

To access a copy of this report and a supplemental framework report, please visit the following hyperlink: [https://www.oregon.gov/lcd/UP/Documents/20220201\\_RHNA\\_Interim\\_Framework\\_Report.pdf](https://www.oregon.gov/lcd/UP/Documents/20220201_RHNA_Interim_Framework_Report.pdf)

## Legislative Context

During the 2021 legislative session, the Oregon Legislature appropriated funds through House Bill 5006 to the Department of Land Conservation and Development (DLCD) to study and make legislative recommendations on the incorporation of a regional housing needs analysis into state and local planning programs. Funds were also appropriated through House Bill 5006 to Oregon Housing and Community Services (OHCS) to support and collaborate with DLCD's leadership on this study.

This work is a continuation of the Regional Housing Needs Analysis (RHNA, pronounced "ree-na") [prototype](#) developed by OHCS in 2020 as directed by House Bill 2003. The bill also directed DLCD to review the prototype methodology and provide an [assessment](#) of the implementation of such an analysis into state and local planning programs. This report concluded that **the current housing planning system chronically underestimates housing need, especially for households with lower income, does not identify or enforce the responsibilities of local governments to comprehensively address housing need, and perpetuates geographic patterns of racial and economic segregation, exclusion, and inequity.** The appropriated funds will enable DLCD to study and make legislative recommendations in advance of the 2023 Legislative Session, including resources to facilitate a statewide stakeholder engagement process and working group.

## Problem Statement

**Oregon has been dramatically under-building housing** for decades. We are already 140,000 homes behind in meeting the housing demand of a growing population and would need to double the pace of production in the next five years to dig our way out. This has resulted in rising housing costs, more unhoused people, and fewer choices for individuals and families trying to make ends meet. As prices rise, **households with lower incomes and communities of color are disproportionately impacted.** This is happening in part because our planning system is **not fully accounting for housing need** across the income

spectrum, and, as a state, **we are not holding ourselves accountable** to building enough housing in the locations where it is most needed. The lower we aim, the worse the problem becomes.

## Project Goal

DLCD and OHCS are approaching this work with the following project goal:

Prepare legislative recommendations regarding the integration of an improved methodology for calculating housing need. Doing so can only improve housing equity outcomes if other parts of our housing planning system are modernized, potentially including Goal 10 and local land use planning systems, state and local affordable and other housing funding systems, accountability mechanisms, and system capacity for implementation. In this project, DLCD and OHCS are exploring how a modernized housing planning system could:

- Advance fair housing and center housing outcomes for low-income households and federal and state protected classes;
- Implement a consistent system of measuring housing need that serves as the foundation for:
  - Local land use planning and growth management,
  - State, regional, and local affordable housing funding, including the distribution of federal funding,
  - Statewide and local housing policy,
  - Regional collaboration on housing implementation, and
  - Public facilities planning.
- Develop organizational capacity at the state to implement technical aspects of RHNA, facilitate increased housing production, and lead housing policy; and
- Create systems of shared responsibility and accountability for state, regional, and local governments to meet housing need identified in the RHNA, especially for subsidized affordable housing.

## Policy Development Process

The project team will lead a statewide **engagement** process and **working group** process with the goal to ensure legislative recommendations are implementable, productive, and responsive to the entirety of Oregon's housing need. This will include discussions on the major implementation issues identified in the previous biennium, as well as direction and feedback on the spectrum of possible policy recommendations with the following key stakeholders and partners:

- Planning, housing, equity-focused, and frontline staff and committees at local and regional government agencies
- Equity and housing-related advocates and advocacy organizations
- Market-rate and subsidized affordable housing developers and real-estate actors
- Community-based organizations that fund or provide housing-related services
- The Governor's office, including housing and racial justice committees
- State agency staff that would be charged with a role in implementation.

Additionally, the project team is facilitating a working group that encompasses a variety of geographic and professional perspectives, interests, and expertise to aid the development of well-researched and thoughtful legislative recommendations. Their role is to help the project team translate feedback from the engagement process into implementable legislative recommendations. Meetings with the working group have begun, and there will be a total of seven meetings from October 2021 to December 2022.

Finally, the project team will study and development recommendations to embed continuing engagement with local communities, especially communities of color, federal/state protected classes, and other communities disproportionately affected by historic policies, into legislative recommendations that result from this process. This will include engagement strategies to pilot or implement, including delineations for different levels of government, from state to local government agencies, that facilitate engagement in a manner that is meaningful and more responsive to community needs.

