



City of McMinnville
Community Development
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EXHIBIT 1 – STAFF REPORT

DATE: September 7, 2023
TO: Planning Commission Members
FROM: Heather Richards, Community Development Director
SUBJECT: Public Hearing – Adopting a Housing Needs Analysis and Economic Opportunity Analysis as Addendums to the McMinnville Comprehensive Plan (Dockets G 1-20, and G 3-20)

STRATEGIC PRIORITY & GOAL:

 <p>GROWTH & DEVELOPMENT CHARACTER Guide growth & development strategically, responsively & responsibly to enhance our unique character.</p>	 <p>HOUSING OPPORTUNITIES (ACROSS THE INCOME SPECTRUM) Create diverse housing opportunities that support great neighborhoods.</p>
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OBJECTIVE/S: Strategically plan for short and long-term growth and development that will create enduring value for the community

OBJECTIVE/S: Conduct thorough and timely planning and forecasting to ensure that regulatory frameworks for land supply align with market-driven housing needs

Report in Brief:

This is a public hearing continued from May 18, 2023, to consider adopting a new Housing Needs Analysis and Economic Opportunity Analysis as amendments to the McMinnville Comprehensive Plan, 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.

There are three steps in planning for growth relative to land supply:

- 1) Needs Analysis – Identification of how much land is needed for housing, industrial, commercial and public land to support population growth for twenty years.
- 2) Land-Use Efficiencies Analysis – is there a way to reduce the additional land need by densifying the development within the existing urban growth boundary.
- 3) Urban Growth Boundary Alternatives Analysis – an evaluation of land within 1 mile radius of the existing urban growth boundary to identify the best land for the City’s urban growth boundary expansion that is the least impactful to prime farm and forest land.

This is the consideration of the first step in the process – the needs analysis. Step 2 will follow in 2024, and Step 3 will follow in 2025 if warranted.

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 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 to facilitate another effort at planning for growth in McMinnville. City Council directed 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 2003. The needs analysis and resulting efficiency measures indicated a need to expand the city’s urban growth boundary for future growth. However, it was appealed and challenged by 1000 Friends of Oregon, Friends of Yamhill County and a few local opponents, with an eventual appeal to the Court of Appeals. Based on that appeal, the Court of Appeals remanded the urban growth boundary analysis back to the state, who remanded it to the City in the city was not successful in adopting a new urban growth boundary that met the city’s identified need due to appeals and legal challenges, eventually resulting in a Court of Appeals remand to the City in 2013.

In 2018, with rapidly declining land supply for needed housing and commercial land, 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 land needs analyses. Knowing that the legislation and rulemaking would take some time to enact, the City put a pause on their draft needs analyses 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 several 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 31st of the listed year.

	2022	2023	2024	2025	2026	2027
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				

Due to the actions that the City took in May, 2020, the City was able to preserve the work that had already been done thus far to meet the HB 2003 mandate, but the buildable land inventory needed to be updated to reflect the new urban growth boundary amendment and the provisions of HB 2001 (2019 Legislative Session) needed to be applied to the capacity analysis.

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 is applying to DLCDC to participate in their sequential UGB process 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 in subsequent years if necessary (December 31, 2025).

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.

36,238	38,985	41,813	47,498	62,803
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 a new forecast that was released in the summer of 2020 after the drafts had been completed. This is allowed by state law and is a policy decision that was supported by DLCD staff, as it saved the City the costs and time that would be associated with redoing all of the work to reflect the new forecast.)

A project advisory committee was engaged to work with a consultant team on decision-making milestones, resulting in the analysis and recommendations outlined in the attached Housing Needs Analysis and Economic Opportunity Analysis. These documents reflect what a committee comprised of community stakeholders after conducting public engagement, reviewing the statutory guidelines and discussing what is best for McMinnville decided was the best course and roadmap for McMinnville in terms of housing density, employment land needs and public land needs. Some decisions are protected by state law and are not appealable. Other decisions are driven by adopted city policies in McMinnville’s comprehensive plan, and some decisions were a result of other strategic planning efforts.

The documents discuss the different applicable statutory requirements and local policies that framed the discussion and recommendations of the project advisory committee as well as the decisions made by the project advisory committee that best reflected community values.

Land Deficiency Identified (gross buildable acres):

Planning Period	Housing Land Need	Employment Land Need	Public / Institutional Land Need	Total
2021 – 2041 <i>(Urban Growth Boundary)</i>	202 Acres	<i>29 Industrial</i> <i>159 Commercial</i> 188 Acres	94 Acres	484 Acres
2041 – 2067 <i>(Urban Reserves Area)</i>	1066 Acres	<i>29 Industrial</i> <i>237 Commercial</i> 266 Acres	298 Acres	1630 Acres

If a needs analysis shows a need for additional land, typically the City would be required to submit with the needs analysis how it was addressing that additional land need – either through land-use efficiencies that created higher density development within the existing urban growth boundary or an expansion of the urban growth boundary or both. However, the state recently passed statutory provisions that allow for a sequential UGB analysis providing cities with additional time to evaluate land-use efficiencies and a potential UGB expansion after submitting a needs analysis (OAR 660-025-0040).

