



HOUSING ADVISORY COMMITTEE AGENDA
Thursday, January 12, 2023 - 6:00 PM
Council Chambers, Newport City Hall, 169 SW Coast Highway

All public meetings of the City of Newport will be held in the City Council Chambers of the Newport City Hall, 169 SW Coast Highway, Newport. The meeting location is accessible to persons with disabilities. A request for an interpreter, or for other accommodations, should be made at least 48 hours in advance of the meeting to Erik Glover, City Recorder at 541.574.0613, or e.glover@newportoregon.gov.

All meetings are live-streamed at <https://newportoregon.gov>, and broadcast on Charter Channel 190. Anyone wishing to provide written public comment should send the comment to publiccomment@newportoregon.gov. Public comment must be received four hours prior to a scheduled meeting. For example, if a meeting is to be held at 3:00 P.M., the deadline to submit written comment is 11:00 A.M. If a meeting is scheduled to occur before noon, the written comment must be submitted by 5:00 P.M. the previous day. To provide virtual public comment during a city meeting, a request must be made to the meeting staff at least 24 hours prior to the start of the meeting. This provision applies only to public comment and presenters outside the area and/or unable to physically attend an in person meeting.

The agenda may be amended during the meeting to add or delete items, change the order of agenda items, or discuss any other business deemed necessary at the time of the meeting.

1. WELCOME AND INTRODUCTIONS

1.A Meeting Agenda:

[Agenda - Newport HCA HPS PAC Meeting 7](#)

2. ROLL CALL

3. APPROVAL OF MINUTES

3.A Approval of the Newport Housing Advisory Committee Meeting Minutes of December 15, 2022.

[Draft HCA Mtg Minutes 12-15-2022](#)

4. SUMMARY OF OUTREACH

5. DISCUSS POTENTIAL ACTIONS TO MEET HOUSING NEED

6. CET DISCUSSION

7. PUBLIC COMMENT

8. ADJOURNMENT

HANDOUTS

Materials:

[Housing Fund Summary FYE 18-22](#)

[Newport Housing Strategies for Further Discussion - v2](#)

[Newport Housing Strategies for Further Discussion - v2 \(with redlines\)](#)

[PowerPoint Presentation - Newport HCA HPS Pac Meeting 7](#)

AGENDA

Newport Housing Study

Project Advisory Committee Meeting #7

Location: Newport City Hall, City Council Chambers

169 SW Coast Highway, Newport

Video Conference Link: Provided on request to Sherri Marineau with the Newport Community

Development Department: s.marineau@newportoregon.gov

1/12/2023

6 – 8 p.m.

6:00 p.m.	Welcome	Beth Goodman
6:10 p.m.	Summary of Outreach <ul style="list-style-type: none">• Key themes from the Community Conversations• Discuss additional outreach	Nicole Underwood
6:25 p.m.	Discuss potential actions to meet housing need <ul style="list-style-type: none">• Review priorities for actions from survey results.• Do you have any questions or comments about any of the actions?• Are there actions that could be left out of the HPS?• Are there any actions that we missed that should be included in the HPS?	Beth Goodman
7:20 p.m.	CET Discussion <ul style="list-style-type: none">• How should the City spend existing funds?• Should the City spend commercial/ industrial CET differently than residential?	Beth Goodman
7:50 p.m.	Public Comment	Derrick Tokos
7:55 p.m.	Next Steps <ul style="list-style-type: none">• ECONorthwest will continue evaluating actions for inclusion in the HPS with City staff.• Interviews with service providers and stakeholders• Community survey• Next PAC meeting: February 16, 2023	Beth Goodman

Draft MINUTES
Housing Capacity Analysis and Production Strategy Policy Advisory Committee
Meeting #6
Newport City Hall Council Chambers
December 15, 2022

Committee Members Present: Jan Kaplan, James Bassingthwaite, Cynthia Jacobi, Rev. Judith Jones, and Bonnie Saxton.

Committee Members Present by Video Conference: Wendy Hernandez, Dr. Leslie Ogden, and Dr. Karen Gray.

Committee Members Absent: Betty Kamikawa (*excused*), Mark Farley, Dennis White, Mike Phillips, Braulio Escobar, Sheila Stiley, and Todd Woodley.

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

Consultants Present: Beth Goodman.

Consultants Present by Video Conference: Nicole Underwood.

1. **Call to Order & Roll Call.** Meeting started at 6:03 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 Bonnie Saxton, to approve the October 13, 2022 Housing Advisory Committee meeting minutes as written. The motion carried unanimously in a voice vote.
4. **Discussion of Potential Strategies to Meet Housing Need.** Goodman started her review of the housing strategies memorandum. She noted the Committee would be asked to start making decisions at their next meeting in January. Goodman reviewed the project schedule starting with the process for developing the Housing Production Strategy (HPS).

Goodman went over the potential actions for inclusion in the HPS and questions for the discussion. Kaplan asked if they considered other real infrastructure resource issues that would be potentially limiting, and what the city's water system couldn't sustain. He noted there was a serious lack of parking in the city and thought this needed to be considered as well. Goodman explained that they were thinking less about the number of new units, and more about how many units there would be that the city could support for housing development, as well as preservation. Jacobi reported that there was a group of citizens in Newport that were quite vocal about having adequate roads to travel on in case of emergencies. Goodman explained this was outside of what the Committee was talking about. Tokos explained when it came to the adequacy of infrastructure, they were in a position with the Committee work to know what needed to be done to enhance the infrastructure the city had in order to support additional housing. The city had an obligation to provide services to new units. If they couldn't, they could do a moratorium on services under the current statutes. The city would then be obligated to solve the problem within a very finite period of time. As part of the water master planning process they would look at the growth assumptions, where they expected to see housing and other types of uses, and how this played with the city's ability to provide the service. Goodman reminded that a number

of these actions were ones the City Council would still require more discussion on, and perhaps more of a public process.

Goodman reviewed the existing strategies for housing in Newport, and the evaluation criteria of income levels. She then reviewed Action K, adjusting the allocation of the Construction Excise Tax (CET) to support affordable housing. Jacobi asked if the \$540,000 collected for CET funds were used for the Surf View Apartment project. Tokos reported they wouldn't. Those funds were used for the City's contribution towards the down payment assistance program, in partnership with the County, Lincoln City, and Proud Ground. This had been the only action the city took to utilize those funds.

Goodman covered the CET allocation requirements. She reported the city collected CETs for residential and commercial, and tracked the funds separately. Tokos explained that for account purposes they kept it simple and put the residential and commercial collections in the same pot. Instead of splitting the Commercial funds into the 15%/35%/50% pots, they could put the bulk into the flexible 35% to increase what the city had on a flexible basis. Kaplan asked if things changed, could they move the funds within the formulas. Tokos explained the commercial/industrial had a lot of flexibility. If they kept the commercial funds in the flexible pool, they could do this. The residential funds had to be split into the 15%/35%/50% pots. Goodman noted the two questions they had to consider was how to group the funds, and how the city should spend the existing funds for unrestrictive dollars and developer incentives. Bassingthwaite asked if the term unrestrictive meant unrestricted housing or anything else unrestricted. Tokos suggested they bring a spreadsheet showing the breakouts for the next meeting to show this. He thought if they had a fully unrestricted category the funds would be relatively small. Goodman noted about 20% of the city's collections had been commercial/industrial and 80% were residential.

Jacobi didn't feel like industrial and commercial development needed funds to continue developing. She thought Newport needed affordable housing more. Goodman reminded that employers needed housing for people who worked for their businesses. There would be about \$100,000 collected for commercial/industrial. \$50,000 had to go to housing related programs and \$50,000 would be unrestricted. The question was how to spend the unrestricted dollars. Should they spend it directly related to housing or spend it supporting development of commercial and industrial. Goodman thought this should be a policy choice. Tokos thought it would be wise to take the commercial/industrial and put them in a flexible fund to increase the funds available to policymakers for utilization. It might take some time to build up sufficient collections though. Tokos reminded that there still wouldn't be a meaningful amount of money for development in this pot. The bulk of the CETs they collected were for residential. Multifamily would have a reasonable pool of funds to buy down SDCs or pay for permit costs. Goodman gave an example of how a developer used these funds to require land to build an affordable housing development of around 200 housing units.

Kaplan asked if the CET funds could be used for operating costs once something was built. Goodman explained they should be thoughtful with this because this would be an ongoing need from the CET. She questioned what they would do if the CET underperformed. Tokos reminded it was difficult to say that someone would get a certain amount every year because the CET amounts would vary each year. Ogden reported the School District received CET funds. Goodman noted that these CET were separate from the city's CET funds. Gray hoped that at the end of this the city would focus on affordable housing when they looked at spending the funds. Tokos asked if the School District's CET collections were something they could leverage to fund something full out with CETs, and also use to fill in the gaps. Gray confirmed they could. She gave an example of how CET dollars were added to other funds to help buy boilers for the schools. This was their gap funding.

Goodman reviewed Action L, using Urban Renewal (UR) funds to support housing and infrastructure

development. Tokos noted that there were only three urban renewal districts currently viable. The one in South Beach was locked in at that point. The McLean Point district was small and was for the industrial area for the wastewater lift station. The Northside district would be the biggest one for funding. They currently had a fair amount of funds for infrastructure to get properties ready for development. This was in the plan already. Tokos explained they also had strategic site grant acquisition which were another way the agency could help cobble together property that ultimately could become a mixed use project with residential over first floor commercial. This wasn't currently in the UR plan but it could legally be put in under the same authority as the Housing Authority. Tokos noted if they wanted to do this they needed to talk to the taxing agencies who were contributing funds to the original district to make sure they were comfortable doing this. This was something they could pursue to free up more flexible funds to address housing issues, or they could use the strategic site acquisition to get there. These were both effective tools to use. Jacobi asked what the administrative staff time to change this would be. Tokos explained this would fall on the city. A major amendment would take a bit of time and they would want to talk to the taxing entities to get an idea of what the new category would be and what the sidebars would be. Bassingthwaite asked if that would come out of the existing funding stream or a separate one. Tokos confirmed it would come out of the existing. Goodman thought the major question to talk about at the next meeting was should they be directing the city to make this major amendment or use UR funds as they were currently expected to be used. Bassingthwaite asked if the city would be looking at developing housing, or if they would be looking at just acquiring land for housing development. Tokos explained the plan was set up to do land acquisition currently. What they were talking about was if the city wanted to set aside some governmental funds for more flexible housing related uses, because currently it was either to buy land, or provide infrastructure in exchange for something from the developer.

Goodman reviewed Action A, supporting a regional housing entity focused on low- and middle-income housing development. Tokos noted it made sense to pool resources if they wanted to tackle things in this way. He gave an example of a partnership in Colorado where they recognized they would lose their community because prices were escalating due to the popularity of the area. They decided to pool resources to create a regional authority that wasn't just affordable housing, but was full on workforce, 120% median family. Tokos explained that Newport could possibly create a regional authority with Lincoln County to pull resources to buy land and do land banking. Then they would actually dedicate staff to do housing work instead of pulling a little bit of someone's time from Newport and the County. Tokos explained that they weren't talking about creating a new entity to do this. The existing Housing Authority might be able to step into the role. Goodman didn't think the regional housing entity would be in place enough to say what Newport would do, and this would happen after the Housing Production Strategy. Tokos explained this particular action item would be the City Council saying they thought it was a valuable thing to pursue. Kaplan suggested the title be "support the creation of a regional housing entity."

Goodman reviewed Action B, growing partnerships with Community Land Trusts. Jacobi liked the idea of low income families being able to build generational wealth, but saw how difficult it would be to do. Tokos reported they went down this path with Proud Ground where they were able to secure the bulk of the down payment assistance funds from the State. The State was comfortable doing this because Newport had partnered with the County and Lincoln City. Tokos explained the impact was limited and they only added three units in Newport through the program. Tokos explained that Proud Ground would own the land, and the household would own the unit. There was also a restriction on the resale to keep it affordable. Jacobi didn't think this was very practical.

Goodman reviewed Action C, implementing the Homebuyer Opportunity Limited Tax Exemption. Tokos thought when talking about saving on property tax payments, it reduced monthly payments and was worth pursuing. Gray thought this was something they should look at. She saw this working for

school districts. Gray liked how they would be able to use it in conjunction with other incentives and couple with land trusts. It could help someone in the low to mid income range get a house. Kaplan suggested they do an analysis of each of these actions so they could be aware of where the taxes needed to be made up because of the exemption. Goodman thought this might be beyond the scope of what the consultants could do, but they could look at doing some estimates. Tokos suggested using stats from other programs so they didn't have to start from scratch. Bassingthwaite asked if there was a cap on an annual basis. Goodman thought there might be a cap. Kaplan wanted to see if there was a way to look at the cost impacts of these so the Committee could approach it with their eyes open.

Goodman reviewed Action E, reducing development code barriers for multifamily development. Tokos gave an overview of what Newport was dealing with on restrictions for multifamily development building heights. Bassingthwaite asked if they would be looking at citywide change. Tokos reported this would be targeted to the multifamily zones. Bassingthwaite noted they wouldn't be able to generate a lot of affordable housing in areas with geographic limitations or on the beachfront. Tokos thought they might want to look at geographic locations. Jones suggested they target areas in the city where they wouldn't have views impacted by multi-story buildings so they could be build higher. Tokos noted if they went over 50 feet it affected fire response services because they weren't staffed to be able to deal with tall buildings. Kaplan reminded there were parking issues as well, but thought the scale of neighborhoods and views were important to consider. Tokos explained how parking would be a consideration in different areas depending on the on-street parking availability. He spoke about the variance process for development on hillsides and gave an example of eliminating the discretionary process for developing on hillsides over a certain grade so the developer would be able to automatically get a smaller setback. Bassingthwaite asked about mixed use, and how easy it was to do a second floor based on the code. He thought this might be a way to make things easier. Tokos noted they didn't currently allow residential on the first floor in commercial zones. It might be something to look at if the residential wasn't facing the street.

Goodman reviewed Action F, paying System Development Charges (SDC) for workforce housing. She then covered Action I, participating in the regional homelessness action plan.

Goodman reviewed Action J, establishing a low barrier emergency shelter in Newport. Tokos noted the city would be looking to provide the resources to make the shelter happen, but not to operate it. Bassingthwaite asked if they knew the number of people the shelter could serve. Jacobi thought the last warming shelter had around 50 to 60 people in it. Jones reminded that the number of people who needed a shelter had grown significantly in the last couple of years. The Point in Time Count was going to be done in January and she hoped this would give them a better assessment of how many people they had for sheltering. Jacobi asked where the funds for the shelter would come from. Tokos reported the city had funds from a urban renewal district if the property was located in one. There was also a modest amount of general funds that could be utilized, along with funds reserved for property acquisitions, CET flexible funds, and ARPA funds. They could also reach out and try to align with state resources, and county resources to make it happen. Gray thought that they needed to consider what the supervision would be for the homeless shelters. Her experience with shelters was that they had been problematic. Tokos noted they should also partnership with mental health services.

Goodman reviewed Action H, lobbying the Legislature for more resources to support housing development and remove regulatory barriers to housing development. Jacobi asked if the Legislature could address this. Tokos explained they would. There were a lot of stakeholders interested in this. Jacobi asked for clarification on Local Improvement Districts (LIDs). Tokos explained they were a tool for people who couldn't afford to do the improvements. They were set up so that when things such as street improvements were needed, a cost estimate figure would be done and allocated proportionally to be paid by each of the property owners. Owners would pay outright at the assessment

or the city could carry a 10 year financing. Bassingthwaite thought LIDs made more sense for sewer or water extensions for affordable housing. Goodman thought it fell less on developing new housing, and more on maintaining what they already had and making improvements. She asked if the Committee had any concerns to lobbying the Legislature for these kinds of things. No concerns were raised.

Goodman reviewed Action D, supporting outreach and education to promote equitable housing access. Tokos thought it was important to make sure they were doing this in the most efficient and appropriate way they could. Kaplan thought the programs weren't easy for people to find and they needed someone to talk to people to help explain them. Goodman thought this could be done through the low barrier shelter. Tokos suggested nonprofits do this as well.

Goodman reviewed Action G, pursuing a growth management agreement with the County. She noted the city didn't currently have an agreement set up.

