covered a lot of the causes thoroughly in the last couple years, with the exception of this COVID-19 element. The lack of land and increasing cost are some of the same issues we've heard.

CDD Rux noted he agrees, if you go back and look at the comments from our last Community Forum we had the same issues in the second meeting were the same comments from the first meeting.

Melisa noted the effects are still going to be relatively the same. She noted the City has done a really good job of prioritizing solutions and getting a long list together and working on it.

Andy McCann noted he sees a State that has Charleston, Coos Bay, K Falls that are dying on the vine, they need some business, they can absorb a lot of people that can get low income paying jobs here, but if business was developed in other communities they could move there and get a fairly good paying job. In looking at the micro district with Northwest Portland and the Newberg area, Northwest Portland for the last four years we've experienced a time around thanksgiving where we can't give rental units away, we have a winter solstice special for a unit that normally goes for \$1,200 is \$999 and I have not even had one person coming in to inquire or see it. In Newberg we have a lot of people that both family members are working and they can barely make an income that will provide for their families. Part of this is the jobs that are available in the Newberg area, I don't think you should put it all on the managers. I think you have to put some of the responsibility on the jobs that are available in the Newberg area paying fair reasonable wage. I look at my communities that I operate in, Newberg it seems like they're doing much better than Portland is in handling this COVID-19 situation. We're running 7% to 12% nonpayment of fees due to COVID-19 in Northwest Portland whereas in Newberg we're running I think 1% to 2%. I think you have a difference in (A): people and quality of people and (B): what they're being paid for the positions they have. There is just not any high paying jobs in Newberg. For example I have a gentleman and his sister working in tech jobs with fairly low wage to make ends meet. There is more to it than just cost of living and the cost of living in Newberg isn't all that more expensive than Portland.

CDD Rux noted there is a parallel process that we are working on with our Housing Needs Analysis and that is our Economic Opportunities Analysis. Some of you may have heard me say that we are challenged with finding industrial land. The recent numbers show we have a surplus of 20 acres of commercial land over the next 20 years, but we have a deficiency of about 150 acres of industrial land, that factors in redevelopment of the Mill Site. As we work to have industrial land base where we can have companies established or existing companies expand and grow to be able to support their households. We are trying to approach this on a multiprong aspect, knowing that if you just focus on the residential and exclude the economic side, you may not be successful. If you deal with both at the same time you will have a greater chance of being successful, so there is a wage being paid so individuals and their families can afford to live in the type of living unit they're looking at whether it is a rental unit, attached unit or detached unit.

Andy noted that the contractor that built his building said that this is the first project that they have never been stolen from. From start to finish the only item taken was the American Flag, where he has pictures of him on their security camera coming up taking down the flag and walking away. He noted when you increase density you end up having more backbiters in the box and your rate of problems will go up dramatically as you increase density in the areas. That is a function of what size of police force we have to maintain those areas.

CDD Rux noted conversations with our housing units, based on 2019 HNA plan, is moving from 23% of our housing stock being multifamily to increasing that to 32%, but then at the corollary to that is the need to have Public Safety Services and personnel in place to address that increased density because people are living closer together.

Barriers:

E.C. Bell noted as far as barriers he thinks for the greater Portland area and in Newberg, although denser housing will change, some of the outward features of Newberg historically has been economic diversity. Newberg has people educated differently that work in all kinds of trades and crafts, so you have a diversity in the community. With the increase in housing costs you're losing that diversity of population and becoming more mono economically as opposed to diverse. The only way to maintain the richness of Newberg's history and the diversity of the community economically is going to be to provide housing for that diverse group, which is going to make some of Newberg look different than it has traditionally, and it's going to help maintain the historical feel of the community. Communicate to people that in changing some of the look of Newberg, we're going to be able to keep a lot of the feel and richness that makes the culture and the community sensitive to what has historically made Newberg a rich place to live.

Robert noted on the Senate Bill 608 on rent control is why you see some of these single family homes that were rentals are being sold to owner occupied buyers. He noted if we incentivize rental real estate investments, maybe we could put a dent

in the supply problem. A lot of people are backing out because they are worried because of the ramifications with Senate Bill 608 and some of the moratoriums.

