

HOUSING *

BACKGROUND

Newport has changed considerably since it last adopted its Housing Element of its Comprehensive Plan in 2011. Newport grew from 9,989 people in 2010 to 10,591 people in 2021, an addition of 602 people or 6% growth. Between 2012 and 2021 the City of Newport permitted 396 new units, of which 45% were for single-family units and 55% were for multifamily units.

Housing has long been unaffordable for many in Newport and the surrounding region and has become harder to afford for many people over the last decade. In 2000, 36% of households in Newport were cost burdened and by 2016-2020, 40% of households were cost burdened. Cost burden was most common among renters, 53% of whom were cost burdened in 2016-2020 and 27% of whom were severely cost burdened.

Homeownership is also becoming less affordable in Newport and the surrounding region. The median sales price of housing in Newport in December 2021 was \$403,500. Between December 2016 to December 2021, the median sales price in Newport increased by \$198,000 (96%).

A *Newport Housing Capacity Analysis Report* (HCA) for the years 2022 to 2042 is enclosed as Appendix “D” to the Comprehensive Plan. It considers these issues and is intended to comply with statewide planning policies that govern planning for housing and residential development, including Goal 10 (Housing) and OAR 660 Division 8. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996).

The HCA is focused on the technical analysis to understand Newport’s housing needs over the next 20 years. It presents information about buildable land and residential capacity in Newport, as well as expected population and housing growth. Further, the HCA identifies key housing needs and provides information necessary to develop policy responses to address the identified housing needs. A document titled *Newport Housing Production Strategy* contains policies and actions developed by the City using the information from the Housing Capacity Analysis.

Technical analysis contained in the HCA was informed by a range of assumptions that influenced the outcomes. The City of Newport and ECONorthwest solicited input about these assumptions from the City’s Project Advisory Committee, Planning Commission, City Council, and the public. Local review and community input were essential to developing a locally appropriate and politically viable HCA that will serve as the technical basis for the *Newport Housing Production Strategy*, which will be considered and approved by resolution of the City Council.

* Section replaced in its entirety by Ordinance No. 2207 (3/6/23)

¹ Newport’s official population forecast from the Oregon Population Forecast Program through Portland State University (PSU) projects that Newport will increase by 248 people between 2022 and 2042. The City would need about 115 new dwelling units to accommodate this growth.

How much population growth is Newport planning for?

Newport’s population within its urban growth boundary (UGB) is expected to grow by around 1,348 people between 2022 and 2042, at an average annual growth rate of 0.5%. This is based on Newport’s historical growth rate over the 2000 to 2021 period.¹

Exhibit 1. Forecast of Population Growth, Newport UGB, 2022 to 2042

Source: ECONorthwest based on US Decennial Census 2000, and Portland State University, Population Research Center 2021.

12,010	13,358	1,348	11% increase
Residents in 2022	Residents in 2042	New Residents 2022 to 2042	0.5% AAGR

How much housing will Newport need?

To accommodate the city’s forecasted population growth of 1,348 people, Newport needs to plan for 626 new dwelling units or about 31 new dwelling units per year over the 20-year planning period.² About 50% of new housing will be single-family detached; 10% will be single-family attached; 15% will be duplexes, triplexes, and quadplexes; and 25% will be multifamily housing (with five or more units per structure).

How much buildable residential land does Newport currently have?

Newport has 863 acres of vacant or partially vacant land which can accommodate over 6,800 dwelling units. When removing land included in the Constructability Analysis (which includes land that the City identified as potentially being difficult to serve with infrastructure), Newport still has 413 acres of vacant or partially vacant unconstrained land which can accommodate nearly 3,800 dwelling units. Newport has sufficient land to accommodate population growth. Chapter 6 of the HCA estimates Newport’s capacity for new housing based on Newport’s unconstrained buildable acres.

What are the key housing needs in Newport?

- **Newport’s existing housing mix is predominately single-family detached.** In the 2015-2019 period, 64% of Newport’s housing was single-family detached, 7% was single-family attached, 13% was multifamily housing (with two to four units per

¹ Newport’s official population forecast from the Oregon Population Forecast Program through Portland State University (PSU) projects that Newport will increase by 248 people between 2022 and 2042, at an annual average growth rate of 0.1%. Newport considered this growth for the official analysis of land sufficiency within the Newport UGB, as required by Goal 10, OAR 660-008, and OAR 660-032.