Goodman reported she would bring back new information at next meeting and talk about any missing priorities. Kaplan asked to get the materials as early as possible to review. Goodman reported the Committee had been shown 90% of the materials already. Kaplan suggested getting the minutes out as quickly as possible. Tokos thought they could try to get an advanced set of them. Gray asked if between now and January they could send out a Google doc so the Committee could prioritize them. Goodman thought they could do a survey monkey for this.

5. **Public Comment.** None were heard.
6. **Next Steps.** None were heard.
7. **Adjournment.** Having no further business, the meeting adjourned at 8:06 p.m.

Respectfully submitted,

Sherri Marineau
Executive Assistant

Newport Housing Funds - Revenue & Expenditures Summary

(Note: CET Adopted by Ordinance No. 2114, Effective September 6, 2017)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
CET Affordable Housing Admin (Acct #101-1900-46429) ¹	\$2,536	\$2,167	\$2,463	\$5,751	\$8,876
<u>Housing Fund 212</u>					
Affordable Housing General (Dept 4710)					
Beginning Fund Balance ²	\$112,742	\$135,433	\$146,615	\$153,697	\$203,378
Revenue					
CET Affordable Housing - Flexible Use ³	\$20,797	\$18,256	\$20,689	\$48,312	\$74,559
Interest on Investments	\$2,122	\$3,951	\$3,675	\$2,109	\$1,987
Total Revenue	\$22,919	\$22,207	\$24,364	\$50,421	\$76,546
Other Financing Sources					
Transfer from General Fund ⁴	\$6,278	\$6,278	\$0	\$0	\$0
Total Other Financing Sources	\$6,278	\$6,278	\$0	\$0	\$0
Amount Available for Appropriation	\$141,939	\$163,918	\$170,979	\$204,118	\$279,924
Expenditures					
Financial Professional Services	\$132	\$203	\$164	\$204	\$191
Other Operating Expenses ⁵	\$0	\$16,600	\$16,600	\$0	\$0
Services Provided by General Fund	\$6,374	\$500	\$518	\$536	\$555
Total Expenditures	\$6,506	\$17,303	\$17,282	\$740	\$746
Ending Fund Balance	\$135,433	\$146,615	\$153,697	\$203,378	\$279,178
Oregon Housing and Community Services (Dept 4720)					
Beginning Fund Balance	\$0	\$7,752	\$15,630	\$0	\$0
Revenue					
CET OHCS Down Payment Assistance	\$7,752	\$7,878	\$10,592	\$20,705	\$31,954
Total Revenue	\$7,752	\$7,878	\$10,592	\$20,705	\$31,954
Amount Available for Appropriation	\$7,752	\$15,630	\$26,222	\$20,705	\$31,954
Expenditures					
CET Expense (OHCS Remittance) ⁶	\$0	\$0	\$26,222	\$20,705	\$31,954
Total Expenditures	\$0	\$0	\$26,222	\$20,705	\$31,954
Ending Fund Balance	\$7,752	\$15,630	\$0	\$0	\$0
Affordable Housing Development Incentives (Dept 4730)					
Beginning Fund Balance	\$0	\$26,561	\$52,568	\$85,177	\$154,194
Revenue					
CET Affordable Housing - Restricted ⁷	\$26,561	\$26,007	\$32,609	\$69,017	\$106,494
Total Revenue	\$26,561	\$26,007	\$32,609	\$69,017	\$106,494
Amount Available for Appropriation	\$26,561	\$52,568	\$85,177	\$154,194	\$260,688
Expenditures					
CET Expense	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$26,561	\$52,568	\$85,177	\$154,194	\$260,688

¹This revenue account is the 4% the City is allowed by law to take out of CET collections to cover its administrative expenses.

² FY 17/18 balance is what was left from the original Housing Fund seed money that were proceeds from the sale of a property.

³ Represents 35% of CET collections, less administrative expenses. May be used for affordable housing programs or projects as defined by the City.

⁴ Transfer was made to offset "Services Provided by General Fund" expenditure to avoid draining down what at that time was a Housing Fund that did not have a dedicated revenue stream.

⁵ FY 18/19 and FY 19/20 were match for Proud Ground's state funding for down-payment assistance grants.

⁶ Represents 15% of CET collections, less administrative expenses. Must be sent to OHCS who then makes it available for down-payment assistance in Newport.

⁷ Represents 50% of CET collections, less administrative expenses. Must be used to reduce development fees, pay down property taxes, or other financial incentives to developers to construct housing at 80% MFI or more.

Newport Housing Funds - Revenue by Type

	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>Total</u>
CET Affordable Housing Admin (Acct #101-1900-46429)						
Residential Use (Res)	\$2,247	\$1,647	\$1,315	\$5,302	\$8,477	\$18,988
Commercial/Industrial Use (Com)	\$289	\$520	\$1,148	\$449	\$399	\$2,805
Total Revenue	<u>\$2,536</u>	<u>\$2,167</u>	<u>\$2,463</u>	<u>\$5,751</u>	<u>\$8,876</u>	<u>\$21,793</u>

Housing Fund 212

Affordable Housing General (Dept 4710) - 35% of Collections less Administrative Fee)

Revenue

CET Affordable Housing - Flexible Use (Res)	\$18,426	\$13,875	\$11,048	\$44,544	\$71,204	\$159,096
CET Affordable Housing - Flexible Use (Com)	\$2,371	\$4,381	\$9,641	\$3,768	\$3,355	\$23,517
Total Revenue	<u>\$20,797</u>	<u>\$18,256</u>	<u>\$20,689</u>	<u>\$48,312</u>	<u>\$74,559</u>	<u>\$182,613</u>

Oregon Housing and Community Services (Dept 4720) - 15% of Collections less Administrative Fee)

Revenue

CET OHCS Down Payment Assistance (Res)	\$6,868	\$5,987	\$5,656	\$19,090	\$30,516	\$68,118
CET OHCS Down Payment Assistance (Com)	\$884	\$1,891	\$4,936	\$1,615	\$1,438	\$10,763
Total Revenue	<u>\$7,752</u>	<u>\$7,878</u>	<u>\$10,592</u>	<u>\$20,705</u>	<u>\$31,954</u>	<u>\$78,881</u>

Affordable Housing Development Incentives (Dept 4730) - 50% of Collections less Administrative Fee)

Revenue

CET Affordable Housing - Restricted (Res)	\$23,533	\$19,765	\$17,413	\$63,634	\$101,702	\$226,047
CET Affordable Housing - Restricted (Com)	\$3,028	\$6,242	\$15,196	\$5,383	\$4,792	\$34,641
Total Revenue	<u>\$26,561</u>	<u>\$26,007</u>	<u>\$32,609</u>	<u>\$69,017</u>	<u>\$106,494</u>	<u>\$260,688</u>

Residential/Commercial Split (%)	88.6/11.4	76.0/24.0	53.4/46.6	92.2/7.8	95.5/4.5
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Total Residential CET Collections for (35/50/15 Split):	\$453,261 (86.8% of total)
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Total Commercial Collections for (50/50 Split):	\$68,921 (13.2% of total)
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Total Collections Less Administrative Fee:	\$522,182
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DATE: January 12, 2023
TO: Newport Housing Advisory Committee
CC: Derrick Tokos
FROM: Beth Goodman and Nicole Underwood, ECONorthwest
SUBJECT: Housing Strategies (Actions) for Further Discussion

Newport is in the process of developing a *Housing Capacity Analysis* and *Housing Production Strategy* (HPS) to address the City's unmet housing needs. This memorandum describes actions that the City of Newport could take to address the City's housing needs which were identified in the *Newport Housing Needs and Potential Strategies* memorandum. The project team developed this list based on conversations with City staff, the Project Advisory Committee, and the experiences of other cities in Oregon and other states.

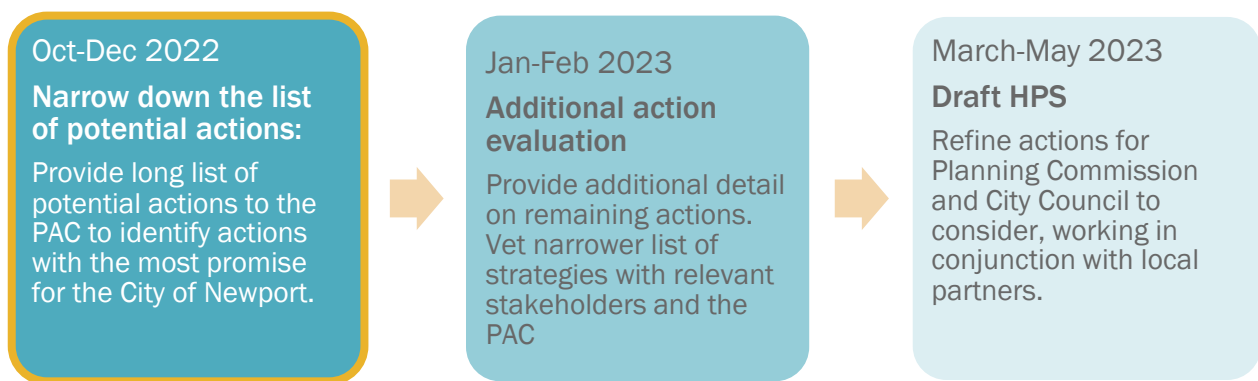
The Project Advisory Committee (PAC) will use this memorandum as a basis for discussion at the January 12, 2023, meeting. It is an update, with a few changes, to the memorandum from the December 15, 2022 PAC meeting. It is not intended as a final deliverable but rather as an interim document that provides additional details on the selected actions. These actions will undergo additional refinement before being included in Newport's *Housing Production Strategy* (HPS).

For the HPS, the City is looking for strategies that:

- Help to encourage the production of housing units
- Are controlled and implemented by the City of Newport
- Can be administered by existing City staff, provided budgetary resources are available

Process

This memorandum begins to narrow down the list of potential actions (circled in orange below) and is intended to inform PAC discussion and City decisions about which actions to include in an overall program to produce housing citywide. This memorandum presents additional information about the actions discussed at the October 13th meeting and begins to evaluate them for inclusion in the HPS. Once a suite of actions has been selected, the consultant team will work with the City to determine next steps for each of the strategies that the City can implement over the course of eight years.



The next step in this process is to further narrow this list of actions with the PAC. The discussion with the PAC on January 12, 2023, will focus on the following questions:

- Are the actions included in this memorandum the appropriate actions to address unmet housing needs in Newport?
- Are we missing any actions that should be included in the HPS?
- Should we remove any of the actions from the list?
- What actions need additional research or refinement to better determine if they can address Newport’s unmet housing needs?

Beyond the December meeting, we will meet with the PAC three more times to: (1) refine the strategies, (2) review a draft of the selected strategies, and (3) review the full draft HPS.

This memorandum includes the following parts:

- Actions Under Consideration for Inclusion in the HPS
- Use of Actions to Support Different Housing Outcomes
- Appendix A: Evaluation Criteria for Actions
- Appendix B: Existing Policies to Address Newport’s Housing Needs

Actions Under Consideration for Inclusion in the HPS

The following actions are under consideration for inclusion in the HPS. This section presents some information about each action. If selected for inclusion in the HPS additional information will be included for each action. In Action A, we show all the information that will be included in the HPS, with placeholders for information we will fill in later.

Summary of Actions

In developing the HPS, we evaluated each of the actions considered for inclusion in the HPS based on the following. **Appendix A provides more details** about these evaluation criteria, beyond the summary below.

- **MFI targeted** focuses on incomes below 120% of MFI as these households are most likely to have difficulty affording housing.
- **Housing types targeted** considers what type of housing the action can support.
- **Impact** considers the potential scale of impact on housing development that the action could have. This provides context for whether the policy tool generally results in a little or a lot of change in the housing market.
- **Administrative burden** considers how much staff time is required to implement and administer action.
- **Funding required** considers how much funding is required to implement and administer the action.
- **Ease of implementation** assesses the political and community acceptability of the action, as well as potential need to coordinate with other organizations.
- **Flexibility** describes whether the action can be flexibly used to achieve multiple outcomes.

Exhibit 1. Summary of Actions

Potential Action	MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
A. Support development of a regional housing entity focused on low- and moderate-income housing development	60% to 120% MFI / middle, multifamily	Moderate	Medium	Medium	Medium	High
B. Grow partnerships with Community Land Trusts	Up to 120% MFI / single family, middle	Small	Low	Medium	High	Low
C. Implement the Homebuyer Opportunity Limited Tax Exemption	Up to 120% MFI / single family	Small	Medium	Low	Medium	Medium
D. Support outreach and education to promote equitable housing access	All incomes / all housing types	Small	Medium	Low	Low to High	High
E. Reduce development code barriers to multifamily development	All incomes / multi-family	Moderate	Low	Low	Medium	Medium
F. Pay System Development Charges (SDC) for workforce housing	Up to 120% MFI / multifamily	Small	Medium	Medium	Medium	High
G. Pursue a Growth Management Agreement with the County	All incomes / all housing types	Small	Low	Low	Medium	Low
H. Lobby the Legislature for more resources to support housing development and remove regulatory barriers to housing development	All incomes / all housing types	Moderate to Large	Medium	Low	Low to High	High
I. Participate in the regional homelessness action plan	Up to 30% MFI / temporary housing	Moderate	Medium	Medium to High	Medium	Medium
J. Establish a low barrier emergency shelter and warming center in Newport	Up to 30% MFI / emergency shelter	Moderate to Large	Medium	Medium to High	Medium	Low
Funding Sources						
K. Adjust the allocation of the Construction Excise Tax (CET) to support affordable housing development	Up to 120% MFI / all housing types	Moderate	Low	NA	Medium	High
L. Use Urban Renewal to support housing and infrastructure development	All incomes / all housing types	Large	Medium	NA	Medium	High

A. Support development of a regional housing entity focused on low- and middle-income housing development

Rationale

Households with low and moderate incomes (between 60% and 120% of MFI) across Lincoln County are experiencing affordability barriers to accessing housing. Meanwhile cities across the region have limited resources (financial and otherwise) to support housing development. By supporting development of a regional housing entity, cities and the county can pool resources to support housing development and better address housing needs at the regional level.

Description

Much of the resources available to support development of affordable housing are targeted at building income-restricted affordable housing, affordable to households earning 60% or less of MFI. There are fewer programs and resources available to support development of housing affordable to households with low and moderate incomes (incomes between 60% and 120% of MFI). While more resources are needed to support development of all types of affordable housing, this action focuses on a regional effort to support development of housing affordable to low and middle income households. In Newport, people with these income levels struggle to find housing, resulting in higher rates of cost burden (especially for renters), commuting from outlying areas, or overcrowding.

Newport wants an active role in supporting low- and moderate-income housing development, but limited resources make it challenging for the city to remove barriers to development of affordable housing on its own. Newport, along with other cities in Lincoln County, could work together to build the capacity of existing partners such as the Housing Authority of Lincoln County to expand housing support to households making between 60% and 120% MFI. Regional partners would bring their own funding sources to the table and would pay to resource the regional housing entity.

The regional housing entity could support a regional land banking strategy, retaining staff who can oversee and manage a portfolio of banked land and help facilitate the development of land. Through land banking, the region can provide a pipeline of land for future development and control the type of development that may occur on that land.

Newport could support the regional housing entity in the following ways:

- Engage other cities to build momentum for a regional housing approach
- Dedicate land to a land bank managed by the regional housing entity
- Provide funds such as from Urban Renewal or CET to support land banking and other regional housing services.
- Provide limited staff support

City Role

Partnership and funding for a regional housing entity

Partners and their Role

Partner 1. To be filled in later

Partner 2. To be filled in later

Anticipated Impacts

To be filled in later

Populations Served	Income	Housing Tenure	Magnitude of New Units Produced
Low and middle income	60%-120% MFI	Renter and Owner	TBD

Potential Risks

To be filled in later

Implementation Steps

To be filled in later

Implementation Timeline

To be filled in later

Timeline for Adoption	Implementation to Commence	Timeframe of Impact

Funding or Revenue Implications

To be filled in later

B. Grow partnerships with Community Land Trusts

Rationale

Land trusts support affordable housing development by holding land in perpetuity and selling or leasing the housing on the land at below-market rate prices. Land trusts most frequently provide opportunities for homeownership that remain affordable over the long-term.

