

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

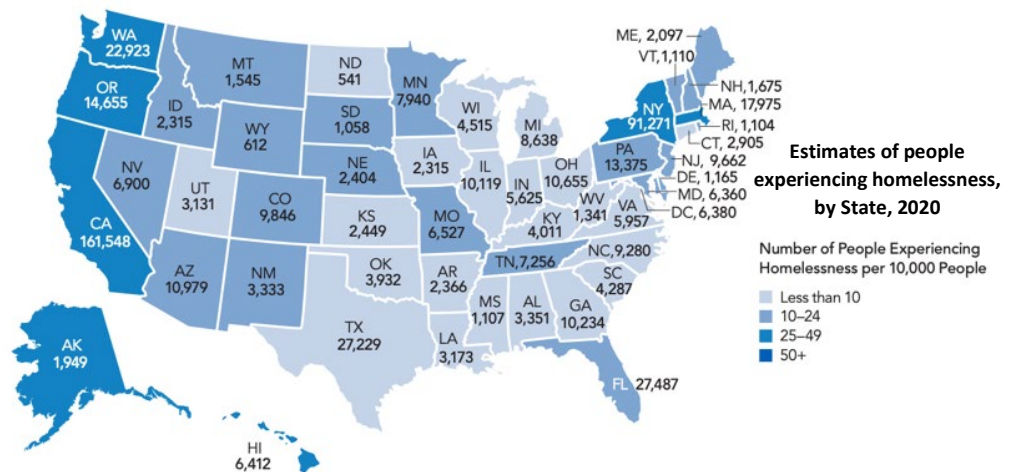
December 2022

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. These crises have roots in markets that produce too few housing units relative to population and job growth. In Oregon, an updated, legislatively-mandated study found the market is underbuilt by about 130,000 units—that is, the number of units needed immediately to accommodate today’s population¹.

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—meaning that the household spends, 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).

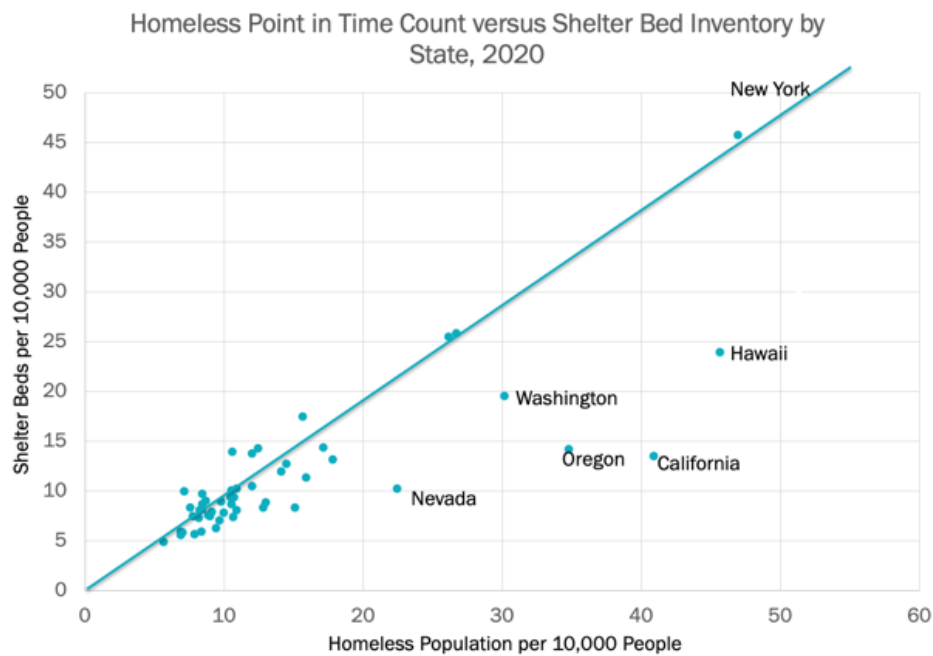


the right direction. But state and local governments will also need to reform and revamp permitting processes, including reducing the influence of neighbors opposed to new unit production, to accelerate supply, and to put unit construction on pace with population growth. In the meantime, Oregon would benefit from an expansion of rent subsidies, which now reach only one in four 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. Recent outcomes for a similar set of interventions in Los Angeles County suggest that, although long-term housing supports have a strong evidence base, service delivery may not translate quickly into reductions in street and shelter homelessness².

