HOUSING NEWBERG – A CITIZENS GROUP

- *Housing Newberg* is comprised of thirty-eight community members including housing developers, major employers, elected officials, city staff, housing advocates, faith community leaders and members with expertise in property management, real estate sales and mortgage lending.

- See Appendix A
HOUSING NEWBERG - ACTIVITIES

- *Housing Newberg* - met eight times between October 2016 to October 2017 to work toward what we hope will be constructive recommendations for the development of a range of housing types – from high density apartments to single family detached homes and everything in between.
HOUSING CRISIS

• Newberg has a housing problem. Too many of those who work here, cannot afford to live here. Too many are commuting from too far away for work; and, because of this, we are losing too many qualified employees. In losing employees, we are losing community.

• See Appendix B
WHAT IS AFFORDABLE?

• Affordable housing is defined as:
  • A family at 80% of median income not spending more that 30% of their income on housing. For a family of four in HUD’s Portland MSA (including Newberg) this means a mortgage not in excess of $250,000. Rent and utilities not in excess of $1,495 per month.
  
  • See Appendices C and D
WHAT HAS CAUSED THE PROBLEM?

- The Oregon Office of Economic Analysis ranks the state-wide pressures on housing in the following order (from least to most impactful):
  - Confidence, Land Use, Permitting, Labor, Lots and Financing.
RANGE OF TOOLS

• Unfortunately there is no single “Silver Bullet” to solve housing issues.

• A range of tools is required to address land use, permitting, lots and financing.
Most of the recommendations that follow have been tried in other Oregon communities. Particular attention was paid to actions taken in Bend, Cannon Beach, Hood River and Washington County.

Recent legislation was also reviewed including OAR Chapter 660, Division 38- Simplified Urban Growth Boundary Method and Senate Bill 1533B.
HOUSING NEWBERG - PROPOSALS

1. Annexations
2. Accessory Dwelling Units
3. Construction Excise Tax
4. Housing Ombudsman
5. The Missing Middle
6. Work and Living Spaces
7. Expedited Review and Permitting
8. Public Street Standards
9. SDC Deferrals/Loans
1. ANNEXATIONS - NEWBERG’S GREATEST HOUSING NEED IS FOR HIGH DENSITY (R-3) LAND.
1. INCLUSION OF HIGH DENSITY LAND WITH ANNEXATION

• BACKGROUND:
  • In 2009, the City Council approved a change to the Comprehensive Plan Section I. Housing 3. Mix Policies that stated “Where large residentially designated parcels are to be annexed, the City shall apply a mixture of zoning, to include some R-3 zoned lands, consistent with the policy of distributing affordable housing throughout the community. Such zoning shall be applied to portions of the property that are most suitable for high density development.”
  • The Planning Commission recently revisited the subject and determined large is 15 total acres and some is 10% excluding wetlands.
I. INCLUSION OF HIGH DENSITY LAND WITH ANNEXATION (CONTINUED)

• ACTION:
  • The City Council should adopt the Planning Commission’s recommendation (large = 15 acres and some = 10%).
  • Corresponding language should be added to the Development Code.
2. ACCESSORY DWELLING UNITS
2. ACCESSORY DWELLING UNITS (CONTINUED)

• BACKGROUND:
  
  • ADUs are currently allowed in medium density residential zones (R-2) as a permitted use, but are only allowed as a conditional use in low density residential (R-1) zones. The development of this type of housing has been slow to materialize since the regulations were relaxed in 2009.
2. ACCESSORY DWELLING UNITS (CONTINUED)

• ACTION:
  • The City shall allow ADU’s as an outright permitted use in all zones.
  • No additional off-street parking will be required.
  • Systems development charges (SDCs) shall be deferred for an introductory two year period.
  • Funding will be recouped from 3) below.
3. CONSTRUCTION EXCISE TAX (CET)
3. CONSTRUCTION EXCISE TAX (CONTINUED)

BACKGROUND:

• The 2016 Legislature passed senate bill 1533B, authorizing cities and counties to pass a construction tax as a means to provide funding for affordable housing, either through direct expenditure or through incentives.
3. CONSTRUCTION EXCISE TAX (CONTINUED)

• ACTION:
  • Assess a 1% (of permit valuation) construction excise tax (CET) on new residential, commercial and industrial construction. Proceeds of the levy will be directed to the existing Affordable Housing Trust Fund.
3. CONSTRUCTION EXCISE TAX (CONTINUED)

• USES:

• CET revenue will be used for such things as developer incentives, land acquisition, to replenish deferred/waived SDC fees, to finance a City-wide bond campaign and other actions to develop a range of affordable housing in our community.

• See Appendices E and F
4. EDUCATION/COMMUNITY AWARENESS
4. EDUCATION/COMMUNITY AWARENESS (CONTINUED)

• BACKGROUND:

• Too few Newberg residents appear aware of ….
  • City housing programs.
  • The housing challenges we face.
  • The need for a range of housing types.
4. EDUCATION/COMMUNITY AWARENESS (CONTINUED):

• ACTION:
  • The City’s Community Development Director or designee will serve as the community’s ombudsman for housing.
4. EDUCATION/COMMUNITY AWARENESS (CONTINUED)

• RESPONSIBILITIES:
  • The Housing Ombudsman shall be empowered to promote actions that will further the Master Plan goal of developing a range of housing types in our community.
  • The Housing Ombudsman will recommend variances and changes in regulations as appropriate.
  • The Housing Ombudsman will promote City housing programs.
5. MISSING MIDDLE LEVEL HOUSING
5. MISSING MIDDLE LEVEL HOUSING (CONTINUED)

• BACKGROUND:
  • Housing of the type between high density and single family is a missing component in our current market.
5. MISSING MIDDLE LEVEL HOUSING (CONTINUED):

• ACTION:
  • Duplexes or triplexes shall be outright permitted uses on corner lots in R-1 zones.
6. SUBSIDIZED WORK & LIVING SPACES
6. SUBSIDIZED WORK & LIVING SPACES (CONTINUED)

• BACKGROUND:
  • Shared work/living spaces may be a means to reduce the cost of housing for certain professions (i.e. artists).
6. SUBSIDIZED WORK & LIVING SPACES (CONTINUED)

• ACTION:
  • The Community Development Department of the City will contract with a proven consultant to assess the City’s appropriateness for artist work and living space.
  • Economic Development Revolving Loan funds will be used for this purpose.
7. EXPEDITED REVIEW AND PERMITTING

• BACKGROUND:
  • For all of us, but particularly for developers, time is money.
  • The time between when land is purchased and when permits are issued requires financing.
  • Financing results in higher project costs.
7. EXPEDITED REVIEW AND PERMITTING (CONTINUED)

• ACTION:

  • For qualifying affordable housing projects the City of Newberg should offer expedited review and permitting from the Building, Engineering, and Planning Divisions.

  • Understanding the potential strain on City staff, funds to retain third party consulting for the review of affordable housing projects should be directed from the proposed Construction Excise Tax (CET).
8. PUBLIC STREET STANDARDS

• BACKGROUND:
  • The more land we devote to streets, the less we have for homes, schools, recreation, commerce and industry.
8. PUBLIC STREET STANDARDS (CONTINUED)

• ACTION:
  • Reduce the public street right-of-way width standard to that allowed by the Fire Department.
9. SYSTEM DEVELOPMENT CHARGE (SDC) DEFERRALS/LOANS

• BACKGROUND:
  • As of February 2017, Newberg single family home SDCs stood at $21,802 per unit.
  • See Appendix G
9. SYSTEM DEVELOPMENT CHARGE DEFERRALS/LOANS (CONTINUED)

