ECOnorthwest

DATE:	August 15, 2024
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FROM:	Nicole Underwood, Emily Picha, and Ciara Williams, ECOnorthwest
SUBJECT:	Task 3.3: Newport City Center Market Analysis

Purpose and Background

Newport seeks to transform the US 20/101 commercial corridors between the east entrance to the city and the Yaquina Bay Bridge into a vibrant, mixed-use center that meets the needs of residents. However, redevelopment of this area faces several challenges related to the area's overall walkability and development appeal. Underutilized properties, vacant storefronts, and aging buildings characterize the area. Wide lanes and high volumes of fast-moving traffic on US 101 create an unsafe environment for pedestrians and cyclists. Additionally, street parking adjacent to the fast-moving traffic on US 101 poses safety risks and deters potential visitors in cars from stopping to explore downtown.

To provide a funding source to implement key changes for revitalization, Newport established an urban renewal district in the area in 2015 and partnered with the Oregon Department of Transportation (ODOT) to update its Transportation System Plan (TSP) in 2022. The TSP proposed two alternatives for US 101 to address traffic concerns: 1) a short couplet diverting northbound traffic to 9th Street; 2) improvements to the existing US 101 alignment.

Building on these efforts, the Newport City Center Revitalization Plan (NCCRP) aims to develop land use policies, regulations, and financial incentives that support reinvestment in the city center. The NCCRP will also refine the transportation alternatives proposed in the TSP, identifying which best supports economic development and increased density.

PROJECT AREA GOALS

In partnership with the Community Advisory Committee, the project team established the following goals for the Project Area:

- **Active, mixed-use, walkable commercial/ residential neighborhood**
- **Good traffic flow and parking management**
- **Clean, welcoming appearance**
- **Property development and acquisition**

The purpose of this market analysis is to help the City understand current market conditions in Newport along with assets, barriers, and opportunities for development in the Project Area. This document is part of the initial phase of the NCCRP which will inform the transportation alignment and guide the City's reinvestment efforts.

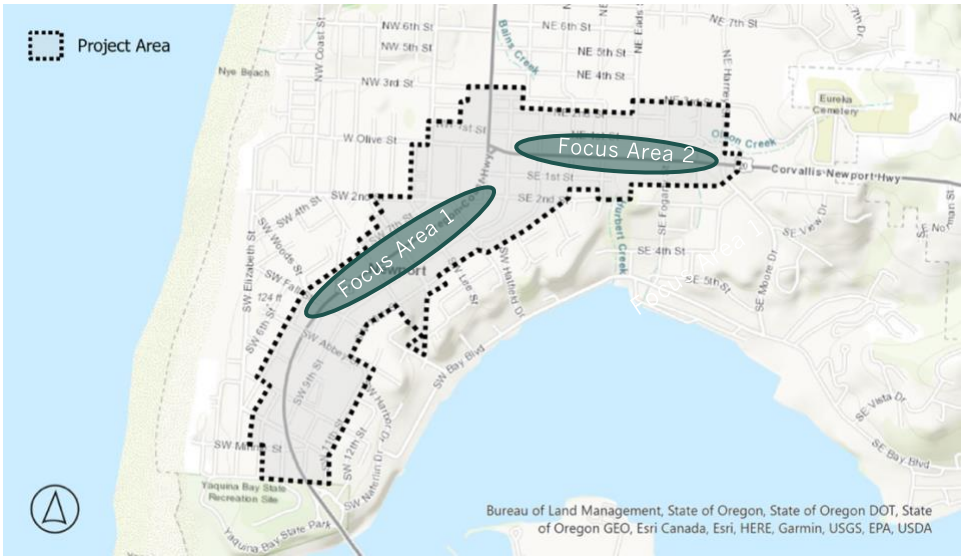
Project Area Overview

The Project Area is concentrated along the US 20/101 commercial corridors between the east entrance to the city and the Yaquina Bay Bridge. It is bordered by residential districts that separate it from Newport's Historic Bayfront to the east and Nye Beach to the west. The Yaquina Bay Lighthouse is to the south. Within this Project Area are two Focus Areas:

- **Focus Area 1:** Located along Highway 101, this area hosts the Central Business District, zoned for retail and service (C-1). It encompasses the area that is being evaluated for transportation alternatives (couplet vs. 101 improvements) and contains a concentration of vacant and economically distressed buildings.
- **Focus Area 2:** Situated along Highway 20, this auto-oriented commercial corridor is zoned for heavy commercial (C-3) uses. It experiences significant traffic as US 101 and US 20 converge.

Newport's city center is a vital part of Newport's community fabric, with essential businesses and institutions that serve local residents. The Project Area is home to several community anchors, including Samaritan Pacific Communities Hospital, Newport City Hall, Newport Recreation Center, Lincoln County Commons (fairgrounds), and the Newport Farmers Market. The Project Area also hosts essential services for residents experiencing homelessness and financial hardships, including the homeless shelter and food bank. While not within the Project Area, the elementary school, middle school, and high school are all close to Focus Area 2.

Exhibit 1: Project and Focus Areas



Focus Area 1: US 101

Focus Area 1 runs along US 101, centered around the commercial strip between SW Angle Street and SW Alder Street, which forms the Central Business District. US 101, owned by ODOT, is an arterial and local freight route that is also popular with tourists and locals traveling between coastal communities. This makes Focus Area 1 a key location for capturing both local and tourist traffic, enhancing its commercial potential. This area, zoned for retail and service (C-1), has a significant concentration of vacant and economically distressed buildings. The 2022 Transportation System Plan includes considerations for realigning traffic in this corridor.

Land uses in Focus Area 1 are a mix of commercial and institutional, including motels, strip retail centers, restaurants, health centers, civic centers, and local shops. The area is generally characterized by low-density lots with one- to two-story buildings and on-site parking. However, the segment between SW Angle Street and SW Alder Street features a denser configuration, with storefronts lining the sidewalks. Many buildings along this strip are vacant and in disrepair, but nearby side streets host a variety of smaller retail stores, restaurants, and offices. Medium and high-density residential areas are located just outside the Focus Area.

Commercial development between SW Angle Street and SW Alder Street features buildings that front directly onto the sidewalk. Four lanes of traffic make crossing the street challenging.

Focus Area 2: US 20

Focus Area 2 is located to the east along Highway 20, serving as the eastern gateway into Newport. This auto-oriented commercial corridor is zoned for heavy commercial (C-3) uses and experiences significant congestion where US 101 and US 20 intersect. US 20, owned by ODOT, is a regional and statewide arterial and freight route, extending from Newport in the west to Vale in the east. It is a key passage for travelers through mid-Willamette Valley cities near Corvallis, as well as those journeying to and from eastern Oregon.

Business along US 20 that offers a variety of equipment for rent, from heavy equipment to lawn maintenance

This section of US 20 runs through a service-oriented commercial zone, featuring local-serving businesses such as light industrial operations, offices, veterinary clinics, and banks. Although the road is narrow, offering potential for future pedestrian-friendly improvements, the current building setbacks and dispersed development hinder non-motorized travel. Just outside the Project Area are medium and high-density residential neighborhoods.

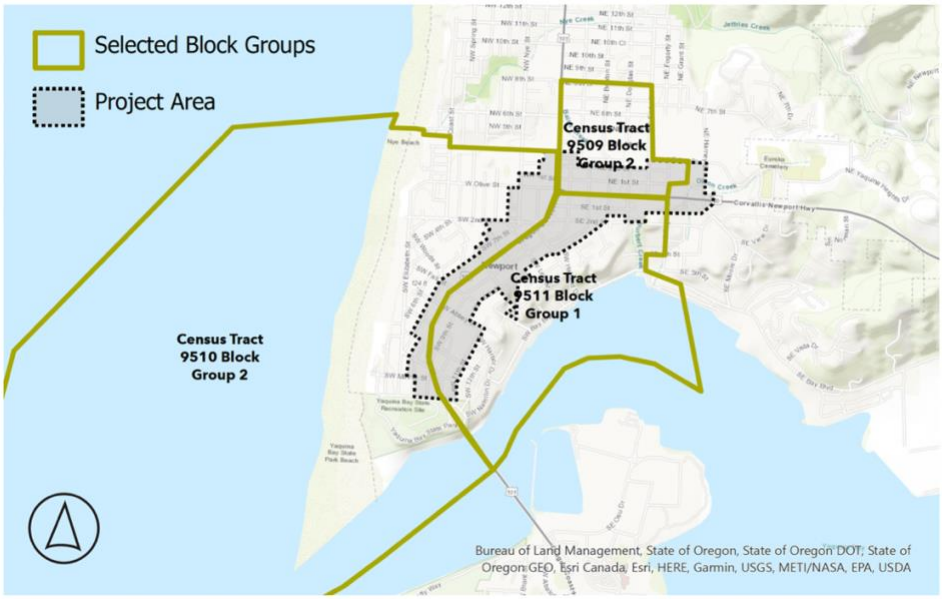
Narrow sidewalks along US 20. Crosswalk at NE Eads Street and US 20 crossing three lanes.

Demographic and Economic Trends

Understanding the area's population and economic profile is important because demographics play a key role in shaping the demand for housing, goods, and services. Factors such as age, income, education level, family size, and lifestyle preferences are all important considerations for determining future commercial and residential offerings. Demographics can inform which types of businesses are more likely to succeed, and which industries have a strong pool of potential workers in the area. Tourism also plays a strong role in the demand for commercial space and hospitality-related development. These trends will influence the demand for different uses in Newport and future development in the Project Area.

This section summarizes the key demographic and economic conditions and trends for Newport and the comparison geographies (Lincoln County and the state of Oregon) as it relates to development potential. We compare Newport to Lincoln County and Oregon to understand how the City fits within the county and state. Where possible, we also provide data on the Project Area using census block groups seen Exhibit 2.[1] Detailed data, including sources, are included as a part of the Existing Conditions deliverable and in Appendix A.

Exhibit 2. Census Analysis Area



[1] Block groups are census designated areas. The three block groups in Exhibit 2 were selected as the best fit for the project area, creating a "study area". It is important to note that the margins of error for these block group statistics are high, so the numbers should be interpreted as general trends rather than precise exhibits. While not exact, this data provides a broad understanding of the Project Area's population characteristics.

What are the key demographic and economic trends that will influence development potential?