## Legislative Recommendations

Stakeholders and legislators have been clear that outcomes from legislative recommendations should go beyond measurement, to include:

- **Increasing overall housing production**
- **Increasing publicly funded and affordable housing production**
- **Creating more inclusive and integrated communities** through increased focus on fair housing in production, and geographic housing equity

While no policy recommendations are proposed as part of this interim report, the project team has established major parameters by which a regional housing needs analyses could be adopted into state and local planning processes and will be developing recommendations for action in the 2023 Legislative Session. This continuum includes pathways that range from strengthening the existing housing production strategy program with production targets to the replacement of local housing needs projections with RHNA projections and affordability thresholds to serve as the basis of land use planning. This continuum is discussed in greater detail in the [Framework Report](#).

Once the engagement and working group process conclude, the project team will develop and submit legislative recommendations that detail changes to statute and direction for future state agency work. In order for these changes to be successful in achieving better outcomes, the Legislature will also have to provide the tools to overcome real-world barriers to production. These include:

- **Accountability**, to ensure that governments are doing all they can to equitably meet growing need
- The amount and type of **state level funding**, to better support the production of publicly funded housing and affordable housing
- **Administrative capacity**, to enable comprehensive and sustained implementation efforts

# Meeting Oregon's Housing Needs: Next Steps for Equitable Housing Production

February 2022

Prepared for:  
Oregon Department of Land Conservation and Development  
Oregon Housing and Community Services

This document has been prepared for the Department of Land Conservation and Development (DLCD) and the Oregon Housing and Community Services (OHCS) Department pursuant to 2021's House Bill 5006 directing these agencies to implement the Regional Housing Needs Analysis methodology developed under House Bill 2003 (2019). It provides a process update for legislators and a foundation for additional stakeholder conversations and agency-led research that will lead to recommendations to the legislature in the 2023 legislative session. Its purpose is to explore how Oregon's existing long-range housing planning system (which consists of state-regulated, locally-implemented land use planning efforts to accommodate growth and Housing Production Strategies that focus on the production of housing units) would need to shift to incorporate the new housing needs analysis methodology. It also explores the other conditions for success that would need to be in place for the reformed system to achieve improved housing outcomes, including funding for housing production, improved accountability systems for planning efforts, and increased state-level capacity to administer a reformed system.

This document was written by ECONorthwest, WMPA Strategies, and Communitas Planning, the consultant team assisting with the Oregon Housing Needs Analysis Implementation effort. It accompanies an engagement framework document, entitled *Oregon Housing Needs Analysis Implementation: Engagement Framework*, prepared by this team and Kearns & West.

For this implementation effort, the Regional Housing Needs Analysis (RHNA) was renamed the Oregon Housing Needs Analysis (OHNA).

# 1) Why Modernize the Housing Planning System?

Oregon has been dramatically under-building housing for decades. We are already 140,000 homes behind in meeting the housing demand of a growing population and would need to double the pace of production in the next five years to dig our way out. This has resulted in rising housing costs, more unhoused people, and fewer choices for individuals and families trying to make ends meet. As prices rise, households with lower incomes and communities of color are disproportionately impacted. This is happening in part because our planning system is not fully accounting for housing need across the income spectrum, and, as a state, we are not holding ourselves accountable for building enough housing in the locations where it is most needed. The lower we aim, the worse the problem becomes.

In the 2019 session, the Oregon Legislature recognized the urgency of the crisis and began the process of modernizing Oregon's housing planning system. House Bills 2001 and 2003 reduced barriers to overall production by, respectively, eliminating exclusive single-family zoning statewide and requiring local jurisdictions to adopt Housing Production Strategies for the development of a range of housing options in every community. The new legislation was designed to help bring more diverse, affordable housing choices across the state. It reinforced the responsibilities of local governments to analyze the housing needs of their jurisdictions and document how they will implement strategies to close the gap between housing need and production.

HB 2003 also called for a new Oregon Housing Needs Analysis (previously called the Regional Housing Needs Analysis or "RHNA") that would provide a data-informed approach to measuring housing need in each area of the state. HB 2003 instructed OHCS and DLCD to evaluate *"Whether the regional housing needs analysis could serve as an acceptable methodology for statewide land use planning related to housing."*

The agencies worked together to develop a systematic, consistent, and statewide approach to understanding housing need by income in every part of the state. The methodology improved the current, locally produced method in several ways, leading to a more complete accounting of need than the state has previously seen. In particular, it accounted for the units needed to house people experiencing homelessness, to overcome underproduction, and to ensure a more equitable distribution of affordable units within a region.

