

Appendix F. University of Oregon Development Barriers Survey Brief and Summary Report

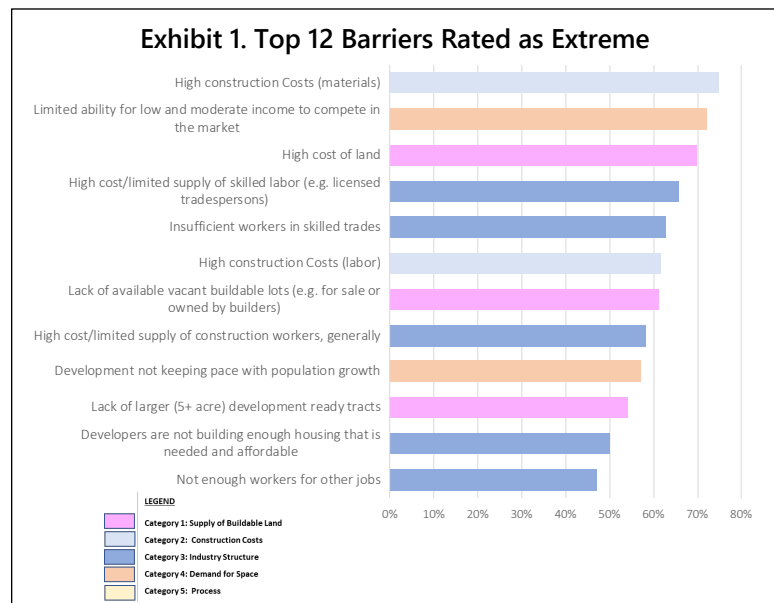


Barriers to Housing Production in Oregon Brief

This brief summarizes research conducted by faculty from the Institute for Policy Research & Engagement (IPRE) on barriers to housing construction in Oregon. The research team conducted a literature review, reviewed municipal housing-related documents and plans, and conducted a survey of local government staff, private sector housing developers and nonprofit housing developers. The summary report highlights key barriers and offers recommendations on how local and state policy might soften key barriers.

To understand perspectives on barriers to housing production, we developed and administered an online survey to selected stakeholder groups. We targeted (1) local government staff (primarily planners, but other staff in cities that do not have planning staff), (2) for-profit housing developers, and (3) non-profit housing developers. A total of 323 individuals participated in the survey; 134 government representatives (41% of respondents), 105 private sector developers (33%), 52 nonprofit housing developers (16%) and 32 that could not be categorized in the three primary groups (10%).

Exhibit 1 shows the top 12 barriers reported among the 61 included in the survey ranked by the percentage of respondents indicated they barrier was “extreme.” Barriers from 4 of the 5 categories emerge in the top 12 with several barriers related to construction costs (construction and materials), industry structure, and land supply constituting the most consistently rated extreme barriers. Additionally, the mismatch in housing supply for low and moderate income to compete the market and the lack of supply keeping up with population growth are demand related barriers that are perceived as extreme. Key conclusions from our research include:



- Barriers are varied and interact in complex ways
- Regulatory barriers are real but vary by community and are community dependent
- Land supply is generally perceived as a barrier, but the constraint is much more nuanced than having an adequate supply of land in UGBs – provision of infrastructure and the size of lots pose barriers
- Industry-related barriers (e.g., construction and labor costs; availability of labor) are significant and difficult to address with state policy
- Private and nonprofit housing developers perceive process barriers (e.g., permitting, fees, etc.) as extreme at much higher rates than the public sector.
- The private sector is not producing lower cost housing

The table on the next page summarizes potential policy interventions the research team identified that can help reduce barriers to housing production.

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Potential Policy Actions to Address Housing Production Barriers

Recommendation	Description	What level?	Alignment with OHNA	Barrier Addressed
Amend ORS 197A.320 priority scheme to place housing as the top priority	The priority scheme forces cities to prioritize less efficient and suitable lands for residential designations and arguably has limited the ability of municipalities to expand onto lands that best meet identified housing needs.	State Legislature		Category 1: Regulatory – Land Supply
Consider legislation enabling the Business Oregon Infrastructure Finance Authority (IFA) to fund infrastructure for housing	Tap into a source of revenue for the \$37-\$50 billion in infrastructure needs accompanying new housing production.	State Legislature	Yes (2.1)	Category 1: Regulatory - Infrastructure
Amend or adjust Goal 10 and its associated administrative rules in a manner that allows cities flexibility in discounting lands that are not suitable for lower cost housing	Focus on identifying lands inside the UGB that are suitable and available.	DLCD	Yes (1.4)	Category 1: Regulatory – Land Supply
Simplify and encourage urban reserves and UGB swaps	Get cities to (1) think long term (50 years) about land supply, and (2) take a close look at lands within the current UGB and their suitability for housing.	DLCD	Yes (1.4)	Category 1: Regulatory – Land Supply
Prioritize grant funds for cities to develop land readiness programs	Prioritize incentive-based approaches over more planning requirements.	DLCD	Partially (1.4)	Category 5: Process
Prioritize grant funds for large and small cities with the highest production needs.	Acknowledges that larger cities account for most of expected population growth.	DLCD		Category 4: Demand
Monitor implementation of CFEC	Acknowledges the complexity of CFEC rules; monitor and assess outcomes	DLCD		Category 5: Process
Streamline state affordable housing funds to reduce complexity	Nonprofit housing developers perceived a range of extreme barriers that relate to funding and process and lack of financing remains an issue for affordable housing. Nonprofit housing developers struggle to assemble the capital stacks required for projects.	OHCS		Nonprofit barriers
Incentivize property owners to accept deed-restrictions to commit to housing types for inclusion in UGBs	Effectively, it would require forgoing some of the windfall profit that occurs on lands included in UGBs. Leverage the ESEE process to achieve this.	Cities		Category 1: Regulatory – Land Supply
Ensure clear and objective development standards during HPS adoption	Acknowledges that 50 percent of respondents do not perceive development standards to be clear and objective	Cities		Category 5: Process
Streamline regulations and timelines for development review	Related to differences between perceptions about barriers between the private/nonprofit sectors and the public sector	Cities		Category 5: Process
Reconsider the structure of SDCs to tie to square footage of value of the unit	Recognizes the contribution of SDCs to cost of development and barrier to low-cost housing	Cities		Category 5: Process

Barriers to Housing Production in Oregon: Summary Report



Photos courtesy of Adobe Stock Photos

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Final Report

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About the Institute for Policy Research and Engagement



**School of Planning, Public
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Institute for Policy
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The Institute for Policy Research & Engagement (IPRE) is a research center affiliated with the School of Planning, Public Policy, and Management at the University of Oregon. It is an interdisciplinary organization that assists Oregon communities by providing planning and technical assistance to help solve local issues and improve the quality of life for Oregon residents. The role of IPRE is to link the skills, expertise, and innovation of higher education with the transportation, economic development, and environmental needs of communities and regions in the State of Oregon, thereby providing service to Oregon and learning opportunities to the students involved.

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Chapter 1: Introduction

This report summarizes research conducted by faculty from the Institute for Policy Research & Engagement (IPRE) on barriers to housing construction in Oregon. The research team conducted a literature review, reviewed municipal housing-related documents and plans, and conducted a survey of local government staff, private sector housing developers and nonprofit housing developers. The summary report highlights key barriers and offers recommendations on how local and state policy might soften key barriers.

Background

Housing affordability has reached crisis levels in Oregon over the past decades. Studies conducted by IPRE in the 1990s for several Oregon Counties identified pressing affordability issues 30 years ago; those issues only worsened over the past three decades. Housing production in Oregon cities stalled between 2008 and 2012 after the 2007 financial crash resulting in significant underproduction of housing. More recently, a 2022 report by ECONorthwest as part of HB 2003, found that Oregon has a deficit of nearly 66,000 units to accommodate population growth and household formation (the report calls this “underproduction”) with an additional 29,000 units needed to house homeless Oregonians. All told, the study estimates that Oregon will need to produce nearly 555,000 new housing units between 2022 and 2042—or 27,750 units per year. American Community Survey (ACS) data show Oregon produced about 20,000 per year from 2017 through 2019— or two thirds of the amount needed to keep pace with demand.¹ In short, Oregon needs to significantly increase housing production to meet documented needs.

The Oregon legislature responded to the housing crisis by passing dozens of bills related to housing in the past decade. In 2019, the Oregon Legislature passed two laws – House Bill 2001 and House Bill 2003. House Bill 2001 intends to provide Oregonians with more affordable housing choices by allowing a broader range of housing types in single-family residential zones. House Bill 2003 requires cities over 10,000 persons to study housing needs and develop strategies to ensure that housing is produced. The bill also directed the Oregon Housing and Community Services Department to analyze housing needs for the next 20 years in each region of the state and for all income levels, and to examine how those needs can be met.

The 2021 Oregon legislature included \$765 million for policy and funding focused on affordable housing supply, homelessness, tenant support, and homeownership. Moreover, the legislature appropriated \$1.3 million to study the incorporation of a regional housing needs analysis into state and local planning programs. This work is a continuation of the regional housing needs analysis work developed by Oregon Housing and Community Services (OHCS) and their consultant, ECONorthwest, in 2020.

¹ The ACS reported 1,768,582 units in 2017, 1,788,743 in 2018, and 1,808,482 in 2019. 2020 ACS data are unreliable due to the COVID-19 pandemic.

This research was sponsored by DLCD and supports the Housing Planning Reform project. The research focuses on documenting the barriers to constructing housing in Oregon and how the state could remove impediments to housing production at a local level.

Purpose and Methods

This project focused on documenting the barriers to housing production in Oregon and how the state could remove impediments to building housing at a local level. It describes local impediments to housing production, which might be addressed through reform of Oregon's current housing planning systems. The research considered a range of potential barriers:

- State and local regulatory constraints including planning process
- Land supply constraints
- Infrastructure availability and funding mechanisms
- Housing funding or finance constraints
- The structure of Oregon's housing industry
- Demand for space

The IPRE research team used several methods to produce this report:

- **Literature Review.** IPRE started by collecting and reviewing a broad range of housing literature: industry reports, white papers, journal articles, etc., to identify key barriers and impediments to housing production in the U.S.
- **Review State Land Use Policy.** The research team reviewed existing land use regulatory context for housing for cities in Oregon. This included key statutes (ORS 197, etc.), Statewide Planning Goal 10 (Housing), and the rules that implement Goal 10 (OAR 660-007 and OAR 660-008).
- **Summarize Previous IPRE and DLCD Survey Findings.** The research team reviewed previous surveys conducted by IPRE (HB 4079 and the 2017 Housing Affordability survey) and analyzed data from DLCD's HB 4006 city surveys.
- **Examine Recent Housing Needs Analyses and Consolidated Plans.** The research team reviewed about 20 recent Housing Needs Analyses (HNAs) to understand documented barriers to multifamily housing (beyond land need) in cities lacking land to accommodate housing. We also reviewed several Housing Production Strategies (HPS) and Consolidated Plans that HUD requires of Metropolitan Planning Organizations.
- **Online Multistakeholder Survey.** The research team developed and administered an online survey to planners, housing developers (both for-profit and nonprofit), and related organizations. The survey used a targeted sampling methodology targeting individuals knowledgeable about housing issues in Oregon. We received about 260 responses to the survey. Technical Report Section E provides an overview of the methods used for the online survey.

These methods provide a rounded approach to understanding barriers to housing production by relying on peer-reviewed research, applied research, plans, and input from a broad range of housing experts. In



summary, the intent was to develop a comprehensive understanding of factors that are hampering housing production in Oregon.

Planning for Housing in Oregon

The passage of the Oregon Land Use Planning Act of 1973 (ORS Chapter 197) established the Land Conservation and Development Commission (LCDC) and the Department of Land Conservation and Development (DLCD). The Act required the Commission to develop and adopt a set of statewide planning goals. Goal 10 addresses housing in Oregon and provides guidelines for local governments to follow in developing their local comprehensive land-use plans and implementing policies.

At a minimum, local housing policies must meet the applicable requirements of Goal 10 and the statutes and administrative rules that implement it (ORS 197.295 to 197.314, ORS 197.475 to 197.490, and OAR 600-008). Goal 10 requires incorporated cities to complete an inventory of buildable residential lands. Goal 10 also requires cities to encourage the numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households.

Goal 10 defines needed housing types as “all housing on land zoned for residential use or mixed residential and commercial use that is determined to meet the need shown for housing within an urban growth boundary at price ranges and rent levels that are affordable to households within the county with a variety of incomes, including but not limited to households with low incomes, very low incomes and extremely low incomes.” ORS 197.303 defines needed housing types:

- Housing that includes, but is not limited to, attached and detached single-family housing and multifamily housing for both owner and renter occupancy.
- Government-assisted housing.²
- Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490.
- Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.
- Housing for farmworkers.

Cities must identify needs for the housing types listed above as well as adopt policies that increase the likelihood that needed housing types will be developed. DLCD provides guidance on conducting a housing needs analysis in the document *Planning for Residential Growth: A Workbook for Oregon’s Urban Areas*, referred to as the *Workbook*.³

To summarize, the Statewide Planning Program requires incorporated municipalities plan for housing and supply a sufficient inventory of buildable to accommodate needed housing types over a 20-year period. It also allows municipalities to regulate housing through various land use implementing ordinances including zoning (which typically regulates the bulk, density, and height of housing among other things), and subdivision and land division ordinances (which outline standards for land division including lot sizes and required services). It does not require cities to develop housing (and most cities do not develop

² Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

³ https://www.oregon.gov/lcd/UP/Documents/planning_for_residential_growth.pdf

housing). Historically, cities were not required to monitor the quantity and type of housing development, but recent legislation has established some monitoring requirements. House Bill 4006 (2018) requires all cities with a population greater than 10,000 to report annually on housing production. House Bill 2003 (2019) requires all cities that are larger than 10,000 to complete a survey prior to the completion of a housing production strategy.

House Bill 2003 established a new requirement that cities with a population greater than 10,000 to prepare and adopt a housing production strategy (HPS). The HPS can be thought of as a set of specific actions cities will take to promote development of housing types identified in a HNA.

Organization of this Summary Report

The remainder of this report is organized as follows:

Chapter 2: Conceptual Framework discusses the framework for the study and a taxonomy of barriers.

Chapter 3: Barriers to Housing Production is the heart of the report and discusses findings related to barriers to housing production.

Chapter 4: Conclusions and Recommendations summarizes our key conclusions and recommendations based on the research conducted for this project.

Accompanying Technical Report

Section A – Introduction

Section B – Literature Review

Section C – Summary of Previous Surveys

Section D – Analysis of Consolidated Plans and Housing Needs Analyses

Section E – Survey Analysis

Chapter 2: Conceptual Framework

This chapter describes the conceptual framework that guided our research and the methods used for this analysis. It begins with a brief overview of housing production in the U.S., describes the processes that facilitate construction of new housing, and summarizes the key inputs that affect the cost of housing. Those inputs provide a foundation for how the research team approached analyzing barriers to housing production.