Description

A land trust is typically managed by a nonprofit organization that owns land and sells/leases the housing on the land to income-qualified buyers. Because the land is not included in the housing price for tenants/buyers, land trusts can achieve below-market pricing. Land trusts are commonly used as a method for supporting affordable home ownership goals.

The City may participate in a community land trust that is operated by an existing entity, often a nonprofit organization. The City's role in a community land trust could be as a partner, possibly assisting the trust with land acquisition through land banking or through providing funding to support housing development.

The City already has relationships with two land trusts - Proud Ground and DevNW that operate in the region. The City could dedicate additional resources to support these land trusts in Newport or develop relationships with other land trusts in the region.

City Role

Continue to partner with, and provide resources to, local land trusts

C. Implement the Homebuyer Opportunity Limited Tax Exemption

Rationale

The Homebuyer Opportunity Limited Tax Exemption (HOLTE) can serve as an incentive to stimulate the construction of new single-unit housing and encourage homeownership among low and moderate-income families.

Description

The state-authorized, locally implemented Homebuyer Opportunity Limited Tax Exemption (HOLTE) provides a 10-year property tax exemption on the improvement value of new or rehabilitated for-sale housing valued at no more than 120% of the median sales price for the City (or a lower percentage of median sales price if desired by the City). The City can set additional eligibility criteria and can cap the number or value of units in the program. This program could support expanded home ownership opportunities for low- and moderate-income households and/or production of lower-cost, new, single-family housing.

This exemption can be used in conjunction with other incentives (e.g., SDC deferrals), homeownership programs (e.g., down payment assistance programs and mortgage credit certificate programs), and land trust. It can be used to accomplish other development goals, such as green buildings and transit-oriented development.

What does the exemption apply to? The tax abatement can apply to any ownership housing valued at less than 120% of the City's median sales price, with or without a lasting affordability restriction. This could include housing provided by a community land trust or an affordable housing provider. The City could also consider including housing with a deed restriction keeping it affordable over at least the 10-year abatement period. The program can apply to any housing type as long as the units are sold individually, including single-family homes, townhouses, other for-sale middle housing, or condominiums.

How long does it apply? The property tax exemption can be granted for up to 10 years. State statute does not allow for the abatement to be extended.

What taxing districts would participate? The property tax exemption requires that the City gets affirmative support from at least 51% of overlapping taxing districts for the exemption. Newport's city property taxes account for about 36% of property taxes in Newport.

What impact might HOLTE have? In an analysis for the City of Hillsboro, ECONorthwest estimated the monthly property tax savings for a homeowner with the 10-year single-unit tax exemption as well as the foregone revenue for the City. Based on an example property with an improvement value of \$238,000 and an assessed value of \$164,000 (excluding land value¹), the analysis found that the homeowner would save roughly \$240 per month or about \$28,800 over the 10-year period if all districts participate in the exemption. The City would forego roughly \$9,000 (in today's dollars) of tax revenues over 10 years for the unit, with other taxing districts forgoing approximately \$19,800.

While Newport's tax rates would differ from this example in Washington County, this example shows that the impact to city tax revenues would be minimal while providing much needed support for low- and middle-income homeowners.

How much impact could this exemption have on Newport? Before adopting the HOLTE, the City should evaluate the potential impact on property tax revenues resulting from HOLTE. The City may want to consider capping the number of households it grants HOLTE exemptions to on an annual

¹ Based on the exemption of land value from property taxes allowed in ORS 307,162.

basis. The City may also want to run a pilot project for HOLTE, to evaluate its impact and effectiveness.

City Role

Implement the exemption and execute on reporting and administration procedures

D. Support outreach and education to promote equitable housing access

Rationale

Proactively reaching out to the community, particularly underserved populations, can help the City better understand the housing needs of its residents and provides an opportunity for community members to learn about existing housing resources that can support housing access and stability. Communicating effectively with landlords and residents about fair housing laws and available resources can also help ensure equitable access to housing, preventing, and addressing housing discrimination.

Description

A challenge to supporting affordable housing development is making sure that decision makers, stakeholders, and the community have a common understanding of the problem. The City could undertake efforts to increase community outreach, especially with groups who are underrepresented in community conversations and are hard to reach, such as non-English speaking community members. Through this effort the City could provide opportunities for community members to share their stories of housing problems, documenting them in a way to tell the story of unmet housing needs by people who live in Newport. The City could also provide information to community members about existing programs and actions the City has taken to address affordable housing.

The City should ensure that there are opportunities for education about Fair Housing to residents, property owners, property managers, realtors, lenders, and others involved with real estate transactions with access to Fair Housing information and referrals. Effective outreach requires substantial effort from staff and/or funding to pay consultants to do the outreach. The City should engage with partner organizations to help broaden outreach and build on efforts year-over-year.

City Role

Partner with organizations that provide Fair Housing education; conduct community outreach

E. Reduce development code barriers for multifamily development

Rationale

Removing barriers such as complex or restrictive building codes can make multifamily housing development less difficult, time consuming, and costly. Increasing development densities can also increase financial feasibility of building new multifamily housing. This could attract more developers to the area or encourage developers already working in Newport to look for other properties to develop.

Description

Newport has multiple barriers in its Development Code that are limiting or preventing multifamily development. As identified by the PAC and city staff, barriers in Newport's development code that makes multifamily development more challenging includes:

- **Building height limit.** The current building height limit is 35 feet. In most cases, this limits development to 2- to 2.5-stories, especially for buildings with a peaked roof. Increasing the height limit to allow 3 full stories (which could be a height limit of about 40 feet) can help make multifamily development more financially feasible. The City could increase building height limitations in selected areas of the city, in selected zoning districts, or both.
- **Parking requirements.** Off-street parking requirements increase the cost of developing housing. In Nye Beach, on-street parking credits reduce the required number of off-street parking spaces by one off-street parking space for every one on-street parking space abutting the property. Expanding on-street parking credits to areas beyond Nye Beach that have fully developed street sections would reduce off-street parking requirements and help lower the cost of development.
- **Variance process for development on hillsides.** The commonly gives variances to the 15-foot setback requirement for front yards, which requires a hearing with the Planning Commission. The City could remove the requirement for a setback variance process for development on hillsides, possibly with setting specific lot coverage ratios, to ensure that the new house is actually built closer to the street.

The City should consider if/how they can update Newport's Development Code to alleviate these barriers while still achieving other city goals (scenic views, solar impacts).

City Role

Amend the Development Code to reduce barriers to allow greater densities.

F. Pay System Development Charges (SDC) for workforce housing

Rationale

The City of Newport collects System Development Charges (SDCs) for wastewater, water, stormwater, transportation and parks. These fees add to the barriers of producing workforce housing in Newport. Programs that backfill (i.e., city pays for) Systems Development Charge fees directly reduce development costs and can incentivize development of qualifying housing types or building features.

Description

The City could pay the cost of SDCs for workforce housing but would need to use non-SDC City funds to backfill the costs of SDC. To do this, the City would require a funding source such as Urban Renewal (in urban renewal areas) or CET revenue. SDC subsidies should be scaled to the percent of units in the project that are affordable.

City Role

The City would create a program with specific eligibility criteria

G. Pursue a Growth Management Agreement with the County

Rationale

Most cities have an agreement with the county about how land within the urban growth boundary (UGB) but outside of city limits will be managed. Development of land in this area is generally subject to county development code and regulation. A growth management agreement spells out the roles and responsibilities of managing this land and expansion of or change to a UGB between the city and county.

Description

Newport does not have a growth management agreement that lays out the roles, responsibilities, and agreements for managing the UGB and land between the city limits and Newport UGB (called the “urbanizing area”). The lack of such an agreement can cause confusion and delay in actions related to changing Newport’s UGB, such as “swapping” undevelopable land from within the UGB to outside of the UGB and bringing in land better suited for development into the UGB.

This action would result in development of an intergovernmental agreement (IGA) between Lincoln County and Newport about how land within Newport’s urbanizing area and changes to the UGB will be administered by each part.

City Role

Initiate development of an IGA with Lincoln County for a growth management agreement.

H. Lobby the Legislature for more resources to support housing development and to remove regulatory barriers to housing development

Rationale

Cities have limited resources available to support housing development, particularly funding for the large-scale infrastructure needed to expand into undeveloped areas. By expanding the tools cities can access raise local funds, providing greater direct financial support for infrastructure, and reducing regulatory barriers to development, the state can equip Newport and other cities with the resources they need to support housing development.

Description

Newport could lobby the Oregon Legislature to increase funding for infrastructure and housing development as well as lobby for changes to regulations that would make development easier.

Examples include:

- Lobby to allow cities to establish a **real estate transfer tax** to fund land banking and other types of housing support, specifically in cities where the median housing cost is significantly higher than what the local workforce can afford.
- Lobby to **allow cities to use restricted transient lodging tax** funds to support development of housing (or infrastructure to support housing) for people working in service industries and other lower wage jobs in the city.
- Advocate for **streamlining state building codes to allow a greater variety of prefabricated structures** (modular housing), including prefabricated housing produced in different states.
- Lobby to **change the Local Improvement District statutes** to allow participants to pay off assessments through property taxes, rather than requiring a lump sum payment, which is difficult for many property owners.
- Lobby to **simplify the UGB amendment process**; make it easier for cities to swap land that cannot be cost effectively served or expand the UGB when necessary to accommodate growth.

I. Participate in the regional homelessness action plan

Rationale

Newport is not alone in its challenges around housing affordability and homelessness. Homelessness has been on the rise in Lincoln County and many other regions across the state. By developing a regional approach to addressing homelessness, cities and the county can align efforts and pool resources to address the systemic challenges that are driving the homelessness crisis.

Description

Homelessness in Lincoln County has been on the rise. The primary causes of homelessness include job loss, mental health issues, substance abuse, evictions, foreclosures and possibly transition from incarceration, as well as structural issues such as increasing rents and lack of affordable housing. Lincoln County was selected to participate in a homelessness response coordination pilot program and was awarded one of eight grants in the state. The grant requires participating entities to formulate, organize and manage an Advisory Board, stand up a coordinated homeless response office and prepare a 5-Year Strategy to Reduce Homelessness.

Newport should actively engage and assist the county and other partners in the development and implementation of the 5-year strategic plan to reduce homelessness. Newport could dedicate resources to addressing homelessness in alignment with the regional plan.

City Role

Participate in the regional action planning process

J. Establish a low barrier emergency shelter and warming center in Newport

Rationale

People experiencing homelessness need access to long-term housing. The first step towards accessing long-term housing is often through low barrier emergency shelters, which is intended to meet the needs of people experiencing homelessness with more barriers to shelter such as people with behavioral health issues or a criminal background.

Description

A low barrier emergency shelter should meet the needs of all members of a household, including infants and children and should avoid splitting up family members to access shelter. The shelter should not turn people away or make access contingent on sobriety, minimum income requirements, or lack of a criminal history. The shelter should provide a safe, decent, welcoming, and appropriate temporary living environment, where daily needs can be met while pathways back to safe living arrangements or directly into housing programs are being pursued.

The City could seek a partner to work with on development and operations of an emergency shelter, such as a qualified nonprofit operating in Lincoln County and partnering with Lincoln County for critical services.

The City could support development of an emergency shelter by providing a site for the shelter (such as surplus city-owned land or designating an area for the emergency shelter), facilitating the permitting and review process for the shelter, and/or providing financial or other assistance to support development of the shelter. The City could initiate the process for developing a shelter by issuing a request for proposals for a shelter provider.

Building and operating the shelter will require assistance from many different partners. While the City would contribute funds to development of the shelter, other funding will be necessary to build the shelter. In addition, other partners could provide services to people experiencing homelessness who would use the shelter. Lincoln County might provide mental health services to people who stay at the shelter. The Lincoln County Housing Authority might help people at the shelter access long-term affordable housing.

City Role

Bring funding to bear to support the rehabilitation of an existing building for use as a shelter, or the construction of a new shelter, and partner with existing government, social service, or nonprofit organization(s) to operate the facility.

Funding Sources

The City has existing sources of funding to support development of housing, such as a Construction Excise Tax and Urban Renewal. These actions are about potential changes to these funding sources or direction on use of these funding sources to implement the affordable housing actions in the HPS.

K. Adjust the Allocation of the Construction Excise Tax (CET) to support affordable housing development

Rationale

CET is one of few options to generate additional, locally-controlled funding for affordable housing. It is a flexible funding source, especially for funds derived from commercial/industrial development and offers the ability to link industrial or other employment investments, which generate new jobs and demand for new housing, with funding for housing development.

Description

The City adopted a Construction Excise Tax (CET) in 2017, which is levied on new residential, commercial, and industrial development. The City charges the maximum allowed by State law for new residential development (1% of the permit valuation) as well as 1% of commercial and industrial permit values.² The CET has created a dedicated source of funding for affordable housing in Newport, which collected a little more than \$540,000 since its inception.

The allowed uses for CET funding are defined by state statute:

- The City may retain up to 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, depending on whether the CET is on residential or commercial and industrial development.
- For a residential CET:
 - 50% must be used for developer incentives for multifamily housing. These incentives could include City payment of permit fees and SDCs for development, tax abatements, or finance-based incentives. The City may use the CET to fund voluntary developer incentives that:
 - Increase the number of affordable housing units in a development
 - Decrease the sale or rental price of affordable housing units in a development
 - Build affordable housing units that are affordable to households with incomes equal to or lower than 80% of MFI.³
 - 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
 - 15% flows to Oregon Housing and Community Services for homeownership programs that provide down payment assistance in Newport
- The State allows for more flexible use of commercial/industrial CET:
 - 50% of the funds must be used for housing-related programs, as defined by the jurisdiction (note that these funds are not necessarily limited to affordable housing).
 - The remaining 50% is unrestricted.

² There is no cap on the rate applied to commercial and industrial construction.

³ Based on information in ORS 197.309(7).

The City currently allocates all CET funds toward affordable housing according to the percentages required for the residential CET. However, the City has not fully determined how to spend its CET funds, only spending: (1) the 15% of funds that flows to Oregon Housing and Community Services for homeownership programs and (2) matching state funding to Proud Ground for down-payment assistance grants. The City had balance of about \$540,000 beginning Fiscal Year 2022.

Currently CET funds are designated for the following uses:

	Current Allocations of Residential CET funds	Current Allocations for Commercial and Industrial CET funds	Total
Affordable Housing – Flexible Use (35%)	\$159,096	\$23,517	\$182,613
OHCS Down Payment Assistance (15%)	\$68,118	\$10,763	\$78,881
Affordable Housing – Restricted to developer incentives (50%)	\$226,047	\$34,641	\$260,688
Total	\$453,261	\$68,921	\$522,182

The City needs to decide:

- **How to spend the existing funds.** These funds could be used to backfill SDC costs or development fees for housing affordable to households with incomes of 80% to 120% of MFI. Some of these funds could be spent on programs to address homelessness, like establishing a low-barrier emergency shelter. There are many other ways that these funds could be spent for affordable housing.
- **Should the City spend commercial/industrial CET differently than residential CET.** The City **could** consider changing how the funds from the commercial/industrial CET, which constituted about 13% of collections between 2017 and 2022, to dedicate more funds for flexible use. This would allow the City to spend on specific housing priorities, like establishing a low-barrier emergency shelter, supporting affordable homeownership as part a community land trust, or other priorities. Based on collections between 2017 and 2022, this would have generated about \$69,000 for flexible use.

CET Collections Scenario (using CET collections between 2017 and 2022)

	Current CET Allocations (residential and commercial/ industrial)	Potential Allocation (with all commercial/ industrial CET to flexible use fund)	Change
Affordable Housing – Flexible Use (35%)	\$182,613	\$228,017	\$45,404
OHCS Down Payment Assistance (15%)	\$78,881	\$68,118	(\$10,763)
Affordable Housing – Restricted to developer incentives (50%)	\$260,688	\$226,047	(\$34,641)

City Role

Identify how the CET funds should be allocated. Given the pace of collections, it may be advisable to allow them to accrue for a few years between periods when they are used.

L. Use Urban Renewal to support housing and infrastructure development

Rationale

Urban renewal provides a flexible funding tool that can support many of the key strategies identified in the Housing Production Strategy. It allows cities to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs).

