

HOUSING CAPACITY WORK GROUP

MEETING PACKET #2



TO: Housing Capacity Work Group Members
FROM: Sean Edging, Housing Planner
SUBJECT: Housing Capacity Work Group Meeting Packet #2

Housing Capacity Work Group (HCWG) Members,

Thank you for a great first HCWG meeting. We were happy to meet you and are very excited to start this process with you. The first meeting focused on providing you with an overview of Statewide Planning Goal 10 (Housing) to lay the foundation for the work and discussions to follow in the remaining Work Group meetings.

Our second HCWG meeting will focus on two individual components of a Housing Capacity Analysis: Housing Mix and Buildable Lands Inventory. The meeting will be divided by each component. The first part of the meeting will focus on providing a deeper dive and facilitated discussion on Housing Mix issues and proposals to address these issues, while the second part of the meeting will focus on issues and proposals related to the Buildable Lands Inventory.

Below, you will find a packet of materials to help you prepare for the HCWG meeting scheduled for **Monday, May 23, 2022 from 9am-12pm**. Please note this meeting will be held virtually over Zoom. Work Group members will receive a unique panelist link to join the meeting.

Non-work group members can observe the meeting at the following link:

<https://us02web.zoom.us/j/86787009864?pwd=MTVVR0JXby9HeHMvbk5wUXAxdmE3UT09> Passcode: 634391

Housing Capacity Work Group Meeting Packet #2 Materials List:

1. Meeting Agenda
2. Housing Capacity Work Group Final Charter
3. Meeting 1 Summary Notes
4. Content Review Materials:
 - 15-page excerpt - Draft HNA Framework from a previous Eugene HNA (prior to 2010)

Please remember that the [Project Website](#) has many related materials available. You can find the [packet from HCWG Meeting 1](#) there as well as [presentation slide deck](#) of the first meeting.

Finally, if you have any questions on the materials in this packet or about the OHNA itself, please feel free to contact me via phone or email, my information is listed below. On behalf of DLCD and the Land Conservation and Development Commission, we continue to be grateful for your participation in this important initiative.

Thank you,

Sean Edging, Housing Planner

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Oregon

Governor Kate Brown

Department of Land Conservation and Development
Department of Housing and Community Services

Housing Capacity Work Group Meeting #2

May 23, 2022 | 9:00am–12:00pm

By [Zoom Web Conference \(Observer Link\)](#)
Passcode: 634391

Project Purpose

This work is part of the broader body of work on statewide housing planning. The Oregon Legislature directed DLCD staff to facilitate discussions and develop recommendations on a defined and narrow set of Urban Growth Boundary (UGB) issues as they relate to the implementation to the Regional Housing Needs Analysis (RHNA). As the chair of the House Committee on Housing, Representative Fahey submitted [testimony](#) outlining the specific issues these discussions should address, including:

- How land within Urban Growth Boundaries (UGBs) can be better utilized to increase housing types and units, including the reduction of restrictive or outdated zoning regulations and the appropriate conversion of commercial and employment uses to residential use.
- How the process and level of data necessary to establish the need for UGB adjustments can be streamlined, while considering the protection of resource lands.
- How the regulatory review of UGB adjustments can be streamlined, while considering the protection of resource lands.
- How to fund additional capacity in cities below 10,000 to plan for and work to facilitate the development of housing in their communities.

Work Group Role

Refer to attached meeting materials for the Housing Capacity Work Group Charter.

Meeting Goals

- Provide an update on the process, including a reminder of process parameter and scope
- Facilitate a discussion intended to solicit feedback and proposals to address issues related to translating housing need (as provided in the Oregon Housing Needs Analysis) to Housing Type and Mix
- Facilitate a discussion intended to solicit feedback and proposals to address issues related to Buildable Lands Inventories and the underlying methodologies and assumptions used to estimate development capacity and likelihood.