As a starting point, it is useful to consider the role housing plays in social and economic systems. From the perspective of economists, housing is a bundle of services people are willing to pay for. Key services include shelter (the primary purpose of housing), but also location or proximity to daily needs (i.e., work, shopping, recreation, etc.), structural amenities (i.e., internal furnishings, landscaping, design, etc.), and access to public services such as schools. Other views of the role of housing exist – namely, that it is a basic need like food and water, or a basic human right. Housing as a basic human right is articulated in Article 25.1 of the Universal Declaration of Human Rights:

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”⁴

Adequate housing as a human right is recognized in a broad array of international documents.⁵ Despite broad international recognition of the importance of safe, decent, and adequate housing, most local governments in the United States have not adopted right to shelter ordinances nor has the federal government. Bergeron, in an essay for Human Rights Magazine, concludes: “Unfortunately, despite these lofty international conventions...the United States is far from addressing the lasting impacts of historic and continuing injustices. Unfortunately, housing has ultimately been commodified and, therefore, disconnected from its social function.”⁶

⁴ <https://www.un.org/ruleoflaw/files/FactSheet21en.pdf>

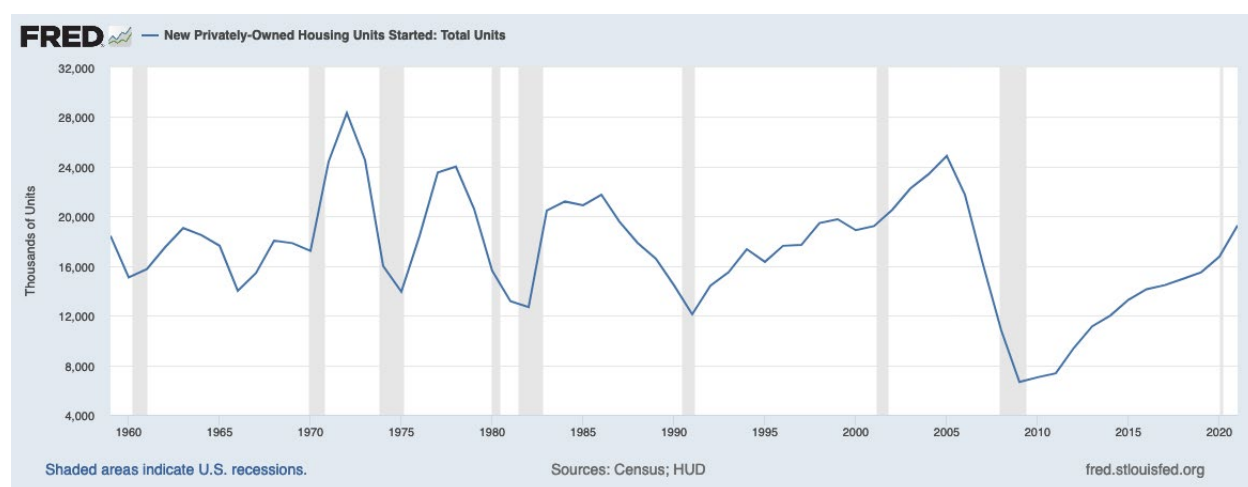
⁵ Emily Bergeron identifies several documents that address housing as a fundamental human right: “The right is protected in Article 25 of the Universal Declaration of Human Rights; Article 11 of the International Covenant on Economic, Social, and Cultural Rights; Article 27 of the Convention on the Rights of the Child; Article 5 of the Convention on the Elimination of All Forms of Racial Discrimination; Article 14 of the Convention on the Elimination of All Forms of Discrimination against Women; and Article 11 of the American Declaration on Rights and Duties of Man. Housing is also included as an element of the UN Sustainable Development Goals. Goal 11, which seeks to “make cities inclusive, safe, resilient and sustainable” posits that sustainability requires addressing the shortage of adequate housing and advances the idea that by 2030, all countries must “ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.””
https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/vol-44--no-2--housing/adequate-housing-is-a-human-right/

⁶ https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/vol-44--no-2--housing/adequate-housing-is-a-human-right/

Rate of Housing Production in the U.S.

Most housing in the United States is built by the private sector. Every year thousands of businesses typically build more than one million new housing units in the U.S. Exhibit 1 shows new privately-owned housing units started in the U.S. between 1959 and 2022. The data, pulled from the St. Louis Federal Reserve Bank data portal, shows private housing starts have considerable year-over-year variations the frequently follow business cycles. The exhibit clearly shows the precipitous decline in private housing starts at the time of the 2007 global financial collapse (the Great Recession). In 2006, 2.48 million housing starts were recorded; this dropped to 665,000 in 2009. Production in 2021 had increased to 1.92 million units.

Exhibit 1. New Privately-Owned Housing Units Started in the U.S., January 1959 through July 2022



Recent research has broadly concluded that the pace of housing development is not meeting demand. In 2019, FreddieMac released a study titled “The Major Challenge of Inadequate U.S. Housing Supply” which concluded that the U.S. needed more housing production to meet demand. The study estimated that the “current rate of demand is approximately 1.62 million housing units per year—370,000 units more per year than the current rate of supply.”⁷ All told, FreddieMac concluded that as of the second quarter of 2018, the U.S. was 2.5 million housing units below what was needed to meet demand (the study puts the shortage at between 0.9 and 4.0 million too few housing units to accommodate long-term housing demand).

A 2022 report by the housing advocacy group Up for Growth titled “Housing Underproduction™ in the U.S.” concluded that U.S. is 3.8 million housing units short of meeting housing needs in 2019 and that 169 metro areas in the U.S. were experiencing underproduction.⁸ This marks a substantial increase from 2012; the study concludes the nation was underbuilt by 1.65 million units in 100 metros were experiencing underproduction.

⁷ <https://www.freddiemac.com/research/insight/20181205-major-challenge-to-u.s.-housing-supply>

⁸ https://www.upforgrowth.org/sites/default/files/2022-07/UFG_Underproduction_Report_Pages.pdf

Housing Production as a Process

Housing production can be thought of as a process that requires a broad range of inputs and is affected by a broad range of factors. Housing is often characterized as a bundle of services: shelter, proximity to daily needs (jobs, shopping, recreation), amenities (location, type and quality of internal construction, landscaping, views), prestige, and access to public services (quality of schools, parks). A functioning housing market reflects the housing choices of individual households as influenced by dozens of factors in complex ways.

Moreover, housing production occurs in a dynamic economy that is influenced by a broad array of factors. Increasingly, economists are advocating the view of the economy as a complex adaptive system.⁹ In our view, housing markets also exhibit characteristics of complex adaptive systems.

The Council of Community Housing Organizations (CCHO),¹⁰ a San Francisco based housing advocacy organization, developed a useful process diagram on the process of developing a housing unit (Exhibit 2).¹¹ CCHO identifies four phases in the process:

- Phase I: Planning Approvals
- Phase II: Financing
- Phase III: Construction
- Phase IV: Post-Construction

The diagram also identifies three actors in the process—the developer, the public, and the city agency. This is a simplification of the process for more complex projects where multiple government agencies may be involved. The diagram also identifies potential timeframes for each phase; our observation is timeframes can vary substantially project by project, with the overall amount of elapsed time between project concept and completion being critical to the financial success of the project from the developers perspective.

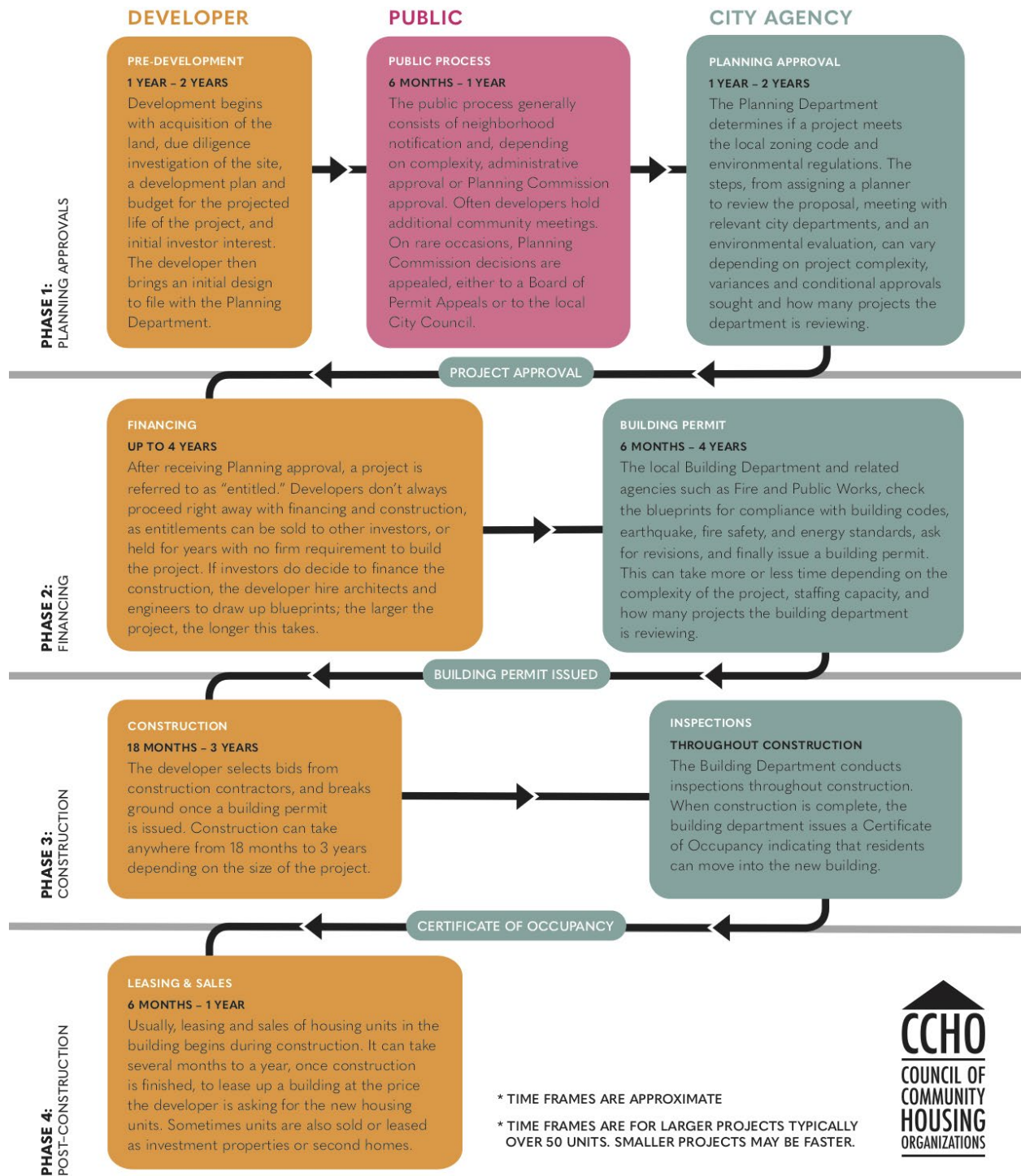
It is worth recognizing the substantial risk that housing developers face—both private and nonprofit. Projects can range from six figures and up. Developers work to reduce the amount of time from concept to completion. Given that each step of public review takes time, this is an area where local governments have opportunities to support and promote housing production.

⁹ <https://rogerlmartin.com/lets-read/when-more-is-not-better>

¹⁰ <https://www.sfccho.org/>

¹¹ <https://sfccho.medium.com/demystifying-the-development-process-how-housing-actually-gets-built-1fa589d0d111>

Exhibit 2. The Residential Development Process



Framework for Analyzing Barriers to Housing Production

Terry Moore, a founder and Vice-President of the Portland-based consulting firm, ECONorthwest, developed a conceptual model of factors that affect price of housing in the early 2000s (see Exhibit 3). Moore developed the framework as part of multiple HNAs the firm had worked on in that era. Part of the intent was to put the Goal 10 requirements in context and to help local planners and elected officials understand factors that local policy could affect.

As we considered analyzing barriers to housing production, we explored various conceptual frameworks in the literature on housing price. Our intent was to cast a wide net to consider various supply and demand factors that affect housing price and production. We settled on using Moore's framework as a taxonomy to examine barriers to housing construction. We distilled Moore's schematic of U.S. housing markets to classify barriers into five types.

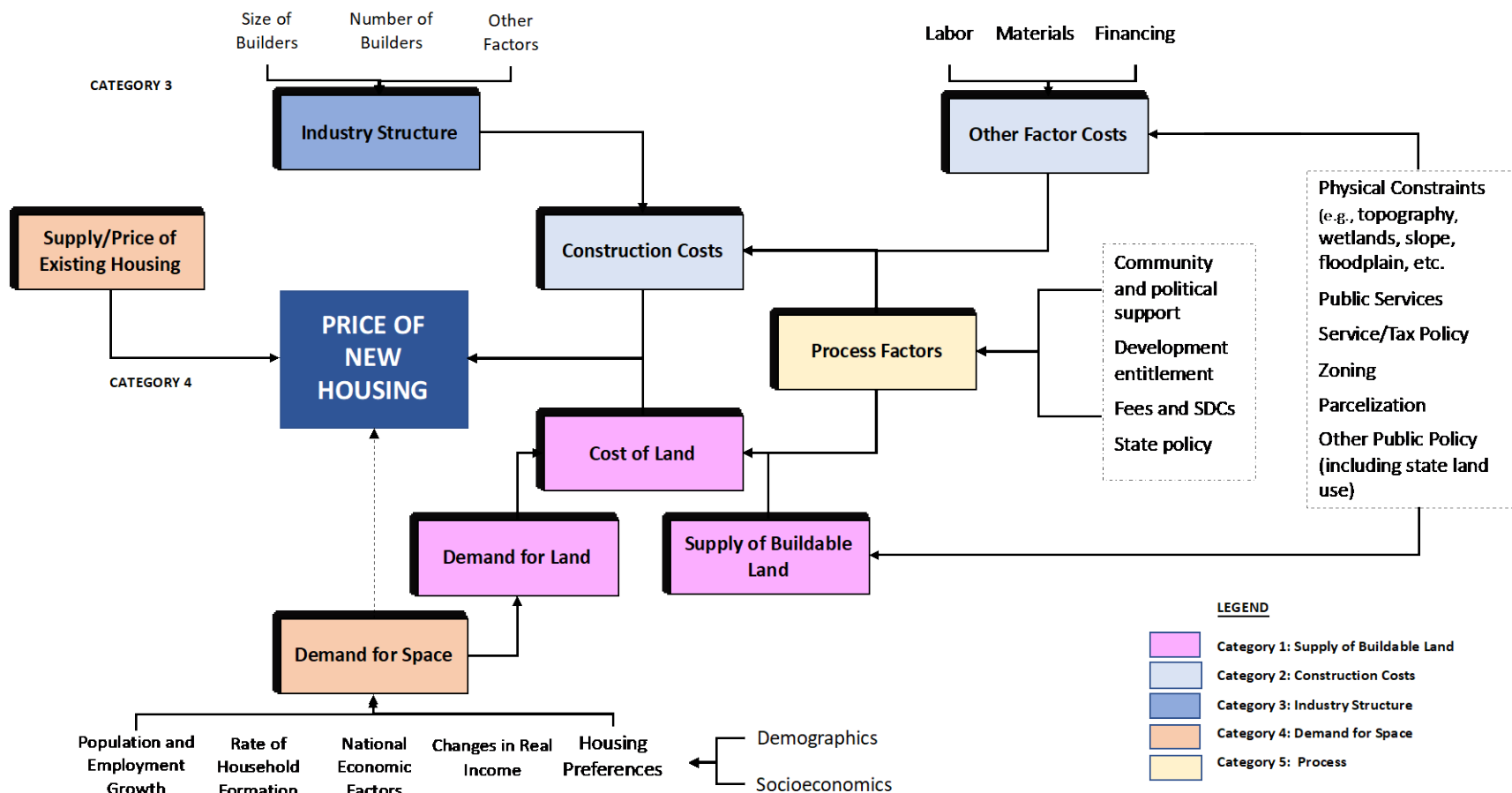
Exhibit 3 identifies land as a key input to the housing production process. While Goal 10 and the administrative rules that implement Goal 10 (OAR 660-007 and OAR 660-008) are primarily concerned with long-term land supply (20 years), developers are primarily concerned about the supply of land that is available for housing development in the present. OAR 660-008-0005(2) defines *buildable land* as residentially designated land within the urban growth boundary, including both vacant and developed land likely to be redeveloped, that is suitable, available and necessary for residential uses. This definition has several important elements:

1. Inside the urban growth boundary. A core objective of the statewide land use system is to accommodate most new housing development within UGBs.
2. Suitable. OAR 660-008-0005(2) states "Land is generally considered "suitable and available" unless it:
 - a. is severely constrained by natural hazards as determined under Statewide Planning Goal 7;
 - b. Is subject to natural resource protection measures determined under Statewide Planning Goals 5, 6, 15, 16, 17 or 18;
 - c. Has slopes of 25 percent or greater;
 - d. Is within the 100-year flood plain; or
 - e. Cannot be provided with public facilities.