Description

Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes is used to pay off bonds. Newport's existing Northside Urban Renewal District was established in 2015 for the purpose of revitalizing the City's commercial core areas; upgrading street and utilities in Agate Beach to enhance existing neighborhoods and facilitate residential development; and to partner in redevelopment of the county commons and hospital campus.

Urban renewal can be used to support development of off-site infrastructure necessary to support new housing development. It can also be used to support development of affordable housing or to support rehabilitation of existing housing in poor condition, possibly with future requirements that it remain affordable at an income level like 80% or less of MFI.

The City will need to decide how to use the funding. The best use of funding may be in coordination with other actions in the HPS, such as with land banking and support of development of income-restricted housing.

City Role

The City would continue to implement the Urban Renewal Plans and select projects to fund through Urban Renewal.

How are other cities using Urban Renewal to support housing?

The cities of John Day and Madras both established Urban Renewal Districts in their respective rural communities to help with compounding shortfalls of housing production. These Urban Renewal Districts use Tax Increment Financing (TIF) to provide incentives for building within designated city areas that have "deteriorated structures, underdevelopment or lack of development."

The City of John Day established their Urban Renewal District in 2018 covering about 130 acres of land, and the City of Madras established their Madras Housing Urban Renewal District (HURD) Plan in 2019 covering about 700 acres of land. Both cities offer incentives within their Urban Renewal Districts, including:

- Cash rebates on a portion of property taxes paid
- Direct contribution of funds
- Contributions to the developer for infrastructure development
- An agreement for the Urban Renewal Agency to complete infrastructure improvements that are required as a condition of development approval

Use of the Actions to Support Different Housing Outcomes

Many of the actions and funding tools discussed in this memorandum can be used to meet housing needs at different income levels and support different housing outcomes. This section describes how groupings of actions, are necessary to work together to meet Newport's housing needs.

These groupings will be refined based on discussion at the December 15, 2022, PAC meeting. The draft groupings are:

- **Encourage development of income-restricted affordable housing units.** There are limited options available in Newport that are affordable to households with income of less than 60% of MFI (income of \$34,400 for a family of four people). This initiative supports development of housing affordable in this income group.
- **Remove barriers to development of low- and moderate-income affordable rental housing.** This initiative seeks to increase the housing options for unregulated rental households earning between 60% and 120% of MFI (\$34,400 to \$68,900).
- **Increase opportunities for affordable homeownership.** This initiative seeks to increase the housing options for homeownership for households earning less 120% of MFI (less than \$68,900).
- **Preserve existing of low- and moderate-income affordable housing.** This initiative seeks to increase the housing options for rental households earning less than 120% of MFI (less than \$68,900).
- **Address homelessness.** This initiative seeks to remove barriers and support access to temporary and longer-term housing solutions for those experiencing homelessness and housing insecurity.

Exhibit 2. Housing Initiatives and the Potential Actions

■ Primary Focus of the initiative □ Secondary Focus of the initiative

Potential Action	Development of Income-Restricted Affordable Housing	Development of Low/Moderate Income Rental Housing	Increase Affordable Homeownership	Preserve Existing Low- to Moderate-Income Affordable Housing	Address Homelessness
MFI	Up to 60% MFI	60% – 120% MFI	Up to 120% MFI	Up to 120% MFI	
A. Support development of a regional housing entity focused on low- and middle-income housing development		■	■		
B. Grow partnerships with Community Land Trusts			■	□	
C. Implement the Homebuyer Opportunity Limited Tax Exemption			■	□	
D. Support outreach and education to promote equitable housing access	■	■	■	■	■
E. Reduce development code barriers to multifamily development	■	■		□	
F. Pay System Development Charges (SDC) for workforce housing	■	■	■		
G. Pursue a Growth Management Agreement with the County	□	□	□		
H. Lobby the Legislature for more resources to support housing development and remove regulatory barriers to housing development	■	■	■	■	■
I. Participate in the regional homelessness action plan	□				■
J. Establish a low barrier emergency shelter and warming center in Newport					■
Funding Sources					
K. Adjust the allocation of the Construction Excise Tax (CET) to support affordable housing development	■	■	■	□	□
L. Use Urban Renewal to support housing and infrastructure development	■	■	■	□	□

Appendix A: Evaluation Criteria for Actions

This appendix summarizes the evaluation criteria used to evaluate actions for inclusion in the HPS. The evaluation criteria (summarized below) fall into seven categories: MFI targeted, housing type targeted, impact, administrative burden, funding required, ease of implementation, and flexibility.

Evaluation Criteria

The proposed evaluation criteria (summarized below) fall into seven categories: MFI targeted, housing type targeted, development impact, administrative burden, funding required, political acceptability, and flexibility.

MFI Targeted

Newport would like to see development and preservation of housing affordable at all income levels. We define income levels based on 2022 Median Family Income for Lincoln County (as defined by the U.S. Department of Housing and Urban Development) for a household of four people, as follows:

Extremely Low and Low Income	Low Income	Middle Income	High Income
Extremely Low Income: Less than 30% MFI Less than \$17,200	50% to 80% of MFI \$28,700 to \$45,900	80% to 120% of MFI \$45,900 to \$68,900	120% of MFI+ \$68,900+
Very-Low Income: 30% to 50% of MFI \$17,200 to \$28,700			
<i>33% of households</i>	<i>15% of households</i>	<i>18% of households</i>	<i>33% of households</i>
<i>Can afford \$720 or less in monthly housing costs.</i>	<i>Can afford \$720 to \$1,150 in monthly housing costs.</i>	<i>Can afford \$1,150 to \$1,720 in monthly housing costs.</i>	<i>Can afford \$1,720 or more in monthly housing costs.</i>

Housing Types Targeted

What types of housing does this action support? Newport would like to see development and preservation of different types of housing. We examine how the action will support the development and/or preservation of different housing according to the following types:

Single Family, Detached	Middle Housing	Multifamily	Temporary Housing
Single family, detached Small lot Cottage housing Manufactured housing	Townhouses Duplexes Triplexes Quadplexes	Housing with 5 or more units/structure	Emergency shelter Temporary housing

Impact

Does the action result in a little or a lot of change in the housing market? How many units might be produced? Can the tool leverage investments from other partners? How long will the impact last? The scale of impact depends on conditions in the city, such as the City of Newport’s other existing or newly implemented housing policies, land supply, and housing market conditions. We define the scale of impact as follows:

Small	Moderate	Large
Will not directly result in development of new housing or it may result in development of a small amount of new housing. May not improve housing affordability in and of itself.	Could directly result in development of new housing. May not improve housing affordability in and of itself.	Could directly result in development of new housing. May improve housing affordability in and of itself but may still need to work with other policies to increase housing development feasibility.
<i>~1-3% of needed housing 7 to 19 new dwelling units⁴</i>	<i>~3% to 5% of needed housing 19 to 32 new dwelling units</i>	<i>~5% to 10% (or more) of needed housing 32 to 63 new dwelling units</i>

Administrative Burden

How much staff time is required to implement the action? Is it difficult to administer once it is in place? We define administrative complexity, as follows:

Low	Medium	High
Requires some staff time to develop the action and requires some on-going staff time to implement the action.	Requires more staff time to develop the action and requires more on-going staff time to implement the action.	Requires significant staff time to develop the action and/or significant on-going staff time to implement the action.

Funding Required

What financial resources are required to implement the action? This includes the cost to establish and maintain a program. For funding sources, the easier it is to administer the tax or fee, the more net revenue will be available to offset costs for housing production or preservation. We define funding required, as follows:

Low	Medium	High
Has relatively small funding impacts.	Has relatively moderate funding impacts.	Has relatively larger funding impacts.

⁴ Newport’s Capacity Needs Analysis projects that the City will grow by 626 new dwelling units between 2022 and 2042.

Ease of Implementation

Ease of Implementation assesses the difficulty of implementing the action in terms of coordination with elected officials and stakeholders. It considers expected political acceptability for elected officials and the public at large. If the action is dependent on the action of another organizational entity, the action is less likely than if the City controlled all aspects of tool implementation. We define ease of implementation, as follows:

	Low	Medium	High
Potential resistance from stakeholder groups, the public at large, and/or elected officials	Likely significant resistance	Moderate resistance	Little resistance
Coordination with another entity required	Significant	One-time or ongoing coordination	Little or none
Planning Commission review and/or City Council acceptance/adoption required	Review and adoption required	Review and/or adoption required	Review required

Flexibility

Flexibility assesses whether the action can be flexibly used to achieve multiple outcomes? Does it have legal limitations or other barriers that limit its utility for achieving goals of supporting housing development, increasing housing stability or other HPS goals? This category considers limitations on the types of projects that can be implemented with a given action. Given development market cycles, a funding source especially may be less useful to the City if its use is limited to certain types of projects.

We define feasibility, as follows:

Low	Medium	High
The action can be used in specific situations, to achieve specific outcomes with little flexibility in its use.	The action can be used flexibly for multiple outcomes but there may be some barriers on its use. It can be used in somewhat specific situations.	The action can be used to achieve multiple outcomes, has few barriers on its use, or supports multiple goals in the HPS. It can be used in many situations.

Appendix B: Existing Policies to Address Newport's Housing Needs

Since Newport last completed its Housing Needs Analysis in 2011, the City has implemented many programs and policies to support housing development detailed below

- **Tax Incentives for Affordable Housing:** In the fall of 2017, the Newport City Council established two tax incentive programs and Lincoln County adopted a resolution committing it to participate in the programs, which expanded the potential tax benefits.
 - **Non-Profit Corporation Low-Income Housing Tax Exemption:** The first is targeted to non-profit corporations that operate income-limited rental housing, specifically at 60 percent MFI in the first year of operation and up to 80 percent MFI in subsequent years. The exemption also applies to property held for development by such entities, for up to three years.
 - **Multiple Unit Property Tax Exemption:** The second program provides a 10-year property tax exemption on structural improvements on multi-family rental projects with an affordable component. Developers are required to reserve at least 20 percent of the units at 80 percent MFI (at least 3 units if new construction, 2 units in a remodel) and are subject to other standards. The developer of a 110-unit, state-subsidized private affordable housing project submitted the first application under the multiple unit program. All the units will be affordable at 60 percent MFI, and the developer will realize more than \$1.6 million in tax savings on structural improvements over the 10-year period. Newport's portion is roughly 40 percent of the total, meaning it will forgo a little more than \$665,000.
- **System Development Charges Policies:** Newport collects System Development Charges (SDCs) for all five eligible categories: water, wastewater, storm drainage, transportation, and parks. Recent changes in SDC policies benefit residential development and incentivize modestly sized homes.
 - **Updated System Development Charges Methodology:** Newport adopted a new SDC methodology in 2017, replacing the "one size fits all" formula, by establishing tiered price per square foot charges which reduce costs for smaller units. For example, the fee for a new home with 1,250 square feet of living space dropped from \$10,994 to \$5,189. The new methodology also reduced the list of SDC eligible capital projects leading to, on balance, lower per project assessments (creating room for an Affordable Housing CET). This change has led to a modest increase in the number of small homes and ADUs built in the City.
 - **Transferability of System Development Charge Credits:** In 2018 the City amended its SDC ordinance for credits granted for qualified public improvements. By statute, developers must use these credits within 10 years, which can be a challenge in small communities where the pace of development is modest. The new rules allow credits to be sold or donated so long as the receiving property includes a residential use,

and the credit is not more than 50 percent of the SDC assessment. This provision has been used twice, for the 110-unit subsidized housing project referenced above, and for a 66-unit market-rate multifamily project completed in 2021.

- **Revenue Sources to Support Housing Investments:** With the new SDC policy adopted in 2017, policymakers had room to consider an excise tax without significantly impacting up-front development costs. Newport has also used tax increment financing to support housing development.
 - **Construction Excise Tax for Affordable Housing:** Adopted in the fall of 2017, the tax imposed is 1 percent of the permit value for construction that results in new or additional square footage for commercial and residential structures, with state-mandated exemptions for specific private and non-profit uses. The tax has created a dedicated source of funding for affordable housing, which collected a little more than \$540,000 since its inception. State law requires at least 50 percent of taxes collected from residential development must be used as developer incentives, such as reducing impact fees. Of the remaining amount, 35 percent can be used for “other affordable housing programs” and 15 percent is remitted to Oregon Housing and Community Services (OHCS) for its down payment assistance program. OHCS has committed to awarding those funds in Newport. Half of the tax collected from commercial projects must also be used to fund housing related programs.
 - **Urban Renewal (Tax Increment Financing):** Newport has three urban renewal areas expected to generate \$30 million in infrastructure improvements over the next 20 years to catalyze new development. This tool requires thoughtful engagement with all affected taxing entities to dedicate future tax revenues toward these investments. Newport often uses urban renewal funds as a match for state and federal grants, or in conjunction with funds from private partners. The City recently invested about \$120,000—with additional contributions from a developer—to improve a regional storm water detention facility so that a 26-unit, market-rate subdivision can be built. The improvements will accommodate run-off from other upstream residential properties.
- **Grants and Land Donations for Affordable Home Ownership:** The City has entered into partnerships with other jurisdictions and nonprofit partners to create affordable home ownership opportunities and help keep low-income owners in their homes.
 - **Home Ownership Down Payment Assistance:** Newport, Lincoln City, and Lincoln County executed an agreement with Proud Ground, a community land trust from the Portland metro area, to provide eight down payment assistance grants for households making 80 to 120 percent of MFI. Proud Ground was able to leverage \$160,000 in local matching funds to create over \$770,000 in subsidy (including \$515,000 from the Governor’s Workforce Housing Initiative). Proud Ground, with support from the partners, held numerous homebuyer education meetings to help get qualified buyers into the pipeline. Three of these grants went to home purchases in Newport. The average subsidy per home required to fill the gap between the

mortgage the homeowners could afford and the price of the home on the market was \$87,228.

- **Habitat for Humanity Land Donation:** The City of Newport entered into a land donation agreement with Habitat for Humanity of Lincoln County for the construction of up to five owner-occupied units targeted to qualifying households earning between 40 and 80 percent of MFI. The first duplex project was completed in the spring of 2021, on a property valued at a little over \$100,000. Deed restrictions require that the properties will remain affordable for up to 20 years from the original sale.
- **Partnership with Lincoln Community Land Trust:** Beginning in 2015, the City partnered with the Lincoln Community Land Trust (LCLT) to provide operational support and gap financing for LCLT to create permanently affordable housing in Newport. LCLT merged with Proud Ground in 2018 and the City continues to support affordable homeownership on land trust properties through down payment assistance (see above).
- **Rehabilitation and Weatherization Programs:** Lincoln County and several of the incorporated cities, including Newport, obtained Community Development Block Grant (CDBG) funds to finance a housing rehabilitation loan program for low-income households. Participants were eligible for zero-interest, deferred payment loans that are typically repaid when the house is next sold. Changes to loan processing regulations since the Great Recession mean that the original loan servicer can no longer administer the program cost effectively. The partners have about \$2.75 million in the loan portfolio—including almost \$700,000 available to loan—and are considering options to continue the program, including working with a nonprofit on a new CDBG application to bring in additional resources. Newport executed an agreement with DevNW to continue this program in 2021.
- **Reduced Residential Street Widths.** The City of Newport updated its Transportation System Plan in 2022 to allow narrower streets in residential neighborhoods, reducing infrastructure costs for new subdivisions and infill projects. Streets in new subdivisions that will handle less than 500 vehicle trips per day can be designed as yield streets, which are 28-foot curb to curb, as compared to the 36-foot previously required. For infill projects fronting low-volume underdeveloped streets, developers may utilize a 16-foot, two-way through lane with 20-foot cleared area, or even a 12-foot wide road, with 30-foot long pullouts every 300-feet, in areas where there are fewer than 150 vehicle trips per day. The City’s previous minimum roadway width for infill projects on substandard streets was 24-feet of paved width.

DATE: January 12, 2023
TO: Newport Housing Advisory Committee
CC: Derrick Tokos
FROM: Beth Goodman and Nicole Underwood, ECONorthwest
SUBJECT: Housing Strategies (Actions) for Further Discussion

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Newport is in the process of developing a *Housing Capacity Analysis* and *Housing Production Strategy* (HPS) to address the City's unmet housing needs. This memorandum describes actions that the City of Newport could take to address the City's housing needs which were identified in the *Newport Housing Needs and Potential Strategies* memorandum. The project team developed this list based on conversations with City staff, the Project Advisory Committee, and the experiences of other cities in Oregon and other states.