Deploying that methodology produced stark findings about the scale of housing need. Over the next 20 years, Oregon's communities would need to add more than 580,000 units, nearly 30% of which will house Oregon's lowest-income residents and will require public funding. The need exists in rural and urban communities, in cities with fast-rising housing prices and those where prices are rising more slowly, in places with serious land supply constraints and in places with more ample buildable land.

## The Regional Housing Needs Analysis (RHNA) becomes the Oregon Housing Needs Analysis (OHNA)

HB 2003 introduced the term RHNA to describe a new methodology for calculating housing need in each community, determined as a share of the broader regional housing market in which they are located. The name is borrowed from California, where it also encompasses the governance model for housing need allocation at the regional level.

In Oregon, where we have an entirely different planning system, it is more accurate to refer to this methodology as a statewide housing needs analysis, or the OHNA. In this case, the state determines the overall housing need for the state and allocates a share of that need to each region and local jurisdiction based on population and economic indicators within a broader housing market. This share can then be translated into housing production targets to guide local strategies.

In addition to providing overall production targets, the OHNA also provides local data and information about racial and other disparities in housing outcomes, including cost burdening by race and ethnicity and for people living with disabilities. In future iterations, it may also provide information about segregation by race and income within some cities.

In addition, summary reports produced by OHCS and DLCDC found that the current system “chronically underestimates housing need, especially for lower-income households, does not identify or enforce the responsibilities of local governments to comprehensively address housing need, and perpetuates geographic patterns of racial and economic segregation, exclusion, and inequity.”

These findings are a wake-up call for everyone involved in housing planning and production in the state. Our systems are simply not organized to meet this magnitude of need. Each year that we fail to make progress will push homeownership further out of reach, force more households to make choices between rent and other necessities, and push more households into homelessness.

In response to these findings, the legislature adopted a budget note in HB 5006 (2021) that directed the agencies to take further steps and deliver a report in advance of the 2023 Legislative session “...to develop a legislative proposal for incorporation of a regional housing needs analysis into future state and local planning processes.”

This directive lends itself to a range of interpretations regarding what would be required to incorporate the new methodology, how it would integrate into an ongoing housing planning modernization process, and how broad a transformation of current systems is required.

To date, conversations with stakeholders have made it clear that simply adopting new measurement systems for housing need without also proactively working to meet that need is like providing a compass but no clear destination or means of transportation. Stakeholders and

legislators have been clear that outcomes from adopting the OHNA should go beyond measurement, to result in more equitable housing outcomes:

- Increasing overall housing production
- Increasing publicly funded<sup>1</sup> and affordable<sup>2</sup> housing production
- Creating more inclusive and integrated communities through increased focus on fair housing in production, and geographic housing equity.

This will require a more comprehensive look at our Goal 10 planning system to identify its shortcomings and how the OHNA can best be used to generate improved outcomes.

### What Does This Report Do?

This Implementation Framework Report is a roadmap for the continuation of the housing modernization process that began with the passage of HB 2001 and 2003 in 2019. Legislators, state agency staff, impacted jurisdictions, and interested community members can reference this document to understand the project goals, the problems we are trying to solve, the schedule, and the engagement process.

This document also describes the pathways available for integrating the new OHNA into the state's administrative and legal planning and housing production systems, and the changes that would be needed in those systems and others to achieve more equitable housing outcomes. It sets parameters on the policy options that will be considered over the course of the project. A full Legislative Recommendations Report, to be published in December 2022, will outline and offer details on those policy and program options as well as their tradeoffs.

## The Challenges with the Goal 10 Planning System

The current system needs to continue to evolve to achieve the outcomes that stakeholders desire. In practice, Goal 10 has been used primarily to inform decisions about zoned capacity and resulting decisions about UGB expansion. Prior to HB 2003, the planning system did not, in any meaningful way, support actual housing production. There is no specific agency of state government that is responsible for overall housing production, and the regulatory tools available are better suited to preventing unwanted developments than to encouraging those that are needed.