Thus, suitability is primarily a function of (1) state policies, or (2) physical attributes of the land. The rule implicitly considers land designated for residential uses in UGBs available if it meets the criteria listed above.

3. Available. A standard definition of available is "Present and ready for use; at hand; accessible." In our view availability in the context of land supply should include that the land is for sale or otherwise can be acquired by a developer or builder. State policies do not consider land availability in this context.
4. Necessary. This is a need-based threshold and is addressed in the "Housing Needs Projection" which is "a local determination, justified in the plan, of the mix of housing types, amounts and densities" (OAR 660-008-0005(6)). Housing need is also addressed in OAR 660-024 (Urbanization).

Exhibit 3. Factors Affecting Housing Price



Source: IPRE; Adapted from Terry Moore of ECONorthwest

The statewide land use program leaves residential land readiness largely up to municipalities. In research IPRE conducted for Business Oregon on industrial land readiness, we identified three perspectives that require planning at different time frames:

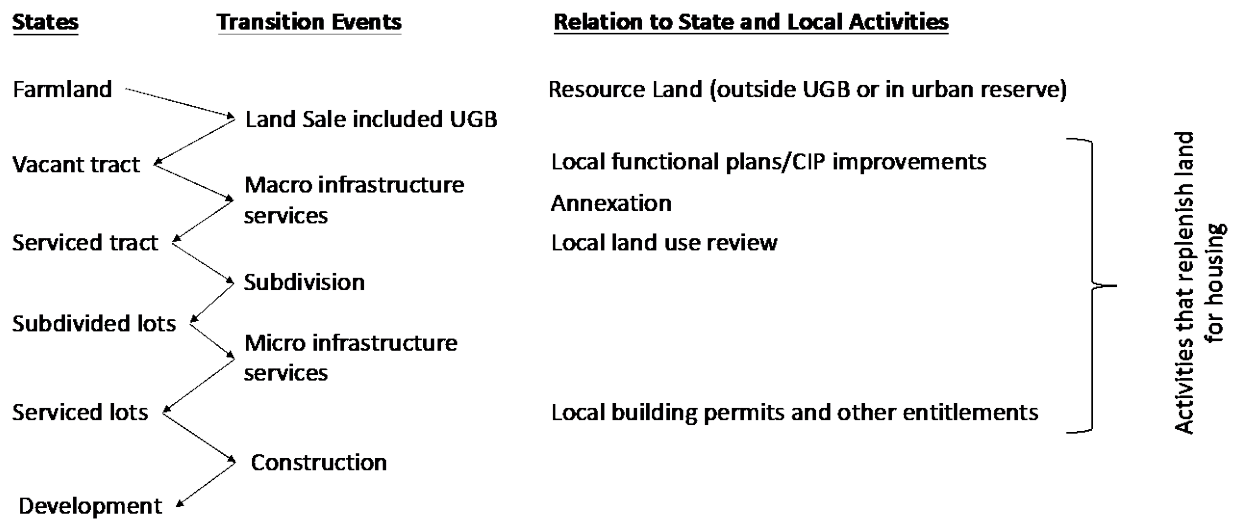
- **Long-Range Planning.** The Oregon land use system requires municipalities provide a 20-year supply of buildable land. In short, this is the city and DLCD perspective.
- **Site Readiness.** This can be thought of as the process of preparing land for development – extending backbone infrastructure and planning for key public services. This is primarily achieved through Goal 11 (Public Services) and Goal 12 (Transportation), other functional plans (water, wastewater, parks, schools, etc.), and capital improvement plans.
- **Site Development.** This represents the perspectives of developers or any entity representing a business that wants land for immediate development.

The issue of timeframes is addressed in the research literature. In a 2001 book titled “Land Market Monitoring for Smart Urban Growth” the authors present a conceptual framework for land development that links land states to activities (called transition events) that lead from greenfields to developable lots. Exhibit 4 shows the framework with annotations we added to link the framework to activities of state and local agencies in Oregon.

The framework starts with farmland (or any large parcel). In Oregon, this land would typically be outside the UGB or in an urban reserve. The policy action is then to amend a UGB placing land in what DLCD calls an “urbanizable” state.¹² A next step could be annexation. Once annexed the city provides major backbone infrastructure (e.g., water and sewer mains, arterial access, etc.) up to the site. Depending on the site size, it might be subdivided and developed in pieces or developed as one large employment use. Most Oregon cities require developers provide onsite infrastructure improvements.

¹² We note that residential development can also occur on lands granted exceptions to Goal 3 or 4 and zoned for rural residential uses.

Exhibit 4. Land States and Transition Events that Lead to Land Readiness for Development



Source: Adapted from Knaap, 2001, Land Market Monitoring for Smart Urban Growth, page 245

Building from Exhibit 3 and Exhibit 4, the research team classified housing production barriers into five categories:

- **Category 1 – Supply of Buildable Land.** These barriers relate to government policy that affects which land is buildable, what is allowed to be constructed, and how infrastructure is provided to this land. These barriers affect which land is developable, the allowed density and bulk, and what public facility improvements are mandated. These barriers affect which land is off limits for development. This category also includes access to public services and infrastructure as well as the financing necessary to extend public services.
- **Category 2 – Construction Costs Factors.** These barriers relate to the cost of inputs into construction including labor and materials. This also includes access to financing for various types of housing and land development
- **Category 3 – Industry Structure Factors.** This relates to the housing industry and how many developers, builders, and contractors, skilled labor and construction workers exist to build housing. This category also relates to type of development constructed by the development industry in terms of scale and infill v. greenfield.
- **Category 4 – Demand Factors.** These factors relate to the demand side and matching the income and demographic characteristics of residents with the housing supply provided. This category also relates to competition from specific income groups or other types of housing.
- **Category 5 – Process Factors.** These factors relate to the planning process including public hearings, the time and cost of permitting, and the cost of development fees.

In total, we developed and analyzed 65 potential barriers grouped into the five categories. Exhibit 5 shows the taxonomy of barriers developed by the research team and analyzed in the online survey. The specific barriers we analyzed were developed through the literature review, review of HNA and HPS

documents, IPREs 2018 survey, and discussions with DLCD staff and other key stakeholders. Based on our findings and identification of categories of barriers uncovered by these three methods, we developed a 2022 survey of multiple stakeholders to gather perceptions from the public, private and nonprofit sector related to barriers to housing production. In addition to the 5 categories shown in Exhibits 4 and 5,

Exhibit 5. Taxonomy of Barriers Analyzed in the Online Survey

Category 1 – Land Supply Factors (1.a Regulation 1.b Infrastructure)	Category 2 – Construction Cost Factor	Category 3 – Industry Structure	Category 4 – Demand Factors	Category 5 – Process Factors
<ul style="list-style-type: none"> • Physical Constraints • Land Supply • Environmental review • Public Services • Tax and infrastructure Policy and Financing • Zoning • Parking • Building Codes • Parcelization • Infrastructure (public facility requirements) 	<ul style="list-style-type: none"> • Labor • Materials • Financing (construction, land development, for various types of housing) 	<ul style="list-style-type: none"> • Number of builders • Size of Builders • Contractor capacity • Supply of skilled labor • Supply of construction workers • Mismatch between new supply and demand 	<ul style="list-style-type: none"> • Population and Employment Growth or Loss • Household Formation • National Economic Factors • Housing Preferences (type and size) • Changes in Real Income 	<ul style="list-style-type: none"> • Opposition from neighbors • Political will from elected officials • Time to process permits • Cost to process permits & SDCs • Public hearings • Uncertainty • Innovative building techniques

In Chapter 3, we synthesize our findings across the literature review, previous surveys, content analysis of HNAs and Consolidated Plans, and our 2022 survey of multiple stakeholders. We rank order barriers by the percentage of respondents rating each barrier as “extreme.”

Chapter 3: Barriers to Housing Production in Oregon

Chapter 3 summarizes key findings of our research on barriers to housing production in Oregon. In this chapter, we focus our discussion on the key results of the multistakeholder survey while drawing on what we learned from our other methods. Our survey included respondents from the public, private, and nonprofit sectors across the state of Oregon. We start with a summary of respondents' knowledge and perception of severity of the housing crisis. We then present summary data on barriers perceived to be the most extreme. The remainder of the chapter is organized around the five categories of barriers. We start each section with a discussion of survey results, then compare the results to the categories, followed by a statistical analysis. Each section concludes with a discussion that synthesizes survey results with the other research methods.

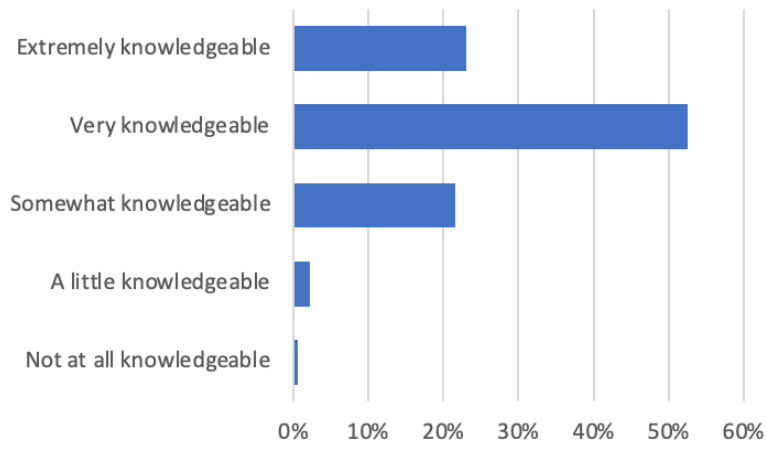
Respondent Characteristics

To understand perspectives on barriers to housing production, we developed and administered an online survey to selected stakeholder groups. We targeted (1) local government staff (primarily planners, but other staff in cities that do not have planning staff), (2) for-profit housing developers, and (3) non-profit housing developers. A total of 323 individuals participated in the survey; 134 government representatives (41% of respondents), 105 private sector developers (33%), 52 nonprofit housing developers (16%) and 32 that could not be categorized in the three primary groups (10%). Most respondents (61%) indicated that they worked primarily at the city level. About 16% indicated county as the primary geographic region they worked in. The remaining 23% worked at the regional or state level.

We did not require respondents to answer all questions (sometimes called forced response) so not all survey participants answered every question. To better communicate the size of the respondent pool for each question we present the number of respondents (n) along with the summary data in the tables and charts that follow. Technical Report Section E provides a more detailed description of the survey recruitment methods, response rates, and the survey instrument.

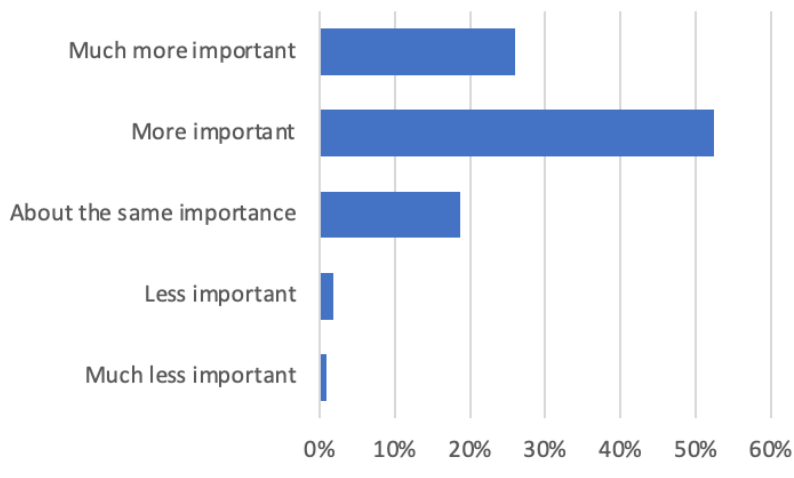
Exhibit 6 and Exhibit 7 show that respondents generally reported themselves to be aware and knowledgeable about housing issues facing their communities with over 70 percent of respondents reporting being very or extremely knowledgeable about housing. Similarly, 97 percent of respondents perceive housing to be as important or more, or much more important than other issues in their communities. Over 75 percent consider housing as more important or much more important. Put another way, survey respondents are experts in housing with considerable knowledge who consider housing to be a critical issue facing their communities.

Exhibit 6. Level of knowledge about housing issues in Oregon



Source: 2022 UO IPRE DLCD Housing Production Survey, Q5, n=320

Exhibit 7. Importance of housing relative to other community issues



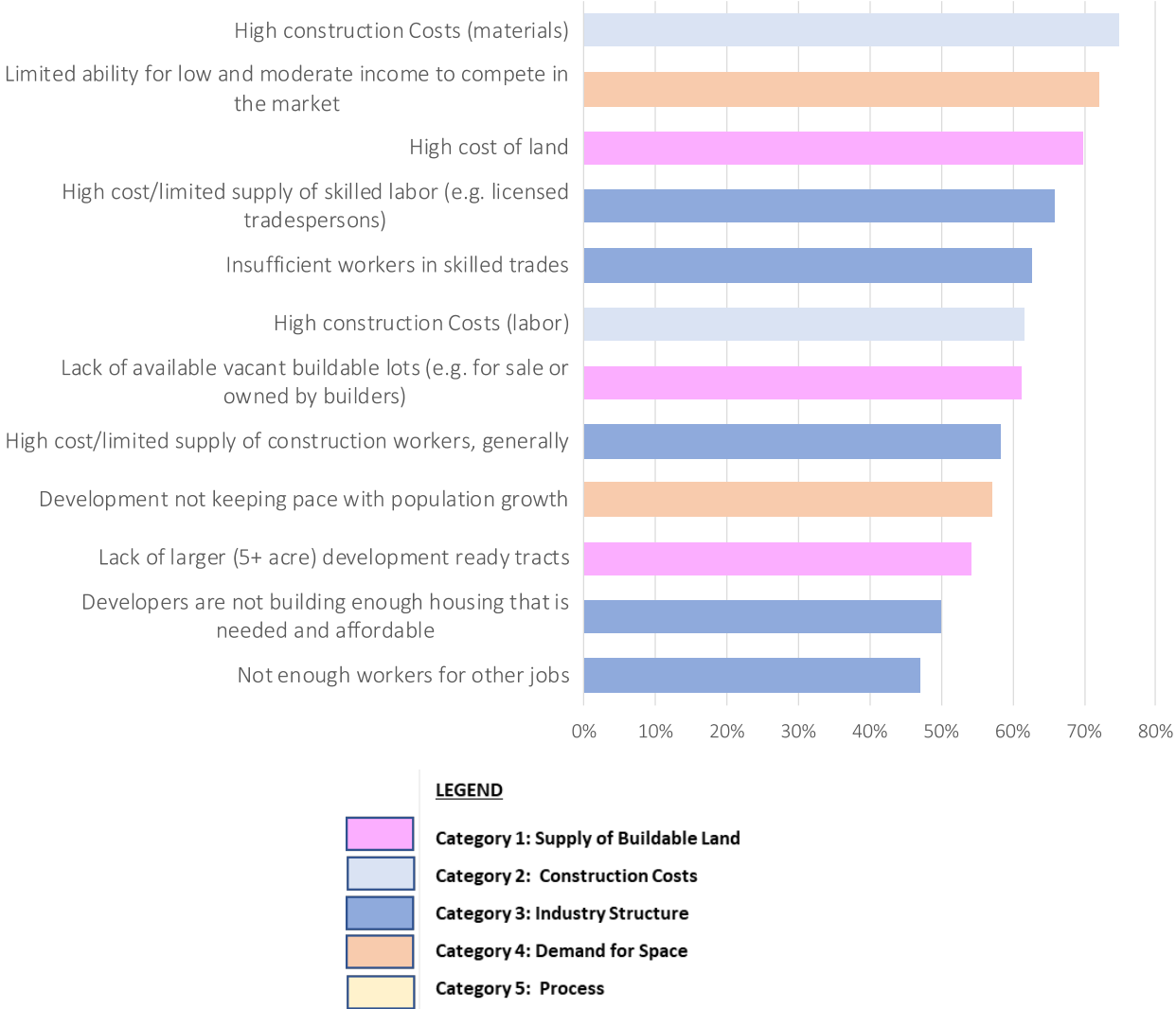
Source: 2022 UO IPRE DLCD Housing Production Survey, Q6, n=315

Summary of Extreme Barriers to Housing Production

The survey asked respondents to offer their perceptions about barriers in the five categories described in the conceptual framework (Chapter 2). Nonprofit respondents were also asked about a select set of barriers that relate to government-assisted housing production. In Exhibit 8, we aggregate the responses from closed-ended questions that ask about the five categories of barriers to compare across categories. Exhibit 8 shows the percentage of respondents reporting that a barrier is extreme and shows the top 12 barriers reported among the 61 included in the survey. Barriers from 4 of the 5 categories emerge in the top 12 with several barriers related to construction costs (construction and materials), industry structure, and land supply constituting the most consistently rated extreme barriers. Additionally, the limited ability of low- and moderate-income households to compete in the market due a mismatch in

supply and demand and the failure of the housing supply to keep up with population growth are demand-related barriers that are perceived as extreme.