The Project Advisory Committee (PAC) will use this memorandum as a basis for discussion at the January 12, 2023, meeting. It is an update, with a few changes, to the memorandum from the December 15, 2022 PAC meeting. It is not intended as a final deliverable but rather as an interim document that provides additional details on the selected actions. These actions will undergo additional refinement before being included in Newport's *Housing Production Strategy* (HPS).

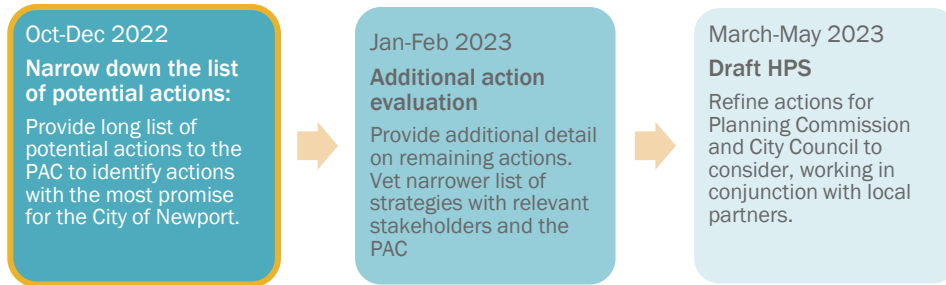
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For the HPS, the City is looking for strategies that:

- Help to encourage the production of housing units
- Are controlled and implemented by the City of Newport
- Can be administered by existing City staff, provided budgetary resources are available

Process

This memorandum begins to narrow down the list of potential actions (circled in orange below) and is intended to inform PAC discussion and City decisions about which actions to include in an overall program to produce housing citywide. This memorandum presents additional information about the actions discussed at the October 13th meeting and begins to evaluate them for inclusion in the HPS. Once a suite of actions has been selected, the consultant team will work with the City to determine next steps for each of the strategies that the City can implement over the course of eight years.



The next step in this process is to further narrow this list of actions with the PAC. The discussion with the PAC on ~~January 12, 2023~~, will focus on the following questions:

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- Are the actions included in this memorandum the appropriate actions to address unmet housing needs in Newport?
- Are we missing any actions that should be included in the HPS?
- Should we remove any of the actions from the list?
- What actions need additional research or refinement to better determine if they can address Newport’s unmet housing needs?

Beyond the December meeting, we will meet with the PAC three more times to: (1) refine the strategies, (2) review a draft of the selected strategies, and (3) review the full draft HPS.

This memorandum includes the following parts:

- Actions Under Consideration for Inclusion in the HPS
- Use of Actions to Support Different Housing Outcomes
- Appendix A: Evaluation Criteria for Actions
- Appendix B: Existing Policies to Address Newport’s Housing Needs

Actions Under Consideration for Inclusion in the HPS

The following actions are under consideration for inclusion in the HPS. This section presents some information about each action. If selected for inclusion in the HPS additional information will be included for each action. In Action A, we show all the information that will be included in the HPS, with placeholders for information we will fill in later.

Summary of Actions

In developing the HPS, we evaluated each of the actions considered for inclusion in the HPS based on the following. **Appendix A provides more details** about these evaluation criteria, beyond the summary below.

- **MFI targeted** focuses on incomes below 120% of MFI as these households are most likely to have difficulty affording housing.
- **Housing types targeted** considers what type of housing the action can support.
- **Impact** considers the potential scale of impact on housing development that the action could have. This provides context for whether the policy tool generally results in a little or a lot of change in the housing market.
- **Administrative burden** considers how much staff time is required to implement and administer action.
- **Funding required** considers how much funding is required to implement and administer the action.
- **Ease of implementation** assesses the political and community acceptability of the action, as well as potential need to coordinate with other organizations.
- **Flexibility** describes whether the action can be flexibly used to achieve multiple outcomes.

Exhibit 1. Summary of Actions

Potential Action	MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
A. Support development of a regional housing entity focused on low- and moderate-income housing development	60% to 120% MFI / middle, multifamily	Moderate	Medium	Medium	Medium	High
B. Grow partnerships with Community Land Trusts	Up to 120% MFI / single family, middle	Small	Low	Medium	High	Low
C. Implement the Homebuyer Opportunity Limited Tax Exemption	Up to 120% MFI / single family	Small	Medium	Low	Medium	Medium
D. Support outreach and education to promote equitable housing access	All incomes / all housing types	Small	Medium	Low	Low to High	High
E. Reduce development code barriers to multifamily development	All incomes / multi-family	Moderate	Low	Low	Medium	Medium
F. Pay System Development Charges (SDC) for workforce housing	Up to 120% MFI / multifamily	Small	Medium	Medium	Medium	High
G. Pursue a Growth Management Agreement with the County	All incomes / all housing types	Small	Low	Low	Medium	Low
H. Lobby the Legislature for more resources to support housing development and remove regulatory barriers to housing development	All incomes / all housing types	Moderate to Large	Medium	Low	Low to High	High
I. Participate in the regional homelessness action plan	Up to 30% MFI / temporary housing	Moderate	Medium	Medium to High	Medium	Medium
J. Establish a low barrier emergency shelter and warming center in Newport	Up to 30% MFI / emergency shelter	Moderate to Large	Medium	Medium to High	Medium	Low
Funding Sources						
K. Adjust the allocation of the Construction Excise Tax (CET) to support affordable housing development	Up to 120% MFI / all housing types	Moderate	Low	NA	Medium	High
L. Use Urban Renewal to support housing and infrastructure development	All incomes / all housing types	Large	Medium	NA	Medium	High

A. Support development of a regional housing entity focused on low- and middle-income housing development

Rationale

Households with low and moderate incomes (between 60% and 120% of MFI) across Lincoln County are experiencing affordability barriers to accessing housing. Meanwhile cities across the region have limited resources (financial and otherwise) to support housing development. By supporting development of a regional housing entity, cities and the county can pool resources to support housing development and better address housing needs at the regional level.

Description

Much of the resources available to support development of affordable housing are targeted at building income-restricted affordable housing, affordable to households earning 60% or less of MFI. There are fewer programs and resources available to support development of housing affordable to households with low and moderate incomes (incomes between 60% and 120% of MFI). While more resources are needed to support development of all types of affordable housing, this action focuses on a regional effort to support development of housing affordable to low and middle income households. In Newport, people with these income levels struggle to find housing, resulting in higher rates of cost burden (especially for renters), commuting from outlying areas, or overcrowding.

Newport wants an active role in supporting low- and moderate-income housing development, but limited resources make it challenging for the city to remove barriers to development of affordable housing on its own. Newport, along with other cities in Lincoln County, could work together to build the capacity of existing partners such as the Housing Authority of Lincoln County to expand housing support to households making between 60% and 120% MFI. Regional partners would bring their own funding sources to the table and would pay to resource the regional housing entity.

The regional housing entity could support a regional land banking strategy, retaining staff who can oversee and manage a portfolio of banked land and help facilitate the development of land. Through land banking, the region can provide a pipeline of land for future development and control the type of development that may occur on that land.

Newport could support the regional housing entity in the following ways:

- Engage other cities to build momentum for a regional housing approach
- Dedicate land to a land bank managed by the regional housing entity
- Provide funds such as from Urban Renewal or CET to support land banking and other regional housing services.
- Provide limited staff support

City Role

Partnership and funding for a regional housing entity

Partners and their Role

Partner 1. To be filled in later

Partner 2. To be filled in later

Anticipated Impacts

To be filled in later

Populations Served	Income	Housing Tenure	Magnitude of New Units Produced
Low and middle income	60%-120% MFI	Renter and Owner	TBD

Potential Risks

To be filled in later

Implementation Steps

To be filled in later

Implementation Timeline

To be filled in later

Timeline for Adoption	Implementation to Commence	Timeframe of Impact

Funding or Revenue Implications

To be filled in later

B. Grow partnerships with Community Land Trusts

Rationale

Land trusts support affordable housing development by holding land in perpetuity and selling or leasing the housing on the land at below-market rate prices. Land trusts most frequently provide opportunities for homeownership that remain affordable over the long-term.

Description

A land trust is typically managed by a nonprofit organization that owns land and sells/leases the housing on the land to income-qualified buyers. Because the land is not included in the housing price for tenants/buyers, land trusts can achieve below-market pricing. Land trusts are commonly used as a method for supporting affordable home ownership goals.

The City may participate in a community land trust that is operated by an existing entity, often a nonprofit organization. The City's role in a community land trust could be as a partner, possibly assisting the trust with land acquisition through land banking or through providing funding to support housing development.

The City already has relationships with two land trusts - Proud Ground and DevNW that operate in the region. The City could dedicate additional resources to support these land trusts in Newport or develop relationships with other land trusts in the region.

City Role

Continue to partner with, and provide resources to, local land trusts

C. Implement the Homebuyer Opportunity Limited Tax Exemption

Rationale

The Homebuyer Opportunity Limited Tax Exemption (HOLTE) can serve as an incentive to stimulate the construction of new single-unit housing and encourage homeownership among low and moderate-income families.

Description

The state-authorized, locally implemented Homebuyer Opportunity Limited Tax Exemption (HOLTE) provides a 10-year property tax exemption on the improvement value of new or rehabilitated for-sale housing valued at no more than 120% of the median sales price for the City (or a lower percentage of median sales price if desired by the City). The City can set additional eligibility criteria and can cap the number or value of units in the program. This program could support expanded home ownership opportunities for low- and moderate-income households and/or production of lower-cost, new, single-family housing.

This exemption can be used in conjunction with other incentives (e.g., SDC deferrals), homeownership programs (e.g., down payment assistance programs and mortgage credit certificate programs), and land trust. It can be used to accomplish other development goals, such as green buildings and transit-oriented development.

What does the exemption apply to? The tax abatement can apply to any ownership housing valued at less than 120% of the City's median sales price, with or without a lasting affordability restriction. This could include housing provided by a community land trust or an affordable housing provider. The City could also consider including housing with a deed restriction keeping it affordable over at least the 10-year abatement period. The program can apply to any housing type as long as the units are sold individually, including single-family homes, townhouses, other for-sale middle housing, or condominiums.

How long does it apply? The property tax exemption can be granted for up to 10 years. State statute does not allow for the abatement to be extended.

What taxing districts would participate? The property tax exemption ~~requires that the City gets affirmative support from at least 51% of overlapping taxing districts for the exemption. Newport's city property taxes account for about 36% of property taxes in Newport.~~

What impact might HOLTE have? In an analysis for the City of Hillsboro, ECONorthwest estimated the monthly property tax savings for a homeowner with the 10-year single-unit tax exemption as well as the foregone revenue for the City. Based on an example property with an improvement value of \$238,000 and an assessed value of \$164,000 (excluding land value¹), the analysis found that the homeowner would save roughly \$240 per month or about \$28,800 over the 10-year period if all districts participate in the exemption. The City would forego roughly \$9,000 (in today's dollars) of tax revenues over 10 years for the unit, with other taxing districts forgoing approximately \$19,800.

While Newport's tax rates would differ from this example in Washington County, this example shows that the impact to city tax revenues would be minimal while providing much needed support for low- and middle-income homeowners.

How much impact could this exemption have on Newport? Before adopting the HOLTE, the City should evaluate the potential impact on property tax revenues resulting from HOLTE. The City may want to consider capping the number of households it grants HOLTE exemptions to on an annual

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¹ Based on the exemption of land value from property taxes allowed in ORS 307,162.

basis. The City may also want to run a pilot project for HOLTE, to evaluate its impact and effectiveness.

City Role

Implement the exemption and execute on reporting and administration procedures

D. Support outreach and education to promote equitable housing access

Rationale

Proactively reaching out to the community, particularly underserved populations, can help the City better understand the housing needs of its residents and provides an opportunity for community members to learn about existing housing resources that can support housing access and stability. Communicating effectively with landlords and residents about fair housing laws and available resources can also help ensure equitable access to housing, preventing, and addressing housing discrimination.

Description

A challenge to supporting affordable housing development is making sure that decision makers, stakeholders, and the community have a common understanding of the problem. The City could undertake efforts to increase community outreach, especially with groups who are underrepresented in community conversations and are hard to reach, such as non-English speaking community members. Through this effort the City could provide opportunities for community members to share their stories of housing problems, documenting them in a way to tell the story of unmet housing needs by people who live in Newport. The City could also provide information to community members about existing programs and actions the City has taken to address affordable housing.

The City should ensure that there are opportunities for education about Fair Housing to residents, property owners, property managers, realtors, lenders, and others involved with real estate transactions with access to Fair Housing information and referrals. Effective outreach requires substantial effort from staff and/or funding to pay consultants to do the outreach. The City should engage with partner organizations to help broaden outreach and build on efforts year-over-year.

City Role

Partner with organizations that provide Fair Housing education; conduct community outreach

E. Reduce development code barriers for multifamily development

Rationale

Removing barriers such as complex or restrictive building codes can make multifamily housing development less difficult, time consuming, and costly. Increasing development densities can also increase financial feasibility of building new multifamily housing. This could attract more developers to the area or encourage developers already working in Newport to look for other properties to develop.

Description

Newport has multiple barriers in its Development Code that are limiting or preventing multifamily development. As identified by the PAC and city staff, barriers in Newport's development code that makes multifamily development more challenging includes:

- **Building height limit.** The current building height limit is 35 feet. In most cases, this limits development to 2- to 2.5-stories, especially for buildings with a peaked roof. Increasing the height limit to allow 3 full stories (which could be a height limit of about 40 feet) can help make multifamily development more financially feasible. The City could increase building height limitations in selected areas of the city, in selected zoning districts, or both.
- **Parking requirements.** Off-street parking requirements increase the cost of developing housing. In Nye Beach, on-street parking credits reduce the required number of off-street parking spaces by one off-street parking space for every one on-street parking space abutting the property. Expanding on-street parking credits to areas beyond Nye Beach that have fully developed street sections would reduce off-street parking requirements and help lower the cost of development.
- **Variance process for development on hillsides.** The commonly gives variances to the 15-foot setback requirement for front yards, which requires a hearing with the Planning Commission. The City could remove the requirement for a setback variance process for development on hillsides, possibly with setting specific lot coverage ratios, to ensure that the new house is actually built closer to the street.

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The City should consider if/how they can update Newport's Development Code to alleviate these barriers while still achieving other city goals (scenic views, solar impacts).

City Role

Amend the Development Code to reduce barriers to allow greater densities.

F. Pay System Development Charges (SDC) for workforce housing

Rationale

The City of Newport collects System Development Charges (SDCs) for wastewater, water, stormwater, transportation and parks. These fees add to the barriers of producing workforce housing in Newport. Programs that backfill (i.e., city pays for) Systems Development Charge fees directly reduce development costs and can incentivize development of qualifying housing types or building features.

Description

The City could pay the cost of SDCs for workforce housing but would need to use non-SDC City funds to backfill the costs of SDC. To do this, the City would require a funding source such as Urban Renewal (in urban renewal areas) or CET revenue. SDC subsidies should be scaled to the percent of units in the project that are affordable.

City Role

The City would create a program with specific eligibility criteria

G. Pursue a Growth Management Agreement with the County

Rationale

Most cities have an agreement with the county about how land within the urban growth boundary (UGB) but outside of city limits will be managed. Development of land in this area is generally subject to county development code and regulation. A growth management agreement spells out the roles and responsibilities of managing this land and expansion of or change to a UGB between the city and county.

Description

Newport does not have a growth management agreement that lays out the roles, responsibilities, and agreements for managing the UGB and land between the city limits and Newport UGB (called the “urbanizing area”). The lack of such an agreement can cause confusion and delay in actions related to changing Newport’s UGB, such as “swapping” undevelopable land from within the UGB to outside of the UGB and bringing in land better suited for development into the UGB.

This action would result in development of an intergovernmental agreement (IGA) between Lincoln County and Newport about how land within Newport’s urbanizing area and changes to the UGB will be administered by each part.

City Role

Initiate development of an IGA with Lincoln County for a growth management agreement.

H. Lobby the Legislature for more resources to support housing development and to remove regulatory barriers to housing development

Rationale

Cities have limited resources available to support housing development, particularly funding for the large-scale infrastructure needed to expand into undeveloped areas. By expanding the tools cities can access raise local funds, providing greater direct financial support for infrastructure, and reducing regulatory barriers to development, the state can equip Newport and other cities with the resources they need to support housing development.

