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September 20, 2023

McMinnville Planning Commission
Heather Richards, Planning Director
230 NE Second Street
McMinnville, OR 97128

Re: Housing Needs Analysis and Economic Opportunities Analysis

Dear Planning Commissioners and Staff,

1000 Friends of Oregon is a non-profit, charitable organization dedicated to working with Oregonians to support livable communities. Friends of Yamhill County (FYC) works to protect natural resources through the implementation of land use planning goals, policies, and laws that maintain and improve the present and future quality of life in Yamhill County for both urban and rural residents.

We have reviewed the staff memorandum submitted yesterday morning and appreciate this opportunity to provide additional comment on the city's draft *Housing Needs Analysis* (HNA) and *Economic Opportunities Analysis* (EOA). We have not commented on the draft *McMinnville Urbanization Report* since, as we understand it, that document is not proposed for formal adoption.

Given the very short turnaround time, we are unable to respond to every issue raised in 87 pages of material in, and attached, to that memorandum, but we do offer the following:

We note and appreciate the staff-recommended changes in the memorandum to “other needed employment sites”, retail leakage”, and the error in parkland calculations identified by Mark Davis. We continue to have concerns regarding the other issues raised in our letter dated August 30, including but not limited to the following:

Residential Density for Needed Housing

Our August 30 letter (pp. 3-4) points out that, compared to the city's 2020 UGB expansion, the draft HNA is actually based on a lower density: 5.46 units per acre down from 5.7. We do not believe that the city's housing need will be better met through a reduction in planned density and we questioned the assumption.

The September 18 response memo from staff states, “The draft 2023 HNA is based on a historic development density plus the 3% adjustment per HB 2001 (2019 Legislative Session) of 5.46 units/acre” (p. 2) and “the 2019 Missing Middle Housing legislation allowed cities to increase that historic density calculation for the purpose of housing needs analysis calculation by up to 3% if it chose to do so” (p. 5).

The HNA misconstrues the law. The response memo accurately quotes the current statute that is relevant to completion of the housing capacity analysis in the HNA (p. 5). Without repeating it all here, the relevant factors include:

- Data on historic development
- Trends in density and the mix of housing types
- Market factors that will influence future development

The HNA’s analysis includes only the first of these. It includes *discussion* of the other factors (pp. 89-94), but does not translate trends or market factors into needed density. It just concludes that “considerable variation exists in residential density from year to year” (p. 91) and “these findings suggest that McMinnville’s needed housing mix is for a broader range of housing types than are currently available in McMinnville’s housing stock, both for ownership and rent, as well as across the affordability spectrum” (p. 93), and “Yamhill County and McMinnville will be affected by these state [economic] trends, which will result in continued demand for new houses” (p. 94).

Instead of analyzing needs, the HNA simply assumes a three-percent increase in density because HB 2001 says so. But that is not what the legislation says. The three-percent provision has been codified in ORS 197.296(6)(b), which applies to the next step in the city’s process – efficiency measures – not to the HNA and determination of needed mix and density. It applies only to increased density from allowing middle housing and does not replace the analysis required for an HNA for all needed housing.

We do not suggest that the density safe harbor supplies the “correct” density number for the city, but it is an allowable, achievable way to calculate density in the absence of the analysis required by ORS 197.296(5).

Minimum Lot Sizes

As we previously testified, McMinnville’s minimum lot sizes are significantly larger than similar Willamette Valley cities. The City readily acknowledges the shortfall in housing at price points that are affordable to many of its residents, both present and future. But as the chart below illustrates, McMinnville is something of an outlier – both in its larger minimum lot sizes and in its low planned future density.

