

METRO
2019 LEGISLATIVE ISSUE IDENTIFICATION

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ISSUE: Equitable Housing

BACKGROUND: While housing costs at the upper end of the market have stabilized after a multi-year run-up, costs at the lower end of the market continue to rise faster than incomes in the Portland metropolitan region. For obvious reasons, this disproportionately impacts renters and low-income households, many of whom face challenges of rising rents and no-cause evictions. Unable to maintain stable rental housing, these households remain at risk of displacement as they are left to navigate a tight rental market with very low vacancy rates.

In 2015, Metro's Equitable Housing program developed a strategic framework for creating and preserving housing affordability and housing choice. The framework consists of four elements, which together represent a balanced approach to equitable housing:

1. **Increase and diversify market-rate housing:** Eliminate regulatory barriers and create incentives for diverse market-rate housing.
2. **Leverage growth for affordability:** Encourage private developers to contribute to affordable housing.
3. **Maximize and optimize resources:** Increase flexible funding and pursue coordinated investment strategies to expand the region's supply of regulated affordable housing.
4. **Mitigate displacement and stabilize communities:** Pursue community-informed strategies to mitigate displacement; ensure safe and healthy rental housing; and bridge the homeownership gap for lower-income groups, including communities of color.

The Oregon Housing Alliance, of which Metro is a member, is developing its legislative agenda, and the 2019 Legislature is expected to pursue another round of housing legislation. Likely policy proposals include providing additional protections for renters, increasing the supply of "missing middle" housing, and ensuring that local governments take actions to address local and regional housing needs. Other anticipated proposals would provide financial support or tax incentives for affordable housing development and preservation. Legislation limiting the deductibility of mortgage interest may also be introduced.

RECOMMENDATION: Staff recommends support for a range of state policy and funding tools that are likely to be the subject of 2019 legislation on equitable housing. Anticipated legislative proposals that support the Equitable Housing Initiative's strategies include:

1. **Provide funding and incentives to build and preserve affordable housing.** One expected proposal would provide a capital gains tax exemption upon the sale of

multifamily buildings for permanent use as affordable housing. This proposal would support implementation of Metro's affordable housing bond measure.

2. **Authorize strong tenant protections against no-cause evictions.** Eliminate no-cause evictions in favor of a just-cause eviction standard that would only allow landlords to evict a tenant for reasons set out in law, such as nonpayment of rent or other lease violations, or for "no fault" reasons such as a landlord moving in.
3. **Authorize stronger protections against rent increases.** Oregon state law prohibits local governments from passing any ordinances that regulate rents. This proposal would allow local governments to pass their own rent stabilization ordinances. (A possible alternative proposal would establish a statewide rent stabilization policy.)
4. **Reduce barriers to condominium development.** Condos are a relatively affordable, land-efficient home ownership option, but condo development in Oregon has essentially ceased, in part due to concerns having to do with liability for construction defects. Various parties are working to develop a broadly supported proposal that can encourage condo development.
5. **Encourage development of "missing middle" housing.** This proposal would require local governments to change their zoning code to allow duplexes, triplexes, quads and cottage clusters in single-family zones.
6. **Enable local governments to waive certain zoning and building code requirements to support emergency shelters, small houses, or huts for homeless camps** when a local government declares a state of emergency for housing/homelessness.
7. **Provide funding for ongoing operations and supportive services** to serve people with lower incomes and higher needs. This will also support implementation of Metro's bond measure.
8. **Limit the mortgage interest deduction** and use additional resources for affordable housing.

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 and preservation.

- **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.¹
- **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.

¹ 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 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.
- **HJR 201 (2018)** referred to the voters Measure 102, a constitutional change allowing local governments to use bond proceeds to build or acquire affordable housing in partnership with nongovernmental entities like businesses and nonprofit organizations. (Oregon voters approved Measure 102 in November 2018.)
- **HB 4007 (2018)** increased the state’s document recording fee from \$20 to \$60, which will raise approximately \$90 million per biennium for affordable housing.
- **HB 4006 (2018)** includes various provisions intended to ascertain and reduce the number of severely rent-burdened households in cities with populations over 10,000.
- **HB 4010 (2018)** created a task force to examine racial disparities in home ownership.

OTHER INTERESTED PARTIES:

Since its founding in 2003, the Oregon Housing Alliance has had a string of successes in enacting policy changes and in raising significant new state funding for affordable housing. In addition to the 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.

IMPACT IF PROPOSED ACTION OCCURS:

- Prevent displacement of renters due to no-cause evictions or sudden or extreme rent increases.
- Facilitate acquisition of affordable units to implement Metro housing bond measure.
- Increase supply of “missing middle” housing.
- Facilitate development of condominiums.
- Provide funding for operations and supportive services, thereby supporting successful implementation of Metro housing bond measure.
- Enable local governments to act quickly to site emergency shelter and homeless facilities when local leaders determine that housing/homelessness has reached a state of emergency.