

# STAFF REPORT

**DATE:** July 11, 2023  
**TO:** Mayor and City Councilors  
**FROM:** Heather Richards, Community Development Director  
**SUBJECT:** Work Session: Growing McMinnville Mindfully, Part II

## STRATEGIC PRIORITY & GOAL:



### **GROWTH & DEVELOPMENT CHARACTER**

Guide growth & development strategically, responsively & responsibly to enhance our unique character.

**OBJECTIVE/S:** Strategically plan for short and long-term growth and development that will create enduring value for the community

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### **Report in Brief:**

This is a work session to review the draft results of a Housing Needs Analysis, Economic Opportunities Analysis and Public Land Need Analysis for the planning periods of 2021 – 2041 and 2041 – 2067.

Per HB 2003 (2019 Oregon Legislative Session), the City of McMinnville needs to adopt and submit a Housing Needs Analysis to the Department of Land Conservation and Development by December 31, 2023.

This work was started in 2018/2019 resulting in draft documents that needed to be updated to reflect the December 2020 (acknowledged by DLCDC April 2021) UGB amendment for the planning period of 2003 – 2023, and the recent mandates from the Oregon Legislature for missing middle housing code reforms as well as reduction of capacity analysis for rural residential lands within the UGB for more than 14 years.

That work was recently completed (partially funded by a DLCDC grant), and this work session will review the final results and next steps.

### **Background:**

In 2018, the City of McMinnville initiated an effort to update its Housing Needs Analysis (HNA), Economic Opportunities Analysis (EOA) and Public Lands Analysis.

In Oregon Land Use planning cities must maintain a buildable land supply to support necessary population growth for twenty years. This is accomplished through a needs analysis process. It is a

highly regulated process governed by state legislation (Oregon Revised Statutes (ORS)) and rulemaking (Oregon Administrative Rules (OAR)). If the needs analysis identifies a need for additional land supply, cities must determine how they are going to meet that need, either by increasing density within the existing urban growth boundary or by expanding the urban growth boundary, or both. Cities typically will conduct an efficiency measures analysis to identify opportunities for growth and higher density within the city's urban growth boundary prior to expanding the urban growth boundary. If cities choose to expand their urban growth boundary, cities must then embark on a land analysis of land adjacent to the existing urban growth boundary to determine where it is appropriate to expand. Like the needs analysis, the efficiency measures analysis and urban growth boundary analysis are highly regulated with ORS and OARs.

In 2018, after realizing the negative effects of constrained land supply on the City of McMinnville's housing market and employment opportunities, the City elected to initiate the needs analysis with a mindset that it would lead eventually to an urban growth boundary amendment even after an efficiency measures analysis. City Council direct staff to plan for both a twenty-year growth horizon (2021 -2041) as well as a fifty-year growth horizon (2021 – 2067) in order to adopt a future Urban Reserve Area so that the City did not find itself in the same predicament in the future.

The last time the City had successfully adopted a Housing Needs Analysis was in 2001 and although the needs analysis and resulting efficiency measures indicated a need to expand the city's urban growth boundary for future growth, the city was not successful in adopting a new urban growth boundary that met the city's identified need due to legal challenges, eventually resulting in a Court of Appeals remand to the City in 2013.

Thus, the city engaged a consultant team and worked with a project advisory committee on a buildable lands inventory, housing needs analysis and economic opportunities analysis throughout 2018 and 2019.

At the same time, during the 2019 Oregon Legislative Session, two house bills were adopted, HB 2001 and HB 2003. Both bills impacted state legislation and eventually rulemaking relative to how cities implemented needs analyses. Knowing that the legislation and rulemaking would take some time to enact, the City put a pause on these efforts, and turned towards the 2013 urban growth boundary remand to see if that would lead to a quicker resolution to the city's land supply issues rather than a new effort. City staff worked on a response to the Court of Appeals remand in 2020 and in April, 2021 learned that the submittal had been approved by the Department of Land Conservation and Development and was not appealed.

In order to preserve their efforts from 2018 and 2019, in May 2020, the City of McMinnville submitted the following "PAPA" notices (Notice of Proposed Amendments) to DLCD:

- **HNA.** Housing Needs Analysis and Residential Buildable Land Inventory (June 2019 Draft).
- **Housing Strategy.** (June 2019 Draft).
- **EOA.** Economic Opportunities Analysis, Employment Land Buildable Land Inventory, and Other Land Needs (February 2020 Draft). The City subsequently completed additional updates to the February 2020 draft in June 2020 after the initial PAPA submittal to DLCD. The City subsequently submitted the updated draft as an amended PAPA notice in May 2021.

In addition to the HNA, Housing Strategy and EOA, the City prepared a Memo updating the HNA (Addendum 1 to the HNA) in June 2020 to address any new discoveries since the June 2019 draft was completed, and an Urbanization Study that served as a summary of the HNA/EOA analysis. All of which were provided as part of the PAPA notices.

As part of the PAPA notice for these documents in May 2020, the City needed to provide a specific date for a public hearing, and the City elected to select May 20, 2021, for the public hearing date to provide enough time for the HB 2001 and HB 2003 rulemaking to conclude.

On May 20, 2021, the Planning Commission opened and continued the public hearing to May 18, 2023. And then on May 9, 2023, the City noticed that the public hearing would be continued to September 7, 2023, to consider the final documents. This was done to preserve the work and investment that went into the 2018/2019 effort and to just focus on a limited update in 2023. Legal counsel and DLCD staff concurred with the process.