Residents

NEWPORT'S OVERALL DEMOGRAPHIC TRENDS

- **Newport's population is growing but at a slower pace than the state.** Newport's population grew 9.1 percent over the past decade. This growth is slightly slower than the state and county growth rates. Projections suggest a 15 percent increase over the next 20 years. Notably, stakeholders believe this growth could be even more substantial if adequate housing were available to meet demand.
- **Newport residents are older with smaller households.** The city's population is aging, with a median age of 48 compared to Oregon's 40, and nearly a third of residents over 65. Households in Newport tend to be smaller than the state average, with a high proportion of one- and two-person households.
- **Newport is more racially and ethnically diverse than the county but less diverse than the state.** Newport's population is predominately white (76 percent) followed by residents who identify as Hispanic or Latino of any race (16 percent).
- **Newport has lower household incomes**. As of 2022, Newport's median household income was $57,511 compared to $76,632 at the state. Median household income increased 22 percent since 2012, which is much less than the 53 percent growth seen at the state level.
- **About 36 percent of households in Newport spend 30 percent or more of their income on housing and experience cost burden.** Renter households have higher rates of cost burden than owner households. Nearly 50 percent of Newport renter households are cost burdened.

PROJECT AREA DEMOGRAPHIC DISTINCTIONS

- **More families live within the Project Area.** With schools, government, and grocery located near the city center, it becomes an attractive place for families. Approximately 22 percent of households near the city center have children, compared to 18 percent of households in Newport. In the same vein, households tend to be a more even mix of 1-person, 2-person, and 3-person households in the city center, whereas nearly 75 percent of Newport's households are 1 or 2-person households.

- **Project Area residents are younger and more diverse than the city overall.** At present, the city center attracts a younger, more diverse residential base. Nearly 60 percent of Project Area residents are under 40 years old, compared to approximately 50 percent in Newport. Over 30 percent of Project Area residents identify as BIPOC, compared to 24 percent of Newport residents.
- **There are more renters in the Project Area.** Nearly 60 percent of the 1,077 housing units in the Project Area are renter occupied compared to 40 percent of units in Newport overall.

Workers

- **Newport's covered employment decreased 3 percent between 2008 and 2022.** Net employment changes amount to nearly 200 lost jobs, with the majority of losses concentrated in the government (a loss of 134 jobs) and other services industries (a loss of 120 jobs). The industry with the greatest job gains was accommodation and food services which added 212 new jobs.
- **The average wage in Newport is slightly higher than the county.** Newport's average wage was $50,033 in 2022 compared to $48,029 in Lincoln County.
- **Newport's five largest industries in 2022 were accommodation and food services, government, retail, healthcare and social assistance, manufacturing.** Two of these industries pay wages above the city's average: government and healthcare and social assistance.
- **Just over half of Newport's residents who work commute to other job centers.** About 55 percent of Newport's working age residents commute to other areas for work, including Portland, Salem, and Corvallis.
- **Most of Newport's workforce commutes into the city from other communities**. About 70 percent (4,700) of Newport's employees commute in from other areas, including Toledo, Lincoln City, and Corvallis.

Visitors

- **Newport stands out as a premier tourist destination on the Oregon Coast.** In 2023, the Oregon Coast region welcomed 5.8 million visitors, with an average spend of $519 per person per trip. Among coastal cities, Newport emerged as the top attraction, drawing approximately 35 percent of all Oregon Coast visitors. This high visitation rate underscores Newport's strong appeal and its crucial role in the region's tourism industry.

What are the implications of Newport's demographics for development in the Project Area?

- **Newport's growing population will increase demand for commercial and residential uses making development in the Project Area more attractive**. Discussions with stakeholders suggest that if more housing was available in the city, the population would grow at a much faster rate than projections suggest.
- **Newport's diverse age demographics call for varied housing and amenities.** The city needs a mix of housing types: smaller units for an aging population and larger, family-oriented options in the Project Area. Interviews suggest that larger rental units have slower absorption due to higher costs so families may rent smaller units than they would prefer. This could point to the need for more affordable housing types that have additional bedrooms to accommodate families. This diverse housing mix, coupled with younger households seeking walkable lifestyles, will shape the area's business and amenity landscape.
- **Newport's lower median household income and high rates of cost burden present challenges for new development.** Newport's lower median household income relative to the state limits the city's development opportunities, as developers may struggle to achieve the rents or sales prices needed to justify new construction. Additionally, the high proportion of renters in the Project Area who are cost burdened underscores a critical need for more affordable rental units. As the Project Area redevelops and attracts higher rents, existing residents and businesses may face displacement pressures.
- **The city's aging population raises concerns about future workforce availability, potentially affecting business attraction**. The concentration of younger residents in the Project Area could partially offset this, making it a potentially attractive location for businesses. However, lower wages and high cost of housing could further reduce workforce availability if people of working age can't afford to live in the city.
- **The decline in covered employment suggests there may be limited demand for new space in declining industries.** However, growth in sectors like food and beverage could provide targeted opportunities. The impact of tourism suggests the potential for developments catering to both residents and visitors.
- **Redevelopment could make Newport's downtown more attractive to tourists.** Currently, the downtown area primarily serves residents due to its existing mix of businesses and proximity to local institutions. Investing in downtown could enhance its appeal to visitors, increasing demand for retail and lodging.

Real Estate Market Trends

This section provides an overview of the current real estate conditions in Newport and the broader Lincoln County region, focusing on housing and commercial (retail and office) sectors. When reviewing the Newport data, it is important to note that the CoStar data has a limited sample size. To account for this, we supplemented the Newport findings with insights from discussions with the City and stakeholders including local property owners, developers, and brokers. Additionally, where applicable, we compared Newport to overall Lincoln County real estate trends, which benefits from a larger data sample. Making comparisons to the county data helps provide a wider market context to complement the Newport-specific CoStar data.

Real estate conditions including vacancy, rents, and development activity provide insight into the market drivers and trends that will influence the market appeal and viability of uses in the Project Area. Key terms used throughout this section include:

- **Triple-Net (NNN):** Represents annual rents on a per square foot basis not including any pass-through expenses such as taxes, insurance, and any utilities or maintenance costs.
- **Vacancy:** The percentage of available space in a building or market that is unoccupied and available for lease or sale.
- **Deliveries:** The number of new buildings or units completed and ready for occupancy in a given time period, measured in square feet or number of units.
- **Net Absorption:** The amount of occupied space in each market over a specific period, typically measured in square feet. Net absorption is calculated by subtracting the amount of space that becomes vacant (by tenants moving out or by new construction) from the amount of space that is newly occupied.

COSTAR DATA CAVEATS

CoStar is a widely used real estate data platform, but it is important to understand its limitations, particularly in smaller markets, when analyzing rent trends, vacancies, and deliveries. Here are some key caveats to consider:

- **Coverage: CoStar's data coverage can be less comprehensive in smaller markets compared to larger metropolitan areas. This means that the sample size of properties included in the data may be smaller, potentially leading to less representative or accurate figures.**
- **Data Collection: CoStar relies on a combination of public records, property owner submissions, and field research to gather data. In smaller markets, where a high portion of the properties are smaller and independently owned, CoStar may have difficulty**

Commercial Development (Retail and Office)

The commercial environment in the Project Area includes large highway-oriented chains, light industrial businesses, small offices, and local downtown shops. US 20 hosts heavier commercial users and light industry. Commercial development includes auto parts stores, lumberyards, car rentals, and some smaller strip development generally with large parking lots and large access driveways along the corridors. Larger strip developments along US 101 near the US 20 interchange host gas stations and large franchises like Walgreens, Dollar Tree, NAPA Auto Parts, and Goodwill. Progressing south on US 101 towards the Yaquina Bay Bridge includes a shift in the commercial landscape away from large strip retail centers with large parking lots to more pedestrian-oriented commercial development with smaller, independently owned stores and restaurants.

These trends are based on CoStar data which included a sample size of 138 buildings and 1.27 million square feet of commercial space in Newport and 408 buildings and 3.16 million square feet of commercial space in Lincoln County

Key Commercial Market Trends in Newport

- **Low vacancies point to unmet demand for commercial space, but stagnant rents and high construction costs restrict new construction.** Commercial rents increased by $5.90 per square foot between 2014 and 2019, peaking at $21 before dropping during the pandemic in 2021 (no data for 2020). Since then, retail rents have stabilized at $15.40 per square foot as of 2024 YTD, similar to 2014 levels. Since 2016, vacancy rates reported in Costar have hovered between 0 and 1 percent, suggesting minimal turnover.

  From 2014 to 2024, the market absorbed roughly 20,300 square feet of commercial space, but only 5,000 square feet of new space was developed. This lack of new development contributes to the low vacancy rates and indicates a market in need of new commercial supply. Despite low vacancy, slow growth in commercial rents and high construction costs may deter new investments.

- **The Project Area has a limited supply of updated, move-in ready buildings for businesses.** While CoStar data shows very low vacancy in Newport, the Project Area has several persistently vacant buildings in disrepair that are not captured in the data. These unaccounted-for vacancies mean the actual vacancy rate is somewhat higher than reported. As a result, the Project Area has a higher vacancy than Newport overall, but there are few updated, move-in ready buildings available for new businesses.

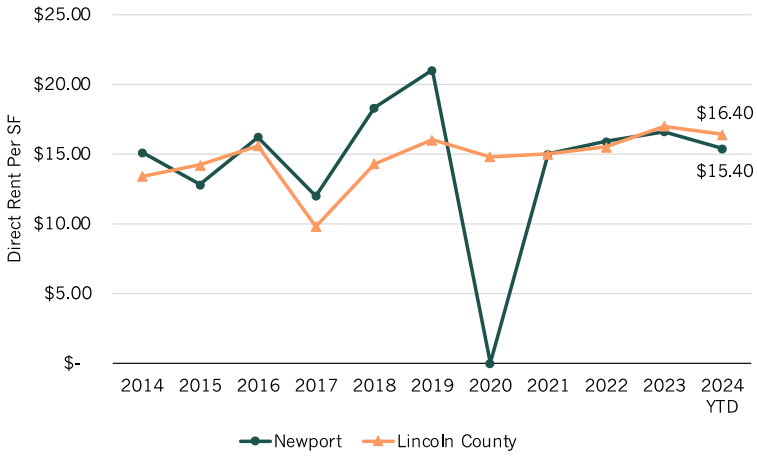
- **The Project Area has a limited supply of vacant commercial land.** Redevelopment is often more challenging than greenfield development on a vacant lot and can be more expensive depending on the state of the building.

Commercial (Office and Retail)

Commercial rents in Newport peaked at $21 per square foot in 2019 before dropping during the pandemic. Rents have since stabilized at $15.40 per square foot, similar to 2014 levels.

Stakeholder insights suggest that $15.40 per square foot rate represents the upper end of the market or newer builds. Actual rental rates can vary depending on the type of commercial use and the condition of the property.