Exhibit 8. Top 12 Barriers Rated as Extreme



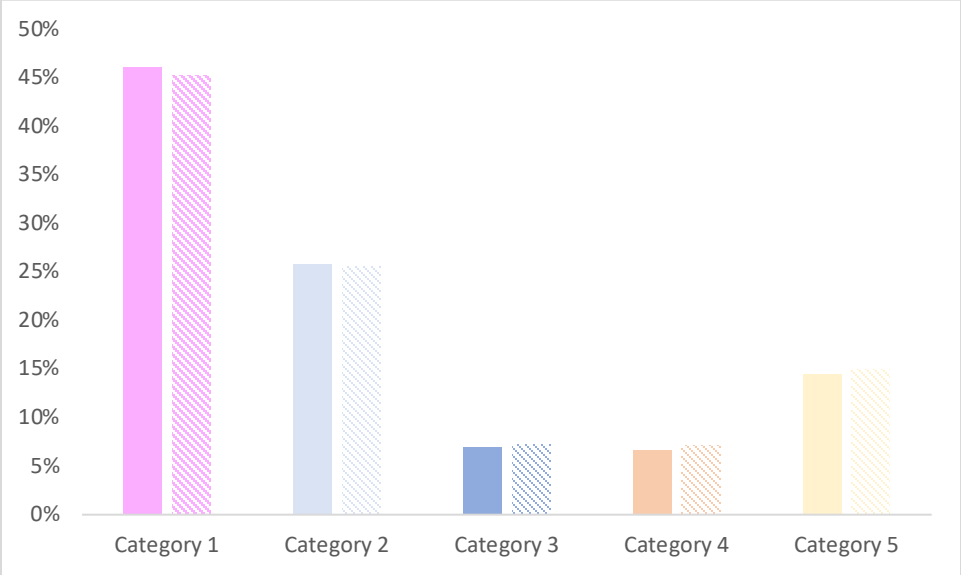
Source: 2022 UO IPRE DLCD Housing Production Survey, Q13-17, n=192-270 (omits “don’t know” responses)

We asked respondents to provide open-ended text about barriers in their own words prior to showing the lists of barriers. We coded these answers by Category. Before the survey the open-ended respondents in Category 1 (Supply of Buildable Land and Infrastructure) barriers were the most prominently mentioned, constituting nearly 50 percent of responses. Category 2 (Construction Costs) barriers were second more prevalent of all barriers at 26 percent of all respondents. We coded individual barriers within each category and found that, land availability, construction costs, and regulations (including state, local and federal laws) were listed most frequently. When respondents, however, were asked to qualitatively state (e.g., provide a written response) about barriers they perceived to be the most extreme the cost of land was rarely mentioned. After responding to close-ended Likert scale

questions (shown below), we asked respondents to again offer open-ended responses about the three most extreme barriers from their perspective. The Category level responses are almost identical, with Category 1 and Category 2 receiving the most open-ended responses. Similarly, the top 3 barriers reported after the survey were identical, focusing on land availability, construction costs, and regulations.

The open-ended responses show some consistency with the highest-rated barriers shown in Exhibit 8, with some exceptions. Land availability and construction costs appear on top in both open- and close-ended rankings. However, in open-ended questions, no respondents discussed the limited ability for low and moderate income households to compete in the market. The high cost of land was noted by a few respondents in open-ended questions but wasn't nearly as pervasive about comments about land availability. Additionally, respondents were more likely to list zoning, state regulations, and wetlands regulations as barriers in open-ended respondents, but regulatory barriers didn't emerge as one of the top 12 barriers rated as extreme in Exhibit 8. Infrastructure, financing, and the number of contractors or builders were also barriers that were often discussed in the open-ended questions but not as highly ranked in the closed-ended questions. Often, the terminology used in the open-ended questions was short and imprecise, using terms like "land supply" or "government regulation" rather than offering the specific barriers that we asked in the closed-ended questions. The technical report shows a summary of open-ended responses by sub-category.

Exhibit 9. Classification of Open-Ended Responses Before and After Likert Rankings



Source: 2022 UO IPRE DLCD Housing Production Survey, Q10 and Q20, n=230 (omits "don't know" responses); UO reclassified text into categories and sub-categories.

Barriers to Housing Production in Oregon

In the sections that follow, we discuss barriers in greater detail by category by offering tabular results from our online survey, comparing the category to other categories, statistical analysis of sample differences, and discussing how our findings relate to previous research and surveys.

The statistical analysis primarily uses chi-square distributions to test independence in contingency tables (commonly referred to as crosstabs). Chi-square is a common and simple method used for hypothesis testing. The general concept in the chi-square independence test is to compare the observed values with expected values to determine if a statistically significant relationship exists between the variables. In this instance we are testing to determine whether a statistically significant relationship exists between perceptions of the severity of barriers and several elements of the sample population. The null hypothesis (N_0) is that no relationship exists. We ran chi-square tests on five variables that can be broadly classified into three groups:

- Respondent pool. We ran chi-square tests to determine if perceptions of barriers varied by respondent pool (e.g., public sector, private sector developers, and non-profit developers)
- Population. We used 10,000 as the population threshold for these tests because several state policies use this population threshold. The test generally determines whether differences in perceptions exist between large and small communities.
- Geography. We ran chi-square on three variations of geography: (1) the seven DLCD regions; (2) DLCD regions collapsed into three categories (Portland Metro, Willamette Valley, rest of state); and (3) whether the community is in one of Oregon’s eight MPOs (metropolitan planning organizations).

We include a table for each category of barriers that shows whether statistically significant relationships exist between the variables and perceptions of the severity of each barrier. We classify the p-values (probability values) into three groups.. The table below shows the p-value categories.

P-value	Symbol	Interpretation
≤ 0.05 and > 0.01	*	Between 1% and 5% chance that N_0 is true
≤ 0.01 and > 0.001	**	Between 0.1% and 1% chance that N_0 is true
≤ 0.001	***	Less than 0.1% chance that N_0 is true

Category 1: Supply of Buildable Land

Category 1 barriers include a broad suite of local and state regulations and policies that affect the availability of land, provision of public services, and cost of providing services. Category 1 includes two subcategories (A) Land and Land Regulation Barriers, and (B) Infrastructure Financing and Regulation barriers. Ultimately, both land regulation and infrastructure financing affect the supply of buildable land. Thus, we discuss both under Category 1.

Survey Results

Exhibit 9 shows that the barriers deemed most extreme by respondents relate to the cost, availability, and serviceability of land. Respondents perceive that the high cost of land, lack of available vacant buildable lots, lack of larger development ready tracts, and issues with bringing land to a development ready state are extreme barriers. Fewer respondents perceive barriers related to regulatory policy like zoning, building codes, parking requirements and environmental review with many perceiving these to be moderate or minor barriers. Further, there is variation among perspectives on single family zoning and

parking requirements with a more equal percentage of responses ranging from not a barrier to extreme barrier. However, nearly half of respondents rated all of the land supply barriers as moderate or extreme signifying considerable impacts to housing production. As we will discuss in Chapter 4, there are stark differences in perceptions among types of stakeholders related to regulatory barriers like zoning and parking requirements.

Exhibit 10. Survey Respondent Rating of Land Supply and Regulation Barriers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
High cost of land	2%	8%	20%	70%	264
Lack of available vacant buildable lots (e.g. for sale or owned by builders)	5%	11%	23%	61%	270
Lack of larger (5+ acre) development ready tracts	7%	11%	27%	54%	255
Inability to bring land to a development ready state (e.g. bringing tract land to serviced lots ready for development)	4%	11%	38%	47%	252
Not enough land zoned for multi-unit housing	12%	17%	34%	38%	256
Not enough land zoned for single-unit housing	27%	19%	24%	30%	257
Physically constrained lands (e.g wetlands, steep slopes, etc.)	9%	22%	40%	30%	258
Other zoning restrictions (e.g. lot size, minimum density requirements)	12%	23%	36%	29%	265
Other public facility requirements (e.g. stormwater mitigation)	11%	25%	43%	22%	260
Wetland requirements	16%	30%	33%	21%	254
Other requirements associated with bringing land to a development-ready state (e.g. subdivision conditions of approval)	8%	25%	46%	21%	250
Other environmental review (e.g. riparian areas, etc.)	15%	36%	33%	16%	254
State Building Code Requirements	17%	37%	31%	16%	245
Right of Way dedication and frontage improvement requirements	15%	32%	39%	14%	261
Parking Requirements	21%	29%	36%	14%	266

Source: Source: 2022 UO IPRE DLCD Housing Production Survey, Q13

Note: Responses are sorted from high to low by “Extreme barrier”

Responses related to Infrastructure Finance and Regulation barriers are more varied with fewer categories noted as extreme by a majority of respondents. Funding to finance infrastructure improvements is considered an extreme barrier by nearly 40 percent of respondents. While fewer respondents rate these barriers as extreme – nearly 60 percent of respondents deem each of these

barriers to be moderate or extreme barriers to housing production pointing to challenges in infrastructure financing and regulations.

Exhibit 11. Survey Respondent Rating of Infrastructure Barriers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
Funding to finance infrastructure improvements	6%	18%	39%	38%	233
City System Development Charges (SDCs)	13%	20%	34%	33%	255
Transportation system-related improvements (e.g. intersection/collector/arterial improvements)	7%	22%	44%	27%	237
Regulations governing infrastructure development	8%	21%	44%	27%	231
Other SDCs (e.g. Special Districts)	22%	19%	33%	26%	232
Prioritizing projects Capital Improvement Plans	13%	24%	41%	22%	206
Coordination with state agencies on infrastructure development	12%	24%	41%	22%	225

Source: 2022 UO IPRE DLCDC Housing Production Survey, Q14 Note: Responses are sorted from high to low by “Extreme barrier”

Comparison to other Categories

As conveyed in Exhibit 9 and Exhibit 10, many of the Category 1 land supply barriers are the most highly rated as extreme, with nearly half of respondents noting that these barriers are either moderate or extreme. Some of the Category 1 barriers are seen as the top barriers across all categories including “high cost of land,” “lack of available vacant land,” and “lack of larger (5+acre development ready tracts.)” However, there is inconsistency in perceptions across some of these barriers with zoning, parking, state building codes, and SDCs receiving a variation of responses across the severity rankings. These inconsistencies likely reflect local differences in factors affecting housing production.

Statistical Analysis

Exhibit 12 conveys differences across sample respondent groups (public, private, nonprofit), city size, regions (Portland, Willamette Valley, Rest of State), DLCDC’s 7 regions, and Inside/Outside MPO. Technical Report Section D shows the percentages of each group that considered the barrier to be extreme. It is notable that there are statistically significant differences in the perceptions of sample respondent groups across several barriers but the differences by city size and region are less stark. Notably, regulatory barriers were perceived to be extreme barriers by a higher share of private sector and often nonprofit sector respondents than public sector. The barriers that are statically highly rated as extreme by over 50 percent the private sector include: not enough land zoned for single unit housing, other zoning restrictions (lot size, density restrictions), and other requirements associated with bringing land to a development ready state. For other regulatory barriers (like public facility requirements, state building code requirements, and wetland requirements), the share of respondents expressing that barriers are extreme was higher for the private sector than the public sector, but the share of respondents noting that the barrier was extreme was lower (25-40%).

For two of the land-related barriers, a statistically higher share of both nonprofit and development sector respondents perceived barriers to be extreme. A resounding 75% of both private and nonprofit respondents considered the high cost of land to be an extreme barrier. A statistically higher share of

private sector (59%) and nonprofit sector (74%) considered the lack of available vacant buildable lots to be an extreme barrier as well.

The nonprofit sector had a more significantly extreme view of two specific barriers: lack of land zoned for multi-unit housing and parking requirements.

In considering city size and regional barriers, only a few differences stand out. Wetland requirements seen as a more extreme barrier in the Willamette Valley (compared to Portland and the rest of the state), and in the North and South Coast. Additionally, other environmental reviews were considered to be an extreme barrier by more respondents in small cities. In considering zoning, Portland and Central Oregon see a shortage in multi-unit housing more than other regions of the state while there are stark differences in small cities and cities outside MPOs in the amount of land zoned for single unit housing – but only 16 percent of small city respondents see this as an extreme barrier while 0 percent of larger cities do.

Exhibit 12. Statistical Analysis of Land Supply and Regulation Factors

Land and Land Regulation	Sample Group	Pop Size	Three Regions	DLCD Region	MPO
Lack of available vacant buildable lots (e.g. for sale or owned by builders)	*				
Lack of larger (5+ acre) development ready tracts					
Inability to bring land to a development ready state (e.g. bringing tract land to serviced lots ready for development)					
High cost of land	*				
Physically constrained lands (e.g wetlands, steep slopes, etc.)					
Wetland requirements	***	*	**	***	
Other environmental review (e.g. riparian areas, etc.)	***	*			
Not enough land zoned for single-unit housing	***	*			*
Not enough land zoned for multi-unit housing requirements)	**			*	
Parking Requirements	***				
State Building Code Requirements	***				
Right of Way dedication and frontage improvement requirements	***				
Other public facility requirements (e.g. stormwater mitigation)	**		*		
Other requirements associated with bringing land to a development-ready state (e.g. subdivision conditions of approval)	***				

Source: 2022 UO IPRE DLCD Housing Production Survey

* Between 1% and 5% chance that null hypothesis (N₀) is true

** Between 0.1% and 1% chance that null hypothesis (N₀) is true

*** Less than 0.1% chance that null hypothesis (N₀) is true

There are considerable differences across sample groups in the perceptions of infrastructure barriers. But the directionality differs more than the regulatory barriers. Notably, the private sector and to a lesser extent nonprofit sector consider SDCs, infrastructure regulations, and transportation system-related improvement to be extreme barriers more than the public sector. But the public and nonprofit sectors perceive funding to finance infrastructure as extreme barriers more than the private sector.

