

# A PRO-HOUSING SUPPLY AGENDA TO REDUCE HOMELESSNESS, SECURE OREGON'S POSITION AS THE MOST AFFORDABLE HOUSING MARKET ON THE WEST COAST, AND ACCELERATE ECONOMIC GROWTH

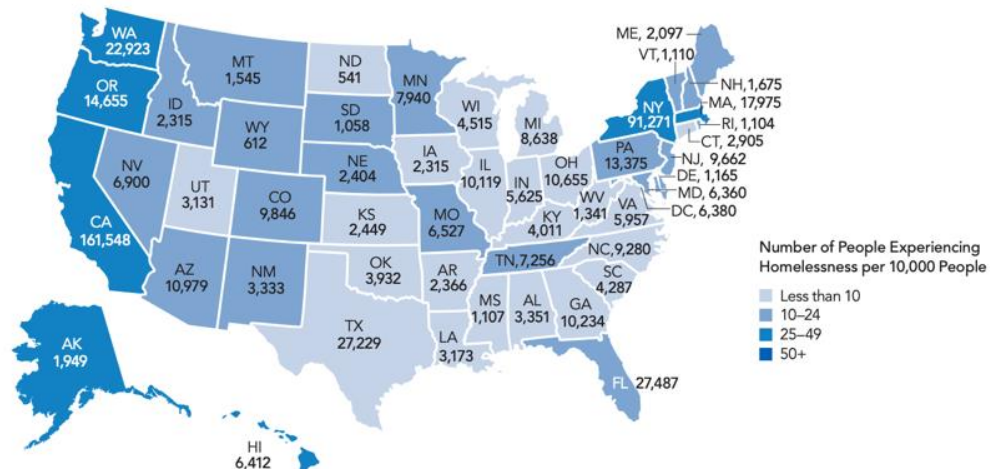
## A Business Plan Priority for 2022

### The Origins of the Housing Affordability and Homelessness Crises

Oregon and the West Coast are mired in tightly related housing affordability and homelessness crises that have persisted over a decade. The crises have roots in markets that produce too few housing units relative to population and job growth. In Oregon, a new, legislatively-mandated study found the market is underbuilt by 140,000 units—that is, the number of units needed immediately to accommodate today's population.

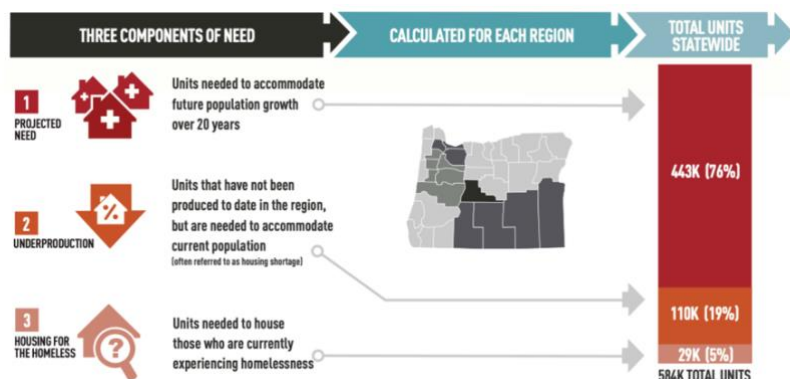
Undersupplied housing puts upward pressure on prices and rents. Housing cost inflation has outpaced income growth, which has put a large share of Oregon households in cost-burdened or severely cost burdened status—spending, respectively, more than 30 and 50 percent of income on housing. Households that are severely cost burdened are one emergency away from losing shelter altogether.

And it should come as no surprise that the highest rates of point-in-time homelessness are found in states with high priced housing markets—California, Oregon, Washington, Hawaii, New York, and Massachusetts (see figure).