Exhibit 3. Average Commercial Rent per Square Foot, Newport and Lincoln County, 2014 to 2024 YTD



Source: CoStar, pulled July 2024

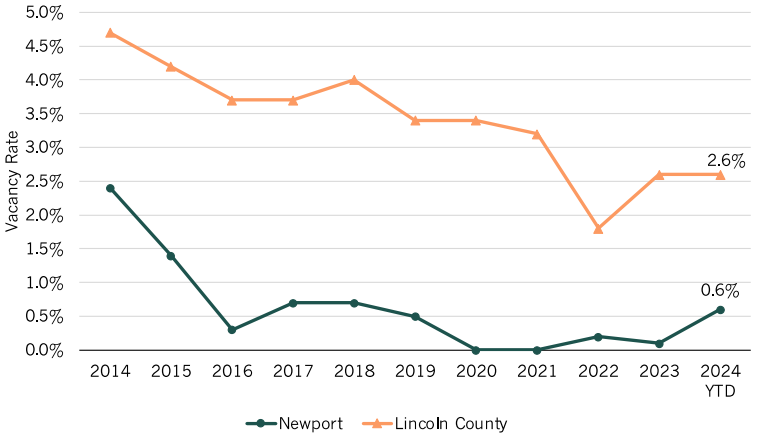
Note: 'Zero' values indicate no data available for the given year

CoStar reports Newport's vacancy rate below 1 percent since 2016, suggesting minimal turnover and need for new development.

Discussions with stakeholders confirm that there is limited available commercial space but that there has been an uptick in available inventory recently.

While CoStar data shows very low vacancy in Newport, the Project Area has several persistently vacant buildings that are not captured in the data. However, these buildings are in a state of disrepair and not move-in ready.

Exhibit 4. Average Commercial Vacancy Rate, Newport and Lincoln County, 2014 to 2024 YTD



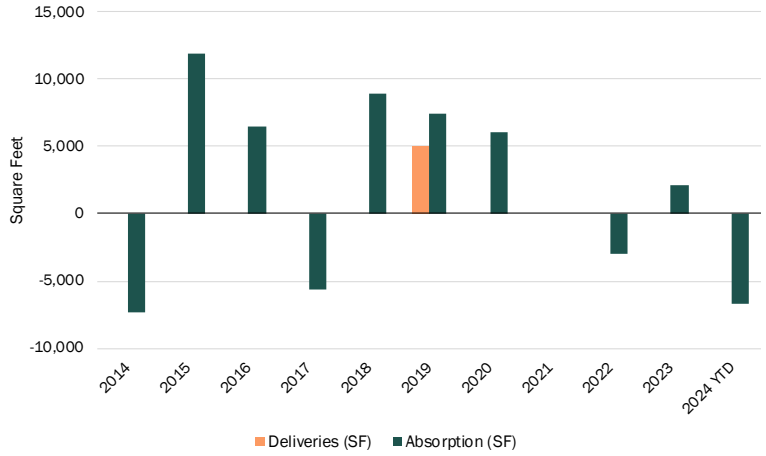
Source: CoStar, pulled July 2024

Newport has had little new development of commercial space over the past decade.

According to CoStar, Newport absorbed about 20,300 square feet of commercial space over the past decade, while only 5,000 square feet of new space was developed.

Stakeholders confirm that there has been limited new commercial development in Newport over the past decade and suggest that this is partly due to a lack of available vacant land. As a result, future development will likely focus on redevelopment rather than building on vacant sites.

Exhibit 5: Commercial Deliveries and Net Absorption in Square Feet, Newport, 2014-2024 YTD



Source: CoStar, pulled July 2024

Residential Development

Off the main US 101 and US 20 corridors, the Project Area consists of a mix of one- and two-story commercial uses and single-family residences with some limited, smaller-scale multifamily developments. Just outside of the Project Area is medium and high-density residential areas. With its close proximity to local schools and other community anchors such as Samaritan Pacific Communities Hospital, Newport Recreation Center, and the Newport Farmers Market, the Project Area could be an attractive area for additional residential development. Residential market data shows a strong and growing demand for housing in the city of Newport

These trends are based on CoStar data which included a sample size of 28 apartment buildings and 683 market-rate multifamily units in Newport and 90 apartment buildings and 1,989 market-rate multifamily units in Lincoln County.

Key Residential Market Trends in Newport

- **Increasing rents and low vacancy suggest a constrained supply of multifamily units in Newport.** Market-rate multifamily rents increased by 45 percent ($629) between 2014 and 2024 YTD. As of 2024, CoStar recorded average, market-rate multifamily unit rents at $2,012, much higher than in nearby cities. Vacancy rates for market-rate multifamily units rose from 2 percent to 4.7 percent between 2020 and 2024, likely due to the delivery of new units between 2021 and 2023. Discussions with stakeholders suggest that there is still high demand for multifamily rental units, and that the slightly higher vacancy rate is due to slower absorption of larger units (3+ bedrooms), which are more expensive and less affordable for many households. High interest rates and construction costs are limiting the market's ability to meet demand.
- **While Newport has had an increase in multifamily development in recent years, demand for additional units remains strong.** Between 2021 and 2023, Newport added 158 new market-rate rental units and 110 new income-restricted, affordable rental units.
- **Strong regional housing price growth indicates additional demand for ownership units in Newport.** As of June 2024, Newport's median single-family home price reached $423,000. While this figure can fluctuate monthly due to limited inventory, it generally aligns with other coastal cities. From June 2014 to June 2024, Newport experienced a 49 percent increase in median home sales price ($139,000). Newport's desirability for second homes and vacation rentals restricts the available supply of ownership housing for year-round residents.
- **The limited inventory of housing is impacting local businesses' ability to recruit and retain staff.** Stakeholder interviews suggest that the housing shortage affects employees at all wage levels. Many workers in lower-wage jobs cannot afford to live in Newport on their current wages. Even higher-wage workers struggle to find suitable housing due to the limited supply.

Multifamily Rental

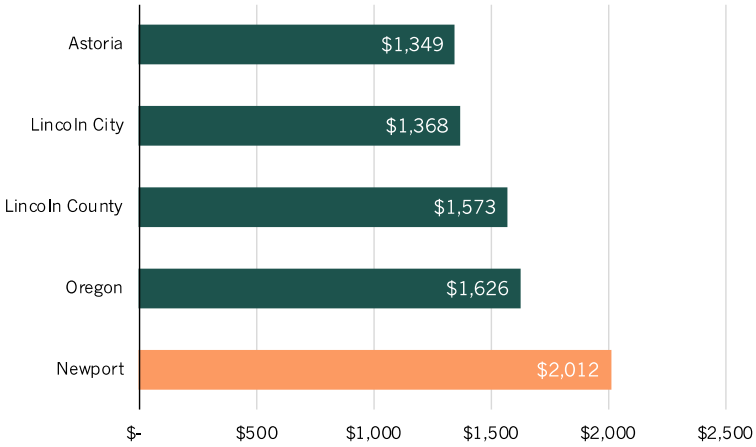
Newport's market-rate multifamily rents exceed state and regional averages.

In 2024, Newport's average market-rate multifamily rent was $2,012 per unit according to CoStar, approximately $400 above the state average and $600 higher than peer cities. A local rental scan of three apartment buildings in Newport showed rents at:

- 1-bedrooms: $1,455- $1,605
- 2- bedrooms: $1,325-$1,780
- 3-bedrooms: $1,625-$2,205

Based on this scan, the $2,000 average rent captured in CoStar is likely a little high and may be capturing a greater share of larger units. However, stakeholder discussions suggest that the $2,000 average monthly rent is likely not far off.

Exhibit 6. Average Market-Rate Multifamily Rent per Unit, Newport, Comparison Cities, Lincoln County, and Oregon 2024 YTD

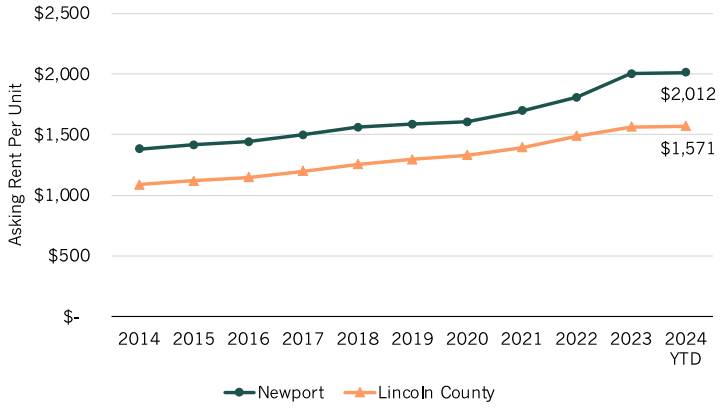


Source: CoStar, pulled July 2024

Market-rate rents in Newport have increased substantially since 2014, with rapid increases between 2020 and 2023.

According to CoStar, market-rate multifamily rents increased 45 percent ($629) between 2014 and 2024 YTD, similar to Lincoln County growth rates .

Exhibit 7. Average Market-Rate Multifamily Rent per Unit, Newport and Lincoln County, 2013 to 2024 YTD



Source: CoStar, pulled July 2024

Market-rate multifamily vacancy rates in Newport remain low despite recent fluctuations.

Vacancy rates declined from 2014 to 2020, then increased slightly in 2021 and 2023 due to new unit deliveries. As of 2024, rates remain below 5 percent, indicating high demand.

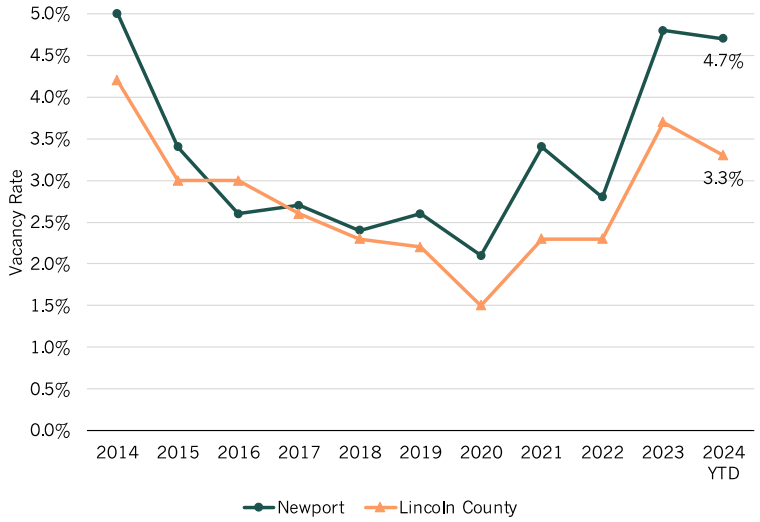
While new units temporarily eased low vacancy rates and rapid rent growth, demand still likely exceeds supply. Notably, stakeholders report that larger units (3+ bedrooms) are taking longer to absorb into the market given the higher rents these units command.

According to CoStar, no new market-rate multifamily housing was developed in Newport between 2014 and 2020. However, the city has had an uptick in development over the past few years.