Description

Newport could lobby the Oregon Legislature to increase funding for infrastructure and housing development as well as lobby for changes to regulations that would make development easier. Examples include:

- Lobby to allow cities to establish a **real estate transfer tax** to fund land banking and other types of housing support, specifically in cities where the median housing cost is significantly higher than what the local workforce can afford.
- Lobby to **allow cities to use restricted transient lodging tax** funds to support development of housing (or infrastructure to support housing) for people working in service industries and other lower wage jobs in the city.
- Advocate for **streamlining state building codes to allow a greater variety of prefabricated structures** (modular housing), including prefabricated housing produced in different states.
- Lobby to **change the Local Improvement District statutes** to allow participants to pay off assessments through property taxes, **rather than requiring a lump sum payment, which is difficult for many property owners.**
- Lobby to **simplify the UGB amendment process**; make it easier for cities to swap land that cannot be cost effectively served or expand the UGB when necessary to accommodate growth.

I. Participate in the regional homelessness action plan

Rationale

Newport is not alone in its challenges around housing affordability and homelessness. Homelessness has been on the rise in Lincoln County and many other regions across the state. By developing a regional approach to addressing homelessness, cities and the county can align efforts and pool resources to address the systemic challenges that are driving the homelessness crisis.

Description

Homelessness in Lincoln County has been on the rise. The primary causes of homelessness include job loss, mental health issues, substance abuse, evictions, foreclosures and possibly transition from incarceration, as well as structural issues such as increasing rents and lack of affordable housing. Lincoln County was selected to participate in a homelessness response coordination pilot program and was awarded one of eight grants in the state. The grant requires participating entities to formulate, organize and manage an Advisory Board, stand up a coordinated homeless response office and prepare a 5-Year Strategy to Reduce Homelessness.

Newport should actively engage and assist the county and other partners in the development and implementation of the 5-year strategic plan to reduce homelessness. Newport could dedicate resources to addressing homelessness in alignment with the regional plan.

City Role

Participate in the regional action planning process

J. Establish a low barrier emergency shelter and warming center in Newport

Rationale

People experiencing homelessness need access to long-term housing. The first step towards accessing long-term housing is often through low barrier emergency shelters, which is intended to meet the needs of people experiencing homelessness with more barriers to shelter such as people with behavioral health issues or a criminal background.

Description

A low barrier emergency shelter should meet the needs of all members of a household, including infants and children and should avoid splitting up family members to access shelter. The shelter should not turn people away or make access contingent on sobriety, minimum income requirements, or lack of a criminal history. The shelter should provide a safe, decent, welcoming, and appropriate temporary living environment, where daily needs can be met while pathways back to safe living arrangements or directly into housing programs are being pursued.

The City could seek a partner to work with on development and operations of an emergency shelter, such as a qualified nonprofit operating in Lincoln County and partnering with Lincoln County for critical services.

The City could support development of an emergency shelter by providing a site for the shelter (such as surplus city-owned land or designating an area for the emergency shelter), facilitating the permitting and review process for the shelter, and/or providing financial or other assistance to support development of the shelter. The City could initiate the process for developing a shelter by issuing a request for proposals for a shelter provider.

Building and operating the shelter will require assistance from many different partners. While the City would contribute funds to development of the shelter, other funding will be necessary to build the shelter. In addition, other partners could provide services to people experiencing homelessness who would use the shelter. Lincoln County might provide mental health services to people who stay at the shelter. The Lincoln County Housing Authority might help people at the shelter access long-term affordable housing.

City Role

Bring funding to bear to support the rehabilitation of an existing building for use as a shelter, or the construction of a new shelter, and partner with existing government, social service, or nonprofit organization(s) to operate the facility.

Funding Sources

The City has existing sources of funding to support development of housing, such as a Construction Excise Tax and Urban Renewal. These actions are about potential changes to these funding sources or direction on use of these funding sources to implement the affordable housing actions in the HPS.

K. Adjust the Allocation of the Construction Excise Tax (CET) to support affordable housing development

Rationale

CET is one of few options to generate additional, locally-controlled funding for affordable housing. It is a flexible funding source, especially for funds derived from commercial/industrial development and offers the ability to link industrial or other employment investments, which generate new jobs and demand for new housing, with funding for housing development.

Description

The City adopted a Construction Excise Tax (CET) in 2017, which is levied on new residential, commercial, and industrial development. The City charges the maximum allowed by State law for new residential development (1% of the permit valuation) as well as 1% of commercial and industrial permit values.² The CET has created a dedicated source of funding for affordable housing in Newport, which collected a little more than \$540,000 since its inception.

The allowed uses for CET funding are defined by state statute:

- The City may retain up to 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, depending on whether the CET is on residential or commercial and industrial development.
- For a residential CET:
 - 50% must be used for developer incentives for multifamily housing. These incentives could include City payment of permit fees and SDCs for development, tax abatements, or finance-based incentives. The City may use the CET to fund voluntary developer incentives that:
 - Increase the number of affordable housing units in a development
 - Decrease the sale or rental price of affordable housing units in a development
 - Build affordable housing units that are affordable to households with incomes equal to or lower than 80% of MFI.³
 - 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
 - 15% flows to Oregon Housing and Community Services for homeownership programs that provide down payment assistance in Newport
- The State allows for more flexible use of commercial/industrial CET:
 - 50% of the funds must be used for housing-related programs, as defined by the jurisdiction (note that these funds are not necessarily limited to affordable housing).
 - The remaining 50% is unrestricted.

² There is no cap on the rate applied to commercial and industrial construction.

³ Based on information in ORS 197.309(7).

The City currently allocates all CET funds toward affordable housing according to the percentages required for the residential CET. However, the City has not fully determined how to spend its CET funds, only spending: (1) the 15% of funds that flows to Oregon Housing and Community Services for homeownership programs and (2) matching state funding to Proud Ground for down-payment assistance grants. The City had balance of about \$540,000 beginning Fiscal Year 2022.

Currently CET funds are designated for the following uses:

	<u>Current Allocations of Residential CET funds</u>	<u>Current Allocations for Commercial and Industrial CET funds</u>	<u>Total</u>
<u>Affordable Housing – Flexible Use (35%)</u>	<u>\$159,096</u>	<u>\$23,517</u>	<u>\$182,613</u>
<u>OHCS Down Payment Assistance (15%)</u>	<u>\$68,118</u>	<u>\$10,763</u>	<u>\$78,881</u>
<u>Affordable Housing – Restricted to developer incentives (50%)</u>	<u>\$226,047</u>	<u>\$34,641</u>	<u>\$260,688</u>
<u>Total</u>	<u>\$453,261</u>	<u>\$68,921</u>	<u>\$522,182</u>

The City needs to decide:

- **How to spend the existing funds.** These funds could be used to backfill SDC costs or development fees for housing affordable to households with incomes of 80% to 120% of MFI. Some of these funds could be spent on programs to address homelessness, like establishing a low-barrier emergency shelter. There are many other ways that these funds could be spent for affordable housing.
- **Should the City spend commercial/industrial CET differently than residential CET.** The City **could** consider changing how the funds from the commercial/industrial CET, which constituted about 13% of collections between 2017 and 2022, to dedicate more funds for flexible use. This would allow the City to spend on specific housing priorities, like establishing a low-barrier emergency shelter, supporting affordable homeownership as part a community land trust, or other priorities. Based on collections between 2017 and 2022, this would have generated about \$69,000 for flexible use.

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CET Collections Scenario (using CET collections between 2017 and 2022)

	<u>Current CET Allocations (residential and commercial/ industrial)</u>	<u>Potential Allocation (with all commercial/ industrial CET to flexible use fund)</u>	<u>Change</u>
Affordable Housing – Flexible Use (35%)	<u>\$182,613</u>	<u>\$228,017</u>	<u>\$45,404</u>
OHCS Down Payment Assistance (15%)	<u>\$78,881</u>	<u>\$68,118</u>	<u>(\$10,763)</u>
Affordable Housing – Restricted to developer incentives (50%)	<u>\$260,688</u>	<u>\$226,047</u>	<u>(\$34,641)</u>

City Role

Identify how the CET funds should be allocated. Given the pace of collections, it may be advisable to allow them to accrue for a few years between periods when they are used.

L. Use Urban Renewal to support housing and infrastructure development

Rationale

Urban renewal provides a flexible funding tool that can support many of the key strategies identified in the Housing Production Strategy. It allows cities to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs).

Description

Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes is used to pay off bonds. Newport's existing Northside Urban Renewal District was established in 2015 for the purpose of revitalizing the City's commercial core areas; upgrading street and utilities in Agate Beach to enhance existing neighborhoods and facilitate residential development; and to partner in redevelopment of the county commons and hospital campus.

Urban renewal can be used to support development of off-site infrastructure necessary to support new housing development. It can also be used to support development of affordable housing or to support rehabilitation of existing housing in poor condition, possibly with future requirements that it remain affordable at an income level like 80% or less of MFI.

The City will need to decide how to use the funding. The best use of funding may be in coordination with other actions in the HPS, such as with land banking and support of development of income-restricted housing.

City Role

The City would continue to implement the Urban Renewal Plans and select projects to fund through Urban Renewal.

How are other cities using Urban Renewal to support housing?

The cities of John Day and Madras both established Urban Renewal Districts in their respective rural communities to help with compounding shortfalls of housing production. These Urban Renewal Districts use Tax Increment Financing (TIF) to provide incentives for building within designated city areas that have "deteriorated structures, underdevelopment or lack of development."

The City of John Day established their Urban Renewal District in 2018 covering about 130 acres of land, and the City of Madras established their Madras Housing Urban Renewal District (HURD) Plan in 2019 covering about 700 acres of land. Both cities offer incentives within their Urban Renewal Districts, including:

- Cash rebates on a portion of property taxes paid
- Direct contribution of funds
- Contributions to the developer for infrastructure development
- An agreement for the Urban Renewal Agency to complete infrastructure improvements that are required as a condition of development approval

Use of the Actions to Support Different Housing Outcomes

Many of the actions and funding tools discussed in this memorandum can be used to meet housing needs at different income levels and support different housing outcomes. This section describes how groupings of actions, are necessary to work together to meet Newport's housing needs.

These groupings will be refined based on discussion at the December 15, 2022, PAC meeting. The draft groupings are:

- **Encourage development of income-restricted affordable housing units.** There are limited options available in Newport that are affordable to households with income of less than 60% of MFI (income of \$34,400 for a family of four people). This initiative supports development of housing affordable in this income group.
- **Remove barriers to development of low- and moderate-income affordable rental housing.** This initiative seeks to increase the housing options for unregulated rental households earning between 60% and 120% of MFI (\$34,400 to \$68,900).
- **Increase opportunities for affordable homeownership.** This initiative seeks to increase the housing options for homeownership for households earning less 120% of MFI (less than \$68,900).
- **Preserve existing of low- and moderate-income affordable housing.** This initiative seeks to increase the housing options for rental households earning less than 120% of MFI (less than \$68,900).
- **Address homelessness.** This initiative seeks to remove barriers and support access to temporary and longer-term housing solutions for those experiencing homelessness and housing insecurity.

Exhibit 2. Housing Initiatives and the Potential Actions

■ Primary Focus of the initiative □ Secondary Focus of the initiative

Potential Action	Development of Income-Restricted Affordable Housing	Development of Low/Moderate Income Rental Housing	Increase Affordable Homeownership	Preserve Existing Low- to Moderate-Income Affordable Housing	Address Homelessness
MFI	Up to 60% MFI	60% - 120% MFI	Up to 120% MFI	Up to 120% MFI	
A. Support development of a regional housing entity focused on low- and middle-income housing development		■	■		
B. Grow partnerships with Community Land Trusts			■	□	
C. Implement the Homebuyer Opportunity Limited Tax Exemption			■	□	
D. Support outreach and education to promote equitable housing access	■	■	■	■	■
E. Reduce development code barriers to multifamily development	■	■		□	
F. Pay System Development Charges (SDC) for workforce housing	■	■	■		
G. Pursue a Growth Management Agreement with the County	□	□	□		
H. Lobby the Legislature for more resources to support housing development and remove regulatory barriers to housing development	■	■	■	■	■
I. Participate in the regional homelessness action plan	□				■
J. Establish a low barrier emergency shelter and warming center in Newport					■
Funding Sources					
K. Adjust the allocation of the Construction Excise Tax (CET) to support affordable housing development	■	■	■	□	□
L. Use Urban Renewal to support housing and infrastructure development	■	■	■	□	□

Appendix A: Evaluation Criteria for Actions

This appendix summarizes the evaluation criteria used to evaluate actions for inclusion in the HPS. The evaluation criteria (summarized below) fall into seven categories: MFI targeted, housing type targeted, impact, administrative burden, funding required, ease of implementation, and flexibility.

Evaluation Criteria

The proposed evaluation criteria (summarized below) fall into seven categories: MFI targeted, housing type targeted, development impact, administrative burden, funding required, political acceptability, and flexibility.

MFI Targeted

Newport would like to see development and preservation of housing affordable at all income levels. We define income levels based on 2022 Median Family Income for Lincoln County (as defined by the U.S. Department of Housing and Urban Development) for a household of four people, as follows:

Extremely Low and Low Income	Low Income	Middle Income	High Income
Extremely Low Income: Less than 30% MFI Less than \$17,200	50% to 80% of MFI \$28,700 to \$45,900	80% to 120% of MFI \$45,900 to \$68,900	120% of MFI+ \$68,900+
Very-Low Income: 30% to 50% of MFI \$17,200 to \$28,700			
33% of households	15% of households	18% of households	33% of households
Can afford \$720 or less in monthly housing costs.	Can afford \$720 to \$1,150 in monthly housing costs.	Can afford \$1,150 to \$1,720 in monthly housing costs.	Can afford \$1,720 or more in monthly housing costs.

Housing Types Targeted

What types of housing does this action support? Newport would like to see development and preservation of different types of housing. We examine how the action will support the development and/or preservation of different housing according to the following types:

Single Family, Detached	Middle Housing	Multifamily	Temporary Housing
Single family, detached Small lot Cottage housing Manufactured housing	Townhouses Duplexes Triplexes Quadplexes	Housing with 5 or more units/structure	Emergency shelter Temporary housing

Impact

Does the action result in a little or a lot of change in the housing market? How many units might be produced? Can the tool leverage investments from other partners? How long will the impact last? The scale of impact depends on conditions in the city, such as the City of Newport’s other existing or newly implemented housing policies, land supply, and housing market conditions. We define the scale of impact as follows:

Small	Moderate	Large
Will not directly result in development of new housing or it may result in development of a small amount of new housing. May not improve housing affordability in and of itself.	Could directly result in development of new housing. May not improve housing affordability in and of itself.	Could directly result in development of new housing. May improve housing affordability in and of itself but may still need to work with other policies to increase housing development feasibility.
~1-3% of needed housing 7 to 19 new dwelling units ⁴	~3% to 5% of needed housing 19 to 32 new dwelling units	~5% to 10% (or more) of needed housing 32 to 63 new dwelling units

Administrative Burden

How much staff time is required to implement the action? Is it difficult to administer once it is in place? We define administrative complexity, as follows:

Low	Medium	High
Requires some staff time to develop the action and requires some on-going staff time to implement the action.	Requires more staff time to develop the action and requires more on-going staff time to implement the action.	Requires significant staff time to develop the action and/or significant on-going staff time to implement the action.

Funding Required

What financial resources are required to implement the action? This includes the cost to establish and maintain a program. For funding sources, the easier it is to administer the tax or fee, the more net revenue will be available to offset costs for housing production or preservation. We define funding required, as follows:

Low	Medium	High
Has relatively small funding impacts.	Has relatively moderate funding impacts.	Has relatively larger funding impacts.

⁴ Newport’s Capacity Needs Analysis projects that the City will grow by 626 new dwelling units between 2022 and 2042.

