



City of McMinnville
Community Development
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EXHIBIT 2 – STAFF REPORT

DATE: September 21, 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, responsibly & 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 September 7, 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.

The project website with the public record can be found at: [G 1-20, G 2-20 & G 3-20 Project Materials \(BLI/HNA/HS\) | McMinnville Oregon](#)

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) urban growth boundary (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 per OAR 660-038-0170(6)(b).

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 1994, the City of McMinnville entered into periodic review with the Department of Land Conservation and Development to start planning for future growth for the planning horizon of 2000 – 2020. The last urban growth boundary and growth planning effort had been for the planning horizon of 1980 – 2000. A Housing Needs Analysis was initially adopted in 2001, challenged, appealed and remanded back to the City for amendments and final adoption in 2003, with a new planning horizon of 2003 - 2023. An Economic Opportunity Analysis was prepared in 2001 and adopted in 2003 for the same planning horizon of 2003 - 2023. Both evaluations identified the need for additional land for housing, park land, institutional land and employment land. The City submitted a UGB amendment to the Department of Land Conservation and Development. That submittal was challenged resulting in a partial UGB amendment and remanded back to the City. After years of appeals, eventually resulting in an appeal to the Court of Appeals, the City elected to pause this work. In 2013, the City elected not to invest more resources and staff time in the effort, resulting in the City not meeting their land need for housing and employment land for the planning horizon of 2003 – 2023. This led to increasingly constrained land supply for housing and employment development within the City of McMinnville’s urban growth boundary.

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

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.

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.)

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 in terms of housing density, employment land needs and public land needs. The committee evaluated local data and planning scenario with the assistance of the consultant team and evaluated those scenarios within the regulatory framework of state laws, administrative rules and local comprehensive plan policies. and adopted policies to determine .

Land Deficiency Identified (gross buildable acres):

Planning Period	Housing Land Need	Employment Land Need	Public / Institutional Land Need	Total
2021 – 2041 (Urban Growth Boundary)	202 Acres	29 Industrial 159 Commercial 188 Acres	94 Acres	484 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 a sequential UGB work plan, 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 with 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 grow to accommodate future population growth at a higher density 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. And if a city needs to expand its urban growth boundary to accommodate Oregon’s future growth it should do so.

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.

To put it in perspective:

- The City of McMinnville's urban growth boundary is approximately 8,155 acres (corrected from the September 7, 2023 staff report which stated 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 1.8% (corrected from the September 7, 2023 staff report which stated 1.7%) of the overall land acreage in Yamhill County.
- The City of McMinnville's city limits houses 32% of the county's population.
- If the UGB needed to expand by 484 acres to accommodate future growth to 2041, it would absorb 0.1% (1/10 of 1%) of the total land acreage in Yamhill County.

The law also 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.

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. Ensuring 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. This first step relies on historic data and adopted comprehensive plan policies to inform the analysis.

The next step in the process, the land-use efficiencies evaluation, will determine if the community wants to change how it develops by increasing housing and employment density and reducing the amount of commercial and public amenity options to preserve more farm and forest land adjacent to the community. During this process the community will be asked to evaluate rezoning land or changing comprehensive plan policies to reflect those changes that the community wants to enact.

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.

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

Discussion:

The Planning Commission hosted a public hearing on September 7, 2023. At that public hearing, they heard public testimony from Mark Davis, Sid Friedman and Rob Hallyburton. Sid Friedman and Rob Hallyburton were representing Friends of Yamhill County. Mark Davis expressed his concerns about the amount of park land need relative to the data in the record and past city performance, and the Friends of Yamhill County questioned some of the decisions of the Project Advisory Committee relative to assumptions of future projections based on past performance.

The Planning Commission asked if Susan Muir, McMinnville's Park and Recreation Director, could join them at their next public hearing and if staff could work on a response to the Friends of Yamhill County testimony.

Susan Muir will join the Planning Commission for their public hearing on September 21, 2023, and staff is working with legal counsel and the consultant on memorandums to address the Friends of Yamhill County / 1000 Friends written public testimony received on August 30, 2023. Those memorandums will be provided on Monday, September 18, 2023, in advance of the public hearing and will be entered into the record.

Staff is also working with the consultant to recalculate park land need by reconciling the added park land to the UGB in 2021 for Joe Dancer Park, based on some of the testimony provided by Mark Davis. This analysis will be included in the memorandum provided on Monday, September 18, 2021.

After the public hearing on September 7, 2023, staff sent out an email to the Planning Commission on Monday, September 11, 2023, with the following:

- Correction to the public record provided by Friends of Yamhill County, (September 8, 2023), correcting a statement about the minimum lot size in Newberg for a triplex from 3000 sq ft to 5000 sq ft. *(Please see attached)*.
- Correction to the public record provided by the City of McMinnville (September 11, 2023), correcting statements made in testimony at the September 7, 2023 Planning Commission about the percentage of park land relative to the percentage of housing land need in the overall UGB amendment for the planning horizon of 2003 – 2023. Statements were made that characterized the proportionality of park land versus housing land that was brought into the UGB during the second phase of the UGB alternatives analysis in 2021 without including the housing land that was brought into the UGB during the first phase of the UGB alternatives analysis in 2003. *(Please see attached)*.
- Electronic copy of staff presentation at the public hearing. *(Available on the project website)*.
- Electronic copy of the Friends of Yamhill County presentation at the public hearing. *(Available on the project website)*.

- The body of the email included a table identifying minimum lot sized for different housing types allowed in the McMinnville Municipal Code for Tiny Homes, Single Units, Duplex, Triplex, Quadplex, Cottage Cluster and Town Homes allowed in the R1, R2, R3 and R4 zones as part of a planned development project. *(Please see attached).*

That email and the corrections to the record are attached to this staff report. The presentation slides provided at the September 7, 2023, public hearing are provided on the project website at: [G 1-20, G 2-20 & G 3-20 Project Materials \(BLI/HNA/HS\) | McMinnville Oregon](#).

There was discussion at the public hearing about the fact that a UGB expansion of 484 acres in Yamhill County would equate to 0.1% (1/10 of 1%) of the overall land acreage in Yamhill County (assuming 458,240 acres), increasing McMinnville’s UGB total share of acreage in Yamhill County to 1.9% of the overall land acreage. The question was then asked what did 484 acres equate to if the whole expansion was EFU acreage. Currently there is approximately 191,639 acres of EFU land in Yamhill County. If the city expanded its UGB by 484 acres into 100% EFU land, that would equate to 0.25% of the Yamhill County EFU acreage (25/100 of 1%).

Attachments:

- Friends of Yamhill County, Correction to the Record, 09.08.23
- City of McMinnville, Correction to the Record, 09.11.23
- Email from Heather Richards to Planning Commission, 09.11.23

Critical Documents Located on the Project Website: [G 1-20, G 2-20 & G 3-20 Project Materials \(BLI/HNA/HS\) | McMinnville Oregon](#)

- Draft Updated McMinnville Urbanization Report (September 2023)
- Draft Updated McMinnville Housing Needs Analysis (September 2023)
- Draft Updated McMinnville Economic Opportunities Analysis (September 2023)
- Public Testimony Received – Friends of Yamhill County and 1000 Friends of Oregon (August 30, 2023)
- Public Testimony Received – Mark Davis (September 5 and September 7, 2023)

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 (Docket G 1-20) AND THE MCMINNVILLE ECONOMIC OPPORTUNITY ANALYSIS, 2023 (Docket G 3-20) AS AMENDMENTS TO THE MCMINNVILLE COMPREHENSIVE PLAN”