ECOnorthwest

DATE:	July 18, 2025
TO:	Ted Reid, Metro
FROM:	ECOnorthwest
SUBJECT:	Tasks 2B and 2C: Market Conditions and Barriers to Housing Development -

This memo examines the types of housing currently being produced in the Metro region, including both private and nonprofit development, across for-sale and rental markets. It explores the key drivers shaping these trends and also identifies major market and non-market barriers to meeting the region's housing needs. This analysis will ultimately be incorporated into Metro's Regional Housing Coordination Strategy (RHCS).

Structure:

- **Part I: Market Conditions Affecting Housing Development** – What types of housing are being built, where is that housing located, and who is it serving? How does current production align with Metro's projected housing needs?
- **Part II: Barriers to Housing Development** – What's getting in the way of delivering the housing the region needs?

Part I: Market Conditions Affecting Housing Development

Production Trends in the Private Market

The Metro region has added new housing in recent years, but market-rate production has slowed under mounting economic pressures. National and global shifts—many triggered by the COVID-19 pandemic—have disrupted local housing development. High interest rates, labor shortages, and rising construction costs have changed what types of housing get built, where it is built, and who can afford it.

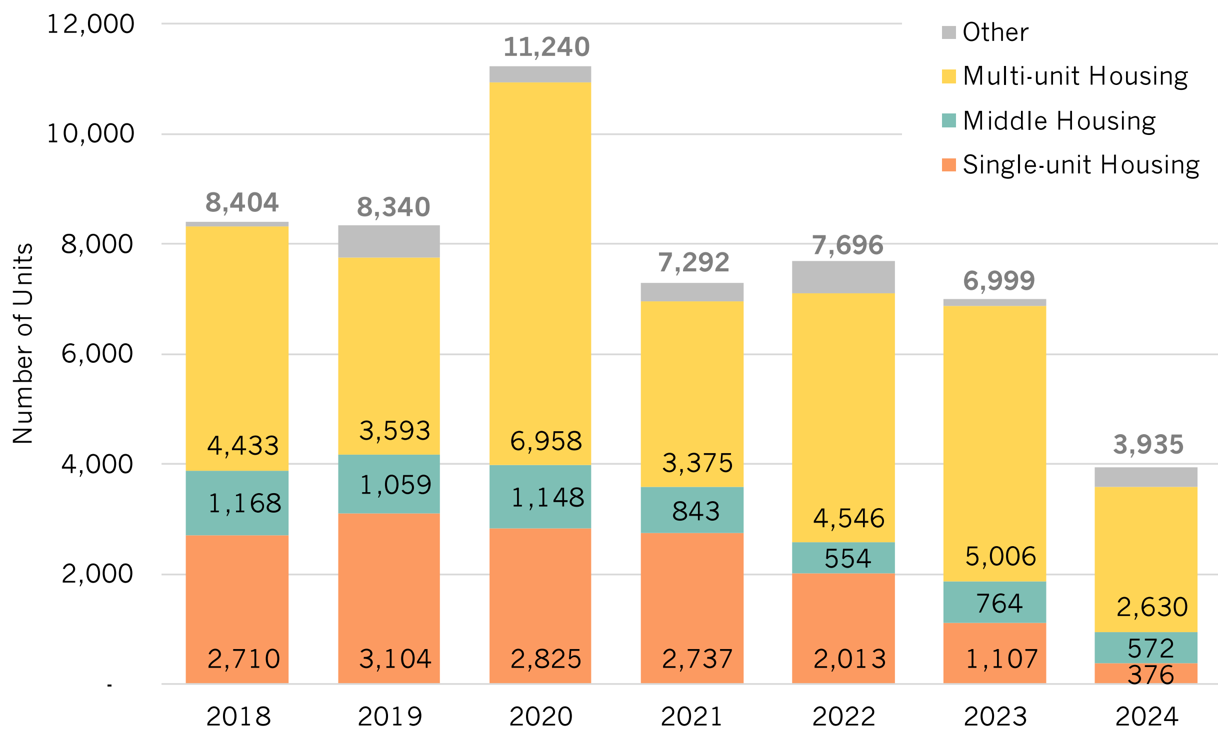
What units have been built?

Within the Metro urban growth boundary (UGB), housing production averaged about 8,000 units per year from 2018 to 2023. In 2024, that figure dropped by roughly half, with declines observed across all housing types. The biggest decreases relative to recent trends are in single-unit housing, though multi-unit housing also declined noticeably compared to the 2018-2023 average (Exhibit 1).

These trends are not unexpected. Supply chain disruptions and labor shortages that began during the pandemic were followed by sharp increases in construction costs and interest rates. Together, these conditions have made it more difficult to finance new housing development. A 2024 national survey of real estate professionals ranked Portland near the bottom among large urban centers for market attractiveness. However, Portland-based developers expressed greater optimism than their national peers, suggesting that some local actors remain willing to build under the right conditions.[1]

Multi-unit development has been especially affected by these dynamics. These projects have longer development timelines than single-unit housing, which creates a lag between market conditions and actual unit deliveries. The recent decline in multi-unit permitting is an early signal of potential further declines to come: In 2024, the City of Portland issued permits for just 856 multi-unit apartments, down from an average of 3,100 units per year between 2018-2023 . As these lower permit volumes progress through the pipeline, an additional decline in multi-unit deliveries is expected. Middle housing deliveries have also slowed, although the decline has been less severe than for other product types. Similar lag effects may still appear in this segment of the market.

Exhibit 1: Units Built by Type, Metro Region, 2018-2024

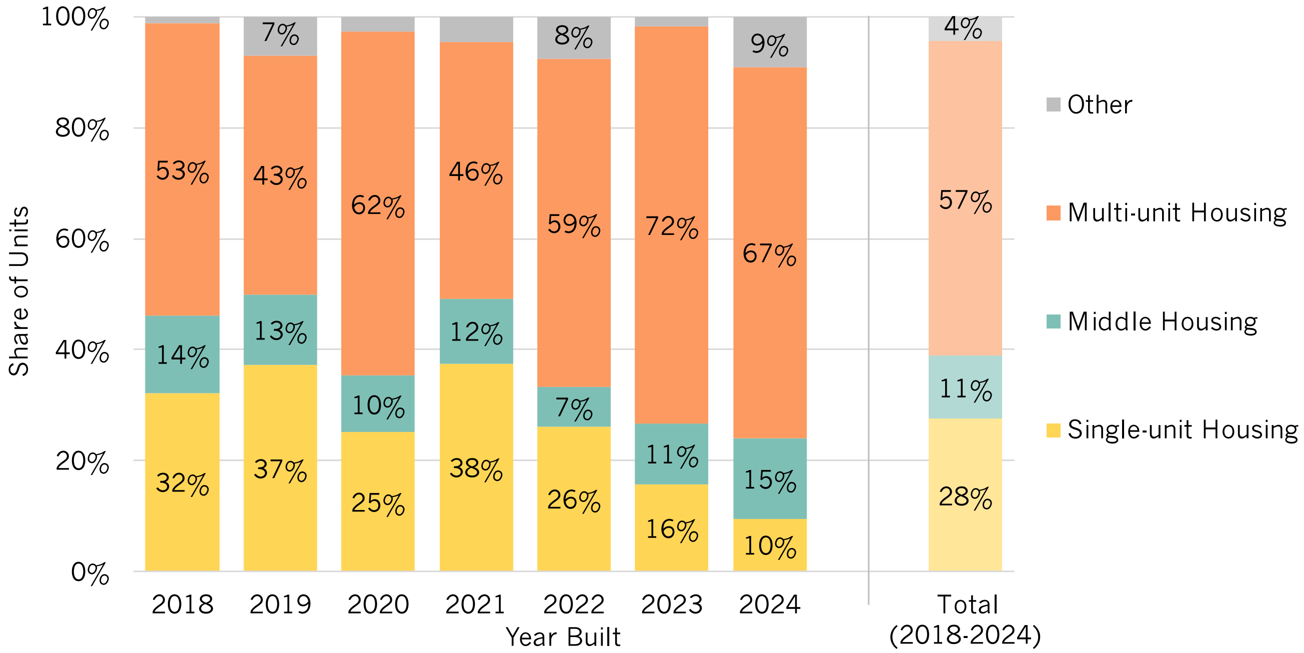


Source: Metro RLIS
Note: There is a lag between when units are delivered and when they appear in Metro RLIS data.
Note: Middle housing includes ADUs, plexes, townhomes, and cottage cluster housing. Other includes manufactured homes, dormitories, and retirement facilities.

[1] ULI Emerging Trends in Real Estate, 2025

As single-unit development slowed in 2023 and 2024, multi-unit development has made up a larger share of new housing deliveries. In 2024, multi-unit development accounted for 67 percent of newly delivered units, up from 53 percent in 2018 (Exhibit 2). This shift reflects current market conditions but could change in the coming years as the effects of recent permitting declines continue to work their way through the pipeline.