Between 2021 and 2022, 80 new market-rate multifamily units were developed in Newport. Additionally, 78 market-rate multifamily units from the Wyndhaven development were completed at the end of 2023 but are not reflected in the current data.

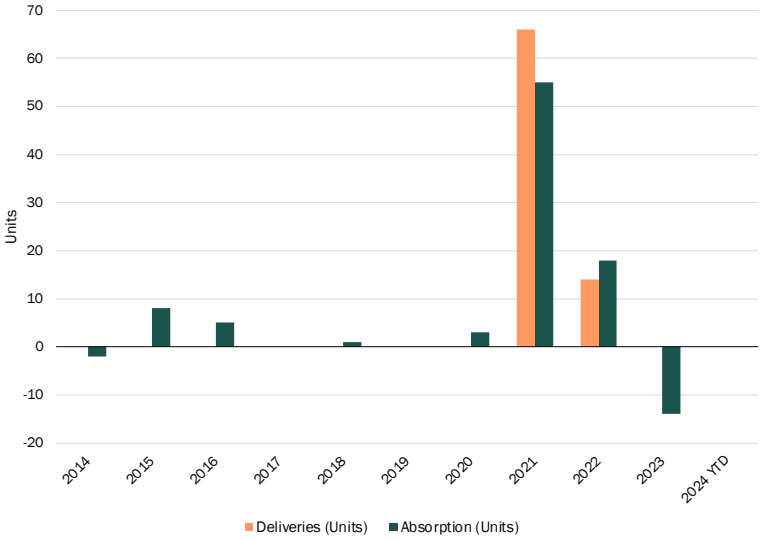
Alongside the market-rate developments, Surfview Village also came online in 2020, which added 110 new income-restricted units to the market (not shown in exhibit).

Exhibit 8. Average Market-Rate Multifamily Vacancy Rate, Newport and Lincoln County, 2013 to 2024 YTD



Source: CoStar, pulled July 2024

Exhibit 9: Market-Rate Multifamily Deliveries and Absorption in Units, Newport, 2013-2024 YTD



Source: CoStar, pulled July 2024

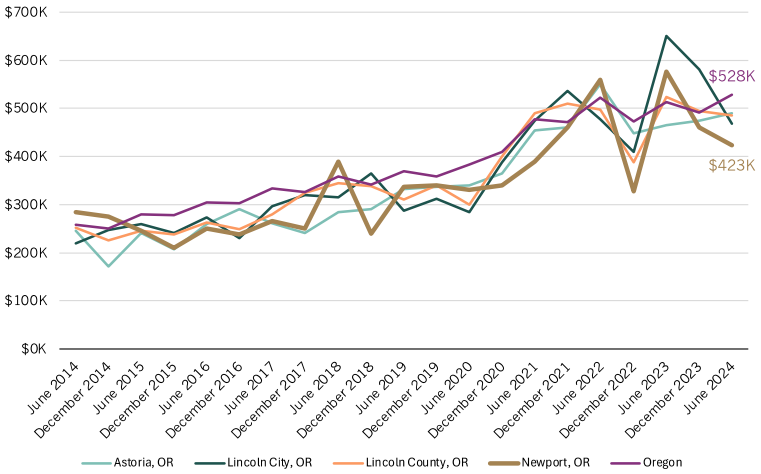
Ownership Housing

Newport's single family home prices have risen substantially since 2014.

As of June 2024, Newport's median single-family home price reached $423,000. While this figure can fluctuate monthly due to limited inventory, it generally aligns with other coastal cities. From June 2014 to June 2024, Newport experienced a 49 percent increase in median home sales price ($139,000).

Stakeholders confirmed the rapid increase in sales prices over the past few years but also noted that there has been an increase in sales inventory in recent months, suggesting a less constrained market for buyers.

Exhibit 10: Median Sale Price for Single-Family Homes, Newport, Lincoln County, Oregon, and comparison cities 2014-2024 YTD



Source: Redfin, pulled July 2024

Key Opportunities and Barriers

What could redevelopment of these Focus Areas mean for Newport?

Focus Area 1: A Walkable, Reimagined City Center that Connects Newport's Business Districts.

The City Center could be designed to serve locals, emphasizing walkability to essential services like the hospital, several grocery stores, the Community Center, and three schools. New housing in the area at a variety of scales and unit sizes could provide residents with access to all of these community amenities, even without a car. US 101, owned by ODOT, is an arterial and local freight route that is also popular with tourists and locals traveling between coastal communities. This makes Focus Area 1 a key location for capturing both local and tourist traffic, enhancing its commercial potential.

Strategically located along US 101 and US 20, the City Center should serve as a point of pride for residents, showcasing it as the gateway to the heart of Newport. Enhancing the streetscapes and incorporating key community amenities, such as a permanent covered farmer's market and event space venue, play spaces for children, and public art, will elevate the area's appeal and community pride.

Focus Area 2: A Maker's District and Improved US 20 Gateway

This area serves as the gateway to Newport along Highway 20. Given that the area surrounding the district features all three school levels, there could be housing development opportunities along NE 1st Street, where there are several properties that could be suitable for redevelopment. In addition, this area could attract rehabilitated storefronts, warehouses, and light industrial spaces that could serve as a small maker district within the city.[2] The area could continue to attract businesses that wish to locate close to Newport's City Center and other active businesses. Some businesses may be interested in incorporating a retail element into a working manufacturing facility.

[2] A maker's district refers to an area that supports and promotes creative and industrial activities by providing space and resources for artisans, craftsmen, and small-scale manufacturers to collaborate and produce goods. Many of these businesses include a retail element in their space.

What are the opportunities for development in the Focus Areas?

Both Focus Areas

Public funding and stewardship. Tax increment financing is the most powerful locally controlled funding source available to cities to advance redevelopment objectives. Targeted partnerships to support catalytic housing development could provide proof of concept for other developments.

High visibility sites. Because many parcels in the Project Area are visible to thousands of motorists and pedestrians every day, local developers have noted that well-executed projects will attract significant attention. Because these areas see so much traffic, there could be new business opportunities and new audiences for existing businesses because of redevelopment.

Location outside of tsunami zone. Beyond its central location, this area is also outside of the tsunami zone, making it a safer and more resilient location for development.

Potential for community spaces. The Farmer's Market is committed to the area, which could help to spur investment in a permanent covered venue that could also host other events and serve as a community gathering space.

Focus Area 1

Public land control and planned public sector investments. The City's Urban Renewal Agency (URA) owns significant land in the area, providing opportunities for catalytic development on vacant sites before substantial redevelopment on existing sites occurs. New public investments in the City Hall and a potential covered farmers market location solidify the City's stewardship of a renewed City Center. In addition, the City is exploring partnerships with other landowners that could extend the impacts of its large land holding in the area.

Partnership opportunities for affordable housing and commercial developments. Given tax increment financing (TIF) resources, the Agency could consider opportunities to partner with local employers and other organizations on workforce and affordable housing developments along with affordable commercial components as part of new development.

Second-story view potential. US 101 runs down the middle of a peninsula, creating view shed potential on either side of the highway. However, because of a topographical slope and building heights of one to two stories, the view potential is

limited to the west side of US 101, which slopes downward, allowing for ocean sightings from the ground-level.

Focus Area 2

Better connections to the Bayfront. SE Fogarty Street intersects with US 20 and leads down to Yaquina where views of boats and the Yaquina Bay Bridge can be seen. This intersection may be a key node for enhancing the connection between focus area 2 and the bayfront.

Opportunity for multifamily housing near schools. The area north of US 20 offers potential for new multifamily housing development near Newport's existing schools. NE 1st Street, in particular, features several properties that could be suitable for redevelopment.

What are the key challenges to development in the Focus Areas?

Both Focus Areas

Development feasibility challenges. The cost of construction and high interest rates hinder development feasibility in Newport and across Oregon. Additionally, some developers perceive the City's requirements for public improvements as excessive, which can discourage development and increase project costs and complexity. The coastal climate also necessitates building to higher standards, such as using marine-grade materials, to ensure durability and resilience, further adding to costs. Lastly, the limited supply of subcontractors and the logistical challenges of supplying materials to the coast can lead to additional expenses and project delays.

Market challenges. Local workers often struggle to afford rents and housing costs, and many businesses find it difficult to handle higher rents.

Aging buildings. Several buildings in the Project Area are in a severe state of disrepair and beyond renovation, having exceeded their useful lives. Demolishing and rebuilding on these sites is expensive and involves negotiating with property owners who may have differing views on their property's value. Additionally, the costs of demolition, environmental remediation, and redevelopment add to the financial challenges.

Proximity to services for people experiencing homelessness. The area hosts essential services for individuals experiencing homelessness, reflecting the community's commitment to supporting vulnerable populations. This concentration of services, while vital, presents complex challenges for local development, businesses,

and residents. The increased visibility of individuals accessing these services can impact public perceptions of safety and cleanliness, potentially affecting business patronage and property values.

Infrastructure costs. Aging water and wastewater infrastructure in the area adds a layer of complexity and expense to redevelopment projects. Many projects in the area will require substantial investments to modernize and improve local infrastructure.

Government coordination. Uncertainty about planned improvements along US 101 can cause delays in private redevelopment. Whether it's the couplet or other modifications, these changes are costly and time-consuming. Efficient collaboration within the City and between the City and the Oregon Department of Transportation (ODOT) is crucial to successfully implement road improvements and reassure private developers that the area is a good investment opportunity.

Potential displacement risks. Potential redevelopment in the area could inadvertently lead to business displacement. As redevelopments increase the desirability of the area, property values and rental rates will also increase. Long-standing local businesses, especially those that rent their spaces, may struggle to keep up with the rising rents. Additionally, as changes in consumer demographics and preferences brought on by new developments could further marginalize existing businesses. The City should deliberately plan for anti-displacement prior to any large scale revisioning of these areas. Without careful planning and support mechanisms in place, these investments might displace the very businesses that have been integral to the community's character and economy.

Focus Area 1

Highway safety. US 101 is a five-lane highway with two lanes in each direction and a center left-turn lane. Traffic moves quickly, but the area experiences significant congestion during the summer. Safety along highways, particularly US101, is a major concern. While enhancing walkability is important, there is apprehension about significantly slowing down traffic on such a busy thoroughfare.

Lack of vacant land. There are few sizable vacant parcels within this focus area. Demolition of existing buildings and subsequent redevelopment is more complicated than greenfield development.

Difficult retail environment. Operating a business in this area is challenging due to several factors, most notably traffic congestion and inadequate pedestrian infrastructure. The heavy traffic and lack of safe pedestrian pathways make it difficult for retail stores, particularly those dependent on foot traffic and off-site parking, to succeed. Stakeholders have also emphasized that the the high cost of housing is a significant barrier to attracting and retaining employees.