Ease of Implementation

Ease of Implementation assesses the difficulty of implementing the action in terms of coordination with elected officials and stakeholders. It considers expected political acceptability for elected officials and the public at large. If the action is dependent on the action of another organizational entity, the action is less likely than if the City controlled all aspects of tool implementation. We define ease of implementation, as follows:

	Low	Medium	High
Potential resistance from stakeholder groups, the public at large, and/or elected officials	Likely significant resistance	Moderate resistance	Little resistance
Coordination with another entity required	Significant	One-time or ongoing coordination	Little or none
Planning Commission review and/or City Council acceptance/adoption required	Review and adoption required	Review and/or adoption required	Review required

Flexibility

Flexibility assesses whether the action can be flexibly used to achieve multiple outcomes? Does it have legal limitations or other barriers that limit its utility for achieving goals of supporting housing development, increasing housing stability or other HPS goals? This category considers limitations on the types of projects that can be implemented with a given action. Given development market cycles, a funding source especially may be less useful to the City if its use is limited to certain types of projects.

We define feasibility, as follows:

Low	Medium	High
The action can be used in specific situations, to achieve specific outcomes with little flexibility in its use.	The action can be used flexibly for multiple outcomes but there may be some barriers on its use. It can be used in somewhat specific situations.	The action can be used to achieve multiple outcomes, has few barriers on its use, or supports multiple goals in the HPS. It can be used in many situations.

Appendix B: Existing Policies to Address Newport's Housing Needs

Since Newport last completed its Housing Needs Analysis in 2011, the City has implemented many programs and policies to support housing development detailed below

- **Tax Incentives for Affordable Housing:** In the fall of 2017, the Newport City Council established two tax incentive programs and Lincoln County adopted a resolution committing it to participate in the programs, which expanded the potential tax benefits.
- **Non-Profit Corporation Low-Income Housing Tax Exemption:** The first is targeted to non-profit corporations that operate income-limited rental housing, specifically at 60 percent MFI in the first year of operation and up to 80 percent MFI in subsequent years. The exemption also applies to property held for development by such entities, for up to three years.
- **Multiple Unit Property Tax Exemption:** The second program provides a 10-year property tax exemption on structural improvements on multi-family rental projects with an affordable component. Developers are required to reserve at least 20 percent of the units at 80 percent MFI (at least 3 units if new construction, 2 units in a remodel) and are subject to other standards. The developer of a 110-unit, state-subsidized private affordable housing project submitted the first application under the multiple unit program. All the units will be affordable at 60 percent MFI, and the developer will realize more than \$1.6 million in tax savings on structural improvements over the 10-year period. Newport's portion is roughly 40 percent of the total, meaning it will forgo a little more than \$665,000.
- **System Development Charges Policies:** Newport collects System Development Charges (SDCs) for all five eligible categories: water, wastewater, storm drainage, transportation, and parks. Recent changes in SDC policies benefit residential development and incentivize modestly sized homes.
- **Updated System Development Charges Methodology:** Newport adopted a new SDC methodology in 2017, replacing the "one size fits all" formula, by establishing tiered price per square foot charges which reduce costs for smaller units. For example, the fee for a new home with 1,250 square feet of living space dropped from \$10,994 to \$5,189. The new methodology also reduced the list of SDC eligible capital projects leading to, on balance, lower per project assessments (creating room for an Affordable Housing CET). This change has led to a modest increase in the number of small homes and ADUs built in the City.
- **Transferability of System Development Charge Credits:** In 2018 the City amended its SDC ordinance for credits granted for qualified public improvements. By statute, developers must use these credits within 10 years, which can be a challenge in small communities where the pace of development is modest. The new rules allow credits to be sold or donated so long as the receiving property includes a residential use,

and the credit is not more than 50 percent of the SDC assessment. This provision has been used twice, for the 110-unit subsidized housing project referenced above, and for a 66-unit market-rate multifamily project completed in 2021.

- **Revenue Sources to Support Housing Investments:** With the new SDC policy adopted in 2017, policymakers had room to consider an excise tax without significantly impacting up-front development costs. Newport has also used tax increment financing to support housing development.
 - **Construction Excise Tax for Affordable Housing:** Adopted in the fall of 2017, the tax imposed is 1 percent of the permit value for construction that results in new or additional square footage for commercial and residential structures, with state-mandated exemptions for specific private and non-profit uses. The tax has created a dedicated source of funding for affordable housing, which collected a little more than \$540,000 since its inception. State law requires at least 50 percent of taxes collected from residential development must be used as developer incentives, such as reducing impact fees. Of the remaining amount, 35 percent can be used for “other affordable housing programs” and 15 percent is remitted to Oregon Housing and Community Services (OHCS) for its down payment assistance program. OHCS has committed to awarding those funds in Newport. Half of the tax collected from commercial projects must also be used to fund housing related programs.
 - **Urban Renewal (Tax Increment Financing):** Newport has three urban renewal areas expected to generate \$30 million in infrastructure improvements over the next 20 years to catalyze new development. This tool requires thoughtful engagement with all affected taxing entities to dedicate future tax revenues toward these investments. Newport often uses urban renewal funds as a match for state and federal grants, or in conjunction with funds from private partners. The City recently invested about \$120,000—with additional contributions from a developer—to improve a regional storm water detention facility so that a 26-unit, market-rate subdivision can be built. The improvements will accommodate run-off from other upstream residential properties.
- **Grants and Land Donations for Affordable Home Ownership:** The City has entered into partnerships with other jurisdictions and nonprofit partners to create affordable home ownership opportunities and help keep low-income owners in their homes.
 - **Home Ownership Down Payment Assistance:** Newport, Lincoln City, and Lincoln County executed an agreement with Proud Ground, a community land trust from the Portland metro area, to provide eight down payment assistance grants for households making 80 to 120 percent of MFI. Proud Ground was able to leverage \$160,000 in local matching funds to create over \$770,000 in subsidy (including \$515,000 from the Governor’s Workforce Housing Initiative). Proud Ground, with support from the partners, held numerous homebuyer education meetings to help get qualified buyers into the pipeline. Three of these grants went to home purchases in Newport. The average subsidy per home required to fill the gap between the

mortgage the homeowners could afford and the price of the home on the market was \$87,228.

- **Habitat for Humanity Land Donation:** The City of Newport entered into a land donation agreement with Habitat for Humanity of Lincoln County for the construction of up to five owner-occupied units targeted to qualifying households earning between 40 and 80 percent of MFI. The first duplex project was completed in the spring of 2021, on a property valued at a little over \$100,000. Deed restrictions require that the properties will remain affordable for up to 20 years from the original sale.
- **Partnership with Lincoln Community Land Trust:** Beginning in 2015, the City partnered with the Lincoln Community Land Trust (LCLT) to provide operational support and gap financing for LCLT to create permanently affordable housing in Newport. LCLT merged with Proud Ground in 2018 and the City continues to support affordable homeownership on land trust properties through down payment assistance (see above).
- **Rehabilitation and Weatherization Programs:** Lincoln County and several of the incorporated cities, including Newport, obtained Community Development Block Grant (CDBG) funds to finance a housing rehabilitation loan program for low-income households. Participants were eligible for zero-interest, deferred payment loans that are typically repaid when the house is next sold. Changes to loan processing regulations since the Great Recession mean that the original loan servicer can no longer administer the program cost effectively. The partners have about \$2.75 million in the loan portfolio—including almost \$700,000 available to loan—and are considering options to continue the program, including working with a nonprofit on a new CDBG application to bring in additional resources. Newport executed an agreement with DevNW to continue this program in 2021.
- **Reduced Residential Street Widths.** The City of Newport updated its Transportation System Plan in 2022 to allow narrower streets in residential neighborhoods, reducing infrastructure costs for new subdivisions and infill projects. Streets in new subdivisions that will handle less than 500 vehicle trips per day can be designed as yield streets, which are 28-foot curb to curb, as compared to the 36-foot previously required. For infill projects fronting low-volume underdeveloped streets, developers may utilize a 16-foot, two-way through lane with 20-foot cleared area, or even a 12-foot wide road, with 30-foot long pullouts every 300-feet, in areas where there are fewer than 150 vehicle trips per day. The City’s previous minimum roadway width for infill projects on substandard streets was 24-feet of paved width.

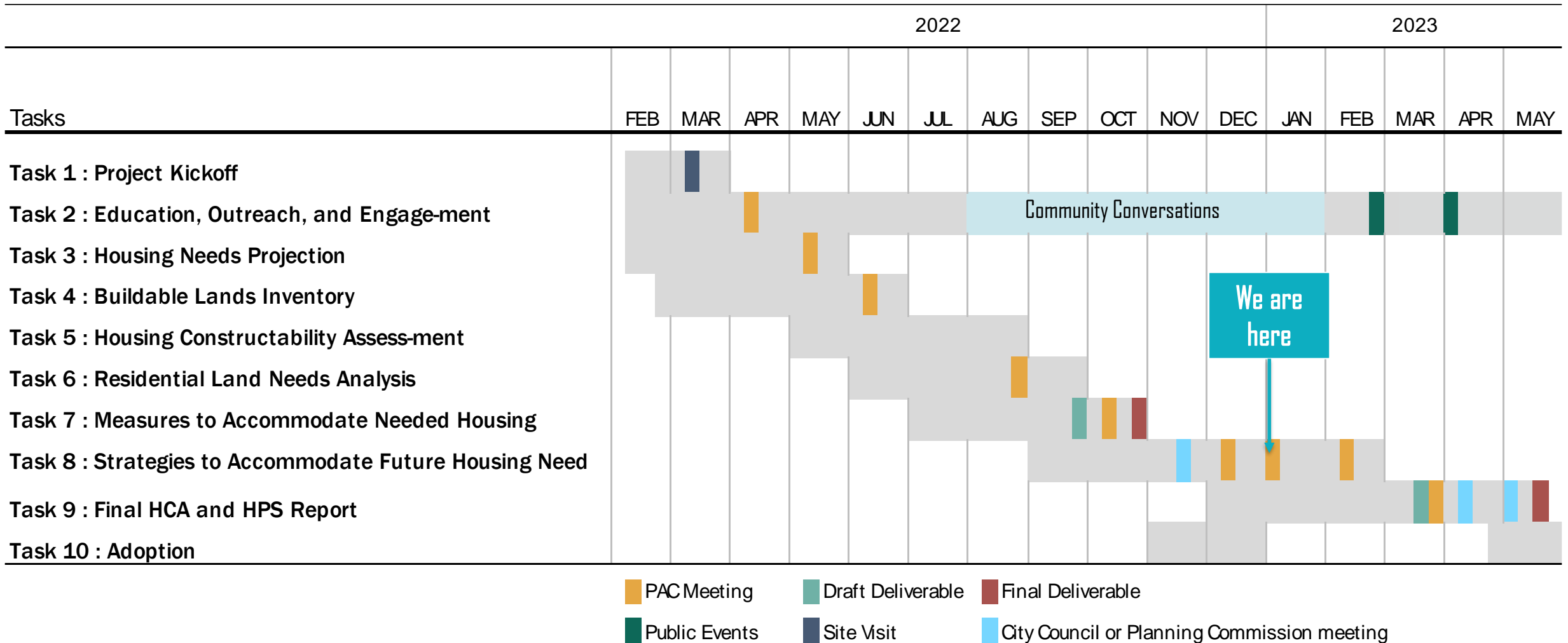


Newport Housing Capacity Analysis

Project Advisory Committee Meeting #7

January 12, 2023

Project Schedule



Process for Developing the HPS

Oct-Dec 2022

Narrow down the list of potential actions:

Provide long list of potential actions to the PAC to identify actions with the most promise for the City of Newport.



Jan-Feb 2023

Additional action evaluation

Provide additional detail on remaining actions. Vet narrower list of strategies with relevant stakeholders and the PAC



Mar-May 2023

Draft HPS

Refine actions for City Council to consider, working in conjunction with local partners.

PAC Meeting Dates and Topics

Goal for PAC 7 meeting:

- Discuss community outreach
- Dig deeper into the potential actions and answer questions
- Make sure we are not missing important actions

HAC	Date	Topic(s)
PAC 5	Oct 13	Introduce the Housing Production Strategy
PAC 6	Dec 15	Identify potential housing actions
PAC 7	Jan 12	Refine and narrow housing actions
PAC 8	Feb 16	Refine and narrow housing actions
PAC 9	Mar 30	Review and comment on the draft HPS report

Summary of Community Outreach

Community Conversations (9)

8 Completed, 70 participants

- Longview Hills
- Lincoln County Board of Realtors
- Lutheran Church
- Nye Neighborhood Association
- Centro De Ayuda
- Pacific Homes Beach Club
- Reconnections Community
- Affordable Housing Developers

Open Houses (2)

- Share HCA and solicit feedback on potential strategies (Feb/March - *Virtual*)
- Share final HPS (April)

Developer Interviews (5)

Completed

- Bonnie Serkin, Landwaves
- Dustin Capri, Capri Architecture
- Todd Woodley, Wyndhaven Ridge LLC
- Cal Blake and Lack Litwer, Columbia Gorge Capital
- Rich Belloni

Service Provider Interviews (5)

- Centro De Ayuda
- Others?

PAC Meetings (9)

7 completed

Are there other organizations or people we should be speaking with?

Takeaways from the Community Conversations

- **Lack of available housing** is the greatest barrier to both those looking to rent and buy followed by **high prices/rents and housing size**
- Residents are concerned about ongoing **maintenance, rent increases, and noise**
- **Walkability, privacy and quiet** were the most important aspects of housing location
- Participants were satisfied with the options to address housing need. They also suggested
 - Reducing vacation rentals
 - Increasing amenities to improve quality of life
 - Disaster/fire preparedness
 - Engage community members who do not have housing

Percent who ranked each housing solution option as “most helpful”

Description	Percent ranked “most helpful”
Provide help to residents in finding and connecting with organizations who can help them find and pay for housing.	57%
Make it easier to build different types of homes - single detached homes, townhomes, cottage, apartments, etc.	59%
Work with apartment owners to maintain housing affordability over the long term and keep rents from increasing too rapidly	67%
Promote programs that help people find and buy their first home in Newport (financial assistance, financial literacy, etc.)	58%

Key Takeaways from the Developer Interviews

- Construction is expensive due to building code requirements (to withstand high winds and weather), need for deep foundations on sloping sites, and lack of local contractors for some trades
- Infrastructure costs can be a barrier for larger developments - takes a developer with deep pockets or grants to make those sites work
- City staff have generally been supportive and helpful, though there have been a few challenges related to developer-built infrastructure design and inspection
- Proximity to the beach and views drive achievable pricing / rents
- Density can help spread land and infrastructure costs across more units, and taller buildings can sometimes capture views on upper floors

Community Conversations

- Affordable Housing Developers

Open Houses (2)

- Share HCA and solicit feedback on potential strategies (Feb/March – *Virtual*)
- Share final HPS (April)

Service Provider Interviews (5)

- Centro De Ayuda
- Others

PAC Meetings (2)

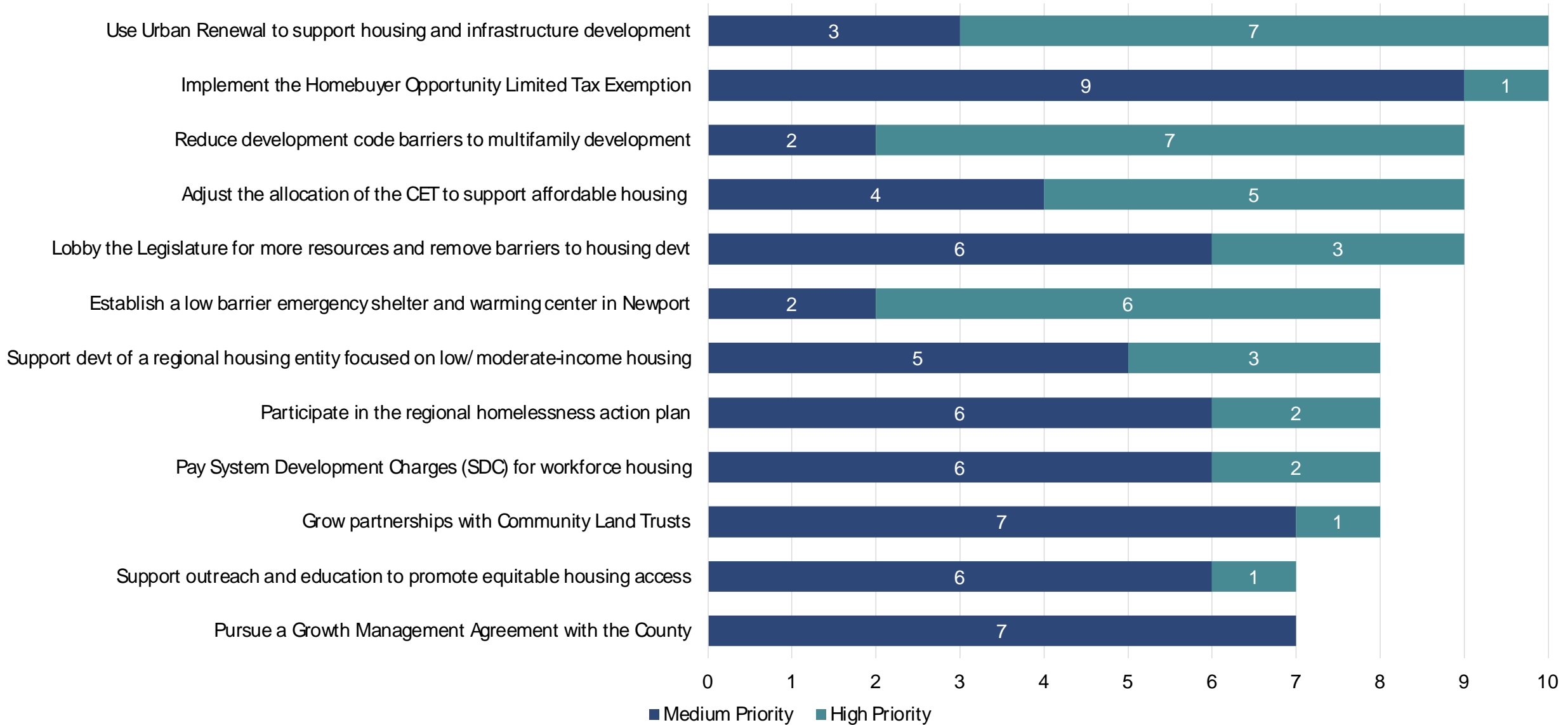
Are there other organizations or people we should be speaking with?