• ACTION:
  • Deferrals – The City of Newberg should allow qualifying affordable housing projects to defer payment of SDCs until time of ownership transfer or one year from the date of deferral; whichever comes first. No interest should be charged during the deferral period.
  • CET funds might be used to offset costs.
9. SYSTEM DEVELOPMENT CHARGE DEFERRALS/LOANS (CONTINUED)

• ACTION:
  • Loans – The City of Newberg should establish a program whereby qualifying affordable housing projects can apply for low interest (0% to 1.5%) loans for the value of the SDCs.
  • CET funds might be used to offset costs.
AREAS FOR FUTURE REVIEW:

1. Decrease time from substantial completion of utilities to final plat approval.
2. Reduce complexity, maintenance requirements and cost of storm water treatment.
3. Lift building height restrictions outside of downtown.
AREAS FOR FUTURE REVIEW (CONTINUED)

• 4. Allow sharing of utility lines (sewer, water) for more than one residential unit.

• 5. Lift restriction on second kitchens in a residence to allow for ‘in house’ ADUs.

• 6. Monitor impact of Short Term /Vacation Rentals on residential neighborhoods. See Appendix H
IF WE DO NOTHING ………………THE FOLLOWING IS LIKELY:

• Gentrification devours neighborhoods
• Schools atrophy
• Workers become scarcer
• Traffic worsens
• Volunteers disappear
• Community is lost
• And ………..Newberg becomes a place to pass through not to grow
HOUSING NEWBERG REQUESTS THE CITY COUNCIL:

Direct City staff to draft and codify the nine (9) recommendations included here within 180 days.

Include the other suggestions in future discussions.

November 6, 2017
IDEAS? SOLUTIONS?

• *It is common sense to take a method and try it. If it fails, admit it frankly and try another. But above all, try something.*

  Franklin D. Roosevelt
THANK YOU

• To the thirty-eight members of Housing Newberg who spent precious time to research and discuss potential actions to help relieve the housing crisis in our community.

• To Mayor Andrews, the City Council, the Planning Commission and City Staff for their often-thankless dedication to the public good and to the improvement of our community.
APPENDIX A: HOUSING NEWBERG MEMBERSHIP – OCTOBER 2017

- Catherine Davis, First United Methodist Church
- Charlie Harris, Founder CASA of Oregon
- Don Clements, Superintendent Chehalem Parks & Rec Dist.
- Doug Bartlett, Formerly with YCAP, Habitat ReStore, Pastor
- Doug Rux, City of Newberg
- EC Bell, Chehalem Valley Presbyterian/AHTF
- Elise Hui, Housing Authority of Yamhill County
- Fred Gregory, George Fox University
- Gregg Koskela, Newberg School District
- Irma Vera, Newberg Foursquare
- Jodi Hansen, Love Inc.
- Joe Hannan, City of Newberg
- Kathy Watson, Director of Programs
- Kayin Griffith, George Fox University
- Curt Walker, JDC Homes LLC
- Kym LeBlanc-Esparza, Newberg School District
- Leonard Rydell, Civil Engineer
- Leslie Murray, North Valley Friends Church
- Loni Parrish, Austin Industries/Springbrook Properties
- Louis Liu, George Fox University
- Matt Willcuts, Willcuts Company Realtors
- Megan Carda, Lifestyle Properties
- Melisa Dailey, Washington County
- Mike Gougler, MJG Development, Housing Authority
- Mike Ragsdale, Newberg Downtown Coalition
- Pam Irish, Premier Property Group
- Patrick Johnson, Newberg City Council
- Pierre Zreik, The Allison
- Rachel Munyifwa, George Fox University
- Rick Rogers, Newberg Area Habitat for Humanity
- Rosa Olivares, City of Newberg
- Shannon Eoff, Chehalem Property Management
- Stephen McKinney, Newberg City Council
- Stuart Brown, Guild Mortgage, former AHTF
- Todd Engle, Friendsview
- Marc Wilcutts, Del Boca Vista
- Carolyn Ewing, Community Home Builders
APPENDIX B:
QUOTES FROM ATTENDEES (OCTOBER 2016)