Exhibit 2: Distribution of Units Built by Type, Metro Region, 2018-2024

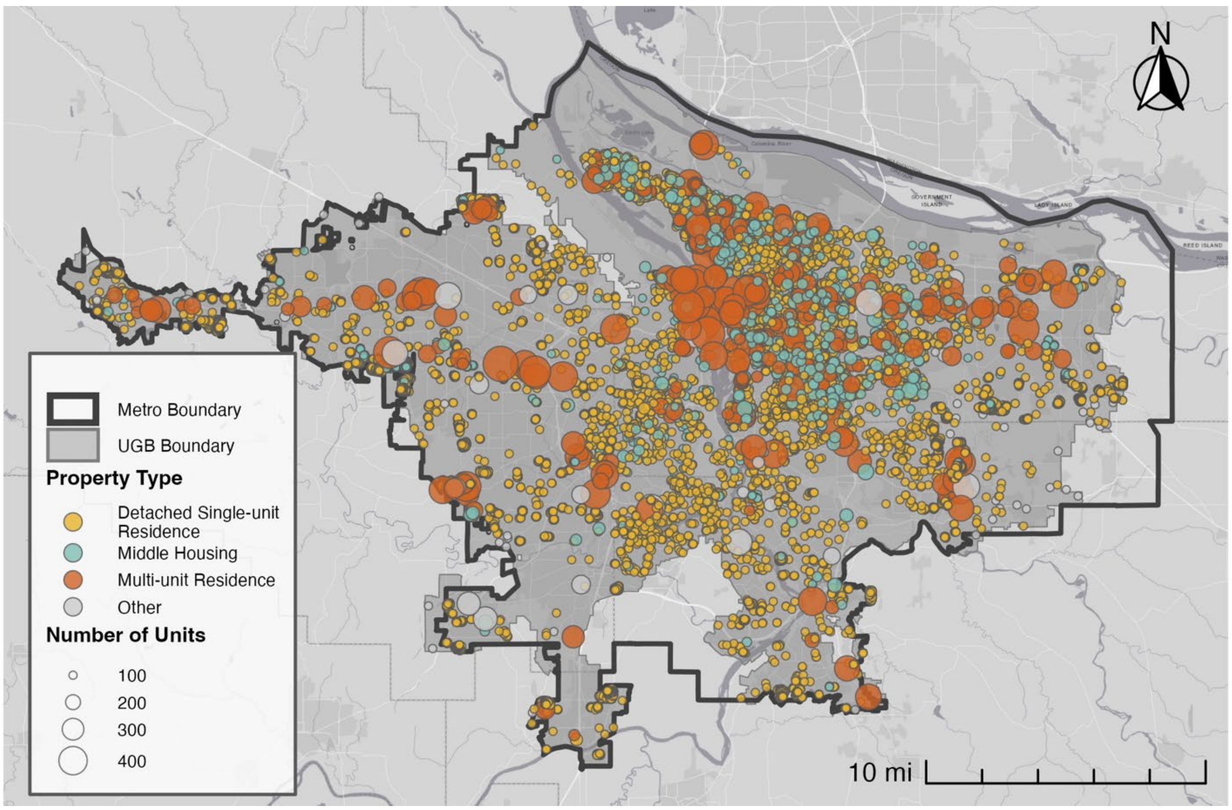


Source: Metro RLIS
Note: There is a lag between when units are delivered and when they appear in Metro RLIS data.
Note: Middle housing includes ADUs, plexes, townhomes, and cottage cluster housing. Other includes manufactured homes, dormitories, and retirement facilities.

Where have new units been built?

Since 2018, new residential development has been concentrated in specific areas of the Metro region (Exhibit 3). North and Northeast Portland have seen the highest number of new units delivered across all housing types. Multi-unit construction has been especially concentrated in the Pearl District and along the Williams, Interstate, and Mississippi corridors. Single-unit development has been more broadly distributed throughout the urban growth boundary. Middle housing activity is also focused in North and Northeast Portland.

Exhibit 3. Geographical Distribution of Residential Developments, Built 2018-2024



Source: Metro RLIS

Note: Middle housing includes ADUs, plexes, townhomes, and cottage cluster housing. Other includes manufactured homes, dormitories, and retirement facilities.

Who are new rental units affordable to?

An analysis of rents in new market-rate apartments shows affordability at a range of income levels depending on unit size (Exhibit 4). Newly delivered studios and one-bedroom units are generally affordable to households earning between 60 and 100 percent of area median income (AMI).[2] As of 2025, the AMI for the Portland MSA was $124,100 for a four-person household.

For context:

- A cashier earns an average of $38,000 annually
- An elementary school teacher earns an average of $87,000 annually
- An electrical engineer earns an average of $120,000 annually

Most studios are affordable to households earning 60 to 80 percent of AMI, while one-bedroom units, the most common type delivered in recent years, are most commonly affordable to households earning 80 to 100 percent of AMI. New two- and three-bedroom units are rarely affordable to households earning below 100 percent of AMI, even after accounting for the higher incomes typically associated with larger household sizes.

These patterns suggest that new market-rate development is meeting the needs of a range of income levels and household sizes but is not meeting the needs of the lowest-income renters or larger households.

METHODOLOGY: RENTAL AFFORDABILITY ANALYSIS

This analysis uses CoStar data, which reflects asking rents for units listed for rent (not rents paid by existing tenants, which may be lower). The dataset is strongest for larger market-rate multi-unit properties. Data used for this analysis excludes regulated affordable housing (as identified by CoStar) and age-restricted senior housing. Affordability was assessed using:

- Average effective rents (including temporary discounts) by unit type for each property (individual unit rents may vary)
- 2025 Area Median Income (AMI) for the Portland MSA ($124,100 for a four-person household), with adjustments for smaller units based on smaller household sizes using U.S. Department of Housing and Urban Development (HUD) methodology
- Estimated utility allowances, based on Portland Housing Bureau schedules

A unit is considered affordable if housing costs do not exceed 30 percent of a household's income, per HUD standards.

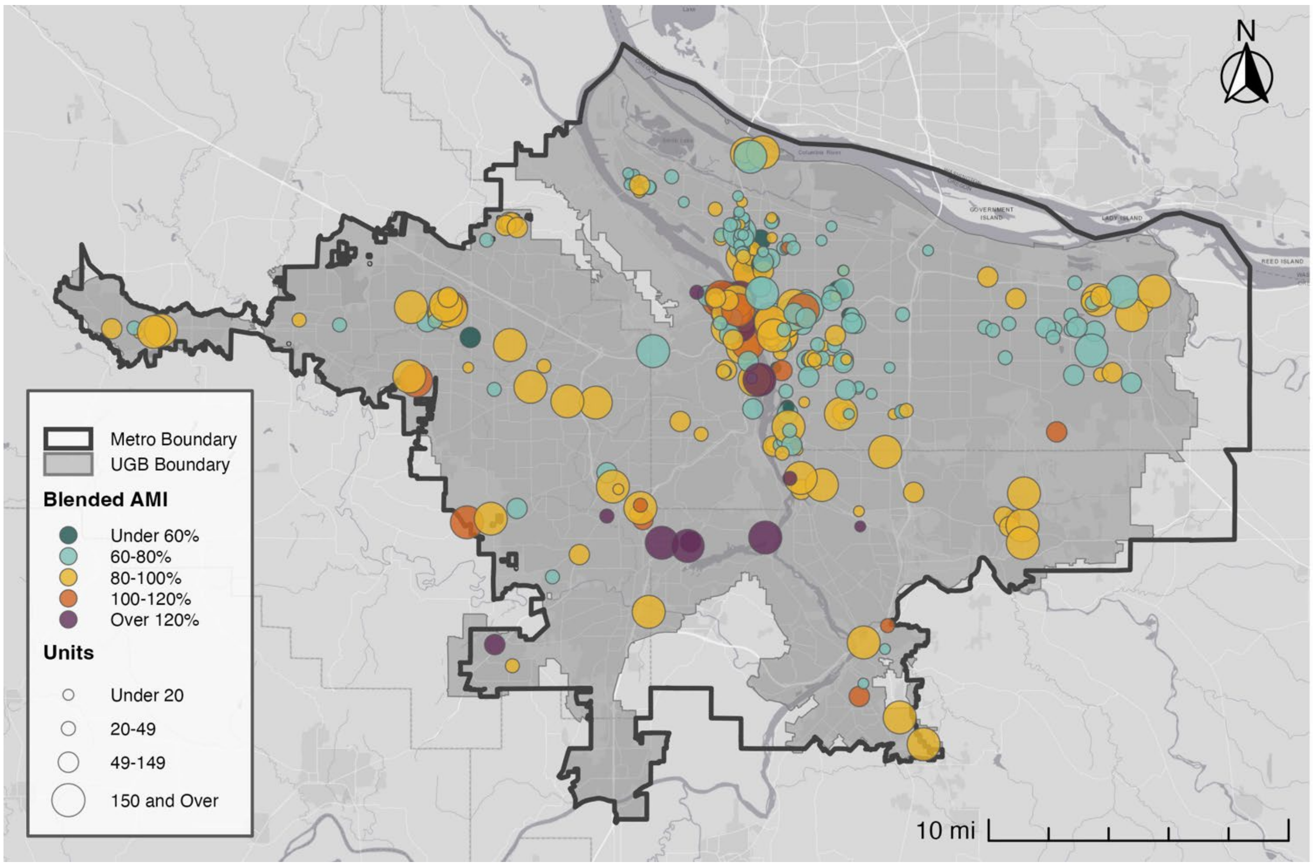
[2] Affordability calculations are adjusted based on unit size to account for different household sizes served by different unit sizes.

Exhibit 4. Multi-unit Affordability of Market Rate Units Built 2018 to Q1 2025, Metro Region

Source: ECOnorthwest, Costar 2025, U.S. Department of Housing and Urban Development Income Limits, Portland Housing Bureau 2025 Utility Allowance Schedule, accessed https://www.portland.gov/phb/documents/2025-utility-allowance-schedule/download.

Affordability patterns also vary by geography (Exhibit 5). Development in Portland's Central City and close-in neighborhoods spans a wide range of affordability levels. Development in suburban locations largely falls within the 80-100 percent AMI range (using a weighted average based on the unit mix and affordability of each size of unit), with some more affordable development in the eastern part of the region and some less affordable development in the southwestern part of the region.

Exhibit 5. Market Rate Multi-unit Development, Built 2018 to Q1 2025



Source: ECOnorthwest. CoStar 2025. U.S. Department of Housing and Urban Development Income Limits. Note: Blended AMI is calculated based on a weighted average of the affordability levels for each unit size (using CoStar average rents by unit size) and the share of units at each size in a property.

Who are new ownership units affordable to?

Newly built for-sale housing in the Metro region is largely unaffordable to low- and middle-income households. Nearly all (99 percent) of single unit detached homes built and sold since 2022 are affordable only to households earning more than 120 percent of AMI (Exhibit 6).

Townhomes show a similar pattern, with most units priced beyond the reach of moderate-income buyers. Condos and co-ops offer slightly more affordability, with a greater share accessible to households earning between 100 and 120 percent of AMI. However, they represent a small portion of the ownership market, with about 1,000 units sold.