While there are statistical differences by region and city size for some barriers, for most of these, the share of respondents considering the barriers to be extreme was low (under 25 percent). One exception is coordination with state agencies which was seen as an extreme barrier by 42 percent of respondents in the South Coast but 0-22 percent in other regions.

Exhibit 13. Statistical Analysis of Infrastructure Finance and Regulation Factors

Infrastructure Financing and Regulation	Sample Group	Pop Size	Three Regions	DLCD Region	MPO
City System Development Charges (SDCs)	***	**	*		***
Other SDCs (e.g. Special Districts)	***	*		*	*
Funding to finance infrastructure improvements	***				
Prioritizing projects Capital Improvement Plans					
Coordination with state agencies on infrastructure development	***			*	
Regulations governing infrastructure development	***	*			
intersection/collector/arterial improvements)	***	*			

Source: 2022 UO IPRE DLCD Housing Production Survey

- * Between 1% and 5% chance that null hypothesis (N₀) is true
- ** Between 0.1% and 1% chance that null hypothesis (N₀) is true
- *** Less than 0.1% chance that null hypothesis (N₀) is true

Discussion

Land supply barriers are often theorized in the literature as the most pressing obstacles to housing production. Academic literature and city HNAs signify that zoning is a barrier to housing construction—particularly multiunit housing. In the academic literature, urban economists focus on how restrictive zoning depresses housing construction. At a city level, the focus is on the amount of land zoned for various uses—particularly multi-unit housing. Oregon passed major zoning reform at the state level in recent years (HB 2001 & SB 1051, among others), which not only normalizes policy across cities, but allows for more inclusive housing, challenging traditional views of restrictive zoning. Looking at previous survey results, respondents perceive zoning to be less of a barrier than the lack of buildable land and the high cost of land. This is consistent with findings from the 2022 multi-stakeholder survey.

Across all groups of survey respondents (in 2017, 2018, 2019, and 2022), the high cost of land, lack of available land or development ready tracts, and infrastructure ranked among some of the most extreme barriers to housing production. With both a lack of larger, development ready land and vacant lots, what land is available is extremely expensive, reducing the production of housing on available land. Additionally, the cost of infrastructure including SDCs and the lack of financing for infrastructure are both impediments to development. In the 2022 multi-stakeholder survey, lack of financing was seen as an extreme barrier but SDCs were not consistently seen as an extreme barrier.

Although the literature suggests that zoning is a major barrier to all housing production, survey results suggest that there is disagreement regarding the degree to which zoning impedes housing production. Our survey found that while private developers view zoning as a major barrier to single unit housing, nonprofits only view it as a barrier to multi-unit housing, and government staff generally does not perceive zoning as an extreme barrier. Additionally, while zoning is perceived as a barrier by nonprofit and development groups, just over 50% of respondents “somewhat agreed” or “strongly agreed” that zoning regulations had clear and objective standards in their city. This is an interesting result given the statutory obligations for cities to adopt clear and objective standards (ORS 197.307). Moreover, review of

city HNAs and consolidated plans determined that zoning in general continues to hinder development of affordable housing types that are identified as needed. While this is an interesting result, zoning, is impacted by a variety of factors including developer interest and neighborhood opposition (these are discussed further in Categories 3 and 5).

Additionally, both private and nonprofit developers view transportation-related infrastructure and requirements as barriers, while government does not. Alternatively, government and nonprofit respondents perceive funding for infrastructure improvements as a major or extreme barrier, while most private developers do not. This is logical—cities are responsible for providing expensive backbone infrastructure that opens up land for development; private developers can only develop lands after infrastructure improvements are made. Private developers, however, are subject to SDCs and cite regulations governing infrastructure development as barriers.

An interesting provision of Oregon’s land use that impacts infrastructure is the requirement that each urban city have an urban growth boundary and that urban-level services are mostly prohibited outside UGBs. Our findings, however, reveal that the relationship between the UGB and housing production is nuanced. A large inventory of land designated for residential uses does not immediately equate to lower land costs or higher production levels. As we described in Chapter 2, infrastructure is required to bring land to development readiness. Previous research highlighted the difficulty of bringing infrastructure to residential land already within the UGB. The 2022 survey also found a high proportion of respondents noted the difficulty of servicing land within the UGB. Moreover, many respondents believe their infrastructure systems are outdated, and with additional state funding, this obstacle could be mitigated.

Category 2: Construction Factor Costs

Category 2 includes barriers that affect the cost of construction including materials and labor as well as access to financing to build housing. We asked about financing for different aspects of the development process and different types of housing.

Survey Results

As shown in Exhibit 14, the costs of materials and labor are unanimously considered barriers by all respondents and large majority (75 percent for material costs and 62 percent for labor costs) of respondents consider these to be extreme barriers. Responses related to financing for land development, construction, and housing types exhibit more variation. Financing for missing middle housing and land development were rated as moderate or extreme barriers by over two-thirds of respondents. A large share of respondents (over 60 percent) also consider financing for multi-unit housing, housing construction, and manufactured housing as moderate or extreme barriers. Financing for single-unit housing is not considered as significant a barrier compared to other housing types and parts of the development process.

Exhibit 14. Survey Respondent Rating of Construction Cost Barriers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
High construction costs (materials)	0%	4%	21%	75%	262
High construction costs (labor)	0%	7%	32%	62%	258
Lack of financing for missing middle housing	13%	20%	33%	34%	176
Lack of financing for land development (e.g., subdivision improvements)	12%	21%	35%	32%	203
Lack of financing for multi-unit housing	15%	25%	32%	29%	209
Lack of financing for housing construction	16%	26%	29%	29%	216
Lack of financing for manufactured housing	20%	21%	35%	24%	156
Lack of financing for single-unit housing	32%	27%	28%	13%	196

Source: 2022 UO IPRE DLCD Housing Production Survey.

Comparison to other Categories

Construction cost factors include two of the top barriers of the 70 categories listed on the survey. More than 90 percent of respondents perceive construction costs for materials and labor as major or extreme barriers to housing production. Approximately 60 percent of respondents perceive financing for various types of housing as moderate or extreme barriers. The exception to this is lack of financing for single-unit housing which is seen as an extreme barrier by only 13 percent of respondents.

Statistical Analysis

Some interesting differences emerge in perceptions of housing cost and financing barriers. A larger share of private and nonprofit respondents viewed material costs as an extreme barrier. For financing barriers, nonprofit and public sector perceive lack of financing for land development, housing construction, multi-unit housing, manufactured housing, and missing-middle housing to be extreme barriers at a statistically higher rate than the private sector. Notably, cities inside MPOs consider high construction costs for labor to be extreme at a higher rate (82%) than outside MPOs (54%).

Exhibit 15. Statistical Analysis of Housing Cost and Financing Factors

Housing Cost and Financing Factors	Sample Group	Pop Size	Three Regions	DLCD Region	MPO
High construction Costs (materials)	*				
High construction Costs (labor)					*
Lack of financing for land development (e.g., subdivision improvements)	**				
Lack of financing for housing construction	***				
Lack of financing for single-unit housing					
Lack of financing for multi-unit housing	***				
Lack of financing for manufactured housing	*		*		
Lack of financing for missing middle housing	***				

Source: 2022 UO IPRE DLCD Housing Production Survey

* Between 1% and 5% chance that null hypothesis (No) is true

** Between 0.1% and 1% chance that null hypothesis (No) is true

*** Less than 0.1% chance that null hypothesis (No) is true

Discussion

The cost of materials and labor were identified as barriers to housing construction in surveys, the literature review, and consolidated plans. Across all groups of survey respondents, the cost of both materials and labor are perceived as major barriers to housing production. In our 2022 survey, 75 percent of all respondents listed the high cost of construction material as an extreme barrier. This may reflect the overall rising cost of goods due to inflation, current trade, and lingering effects of supply barriers created by the COVID-19 pandemic. Despite the current causes for increased construction costs, both the literature and previous surveys (conducted 2017-2019) have shown that the high cost of construction materials and labor has been an ongoing and unrelenting barrier. The literature also attributes high construction costs resulting from regulation. These take the form of regulatory costs and taxes on production which can halt development or increase costs on to consumers.

While construction costs are perceived as a major barrier for all groups and various types of housing, financing for construction was seen as a barrier for only certain types of housing. Public sector respondents found the lack of financing for both multi-unit and missing middle housing to be extreme barriers. Additionally, nonprofits also struggle with financing for missing middle housing and financing for land development. Private developers do not view financing as a barrier to housing. This finding makes sense as private developers are driven by demand, usually for higher income housing which carries less risk, making funding sources easier to come by. Alternatively, multi-unit and missing middle housing carry more risk. Despite removing the regulatory barriers to allow missing middle in zones across the state, access to funding is still challenging for both private developers and individual homeowners. Funding the dominant form of housing – single family housing – does not face the same barriers to financing as other types of housing.

Category 3: Industry Structure

Category 3 includes barriers that relate to industry structure. This category encompasses aspects of the type and amount of housing, number and supply of employees that represent various aspects of the construction industry, as well as the match between housing construction and need based on household composition and income.

Survey Results

Several barriers in Category 3 were seen as extreme barriers by most respondents (see Exhibit 16). These include industry labor supply related barriers such as limited supply of skilled labor, lack of workers in skilled trades, limited supply of construction workers, and lack of contractor capacity. Many respondents noted the mismatch between what is built and what is needed. Half of the respondents perceived “developers are not building housing that is needed and affordable” as an extreme barrier. Nearly half perceived “developers are not building housing needed for different household compositions and incomes” as an extreme barrier. However, nearly 25 percent of respondents deem these issues as “not a barrier” or “minor barrier.” The responses regarding the quantity of developers and their specialization were more varied, with relatively even shares of responses across the four Likert categories. Overall, there wasn’t a concern about a lack of quality housing developers, or a lack of greenfield developers.

Exhibit 16. Survey respondent rating of housing industry structure barriers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
High cost/limited supply of skilled labor (e.g. licensed tradespersons)	2%	6%	27%	66%	240
Insufficient workers in skilled trades	2%	9%	26%	63%	236
High cost/limited supply of construction workers, generally	2%	7%	33%	58%	242
Developers are not building enough housing that is needed and affordable	13%	10%	27%	50%	250
Developers are not building the types of housing needed for different household compositions and incomes	13%	15%	27%	45%	246
Lack of contractor capacity	7%	11%	38%	44%	235
Not enough workers for other jobs	4%	15%	34%	47%	219
Not enough housing developers building at a small scale (<10 units/development)	23%	20%	25%	32%	230
Not enough housing developers	27%	18%	28%	27%	234
Not enough housing developers building at a large scale (10 or more units per development)	30%	23%	24%	23%	234
Not enough housing developers focused on infill development	23%	26%	31%	20%	215
Lack of quality developers/builders	17%	25%	40%	18%	232
Not enough housing developers focused on greenfield development	45%	29%	17%	9%	195

Source: 2022 UO IPRE DLCD Housing Production Survey.

Comparison to other Categories

Category 3 barriers are consistent with reported extremity in Categories 1 and 2. Several barriers were ubiquitously viewed as extreme and emerged as some of the highest rated overall barriers including supply of skilled labor, insufficient workers in skilled trades, supply of construction workers, and that developers are not building enough housing that is needed and affordable. There is also some variability in the perceptions about the quantity, quality, and specialization within the development sector.

Statistical Analysis

The Housing Industry factors in Category 3 offer some of the most polarizing views by sample group, but no statistical variation by region. The results here are not unsurprising but striking. A majority of nonprofit and public sector respondents consider “developers not building housing that’s needed and affordable” and “developers aren’t building the type of housing needed for different household compositions and incomes” as extreme barriers while only 32 and 20 percent (respectively) of private sector respondents

see these as extreme barriers. Further differences exist in the perceptions of the quantity and type of developers—public and nonprofit sectors see these as extreme barriers while very few private sector respondents find there to be a lack of developers of various types. However, the private sector sees the insufficient workers in skilled trades and high cost/limited supply of skilled labor as extreme barriers at a statistically higher (over 75%) rate than private or nonprofit (under 60%). We also observe a statistical difference regarding the lack of quality developers and builders, but less than 30 percent of each group considers this to be an extreme barrier. There’s agreement across groups about lack of contractor capacity and limited supply of construction workers.

Exhibit 17. Statistical Analysis of Housing Industry Factors

Housing Industry Factors	Sample Group	Pop Size	Three Regions	DLCD Region	MPO
Developers are not building enough housing that is needed and affordable	***				
Developers are not building the types of housing needed for different household compositions and incomes	***				
Not enough housing developers	***				
Not enough housing developers building at a small scale (<10 units/development)	***				
Not enough housing developers building at a large scale (10 or more units per development)	**				
Not enough housing developers focused on infill development	***				
Not enough housing developers focused on greenfield development					
High cost/limited supply of construction workers, generally					
High cost/limited supply of skilled labor (e.g. licensed tradespersons)	*				
Insufficient workers in skilled trades	*				
Not enough workers for other jobs					
Lack of quality developers/builders	***				
Lack of contractor capacity					

Source: 2022 UO IPRE DLCD Housing Production Survey

- * Between 1% and 5% chance that null hypothesis (N₀) is true
- ** Between 0.1% and 1% chance that null hypothesis (N₀) is true
- *** Less than 0.1% chance that null hypothesis (N₀) is true

Discussion

The perceived barriers related to industry structure are varied across methods. Planning documents and planner surveys illustrate support for the notion that developers aren’t building housing that is needed and affordable, but the private sector does not agree with that assertion. In our 2022 survey, all groups agree that the limited supply of skilled labor or workers in skilled trades has created a barrier to housing production. In addition, the limited supply of this labor force has increased the cost to find and assemble construction crews. While skilled laborers are limited, contractors willing to build certain types of housing is also limited. Across the literature, previous surveys, and analysis of HNAs, a general trend of developers being disincentivized to build affordable housing is present. The added time and resources necessary to learn the differing rules that exist for affordable housing reduce the number of developers willing to learn, and the capacity of private developers to subsume risk and possible forgo profit in the development of affordable housing presents an additional barrier to the overall limited supply of labor and developers.

Government and nonprofit respondents believe that a major barrier to housing is that private developers are not building housing that is needed nor affordable. Since private developers are not constrained by legal requirements to build certain types of housing and instead respond only to market pressures, both government and nonprofit respondents believe that private developers are not building the types of housing needed for different household compositions and incomes. Additionally, nonprofits, believe that not enough housing developers building at a small scale (10 units/development) also represents an extreme barrier to housing production. This is represented as a lack of affordable smaller developments.

One area in which respondents were not highly concerned was the development of greenfield sites. Respondents did not perceive a lack of housing focused on greenfield development as an extreme barrier. Greenfield development proceeds without barriers that exist for infill development.

Category 4: Demand Factors

Category 4 relates to the demand for housing as well as the interplay between supply and demand . Additionally, these barriers relate to demand from population growth, certain income groups, and for certain types of housing. This category also assesses the lack of demand for various types of housing and how that may affect housing production.

Survey Results

Exhibit 13 shows that two barriers in this category were considered to be extreme barriers by a majority of respondents: (1) limited ability of low- and moderate-income households to compete in the market; and (2) development not keeping pace with population growth. Two barriers in this category show mixed perceptions with as many respondents stating that factors were not barriers as rated them as extreme including “demand from high-income households” and “demand for short term rentals.” A majority of respondents considered the remaining barriers as “not a barrier” including demand from second homes and market demand for multi-unit housing, manufactured housing and single unit housing, and population loss.