“Homes in Newberg that in 2010 sold for $170,000 to $189,000 are now selling for between $242,000 and $275,000.”  (October 2016)

Matt Willcuts, Willcuts Company Realtors

“A modest 1200 square foot home in Newberg will cost $280,000 to build and sell today (land $90,000, City fees $30,000, build cost $120,000, realtor fees $14,000 and profit/overhead $26,000).”  (October 2016)

Curt Walker, JDC Homes LLC

“I have a kitchen worker commuting from Junction City every day (1 hour and 45 minutes each way) because there is no available housing. There is a desperate need.”  (October 2016)

Pierre Zreik, The Allison Inn and Spa

“The current rental vacancy rate stands at a very low 2%.”  (October 2016)

Shannon Eaff, Chehalem Property Management

“A first year teacher in the district makes $37,000. Majority of our teachers live outside this community.”  (October 2016)

Kym La Blanc-Esparza, Newberg School District

“The current waiting list for subsidized housing is 2 to 4 years for elderly or handicapped applicants; years longer for others.”  (October 2016)

Elise Hui, Housing Authority of Yamhill County
APPENDIX B: QUOTES FROM ATTENDEES (SEPTEMBER 2017)

- Of 350 rental properties under management (by Chehalem Property Management), 6 (or 1.8%), are currently available – Shannon Eoff, Chehalem Property Management.
- Inventory of properties for sale has gone from a low of between 1.6 and 1.7 months to a current level of 2.5 months (worth of sales). In a balanced market, inventory would be in the 6-month range – Pam Irish, Premiere Property Group.
- Buyers are finding more value in Salem, Keizer, and Amity – Pam Irish, Premiere Property Group.
- The HUD determined median income for a family of four in the Portland Metropolitan Statistical Area (Portland MSA) which covers Newberg and all of Yamhill County is $74,700. Income in Newberg is generally believed to be 17% below the Portland MSA – Doug Rux, City of Newberg.
- A family that earns $59,760 (80% of PMSA median) could qualify for a total monthly mortgage payment (PITI) of roughly $1800. This income level could support a $250,000 mortgage (PITI) – Stuart Brown, Guild Mortgage.
- $38,000 is the starting pay for a first year Newberg School District teacher (73% of PMSA median). Over 50% of teachers live outside the Newberg area – Dr. Kym Le Blanc-Esparza, Newberg Public Schools
- 59 of 162 employees (36%) of the City have Newberg as their place of residence – Anna Lee, City of Newberg
- District enrollment dropped 100 students for 2017 – 2018. Many families have moved out of the area due to the cost of living and specifically the cost and/or availability of housing in our communities – Dr. Kym Le Blanc – Esparza, Newberg Public Schools.
- Higher land costs, higher building materials costs, and higher fees have contributed to a rise in the overall cost of housing. In October 2016, a 1200 square foot entry-level home could have been built for $280,000, by September 2017; this number had risen to the mid - $290,000’s – Curt Walker, JDC Homes.
APPENDIX B: EXCERPTS FROM CITY COMMISSIONED STUDIES

February – January 2017

• **Newberg Strategic Tourism Plan** (June 2016) – pp 55.

  The top item on the list of threats to Newberg becoming a tourism destination is
  “Workforce/Labor – Capacity, Housing”.

• **Newberg Economic Development Strategy** (March 2016) –

  Strengths/Weaknesses/Opportunities/Threats: – (Full Report, Appendix B)

  **Weaknesses**: Distance from Portland, Distance from I-5, lack of industrial building space, lack of shopping variety/ Lack of retail diversity
  lack of industrial land, lack of affordable housing for lower income families

• **Newberg Downtown Improvement Plan** (January 2017) - pp.20

  Housing is a key component of successful downtowns

• **Newberg City Council Priorities 2017 – 2018** (May 15, 2017)

  8. Encourage affordable housing
APPENDIX C: INCOME GUIDELINES PORTLAND MSA - 2017

- Family Size: 1 2 3 4
- 80% of Median $41,840 $47,840 $53,840 $59,760

- Note: Newberg is generally considered to be 17% below these levels.