Minimum Lot Sizes for single-family detached houses

<u>City</u>	R-1 or lowest density zone	R-2 or next lowest density	R-3 or next lowest	Planned (Needed) density (du/acre)	Maximum lot area or Minimum density standards
McMinnville	9,000 sq. ft.	7,000 sq. ft.	6,000 sq. ft.	5.46	No
Lafayette	7,500 sq. ft.	5,000 sq. ft.	5,000 sq. ft.	?	No
Sheridan	7,000 sq. ft.	5,000 sq. ft.	5,000 sq. ft.	?	Yes (R-2 and R-3)
Woodburn	6,000 sq. ft.	4,000 sq. ft.	3,600 sq. ft.	7.8 -9.0	Yes
Newberg	5,000 sq. ft.	3,000 sq. ft.	2,500 sq. ft.	7.4 (draft)	Yes
Corvallis	5,000 sq. ft.	3,630 sq. ft.	2,178 sq. ft.	6.5	Yes
Dallas	5,000 sq. ft.	4,000 sq. ft.	3,000 sq. ft.	?	Yes
Keizer	4,000 sq. ft.	4,000 sq. ft.	4,000 sq. ft.	6.8	Yes

Many other cities, including Forest Grove and Independence also have smaller minimum lot sizes, but their zoning schemes don’t readily translate to standardized zones.

McMinnville’s larger minimum lot sizes increase housing costs, increase costs to provide infrastructure, and increase pressure to expand on to farmland. In addition, many cities have adopted maximum lot area or minimum density standards to help ensure that the densities it needs to meet housing needs are achieved. McMinnville has not. This is not just a land capacity issue, or an efficiency measure to be addressed in the future. The large minimum lot sizes affect McMinnville’s ability to provide housing at price points that are commensurate with the financial capabilities of present and future residents.

Assumed Reduction in Commercial Jobs Per Acre

As noted in our prior comments, the new EOA is based on a reduction in the number of assumed commercial jobs per acre assumptions – 23 jobs per acre, down from 26 in the 2013 EOA. This not only moves the city in the wrong direction; we believe the analysis in the EOA supports continued use of the 26 jobs per acre assumption.

The analysis (Table 6c of Appendix B) forecasts that the preponderance of new commercial jobs (two-thirds) over the planning period will be in the office and commercial services sector, dwarfing the number of new jobs in retail and tourism services. It also shows that those jobs occur at an average of 29 jobs per acre, as opposed to 19 jobs per acre. That is illustrated in the draft EOA, Appendix B, Exhibit 6c,¹ reproduced below:

¹ See p. 44 of 87 in the staff memorandum distributed on September 19.

Exhibit 6c. Estimate of future land demand for new employment (sample area approach), McMinnville UGB, 2021 to 2041, after 5% deduction

Land Use Type	New Emp. on Vacant Land	Employees per Acre (Net Acres)	Land Demand (Net Acres)	Land Demand (Gross Acres)
Industrial	1,584	11	144	153
Retail Commercial	364	19	19	23
Office & Commercial Services	3,179	29	110	134
Tourism Services	1,206	19	63	77
Total	6,333		336	388

Rather than use this more-detailed analysis the EOA uses the consultant-recommended average of 23 employees per acre for all commercial land.

If the city does want to use a simpler, single average number of jobs per acre for all commercial sectors, that number should reflect a properly weighted average for the anticipated new jobs. That weighted average is about 26 jobs per acre, the same as the 26 jobs per acre used in the 2013 EOA.²