Focus Area 2

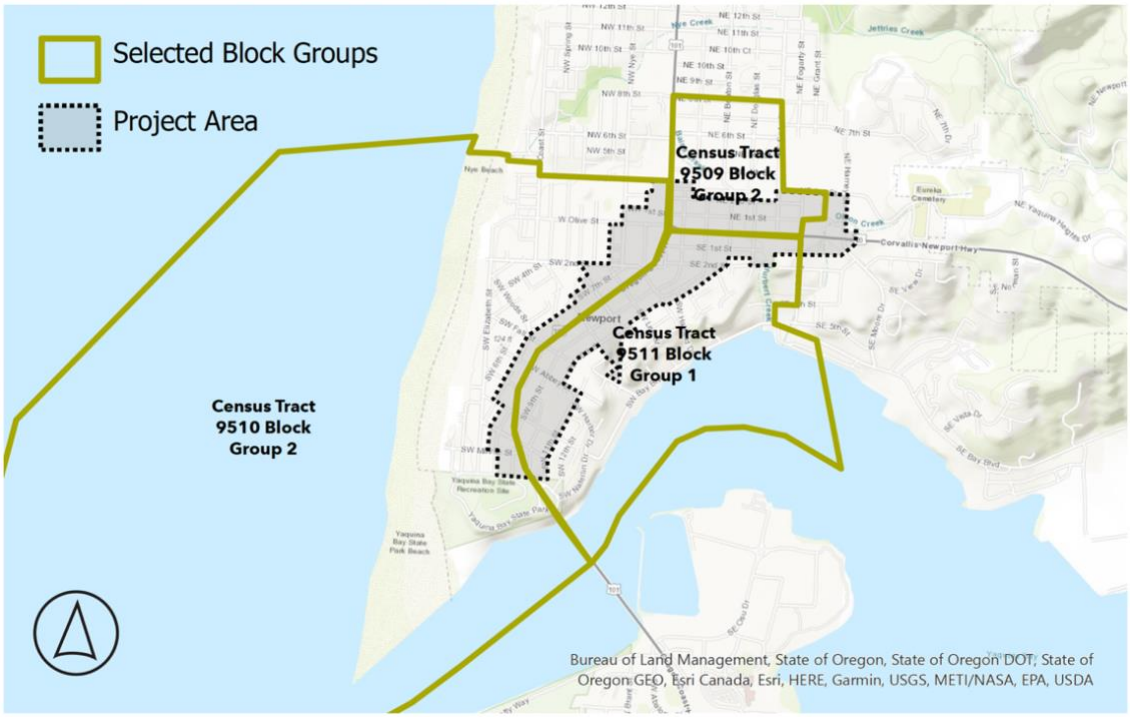
Uncertain market appetite. The current mix of land uses and lack of a cohesive vision may discourage developers from prioritizing this location for redevelopment. To attract investment, the neighborhood needs a champion who can envision its transition and promote the redevelopment of numerous underdeveloped and vacant sites. These properties hold significant potential due to their proximity to critical community assets such as local schools and the Commons.

Incomplete pedestrian infrastructure. This area lacks adequate pedestrian infrastructure which the City is actively working to remedy. A safe, complete transportation network sends signals to property owners and developers that could help to spur new investment and redevelopment.

Appendix A. Socioeconomic Conditions

This appendix summarizes the key demographic and economic conditions and trends for Newport and the comparison geographies (Lincoln County and the state of Oregon) as it relates to development potential. We compare Newport to Lincoln County and Oregon to understand how the City fits within the county and state. Where possible, we also provide data on the Project Area using census block groups seen Exhibit 2.[3]

Exhibit 11. Census Analysis Area



Demographic Conditions

Newport had a population of 11,083 in 2023, a 9.1 percent increase from 2013. Over this period, the city's growth was slower than the growth of Lincoln County (11.5 percent) and the state of Oregon (9.6 percent). As documented in the Housing Capacity Analysis and Housing Production Strategy process, this may be due, in part, to limited housing supply. The Project Area's population was about 2,686 in 2022.

[3] Block groups are census designated areas. The three block groups in Exhibit 2 were selected as the best fit for the project area, creating a "study area". It is important to note that the margins of error for these block group statistics are high, so the numbers should be interpreted as general trends rather than precise numbers. While not exact, this data provides a broad understanding of the Project Area's population characteristics.

Exhibit 12: Population Growth, Oregon, Lincoln County, and Newport (city limits), 2013-2023

	Year		Change, 2013-2023		
Region	2013	2023	Number	Percent	AAGR
Newport	10,160	11,083	923	9.1%	0.9%
Lincoln County	46,560	51,930	5,370	11.5%	1.2%
Oregon	3,919,020	4,296,626	377,606	9.6%	1.0%

Source: Portland State University Population Research Center
Note: AAGR is Average Annual Growth Rate

Newport's population is expected to continue to grow at a similar rate to the past. Overall, Newport is expected to add 1,587 residents between 2020 and 2040, at an annual average growth rate of 0.7 percent.

Exhibit 13: Population Projections, Lincoln County and Newport UGB, 2020-2040

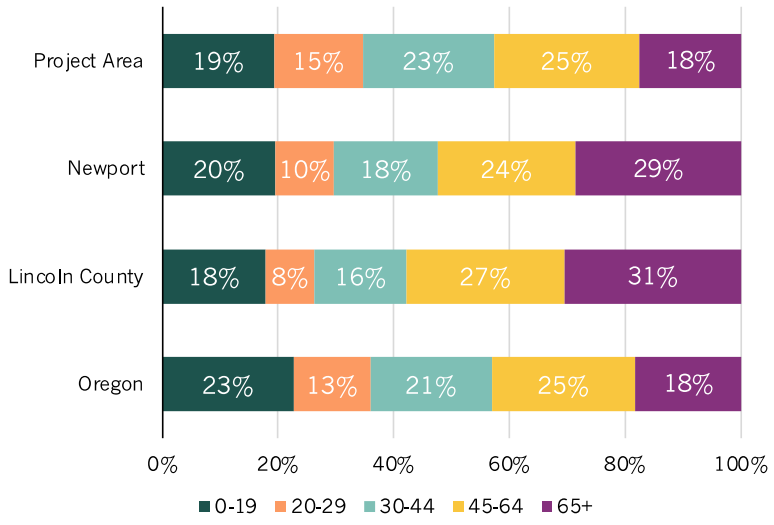
				Change, 2020-2040		
Population	2020	2030	2040	Number	Percent	AAGR
Newport	10,842	12,589	12,429	1,587	15%	0.7%
Lincoln County	50,395	52,344	53,428	3,033	6%	0.3%

Source: Portland State University Population Research Center

Similar to Lincoln County, Newport has a higher share of residents over the age of 65 than the state. The Project Area has a higher share of younger, working-age residents and a lower share of older adults than the city as a whole.

Approximately 38 percent of Project Area residents are between 20 and 44 years of age, compared to 28 percent of city residents and 24 percent of county residents.

Exhibit 14: Population by Age, Oregon, Lincoln County, Newport, and Project Area, 2022



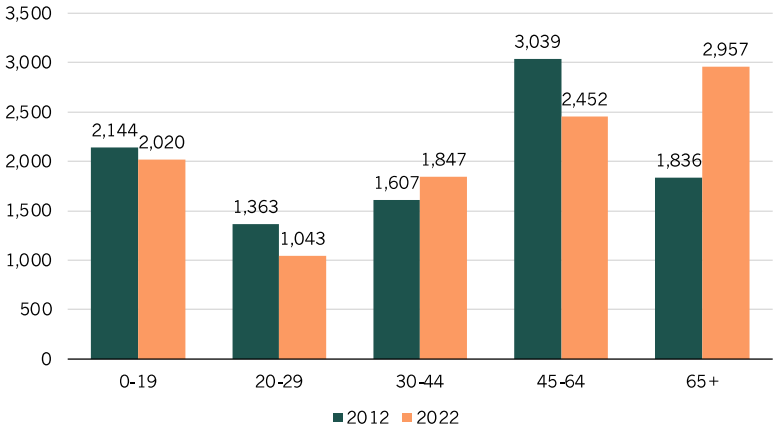
Source: 2018-2022 ACS 5-Year Estimates Table B01001

The population in Newport is aging. The number of residents aged 65 and over in Newport increased by 61 percent (about 1,100 people) between 2012 and 2022.

The number of residents aged 30 to 44 years also increased over the period by about 15 percent (240 people). Meanwhile, three age groups, residents under 19, residents aged 20 to 29 years, and residents aged 45 to 64, decreased over the period.

Overall, Newport's median age increased from 43.4 years in 2012 to 47.9 years in 2022.

Exhibit 15: Population Growth by Age Group, Newport, 2012-2022

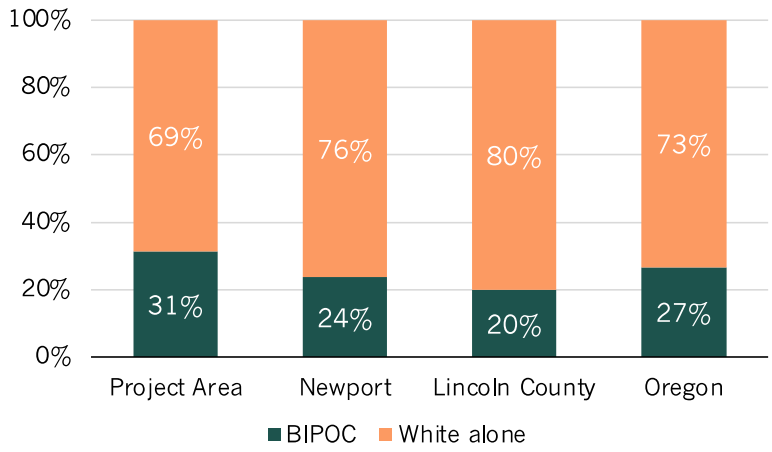


Source: 2008-2012 and 2018-2022 ACS 5-Year Estimates Table B01001

Nearly a quarter of Newport's population identifies as a person of color or Hispanic/Latino

The Project Area is more racially and ethnically diverse than the City of Newport overall.