- Source: HUD
APPENDIX D:
FAIR MARKET RENTS – YAMHILL COUNTY 2017

<table>
<thead>
<tr>
<th>Bedrooms</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$946</td>
<td>$1053</td>
<td>$1242</td>
<td>$1808</td>
<td>$2188</td>
</tr>
</tbody>
</table>

Source: Oregon Housing and Community Services
APPENDIX E:
CET CALCULATIONS (CONTINUED)

• How much would this tax raise?
• In 2015, the city’s Permit Valuations were about $20 million for residential permits and $20 million for commercial/industrial permits. At a 1% tax, this would raise $200,000 from residential permits and $200,000 from commercial and industrial permits.

• Where would the money go?
• 4% of the proceeds go to the city as an administrative fee ($16,000, using the 2015 permit example above)
APPENDIX E:
CET CALCULATIONS (CONTINUED)

• Then, of the balance raised from residential construction:
  • 50% of the balance ($96,000 based on 2015 figures) goes to fund incentives to developers/builders of affordable housing, including whole or partial waivers of permit fees, system development charges or impact fees, full or partial property tax exemptions, and other finance-based incentives of the city’s choosing
  • 15% ($28,800) would go to down payment assistance for home ownership, and
  • 35% ($67,200) for any of the city’s affordable housing programs

• Of the balance raised from commercial and industrial development:
  • 50% of the balance to fund city programs related to housing ($96,000), and
  • 50% is unrestricted ($96,000).
## Appendix F: Communities That Have Adopted CET

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Date</th>
<th>Ordinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland</td>
<td>6/29/2016</td>
<td>Ch. 6.08</td>
</tr>
<tr>
<td>Hood River County</td>
<td>6/19/2017</td>
<td>Ch. 3.24</td>
</tr>
<tr>
<td>Hood River City</td>
<td>7/24/17</td>
<td>Ch. 15.17</td>
</tr>
<tr>
<td>Corvallis</td>
<td>11/7/2016</td>
<td>Ch. 8.16</td>
</tr>
<tr>
<td>Cannon Beach</td>
<td>6/6/2017</td>
<td>Ch. 3.20</td>
</tr>
<tr>
<td>Tillamook County</td>
<td>5/17/2017</td>
<td>Ord. No. 83</td>
</tr>
<tr>
<td>Newport</td>
<td>8/7/2017</td>
<td>Ord. No. 2114</td>
</tr>
<tr>
<td>Bend</td>
<td>2006</td>
<td></td>
</tr>
</tbody>
</table>

- Municipalities considering affordable housing CET adoption: Astoria, Eugene, McMinnville, Salem, Sisters

As of 10/17/17
APPENDIX G: COMPARATIVE SYSTEMS DEVELOPMENT CHARGES

<table>
<thead>
<tr>
<th>Cities Outside Metro</th>
<th>SDC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>McMinnville</td>
<td>$ 9,675.95</td>
<td></td>
</tr>
<tr>
<td>St Helens</td>
<td>$ 13,103.93</td>
<td></td>
</tr>
<tr>
<td>Sandy</td>
<td>$ 13,336.00</td>
<td></td>
</tr>
<tr>
<td>Hood River</td>
<td>$ 15,790.00</td>
<td></td>
</tr>
<tr>
<td>Estacada</td>
<td>$ 16,025.36</td>
<td></td>
</tr>
<tr>
<td>Scappoose</td>
<td>$ 16,436.50</td>
<td></td>
</tr>
<tr>
<td>Molalla</td>
<td>$ 20,203.00</td>
<td></td>
</tr>
<tr>
<td><strong>Newberg</strong></td>
<td><strong>$ 21,802.25</strong></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>$ 23,918.36</td>
<td></td>
</tr>
<tr>
<td>Canby</td>
<td>$ 27,987.57</td>
<td></td>
</tr>
<tr>
<td>North Plains</td>
<td>$ 28,419.36</td>
<td></td>
</tr>
</tbody>
</table>