Exhibit 18. Survey Respondent Rating of Demand Factor Barriers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
Limited ability for low and moderate income to compete in the market	5%	9%	15%	72%	253
Development not keeping pace with population growth	10%	10%	24%	56%	251
Demand from high income households	31%	21%	22%	26%	235
Demand for short-term rentals	34%	22%	24%	20%	224
Demand for second homes	50%	18%	18%	14%	215
Lack of market demand for multi-unit housing	79%	10%	6%	5%	250
Community experiencing population loss	81%	11%	6%	2%	245
Lack of market demand for manufactured housing	75%	15%	8%	3%	200
Lack of market demand for single unit housing	87%	8%	3%	2%	251

Source: 2022 UO IPRE DLCD Housing Production Survey.

Comparison to other Categories

The results in this category stand out because it has the fewest number of barriers with most respondents considering them as extreme. . This relates to the nature of this category—it is somewhat counterintuitive to ask about how lack of market demand poses a barrier to housing production. However, two barriers stand out as extreme—these relate to the ability of low and moderate income households competing in the market as well as development not keeping pace with population growth. In many respects these can be thought of as meta-categories that are more indicative of the symptoms that the cause of housing underproduction.

Statistical Analysis

Category 4 barriers show statistical differences by sample group, though most of the barriers in this category were not perceived to be extreme beyond “development not keeping pace with population growth” and “limited ability for low to moderate income to compete in the market.” We also observe a statistical difference in these two where more nonprofit respondents view these as extreme than public or nonprofit groups. There are also statistical differences in demand variables including: demand from high income households, demand for second homes, demand for short term rentals, and lack of demand for multi-unit housing and for manufactured housing. In all cases, more nonprofits and public respondents view these as extreme than private. But the share of respondents considering these to be extreme is quite low—under 20 percent for all barriers and all respondent types.

Differences exist across city size and region. Metro respondents consider lack of demand for manufactured housing as a barrier while other regions do not. The demand for short-term rentals is seen as a barrier in Central Oregon (33%), North Coast (56%), and South Coast (40%), but not in other regions. Inside MPOs, a statistically higher number of respondents noted the limited ability for low- and moderate-income households to compete in the market. In considering population size, a higher share of respondents in small cities see lack of demand for single unit housing and multi-unit housing as barriers, as well as limited ability for low- and moderate-income households to compete in the market. However,

for these population size differences, the rates of respondents considering the barrier to be extreme is extremely low—less than 10 percent.

Exhibit 19. Statistical Analysis of Housing Demand Factors

Housing Demand Factors	Sample Group	Pop Size	Three Regions	DLCD Region	MPO
Lack of market demand for single unit housing		*			
Lack of market demand for multi-unit housing	**	**			
Lack of market demand for manufactured housing	***		*		
Community experiencing population loss					*
Development not keeping pace with population growth	***				
Demand for second homes	*			**	
Demand for short-term rentals	*				
Limited ability for low and moderate income to compete in the market	*	*			**
Demand from high income households	***				

Source: 2022 UO IPRE DLCD Housing Production Survey

- * Between 1% and 5% chance that null hypothesis (N₀) is true
- ** Between 0.1% and 1% chance that null hypothesis (N₀) is true
- *** Less than 0.1% chance that null hypothesis (N₀) is true

Discussion

Demand side barriers present as mismatches in the market—even if housing is constructed, it does not match the incomes or needs of existing groups. The housing market is highly segmented but a lack of construction of housing can cause high income households to bid up housing, resulting in difficulty for low and moderate income households to compete in the market. Population growth can exacerbate this issue. In our 2022 survey, demand from high-income households was seen as the most significant demand-related barrier (from specialized groups) but only 26 percent saw this as extreme barrier. Additionally, both private developers and nonprofits believed that development was not keeping pace with population growth. While government respondents did not see this as a barrier, the inability to match housing with population growth can increase prices for residents.

There were various barriers that respondents did not consider to be extreme barriers that offer interesting results. For example, the lack of market demand for single unit housing was not considered a barrier by 87 percent of respondents. A lack of market demand for both manufactured and multi-unit housing were also not seen as barriers. Respondents generally did not consider communities experiencing population loss as an extreme barrier. And despite growing discourse around the idea that short-term rentals and second homes are driving up prices and displacing residents, respondents did not see demand for either rentals or second homes extreme barrier. This finding is also dependent upon regional variation, as cities that are closer to the coast do see this type of demand as a barrier.

Analysis of demand side factors are relatively absent in both the literature and previous surveys, however both the 2022 survey and HNAs show that as Oregon cities experience increases in population growth, high rates of demographic change have changed housing preferences and emerged as a barrier in high growth cities.

As a broader observation, market rate housing that gets built is a direct result of demand, which is not the same as need. A typical definition is that *housing market demand* is what households demonstrate

they are willing to purchase in the marketplace; housing need is based on the principle (articulated in Goal 10) that local government land use and housing plans should meet the needs of households at all income levels. A key question then is “what factors contribute to the private sector’s inability to meet housing needs?”

Category 5: Process and Permitting Factors

Barriers in this category relate to the land entitlement and development process including permitting and the role of community input and leadership in the process.

Survey Results

Exhibit 20 shows survey results for process-related barriers in Category 5. Length of time to process entitlements, the length of time to process building permits, and the cost of SDCs were perceived to be extreme or moderate barriers by two-thirds of the respondents. Though there is variation across categories, nearly 60 percent of respondents consider all the listed process barriers to be moderate or extreme. The barrier considered by the largest share of respondents (26%) to not be a barrier was “lack of political will from elected officials.” Thirty-two percent of respondents perceived lack of political will as an extreme barrier and 26 percent as a moderate barrier suggesting substantial variation in political support at the community level.

Exhibit 20. Survey respondent rating of process and permitting related barriers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
Length of time it takes to process land use entitlements	17%	17%	20%	46%	248
Length of time to process building permits	20%	23%	20%	37%	251
Cost of SDCs	15%	18%	30%	37%	248
Opposition from neighbors	11%	22%	34%	33%	255
Lack of political will from elected officials	26%	16%	26%	32%	247
General uncertainty in the land use entitlement process	13%	26%	31%	30%	234
Permit fees	17%	25%	31%	27%	248
Public hearings in the land use process	15%	26%	34%	25%	245
Permit requirements	15%	28%	34%	23%	251
Impact of building codes on use of innovative construction techniques (e.g., 3D printed units, modular units, cross-laminated timber or mass timber, etc)	17%	25%	31%	26%	193

Source: 2022 UO IPRE DLCD Housing Production Survey.

Comparison to other Categories

Overall, the process factors show more variation than other categories with more spread in the perceptions of severity. As discussed in Chapter 4, some of this variation relates to the difference in perception across stakeholder groups—private sector developers and nonprofits consider these barriers to be extreme while the public sector seems these barriers as less severe. Despite this variation, nearly 60 percent of respondents consider these barriers to be moderate or extreme. This makes process factors in alignment with land supply (Category 1) and housing cost and finance factors (Category 2) in overall severity.

Statistical Analysis

Category 5 presents interesting and striking results about the perceptions about public process and permitting factors. For each of these barriers, there are statistical differences by respondent group—in all cases, the private sector and to a lesser extent, nonprofit sector view these as extreme barriers and at high rates, while the public sector does not consider these to be barriers. Strikingly, the share of extreme responses ranges between 35-82 percent for private, and 37-70 percent for nonprofit while 2-24 percent of public respondents view these as barriers. Notably, the areas of extreme difference are related to the length of time to process land entitlements, length of time to process building permit (for both nonprofits and private sector), and the Cost of SDCs (for private only). Nonprofits are distinguished from private and public respondents on the question of building codes and innovative construction techniques—this is something perceived as an extreme barrier by nonprofits but to a lesser extent by other groups. In short, it appears that some significant “finger pointing” is occurring between housing developers and the public sector. This should be of concern to both sides as the differences in perceptions have the tendency to spur conflict and strain relationships.

Some differences exist by city size and region. Bigger cities see neighborhood opposition as an issue more than smaller cities. Additionally, the cost of SDCs is seen as barrier by a statistically higher share of larger cities. Some issues were considered to be extreme barriers by a statistically higher share of Portland Metro respondents including length of time to process entitlements, cost of SDCs, and public hearings. The cost of SDCs is also seen as an issue in a larger share of cities within MPOs. Cities in MPOs are also more concerned about the impact of building codes on innovative construction techniques. Permit fees were seen as extreme barrier in a larger share of cities outside MPOs, but the rate was very low (only 3%).

Exhibit 21. Statistical Analysis of Public Process and Permitting Factors

Public Processes and Permitting	Sample	Three	DLCD	
	Group	Pop Size	Regions	Region MPO
Lack of political will from elected officials	***	*		
Opposition from neighbors	**	**		
Length of time it takes to process land use entitlements	***		*	
Length of time to process building permits	***			
Permit fees	***			*
Permit requirements	***			
Cost of SDCs	***		**	* ***
Public hearings in the land use process	***	*	*	
General uncertainty in the land use entitlement process	***			
Impact of building codes on use of innovative construction techniques (e.g., 3D printed units, modular units, cross-laminated timber or mass timber, etc)	***			*

Source: 2022 UO IPRE DLCD Housing Production Survey

* Between 1% and 5% chance that null hypothesis (H_0) is true

** Between 0.1% and 1% chance that null hypothesis (H_0) is true

*** Less than 0.1% chance that null hypothesis (H_0) is true

Discussion

In our 2022 survey, there were no barriers that were consistently extreme across the sample groups in the process category. This finding emerged because of disagreement among the sample groups about process barriers—there were several barriers that were perceived as extreme by private and nonprofit developers that were not perceived as barriers by the public sector. In short, the results suggest that the public sector does not view government processes as a problem in terms of affecting housing production.

Private developers and nonprofits, however, did perceive several process barriers to be extreme including the length of time it takes to process land use entitlements and building permits. Additionally, permit requirements and general uncertainty in the land use entitlement process were perceived major barriers to the production of housing. Private developers also found obstacles in the lack of political will from elected officials, the cost of SDCs, the use of public hearings in the land use process, and expensive permit fees. Nonprofits feel that the building codes often impacted production opportunities. Specifically, building codes of innovative construction techniques like 3D printed units, modular units, and cross-laminated timber or mass timber.

Interestingly, the length of time to process permits was a barrier found in several HNAs. In the Discussion and Conclusion section, we talk further about some recommendations related to Oregon’s 120-day rule. Even though the public sector respondents in our survey did not perceive permitting as an extreme barrier, the acknowledgment of permitting in HNAs signifies concern and opens up an opportunity to consider permitting processes as a barrier to production.

Finally, opposition from neighbors was perceived as barrier by both private and nonprofit developers. While the survey did not address neighborhood issues, ample evidence exists that multi-unit or other housing developments are perceived as either high-density or low-income. Despite being the most widely cited barrier in the literature and previous surveys, neighborhood opposition was not a consistently extreme barrier across groups, yet it can impact the approval and timeline of projects. While cities

believe that neighborhood opposition plays some role in the approval process, smaller Oregon cities see neighborhood opposition as a greater barrier than do larger cities. The use of public hearings in the land use process as well as the length of time to process permits gives local residents time and opportunity to mobilize and oppose unwanted projects to elected officials who have the potential to be swayed. In fact, when asked if any residential projects in the last three years did not move forward, of those who responded yes (48%), nearly 30 percent could be attributed to neighborhood opposition.

Issues Specific to Government-Assisted Housing

Based on our conversations with statewide experts in nonprofit-provided housing, we developed a list of barriers specific to developing government-assisted housing. These barriers relate to the grant application process, financing, and macroeconomic factors.

Survey Results

This category is specific to nonprofit housing developers who often face different standards of development and use different financing mechanisms than private sector developers. Exhibit 22 shows that respondents found each barrier presented in this category to be severe. For several barriers, over 60 percent of respondents considered the barrier to be extreme including inflation, assembling capital stacks, amount of grant funding, limited opportunities for grant funding, and complexity of applying for grant funding. A majority (over 50%) considered the cost of labor, grant application process, and time elapsed from applying for funding to receiving funding to be extreme barriers. These results underscore the tensions that are inherent in managing a large-scale grant program for housing. Funding projects is clearly the priority for OHCS, but they also have an obligation to conduct due diligence on projects to ensure they are viable and have meaningful public benefits. For the rest of the barriers, while a smaller share considered these to be extreme, still 70 percent considered these barriers to be moderate or extreme.

Exhibit 22. Nonprofit respondent ratings of barriers to developing government-assisted housing

Sample only includes nonprofit housing developers

Barrier	Not a barrier	Minor barrier	Moderate barrier	Extreme barrier	n
Inflation	0%	16%	19%	66%	32
Assembling capital stacks for projects	0%	13%	23%	65%	31
Amount of grant funding available for projects	3%	6%	31%	59%	32
Limited opportunities to apply for grant funding	3%	19%	16%	61%	31
Complexity of applying for grant funding	7%	7%	23%	63%	30
Timing of grant funding for projects	10%	7%	27%	57%	30
Cost of Labor	0%	13%	35%	52%	31
Process of applying for grant funding	7%	10%	30%	53%	30
Time elapsed from applying for grant funding and receiving funding	10%	13%	23%	53%	30
Cost of applying for grant funding	10%	16%	32%	42%	31
Interest rates	3%	26%	35%	35%	31
Construction standards for government-assisted housing	7%	34%	24%	34%	29

Source: 2022 UO IPRE DLCD Housing Production Survey.

Comparison to other Categories

There was resounding agreement among nonprofit housing developers that each of the barriers associated with government-assisted housing are perceived as extreme barriers to producing housing. These barriers range from grant funding, availability of capital stacks, and macroeconomic factors like inflation and interest rates. There is consistency across evaluation of these barriers from respondents, but it is important to acknowledge that all respondents are in the nonprofit housing sector. Thus, it was expected that there is more agreement on these barriers than the others.

Discussion

Several studies in the literature identify challenges unique to government-assisted housing. Our survey revealed agreement about the barriers nonprofit housing providers.

Chapter 4: Conclusions and Implications

The IPRE research team conducted a literature review, reviewed municipal housing-related documents and plans, and conducted a survey of local government staff, private sector housing developers and nonprofit housing developers. Our analysis of barriers to housing construction yielded identified a broad range of barriers in multiple categories. Moreover, the survey results show markedly different perceptions between stakeholder groups (local government, private sector developers and nonprofit developers) regarding the seriousness of some barriers. Unsurprisingly, we also observe some regional differences in perceptions. In this section we summarize key findings and offer recommendations for addressing these barriers.

Conclusions

The existence of a housing crisis is well-acknowledged. Ninety-seven percent of respondents to our survey noted that housing is as important or the most important issue in their community. Over 60% of survey respondents noted that, “There is a lack of sufficient housing options to meet diverse housing needs.” What’s worse, respondents do not think that communities have the tools to address the issues, and do not think the tools that are in place have been successful. Our findings reveal that the barriers are numerous and interact in complex ways and there is no single barrier or category of barriers that contributes to the lack of housing production. Most respondents rated multiple barriers as extreme.

The discussion that follows summarizes key themes that emerged from the research. One of the challenges this study presented is generalizing barriers at the state level with a focus on implications for state programs and policy in light of the fact that housing markets are local or regional.

Barriers are varied and interact in complex ways

What is clear from our research is that there is no single barrier or combination of barriers that can be generalized nationally, statewide, or in Oregon communities. Moreover, barriers interact in ways that are complex and required detailed local analysis to fully understand. When cross-referencing survey results with the other research methods, we identified barriers that were (1) experienced nationally, (2) were structural (e.g., related to industry and market factors, and (3) regulatory in nature. Exhibit 23 shows that some barriers are specific to Oregon but vary by region and city size, but that many are being felt nationally and are more affected by federal legislation or national trends than state/local policy. The barriers listed in Exhibit 23 were perceived as extreme barriers by over 40 percent of respondents in at least two groups (public, private, nonprofit).