### Promising Initial Steps in Response to the Crises

Oregon policymakers recognize the need to accelerate the supply of market-based and subsidized affordable housing and now have a clearer understanding of the task at hand. [HB 2003](#), from the 2019 session, called for a projection of housing needs at the regional level. The resulting analysis found a need to produce 584,000 units of housing during 2020-2040 (see chart). The



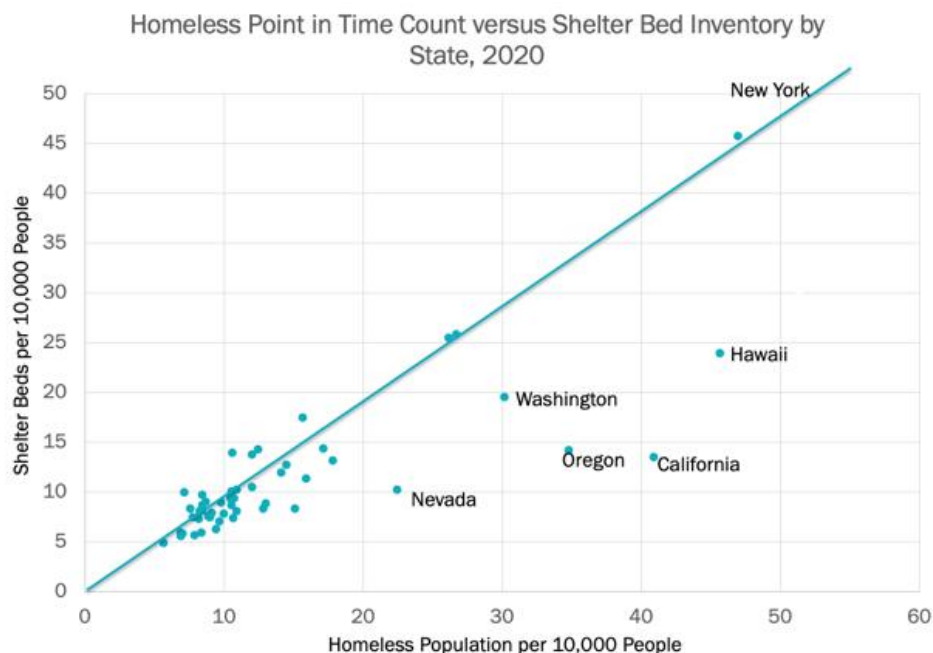
production need translates to 29,200 units annually—in line with the Oregon Business Plan’s goal of 30,000 units per year.

Removing regulatory barriers to housing production will be a key. Oregon’s [HB 2001](#), which legalized so-called missing middle housing in neighborhoods formerly limited to single-family homes, was a step in the right direction. But state and local governments will also need to reform and revamp permitting processes, including reducing the influence of neighbors on new unit production, to accelerate supply and put unit construction on pace with population growth. In the meantime, Oregon would benefit from an expansion of rent subsidies, which now reach only 1 in 4 households that need them.

As they address market-based and subsidized supply, communities will need to invest in evidence-based programming for individuals with mental or physical health conditions that make it difficult to secure stable housing. Permanent supportive housing (PSH) is the proven practice. It provides rent assistance with no time limit as well as supportive services focused on mental health, substance abuse treatment, and employment. Tri-county Portland is in the process of implementing one of the largest expansions of PSH programming in the United States, and Oregon Housing and Community Services (OHCS) has pressed for larger, statewide investments.

Focused attention on housing supply and permanent housing offer hope that the homeless crisis will ease over time. But none of the policies outlined above delivers relief on the timetable needed by those without shelter. The final policy area—shelters—is an option of last resort. Effective shelter system management provides temporary access to a crisis bed and offers a gateway to permanent housing. A tight housing market has overwhelmed the crisis system and left roughly 9,000 Oregonians without shelter on any given day.

Oregon, with 1.3 percent of the nation’s population, is home to 4.5 percent of the nation’s unsheltered homeless population. This unusually high share of unsheltered homelessness is related to an underbuilt emergency shelter system. Many states report temporary beds that equal the number of people who are homeless. But a number of western states—generally with temperate climates—have not expanded their shelter capacity to match their sizable homeless populations (see figure).



Source: ECONorthwest analysis of HUD 2017 Point-in-Time Counts, HUD 2020 Housing Inventory Counts, and U.S. Census Bureau 2020 Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico.  
Notes: Shelter beds per 10,000 people include all year round emergency shelter beds, transitional housing units, and safe haven beds for currently homeless individuals divided by state population. Line demonstrates a relationship of 1:1 shelter bed to individual experiencing homelessness (line is not the line of best fit to the data).

The pandemic has led governments to explore alternatives to conventional emergency shelters, including relocation centers, tiny home villages, mobile hygiene clinics, and storage facilities for personal belongings. Additionally, Oregon and California used federal aid to purchase and convert motels for temporary shelter, as part of a response to dislocation resulting from wildfires and as part of a comprehensive housing strategy.