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<sup>1</sup> In this document, “publicly-funded housing” refers to a range of public supports that include subsidies tied to rent- or income-restricted units or any other form of public contribution to housing production (such as local incentive programs to encourage market rate housing). It may also include rent vouchers, designed to connect people to units.

<sup>2</sup> “Affordable” housing refers to housing that is affordable to a household of a given income, if that household spends no more than 30% of its monthly income on housing costs. In this way, the term “affordable” includes regulated rent- or income-restricted units as well as unregulated affordable units (such as workforce housing).

Under our current system, local governments conduct required Housing Capacity Analyses as part of comprehensive planning, but, historically, they have done so inconsistently and with insufficient technical support. Future needs are generally forecasted based on existing trends, which means that each community ends up building more of the same rather than diversifying housing options to serve the needs of future residents, and to do so more equitably. Further, it is unclear when a community has exhausted its existing land supply as it plans to meet future housing needs. These issues are generally resolved through expensive, time-consuming litigation; there are numerous opportunities to delay or obstruct needed housing production that are not agreeable to some in the community.

### “Goal 10 Planning System” Defined

Goal 10 of the Oregon planning system requires each community to provide sufficient land to accommodate housing needs for all price ranges (ownership and rental) for people of all incomes, as well a range of housing types and locations to offer sufficient housing choices. Specifically, it requires incorporated cities to complete an inventory of buildable residential lands, to determine whether the jurisdiction has enough land to accommodate 20 years of population growth, and to provide adequate land capacity to accommodate the numbers of housing units at price and rent ranges commensurate with the financial capabilities of its households. This analysis is referred to as a **Housing Capacity Analysis (HCA)**.

When creating Housing Capacity Analyses, if a jurisdiction does not have sufficient land, it must implement measures to accommodate growth of needed housing, expand its urban growth boundary (UGB), or both. Measures to accommodate growth of needed housing can include a wide range of policy changes that increase the efficiency of land use within the UGB, including,

- Increasing residential development densities,
- Rezoning land for higher intensity residential uses, and allowing more types of housing
- Implementing funding sources to pay for infrastructure that supports development of needed housing, or
- Reducing regulatory requirements to improve development feasibility.

The **Housing Production Strategy (HPS)** is a recently added component of Goal 10. It requires local governments to adopt policies and programs that encourage and incent a wide range of housing production. The HPS shifts the focus from land supply to considering a holistic range of actions that cities can implement to encourage the development of needed housing and work towards more affordable, fair, and equitable housing outcomes. These actions may include local policies and programs such as tax abatements to encourage affordable units or policies to encourage higher density or mixed-use housing. HPSs also report on how cities are achieving fair and equitable production, including how they are addressing disproportionate housing needs, patterns of integration and segregation, racially or ethnically concentrated areas of poverty, and disparities in access to housing opportunity.<sup>3</sup>

When this document refers to “Goal 10 planning systems,” it is referring to all of the above, which ideally would be coordinated toward the same goals of equitably meeting housing needs.

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<sup>3</sup> OAR 660-008



House Bill 2003 sought to address many of the historic shortcomings of Goal 10 implementation, including establishing a regular schedule for Housing Capacity Analyses and adding a requirement to adopt an HPS focused on action and production. The changes of House Bill 2003 center equitable outcomes in a way that historic implementation of Goal 10 has not, but did not assign specific targets for unit production and largely left the structure of the Housing Capacity Analysis unchanged.

The following table shows our current trajectory in housing planning reform, where we started, what has been accomplished to date, and what remains to be considered as DLCDC works with stakeholders to develop the recommendations it will bring to the 2023 Legislative Session.