METHODOLOGY: OWNERSHIP AFFORDABILITY ANALYSIS

This analysis uses Redfin data on newly built homes sold since 2022. Affordability is based on estimated monthly housing costs in the year each home was sold, using the following inputs:

- 2022–2025 AMI thresholds from Portland Housing Bureau
- Typical costs: mortgage, property taxes, insurance, HOA fees, and utilities
- Mortgage calculations assume 30-year fixed-rate loans and year-specific interest rates (using Freddie Mac data)
- 20 percent down payment

A home is considered affordable if total housing costs do not exceed 30 percent of household income, consistent with HUD standards.

Note: Redfin's classification of condos and townhomes can be inconsistent; actual HOA fees may vary by project.

Exhibit 6. Units Sold by Housing Type and Affordability, Built and Sold 2022 to Q1 2025, Metro Region

Source: ECOnorthwest. Redfin 2025. U.S. Department of Housing and Urban Development Income Limits. Portland Housing Bureau 2022-2025 Utility Allowance Schedule. Portland Housing Bureau 2022-25

Income and Rent Limits. Freddie Mac, 30-Year Fixed Rate Mortgage Average interest rate in the US.
Note: Classification of townhouses and condos can be unreliable in Redfin data.

Affordability also varies by unit size. Most single-unit homes sold were three- and four-bedroom units. Townhomes were primarily three-bedroom, while condos were predominantly two-bedroom. These patterns suggest that different ownership types are serving different household types. However, few ownership units at any size and of any type are affordable to households earning below 100 percent of AMI (Exhibit 7).

Exhibit 7. Units Sold by Bedroom Count and Affordability, Built and Sold 2022 to Q1 2025, Metro Region

Source: ECOnorthwest. Redfin 2025. U.S. Department of Housing and Urban Development Income Limits. Portland Housing Bureau 2022-2025 Utility Allowance Schedule. Portland Housing Bureau 2022-25 Income and Rent Limits. Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States.
Note: Classification of townhouses and condos can be unreliable in Redfin data.

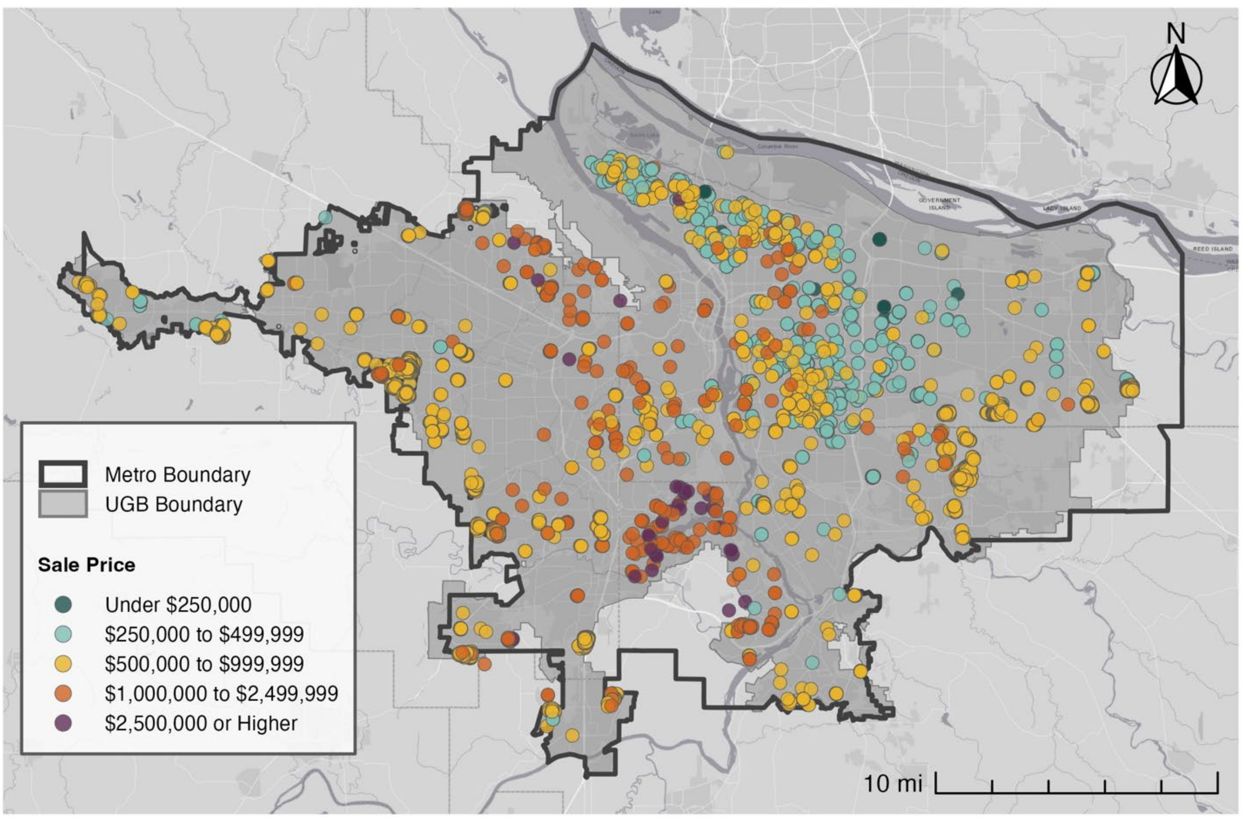
Where are new ownership units being built and sold?

New for-sale housing is unevenly distributed across the Metro region. The highest-priced homes are concentrated in Lake Oswego and along the Forest Park corridor (Exhibit 8). In contrast, lower-priced homes are more common near I-205 and in parts of North Portland.

Across the region, most new for-sale units built and sold outside Portland are single-unit homes (Exhibit 9). Condos and townhomes are more frequently developed within the city of Portland. New construction activity is especially concentrated in Southeast Portland and in North Portland neighborhoods such as Woodlawn, Kenton, and St. Johns.

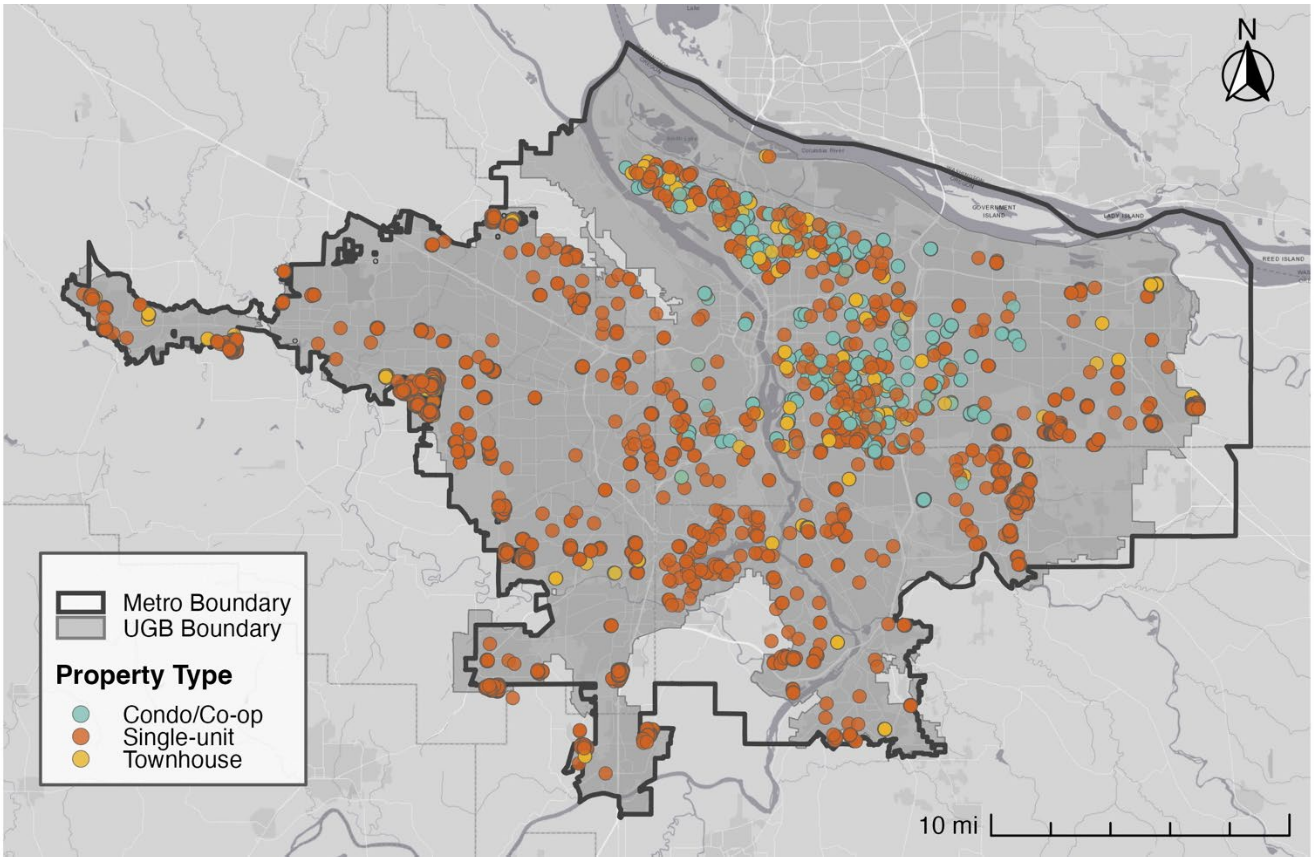
Because condo development is concentrated in Portland, the few ownership units affordable to households earning 100 to 120 percent of AMI are also located almost entirely within the city of Portland.

Exhibit 8. Geographic Distribution of Sales Price, Units Built and Sold 2022 to Q1 2025



Source: Redfin

Exhibit 9. Geographic Distribution of Property Type, Units Built and Sold 2022 to Q1 2025



Source: Redfin.

Note: Classification of Townhouses and Condo can be unreliable in Redfin data.

Nonprofit and Affordable Sector Production

Production trends in the nonprofit and affordable housing sector reflect some of the same challenges facing the private market, including escalating construction costs, labor shortages, and permitting delays. However, the scale, timing, and location of affordable housing development are driven less by developer sentiment and more by the availability and structure of public financial support. Key sources of public support include local, state, and federal funding programs such as the Metro Housing Bond, Low-Income Housing Tax Credits (LIHTC), and gap financing from housing bureaus and state agencies.

