

Good evening Councilors:

We find ourselves at what is hopefully nearing a close of a 5-year process to expand the City's Urban Growth Boundary. Over these past five years, the City has:

- Produced an adopted and DLCD acknowledged Housing Needs Analysis and Residential Buildable Lands Inventory
- Developed a sequential workplan to incorporate more studies than required prior to UGB expansion
- Produced an adopted and acknowledged Economic Opportunities Analysis Employment Buildable Lands Inventory
- Produced adopted and acknowledged efficiency measures rezoning 42.6 acres of surplus small industrial parcels to residential to minimize the size of the required expansion.
- Produced an adopted and acknowledged Housing Production Strategy
- Produced a Goal 14 analysis to set a study area, prioritize lands for inclusion, and study serviceability to these lands.
- Commissioned an amendment to the Goal 14 analysis analyzing infrastructure costs in an effort to go north to lower priority lands instead of south to the exception lands via the "impracticability standard" in state law.

In that time, the City has brought in \$383,000 in grant funding, provided \$21,000 in matching funds, and provided approximately 2,652 hours of staff time which accounts for roughly \$212,160 in staff costs, all towards these projects. A total of approximately \$616,660. The City also produced an adopted and acknowledged Parks Master Plan in that span that, while not part of the sequential workplan, informed parkland analysis behind the City's open space expansion recommendation. These documents have been reviewed by our partner agencies and watchdog groups and notably we have not received comment of substantial

concern from these parties. The acknowledged projects are final words on the matters they addressed. Additionally, the City's legal council has provided a legal review of the City's proposal supporting the findings that will be read later tonight.

The City's work went above and beyond the requirements of HB 2001 and HB 2003 in two very important and impactful ways. The first was initiating the sequential UGB workplan that allowed the City to produce an Economic Opportunities Analysis prior to UGB expansion. The EOA provided the justification for rezoning surplus smaller industrial parcels to residential thus decreasing the residential land need in an expansion. Additionally, it provided a basis to bring in industrial lands that were sized appropriately to meet industrial land needs for its target industries.

The second was the Goal 14 amendment, including and integrating findings from the infrastructure report produced by the Dyer Partnership. This amendment was voluntarily undertaken at great cost to the City to determine whether expansion to the exception lands to the south could be considered impracticable compared to other subareas. The results definitively showed that southern expansion could not be considered impracticable and due to this residential expansion into those exception lands was required.

As shown in DLCD's letter included as Exhibit F, due to the delays associated with this additional work done to be certain of the City's options, Molalla is now under tight timelines to adopt this proposal. In addition to Council adoption, this proposal must go before Clackamas County Planning Commission and the Board of Commissioners prior to January 1st, 2027. If we do not pass this expansion tonight it puts the proposal off of that timeline. This likely means that at the very least the City would need to secure grant funding to produce a new HNA, Efficiency Measures, Goal 14, and UGB expansion process. Given new OHNA rules and approval of 326 housing units since the inception of the previous HNA there's