Exhibit 23. Summary of Barriers Broadly Agreed Upon by Survey Respondents

National barriers (inclusive of Oregon)	Structural barriers (State level)	Regulatory barriers (State level)
<ul style="list-style-type: none"> • High construction costs (materials and labor) • Lack of financing for land development (nonprofit) • Lack of financing for housing of various types – multi-unit, missing middle (nonprofit/public) • Lack of funding to finance infrastructure improvements (public/private) • Limited supply of skilled labor • Insufficient workers in skilled trades • Limited supply of construction workers • Not enough workers for other jobs 	<ul style="list-style-type: none"> • Not enough housing developers • Lack of contractor capacity • Demand from high income households • Development not keeping pace with population growth • Infrastructure Development • Developers not building enough housing that is needed and affordable (nonprofit/public) • Developers are not building types of housing needed for different household compositions and incomes (nonprofit/public) 	<ul style="list-style-type: none"> • High cost of land • Lack of vacant buildable land • Lack of larger (5+ acre) development ready tracks • Inability to bring land to a development ready state (public and private) • Funding to finance infrastructure improvements (public and nonprofit)

Regulatory barriers are real but vary by community and are community dependent

The literature has much to say about the impact of regulatory barriers on housing. The consensus is that regulation adds to the cost of housing. Many regulations, however, are justifiable as they protect public health, safety, and welfare in very real ways. Furman concludes that development regulations have increased over time across the United States as trends in inequality, productivity, and mobility have negatively impacted the housing market, contributing to economic rent and rent-seeking behavior.¹³ Excessive regulations can restrict supply and drive costs up, including the cost of land. Regulations affect the housing market by shifting additional costs onto the developer who then in turn increases sale prices to generate sufficient profits. The academic and industry literature concludes that regulations show as design standards, low-density zoning, and development delays due to regulatory requirements can all increase costs. For example, a 2016 white paper sponsored by the National Association of Homebuilders argued that regulations account for between 14% to 30% of the overall home price.¹⁴

While regulatory burdens exist in every community, the specifics vary. Each community has a unique regulatory structure. This makes it difficult to generalize which regulatory issues have the biggest impact on housing production and strategies to reform those regulations. To better understand how regulatory burdens vary by community, we examined relationships between city size, region, and inside/outside MPO to examine whether meaningful differences emerged across the state. Consistent with what we heard in interviews, many barriers are community dependent, and each community has a unique combination of barriers. This is not surprising given that each city has different comprehensive plan and zoning policies, a different blend of financing mechanisms, and different priorities for how to spend local government funds.

¹³ Furman, J (2015), Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents, the Urban Institute.

¹⁴ Emrath, Paul (2016). Government Regulation in the Price of a New Home. Housing Economics/National Association of Homebuilders

Interestingly, when analyzing public sector responses, there were few meaningful differences in perception across the state. We expected to find more regional differences related to market influences, growth patterns, and demographic characteristics. Public sector responses showed a few exceptions that varied across the state:

- Cost SDCs were much more likely to be perceived as an extreme barrier in Portland Metro (38% of Metro region respondents rated cost of SDCs extreme) and inside MPOs (22% of respondents within MPOs rated cost of SDCs extreme compared to 5% outside of MPOs).
- Wetlands/environmental review are more frequently perceived as barriers in small cities and in certain regions (e.g., South Coast, Willamette Valley, and North Coast)
- Stark differences in perceptions exist about the amount of land zoned for multi-unit housing—this was perceived as an extreme barrier in Central Oregon, Portland Metro, Southern Oregon but not in the Southeast or South Coast regions.
- Lack of financing for manufactured housing is more frequently perceived as a barrier in the Willamette Valley and rest of the state but not in Portland Metro. In Portland Metro, the lack of demand for manufactured housing is seen as a barrier.
- The Portland Metro region more frequently perceives length of time to process land use entitlements and public hearings as significant barriers.

Land supply is generally perceived as a barrier, but it is much more nuanced than having an adequate supply of land in UGBs.

The availability and cost of land are perceived to be significant barriers. A large majority of respondents from all three stakeholder populations perceive the high cost of land as a major barrier. In Chapter 2 we discussed different perspectives about land supply—from the 20-year supply required by Goal 10 to the that that is serviced and development ready. We also discussed how land transitions through several states before it is development ready.

The survey primarily focused on development ready land. The results suggest a consensus that Oregon does not have enough development ready land in various configurations.

- Sixty-one percent of respondents indicated that “Lack of available vacant buildable lots (e.g., for sale or owned by builders)” was an extreme barrier. Notably, 74% of private sector developers rated this as an extreme barrier.
- Fifty-four percent of respondents rated “Lack of larger (5+ acre) development ready tracts” as an extreme barrier with 64% of private sector developers rating this an extreme barrier.

Getting land to a development-ready state was also perceived as a barrier.

- Forty-seven percent of respondents perceived “Inability to bring land to a development ready state (e.g., bringing tract land to serviced lots ready for development)” as an extreme barrier and 27% as a moderate barrier. Nearly 60% of private sector developers perceived this as an extreme barrier.

Infrastructure factors were not rated as extreme by respondents, but provide insights into issues related to getting land to a development ready state:

- Seventy-seven percent of respondents perceived funding to finance infrastructure improvements was an extreme (38%) or moderate (39%) barrier.

- Similar percentages perceived other infrastructure factors as extreme or moderate barriers (SDCs, generally, and for transportation, infrastructure regulations, CIPs, and coordination with state agencies).

These results suggest that more attention needs to be paid to bringing land to a development ready state. Despite myriad planning requirements, the statewide land use program leaves land readiness to local governments with little guidance, support, or coordination to prepare land for development.

Goal 10 requires cities to document needed housing types, inventory buildable land, and designated sufficient land to accommodate needed housing units by type. Designating land for multi-unit housing has proven to be a challenge in many communities due to neighborhood opposition even though 80% to 90% of all land designated for residential uses is for low-density housing. While cities have a statutory obligation to provide a 20-year supply of residential land, many stakeholders still perceived this is a moderate or extreme challenge:

- Seventy-one percent indicated that “not enough land zoned for multi-unit housing” was an extreme (38%) or moderate (34%) barrier. Nonprofit housing developers were much more likely to percent multi-unit land as an extreme barrier (54%) than private sector developers (37%) or public sector (34%). This is not surprising as most nonprofit housing developers build multi-unit housing types while many private sector developers focus on single-unit housing pointing to bifurcation in the housing market.
- Fifty-four percent indicated that “not enough land zoned for single-unit housing” was an extreme (30%) or moderate (24%) barrier. Private sector developers were much more likely to perceive single-unit land as an extreme barrier (52%) than nonprofit developers (24%) or public sector (19%).

Private sector developers perceived other land use and regulatory factors to be barriers. These include physical constraints, environmental review, stormwater mitigation, building code requirements, and right-of-way requirements. A much higher percentage of nonprofit developers perceived parking requirements to be an extreme barrier (40%) than other respondents (8%).

These results underscore the conclusion that land availability and land regulation barriers are location dependent and suggest that barriers vary for each development.

The results do not directly point at Urban Growth Boundaries (UGBs) as the primary culprit in land supply. Only 10 of the nearly 1,300 open-ended responses about the top three barriers mentioned the UGB directly. While some of the findings might be suggestive of a lack of overall land supply in UGBs, they point much more clearly towards moving land that is brought into UGBs to a development ready state. This is an area where the state and local governments can have considerable influence with a broad array of policy options that might help address barriers to land readiness.

Still, UGBs are an important part of the overall housing production function and serve an important role by ensuring cities have an adequate 20-year supply of land designated for residential uses. In our view, however, the UGB process is not without fault. The process is costly, cumbersome, and fraught with risk. Moreover, the way the process has been implemented historically has not address issues related to land suitability (or what we called “goodness of fit” in Chapter 2). The implicit assumption has been that if land is in a UGB and it is not constrained, that it is “suitable and available” for development and has the appropriate characteristics to accommodate needed housing types. The fact is that HNAs do not (nor are

they required to) analyze the question of whether buildable land can accommodate needed housing types. For many reasons that is a difficult question to answer, and even more difficult to answer definitively.

Industry-related barriers are significant and difficult to address with state policy

Material and labor costs emerged as the two most frequently cited extreme barriers to housing production. These are also two of the largest costs related to new housing units. In our 2015 memo on “Cost Components of Housing” prepared for the HB 4079 rulemaking committee, we reported data from the National Association of Homebuilders that found that construction costs accounted for more than 61% of the cost of a new single-unit home. Labor supply and the cost of workers were also identified as extreme barriers—particularly for workers in the trades.

Lack of financing for ‘missing middle’ housing types and land development was also perceived by two-thirds of survey respondents to be an extreme or moderate barrier. About 60% of respondents perceived lack of financing for multi-unit housing, manufactured housing, and housing construction to be extreme or moderate barriers. Current economic conditions in 2022 are poised to make both financing (increased interest rates) and construction (inflation) more serious barriers.

Developers perceived process-related barriers to be much more extreme than the public sector

A significant majority of survey respondents perceived all the process issues listed to be extreme or moderate barriers. Moreover, we observed that most varied perspectives from respondents regarding process-related barriers. All of the process-related factors showed statistically significant differences between sample populations (e.g., public sector, private sector, nonprofit). Between 3% and 16% of public sector respondents indicated the process-related factors were extreme barriers. Private sector and nonprofit developers perceived process-related factors to be extreme barriers much more frequently than public sector. The largest differences were in (1) length of time to process land use entitlements (15% public sector compared to 82% private sector and 70% nonprofit), (2) length of time it takes to process permits (5% public sector compared to 66% private sector and 64% nonprofit), (3) cost of SDCs (11% public sector compared to 75% of private sector and 35% nonprofit), and (4) permit fees (3% of public sector compared to 59% private sector and 37% nonprofits).

The tension between housing developers and public entities suggests that the state could be taking a more proactive role in mediating conflicts related to procedural barriers and delay. While the state has previously established statutory limits on procedural timelines, such as the “120-Day Rule” in ORS 227.178, these time limit provisions have exacerbated significant capacity constraints for cities. These types of statutes force cities to direct limited staff time and resources to meet statutory obligations instead of focusing on other critical work.

The state can play a role identifying methods that both reduce procedural delay and ease staff workloads, in partnership with local governments and the development community. For example, administrative rules for House Bill 2001 required most middle housing application proposals to be reviewed via a clear and objective ministerial process. This requirement had the effect of significantly reducing procedural timelines for middle housing development while simultaneously reducing staff workload, as middle housing proposals were not subjected to time and resource intensive hearings, notice, and other procedural requirements. The state can build on these types of examples programmatically by reducing various procedural hurdles in local processes, enhancing staff capacity to complete work supporting production including permitting, and providing technical and legal support to jurisdictions to minimize

costly delays resulting from appeals or other procedural barriers. This work will likely require additional cooperation with other state agencies, such as the Building Codes Division, Department of Environmental Quality, or Department of State Lands, which administer local development review procedures beyond land use.

In short, developers perceive the way the public sector processes permits and charges developers for infrastructure is seen as driving up the cost of development by the nonprofit and private sectors. This ‘finger-pointing’ clearly shows significant differences in perspectives between groups. In our view, this goes beyond positional perspectives (i.e., planners believe in regulation; developers do not) and raises some serious issues that are worthy of further exploration. While Oregon has specific policies intended to reduce regulator delays (e.g., the 120-day rule), the regulatory perspective is narrow when housing production is viewed as a process. Developers view entitlements from start to finish; planners view planning actions through the lens of the 120-day rule—where the clock doesn’t start until acceptance of an application. Regulatory delays have real costs—including killing projects in some instances. This brings up important considerations for regulatory reform. This is an area where the state could play an important role in convening the parties to air perspectives and develop a better shared understanding.

The private sector is not producing lower-cost housing

The specific factors that prevent the private sector from building lower-cost and/or smaller size housing have been the topic of speculation among planners and policy makers for years. Various theories have emerged with the consensus being that the private sector is motivated to maximize profit. We hypothesized that the reality is more nuanced.

One objective of the 2022 Multi-Stakeholders Survey was to explore why the private sector does not build lower-cost housing and what stakeholders believe are the obstacles to producing lower-cost units. We asked: *“Oregon has a well-documented housing affordability crisis. Our research shows that most housing developers build larger and more expensive units regardless of unit type. In your view what are the biggest barriers to the private sector in building lower cost housing? Please be as specific and detailed as possible.”*

Reviewing the responses, it became clear that the production of lower-cost housing is a nuanced problem throughout the state. The written responses encompassed each barrier category including the cost of land, materials, and labor, profitability, market demand, and the permitting process. The most frequent response was that developers were focused on profitability and return, where demand is higher, and risk of investment is lower. One respondent wrote, “Developers focused on profitability of projects will naturally gravitate towards the projects with the easiest and cleanest returns. Lower cost housing comes with higher risk, which deters profit-driven entities from investing.” This idea that building at market rate offers higher incentives for developers was reported by respondents in each group (government, private developer, non-profit developers, industry, and other).

Additionally, the cost of land and labor and material costs were all frequently noted as barriers to building lower-cost housing. With the cost of materials, land, and permits all going up, developers find it difficult to build at lower prices. A respondent commented, “The combination of land, labor and material cost are a significant factor, in addition to the lack of adequate infrastructure previously discussed. Available parcels are often too small for developers to construct a meaningful number of units, even at higher densities.” As many cities have built out, the lack of land has increased already high prices and with rising inflation, costs of labor and materials have become untenable for many. Another respondent wrote, “Materials are very expensive regardless of house size, and small lower cost housing is not as profitable.”

Land costs are also rising so a cheap house on an expensive piece of land ends up being out the price range of low-income families regardless.”

While government and nonprofit respondents focused on developer driven barriers, developers focused on financing and the lack of profits and sustainability of business in government-assisted housing. While Industry respondents also saw this as a problem, they also viewed increased regulation, unfunded mandates, and soft costs as major barriers with one respondent commenting, “Overregulation in planning and public works has added extreme cost to project not only in professional fees but also development fees.” Without higher incentives, and decreased costs of land and materials, all respondents expressed worry over the ability to produce affordable housing at necessary rates now and in the future, “As long as we’re 100% reliant on private development to supply housing, we have to do what we can to help make sure developer’s plans pencil.”

This reliance on private development and market demand has also created barriers for homeowners themselves who struggle with housing mobility as costs are passed to them, “People aren’t moving out of entry level housing because the next tiers of housing are unavailable or have become too expensive. New/young homeowners can’t find entry level or lower cost housing because it is not available.” Market segmentation has produced available real estate for a small subset of people who can demand market rate housing that is more profitable to developers. While many respondents noted the difficulty of building at a lower profit margin to support these new or young homeowners, few noted the very real issue of affordable housing stigma. While NIMBYism is studied at length in relation to affordable housing, few respondents talked about the difficulty of producing affordable housing for fear of new residents with one respondent stating, “There is a perceived [and probably very real] fear that with lower income individuals comes higher crime.... Our governing body and residents do not want to offer low-income housing for fear that crime will be even worse than it is now.” This sentiment was more common from government officials who often rely on residents to help inform policy. This resident fear is evident in historical zoning patterns and land use decisions in the state and while rarely mentioned in this survey, likely serves as a barrier to producing affordable housing.

In summary, the issue boils down to the private sector’s ability to make projects pencil out. Most projects for lower-cost housing apparently do not pencil out and a variety of factors are affecting the ability to profitably build lower-cost housing.

Several barriers affect nonprofits’ ability to build government-assisted housing

The barriers to government-assisted housing are pervasive and relate to process, funding, and labor. Of our nonprofit respondents, all except two of the issues we asked about were seen as extreme barriers by over 40% of respondents. These barriers include multiple aspects of grant application processes and timing, amount of grant funding available, inflation, assembling capital stacks, and cost of labor.