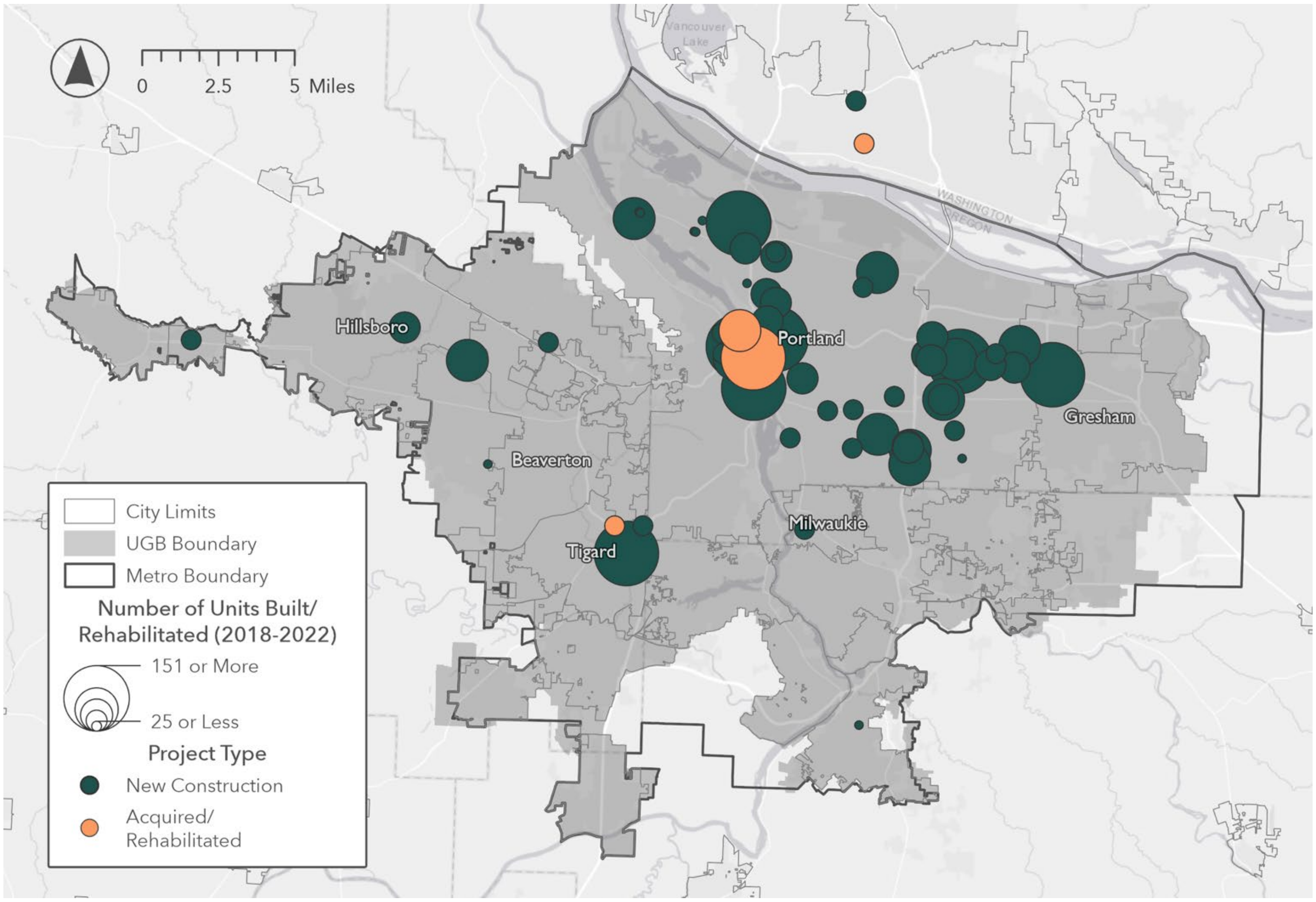
Exhibit 10 shows the number of affordable housing units that were either newly constructed or rehabilitated between 2018 and 2022. Over this period, the region added 5,660 new or rehabilitated units. New construction activity declined from 2018 to 2020 but remained relatively steady between 2020 and 2022.

Exhibit 10. New and Rehabilitated Affordable Housing Units in the Metro Region, 2018-2022

Source: Metro Affordable Housing Inventory (revised by ECOnorthwest in 2023).
Note: The most recent data update occurred in mid-2023. Data from 2023 was excluded from this chart to avoid presenting an incomplete or potentially misleading picture of annual development activity.

The spatial distribution of these units is shown in Exhibit 11. Unit delivery was most concentrated in inner Portland, both west and east of the Willamette River, with a secondary cluster east of 82nd Avenue in outer east Portland and several developments in Tigard. These locations reflect where land is available, where subsidies can be layered effectively, and where jurisdictional partners are actively supporting development.

Exhibit 11. Distribution of New and Rehabilitated Affordable Housing Units in the Metro Region, 2018-2022



Source: Metro Affordable Housing Inventory (revised by ECOnorthwest in 2023).

DATA LIMITATIONS: AFFORDABLE HOUSING INVENTORY

One limitation of this analysis is the lack of a regularly updated affordable housing dataset. The most recent official Metro update to the Affordable Housing Inventory was in 2022. ECOnorthwest revised the data in 2023 by incorporating records from the Oregon's Affordable Rental Housing program and Portland Housing Bureau, but this update was completed mid-year and may not fully reflect 2023 activity.

An alternative dataset, the Oregon Affordable Housing Inventory (OAHI), includes fields such as units by AMI and bedroom counts that would support deeper analysis. However, the most recent readily available version is from 2022.

Gaps Between Market Output and Regional Needs

Despite recent housing production in the Portland region, a clear and persistent mismatch exists between what the market — both private and nonprofit — has been delivering and what regional demographics and affordability benchmarks suggest is needed.

What has the market delivered?

As outlined in Part I of this memo, the private market has primarily delivered:

- Rental housing affordable mostly to households earning above 80 percent of AMI, with limited lower-cost options in studios and one-bedroom formats
- For-sale housing affordable almost exclusively to households earning over 120 percent of AMI, with limited delivery of units affordable to moderate-income buyers, usually in the form of condos.

While new market-rate rental housing has provided some modest affordability for smaller households, larger units, such as two- and three-bedroom apartments, remain unaffordable to most households below 100 percent of AMI.

On the regulated side, affordable housing development since 2018 has expanded supply, but production remains well below what's needed to meet the growing demand from low-income and cost-burdened households.

Together, these production patterns reveal a system that is delivering a limited range of options (almost exclusively rental units, generally smaller units) for moderate-income households and wider range of options (rental and ownership) for higher-income households.

WHERE HOUSING IS AND ISN'T BEING BUILT

Recent housing production has been concentrated in select corridors, particularly the Pearl District and North and Northeast Portland, where infrastructure and zoning support multi-unit development. Inner Portland — both west and east of the Willamette River — and areas east of 82nd Avenue have seen substantial development of subsidized affordable housing.

In contrast, many high-opportunity areas — including parts of Southwest suburbs outside the Portland core and neighborhoods in Northwest Portland — have seen little new housing affordable to low- or moderate-income households. Barriers in these areas include limited land availability, high land costs, and infrastructure constraints.

Why this matters: Without changes in land use policy and funding priorities lower-income households will continue to be excluded from high-opportunity neighborhoods. This reinforces patterns of racial and economic segregation and limits Metro's ability to meet regional equity goals.

What does the region need?

Metro's 2024 Urban Growth Report estimates that the region will need approximately 178,000 new housing units within the Metro UGB from 2024 to 2044. This includes:

- 59,200 single-unit detached homes (33 percent)
- 37,100 middle housing units (21 percent)
- 81,700 multi-unit apartments (46 percent)

This mix reflects both projected household growth and the need to correct existing housing deficits. But housing need is not only about quantity; it is also shaped by who lives in the region and what kinds of housing they require. This mix is intended to reflect demographic and economic shifts such as shrinking household size, aging populations, and slower income growth.

INCOME-BASED NEED

The region's housing challenges are increasingly income-driven. More than 60 percent of new households projected between 2024 and 2044 will have incomes below $60,000. Among new renter households, that share rises to 85 percent. This points to strong and growing need for housing affordable to households earning less than 80 percent of AMI, especially those earning between 30 and 60 percent AMI.

Table 10 of the Urban Growth Report outlines current unmet housing needs by income group. These reflect the long-term underproduction of housing, especially affordable housing which has been a national trend since the 2007–2008 housing crisis. Underproduction is essentially the backlog of homes that ideally would have been built to keep up with household growth. This underproduction contributes directly to housing instability and homelessness, particularly among the lowest-income households.

Estimated current unmet housing need by income group includes:

- 0–30 percent AMI: 11,950 units (including those experiencing homelessness)
- 30–60 percent AMI: 6,000 units
- 60–80 percent AMI: 2,950 units
- 80–120 percent AMI: 2,200 units
- 120+ percent AMI: 700 units

These figures confirm that the largest affordability gaps exist at the lower end of the income spectrum, where the market is producing the fewest units, and where public subsidy is essential to meeting need.

AGE AND HOUSEHOLD COMPOSITION

Demographic change is a second major driver of housing need. By 2044, the Urban Growth Report projects that:

- With fewer people choosing to have children, the median householder age will increase. Households headed by someone over 65 years will constitute the greatest share – almost two-thirds – of the change in households.
- Most new households will be smaller. The average household size is projected to decline from 2.41 to 2.27 people.
- A growing share of households will be single-person or two-person households without children.

These shifts are already shaping the region's housing needs:

- Demand is increasing for small, accessible units that can accommodate aging households.
- Many of these households will rely on fixed or moderate incomes, increasing affordability pressures.
- The number of households with children will decline, though a significant share of Millennials aging into midlife will continue to require larger housing units.

DISABILITY AND ACCESSIBILITY

While the Urban Growth Report does not estimate the number of households with disabilities, it does include a population forecast by disability status. Between 2024 and 2044, the number of individuals with one or more disabilities is projected to increase from 335,063 to 446,724.Because the likelihood of experiencing a disability rises with age, the forecast is age-adjusted to reflect the region's aging population and the growing share of residents entering retirement age, when disability rates increase substantially.