Potential Actions for Inclusion in the HPS

- Are these the right actions to address unmet housing needs in Newport?
 - Are we missing any actions that should be included in the HPS?
- Should we remove any of the actions from the list?

Action Prioritization Survey Results



Action L: Use Urban Renewal to support housing and infrastructure development

Purpose: Provide a flexible funding tool that can support many of the actions in the HPS

Examples: Madras and John Day established Urban Renewal Districts specifically to help with the shortfalls of housing production.

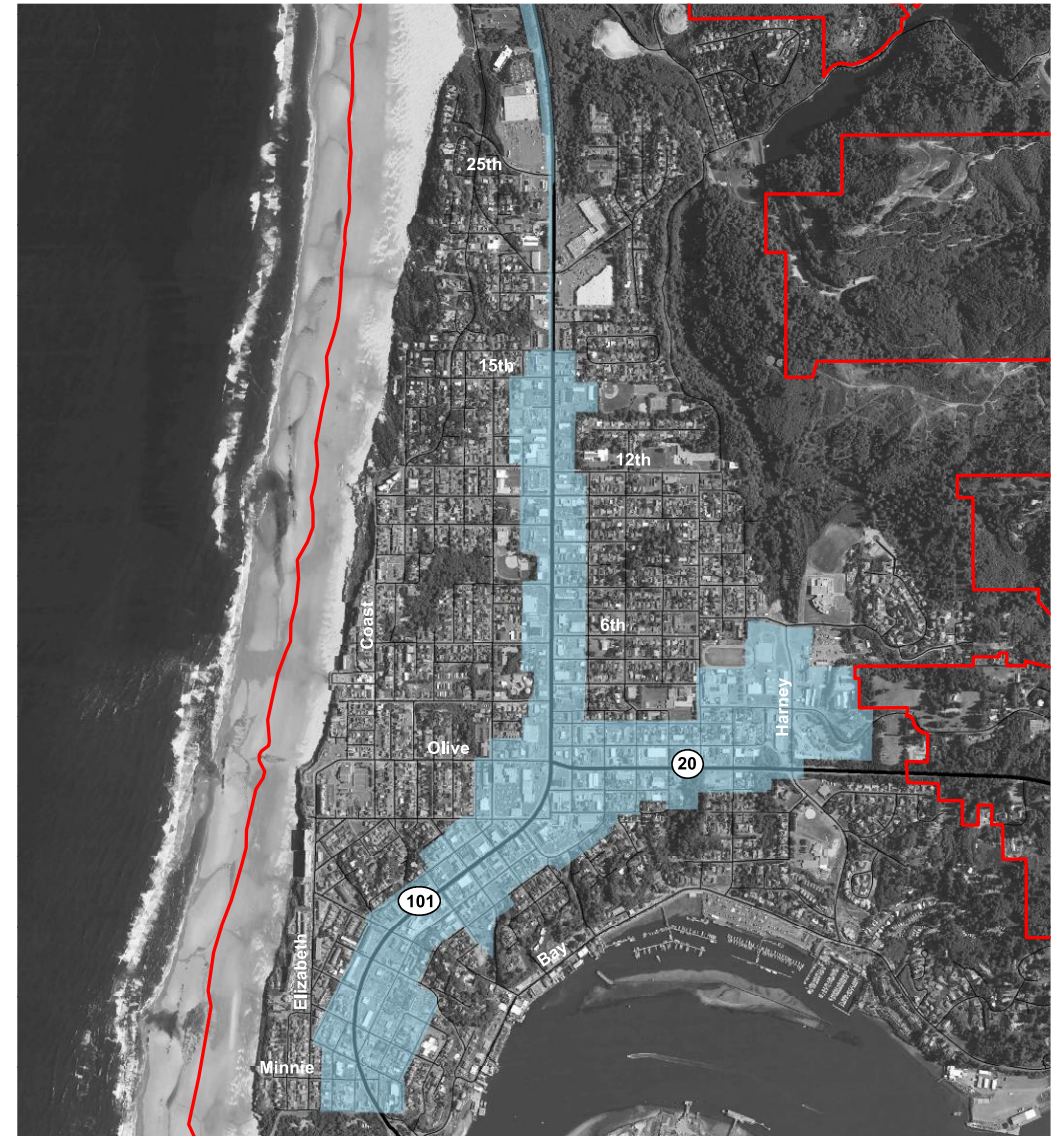
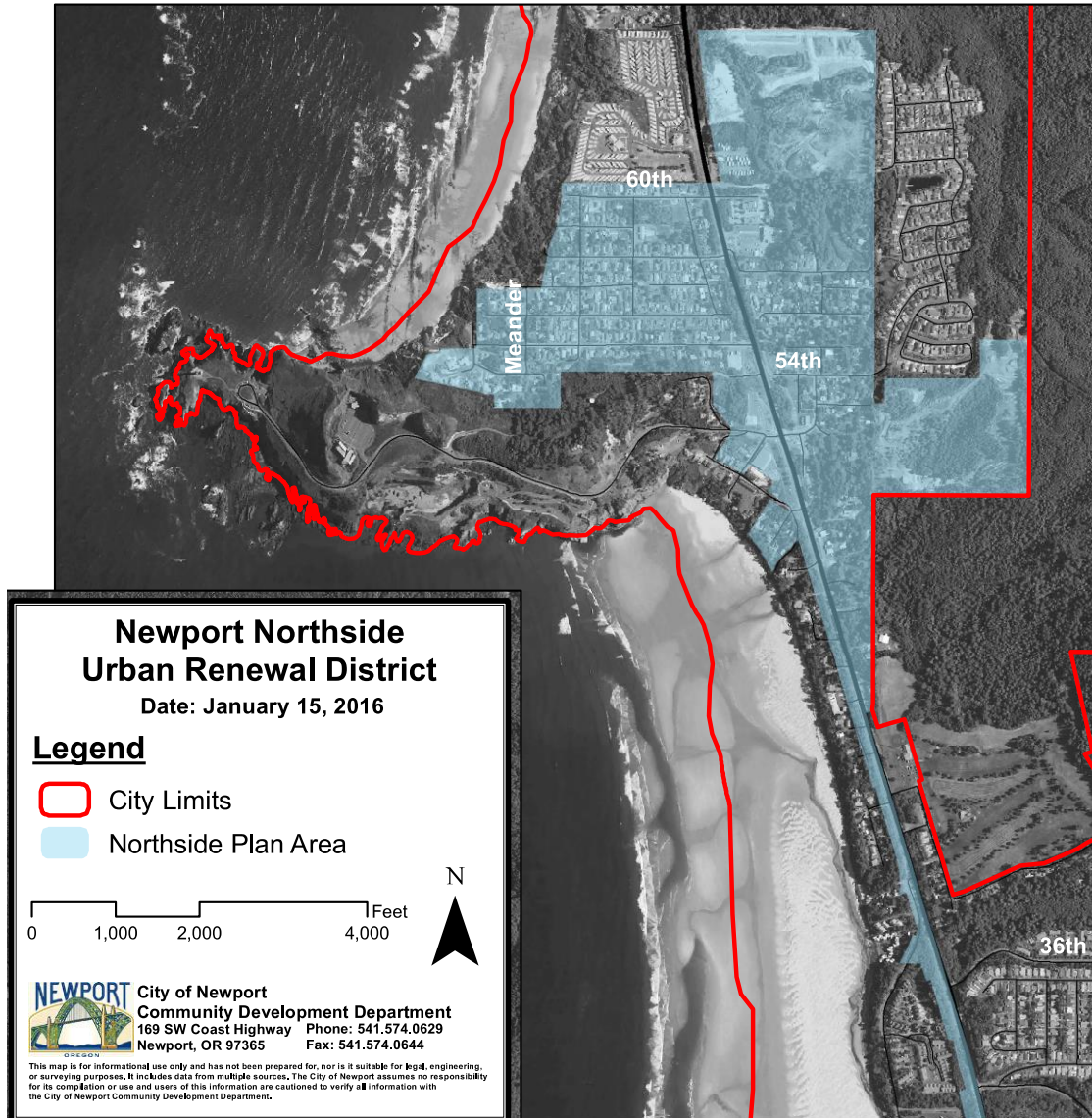
Question

- Focus on using infrastructure investments to facilitate new housing and influence price points, or pursue direct investments in housing (e.g. subsidies)?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
All incomes / all housing types	Large	Medium	NA	Medium	High

Action L: Use Urban Renewal to support housing and infrastructure development



Action C: Implement the Homebuyer Opportunity Limited Tax Exemption

Purpose: Serves as an incentive to stimulate the construction of new single-unit housing and encourages homeownership among low and moderate-income households

Example: Home with an improvement value of \$238,000 and an assessed value of \$164,000 (excluding land value)

- Homeowner savings: \$240/month or \$28,800/10 years
- Foregone taxes: City - \$9,000/10 years; Other - \$19,800/10 years

Question

- Program will not ensure long-term affordability of the purchased units. Are you comfortable with that?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
Up to 120% MFI / single family	Small	Medium	Low	Medium	Medium

Action E: Reduce development code barriers for multifamily development

Purpose: Eliminate land use and building code standards that reduce project viability or drive up housing costs without compromising safety

Examples: Increase building height limits to allow 3 full stories; Extend parking credits; Remove variance process for development on hillsides

Question

- How do you feel about the options listed as examples? Are there others that the City should be thinking about?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
All incomes / multi-family	Moderate	Low	Low	Medium	Medium

Action H: Lobby the Legislature for more resources to support housing development and remove regulatory barriers to housing development

Purpose: Better equips cities with the resources they need to support housing development

Examples: Allow cities to establish a real estate transfer tax; Allow cities to use restricted transient lodging tax funds to support housing; Streamline state building codes to allow a greater variety of prefab structures; Simplify the UGB amendment process

Question

- What are your thoughts on the examples listed? Are there others the City should be considering?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
All incomes / all housing types	Moderate to Large	Medium	Low	Low to High	High

Action J: Establish a low barrier emergency shelter and warming center in Newport

Purpose: Meets the needs of people experiencing homelessness with more barriers to shelter. Low barrier emergency shelters do not require criminal background checks, credit checks or income verification, program participation, sobriety, or identification.

Questions

- Public engagement strategy?
- Thoughts on how to attract a non-profit to operate a facility?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
Up to 30% MFI / emergency shelter	Moderate to Large	Medium	Medium to High	Medium	Low

Action A: Support development of a regional housing entity focused on low- and middle-income housing development

Purpose: Cities and the county can pool resources to support housing development and better address regional housing needs

Examples: Engage cities to build momentum for regional housing approach; Dedicate land to a land bank managed by regional housing entity; Provide funding such as from Urban Renewal or CET

Question

- How do you view the City's role in such an endeavor?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
60 to 120% MFI / Middle, multifamily	Moderate	Medium	Medium	Medium	High

Action I: Participate in the regional homelessness action plan

Purpose: Cities and the county can align efforts and pool resources to address the systemic challenges that are driving the homelessness crisis

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
Up to 30% MFI / temporary housing	Moderate	Medium	Medium to High	Medium	Medium

Action F: Pay System Development Charges (SDC) for workforce housing

Purpose: Reduces development costs and can incentivize qualifying housing types or building features

Question

- Which types of housing should qualify?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
Up to 120% MFI / multifamily	Small	Medium	Medium	Medium	High

Action B: Grow partnerships with Community Land Trusts

Purpose: Supports affordable housing development by holding land in perpetuity and selling or leasing the housing on the land at below market rate prices

Question

- Per unit subsidy can be substantial, with a modest number of benefitting households. How should the City address fairness/equity concerns?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
Up to 120% MFI / single family, middle	Small	Low	Medium	High	Low

Action D: Support outreach and education to promote equitable housing access

Purpose: Proactively reaching out to the community, particularly underserved populations, can help the City better understand the housing needs of its residents and provides an opportunity for community members to learn about existing housing resources that can support housing access and stability.

Question

- What steps can/should the City take in this regard?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
All incomes / all housing types	Small	Medium	Low	Low to High	High

Action G: Pursue a Growth Management Agreement with the County

Purpose: Spells out the roles and responsibilities for managing land inside of the UGB but outside the city limits as well as changes to the UGB between the city and county

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
All incomes / all housing types	Small	Low	Low	Medium	Low

CET Discussion

Action K: Adjust the allocation of the Construction Excise Tax (CET) to support affordable housing development

Purpose: Provides a locally controlled funding source to support many of the actions in the HPS

Fund Balance: Current balance of \$520,000; the City has received an average of \$109,000 per year since 2017.

Questions

- How should the City use CET funds?

Action Evaluation

MFI Targeted / Housing Type	Impact	Administrative Burden	Funding Required	Ease of Implementation	Flexibility
Up to 120% MFI / all housing types	Moderate	Low	NA	Medium	High

Action K: Adjust the allocation of the Construction Excise Tax (CET) to support affordable housing development

CET allocation requirements

For Residential CET		For Commercial/Industrial CET	
50%	developer incentives (multifamily, market rate or affordable)	50%	Housing-related programs, as defined by the City (not limited to affordable housing)
35%	affordable housing programs, as defined by the City	50%	unrestricted
15%	to OHCS for homeownership programs that provide down payment assistance in Newport		

*Note: Up to 4% of CET is available for administrative costs

Existing CET Funds

	Current Allocations of Residential CET funds	Current Allocations for Commercial and Industrial CET funds	Total
Affordable Housing – Flexible Use (35%)	\$159,096	\$23,517	\$182,613
DHCS Down Payment Assistance (15%)	\$68,118	\$10,763	\$78,881
Affordable Housing – Restricted to developer incentives (50%)	\$226,047	\$34,641	\$260,688
Total	\$453,261	\$68,921	\$522,182

- Refine list of actions for inclusion in the HPS
- Interviews with service providers and stakeholders
- Community survey
- PAC Meeting #7: February 16 @ 6 PM



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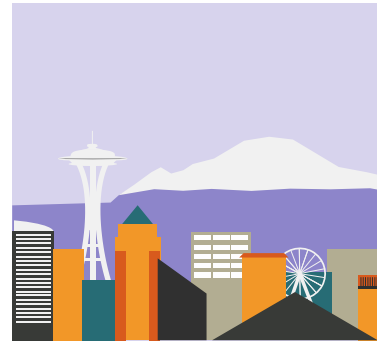
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