Housing Capacity Work Group Meeting #1 – Proposed Agenda

Time	Topic	Who
9:00-9:20a	Welcome and Agenda Overview <ul style="list-style-type: none"> • Review agenda and recap purpose of meeting • Structure of the discussion and rules of engagement 	<i>Jamie Damon, Kearns & West (facilitator)</i>
9:20-9:30a	Work Group Update <ul style="list-style-type: none"> • Housing Capacity Work Group Charter • Reminder on process parameters and scope <i>Materials: Work Group Charter</i>	<i>Sean Edging, DLCD</i>
9:30-10:30a	Translating Housing Need to Housing Type and Mix <ul style="list-style-type: none"> • Overview of existing statutory framework and specific issues <ul style="list-style-type: none"> ○ “Needed Housing” - ORS 197.296, ORS 197.303 ○ “The future resembles the past” ○ Bifurcation of Housing Types ○ Planning Housing Types in consideration of: <ul style="list-style-type: none"> ▪ Affordability and Tenure ▪ Market and Subsidized-Affordable Feasibility ▪ Housing Characteristics (e.g. size, accessibility, etc.) ○ Proposals and Ideas to Prompt Discussion • Discussion (Breakout Groups) 	<i>Sean Edging Jamie Damon</i>
10:30-11:55a	Buildable Lands Inventory <ul style="list-style-type: none"> • Overview of existing statutory framework and specific issues <ul style="list-style-type: none"> ○ The “20-year land supply” - ORS 197.296 ○ Local Political Dynamics ○ Estimating “Capacity”, including: <ul style="list-style-type: none"> ▪ “Phantom Capacity” ▪ Constrained Lands ▪ Redevelopment, Infill, and Partially Vacant Lands ○ Proposals and Ideas to Prompt Discussion • Discussion (Breakout Groups) 	<i>Sean Edging Jamie Damon</i>
11:55a-12:00p	Recap and next steps <ul style="list-style-type: none"> • Recap key discussion points and any requests or questions that need follow up • Reminder of next steps, upcoming Work Group meetings, and other opportunities for feedback 	<i>Jamie Damon</i>



Oregon

Governor Kate Brown

Department of Land Conservation and Development

Department of Housing and Community Services

Housing Capacity Work Group Charter DRAFT

Updated May 11, 2022

In March 2022, the Oregon Legislature directed DLCD staff to “support work on regional housing needs and land supply issues” (2022 House Bill 5202-1, section 444), by establishing a new Housing Capacity Work Group focused on a specific set of land supply questions. Legislators provided direction that this work should intersect with, but be distinct from, the questions that the Housing Needs Work Group has been grappling with since it was formed in October 2021. This Charter applies to the Housing Capacity Work Group. A similar charter outlining the roles for the Housing Needs Work Group is available on the DLCD website here:

https://www.oregon.gov/lcd/UP/Documents/Housing_Needs_Work_Group_Charter.pdf

Background and Purpose

This work is a critical component of the broader body of work on the Regional Housing Needs Analysis (RHNA). Staff will recommend to the Legislature that the process in Oregon be renamed the “Oregon Housing Needs Analysis” or OHNA. As directed by House Bill 5006 in the 2021 Legislative Session, DLCD, in consultation with Oregon Housing and Community Services (OHCS), was directed “to study and make legislative recommendations on the incorporation of a regional housing needs analysis into state and local planning programs”. This process is underway and is summarized in an [Interim and Framework Report](#) submitted to the Legislature on February 1st of this year.

Under [HB 5202](#), legislators directed DLCD staff to facilitate discussions and develop recommendations on a defined and narrow set of UGB-related issues as they relate to the implementation to the RHNA. As the chair of the House Committee on Housing, Representative Fahey submitted [testimony](#) outlining the specific issues these discussions should address, including:

- How land within Urban Growth Boundaries (UGBs) can be better utilized to increase housing types and units, including the reduction of restrictive or outdated zoning regulations and the appropriate conversion of commercial and employment uses to residential use.
- How the process and level of data necessary to establish the need for UGB adjustments can be streamlined, while considering the protection of resource lands.
- How the regulatory review of UGB adjustments can be streamlined, while considering the protection of resource lands.
- How to fund additional capacity in cities below 10,000 to plan for and work to facilitate the development of housing in their communities.

The role of the Housing Capacity Work Group is to:

1. Advise DLCD staff on issues specific to housing and land supply as implemented through the Housing Capacity Analysis (HCA) and related statute and administrative rule;
2. Provide diverse perspectives, share knowledge and experiences working with Housing Capacity Analyses and Goal 10, and constructively critique staff's direction and proposals (it is not intended to seek consensus);
3. Consider and, to the greatest extent practical, integrate the diverse perspectives, knowledge, and experiences from the RHNA Work Group and stakeholder engagement process.