This projected growth signals increasing demand for:

- Accessible and adaptable housing
- Proximity to health services and transit
- Supportive housing options

How does current production align with need?

Current production is not well aligned with the region's housing needs, either in terms of who is being served or what types of housing are being built.

From 2018 to 2024:

- Only 11 percent of new units were middle housing, below the 21 percent share identified in Metro's projected housing mix for the 2024-2044 planning period.
- Most new rental production has delivered small units (studios and one-bedrooms) affordable primarily to households earning above 80 percent of AMI.
- Family-sized rental units affordable to households below 80 percent of AMI remain rare.
- New homeownership opportunities are largely inaccessible to households earning below 120 percent of AMI
- Some high-opportunity neighborhoods continue to see limited delivery of income-diverse housing. Meanwhile, new affordable development (particularly subsidized housing) remains concentrated in historically underinvested communities, reinforcing patterns of segregation.

If these trends continue, the region will underproduce housing for lower- and moderate-income households, fall short in delivering sufficient middle housing types, and miss key opportunities to support inclusive, mixed-income neighborhoods in high-opportunity areas.

Part II: Barriers to Housing Development

A wide range of market, structural, and policy barriers constrain the production of needed housing in the Metro region. These barriers affect both private and nonprofit developers, though the specific challenges vary by sector, housing type, and geography. Barriers also interact in complex ways. For example, high development costs can compound the effects of restrictive zoning, while fragmented governance can delay projects even when supportive policies are in place.

This section summarizes key barriers to housing production, drawing on data, case examples, and extensive stakeholder input. While additional barriers may exist, this list highlights some of the primary challenges facing the region today. The analysis incorporates qualitative insights from Metro's RHCS engagement process, as well as prior engagement conducted by Metro and ECOnorthwest. It reflects perspectives from local governments, affordable housing developers, culturally specific organizations, service providers, and community advocates. It also draws on barriers documented in local Housing Production Strategies (HPS) and other publicly available reports.

Together, these sources provide a broad and grounded understanding of the market, non-market, and structural factors shaping housing outcomes across the region.

Market Barriers Affecting Feasibility

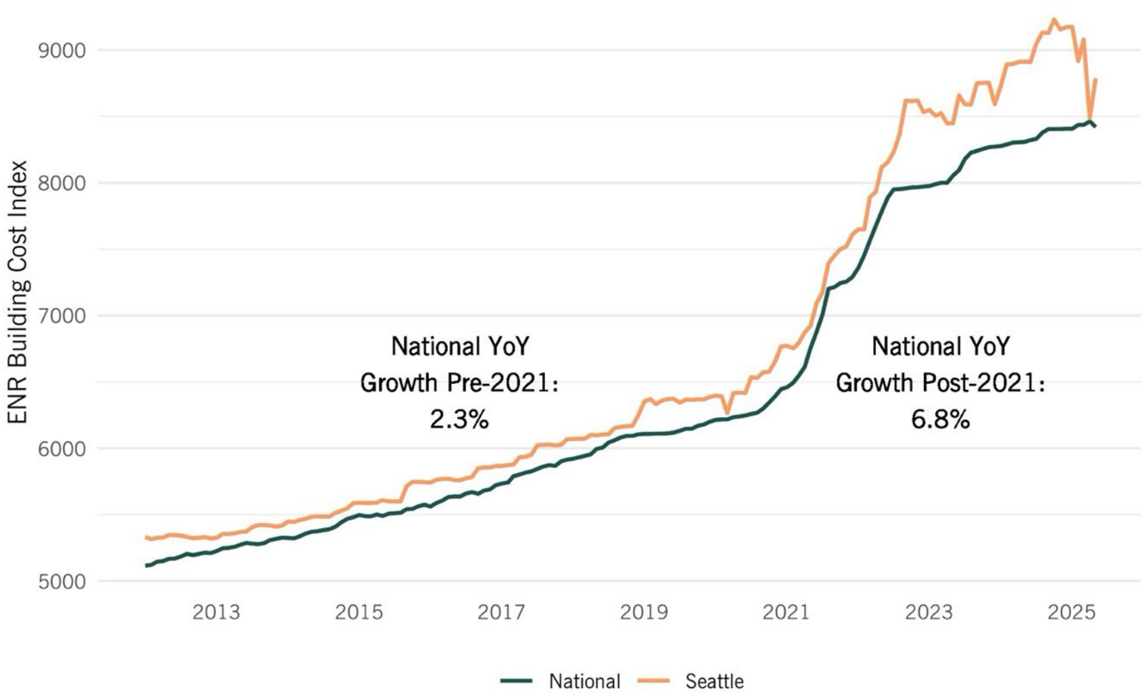
These are economic or financial conditions that inhibit production, even where zoning is permissive.

- **Construction costs escalation**: Inflation rose sharply across the national and global economy in 2022. While the causes of this uptick are still debated, the impact on construction costs in the US was significant. Labor shortages have also contributed to construction cost escalation. From 2012 to 2021, U.S. construction costs (which includes labor and materials) rose an average of 2.3 percent per year. Between 2021 and 2025, that rate jumped to 6.8 percent per year.

  In Seattle, cost escalation was even more pronounced (Exhibit 11). However, the most recent data suggest that construction costs in Seattle may be moving back toward the national average. Because ENR construction cost data is only available for select U.S. cities, Seattle is used here as a proxy for Pacific Northwest trends.

  Although construction cost inflation has stabilized somewhat in the past one to two years, elevated costs continue to pose a significant constraint on project feasibility. Costs are unlikely to decline in real terms. In addition, the potential effects of new or expanded federal tariffs may introduce further uncertainty and could slow development activity by making future construction cost trends more difficult to predict.

Exhibit 12: Building Construction Cost Escalation, 2012-2025



Source: ENR Cost Data, Building Cost Index, Accessed May 2025.

- **Rising cost of debt:** Federal Reserve interest rate hikes since 2022 have made debt substantially more expensive (Exhibit 16).[3] This challenges development project feasibility across the board but housing affordable to middle-income households (80–120 percent of AMI) may be affected the most. This segment of the market has a narrow feasibility range: developers must keep rents or prices affordable enough to achieve sustainable occupancy but cannot access federal or local affordable housing financing, as most programs are limited to units affordable below 80 percent AMI.

Exhibit 13: Federal Funds Effective Rate (Monthly Average), 2016-2025

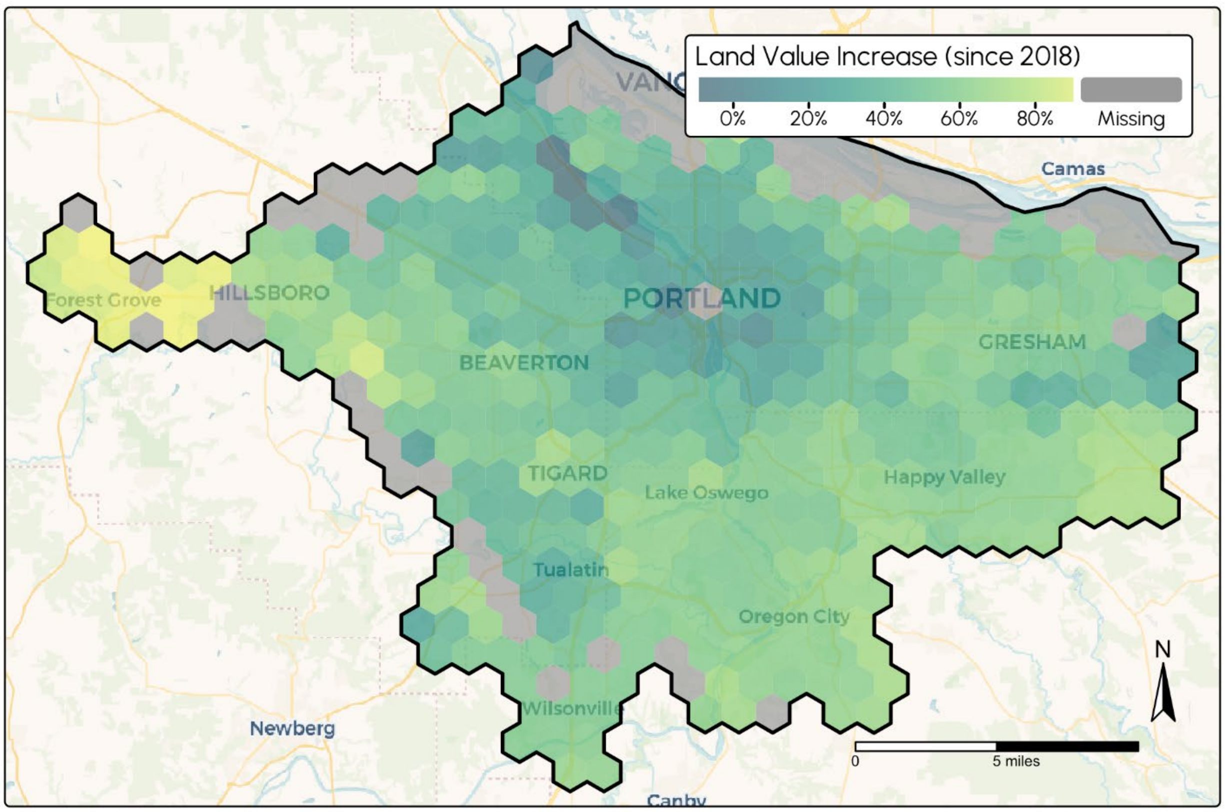
Source: Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate [DFF], retrieved from FRED

[3] The federal funds rate is the benchmark interest rate that banks charge each other for overnight lending. Changes in this rate influence borrowing costs across the entire economy, including mortgage rates and development financing.

- **Rising land values:** Rising land costs also contribute to challenges with project feasibility across the region. Analyzing land value through individual sales transactions is difficult because of the limited number of transactions and widely varying site characteristics. A more readily available proxy is the change in land value for single-unit residential parcels based on tax assessor data, which can provide one indicator of the magnitude of change in land values over time.

  Exhibit 17 shows changes in land values between 2018 and 2023 for single-unit parcels in the Metro UGB. Land values generally increased over this period based on this indicator, though the degree of the change was more pronounced in outlying parts of the region.