Given that Newport’s growth rate over the past 20 years has been much greater than the current official forecast, it is reasonable to assume that the official forecast may be under projecting the future population. For planning purposes, this report relies on the historical growth rate rather than the official population forecast, which will allow the City to better prepare for an uncertain future. Even when using the historical growth rate to project future population growth, Newport has sufficient land capacity to accommodate growth.

² Newport’s official population forecast from the Oregon Population Forecast Program through Portland State University (PSU) projects that Newport will increase by 248 people between 2022 and 2042. The City would need about 115 new dwelling units to accommodate this growth.

structure), and 16% was multifamily housing (with five or more units per structure). Between 2012 and 2021, Newport issued building permits for 396 units, of which 45% were single-family units (both single-family detached and attached) and 55% were multifamily of all types.

- **Demographic changes across Newport suggest increases in demand for single-family attached housing and multifamily housing.** The key demographic and socioeconomic trends that will affect Newport's future housing needs are an aging population, increasing housing costs, and housing affordability concerns for millennials, Generation Z, and Latino populations. The implications of these trends are increased demand from smaller, older (often single-person) households and increased demand for affordable housing for families, both for ownership and rent.
- **Newport needs more affordable housing types for homeowners.** Housing sales prices increased in Newport over the last four years. Between 2016 and 2021, the median sales price in Newport increased by \$198,000 (96%).

A household earning 100% of Newport's median household income (\$57,400) could afford a home valued between about \$201,000 and \$230,000, which is less than Newport's median home sales price of \$403,500. A household can start to afford median home sales prices in Newport at about 186% of Newport's median household income.

- **Newport needs more affordable housing types for renters.** To afford the average asking rent of \$1,360 (which does not include basic utility costs), a household would need to earn about \$54,400 or 95% of MFI. About 54% of Newport's households earn less than \$54,000 and cannot afford these rents. In addition, about 16% of Newport's households have incomes of less than \$17,220 (30% of MFI) and are at risk of becoming homeless.

What are the key findings of the Housing Capacity Analysis?

The key findings and conclusions of the Newport's Housing Capacity Analysis are that:

- **Newport may grow faster than the official population forecast from Portland State University.** According to Newport's official population forecast from Portland State University, Newport's UGB is forecast to grow by 248 people between 2022 and 2042, resulting in the demand for 115 new dwelling units over the 20-year planning period. However, if Newport grew at the same pace it did between 2000 and 2021, it would add 1,348 new people and 626 new dwelling units. Given that Newport's growth rate over the past 20 years has been much greater than current projections, it is reasonable to assume that the official forecast may be under projecting the future population. For planning purposes, this report relies on the historical growth rate rather than the official population forecast.
- **Newport has sufficient land to accommodate population growth over the 20-year planning period.** Even using the historical growth rate which is greater than the official population forecast from Portland State University, Newport has sufficient land to accommodate population growth. The barriers to growth in Newport are more about infrastructure deficiencies, ability to build housing that is affordable, and other issues discussed below.
- **Newport's needed housing mix is for an increase in housing affordable to renters and homeowners, with more attached and multifamily housing types.** Historically,

about 64% of Newport's housing was single-family detached. While 50% of new housing in Newport is forecast to be single-family detached, the City will need to provide opportunities for the development of new single-family attached housing (10% of new housing); duplexes, triplexes, quadplexes (15% of new housing); and multifamily structures with 5 or more units (25% of new housing).