Refill, Redevelopment and Employment on Non-employment Land

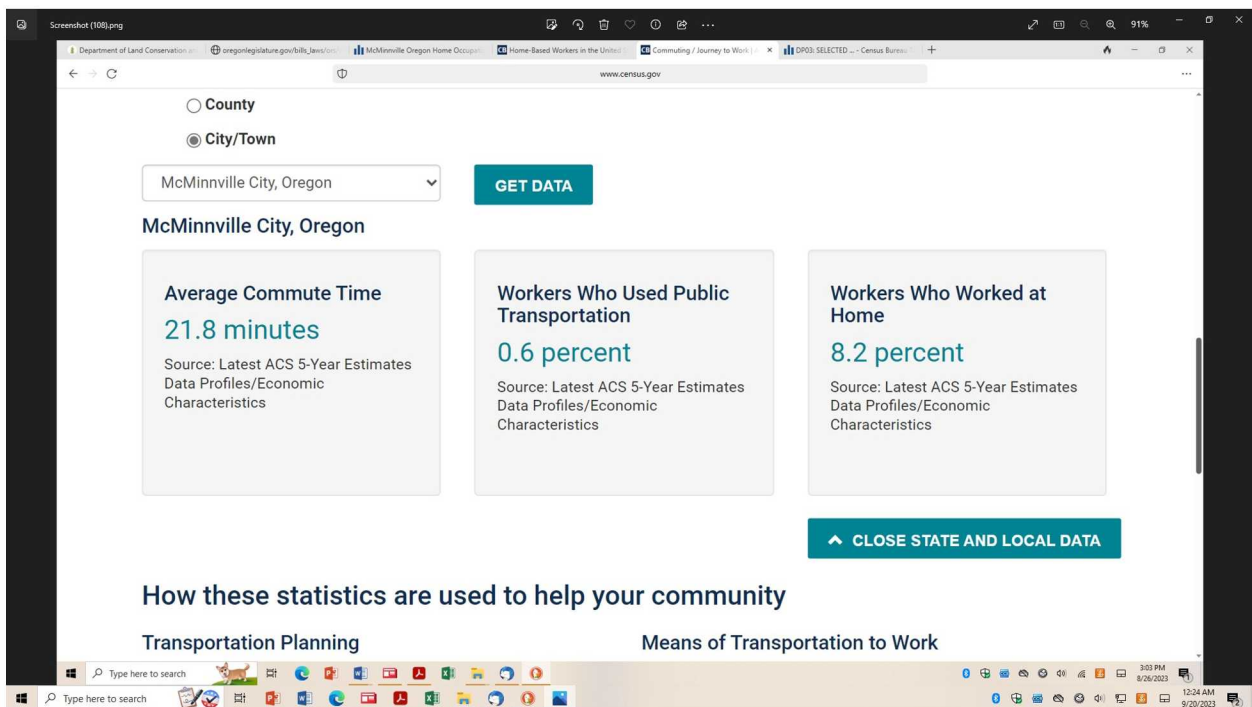
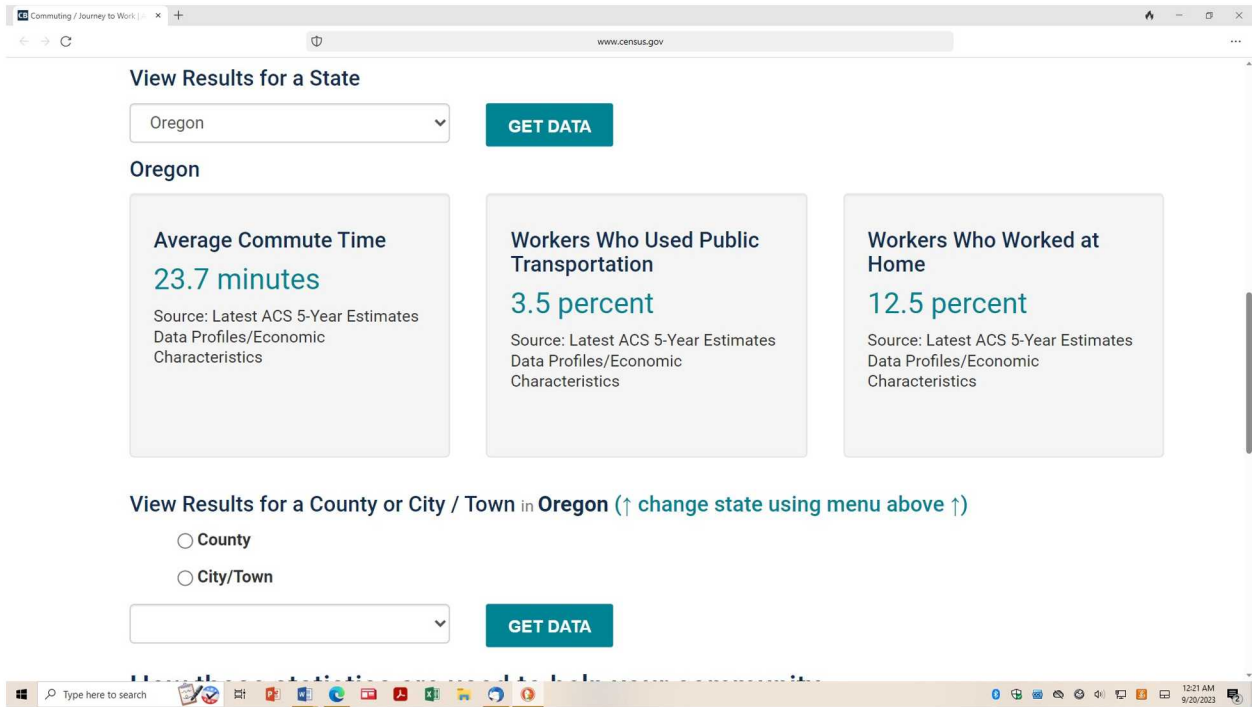
Our August 30 letter accurately states that the EOA refill and redevelopment rate of five percent fails to adequately account for employment that will occur on non-employment land (primarily residential land).