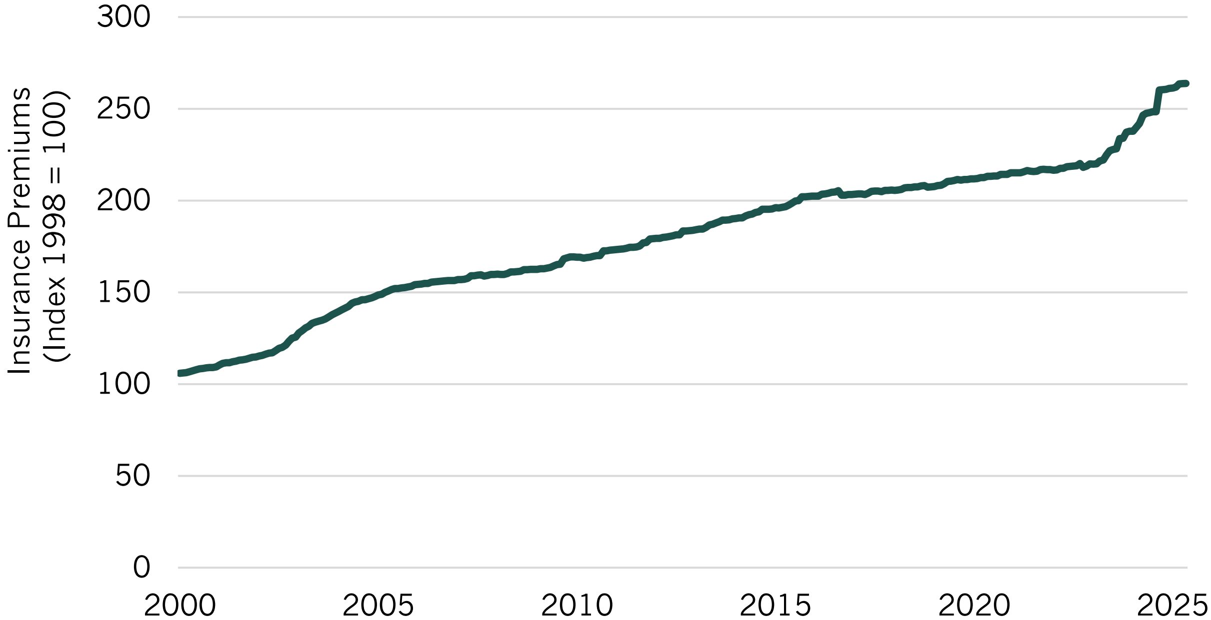
Exhibit 14: Increase in Land Value, 2018-2023



Source: ECOnorthwest, Metro RLIS.

- **Rising insurance costs:** Nationwide, property insurance costs are rising as companies price in climate change risks. This increases operating costs for rental housing and monthly payments for homebuyers, exacerbating affordability challenges. Rising operating costs also increase perceived risk for lenders, which may result in higher borrowing costs or tighter lending standards and further constrain feasibility.

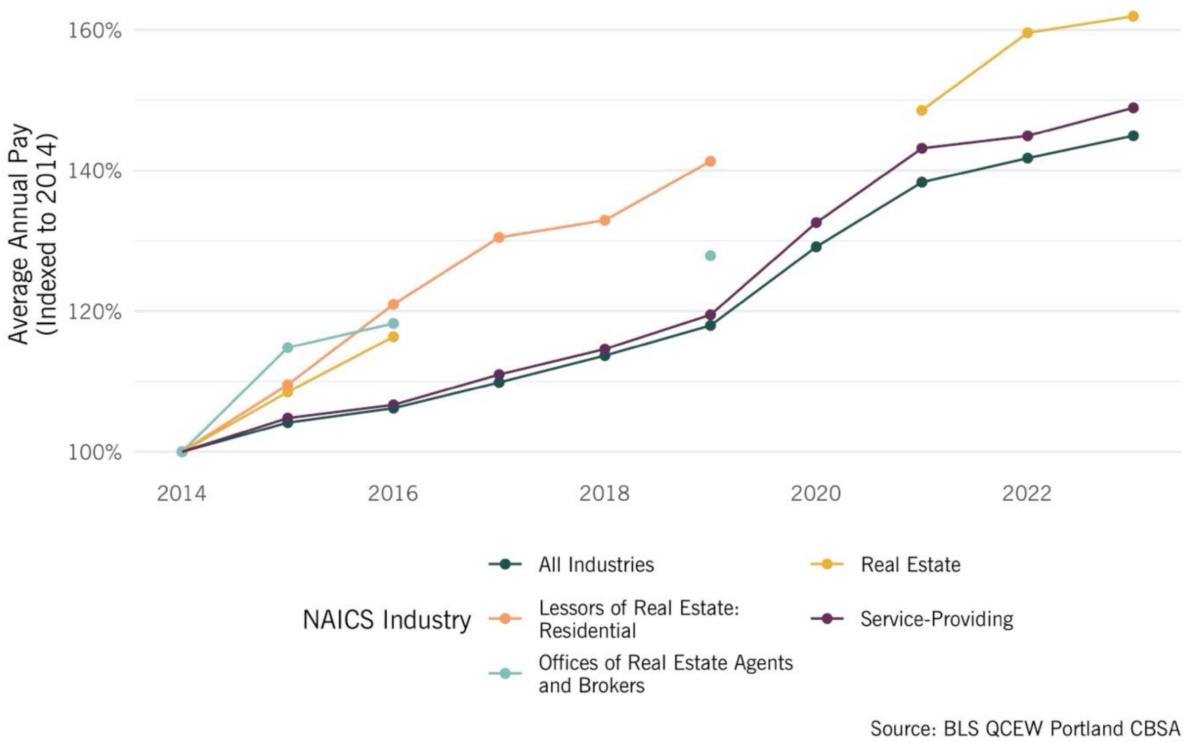
Exhibit 15: Premiums for Homeowner's Insurance



Data Source: U.S. Bureau of Labor Statistics via FRED, 2000-2025.

- **Rising labor costs for property management:** Labor costs for property management have also been on the rise in recent years. An analysis of average wages in the Portland metro area by industry show that wages have increased faster in the real estate management industry compared to wages across all industries as well as service-providing industries (Exhibit 18). This increases operating costs for market-rate rentals and may further challenge feasibility.

Exhibit 16: Increase in Average Annual Wages by Industry, Indexed to 2014



Source: ECOnorthwest. U. S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages 2014-2023.
Notes: Lessors of Real Estate (Residential) and Offices of Real Estate Agents and Brokers are subindustries within Real Estate, Rental and Leasing (NAICS 53). BLS withholds the publication of employment and wage data for any industry level when necessary to protect the identity of employers.

- **Familiarity and risk perception for alternative housing types**. Some developers and lenders who primarily build or finance traditional single-unit homes remain hesitant to pursue less common formats such as cottage clusters or plexes. Interviews suggest that some developers (e.g., production homebuilders) and lenders remain wary of perceived market risks for housing types where there are fewer built examples to gauge buyer interest.
- **Return-on-investment issues for small-scale projects:** Small scale projects can be less cost-effective for developers because fixed costs cannot be spread across as many units. Developer interviews indicate that soft costs including permitting costs and developer overhead are harder to absorb on small projects, which can discourage the incremental density that Metro and local jurisdictions are trying to support.
- **Construction defect liability risk for condos:** Developers cite on-going concerns about construction defect litigation for condominium projects. To offset risk, developers may need to secure costly insurance coverage; many who previously experienced this litigation now avoid condo projects entirely.[4] Some middle housing developers have found ways to mitigate risk for small condo projects, such as self-insuring, negotiating more affordable insurance coverage, or holding units until the liability period expires, but the liability risk continues to limit development of larger-scale condominium projects.

NONPROFIT AND AFFORDABLE SECTOR

While many of the market barriers discussed earlier (such as rising construction costs, high land prices, and increasing operational costs) also affect affordable housing, this sector faces several additional challenges that are distinct to affordable projects that rely on public financial support. The following barriers reflect specific issues that affordable housing developers and service providers highlighted during the RHCS engagement process, as well as themes documented in prior Metro and local housing work.

[4] ECOnorthwest, December 2018, “Impact of Construction Defect Liability on Condominium Production in Oregon.” https://olis.oregonlegislature.gov/liz/2019R1/Downloads/CommitteeMeetingDocument/196427

- **Limited availability and predictability of public subsidy:** Low-Income Housing Tax Credits (LIHTC) remain the primary funding source for affordable housing: in 2023, 92 percent of the 54 rental projects supported by the Metro Affordable Housing Bond also used LIHTC. Most relied on 4 percent LIHTC, marking a shift from historic reliance on the more competitive 9 percent LIHTC.[5]

  As noted in Metro's 2024 Affordable Housing Bond Annual Report, 4 percent LIHTCs are not subject to an annual cap but depend on the availability of private activity bonds (PABs), which are federally allocated to states. Historically, Oregon had surplus PABs; however, in 2021, Oregon Housing and Community Services paused 4 percent LIHTC applications due to oversubscription. Combined with rising construction costs, this strained the bond program and statewide affordable housing pipeline. Metro is now working with partners and OHCS to prioritize PAB access for projects with local funding and deeply affordable units.

  Looking ahead, Metro's affordable housing bond funds are nearly fully expended. Without a renewal, the use of 4 percent LIHTCs is expected to decline, as these projects often depend on local gap funding to be financially viable. In that scenario, developments are more likely to serve households at or near 60 percent of AMI and deliver smaller unit sizes, rather than the deeply affordable, family-sized homes supported through bond resources. While the state's Local Innovation and Fast Track (LIFT) program will continue to play a role in supporting affordable housing production, it typically provides lower levels of funding than what has been achievable with local bond investments.

LOW-INCOME HOUSING TAX CREDIT (LIHTC) OVERVIEW

The LIHTC is a federal program that incentivizes private investment in affordable rental housing. It offers investors a dollar-for-dollar reduction in federal tax liability in exchange for financing the construction or rehabilitation of income-restricted housing. This equity allows units to be rented at below-market rates.

Investors typically receive tax credits over a 10-year period. In return, properties must remain rent-restricted and serve low-income households for at least 30 years.

