

MINUTES
Housing Capacity Analysis and Production Strategy Policy Advisory Committee
Meeting #4
Newport City Hall Council Chambers
August 25, 2022

Committee Members Present: Kathy Kowtko, Braulio Escobar, and Cynthia Jacobi.

Committee Members Present by Video Conference: Wendy Hernandez, Dr. Lesley Ogden, Dr. Karen Gray, Bonnie Saxton, and Dennis White.

Committee Members Absent: James Bassingthwaite, Betty Kamikawa, Todd Woodley, Mark Farley, Mike Phillips, Sheila Stiley, Rev. Judith Jones, Robert Cowen, and Jan Kaplan.

City Staff Present by Video Conference: Community Development Director, Derrick Tokos; and Executive Assistant, Sherri Marineau.

Consultants Present by Video Conference: Beth Goodman, Becky Hewitt, and Nicole Underwood.

Public Members Present: Dietmar Goebel, and Ryan Parker.

1. **Call to Order & Roll Call.** Meeting started at 6:07 p.m.
2. **Welcome and Introductions.** Tokos welcomed the committee members and reviewed the agenda.
3. **Approval of Minutes.** Motion was made by Cynthia Jacobi, seconded by Braulio Escobar, to approve the June 8, 2022 Housing Advisory Committee meeting minutes as written. The motion carried unanimously in a voice vote.
4. **Update on Newport Housing Conversations.** Goodman asked for questions on the conversations. Jacobi asked for information on what to ask when doing the community conversations. Tokos suggested the committee members connect with him on a framework for the conversations.

Karen Gray entered the meeting at 6:17 pm. Tokos asked if Gray had done any outreach. Gray reported that she hadn't but she wanted to coordinate this.

5. **Revised Buildable Lands Inventory.** Goodman noted that the committee would have an opportunity to review the housing capacity analysis in October. She reviewed the map of the buildable lands covering the comprehensive plan designations, constrained lands, buildable lands inventory maps, and unconstrained vacant and partially vacant lands. Parker asked if there was a way to figure out single family dwelling lots and multifamily lots, and how many of these could fit in different areas of the city. Goodman explained they would discuss some of this information during this meeting. They would revisit it at the next meeting after the constructability analysis.
6. **Constructability Analysis.** Hewitt covered the purpose of the constructability analysis, and the overview of subareas maps. She noted they didn't constrain their assumptions about what could be built in areas to the current comprehensive plan designation. They were aware of the comprehensive plan designation but they weren't confined to them.

Hewitt covered the approach to the constructability analysis. Tokos noted that Hewitt interviewed a range of individuals in Newport and was able to get a pretty good handle on the cost of what it took to

construct various housing types in Newport. The one piece that was hard to figure out was land value because it was variable in terms of what properties might be available on the market or not, or how they were acquired.

Hewitt continued her review of the approach to the analysis. White asked if the return on investment related to the possible sale of what was developed and built, or was there some considerations for downstream income from rents. Hewitt explained they looked at housing types and made assumptions on whether they would be sold or rented. White asked if the build for rent would take into account the downstream income from rent. Hewitt explained they used a metric called return on class that developers often used to determine whether to proceed with a development or not. With a rental project they would look at a stream of income over time and account for appreciation and other things. Hewitt reported that the version they used compared the net revenues for the property compared to the cost to build it to see if it was worth moving forward with or not.

Hewitt covered the housing types and the estimated pricing information for apartments, quadplexes, and cottage clusters. Escobar asked if these rents for housing were within the range for Newport or were they really high. Hewitt explained that the rents were taken from recent development that was completed in Newport and based on rent escalations that people were seeing and expecting over the next year. These were not restricting today but they were what you would put in your pro forma if you were doing a development today and what you would expect when the building was completed. Tokos noted he could bring in numbers for two projects that were completed.

Ryan thought that new construction rents were different than the older workforce housing. He didn't think the study looked at what was needed as a community as a whole and thought they needed to find out what people were paying for rent on average around town. Tokos noted the purpose of the constructability analysis was to look and see what we need to add for different types of new housing. We have lands within our urban growth boundary that could accommodate that need for new construction. Tokos reported they weren't looking at subsidized housing, it was market rate information. He explained they could look at more general rent information in Newport, but it wouldn't be reflective of new construction. Escobar asked if the new construction rents were designed to provide a return to the developer. Hewitt explained they were reflective of new construction and top market as a best case scenario from the constructability perspective. If they couldn't make the project work, even at top of market rents, they definitely couldn't make it work at workforce rents. Goodman noted this was what they would talk about in the second part of the project to see what the city could do to support development of housing if rents were unaffordable.

Hewitt reviewed the housing types and estimated pricing for townhouses, small single-detached dwellings, and medium and larger single-detached dwellings. She noted that the hillside homes were typically on large lots. They already took out the steep slopes from the buildable area for these homes. What they were saying was that these only needed a smaller area to put the housing and parking on, and the rest of it could sloped.

Hewitt covered the relative ability to pay for land and infrastructure. Goodman pointed out that this explained why there weren't many apartments in Newport because there wasn't much money to be made from them. Hewitt discussed the considerations on how a developer would look at building apartments and how they made money. Jacobi noted that the example photo of the large single detached hillside house was an oceanfront house. She asked if there was a way to put the residual value of the land into oceanfront or ocean view properties. Hewitt noted for this scale of the analysis they weren't able to reflect this. They only had approximations. This was why the hillside was used in these instances. These numbers were optimistic given the sited that they had. The pricing was for the

average of sales transactions of homes in this size range. Goodman pointed out that the photo used was just an illustration of a hillside home.

Parker thought that most people who were coming to Newport were fleeing California and areas that had climate change. He thought they should find a way to incorporate the climate issues people had that was caused people to move to Newport because the climate was better here.