Exhibit 16: Share of Population (BIPOC and White alone), Oregon, Lincoln County, Newport, and Project Area, 2022

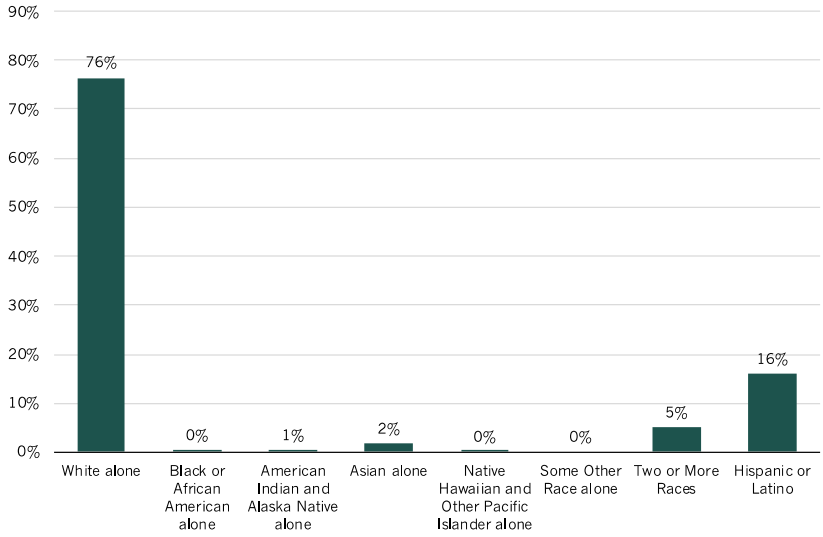


Source: 2018-2022 ACS 5-Year Estimates Table B03002

Note: BIPOC includes all people of color and Hispanic/Latino of any race

Newport's population is predominately white, non-Hispanic (76 percent) followed by Hispanic or Latino of any race (16 percent)

Exhibit 17: Race and Ethnicity, Newport 2022



Source: 2018-2022 ACS 5-Year Estimates Table B03002

Newport has an average household size of 2.2 which is similar to Lincoln County but smaller than the statewide average.

The smaller household sizes in Newport and Lincoln County are likely attributed to the higher proportion of older adults who are more likely to be empty nesters.

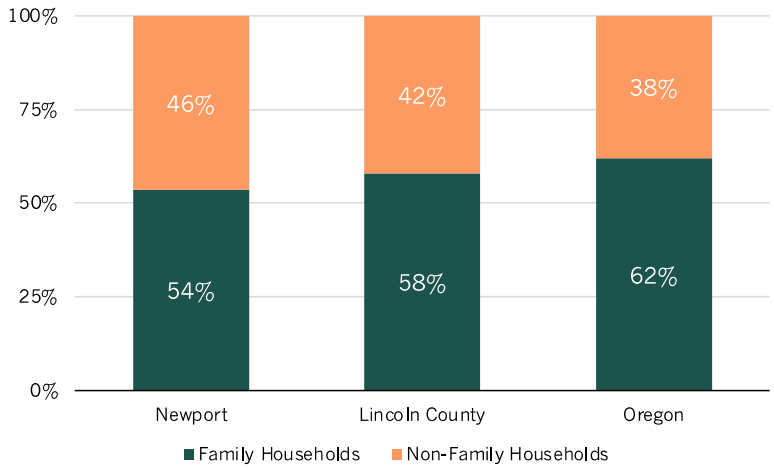
Exhibit 18: Average Household Size, Newport, Lincoln County, Oregon, 2022

2.2 persons	2.2 persons	2.5 persons
Newport	Lincoln County	Oregon

Source: 2018-2022 ACS 5-Year Estimates Table S1101

Newport has a greater share of non-family households compared to Lincoln County and Oregon.

Exhibit 19: Households by Type, Oregon, Lincoln County, and Newport, 2018-2022

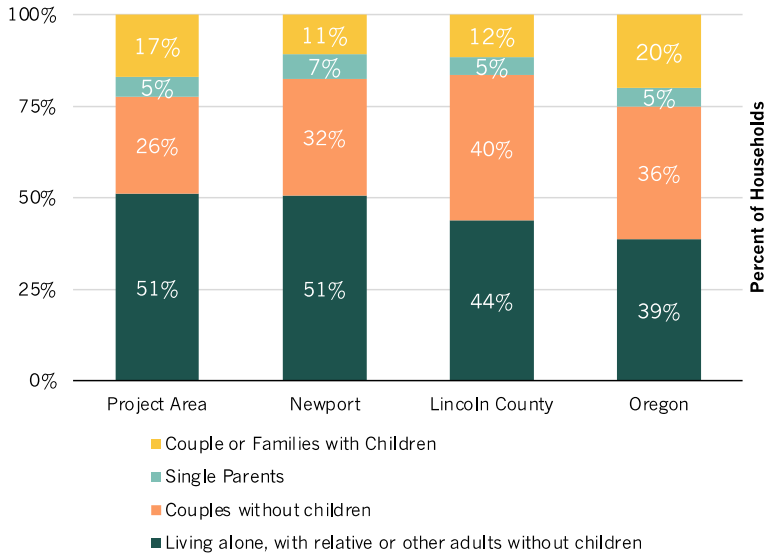


Source: 2018-2022 ACS 5-Year Estimates Table S1101

Over half of Newport and Project Area residents live alone, with a relative, or other adults.

In 2022, the Project Area had a higher proportion of households with children (22 percent) compared to Newport (18 percent) and Lincoln County (17 percent).

Exhibit 20: Household Composition, Oregon, Lincoln County, Newport, and Project Area, 2022

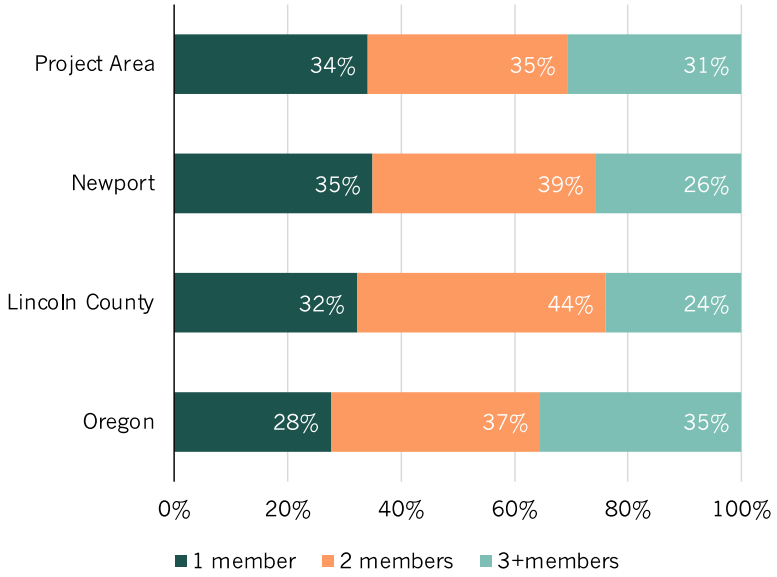


Source: 2018-2021 ACS 5-Year Estimates Table B11012

Newport has a higher proportion of single-person and two-person households compared to the state. Around 74 percent of Newport's households have either one or two members.

In contrast, the Project Area has a higher share of households with 3 or more members compared to the overall city. This aligns with the Project Area having a larger proportion of households with children.

Exhibit 21: Household Size, Oregon, Lincoln County, Newport, and Project Area, 2022



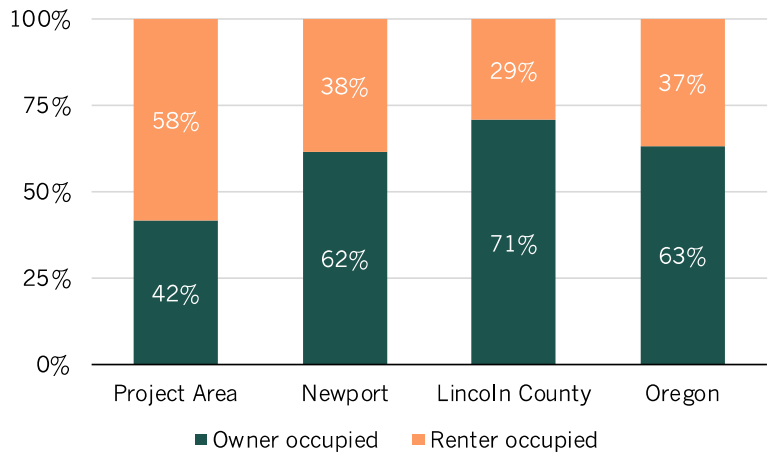
Source: 2018-2022 ACS 5-Year Estimates Table B25009

Newport's ratio of owners to renters is similar to Oregon's but lower than Lincoln County's

The Project Area has a higher concentration of renter occupied households with roughly 6 in 10 households renting their homes compared to 4 in 10 in the city overall.

There are approximately 4,551 housing units in Newport, 1,077 of which are in the Project Area.

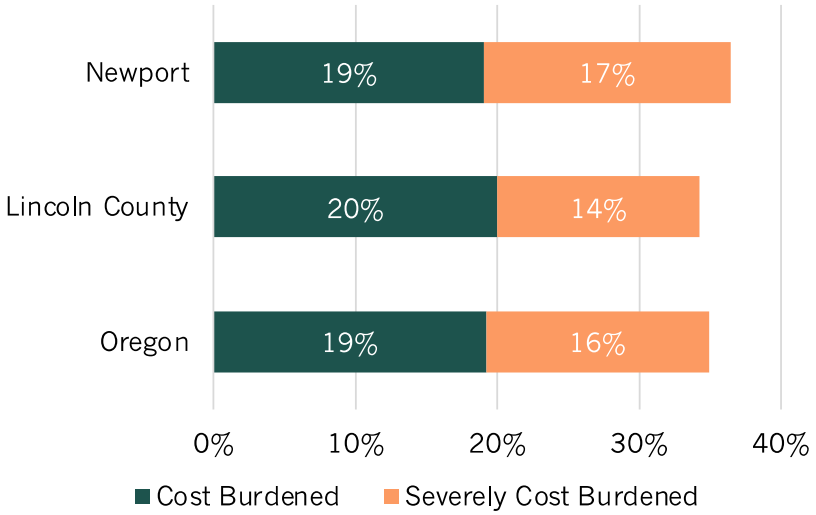
Exhibit 22: Households by Tenure, Oregon, Lincoln County, Newport, and Project Area, 2022



Source: 2018-2022 ACS 5-Year Estimates Table B25003

About 36 percent of all households in Newport are cost burdened. This is slightly higher than the state and county.

Exhibit 23: Housing Cost Burden Oregon, Lincoln County, and Newport, 2022

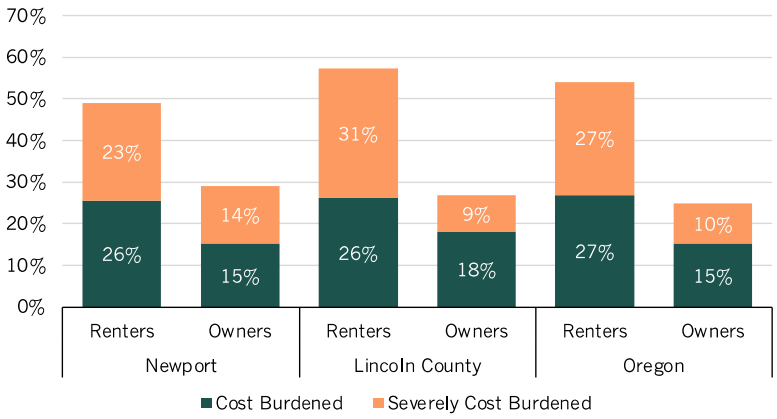


Source: 2018-2022 ACS 5-Year Estimates Tables B25070 and B25091

Renter households have higher rates of cost burden than owner households.