LIHTC projects receive one of two types of credits:

- **9 Percent LIHTC:** Covers up to 70 percent of development costs for new construction without other federal subsidies. Highly competitive.
- **4 Percent LIHTC:** Covers up to 30 percent of development costs, typically used with tax-exempt bonds or other subsidies. Less competitive but offers a smaller subsidy.

[5] Metro Affordable Housing Bond 2024 Annual Report.

- **Rising costs driving larger per-unit subsidy needs, straining available funding:** Cost escalation factors discussed in the previous section are also placing additional strain on affordable housing development. The weighted average cost per unit in the Metro region on Metro bond-funded projects rose from $355,432 in 2020 to $460,949 in 2024—a 5.3 percent annual increase—with more recent projects trending toward $555,871 per unit.[6] These rising costs are increasing the per-unit subsidy required to close funding gaps. Metro bond subsidy amounts have risen from an average of $98,236 per unit in 2020 to $109,777 in 2024, with more recent projects averaging $154,630 per unit (excluding outliers), placing additional pressure on limited public funding sources.[7] Many state funding sources also include per-unit subsidy limits that can become challenging when development costs escalate.
- **Complex funding layers increase time and risk:** Affordable housing projects typically require multiple funding sources to pencil out, including federal LIHTC, state gap financing, and local contributions. Often, each funding source carries its own application timeline, compliance requirements, and reporting obligations. Navigating this complexity adds significant soft costs, extends project timelines, and increases the risk of financing gaps.
- **Permanent Supportive Housing (PSH) development faces layered operational and financing challenges:** In recent years, lenders have become more hesitant to underwrite PSH projects due to the operational challenges of existing projects and a lack of adequate funding for the additional services, operational costs, and perceived risks associated with these projects. These challenges are particularly acute for smaller and culturally specific providers, who may lack access to institutional capital or sustained service funding. As a result, future PSH development may require higher levels of public capital, with reduced reliance on private debt. In addition, many developers remain cautious about pursuing PSH given these challenges. Expanding access to operating and risk mitigation funds and establishing clear, tiered service funding standards will be essential to building developer confidence and incentivizing developers and providers to continue developing and operating PSH.
- **Lack of dedicated preservation funding risks loss of existing affordable housing stock:** Many regulated affordable housing properties face expiring income restrictions and deferred maintenance needs. However, few public funding sources are available to support preservation strategies such as acquisition, recapitalization, and rehabilitation. Without targeted investment in preserving existing units, the region risks a loss in affordable housing, undermining progress toward production goals and displacing current residents.
- **Limited coordination between housing and health/social services:** Housing and health/social service systems remain siloed despite clear overlap in resident needs.

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[6] Metro Affordable Housing Bond 2024 Annual Report.
[7] Metro Affordable Housing Bond 2024 Annual Report.

Many affordable housing developments are designed to serve residents who would benefit from supportive services, including households exiting homelessness and those with addiction and mental health challenges. However, funding for these services is often disconnected from housing development financing, creating uncertainty about service availability when projects open.

Stakeholder engagement for the RHCS consistently raised concerns about this disconnect. Focus group participants emphasized that without dedicated, long-term service funding, housing stability is undermined even in well-designed projects. Resident services must be treated as a core component of affordability, not an add-on or an "unfunded mandate."

Several structural challenges exacerbate the issue. Affordable housing financing typically occurs years before project completion, making it difficult to align service funding with project delivery. Lease-up processes can further delay occupancy, as tenant referral and screening must prioritize affordable housing waitlists. In addition, rent delinquency can destabilize projects targeting higher-needs populations if supportive services are not fully funded and integrated from the outset.

Non-Market and Structural Barriers

In addition to market feasibility challenges, housing production across the Metro region is constrained by a range of non-market and structural barriers. These include zoning and entitlement restrictions, site-level and infrastructure challenges, and broader regulatory and governance dynamics. These barriers can interact with market forces: a modest rise in construction costs might not derail a project in a context of fast entitlements and supportive zoning, but with slow permitting, fragmented governance, and complex standards, even otherwise feasible projects may stall.

Barriers also vary geographically. High-opportunity neighborhoods often maintain the most restrictive zoning and entitlement processes, while infrastructure barriers dominate in expansion areas. Addressing these patterns will require targeted and place-specific solutions.

ZONING AND DESIGN STANDARDS

Restrictive zoning and complex development standards continue to limit the types of housing the region most needs in some areas:

- **Restrictive zoning:** While state reforms over the past several years (such as HB 2001 [2019]) have required jurisdictions to remove regulatory barriers to middle housing and affordable multi-unit development, potentially problematic standards remain in some areas. Standards for multi-unit housing including parking minimums, maximum densities, setbacks, and landscaping and open space requirements can prevent compact and cost-effective multi-unit housing development in medium- and higher-density residential zones. While multi-unit development is often allowed in commercial zones, there may be a ground floor commercial requirement that increases development costs and may not be matched by viable commercial rents. This barrier was highlighted by developers and advocates in Metro's RHCS engagement process and in local HPS documents.

- **Too many zoning districts**: In some jurisdictions, an excessive number of zoning districts and overlay zones creates additional complexity. Portland's zoning code, for example, includes dozens of base and overlay zones with varying use, height, and design standards. Developers also cited this as a barrier during Gresham's HPS engagement, and it is a known challenge in many jurisdictions across the region. Navigating these layers adds time and cost to development. While some jurisdictions have begun code consolidation efforts, the complexity of zoning structures remains a common concern.
- **Zoning and market mismatch:** In some areas, zoning allowances do not align with what the private market can feasibly deliver. This mismatch typically occurs in two ways:
    - *Under-zoning in high-demand areas*. For example, close-in neighborhoods zoned for lower density development (primarily single-unit homes and some middle housing), despite strong market demand for more housing types.
    - *Over-zoning in lower-demand areas.* Some suburban centers and corridors are zoned for multi-story, mixed-use development, but market rents are insufficient to support the higher construction costs for these types and scales of development. Zoning in these areas may mandate building features such as ground-floor retail or structured parking that add cost and risk and may render development infeasible, particularly for affordable housing projects.

      In some cases, limited amenities and older, auto-oriented patterns further reduce market demand. Where cities have updated zoning codes (such as Beaverton's parking reform and VHDZ incentives in Gresham and Hillsboro) and invested in civic infrastructure and public realm improvements (for example, TIF-funded streetscapes), housing delivery has improved.
- **Seismic upgrades requirements:** Redeveloping older buildings in Portland can trigger costly seismic retrofits under city code, which often makes adaptive reuse financially infeasible. Developers have cited this as a reason for demolition over preservation. These requirements are a known barrier for affordable housing rehabilitation and have limited opportunities to repurpose older buildings that could serve lower-income renters.

PROCESS AND PROCEDURES

Even where zoning allows needed housing types, process-related barriers delay or discourage production:

- **Permit processing delays and lack of predictability:** Some jurisdictions, especially smaller cities, lack sufficient staff to process permits and inspections quickly. Delays can jeopardize tax credits and other time-sensitive funding. Inconsistent coordination within jurisdictions, such as conflicting feedback across departments or unclear timelines, further compounds the challenge. Smaller jurisdictions may also need to coordinate with counties or special districts, which adds complexity and can slow approvals. Stakeholders, including the Home Builders Association (HBA), emphasized that even in places with adopted long-range plans, permitting processes can remain unpredictable and difficult to plan around.
- **Appeals and public opposition.** Despite state requirements to allow housing through clear and objective standards, development often requires some adjustments that can trigger more discretionary review processes. In those situations, public opposition can pose a significant barrier, particularly in high-opportunity neighborhoods where affordable housing is most needed. Public appeals can add months to project timelines and deter future proposals in contested areas.

FEES AND SDCS

Fees, including System Development Charges (SDCs) and permit fees, can be an important contributor to project costs. According to the Oregon System Development Charges Study (2022):

- The average total SDC charges in Oregon are roughly $15,000 per unit and can be as high as $50,000. Many jurisdictions in the Metro region have SDCs towards the higher end of this range.[8] These charges can be the equivalent of 3 percent to 6 percent of total development cost.
- SDCs affect some housing more than others—smaller entry-level homes, lower-cost middle housing and apartments, and communities with weaker markets are disproportionately affected by SDCs because the SDCs represent a proportionally larger share of these homes' prices. High-end, single unit detached housing is generally impacted least.
- SDC exemptions for affordable housing exist in some cities but are not universal.

[8] According to the System Development Charges Survey Report (April 2023) from the League of Oregon Cities, Metro region had an average SDC cost of about $27,000 per unit.

SITE-LEVEL BARRIERS

Site-specific barriers can also discourage housing production, for both infill and greenfield development:

- **Fragmented land ownership and absentee landowners:** Fragmented land ownership can be a barrier to housing production. Many older neighborhoods have parcel patterns that make site assembly for larger multi-unit or mixed-use projects challenging and time-consuming. Developers must either consolidate multiple lots which increases cost and risk, or accept smaller, less efficient projects. The problem is compounded when absentee owners hold vacant or underutilized land without intent to develop. Metro and local governments have recognized this challenge; land banking and public site assembly are critical tools to help create viable development opportunities.
- **Infrastructure constraints in greenfields:** Infrastructure gaps are often the primary constraint on housing delivery in Metro's expansion areas. Roads, sewers, water, and parks require massive upfront investment, and without them, housing cannot be built. Much of the new infrastructure to serve greenfield development is funded by developers, either directly (through exactions) or indirectly (through SDCs or similar fees), which can increase development costs. Some larger projects that serve many properties in a broader area must be built by the public service provider, which can create delays when there is insufficient funding or competing priorities.
- **Greenfield challenges:** In addition to high upfront infrastructure costs noted above, housing delivery in greenfield areas can face additional structural barriers, such as:
  - Governance hurdles (e.g., annexation, inter-jurisdictional coordination), particularly in older UGB expansion areas such as Pleasant Valley and North Cooper Mountain.
  - In early phases, new communities often lack amenities (with homes often arriving before retail, transit, or schools) which can reduce livability and make it harder to deliver higher-density housing until the amenities are available.
  - North Bethany and Happy Valley demonstrates how strong public investment and coordinated planning can accelerate delivery, while areas without such planning remain stalled.
- **Infill challenges:** The costs of demolition, site acquisition, environmental cleanup, and/or required infrastructure upgrades make many infill projects that are allowed by zoning financially infeasible. As a result, only a small fraction of the sites zoned to allow infill development will see additional housing production over any given span of time.