Escobar thought there was a need for middle market and workforce market housing. He noted at the first meeting someone suggested they should be looking for satellite communities such as Toledo or Siletz for housing, but this was ignored because the policy was to try to minimize outside transportation and encourage a bedroom community. Goodman noted the analysis wasn't a description of what would it take to build on land in Newport, excluding what's affordable. This was to look at what was feasible, and gave information to use later on what the city could do to encourage development of more of the types of housing that was needed. Tokos pointed out that this exercise looked at nine different areas within an urban growth boundary that had the capacity to be developed residentially. It was an exercise to see what was reasonable feasible to develop on these properties. It was important to look at high end because that was going to get the most return for developers, and if that didn't work then the property wasn't developable at all and they shouldn't assume they would get housing on the property. Tokos noted that they would be drilling down on what they could do for affordability and getting housing that was more affordable to the workforce. This was about if some of these lands that that were inside the urban growth boundary were available for residential were really viable for residential.

Hewitt pointed out that the rent numbers for small single-detached were high but they were a lot lower than large single family detached on the hillside. This could tell them what areas were viable to develop and suitable for housing types that were new construction, and weren't as expensive as bigger and fancier newer construction. Hewitt reported it cost a lot to build in Newport and made it harder to deliver lower priced housing options. This prompted them to think about if these areas were viable in terms of housing and what they needed to do if the price of the market didn't meet housing needs. Saxton noted that Newport rarely had any spec homes for sale. Lincoln City occasionally has this, but developer would do this only once in a few years. Goebel asked if this was more about developing land than buildings. Tokos explained the constructability assessment was about the viability of residential land in the city for actual residential development. This was a component of the larger study. The study would look at what the city could do, within the scope of its available resources and responsibilities, to help facilitate needed housing and various pricing points. Parker thought they needed to find areas for condos that were out of the tsunami hazards zones.

Hewitt covered the results in Subareas 1, 2 and 3. Tokos clarified that Subarea 1 was Agate Beach, Subarea 2 was the middle school, and Subarea 3 was the area between US 20 and the Bay Blvd. Hewitt reviewed Subarea 4, the area between US 20 and Yaquina View Heights; Subarea 5, the Wilder Planned development; Subarea 6, immediately south of the community college and the city's wastewater treatment plant; Subarea 7, vacant or partially vacant properties between 3rd and Olive Street, Subarea 8, off of SE 35th Street; and Subarea 9, north of Camp Street on Abalone Street.

Hewitt covered the infrastructure costs versus the residual value of development. A discussion ensued regarding how to work out agreements to negotiate price points on units with developers. Parker wanted to see a way to get a developer to do projects to build higher density multifamily units while agreeing to do single family homes. A discussion ensued about how to address assistance with infrastructure costs for development.

Parker asked if the area to be annexed in South Beach would be included in any of these areas. Tokos

explained that almost all of the land to the south where they had wastewater was all industrial and in the tsunami inundation area. They needed to consider the land in this area viable as part of the needs assessment but they didn't want to assume more acreage in the tsunami inundation area for residential. Jacobi didn't feel comfortable to put a lot of development in the tsunami zone. A discussion ensued regarding different areas that should be considered as part of the buildable lands and for needed housing.

Hewitt reviewed the conclusions and limitations next. Tokos noted there was a lot of interested in the city center to see more mixed use with apartments over retail. What they saw was the greenfield areas that were undeveloped weren't viable for apartments because developers couldn't cover the cost of infrastructure to develop. Jacobi asked if they should rezone some of the properties that have infrastructure but are industrially zoned. Tokos explained that he was talking about areas between US 20 and the high school that were zoned heavy commercial being rezoned to high density residential. If they left the city center area along US 101 alone, it allowed residential above the main floor. This was attractive for development because the infrastructure wasn't a barrier. Hewitt cautioned that building mixed use did increase costs of construction and something to keep in mind.

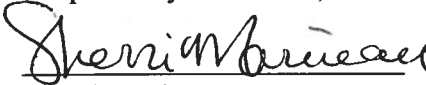
- 7. Land Sufficiency.** Goodman reviewed the land sufficiency scenarios; housing forecast for the Newport UGB, 2022 to 2042; housing type for the Newport UGB, 2022 to 2042; and the housing density assumptions; preliminary land sufficiency; and alternative forecast.

Tokos thought it would be nice to record that they tested nine scenarios, because that's what they had the capacity to do for the constructability assessment. It was reasonable to expect that those infrastructure deficiency conditions would carry through the balance of the acreage that they had available as well. While they had ample amount of acreage available for residential development, it didn't necessarily mean that properties were going to be developed because they had infrastructure constraints, for example. Goodman noted that not having the infrastructure was a common problem for many cities. She thought that if the State wanted to see more housing development it needed to support development of infrastructure. Tokos noted the State and Legislature was looking at this at a higher level but hadn't looked at infrastructure. If the city could show this in a logical, tangible way in these studies, then maybe the legislature would come up with additional funding programs to funnel dollars to local governments to deal with major infrastructure issues so we could actually get housing that was affordable. Jacobi thought this was a good illustration of what was needed for Newport.

Jacobi asked why the PSU forecast came out so different for the forecast. Goodman didn't have a good answer. She explained the PSU counts were coming out lower over the last years. Goodman thought the PSU was unreasonably low and not a forecast she could stand behind. White thought this demonstrated how flawed forecasting and modeling could be.

- 8. Public Comment.** None were heard.
- 9. Next Steps.** Goodman reviewed the next steps. Tokos noted the consultants would be attending in person at the next meeting.
- 10. Adjournment.** Having no further business, the meeting adjourned at 7:56 p.m.

Respectfully submitted,


Sherri Marineau
Executive Assistant