The analysis in Appendix B that the staff response points to (pp. 10-11) only addresses refill and redevelopment on employment land. It does not address the considerable amount of employment that occurs on residential land: in home occupations, in assisted living facilities, in day care centers, and people who work remotely.³

The staff response asserts that home occupations were part of the data used to support the five percent calculation. A review of Appendix B does not support this assertion. Readily available data from the census bureau shows that home occupations alone account for far more than the five percent rate used in the EOA:

² The calculation is as follows: $(364 \text{ retail jobs} \times 19 + 3179 \text{ office jobs} \times 29 + 1206 \times 19) \div (364 + 3179 + 1206) = 25.69$

³ With respect the last of these, the staff response points to the lack of data on the number of people who work remotely. The lack of data does not mean it is not occurring.



The staff response correctly points out that job openings at McMinnville’s many assisted living facilities are not necessarily indicative of overall net new jobs. However, the job openings corroborate the extent of employment on residential land and are also consistent with the trends in the HNA that we cited in our August 30 letter:

Population in McMinnville is aging, and the cohort aged 60+ in Yamhill County will increase by about 56% by 2041. (HNA, p. 91)

And:

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... or moving into group housing (such as assisted-living facilities or nursing homes) as their health declines. (HNA, p. 92)

Capacity of Lands Designated Urban Holding and Projection of Future Park Needs

In our oral presentation at your September 7 hearing, we showed a slide depicting Figure 2 from Appendix E from the Buildable Lands Inventory; reproduced below:

Parkland assumptions are not reasonable

From EOA appendix E:

Figure 2. Total additional residential acres needed in the McMinnville UGB, 2003-2023 Phase 2 after land-use efficiencies are applied.
Source: City of McMinnville, *Growing McMinnville Mindfully – McMinnville Growth Management and Urbanization Plan 2003-3023*

Category of Land Need	Phase 2 Land Brought into UGB
New Housing	222.0
Parks	254.0
Schools	54.0
Private Schools	1.5
Religious	47.6
Government	0.9
Semi-public Services	22.5
Infrastructure	2.6
Total	605.1

As we accurately stated at the hearing, it shows an assumption that roughly half of the buildable residential land added to the UGB in the Phase 2 expansion in 2020 will be consumed by parks and churches, with over 300 acres for parks and churches and only 220 acres for new housing.⁴

On September 11, staff emailed a “correction for the record” that took issue with our slide and testimony. Appendix E of the EOA and Figure 2 say what they say. Staff is not proposing an amendment to the EOA. The “correction” depicts and describes something else: the acreage and land use assumptions for all land added to the UGB in 2003 and land added to the UGB in 2020 that has been placed in an urban holding zone.⁵ It shows an assumption that nearly 40 percent of the buildable 765 acres of buildable residential land added to the UGB in 2003 and 2020 will be

⁴ The net acreage of land available for housing is further reduced by the city’s ;large right-of-way assumption, leaving only 176 net acres available for housing

⁵ The acreage total of 804 acres in the staff “correction” differs from the 792 acre total in Exhibit 10 of the HNA (p. 17)

consumed by parks and churches, with over 300 acres for parks and churches and 393 acres for new housing.⁶

The exhibit from the EOA and the staff “correction” table measure different things, but they both show the unreasonableness of the city’s assumptions. Neither half the buildable land (or every other block) nor forty percent (more than every third block) of the buildable land will be a park or church.