In this case, the needs analysis showed the additional land need for approximately 484 additional acres for housing, industrial, commercial, and public development needs to meet the projected population growth in the 2021 – 2041 planning horizon. However, given the statutory deadline of December 31, 2023, to submit the needs analysis to the state, the City is working with the Department of Land Conservation and Development on the ability to conduct a sequential UGB analysis, allowing the City to conduct an efficiency measures analysis in 2024, and an urban growth boundary amendment if warranted in 2025 after the efficiency measures analysis.

For decades McMinnville has struggled with the discussion of growth planning – some in the community want no new growth at all, others will do whatever they can to prevent the urban growth boundary from expanding, others promote small growth that is rigorously managed, and others are concerned that the City’s land supply has become so constrained that the City can no longer serve all of its community needs.

This community dynamic has led to impassioned dialogue and debate about what is best for McMinnville.

The reality though is that McMinnville must plan for growth. That is the basis of the Oregon land use system. Cities are meant to plan for the absorption of future growth at a much higher rate and intensity than the unincorporated county in order to preserve farm and forest land. This is one of the basic premises of Oregon land use planning. Growth should occur within the cities’ urban growth boundaries at a higher level of density and intensity than rural areas.

To put it in perspective:

- The City of McMinnville’s urban growth boundary is approximately 7,956 acres. There is approximately 458,240 acres of land in Yamhill County. The City of McMinnville’s current urban growth boundary accounts for 1.7% of the overall land acreage in Yamhill County.
- The City of McMinnville houses 34% of the county’s population.
- 484 acres is .1% (1/10 of 1%) of the total land acreage in Yamhill County.

The Oregon land use system was never intended to prevent cities from expanding their city limits and urban growth boundaries in order to accommodate that growth. In fact, the system is set up to require cities to expand their urban growth boundaries if the analysis indicates the need to do so. All Oregon land use goals are intended to be considered in equal measure and no one land use goal is considered more important than another. It is just as important to provide adequate land supply to support the needed new housing and employment opportunities for future population growth as it is to protect farm and forest land. If that does not occur, then the system is no longer equitable as it is choosing one land use goal over another.

The law provides the opportunity for McMinnville policymakers to make their own decisions about how dense they want to build their needed housing, and the amount and type of land needed to meet their economic development goals and strategies.

The law also provides the opportunity for individuals and organizations to appeal the decisions of the City.

However, there are many aspects of the decision-making that are not appealable (often called safe harbors), other aspects of the decision-making that are governed by local comprehensive plan policies

and goals that would need to be changed to support a different decision, and some decision-making that is discretionary based on the community values.

McMinnville's previous growth planning effort endured 20 years of debates, challenges, and appeals, resulting in a constrained land supply system that has changed the dynamics of the community. Housing has become exponentially more expensive as production has dwindled with land supply constraints. Lower and moderate-income households are being displaced from the marketplace. Employers are struggling to recruit and retain workforce due to affordable housing supply issues. Commercial land deficits have affected the supply of retail options in McMinnville. Recent studies show that many of McMinnville's households drive out of town to shop for general merchandise that they do not feel they can access in McMinnville.

This initial land need process is about planning for and ensuring that McMinnville can accommodate the future population growth assigned to the city by the state so that there is enough land to build the needed housing, parks, employment, and commercial opportunities necessary to sustain a growing community with its own unique quality of life for current and future residents in an equitable manner.

This step in the process is about identifying what the land need is for the community to absorb population growth based on the community's existing values for housing density, economic development opportunities, and public land amenities to ensure a standard of quality of life for McMinnville's current and future residents. The next step in the process, the land-use efficiencies evaluation, will determine if the community wants to increase housing and employment density and reduce the amount of commercial and public amenity options to preserve more farm and forest land adjacent to the community. The last step of the process, the urban growth boundary expansion analysis, evaluates all land surrounding the current urban growth boundary for the lowest classification of high-value farm and forest land that is suitable for urban development in order to preserve the highest classifications of high-value farm and forest land.

The 484 acres of land need will most likely decrease after spending the next year evaluating land-use efficiencies within the existing urban growth boundary. Then, if based on that work, there is still land need that is not being met with efficiency measures, the City will need to evaluate an urban growth boundary amendment.

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)
- Public Testimony Received – Friends of Yamhill County and 1000 Friends of Oregon

Fiscal Impact:

The initial drafts of the Housing Needs Analysis and Economic Opportunity Analysis cost approximately \$165,000 in consultant fees plus staff support at \$75,000.

Updating the Housing Needs Analysis and Economic Opportunity Analysis cost approximately \$50,000 plus staff support at \$20,500.

Recommendation:

Staff recommends the Planning Commission vote to recommend adopting the proposed documents as amendments to the McMinnville Comprehensive Plan to the McMinnville City Council.

“I MOVE THAT THE PLANNING COMMISSION RECOMMEND THAT THE CITY COUNCIL ADOPT THE MCMINNVILLE HOUSING NEEDS ANALYSIS, 2023 AND THE MCMINNVILLE ECONOMIC OPPORTUNITY ANALYSIS, 2023 AS AMENDMENTS TO THE *MCMINNVILLE COMPREHENSIVE PLAN*”