

## METRO 2023 LEGISLATIVE ISSUE IDENTIFICATION

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**Date:** November 23, 2022

### **ISSUE: Leading with Housing Production**

#### **BACKGROUND:**

Oregon ranks 4th in underproducing housing in the country behind California, Colorado, and Utah. Oregon's housing undersupply threatens Oregonians ability to grow sustainably, move toward a more equitable economy, or address the full complexity of the homelessness crisis. Every region of Oregon needs to substantially increase the supply and production of homes.

HB 2003 was enacted in the 2019 legislative session. Its core intent is to require cities to adopt Housing Production Strategies<sup>1</sup> that address housing needs relating to capacity and affordability. Strategies include permitting, zoning, funding and other city policy related to residential development. The identified need is based on a housing needs analysis done by the city.

HB 2003 also considers using a Regional Housing Needs Analysis (RHNA), a pilot methodology to estimate statewide housing need at a regional level. Over the past few years, OHCS and DLCD have been tasked with how to effectively use what was learned from the RHNA to create and implement an Oregon Housing Needs Analysis (OHNA). The OHNA could be the cornerstone of a reformed housing planning system that would, in addition to other items, assign cities their housing need. The purpose of this is to prescribe equitable distribution of housing affordability to protect against cities perpetuating current unequitable distribution of housing affordability.

[DLCD has released draft OHNA recommendations for the 2023.](#) It provides a comprehensive, city-by-city estimate of housing need by income, along with data and information about how local housing outcomes vary by race and ethnicity, age, disability status, and other identity markers. If implemented, it will be a regularly updated data suite that can be used to set state and local housing production targets. It provides a more accurate representation of full housing need and a more equitable distribution of affordable housing throughout regions. In the methodology alone, the OHNA takes a big step toward equitable outcomes compared to the current Housing Capacity Analysis methods, by incorporating historic housing underproduction and housing needed for people experiencing homelessness into future production targets, and by using regional incomes to project housing need by income level.

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<sup>1</sup> HB 2003 inadvertently excluded Metro area cities from the requirement to adopt Housing Production Strategies. Metro and other cities in the region pursued a fix in the 2021 session requiring Metro area cities to adopt Housing Production Strategies to address the conclusions of their city-level Housing Needs Analyses. Cities in the Metro region coordinate their Housing Needs Analyses with Metro's "distributed forecast."

In DLCD’s proposal, Metro’s increased role in the housing space has been recognized. With our two-voter approved housing measures, the state recognizes the coordinating role that regional governments can play in housing planning. Metro would be required to adopt housing coordination strategies rather than adopting specific policies (production strategies), such as local zoning codes and regulations. For example, regional housing coordination strategies could include identifying shared funding sources, sharing staff capacity, or entering intergovernmental agreements to promote housing production. Our state partners also recognize the differing responsibilities in our region amongst Metro and our local jurisdictional partners that requires a focus, not just on land need, but city readiness to urbanize land. The region’s approach centers around Metro’s responsibility for forecasts and managing the UGB while cities and counties are responsible for zoning and service provision.

**RECOMMENDATION:** Staff recommends support for the OHNA recommendations and other legislative concepts that will help increase equitable housing production and development that are in line with the fundamentals of Oregon’s land use system.

**LEGISLATIVE HISTORY:** Since 2016, the Legislature has increasingly focused on housing affordability, enacting a series of bills to protect tenants from displacement, address racial disparities in home ownership, and facilitate and fund housing development.