Implications

It is not an overstatement that housing production and affordability are approaching the scale of an existential crisis for Oregon. Moreover, systematic underproduction throughout the state has moved solutions to the timeframe of a generational challenge. IPRE has been conducting housing needs analyses for 30 years (our first study was a countywide housing needs assessment of Jackson County for Access, Inc. in 1992). Housing affordability was an issue 30 years ago; affordability has significantly deteriorated since then. The good news is that the planning community and state and local elected officials recognize

the severity of the problem. The bad news is that it is not nearly enough. Despite the passage of dozens of bills related to housing by the Oregon legislature, an increased focus by DLCD and local governments, Oregon is not making much headway. **Oregon needs to take a moonshot mentality about housing and explore every possible avenue to encourage more housing production.** In short, the severity of the crisis demand expanding the policy envelope and considering approaches that might have previously seemed unpalatable.

Research conducted by ECONorthwest as a part of HB 2003 quantifies the challenge.¹⁵ ECONorthwest estimates that Oregon has a deficit of nearly 66,000 units to accommodate population growth and household formation (the report calls this “underproduction”) with an additional 29,000 units needed to house homeless Oregonians. All told, the study estimates that Oregon will need to produce nearly 555,000 new housing units between 2022 and 2042—or 27,750 units per year. American Community Survey (ACS) data show Oregon produced about 20,000 per year from 2017 through 2019— or two-thirds of the amount needed to keep pace with demand. In short, Oregon needs to significantly increase housing production to meet documented needs.

Most of the needed housing will go into UGBs. As a baseline estimate, Oregon will need between 75,000 and 90,000 acres of *serviced* and *suitable* land to accommodate need for new housing, underbuild, and homeless individuals between 2020 and 2040.¹⁶ Put another way, Oregon will need between 3,650 and 4,870 acres of serviced, suitable land *each year* for the next twenty years. To put this in context, Oregon had 852,102 acres in UGBs in 2022. Much of the needed land is already in UGBs, but hypothetically, if it were not, adding the amount of needed land to UGBs would increase total land in UGBs by 10% by 2040. This example ignores the requirement that cities maintain a 20-year inventory of residential land. Theoretically, most of the needed land should already exist in UGBs. Because no statewide buildable land inventory exists, it is impossible to determine how much land will need to be added to UGBs to accommodate estimated housing needs.

A key challenge facing Oregon is not overall land supply in UGBs—we are confident that any deficit in need can be accommodated in a timely manner through UGB expansions—but in getting suitable land serviced to provide a pipeline of development-ready land. On the point of land readiness, evidence exists to suggest it is a monumental challenge. In February 2016, Metro released a news article titled “Where Growth Happens: Development in Cities, Delays at the Edge.” The City of Hillsboro updated Metro’s analysis and included a set of case studies Exhibit 24 shows develop that occurred in UGB expansion areas since the year they were added. The results show that most of the expansion areas have had little development. The data suggest it takes 5 to 15 years from inclusion in the UGB to development.

¹⁵ <https://www.oregon.gov/ohcs/about-us/Documents/RHNA/RHNA-Technical-Report.pdf>

¹⁶ Based on an assumption of between six and eight dwelling units per gross acre. These assumptions are consistent with overall residential densities achieved historically in Oregon cities. Increases in average density would decrease overall land need.

Exhibit 24. Development in Metro UGB Expansion Areas end of 2015

Area	Year added	Acres added	Homes planned	Homes built or permitted	Percent Developed	Units per year
Pleasant Valley	1998	1,000	5,000	145	2.9%	7.6
Villebois	2000	355	na	1,063	na	62.5
Damascus	2002	12,160	24,952	295	1.2%	19.7
Oregon City	2002	657	1,504	12	0.8%	0.8
Sherwood (Brookman)	2002	337 (234)	1,239	56	4.5%	3.7
River Terrace	2002	572	2,450	12	0.5%	0.8
North Bethany	2002	716	5,000	573	11.5%	38.2
South Cooper Mountain	2011	544	4,651	1	0.0%	0.2
South Hillsboro	2011	1,062	10,766	0	0.0%	0.0
Cornelius	2014	349	1,500	0	0.0%	0.0

Source: Compiled from

<https://www.oregonmetro.gov/sites/default/files/2016/04/26/UGB%20Report%20for%20Metro%20FINAL%20-%20combined%2004%2026%202016.pdf>

Around the same time as the Metro study, the City of Hillsboro completed a detailed analysis on Metro expansion area status and readiness for development.¹⁷ The key theme is that considerable work is required *after* land is brought into the UGB for development can occur. The City concluded:

“Generally, for those areas in the development phase, it takes about 6 years from the time of UGB expansion, to complete plans, resolve any governance and litigation issues, adopt funding mechanisms for infrastructure, and install gateway infrastructure. From this point, it typically takes just over one year for major development activity to occur.”

We were unable to find data on length of time from inclusion in UGBs to development for other jurisdictions. While Metro has specific requirements for concept plans and other procedures that do not exist in other cities, it is safe to assume a lag time of five or more years from inclusion into a UGB and development readiness.

Oregon needs to contemplate the cost of servicing this land. To develop an order-of-magnitude estimate, we used a nominal assumption of \$500,000 per acre to service land. Applying that to the overall land need estimates results in total infrastructure costs of between \$37 billion and \$50 billion. Not all infrastructure cost will be public sector—most cities require on-site infrastructure be paid for by the private sector. Moreover, SDCs and other fees will offset some public costs. Given the enormity of the challenge, the public sector will likely need to step up infrastructure investment if increased housing production is to occur.

The implications of the estimates above underscore our conclusion that Oregon needs to take a moonshot mentality if it is serious about addressing the housing crisis. In the following section, we summarize key implications for the Oregon Legislature, for DLCD, for OHCS and other state agencies, and for cities.

¹⁷ <https://www.oregonmetro.gov/sites/default/files/2016/04/26/UGB%20Report%20for%20Metro%20FINAL%20-%20combined%2004%2026%202016.pdf>

For Everyone

Housing production is a process that has specific identifiable inputs. That process unfolds in a dynamic economy which can be thought of as a complex adaptive system. Without key inputs, the adaptation is to produce fewer housing units or insufficient units of needed housing types.

- **Take a systems approach to addressing barriers to housing production.** Each of the barriers in our research can be associated with one or more elements of the housing production function. Map out the gaps and focus efforts on identified gaps.
- **Take a longer-term view of housing production.** While the statewide planning program requires long-term planning for housing, the overall housing production system operates on the scale of years. Long-term (decades) data on household formation and housing production show that new housing production generally follows new household formation. On shorter-time scales, housing production has lagged behind household formation in recent years. The implication is to take every step possible in the short term but not lose momentum because of the magnitude of the challenge.
- **Use partnerships to leverage limited resources.** Oregon cannot solve the housing production crisis if the key actors—state and local governments, private and nonprofit developers, housing advocates, and others do not work together. Organizations need to clearly articulate outcomes (e.g., building 555,000 new dwelling units by 2040) and then link, leverage, and align efforts.
- **Make housing production a central economic development strategy.** Housing is huge industry accounting for more than 16% of gross domestic product nationally.¹⁸ The NAHB estimates that one year of construction on 100 affordable rental homes generates \$11.7 million in local income, \$2.2 million in taxes, and creates 161 local jobs.¹⁹ The lack of housing is now impacting economic growth. Moreover, economists estimate that lack of affordable housing has significant downward impacts on GDP nationally. Housing is a pre-requisite to economic growth—make it a central pillar of Oregon’s economic development strategy.

For the State Legislature

Our findings imply need for both regulatory reform and state investment. We offer the following suggestions:

- **Make housing a priority...literally.** Consider amending the ORS 197A.320 priority scheme to place housing as the top priority. While well intentioned, the UGB priority scheme shifted the balance and focus of DLCD related to UGB expansions from conservation and development to conservation. It has been incredibly effective at limiting conversion of resource lands. That effectiveness has come with a price and has favored farmers over urban dwellers. The priority scheme forces cities to prioritize less efficient and suitable lands for residential designations and arguably has limited the ability of municipalities to expand onto lands that best meet identified housing needs.

¹⁸ <https://www.mortgagenewsdaily.com/news/01282022-housing-and-economy>

¹⁹ https://www.housingfinance.com/news/housing-is-infrastructure-why-we-should-make-the-case-to-congress_o

Some evidence exists that this approach could be used to incentivize property owners to accept deed restrictions that commit to needed housing types in order to be prioritized for inclusion in a UGB. Effectively, it would require forgoing some of the windfall profit that occurs on lands included in UGBs. Goal 14 location factor 3, comparative environmental, energy, economic, and social consequences (sometimes called ESEE), provides a foundation in existing policy for this approach.

- **Invest in infrastructure.** Consider legislation enabling the Business Oregon Infrastructure Finance Authority (IFA) to fund infrastructure for housing. The IFA has a strong track record of supporting infrastructure for economic development purposes. This would expand the definition of economic development to include workforce housing.²⁰ The DLCDC OHNA report provides further recommendations about holistic coordination in infrastructure to support housing production.

For DLCDC

The findings imply that DLCDC will need to be flexible and consider both modifications as well as novel interpretations of existing policies. The Housing Reform Project led by ECONorthwest will provide a more detailed assessment of policy options; we focus on bigger picture implications.

- **Take a reality-based approach to implementation of Goal 10.**²¹ For more than four decades, Goal 10 and its associated administrative rules have required municipalities to identify housing needs, inventory land, and designate land for residential uses. OAR 660-008-0005(2) defines buildable land as available for housing development in the present. OAR 660-008-0005(2) defines *buildable land* as residentially designated land within the urban growth boundary, including both vacant and developed land likely to be redeveloped, that is **suitable, available, and necessary** for residential uses. A key question is whether residential lands within UGBs are suitable and available.

When taken in the context of the “housing needs projection” or needed housing types, arguably much of the land is not. We say arguably because there is only anecdotal evidence that lands are not suitable and available. One can infer from the lack of needed housing types that cities do not have the right types of land designated for residential uses. We are unaware of any city that has attempted to argue that residential land within the UGB is unsuitable and to justify a boundary amendment or UGB swap on those grounds. This is not surprising given the burden of proof is on cities and the determination would be qualitative at best.

Interpreting or amending Goal 10 and its associated administrative rules in a manner that allows cities flexibility in discounting lands that are not suitable for lower-cost housing would be a step towards ensuring that land in UGBs is suitable for identified housing needs.

- **Simplify and encourage urban reserves and UGB swaps.** This is a corollary to the reality-based approach and should intend to get cities to (1) think long term (50 years) about land supply, and

²⁰ A recent New Localism essay argues that workforce housing is economic development. <https://www.thenewlocalism.com/newsletter/is-workforce-housing-the-new-economic-development/>

²¹ Al Johnson initially proposed the reality-based approach.

(2) take a close look at lands within the current UGB and their suitability for housing. The benefit of urban reserves is that it settles issues around the 197A.320 priority scheme and allows cities some ability to plan much longer term for infrastructure. UGB swaps are a common sense tool cities can use to “upgrade” residential land inventories to better match identified needs.

- **Prioritize incentive-based approaches over more planning requirements.** Oregon already has an incredibly rigorous planning framework. In our view, more planning is not what it needed. While DLCD is primarily a regulatory agency, it works in partnership with local governments to achieve the outcomes of the statewide land use program. One of those outcomes is housing production.

Thus, DLCD should target programs to address known barriers to housing production. Chief among these are land readiness and needed housing types. For example, DLCD could prioritize grant funds for cities to develop land readiness programs.

- **Focus attention on places that are growing.** Our work on HB 2254 (the process that led to the Division 38 Streamlined UGB Process rule), concluded that larger cities account for most of the expected population growth. PSU forecasts suggests that trend will continue. Technical assistance and grant funding should prioritize both large and small cities that have the greatest housing production needs.
- **Develop a monitoring program for the Climate Friendly and Equitable Communities (CFEC) rule.** CFEC adds a significant planning burden to cities. We included questions on our survey regarding CFEC. Only 11% of respondents indicated they had significant knowledge of CFEC or had been tracking it closely. More alarming, 48% of respondents perceived CFEC would be a major barrier to housing production and 21% percent perceived it would be a moderate barrier. These perspectives should be of concern to DLCD. Given the complexity of the CFEC requirements and the rule’s ambitious objectives, DLCD should develop an ongoing monitoring program to assess outcomes of the program. Similarly, DLCD should monitor the impacts of future regulations like CFEC that may impact housing production.

For OHCS

Federal and state investment in housing has never been enough to address need. HUD’s standard that households with 80% or less of MFI are low-income and eligible for subsidy implies that 40% of households have housing needs. Many of these needs are going unmet. OHCS manages funding programs for affordable housing.

- **Streamline state affordable housing funding programs.** Nonprofit housing developers perceived a range of extreme barriers that relate to funding and process and lack of financing remains an issue for affordable housing. Nonprofit housing developers struggle to assemble the capital stacks required for projects. The complexity and length of time it takes to access OHCS funding is seen as a significant barrier. OHCS should work with nonprofit housing developers to explore ways to reduce uncertainty in accessing state funds and get funds distributed in a more timely manner.

For Cities

Cities develop land use plans and implementing ordinances—many of which have direct impacts on housing production. Developers accept that regulations are necessary; what is problematic from their view is the uncertainty and delay that regulations create. A significant majority of survey respondents perceived all the process issues listed to be extreme or moderate barriers. The largest differences were in (1) length of time to process land use entitlements (15% public sector compared to 82% private sector and 70% nonprofit), (2) length of time it takes to process permits (5% public sector compared to 66% private sector and 64% nonprofit), (3) cost of SDCs (11% public sector compared to 75% of private sector and 35% nonprofit), and (4) permit fees (3% of public sector compared to 59% private sector and 37% nonprofits).

In short, developers perceive the way the public sector processes permits and charges developers for infrastructure is seen as driving up the cost of development by the nonprofit and private sectors. This ‘finger-pointing’ clearly shows significant differences in perspectives between groups. In our view, this goes beyond positional perspectives (i.e., planners believe in regulation; developers do not) and raises some serious issues that are worthy of further exploration. While Oregon has specific policies intended to reduce regulator delays (e.g., the 120-day rule), the regulatory perspective is narrow when housing production is viewed as a process. Developers view entitlements from start to finish; planners view planning actions through the lens of the 120-day rule—where the clock doesn’t start until acceptance of an application. Regulatory delays have real costs—including killing projects in some instances. This brings up important considerations for regulatory reform.

- **Ensure development standards are “clear and objective.”** Over 50% of respondents “somewhat agreed” or “strongly agreed” that zoning regulations had clear and objective standards in their city. This is an interesting result given the statutory obligations for cities to adopt clear and objective standards (ORS 197.307). While most cities probably comply with this requirement from a legal perspective, cities should work with homebuilders to better understand regulatory burden and see creative solutions.
- **Reduce regulatory “sludge” wherever possible.** Our survey found expansive differences between perceptions about barriers between the private/nonprofit sectors and the public sector—it seems worthwhile to consider regulatory processes and how to streamline to remove regulatory barriers.
- **Recognize that SDCs and fees add to the cost of housing.** Developers perceived the cost of SDCs and permit fees as extreme barriers. Public agency staff generally do not. For example, 11% public sector respondents rated SDCs as extreme barriers compared to 75% of private sector respondents and 35% nonprofit respondents. Three percent of public sector respondents viewed permit fees as an extreme barrier compared to 59% of private sector respondents and 37% of nonprofit respondents.

We recognize that SDCs are a critical funding source for local infrastructure and that prohibiting SDCs would exacerbate challenges local governments face regarding infrastructure funding. Options, however, exist to reduce fees for housing projects that meet identified needs or to adopt less regressive SDC policies. A good start is to tie SDCs to the square footage or value of a unit. Cities should explore those options.