## Next Steps for a Comprehensive Housing Agenda

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The state's housing strategy is on the right track but will take years to execute. The visions underlying the 2019 legislative packages are sound, but their implementation will be challenging. A state-level housing supply agenda will face fierce opposition from local politicians who don't want to cede control of decision making and from hundreds of neighborhood associations that will continue to oppose individual projects.

The work will be successful only if the state applies the same attention and accountability to housing production as it has to land conservation over the past half century. And that will be challenging because there is inherent tension between the two objectives. Oregon's policymakers are capable of finding the balance. It's imperative that they do.

To further advance the state's nation-leading housing agenda, policymakers should:

- 1. Codify new methods, developed in response to HB 2003, to project regional housing needs.** The first phase of HB 2003's implementation demonstrated new methods to calculate regional housing needs. Under current law, localities consider needs for only future population growth with no consideration for current market conditions and a legacy of underproduction. The new methods, which consider elevated prices, overcrowding, and homelessness, reveal that about one-quarter of the state's 20-year housing need—or 140,000 units—is tied to historic underbuilding. The Legislature should formally codify the new projection methods and recognize the much higher level of need.
- 2. Tie the new regional housing need projections to binding local production strategies and land use plans.** The clearer understanding of need is useful only if it drives local action. The state should provide resources to localities to update their housing strategies and land use plans and recognize the higher need uncovered in the HB 2003 method. New rules should commit localities to HB 2003-aligned production levels and incorporate meaningful fiscal penalties and rewards tied to implementation.
- 3. Increase funding for affordable housing.** The private market on its own will not provide housing units that are affordable to low-income households. A robust federal response may be on its way, but state and local revenue-raising efforts will also be needed. To ensure that those resources go as far as they can, governments should evaluate opportunities for additional incentives, such as state-enabled tax abatement programs, fee waivers or reductions, and land write-downs for affordable units. They should also identify and remove regulatory barriers that drive development costs up or unintentionally reduce the number of units possible on a site. These include costly parking requirements, building height and bulk restrictions, design guidelines, and requirements for ground-floor non-residential uses.
- 4. Modernize state land use rules to allow higher density and expand urban growth boundaries.** Policymakers will need to increase allowable densities and better account for production capacity inside urban growth boundaries, while also smoothing the path to expand the UGB when it is warranted. Detailed rules deem some land inside UGBs as vacant, or partially vacant, or unavailable for development. This fails to capture true development capacity while allowing restrictive policies to stay in place, which can create unnecessary pressure to expand growth boundaries. Meanwhile,

UGB expansion processes are time consuming, expensive, and subject to litigation. Corrections to these methods are long overdue and critical to pro-supply policy.

5. **Increase certainty in housing development.** A regulatory cost-benefit review would uncover wide variations in permitting practices and timelines across localities. The pace of review and approval can be as, if not more, important than the detailed regulatory rules. Cumbersome processes and legal challenges add sizable costs to some projects and render others infeasible. The Legislature should empower a state agency to audit localities for adherence to statewide laws requiring clear standards in approving needed housing and meeting existing permitting timelines.
6. **Dedicate a share of ARPA resources to address homelessness.** ARPA funding provides a rare opportunity to address the homeless crisis. Major expansions of voucher programs and development of conventional affordable housing units are outside the scope and scale of these one-time funds. But ARPA funding could build units and beds for Oregon's disproportionately large unsheltered homeless population. Using ARPA funds for these important priorities could free up other state resources to increase rent support and funding for housing construction. To address the Oregon's unsheltered population, the state should dedicate ARPA funding as a 1:1 match for cities, counties, or private organizations that invest in one-time infrastructure. Eligible activities would include: purchase and renovation of motels, restoration of uninhabitable older homes or mobile homes that would be dedicated to affordable housing, acquisition and rehabilitation of low-cost market rate apartment buildings for permanent affordable housing, development of emergency shelter capacity, and development of safe villages with accompanying services (e.g., showers, restrooms, cooking facilities, laundries, storage).

### What would be Different by 2030?

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The window is open for a sustained, pro-housing supply initiative. Oregon has led the nation in its policy vision, and implementation steps are clear. That said, the forces that have slowed development in the past—especially local neighborhood organizations and their members—are formidable. If policymakers can overcome that opposition and turn their vision into outcomes, tens of thousands of additional units would be built, affordability would improve, our homelessness crisis would ease, and the state would be more attractive to a diverse set of households and businesses.