Since these documents were completed and noticed to the Department of Land Conservation and Development, there have been two significant developments that have occurred which impact the outcomes of these draft documents:

- The City’s successful completion of the McMinnville Growth Management and Urbanization Plan (MGMUP), which amended the existing urban growth boundary by adding 662.40 gross buildable acres to the urban growth boundary.
- HB 2003 rulemaking which mandated a calendar of when cities needed to adopt a new Housing Needs Analysis (OAR 660-008-0045). The City of McMinnville was assigned an adoption date of December 31, 2023. (Please see table below).
- New DLCD program for the development of a Housing Production Strategy to meet the mandates of HB 2003.

**Housing Capacity Analysis Update Schedule for Oregon  
Cities with a population above 10,000** (Required by ORS 197.296)

OAR 660, Division 8 – Exhibit A

*Adopted by the Land Conservation and Development Commission November 12, 2020.*

*Updated November 23, 2020.*

**Cities to adopt updated Housing Capacity Analyses (HNA) by December 31<sup>st</sup> of the listed year.**

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
1	Grants Pass	Ashland	Bend	Springfield	Eugene	Central Point
2	Newport	Beaverton	Hermiston	The Dalles	Troutdale	Corvallis
3		Forest Grove	Sandy			Cottage Grove
4		Gresham				St. Helens
5		Happy Valley				
6		Hillsboro				
7		Lake Oswego				
8		McMinnville				
9		Medford				
10		Milwaukie				
11		Portland				
12		Tigard				
13		West Linn				
14		Wilsonville				

The City is able to preserve the work that has already been done thus far to meet the HB 2003 mandate, but it must be updated to reflect the new urban growth boundary amendment (buildable land inventory) and the application of the provisions of HB 2001 to the new urban growth boundary amendment. Then if the needs analysis shows additional land need for the 2021 – 2041 planning horizon, the City will need to conduct an efficiency measures analysis, and if there is still land need remaining, embark on a new urban growth boundary amendment.

Normally, the City would need to show how it will meet its identified land need when it adopts the HNA by December 31, 2023. However, anticipating that the analysis would more than likely show additional land need, the City has already been in discussion with DLCD about participating in their sequential UGB process (OAR 660-025-0040) which allows the City to submit the land need analysis and then work on how to meet the land need through land-use efficiencies to increase density within the current UGB (December 31, 2024) and a UGB amendment (December 31, 2025) in subsequent years.

**Discussion:**

The updated McMinnville Urbanization Report (attached) provides a summary of the key data and findings for the Housing Needs Analysis, Economic Opportunities Analysis and Public Land Needs Analysis.

***Population Forecast Used:***

**McMinnville’s 5-, 10-, 20-, and 46-Year Population Forecast, McMinnville UGB, 2021, 2026, 2031, and 2067**

Source: Population Research Center, Portland State University, June 30, 2017.

<b>36,238</b>	<b>38,985</b>	<b>41,813</b>	<b>47,498</b>	<b>62,803</b>
2021	2026 (5-year)	2031 (10-year)	2041 (20-year)	2067 (46-year)

(Note this is provided by Portland State University’s Portland Research Center and cities are required to use it per state law. It has been updated since the 2017 forecast was released, but the City made a policy decision to continue to use the 2017 population forecast so as not to rework the entirety of the documents to reflect new forecasts. This is allowed by state law and is a policy decision that was supported by DLCD staff.)

***Land Deficiency Identified (gross buildable acres):***

<b><i>Planning Period</i></b>	<b><i>Housing Land Need</i></b>	<b><i>Employment Land Need</i></b>	<b><i>Public / Institutional Land Need</i></b>	<b><i>Total</i></b>
<b><i>2021 – 2041 (Urban Growth Boundary)</i></b>	<b><i>202 Acres</i></b>	<b><i>29 Industrial 159 Commercial 188 Acres</i></b>	<b><i>94 Acres</i></b>	<b><i>484 Acres</i></b>
<b><i>2041 – 2067 (Urban Reserves Area)</i></b>	<b><i>1066 Acres</i></b>	<b><i>176 Industrial 237 Commercial 413 Acres</i></b>	<b><i>298 Acres</i></b>	<b><i>1626 Acres</i></b>

**Next Steps:**

- Adopt and submit the land needs analysis to DLCD - December 31, 2023.
- Evaluate land-use efficiencies – January 1 – December 31, 2024
- Adopt and submit a UGB amendment, if needed, to DLCD – December 31, 2025

**Attachments:**

- Draft Updated McMinnville Urbanization Report (2023)
- Draft Updated McMinnville Housing Needs Analysis (2023)
- Draft Updated McMinnville Economic Opportunities Analysis (2023)

**Fiscal Impact:**

Updating the Housing Needs Analysis and Economic Opportunity Analysis cost approximately \$50,000. DLCD provided a grant of \$25,000. Staff provided staff support at \$11,500.

Per HB 2003 (2019), the City of McMinnville will need to update its Housing Strategy to conform with the mandates of the state legislation and the resulting program that the Department of Land Conservation and Development constructed to support the state legislation. This will need to be submitted by December 31, 2024. It is anticipated that this effort will cost the City of McMinnville approximately \$35,000 in consultant expenses and \$15,000 in staff resources.

It is anticipated that the efficiency measures evaluation will cost the City of McMinnville approximately \$50,000, and if needed a new urban growth boundary amendment will cost the City of McMinnville approximately \$250,000. It is anticipated that this effort will cost the City of McMinnville approximately \$300,000 in consultant expenses and \$150,000 in staff resources.