Outcome	Pre-2019	Post- HB 2001 and 2003	Additional Reforms to Explore
Increase Total Unit Production	<ul style="list-style-type: none"> <li>▪ Focused primarily on land capacity</li> <li>▪ Incomplete assessment of housing need, no accounting for underproduction</li> <li>▪ No focus on production</li> <li>▪ Unclear accountability metrics</li> </ul>	<ul style="list-style-type: none"> <li>▪ Allowed missing middle, increasing land capacity for a variety of housing types</li> <li>▪ New focus on housing production (HPS)</li> <li>▪ Regular schedule for updating HCAs and HPSs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Full accounting of total housing need in HCAs (including underproduction)</li> <li>▪ Improved understanding of land efficiency measures to accommodate growth</li> <li>▪ Clear targets for housing production</li> <li>▪ Clarified accountability measures for jurisdictions that are not making progress toward HPS targets for total unit production</li> </ul>
Increase Publicly funded and Affordable Unit Production	<ul style="list-style-type: none"> <li>▪ Incomplete assessment of need for affordable units, with no accounting for housing needed for people experiencing homelessness</li> <li>▪ No focus on publicly funded or affordable unit production</li> </ul>	<ul style="list-style-type: none"> <li>▪ Removed zoning barriers to missing middle, which allows for a range of smaller unit types</li> <li>▪ New focus on affordable unit production and fair housing outcomes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Full accounting of need for affordable units in HCAs (including for people experiencing homelessness)</li> <li>▪ Binding targets for production of publicly funded units</li> <li>▪ Increased focus on fair housing, supported with data</li> <li>▪ Clear accountability measures</li> <li>▪ Ties to new funding and programs to support affordable unit production</li> </ul>

Outcome	Pre-2019	Post- HB 2001 and 2003	Additional Reforms to Explore
Inclusive and Integrated Communities	<ul style="list-style-type: none"> <li>Fair housing disconnected from Goal 10 land use plans</li> <li>Zoning that excludes certain housing types allowed</li> </ul>	<ul style="list-style-type: none"> <li>Allows production of a range of unit types in all neighborhoods</li> <li>Requires consideration of fair housing in HPS and new tracking / reporting to DLCDC</li> </ul>	<ul style="list-style-type: none"> <li>Production targets that lead toward a more equitable housing distribution across jurisdictions</li> <li>Increased focus on fair housing, inclusive neighborhoods, and housing choice statewide, supported with data</li> <li>Clear accountability measures for jurisdictions that are not working to reduce racial and economic housing segregation</li> </ul>

## 2) Pathways to Implementation

The OHNA may be integrated into local Goal 10 planning systems by one of two existing administrative and legal pathways: (1) Housing Production Strategies and/or (2) Housing Capacity Analysis and associated land use decisions. Within these pathways, there are numerous variations and combinations of reforms that are possible, including the potential to implement changes over time in phases. But regardless of how they are paired or sequenced, to fully enable more equitable housing outcomes, statutory changes in both pathways would be needed.

### 1) Integrating the OHNA into Housing Production Strategies:

The OHNA can provide data that can inform and improve HPSs by providing local targets for unit production by income. This could be used to assess whether local HPSs are doing everything they can to achieve these targets. In particular, it can measure progress toward meeting affordable housing need, and help cities and stakeholders understand where progress is being made toward more inclusive communities. OHNA targets can help local jurisdictions become more active partners in housing production and maximize development within existing UGBs.

If combined with funding, strong accountability measures, and appropriately scaled administrative capacity, this pathway holds strong promise to substantially improve attention to equitable housing production. However, without these supporting structures in place, this pathway would result in targets that local governments cannot make progress toward meeting. Additionally, without accompanying changes in measuring land efficiency in land use plans, HPS implementation would lead to land supply constraints over time, because the total need in the OHNA is higher than what is typically found through the local HCA process.

## 2) Integrating the OHNA into Housing Capacity Analyses and land use planning:

The Legislature could specify that under ORS 197.303, local jurisdictions must use projections and affordability thresholds provided by the OHNA instead of locally produced projections of housing need. Local jurisdictions would then be required to plan and zone based on their share of population and economic growth, as well as the previous underproduction and inequitable distribution of housing. The resulting zoned capacity would provide the land supply needed for the implementation of HPSs.

This pathway would improve on existing systems by ensuring that land use plans provide sufficient zoned capacity to accommodate full housing need, and in particular, that they provide capacity for housing need for those at the lower end of the income spectrum. However, without the accompanying changes in the HPS described above, the focus would remain on land capacity, with insufficient attention to housing production.

### Considerations

Each pathway requires careful analysis, in collaboration with stakeholders, to understand the consequences (intended and unintended) that could arise with implementation. Here are just a few examples of the considerations DLCD and OHCS will explore with stakeholders over the coming months:

- Full adoption of OHNA allocations into local Goal 10 planning will increase the need for zoned capacity in many communities, placing additional pressure on future expansion decisions in some communities.
- Both pathways interact with Metro's unique housing planning model in ways that require reconciliation.
- In the Housing Production Strategy pathway (#1 above), only cities with more than 10,000 residents are currently required to produce HPSs, which would mean that smaller communities may be excluded from OHNA implementation.