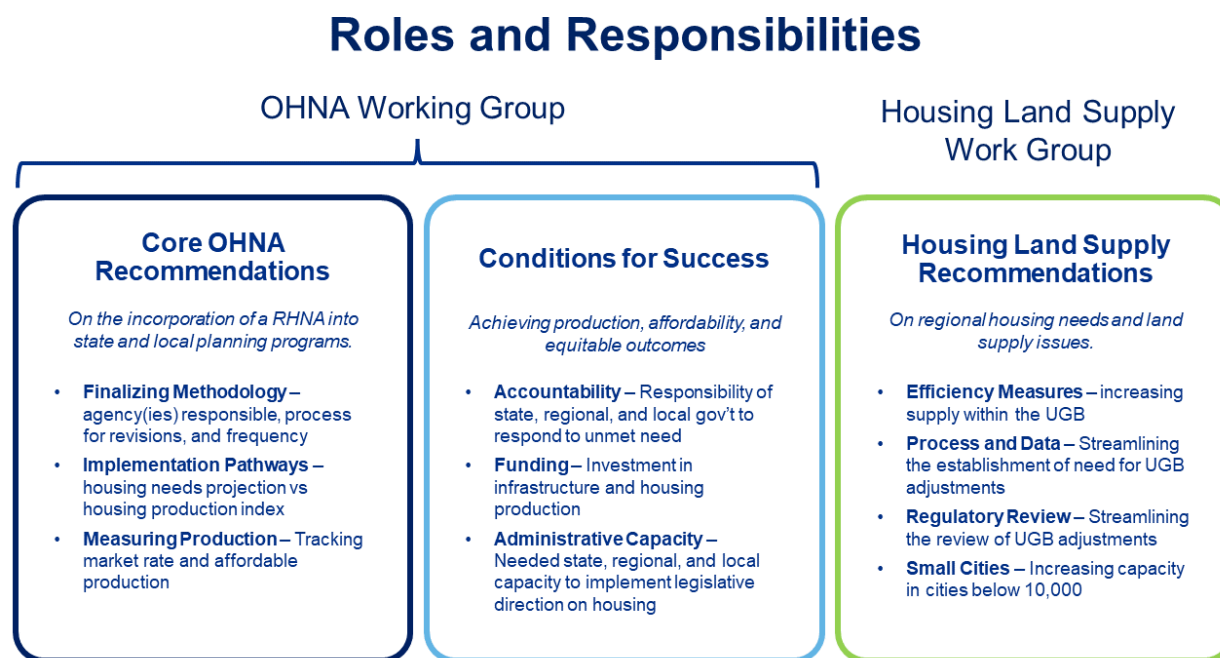
Members of the Work Group will be invited to discuss the following issues:

1. Translating housing needs projections produced by the RHNA into the projected mix of housing types that is commensurate with market dynamics and the financial capability Oregon households;
2. Inventorying buildable lands in a manner that better reflects their actual development potential, in both the near- and long-term;
3. Establishing clear and adaptable efficiency measures that meaningfully increase housing production and choice on lands within the Urban Growth Boundary;
4. Streamlining existing administrative processes that delay the adoption of housing capacity analyses and associated components, including Urban Growth Boundary expansions when a need is identified; and
5. Increasing the capacity of local jurisdictions, especially small cities, to complete housing planning work, through funding, technical support, and administrative streamlining.

The timeframe in which DLCD has to develop these recommendations is limited. Reports are due to the legislature this fall. To ensure DLCD can fulfill the legislative direction of HB 5202, **there are a host of important issues related to housing that this Work Group will not be able to address**, including:

1. Issues addressed by the Regional Housing Needs Analysis (RHNA) Work Group, including:
 - a. The implementation of a Regional Housing Needs Analysis into state and local planning programs. This includes potential changes to housing needs projections and the potential establishment of a housing production index;
 - b. The “conditions for success” needed to ensure changes associated with land use planning achieve better housing outcomes.
2. Issues related to the availability of land supply but outside of the scope of land use planning and the Housing Capacity Analysis; and
3. Broader systemic issues that affect housing outcomes that are outside of the scope of land use planning and the Housing Capacity Analysis.

The following image illustrates the distinction between the roles and responsibilities of the RHNA Work Group and the Housing Capacity Work Group:



Decision Making Process

The Housing Capacity Work Group is charged with advising department staff on the development of recommendations to fulfill legislative direction on housing and land supply issues as specified in HB 5202. DLCD's goal in convening this Work Group to solicit a broad spectrum of expertise and perspectives to provide guidance to DLCD staff on a set of implementable legislative recommendations. **The Oregon Legislature will make the final decision on policy direction and implementation in the 2023 Legislative Session.**

Staff will work to develop legislative recommendations that reflects the guidance from working group members, while recognizing that consensus is unlikely given the short time frame and range of perspectives on these issues. DLCD staff and the Work Group facilitator will consider all points of view. Staff will summarize the range of viewpoints expressed. Additionally, Work Group members are welcome to clarify their viewpoints, propose new ideas, or express concern in writing to staff and the facilitator.