- **Brownfield sites:** Brownfields can offer potential for reuse with housing but face significant barriers:
  - Environmental remediation costs are highly variable and create financial uncertainty.
  - Liability risks deter investment.
  - Financing is challenging, with lenders requiring extensive due diligence.
  - Public subsidies for remediation are limited and inconsistent.

GOVERNANCE AND CAPACITY BARRIERS

Regional housing delivery is further constrained by governance and capacity limitations:

- **Fragmented governance and inconsistent policies**. The region's complex governance structure, spanning 3 counties, 24 cities, and multiple special districts, creates inconsistent housing policies and fragmented implementation. Housing needs are regional, but solutions remain largely local and often uncoordinated. The Oregon Housing Needs Analysis (OHNA) work, Metro's RHCS, and cities and counties HPS work represent important steps toward regional alignment, but sustained coordination remains critical to meeting housing targets.
- **Limited public sector capacity**. Some jurisdictions in the Metro region lack the staffing and technical capacity to implement complex housing reforms or manage affordable housing programs. Capacity constraints are particularly acute in smaller jurisdictions which may not have housing specialists on staff.

Equity and Housing Choice Barriers

Persistent equity and housing choice barriers disproportionately impact lower-income residents, communities of color, immigrants and refugees, people with disabilities, and other underserved groups:

- **Displacement from emerging high opportunity areas**: Past and ongoing development patterns in the Metro region have displaced many low-income residents from areas that have become high-opportunity neighborhoods, disproportionately impacting communities of color. Portland's Albina neighborhood illustrates this dynamic, with past policies causing deep generational harm. Recent initiatives aim to mitigate these impacts, but progress will require stronger tenant protections, preservation of affordable housing, and production of deeply affordable units alongside market-rate growth.
- **Lack of subsidized or lower-cost housing in high opportunity areas**: As the prior analysis shows, the Portland Metro includes wealthy, high opportunity enclaves with little lower-cost housing. Recent housing development trends reinforce this

economic exclusivity. There is little financial incentive for private developers to build low-cost housing in higher-income communities when higher-cost housing results in greater profits and less neighborhood opposition. Government intervention may be the primary route to create opportunities for housing serving a range of incomes to co-exist in high opportunity areas.

- **Some affordable housing is located in lower-amenity neighborhoods**: High land costs, limited land availability, and community opposition in high-opportunity areas have historically pushed more affordable housing development to lower-cost parts of the region. The result is that many regulated affordable homes are sited in neighborhoods with fewer amenities and higher concentrations of poverty. This spatial mismatch limits residents' access to opportunity and daily needs.

  The Metro Affordable Housing Bond has helped counteract this trend by setting goals for geographic distribution and access to amenities, and by supporting projects in a diversity of locations across the region. According to the 2024 Bond Annual Report, 35 percent of bond-funded units are located in areas that have historically lacked affordable housing, 56 percent are located in areas where communities at risk of displacement live today, and 44 percent are located in areas historically inaccessible to communities of color. This approach expands housing choice, connects residents to jobs and services, and helps prevent displacement in rapidly changing neighborhoods.

- **Limited accessible housing and barriers to aging in place:** Nationally, fewer than 4 percent of homes offer basic accessibility features, and only 0.15 percent are fully wheelchair accessible. About one-third of units are potentially modifiable but would require renovations.[9] In Oregon, there is no comprehensive inventory of accessible (Type A) or adaptable (Type B) units. ECOnorthwest analyzed available data on recent multi-unit developments in the State and estimated that up to 50 percent of newly built units may meet Type B standards and about 2 percent may meet Type A standards. These estimates vary by region and exclude senior-focused or federally funded affordable housing, which are more likely to include accessible features.[10]

  While building codes require some accessible units, these are typically found in newer, elevator-served apartments—housing that is often unaffordable for low-income households and less attractive to older adults. Many seniors prefer to age in

[9] Joint Center for Housing Studies of Harvard University. "Housing America's Older Adults 2019." Harvard University, 2019. https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_housing_stock_accessibility_scheckler_2022_0.pdf#:~:text=data%2C%20Bo%E2%80%99sher%20et%20al,livable%20by%20people%20with%20moderate
[10] ECOnorthwest. *OHNA Rulemaking – Potential Compliance Pathways*. Prepared for the Oregon Department of Land Conservation and Development. July 2025.

place in single-family homes or move to detached or senior-oriented housing.[11] Market-rate apartments, which tend to serve younger residents, are less likely to meet the needs of older adults or people with disabilities who are over-represented in low-income households.

- **Shortage of large family rentals:** Larger affordable rental homes for families, including multigenerational and extended families, are similarly scarce. Public engagement has highlighted that Hispanic and other households of color are more likely to live in multigenerational arrangements, yet the housing market offers very few large-family rentals to accommodate them. In response to this gap, the Metro Affordable Housing Bond prioritized family-sized units. As of 2024, about half of all bond-funded homes have two or more bedrooms.
- **Complex application requirements and fees**: Complex housing application processes continue to exclude many households from securing housing. Standard rental screening criteria (e.g., high income-to-rent ratios, strict credit score minimums, criminal background checks, and extensive documentation) can disproportionately disqualify low-income families, immigrants, and people recovering from past instabilities. Language, literacy, and mobility barriers further impede those with limited English proficiency or disabilities when navigating lengthy applications or travelling to different sites. Focus groups in past engagement emphasized the need for low-barrier application approaches and navigation support to ensure equitable access to housing.

  The *Tri-County Planning Body Coordinated Entry Regional Implementation Plan* outlines efforts to improve coordinated entry systems in Clackamas, Multnomah, and Washington counties. These efforts focus on reducing access barriers by standardizing processes and improving connectivity between the three county systems, with the goal of ensuring more equitable access to housing and services for people experiencing homelessness.
- **Inadequate funding for population-specific resident support services:** Veterans, domestic violence survivors, individuals exiting homelessness, youth aging out of foster care, older adults, and other priority populations face distinct housing challenges that require tailored housing models and services. Survivors of domestic violence need trauma-informed housing paired with legal and advocacy support. Individuals with behavioral health or addiction needs may require housing linked to recovery and treatment services. Youth exiting foster care often benefit from supportive housing that includes life skills training and employment services. Veterans may need permanent supportive housing with access to healthcare and

[11] Maggie Ratnayake, et. al., “Aging in Place:: Are We Prepared?,” Delaware Journal of Public Health 8, no. 3 (2022): 28-31, https://pmc.ncbi.nlm.nih.gov/articles/PMC9495472/.

Binette, Joanne, and Fanni Farago. 2024 Home & Community Preferences Among Adults 18 and Older. Washington, DC: AARP Research, December 2024. https://doi.org/10.26419/res.00831.001

peer networks. Older adults who require help with housekeeping, mobility, and daily activities often struggle to find affordable housing that provides the supportive services needed to age in place safely and with dignity.

Across these groups, existing programs are fragmented, underfunded, and insufficient to meet demand. Sustainable funding for population-specific resident services (such as case management, community-building, and health navigation) remains a major gap consistently highlighted in stakeholder outreach.

- **Gaps in Fair Housing enforcement, renter protections, and tenant/landlord education:** Stakeholders identified inconsistent enforcement of fair housing laws, limited renter protections, and lack of education about housing rights as barriers to housing stability and access. While federal, state, and local laws prohibit housing discrimination, awareness and enforcement of these protections vary across jurisdictions and populations. Discriminatory practices, though often subtle, continue to restrict access to rental housing. The Fair Housing Council of Oregon reports receiving approximately 1,000 complaints annually from tenants in the Portland Metro region. Statewide, the largest shares of bona fide complaints were based on disability, source of income, race, and sex. [12] While discrimination persists locally and nationally, funding to support fair housing education, enforcement, and advocacy is being cut at the federal level.
- **Limited navigation and culturally specific provider networks:** People of Color, immigrant, and refugee communities often require housing services delivered through trusted, culturally specific organizations due to a legacy of discrimination and mistrust of mainstream systems. Stakeholders report that culturally specific services remain limited and uneven across the region's housing programs. Some residents struggle to navigate housing systems without adequate language access, culturally competent outreach, or trusted intermediaries. Addressing this gap will require expanding partnerships with culturally specific nonprofits, increasing language-accessible navigation support, and funding targeted outreach efforts. It will also require developing culturally responsive housing options that better meet the needs of underserved communities.
- **Lack of stabilization tools for moderate-income households**: Moderate-income households (80–120 percent of AMI) face growing instability but are largely unsupported by current housing programs. Few public tools target this segment, which risks being priced out of the region. Workforce housing incentives and expanded stabilization supports are needed to retain a diverse middle class and prevent further economic displacement. Few public resources are available to assist moderate income older adults needing increasing help with housekeeping and their activities of daily living.

[12] Fair Housing Council of Oregon, *State of Fair Housing Report 2022* (Portland, OR: FHCO, 2022), https://fhco.org/wp-content/uploads/2024/08/FHCO-state-of-fair-housing-report-2022.pdf.

- **Challenges with siting group homes and residential facilities**: Statewide, residential facilities and some group homes face challenges finding suitable sites due to a number of factors, including issues with local codes and neighborhood opposition, While Oregon law requires cities to permit licensed residential homes in areas where single-unit housing is permitted, some informal small group living arrangements that do not meet the definition of a residential home, like Oxford homes for sober living, may face obstacles. Oregon law allows but does not require cities to permit residential facilities (6 or more residents) in areas where multi-unit housing is permitted.

Conclusion

This analysis of housing conditions and market, non-market, and structural barriers provides a preliminary foundation to inform Metro's Regional Housing Coordination Strategy (RHCS). It highlights persistent challenges across funding, infrastructure, governance, equity, and geographic contexts that shape housing outcomes across the region. These insights will be further refined and expanded as Metro integrates findings from additional RHCS components, including deeper community engagement and policy and program reviews. A clear understanding of these barriers will be essential to crafting targeted, actionable strategies that advance Metro's housing goals.