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 a homeless individual temporary access to a crisis bed and offers a gateway to permanent housing. A tight housing market has overwhelmed local crisis systems 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).

² Tapogna, John, and Melissa Rowe (November 2022) *Postcard from the Future: What Can Portland Learn from the Implementation of Los Angeles’s Measure H?* Prepared for Homeless Strategies and Solutions Initiative. Portland, OR

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

The state’s housing strategy is on the right track but will take years to execute. The vision underlying the 2019 legislative packages is sound, but its implementation will be challenging. A state-level housing supply agenda may encounter opposition from some local elected officials 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 farmland and forest conservation over the past half century. And that will be challenging because there is inherent tension between land conservation and aggressive housing development. 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 to project regional housing needs and establish goals for local production strategies.** The recently released, joint DLCD-OHCS report offers a strong framework to take the HB 2003 work to its next stage³. The agencies recommended new methods, which consider elevated prices, overcrowding, and homelessness, reveal that about one-quarter of the state’s 20-year housing need—or 130,000 units—is tied to historic underbuilding. The Legislature should formally codify the new projection methods and recognize the much higher level of need.

The report calls for the new analyses to serve as goals in local production strategies and offers an initial sketch of an accountability framework. Few details exist on when or how the state would hold localities accountable for underproduction. Ultimately, the state will need to incorporate meaningful fiscal rewards and penalties tied to implementation.

- 2. Organize, coordinate, and prioritize the related funding requests.** The DLCD-OHCS report calls for new resources and discusses a variety of funding options. A robust housing production initiative will require infrastructure, housing supports, and staffing investments at the state and local levels. A new, state-level housing production team, which is also proposed in the report, will need to organize, coordinate, and prioritize the growing list of funding requests. The team should explore how new federal infrastructure investments could jumpstart a production initiative, summarize the potential of new financing tools, and forecast requests for General Fund resources.

Special attention should be paid to the role and cost of publicly subsidized, affordable housing. Regulations, labor rules, and fees—along with high land and material costs—have put significant upward pressure on construction costs per unit. To ensure that those resources go as far as possible, 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

³ Oregon Department of Land Conservation and Development and Oregon Housing and Community Services (November 2022) *Oregon Housing Needs Analysis Technical Report: Leading with Production*. State of Oregon. Salem, OR

requirements, building height and bulk restrictions, design guidelines, and requirements for ground-floor non-residential uses.

3. **Update state land use rules and streamline urban growth boundary (UGB) review processes.** The DLCDOHCS report recommends an overdue amendment to the state’s “buildable land” statute to reflect a more realistic estimate of buildable lands inside existing UGBs and encourages “swaps” of undevelopable land inside UGBs for equally sized, developable parcels outside the UGB. 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.
4. **Increase the pace and certainty of 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 important, if not more so, than the detailed regulatory rules. Developers and local planning staff do not agree on the extent of this problem. About two-thirds of developers identify permitting time as an extreme barrier to production while only five percent of public officials do⁴. The Legislature should empower a new housing production team to audit localities for meeting existing permitting timelines and adherence to laws requiring clear standards in approving needed housing.
5. **Balance the implementation of long-term and temporary housing supports to compassionately and demonstrably reduce homelessness.** Oregon’s homelessness crisis stands out in two ways: 1) the high rate of overall homelessness because of an overpriced housing market and 2) an exceptionally high rate of unsheltered homelessness because of an underbuilt emergency shelter system. Given current conditions, the path forward must balance expert’s calls for long-term housing supports with the public’s desire for a steady reduction in unsanctioned street camping.

Long-term rental subsidies are the best tool available to reduce homelessness but will take longer to show results than some stakeholders assume. But every dollar shifted away from long-term rent subsidies, to shelters or sanctioned encampments, will slow down reductions in overall homelessness. Given the challenging tradeoffs, public officials should adopt shelter and street count goals for the next several years and design a mix of housing, service, and temporary supports that could achieve them.

What would be Different by 2030?

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.

⁴ Lewis, Rebecca et. al. (October 2022) *Barriers to Housing Production in Oregon: Summary Report*. Prepared for the Oregon Department of Land Conservation and Development. Prepared by the Institute for Policy Research and Engagement. University of Oregon. Eugene, OR