- **SB 1533 (2016)** lifted the pre-emption on local inclusionary zoning that had been passed in 1999, while imposing certain conditions regarding the use of inclusionary zoning.<sup>2</sup>
- **HB 4143 (2016)** created new renter protections, prohibiting rent hikes in the first year of a month-to-month tenancy and requiring 90-day notice for subsequent rent increases.
- **SB 1051 (2017)** included several provisions to facilitate the development of affordable housing and “missing middle” housing, including accessory dwelling units (ADUs): shorter permitting deadlines for affordable housing construction, a requirement that communities allow ADUs in single family zones, broader requirements for clear and objective standards, prohibitions on density limitations below zoned density, etc.
- **HB 3012 (2017)** authorized the construction of new homes in rural residential areas (outside UGBs) on parcels that already have a “historic home” built between 1850 and 1945, if the historic home is converted to an ADU.
- **SB 8 (2021)** requires local governments to approve the development of certain affordable housing, and not require a zone change or conditional use permit, on land zoned to allow commercial uses, to allow religious assembly, or as public lands. It also includes a statewide density bonus for affordable housing in areas zoned for residential use.
- **HB 2004 (2021)** provides \$9.7 million to support additional Project Turnkey emergency shelters throughout the state. This funding supplemented an earlier \$65 million investment approved by the Emergency Board in the fall of 2020.

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<sup>2</sup> SB 1533 also authorized cities and counties, but not Metro, to impose a construction excise tax for affordable housing, and lifted the sunset on the pre-emption that prevents Metro from changing or increasing its existing CET.

- **HB 2006 (2021)** requires local governments to approve an application for an emergency shelter regardless of state or local land use laws, if the application meets specific approval criteria outlined in the bill.
- **HB 3155 (2021)** clarifies certain ambiguities created by HB 2003 (2019) and corrects statutory citations to confirm the intent of HB 2003.
- **HB 3261 (2021)** requires local governments to allow the conversion of hotels and motels into emergency shelters or affordable housing, regardless of state or local land use laws, if the application meets specific approval criteria in the bill.
- In a budget note in **HB 5006 (2021)**, the Legislature then directed Oregon Housing and Community Services (OHCS) and the Department of Land Conservation and Development (DLCD) to deliver recommendations on how to implement the OHNA in advance of the 2023 Legislative Session.
- **SB 5202 (2022)** gave additional direction to address issues related to land capacity and the implementation of the OHNA.

#### **OTHER INTERESTED PARTIES:**

State partners such as OHCS and DLCD are leading proposals on housing production. Oregon Housing Alliance and its member organizations and local governments, other interested parties include the Oregon Home Builders Association, Oregon Association of Realtors, Multifamily NW, and other industry groups also have a vested interest in increased housing supply and production.

#### **IMPACT IF PROPOSED ACTION OCCURS:**

- Reduce racial disparities in housing.
- Facilitate more housing production.
- Set standards and accountability measures to ensure local governments are not perpetuating inequities in the land use and development system.

#### **RACIAL IMPACTS**

Both nationally and in our region, rents are rising faster than incomes, increasingly limiting lower-income households – disproportionately people of color – to housing options in areas with lower access to opportunities and higher concentrations of poverty. Even households with moderate incomes are finding themselves priced out of neighborhoods where they work or go to school. Housing affordability and choice are not only issues of social equity; lack of equitable housing also threatens our economic competitiveness and the livability our region has worked hard to protect. Rapidly rising housing costs in much of Portland and areas in other parts of the region have resulted in displacement of low-income households to areas of increasing poverty farther from job centers and less well served by infrastructure, services, and amenities. Because they have lower average incomes, communities of color are disproportionately impacted by these trends.

#### **CLIMATE IMPACTS**

Housing is a complex issue at the intersection of public health, racial equity and climate justice.

Like the production of many items, new housing development can increase carbon emissions and impacts to the environment. However, housing is a necessity, and therefore, when implementing and supporting housing policies, we must look for greener solutions to mitigate its impacts to the environment. Ensuring that affordable housing funders, jurisdictions, and developers are aligned in supporting climate-smart approaches to creating and maintaining housing is critical to advancing our climate goals. Examples of this include passive design strategies to reduce the need for heating and cooling, green building standards and other environmentally focused strategies to housing production. In addition, we know that climate impacts such as extreme heat and cold pose a particular threat to our houseless, low income and medically fragile community members. It is crucial to center them and their experiences in the strategies to address climate change in housing supply and production. Moving forward, Metro will look to understand emerging best practices to multi-family design and climate resilience strategies that balance considerations related to health/safety, livability, sustainability, durability and cost.