Perhaps most importantly, regardless of the pathway, other systemic changes will be needed if outcomes are to be achieved. These are described in the next section.

## 3) Conditions for Success

Any significant change will require the full engagement of local governments, given their responsibility for Goal 10 planning and implementing HPSs. Reforms at the state level must coordinate and focus state actors on housing production, while also enforcing expectations and

providing resources for local governments to succeed on the ground. Local governments cannot, on their own, produce the outcomes that are needed.

The OHNA methodology can describe the production targets and distributions that are needed throughout the state. However, for our Goal 10 planning systems to deliver those outcomes in either of the pathways described above, the Legislature will also have to provide the tools to overcome real-world barriers to production. These are:

- Accountability, to ensure that governments are doing all they can to equitably meet growing need
- The amount and type of state-level funding, to better support the production of publicly funded housing and affordable housing
- Administrative capacity, to enable comprehensive and sustained implementation efforts

The level of support in each of these areas will determine whether new targets lead to outcomes or are simply unenforceable theoretical exercises.

## Accountability

A strong accountability system will be needed to achieve housing production that is sufficient to meet need while also overcoming the patterns of racial and economic segregation that have been enabled by state and local policies for more than a generation. Such a system would coordinate and clarify the enforcement of land use decisions as they relate to Goal 10, housing production strategy implementation, and fair housing outcomes. It would provide sufficient penalties to inaction, coupled with adequate support for production, to motivate local political will toward substantial changes in existing land use patterns. Our current system does not meet these conditions.

### Accountability Within Goal 10

Oregon's statutes and administrative rules give the Land Conservation and Development Commission (LCDC)<sup>4</sup> regulatory authority over Goal 10 plans, including HPSs, to ensure that they comply with state law. At the core, local compliance with Goal 10 determines the zoned capacity for housing development by dictating site use, housing type, and density. The HPSs are the implementing mechanisms to achieve housing goals. LCDC has the ability to issue enforcement actions to jurisdictions that fail to comply with Goal 10, either in their comprehensive planning<sup>5</sup> or in the production of needed housing through implementing their

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<sup>4</sup> LCDC is the Commission that oversees DLCD and, together with the department, adopts, coordinates, and ensures compliance with land use policy. It has seven citizen commissioners appointed by the Governor from different parts of the state. Commissioners volunteer their time for four-year terms.

<sup>5</sup> See ORS 197.319 to 197.350 for a description of LCDC's general enforcement authority.

HPS.<sup>6</sup> LCDC can impose a broad range of remedies, including taking away some state funding and mandating policy changes, if it finds an enforcement order is necessary.

LCDC rarely issues enforcement orders, for good reason. They are time-consuming, expensive, and politically contentious processes that are reserved for the most critical threats to desired land use outcomes. In this void, a patchwork of community members, nonprofits, and industry advocate groups effectively regulate through legal actions against local governments. For local governments, it is unclear when they have sufficiently met requirements to avoid lawsuits and other punitive actions, and unclear what those punitive actions might be if they are brought. In this way, the application of accountability measures can itself become a hindrance to housing production. Further, because HPSs are so new to jurisdictions, enforcement orders or other actions about HPS implementation have not yet been tested.

Despite all of these challenges and uncertainties, the enforcement order mechanism is quite powerful, and gives LCDC the ability to heavily influence Goal 10 implementation. Though additional enforcement mechanisms may not be necessary, clarification of when and how existing mechanisms will be applied is certainly needed. Some stakeholders would also prefer that they be applied more aggressively to achieve housing outcomes. The OHNA would provide a measuring stick that defines what it means for local governments to “equitably meet housing need.” It would provide a foundation for determining regulatory compliance, and a smoother pathway to implementing pro-housing decisions and fair housing solutions.

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The OHNA would provide:

- a measuring stick that defines what it means for local governments to “equitably meet housing need”
  - a foundation for determining regulatory compliance, and
  - a smoother pathway to implementing pro-housing decisions and fair housing solutions.
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## Integrating Fair Housing

In addition to accountability mechanisms available through state statutes and administrative rules, state and local governments must comply with fair housing law. Relevant to Goal 10 plans and HPSs, recipients of federal funds must comply with the Department of Housing and Urban Development’s (HUD) fair housing planning requirements to further fair housing and address racial segregation.