- The factors driving the shift in types of housing needed in Newport include changes in demographics and decreases in housing affordability. The aging of baby boomers and the household formation of millennials and Generation Z will drive demand for renter and owner-occupied housing, such as single-family detached housing, accessory dwelling units, townhouses, cottage housing, duplexes, triplexes, quadplexes, and multifamily structures. These groups may prefer housing in walkable neighborhoods, with access to services.
- Newport complied with the requirements of House Bill 2001 (2019) to allow duplexes on lots where single-family detached housing is allowed. Newport also allows other missing middle housing types, such as cottage housing, townhouses, duplexes, triplexes, and quadplexes. Allowing this wider range of housing in more areas will likely result in a change in mix of housing developed over the next 20 years, especially in areas with large areas of vacant buildable land.
- Without diversification of housing types and policies to support development of housing affordable to households with incomes below 80% of MFI (\$57,400), lack of affordability will continue to be a problem, possibly growing in the future if incomes continue to grow at a slower rate than housing costs. About 40% of Newport's households are cost burdened (paying more than 30% of their income on housing), including a cost burden rate of 53% for renter households.
- **Newport has a need for additional housing affordable to lower and middle-income households.** Newport has a need for additional housing affordable to households with extremely low incomes and very low incomes, people experiencing homelessness, and households with low and middle incomes. These needs include existing unmet housing needs and likely housing needs for new households over the 20-year planning period.
 - About 33% of Newport's households have extremely low incomes or very low incomes, with household incomes below \$28,700. At most, these households can afford \$720 in monthly housing costs. Median gross rent in Newport was \$896 in the 2015-2019 period and has increased since, but rents were generally closer to \$1,360 (or more) for currently available rental properties. Development of housing affordable to these households (either rentals or homes for sale) rarely occurs without government subsidy or other assistance. Meeting the housing needs of extremely low-income and very low-income households will be a significant challenge to Newport.
 - About 33% of Newport's households have low or middle incomes, with household incomes between \$28,700 and \$68,900. These households can afford between \$720 to \$1,720 in monthly housing costs. Households at the lower end of this income category may struggle to find affordable rental housing, especially with growing costs of rental housing across Oregon. Some of the households in this group are likely part of the 40% of all households that are cost burdened. Development of rental housing affordable to households in

this income category (especially those with middle incomes) can occur without government subsidy.

- The need for these types of affordable housing have impacts on Newport's economy if people who live in Newport cannot find housing, much less affordable housing, to locate in Newport. People working in Newport frequently commute from places like Toledo, Lincoln City, Waldport, Corvallis, and unincorporated areas of Lincoln County.
- **Housing for people experiencing homelessness is an increasingly pressing problem.** The Point-in-Time count for Lincoln County in 2021 estimated 460 people experiencing homelessness, up from 260 people in 2019. The Point-in-Time count is acknowledged to be an undercount of homelessness, suggesting that the number of people in Lincoln County is higher, not lower, than the 2021 estimate.
- **Newport's housing market is affected by groups of people who live part of the year in Newport.** These include:
 - **Second homeowners.** Second homes are likely to continue to grow in Newport. It is reasonable to expect that Newport may add about 100 new second homes over the 20-year period. Possibly more if Newport attracts more second homeowners. In addition, some existing housing may convert to second homes over time. Second homes are most likely to be in areas with views of the ocean, especially in areas with lower development densities.
 - **Vacation rentals.** Newport regulates vacation rentals, requiring conditional use permits to authorize vacation rentals and regulating where they are allowed to locate. Newport caps the number of vacation rentals to 176 throughout the city. As a result, there should not be growth in the number of new, legal vacation rentals in Newport.
 - **Student housing.** OSU expects the number of students present in Newport to grow from 100 students in summer (when most students are present) to between 200 and 250 students. OSU owns land in the Wilder area and plans to build 50 to 80 dwelling apartment units, with a mix of studios to four-bedroom units. OSU expects to have two students per dwelling unit and that development of this housing will be completed in 2023.
 - **Seasonal employees.** The number of seasonal employees who need housing increases substantially in the summer with increased tourism and the summer fishing season. Seasonal employees in tourism-related industries typically need to seek out their own lower-cost housing during their time in Newport. Seasonal employees in the fishing/seafood processing industries often rely on employer-provided workforce housing. However, employers have struggled to acquire property in Newport that is affordable and meets their workforce housing needs, instead renting rooms for their seasonal workforce in local hotels.

Temporary housing that could meet the needs of seasonal workers includes smaller shared units, such as dormitory housing, studio apartments, accessory dwelling units, student housing, and other small, less costly housing. Some of these types of development could be employer-supplied workforce housing.