Nearly 50 percent of Newport renter households are cost burdened. This is slightly lower than the state and county.

Exhibit 24: Cost burden by Tenure, Oregon, Lincoln County, and Newport, 2022



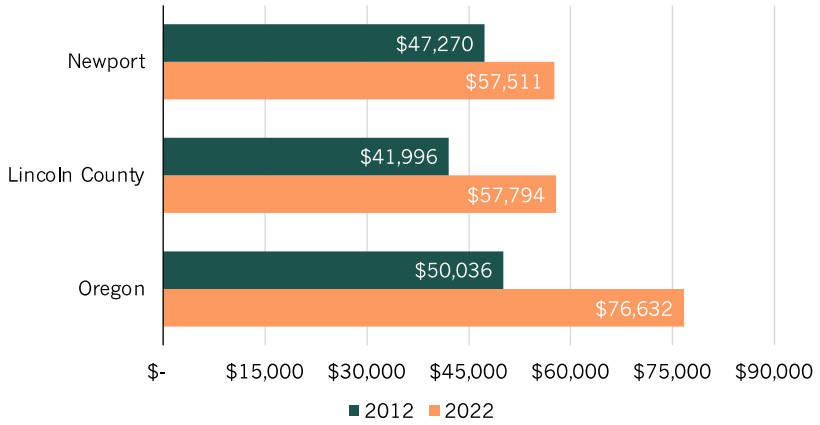
Source: 2018-2022 ACS 5-Year Estimates Tables B25070 and B25091

Economic Conditions

Newport households tend to have lower incomes than the state.

Newport's median household income grew 22 percent between 2012 and 2022 which was slower than the state (53 percent) and county (38 percent).

Exhibit 25: Median Household Income, Oregon, Lincoln County, and Newport, 2012-2022 (not inflation adjusted)



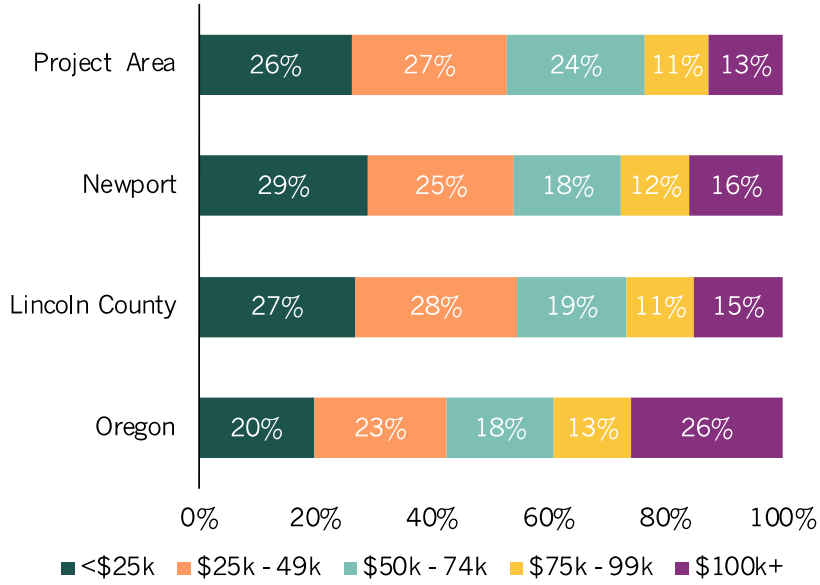
Source: 2018-2022 ACS 5-Year Estimates Table S1901

Newport has a higher share of households with incomes under $50,000 per year, and fewer households making over $75,000 annually when compared to the state.

Over half of households in Newport have an annual income of less than $50,000 compared to 43 percent in Oregon.

Note: Household income does not account for accumulated wealth. Some lower income households may consist of retirees with accumulated wealth.

Exhibit 26: Household Income Distribution, Oregon, Lincoln County, Newport, and Project Area, 2022 (in 2022 dollars)

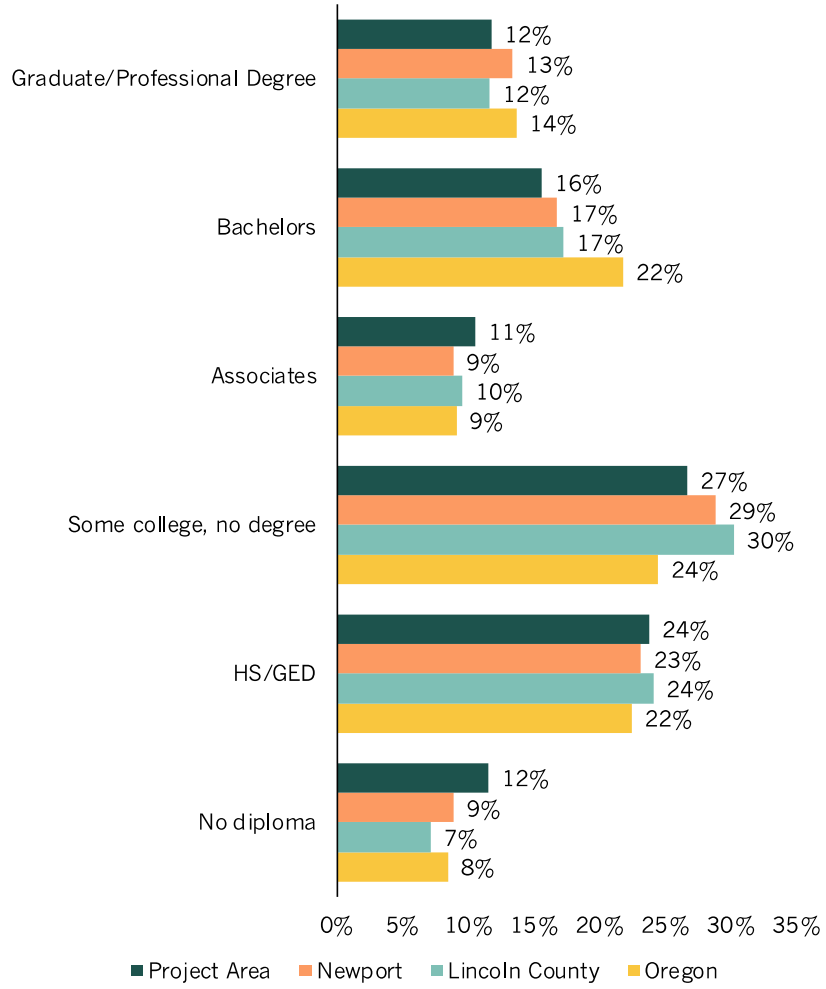


Source: 2018-2022 ACS 5-Year Estimates Table B19001

Newport has a lower share of residents with a bachelor's degree or higher (30 percent) compared to the state (36 percent).

The Project Area has a similar educational attainment pattern as the city.

Exhibit 27: Educational Attainment for Population 25 Years and Over, Oregon, Lincoln County, Newport, and Project Area, 2022



Source: 2018-2022 ACS 5-Year Estimates Table B15003

Employment

Employment in Newport decreased by 3 percent between 2008 and 2022.

Exhibit 28: Average Annual Covered Employment, Newport, Lincoln County, Oregon, 2008-2022

	Employment		Percent Change
	2008	2022	
Newport	7,610	7,411	-2.6%
Lincoln County	17,741	17,580	-0.9%
Oregon	1,714,868	1,947,870	13.6%

Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2008-2022

Between 2008 and 2022 Newport lost 199 covered jobs. The industries with the greatest job losses were other services (-134 jobs) and government (-120 jobs). Accommodation and food services saw the greatest increase in terms of total jobs (212 jobs). This sector now makes up 22 percent of Newport's total employment compared to 19 percent in 2008.

Exhibit 29: Newport Total Covered Employment by Industry 2008-2022

Sector	Employees		% Share of Total Employement		Change, 2008 - 2022	
	2008	2022	2008	2022	Number	Percent
Mining, Agriculture, Forestry, Fishing & Hunt.	98	92	1%	1%	-6	-6%
Construction and Utilities	338	304	4%	4%	-34	-10%
Manufacturing	419	445	6%	6%	26	6%
Wholesale Trade	99	114	1%	2%	15	15%
Retail Trade	1,259	1,179	17%	16%	-80	-6%
Transportation and Warehousing	75	73	1%	1%	-2	-3%
Information	102	70	1%	1%	-32	-31%
Finance & Insurance	165	185	2%	2%	20	12%
Real Estate & Rental & Leasing	107	57	1%	1%	-50	-47%
Prof. Services and Mgmt. of Companies	211	208	3%	3%	-3	-1%
Administrative & Support Services	252	276	3%	4%	24	10%
Private Education	13	18	0%	0%	5	38%
Health Care & Social Assistance	919	891	12%	12%	-28	-3%
Arts, Entertainment, & Recreation	150	138	2%	2%	-12	-8%
Accommodation & Food Services	1,448	1,660	19%	22%	212	15%
Other Services	299	165	4%	2%	-134	-45%
Government	1,656	1,536	22%	21%	-120	-7%
	7,610	**7,411**	**100%**	**100%**	**-199**	**-3%**