While these federal laws have been inconsistently administered and enforced from administration to administration, the fact that they focus at least in part on addressing racial segregation strongly suggests a connection to Goal 10 planning and/or HPS planning processes. That said, the connection between zoning decisions and fair housing has been contentious and difficult to parse. Land use on its own can do little to dictate the affordability or location of units and cannot dictate which unit occupants. This makes it a blunt tool for achieving racial desegregation and other equity outcomes. In practical terms, while more can be done to

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<sup>6</sup> ORS 197.293

incorporate fair housing considerations into land use planning, Goal 10 decisions can only set the stage for whether diverse housing types that include more affordable units and more inclusive communities are possible but cannot dictate the outcomes.

HPSs, on the other hand, play a key role in policy decisions that determine where affordable units are built within a city, creating a pathway for the creation of more inclusive communities. Together, HPS policies and state and local housing funding sources provide a promising avenue to achieve housing choice and inclusive communities throughout Oregon. As these are still new, the outcomes from implementation have yet to be realized. The data and targets related to integrated communities that would come from the implementation of the OHNA add one key puzzle piece to help advance fair housing outcomes. More exploration of these avenues is needed through this process.

## Funding

Our current system does not provide sufficient housing funding, clear avenues for leveraging and coordinating that funding across levels of government, or the certainty about the future availability of funding that is needed to enable long-term planning. It relies on a complex array of local incentives and funding sources, state funds dispersed through competitive processes and grants, and federal funds and tax credits that each come with their own regulatory and administrative requirements. This array of funding sources provides for hard-to-pencil market-rate development, affordable housing options (including rent- or income-restricted units that serve households earning below 60% of area median income (AMI) or unregulated affordable housing such as workforce housing), wrap-around services, and other housing-related needs.

To meet the full spectrum of need, these sources would need to be scaled and better coordinated toward common housing goals. And given the scale of need and the importance of planning over time, new, dedicated streams of revenue will be needed.

### Incentives for Private Market Development

New housing produced without subsidy by the private market will meet most of the housing need for households earning over 120% of AMI. Aging housing stock can, under some conditions, become more affordable over time, and public subsidy applied after the production of market rate housing, including rental assistance and down payment assistance, can increase its affordability to households with lower incomes. But, our market as a whole is undersupplied for housing units, and many of the desired unit types we need are hard-to-pencil. In this circumstance, additional targeted funding that spurs the development of new market rate units is an important component of an overall housing strategy.

In most parts of the state, denser development, infill development, smaller product types, development in rural communities, and redevelopment of underutilized or contaminated parcels are harder for developers to successfully finance and profitably build. These units are very

important to meeting overall housing need, not just because they provide important workforce housing and homeownership opportunities, but also because they help cities achieve climate-smart development goals and add needed units to an undersupplied market.

Currently, no single source of funds nor single entity exists with responsibility for funding these types of programs. Some jurisdictions have put in place incentives for the development of unit types that are less feasible but are still desirable. In particular, many cities have incentives for the development of mixed-income and higher density or mixed-use developments in transit-supported areas or downtowns. These incentives include urban renewal programs, tax abatement programs, density bonuses, and programs that make development permitting faster (saving carrying costs). Infrastructure investment can also serve as an incentive. These funding sources are scarce, and in demand to fund other important priorities, including the development of rent-restricted units to serve lower-income residents.

### Funding for Income- and Rent-Restricted Housing

The funding gap for meeting need at the lowest end of the income spectrum is daunting. In the last two years alone, OHCS has funded the production of over 10,000 affordable units. The vast majority of these are rental units for households under 60% of AMI; very little funding supports homeownership opportunities for households between 60% and 120% of AMI, which is essential to closing racial homeownership and wealth gaps.

OHNA targets suggest that this pace of unit production (and associated funding) for households at these income levels would need to be increased and sustained over time to meet growing need and catch up to the current deficit. It would also need to be coordinated with funding sources for rent support.

A network of private, public, and nonprofit organizations finance, construct, and operate rent-restricted housing that is affordable to households under 60% of AMI. These developers adhere to state and federal guidelines and standards and navigate a complex and fractured array of public and private funding. OHCS is the state's housing finance agency responsible for funding and overseeing the stock of state-regulated affordable housing. Through numerous programs, it grants and lends funding for the development or rehabilitation of housing and requires an affordability restriction in exchange for public funds.