Single Family SDCs
Source: Portland Metro Home Builders Association as of February 2017
2000 sq ft/500 sq ft garage/set value $369,000
APPENDIX H: SHORT TERM AND VACATION RENTALS
## Proposed Changes in Regulations

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>CURRENT LAW</th>
<th>PROPOSED CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Annexations</strong></td>
<td><em>Comprehensive Plan (Section 1): Housing Goal, Policy 3(e)</em> Requires “large” annexations of residential land to include “some” R-3 land. <em>NMC: Silent</em></td>
<td><em>Add Subsection E to NDC Sec. 15.210.080: Notwithstanding any other provision of the NMC, annexations involving 20 acres or more of residential land shall include at least 10% R-3 land.</em>&lt;br&gt;<em>See Newberg 2030 Task 4 Action Plan, Item 3a and 3g.</em></td>
</tr>
<tr>
<td><strong>2. Accessory Dwelling Units (ADUs)</strong></td>
<td><em>NMC 15.445.260 A. Location. Accessory dwelling units are permitted as conditional uses in the R-1 zone and as outright permitted uses in the R-2 and R-3 zones.</em>&lt;br&gt;<em>NDC 14.05.280 E. Allows city council to waive permit fees.</em></td>
<td><em>Revise NMC 15.445.260A to state that ADUs are permitted uses in all residential zones.</em>&lt;br&gt;<em>Revise the definition of “Dwelling, Accessory” in NMC 15.05.030 to be consistent with Sec. 15.445.260 in allowing free-standing ADUs.</em>&lt;br&gt;<em>In addition, systems development charges (SDCs) for ADUs shall be waived. Funding will be recouped from the CET (no. 3 below).</em>&lt;br&gt;<em>See Newberg 2030 Task 4 Action Plan, Item 2a and 3g.</em></td>
</tr>
<tr>
<td><strong>3. Construction Excise Tax (CET)</strong></td>
<td>New legislation in 2016 (SB 1533) authorized cities to adopt construction excise tax No current ordinance. However there are several similar fees that builders/developers must pay:&lt;br&gt;<em>Newberg School District assesses a $1/sf construction excise tax.</em>&lt;br&gt;<em>City technology fee of 5 % of Planning, Building and Engineering Fees.</em>&lt;br&gt;<em>City Facility Fee of .25% of valuation and Community Development Fee of .75% of valuation, both for costs related to the Permit Center.</em></td>
<td><em>Add a provision to NMC Title 3 authorizing the collection of a Construction Excise Tax equal to 1% of the permit valuation for all new residential, commercial and industrial construction and for additions or remodeling that add square footage (see Construction Excise Tax memo, attached).</em>&lt;br&gt;<em>Provide for the same exemptions as are available for the school construction excise tax.</em>&lt;br&gt;<em>The proceeds of the CET shall be deposited into the Newberg Affordable Housing Trust Fund established pursuant to NMC 3.35.030, for uses as authorized therein, including providing incentives to users of the Flexible Design Track authorized in NDC 15.242.</em></td>
</tr>
<tr>
<td><strong>4. Missing Middle Level Housing: Allow duplexes and triplexes on corner lots in R-1 zones</strong></td>
<td><em>NMC 15.305 allows duplexes in R-1 zone only as conditional use, and only at 5,000 sf / unit</em></td>
<td><em>Amend NMC 15.405.010(B) by adding subsection 4: Notwithstanding subsection (B)(1), duplexes and triplexes shall be allowed on corner lots in the R-1 District.</em>&lt;br&gt;<em>See Newberg 2030 Task 4 Action Plan, Items 2g and 3a.</em></td>
</tr>
</tbody>
</table>