Solutions:

CDD Rux noted we have a list of 42 items that the City Council and staff have identified.. We can't do them all at once, we don't have the bandwidth to do that, but we have a program and those will be up on the website tomorrow. We've started to structure a program of the topics to address as we move forward over the course of the next five years. He also noted that there were nine items on the list at the beginning three years ago and has now grown to 42 items in three years.

Shannon noted she has noticed this year with COVID-19, more people are struggling with being able to pay their rent, however the assistance that is available, such as Y-Cap has helped so many people with rent assistance in three months at a time. They are quick with their paperwork so it's been extremely helpful. Relying on assistance is not a good long term plan for the Community or a solution, but has appreciated the help this year, because it keeps landlords paid. That goes into the economic ecosystem of the area. One thing with SB 608, its very tenant friendly and harsh on the landlords. There's a whole ecosystem there, so if the landlords can get the money they need for rent for the tenants, the whole system works better. Assistance might be one of the solutions.

Todd asked Shannon if they had people that can't pay their rents.

Shannon replied yes. After we gave assistance that is available, we ended up with about 2% that need assistance in paying this month.

Andy noted the State of Oregon is going to pay landlords 80% and the landlord absorbs the 20% loss. If I were a tenant, I would be upset I paid my rent all this time while others have the State pay 80% and the landlord has to accept this as final payment. He noted personally being a tenant and a property manager as well it's upsetting. The legislature is going to vote on this Monday.

Shannon noted there are people that don't understand the housing ecosystem, which are trying to make decisions to be the solution. She noted it's scary to be honest.

Andy noted a lot of people in Northwest Portland they have written off because they are never going to be able to pay their rent. He noted having the State pay landlords 80% of the rent is the wrong type of motivation, it does nothing. We have a great City, super people and low problems as far as Community Policing and things that protect the community. There is that bottom third that are really struggling but manage to pay and it isn't fair that the State is paying 80% of the rent for the people that do not pay. How do we help them? Building more housing is going to compound the problem and he feels there has to be a good way to get around this to boost these people up. Better education is one way to get better jobs and having the Community College in Newberg is a big plus.

Final Comments:

Shannon agrees with Andy. It doesn't send a great message to other tenants. But the government can't solve everything, it comes down to people and their motivations. You can't make employers pay more, but you could do something that motivates them to make more money. The government sometimes can't help, but they do their best and accept any suggestions to try.

Todd noted a thank you for the good work and problem solving.

Robert noted there's a couple things that stand out, this is the third year he has been a part of this HB 4006. The first year two things were said that stood out, one was that you were Swiss cheese and could only be sliced so thin. Second he doesn't want Newberg to be the next bedroom community. Both of these hit home and he feels that Doug has a lot on his plate, does a good job and he appreciates what he does for us. He noted we need to look at ways to provide better jobs for this community and Doug is in a position of power with responsibility and opportunity. He noted he is just a community member and that if there's anything he can do to incentivize and figuring out how we can get better jobs within this community. He feels the affordable housing situation is going to be an ongoing problem for a long time. He feels that there's possibilities that we can help with the situation and one of which is better jobs within our Community.

CDD Rux noted as mentioned earlier they are working on that aspect as well. One of our potential game changers for the Community is the Mill Site closing. The Mill site property has sold and the new owner is looking to redevelop, which will provide opportunity for industrial employment which generally pays higher than service sector jobs if you were working at a fast food restaurant or something of that nature. He noted we are actively pursuing that and the hope is that with all those involved, is that we will all be successful for the benefit of the Community.

CDD Rux noted he wanted to say thank you to all of the participants and for sharing their thoughts and ideas. He will capture all of the information which will be included in the report submitted to the State in February. There will be some data analysis pulled together, we will catalog all the conversations from this evening and put together minutes to submit to the State. He assumes that they will have this Community Forum again next year. He noted he doesn't believe we are going to drop below 25% severely rent burden over the course of next year, given the fact that we're still in the middle of a pandemic and will take some time to come out of it.

ADJOURNMENT:

The Public Open House ended at 7:12pm