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New, coordinated, dedicated streams of public funding will be required to spur the private sector to build more housing and close funding gaps on challenging sites, and significant funding will be needed to subsidize rent- and income-restricted housing affordable to low-income households.

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Many local governments and local housing authorities also fund housing that is affordable to households under 60% of AMI through a variety of programs such as urban renewal, tax abatements, construction excise taxes, bonds or taxing authority, and federal public housing programs. While many of these programs rely on revenue streams dedicated to the production of rent- or income-restricted housing, others can be used for broader public purposes (as is the case with urban renewal and tax abatements). This can create

the potential to pit the development of affordable housing against other needed services (including private-market development, as described above). Some programs effectively place the funding burden on property owners and developers. Most public programs also leverage private investment in a range of taxable and tax-exempt bonds, including the Low-Income Housing Tax Credit.

## Administrative Capacity

Introducing the OHNA methodology and targets into the Goal 10 planning system will stretch current capacity at both the local and state levels. At the state, effective management of the OHNA will require an administrative system that coordinates the activities of a range of state agencies that have an intersection with housing production outcomes. This will need to include the technical capacity to operate the OHNA on an ongoing basis, and the policy leadership to convene multiple agencies with a shared mission of housing production. At the local level, many jurisdictions will require technical assistance to generate quality plans and additional expertise to execute them.

Current state agency structures are disjointed in planning, funding, enforcing, and implementing the development of different types of housing:

- DLCD oversees Goal 10 policies and planning, including Housing Production Strategies, but has limited funding and enforcement ability.
- OHCS oversees state-regulated affordable housing funding and regulation but has insufficient funding to meet demonstrated need and no enforcement ability relative to production goals.
- Other state agencies (such as the Department of Human Services, the Department of Transportation, the Department of Consumer and Business Services, and Business Oregon) have roles that intersect with housing production but are not coordinated with agencies that are focused on housing production as they make investments.
- Regional Solutions often plays a key role in resolving cross-jurisdictional housing issues but is not currently structured to deliver ongoing programmatic support.

With this much fragmentation, too little funding, and limited accountability metrics, it is unclear what role each level of government and each agency would play in administering and coordinating a modernized housing system based on the OHNA. A wide array of potential solutions exists, spanning from a new state agency with funding, regulatory, and enforcement control, to a housing task force, and/or to an interagency governing body.



## 4) Roadmap to the 2023 Legislative Session

This Implementation Framework Report outlines the potential pathways that DLCD, OHCS, other state agencies, and numerous impacted jurisdictions could take to implement the OHNA, and highlights areas that will be critical to success. This report offers the framework in which numerous conversations and discussions will occur as DLCD, OHCS, and the project team continue to fulfill the requirements of HB 5006 (2021) and explore OHNA implementation.

By December 2022, DLCD and OHCS will create a report offering a set of recommendations to the Legislature on the reforms that will best achieve the needed housing outcomes. These recommendations will be based on input from a Working Group and engagement with internal and external stakeholders. Throughout this process, DLCD and OHCS are seeking input on the following key questions:

- What combination of changes to HPS and Goal 10 planning best achieve the desired outcomes?
- How can the conditions of success best be met?
  - What funding is required for successful implementation of the final recommended pathway?
  - How must incentives and enforcement tools evolve?
  - What is the best path to providing the needed capacity to administer a comprehensive housing planning system?
- How can these changes ensure that the full range of housing options is provided, especially for households with low incomes?
- What other state actions might be needed to facilitate outcomes?

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### OHNA Engagement Process

A companion document, the “Oregon Housing Needs Analysis Implementation Engagement Framework,” describes the stakeholder engagement expected to occur throughout the OHNA Implementation effort.

This document offers more detail on the purpose and goal of engagement, likely stakeholders (including the full Working Group roster), and engagement methods and phasing.

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The companion report offers more details, but in short, the engagement for the OHNA Implementation is two-fold:

1. Engagement focused on near-term policy development to support the legislative recommendations report includes: DLCD and OHCS led information sessions, focus groups, and regular meetings with a Working Group of practitioners and experts.
2. Engagement focused on a longer-term goal of embedding historically marginalized voices into the OHNA implementation and eventual system.

Both components of engagement begin in spring 2022. Portland State University’s Homelessness Research and Action Collaborative is leading the development of recommendations for longer-term engagement.

# OHNA Implementation Project Schedule

Updated on January 11, 2022