- **Newport has sufficient land to accommodate growth but there are key barriers to growth in Newport.** The constructability analysis examined the financial feasibility of different development types given costs of development and the estimated costs of building infrastructure necessary for housing. This analysis found:
 - **Infrastructure deficiencies.** Many areas within Newport have significant infrastructure deficiencies, such as the need for collector and local roads, bridges, culverts, water pipes and pump stations, water storage tanks, wastewater pipes and lift stations, and other types of infrastructure. The areas with the highest costs and largest infrastructure deficiencies were in northern Newport to the east of Highway 101 and areas around Highway 20 above the Bay Front. Infrastructure cost limitations could impact close to 300 acres of buildable land, which has capacity for more than 2,000 dwelling units.
 - **Development costs.** Development costs are higher in Newport. Local developers report that lack of local contractors for certain types of work, limited suppliers for building materials, requirements for deep foundations and special materials and design to meet building code, the need for geotechnical reports, and the need for more extensive grading and retaining walls in hilly areas all contribute to higher development costs. Builders and developers estimated roughly 10-20% higher construction costs than in the mid-Willamette Valley.
 - **Areas of greater development feasibility.** Areas in South Beach, such as the Wilder area or the adjacent land south of the Oregon Coast Community College, appear to have greater financial feasibility for development. In these areas, a mix of housing types appears financially feasible. These areas may provide better opportunities for development over the next 5 to 10 years, including for development of housing affordable to people who live and work in Newport.
 - **There is potential for infill, but costs can still be problematic.** The smaller infill areas studied in the constructability analysis did not have major infrastructure needs, but with small sites, even the need for extending local streets, making frontage improvements, or upgrading existing pump capacity could make development challenging.
 - **Challenges in other areas.** The constructability analysis did not include all land in Newport. It is probable that lands not included in the constructability analysis also have a range of developability status and similar issues with infrastructure deficiencies in some places.
 - **Addressing the infrastructure gap.** Given the estimated cost of infrastructure development from the constructability analysis (over \$100 million, excluding the cost of local roads, across the nine areas examined), Newport is not going to be able to address the infrastructure gap without outside assistance.

The *Newport Housing Production Strategy* will include recommendations for a wide range of policies to support the development of housing for people experiencing homelessness and housing for extremely low to middle-income households. The *Housing Production Strategy* will also include recommendations that are intended to improve equitable outcomes for housing development, as well as strategies to support the development of all types of housing.

HOUSING GOALS AND POLICIES

Goal 1: To provide for the housing needs of the citizens of Newport in adequate numbers, price ranges, and rent levels which are commensurate with the financial capabilities of Newport households.

Goal 2: To provide adequate housing that is affordable to Newport workers at all wage levels.

Policy 1: The City of Newport shall assess the housing needs of Newport residents to formulate or refine specific action programs to meet those needs. The Newport Housing Production Strategy will describe the tools the City has or may implement to support development and preservation of housing.

Policy 2: The city shall work with private developers, nonprofits, and federal, state, and local government agencies in the provision and improvement of government assisted and workforce housing, affordable to households with income below 60% of Median Family Income and households with incomes of 60% to 120% of Median Family Income.

Policy 3: The city shall encourage diversity and innovation in residential design, development and redevelopment that is consistent with community goals.

Policy 4: The City of Newport shall designate and zone land for different housing types in appropriate locations. Higher density housing types shall be located in areas that are close to major transportation corridors and services.

Policy 5: The City of Newport shall coordinate planning for housing with provision of infrastructure. The Community Development Department shall coordinate with other city departments and state agencies to ensure the provision of adequate and cost-effective infrastructure to support housing development.

Policy 6: The City of Newport shall discourage, and in some cases, prohibit the development of residences in known environmentally hazardous or sensitive areas where legal and appropriately engineered modifications cannot be successfully made. In support of this policy, the city shall inventory, and to the greatest extent possible, specifically designate areas that are not buildable or require special building techniques.

Policy 7: As much as possible, the City of Newport shall protect residential development from impacts that arise from incompatible commercial and industrial uses; however, the city also recognizes that some land use conflicts are inevitable and cannot be eliminated. Where such conflicts occur, the uses shall be buffered, where possible, to eliminate or reduce adverse effects. Residences that develop next to objectionable uses are assumed to be cognizant of their actions, so no special effort by the adjacent use is required. The residential development will, therefore, be responsible for the amelioration of harmful effects.

Policy 8: The City of Newport recognizes that mobile homes and manufactured dwellings provide an affordable alternative to the housing needs of the citizens of Newport. The city shall provide for those types of housing units through appropriate zoning provisions.

Policy 9: Consistent with the 2022 Newport Housing Capacity Analysis by ECONorthwest (Appendix “D”), the City of Newport will encourage development of multifamily housing, including student housing, throughout the City in areas that allow multifamily development. Increasing the supply of multifamily housing is crucial to meeting the needs of Newport’s workforce and lower-income households, as well as to supporting student growth at the Hatfield Marine Science Center. The City will identify and implement appropriate tools to support multifamily and student housing development.