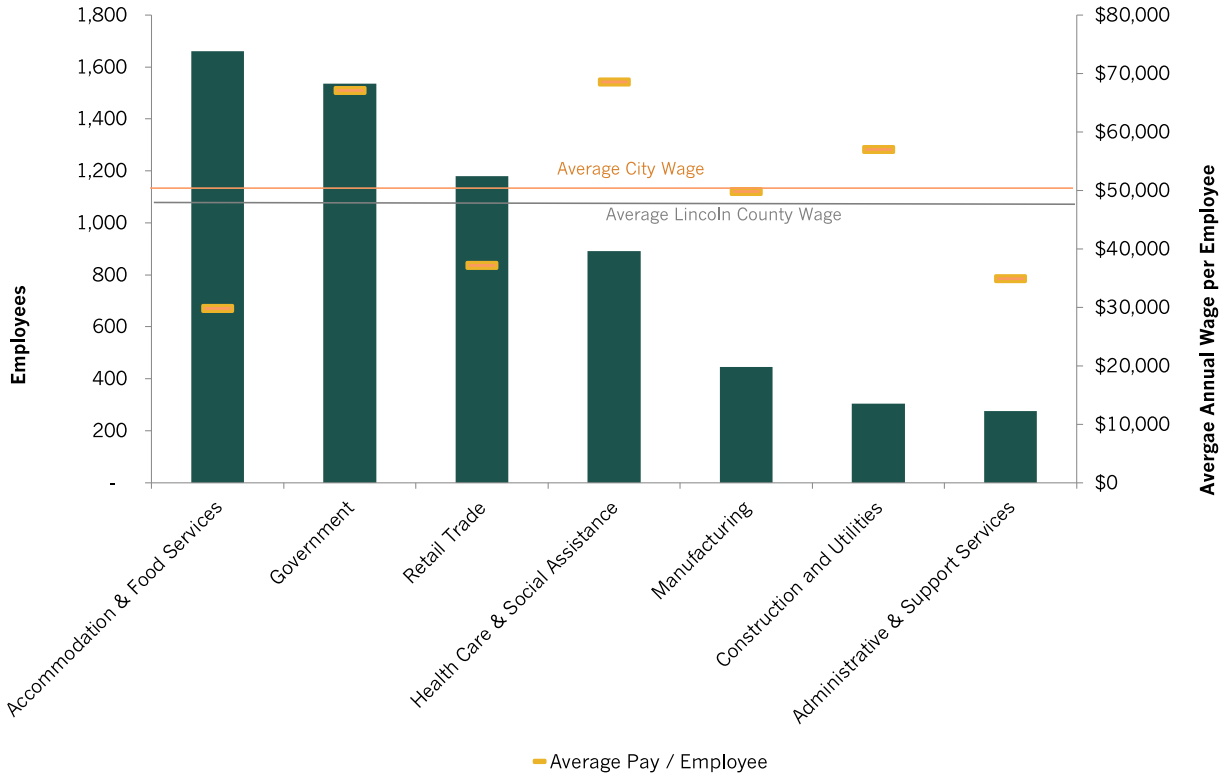
Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2008-2022.

The five largest industries in Newport in 2022 were accommodation and food services, government, retail trade, healthcare and social assistance, and manufacturing. These industries together totaled 5,711 jobs or about 77 percent of covered employment.

Of these top five industries, healthcare and social assistance and government paid average wages above the city's average wage of $50,034. Retail trade and

accommodation and food services paid averages wages lower than the City average wage. Manufacturing paid about the City average.

Exhibit 30. Sectors in Newport with 200+ Covered Employees, Average Pay, 2022



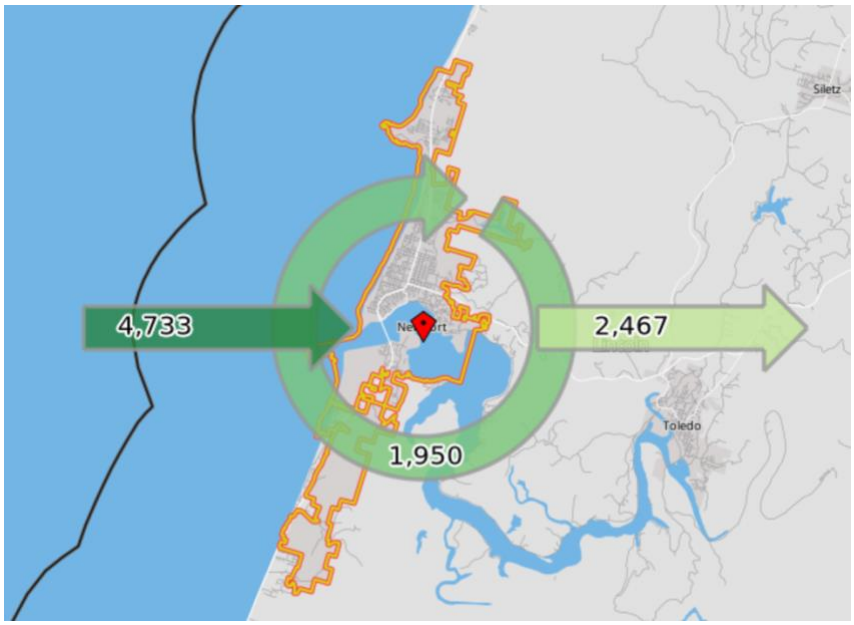
Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2022

About 6,700 people worked in Newport in 2021. Most of these people commuted into Newport for work.

About 1,950 people lived and worked in Newport, accounting for 29 percent of jobs in Newport.

About 2,500 people lived in Newport but commuted outside of the city for work.

Exhibit 31. Commuting Flows, Newport, 2021



Source: US Census Bureau, Census on the Map.
Note: This is an estimate of covered employment.

About 29 percent of people who work at businesses in Newport also live in Newport

The remaining 71 percent commuted from Toledo, Lincoln City, Corvallis, and other parts of the region.

Exhibit 32. Top Places Where Newport Workers Lived, 2021

29%	8%	3%	2%
Newport	Toledo	Lincoln City	Corvallis

Source: US Census Bureau, Census On the Map. Note: This is an estimate of covered employment.

About 44 percent of Newport residents work in Newport.

The remaining 56 percent of residents who work commuted to Portland, Salem, Corvallis, and other parts of the region.

Exhibit 33. Top Places Where Newport Residents Were Employed, 2020

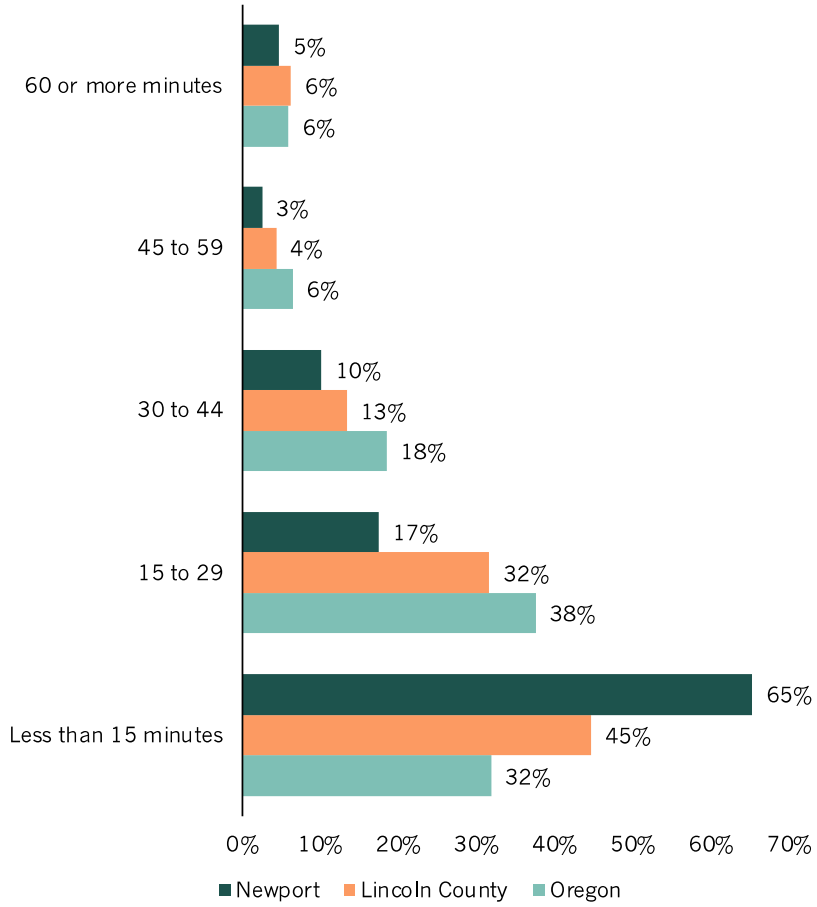
44%	6%	4%	4%
Newport	Portland	Salem	Corvallis

Source: US Census Bureau, Census On the Map. Note: This is an estimate of covered employment.

Newport residents have shorter commute times than Lincoln County and Oregon.

About 65 percent of Newport residents commute less than 15 minutes to work. This is much different from the state and county where 32 percent and 45 percent of residents commute less than 15 minutes.

Exhibit 34: Commute Time, Oregon, Lincoln County, and Newport, 2022



Source: 2018-2022 ACS 5-Year Estimates Table S0801

Visitors

Tourism plays a crucial role in Newport by supporting businesses, creating jobs, and generating tax revenue. According to Travel Oregon, the Oregon Coast welcomed about 5.8 million visitors in 2023 with an average spending of $519 per person per trip.[4] A 2021-2022 Travel Oregon visitor profile report showed that Newport was the top visited city on the Oregon Coast, attracting about 35 percent of Oregon Coast visitors, slightly ahead of Lincoln City (34 percent) and Cannon Beach (33 percent). This data underscores Newport's importance as a coastal destination and the tourism industry's substantial economic influence on the area.

[4] Travel Oregon. "Oregon Travel Impacts dashboard" Dean Runyan Associates. Retrieved August 8, 2024, from https://www.travelstats.com/impacts/oregon

A summary of demographic characteristics of Oregon Coast visitors is included below.[5]

Demographics

- Visitors to the Oregon Coast in 2021-2022 averaged 54 years of age, skewed female (63 percent), were usually married/partnered (76 percent), and reported high average household incomes ($113,411). One-in-five had children in their household (19 percent). Most identified as White/Caucasian (88 percent). One-in-six had accessibility needs (16 percent).

Trip Purpose

- Two-thirds of these Oregon Coast visitors were taking a vacation/leisure trip (64 percent). Most remaining visitors came to visit friends/family (20 percent) while a few came for business (5 percent).
- Oregon Coast visitors positioned scenic beauty (95 percent) and a relaxing environment (92 percent) as the top important factors for choosing Oregon in 2021- 2022. Other frequently cited attributes include local food/cuisine (85 percent), affordability/value (85 percent), environmental quality (83 percent), outdoor recreation (83 percent), and an inclusive/welcoming atmosphere (82 percent).

Trip Details

- Oregon Coast visitors spent almost a week (6.3 days) on their Oregon trip in 2021-2022. While they all visited the Oregon Coast, many also ventured to other parts of the state.
- On average, visitors to the Oregon Coast spent $249 per person per day in-destination in Oregon. Lodging accounted for the largest share of wallet ($66 per person per day), followed closely by restaurants/dining ($59). Remaining expenditures for recreation, rental cars, gas, and groceries hovered between $20 and $29 each per day.
- Three-quarters of 2021-2022 Oregon Coast visitors enjoyed food and drink while on their trip (75 percent), the leading activity. Almost two-thirds (61 percent) engaged in outdoor recreation (hiking/biking/fishing, etc.). More than a third of visitors also chose a scenic ride (42 percent) and/or shopping (39 percent) and a quarter of them enjoyed arts/cultural (26 percent).

[5] Oregon Visitor Profile Report Oregon Coast, 2021-2022, Travel Oregon. Retrieved from https://industry.traveloregon.com/wp-content/uploads/2023/06/Travel-Oregon-Visitor-Profile-2021-22-Oregon-Coast-Memo-of-Findings-1.pdf