Our August 30 letter used a poor choice of words in describing the parks master plan as “expired.” We are unsure as to whether the parks master plan was adopted as an element of the city’s comprehensive plan. Regardless, its purpose and effect is the same as it was at the time it was adopted – to describe how the city will strive to provide parks, etc. for the 20 years following its drafting and adoption; that is, through 2017 or 2019. It never purported to describe the city's park needs beyond that time frame.

We believe that the city cannot merely carry old assumptions forward without justification. As part of this plan amendment process, the city should, and is obligated to, reexamine old assumptions from prior planning periods to determine whether they are still valid and justified. There is no evidentiary justification provided for the assumptions described above nor is there any evidence that the city can acquire a third or a half of the buildable residential land added to the UGB for parks.

HNA Safe Harbors

Our August 30 letter questioned the use of stale household size and vacancy rate data for purposes of the safe harbor provisions in law. At least one planning commissioner expressed interest in using current information. The September 15 memorandum from EcoNorthwest states, “To do this work would take 1 hour and \$220.”⁷

Capacity of C-3 Land to Provide High-Density Housing

The record clearly shows that high-density multi-family housing continues to be constructed on land zoned C-3. This will continue to happen so long as apartments and upper-story residential remain an outright permitted use on the zone. The argument that it merely changes land need from residential to commercial is not justification for ignoring the impact and correcting the land allocations.

Beyond that, however, there is housing being constructed in C-3 zones that requires no use of buildable land that should also be included in the analysis – namely, housing constructed over commercial spaces. This was common on Third Street, though much of that housing has been converted to short-term rentals for tourists. The Village Quarter project constructed 15 years ago

⁶ The city’s large right-of-way assumption further reduces the acreage of land available for housing, leaving only 314 net acres available for housing.

⁷ See page 66 of 87 in the staff memorandum distributed on September 19. Unfortunately, the staff misstates the consultant cost as a full day and \$1750 (see p. 10 of staff memorandum).

added 50 units of this type of upper-floor housing and the same model is proposed for 72 units of housing above commercial space at the intersection Baker Creek and Hill Roads.

Removal of vacant and partially vacant land based on ownership

Our August 30 letter questioned the exclusion of all vacant and partially vacant land that is owned by tax-exempt institutions from the Buildable Lands Inventory (BLI), even though the land is not publicly owned. These are principally a 57-acre site owned by Linfield University and approximately 26 acres of vacant and partially vacant land owned by churches.

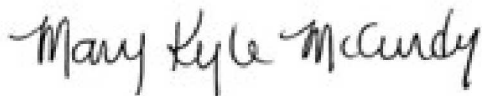
The staff response misses the point of our testimony. We do not necessarily disagree with the staff conclusion that these lands are unlikely to be leveraged for other purposes. We do not contend that the Linfield land will necessarily be “surplussed” and sold (although 2067 is a long time from now). Linfield has stated that they intend to develop the 57 vacant acres to support their programs, which means the land will accommodate some combination of population (student housing) and employment (classrooms, offices, etc.).

Likewise, we do not contend that the church land will be used for affordable housing partnerships. We do contend that the religious institutions that own this vacant and partially vacant land will either use it to meet some of the identified need for religious institutional land, or may, in some cases sell it.

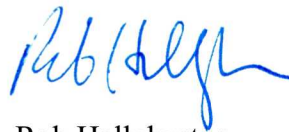
VI. Conclusion

We hope these comments are helpful. Please include them in the official record of this proceeding and provide us with notice of your decision in this matter.

Sincerely,



Mary Kyle McCurdy
Deputy Director
1000 Friends of Oregon



Rob Hallyburton
Vice President
Friends of Yamhill County

Cc: Kevin Young and Melissa Ahrens, DLCD