Meeting Principles

1. Work Group Membership Agreements

Members agree to the following commitments:

- Participate in meetings, review materials in advance and actively participate in good faith while respecting time constraints, including the need to hear from a diverse set of perspectives. Various ways to provide feedback will be provided by the staff and facilitation team (written, verbal, small group discussion, etc.);

- A consistent alternate is acceptable with advance notice and coordination;
- Keep their organizations informed of the process and policy recommendations;
- As DLCD is not the final decision-maker, work with an understanding that DLCD recommendations will be subject to change through the legislative process;
- Follow through on promises and commitments;
- In the interest of time, refrain from re-visiting previous agreements; and
- Share all relevant information that will assist the Work Group in achieving its goals.

2. Good Faith

All members agree to act in good faith in all aspects of the Work Group process. As such, members will consider the viewpoints of other participants and conduct themselves in a respectful manner that promotes collaboration. Acting in good faith also requires:

- Individuals do not represent their personal or organization's views as views of the Work Group;
- Individuals express consistent views and opinions in the Work Group meetings and in other forums;
- Individuals with process or substantive concerns will raise them in the Work Group;
- Seek to learn and understand each other's perspective;
- Encourage respectful, candid, and constructive discussions;
- Seek to resolve differences and find common ground;
- Discuss topics together rather than in isolation; and
- Communicate so as to avoid surprises.

3. Process and Ground Rules

Work group members agree to apply the following ground rules:

- Honor the agenda and strive to stay on topic;
- Speak one at a time – raise hand to signal you'd like to speak;
- Allow for a balance of speaking time – respect time limits and make space for others to be heard;
- Bring concerns and ideas up for discussion at the earliest point in the process;
- Address issues and questions, not people or organizations;
- Listen with respect;
- Avoid side conversations; and
- Minimize meeting disruptions, such as cell phones and background noise

4. Withdrawal

Any member may withdraw from the Work Group at any time. Communication about the reasons for withdrawing, if related to the process, would be appreciated. Good faith provisions apply to those who withdraw.

5. Rights in Other Forums

Participation in the Work Group process does not limit the rights of any member to participate in other forums and processes. Members will make a good faith effort to notify one another in advance, if another action outside the process will be initiated or pursued, which could affect the proposals, recommendations, or agreements being discussed.

6. Press and Communications

Work group members agree to refrain from making negative comments about or characterizing the views of the other members in contacts with the press. Members also agree not to knowingly mischaracterize the positions and views of any other party, nor their own, in public forums.

If contacted by the media, please refer the media to Sean Edging or Emma Land at DLCD. Members shall make clear, when talking to the media, that the views they are expressing are their own, not of the Work Group.

Staff and Facilitator Roles and Responsibilities

Department Staff

Work group members will have assistance from department staff who will attend all meetings. DLCD staff will be at the table to participate in discussion, advise on technical or statutory questions, and listen to the perspectives of Work Group members. Legal questions will be addressed by DLCD staff in coordination with the agency's legal counsel.

Facilitator

Work group meetings will be led by a professional facilitator. Staff will ensure members' perspectives are heard and to support members to have meaningful and productive conversations. The role of the facilitator is to:

- Support Work Group members in providing their input and help ensure a balanced process;
- Ensure members adhere to the operating principles;
- Identify and communicate common themes, areas of disagreement, and decision points; and
- Summarize member comments, questions, themes, and decision points in meeting notes and summaries. This information will be available on the agency's website and provided as supplemental to recommendations provided to the Legislature.

Meeting Schedule

DLCD has scheduled a series of Work Group meetings to hold discussions on land supply issues. These meetings are open to the public. Meeting notices, agendas, and materials will be published to [DLCD's Housing webpage](#). The first meeting will be held on May 5:

First Housing Capacity Work Group Meeting

Date and Time: May 5, 2022. 1:00PM – 3:00PM

Location: Virtual Meeting

Zoom Link (Observer):

<https://us02web.zoom.us/j/86787009864?pwd=MTVVR0JXby9HeHMvbk5wUXAxdmE3UT09>

Passcode: 634391

Work Group meetings are scheduled for the following dates and times:

Meeting	Topic	Date	Time
Meeting 1	Introduction, Context, and Roles	Thursday, May 5	1-3 pm
Meeting 2	Housing Mix and Buildable Lands	Monday, May 23	9am - 12pm
Meeting 3	Efficiency Measures and UGB Need	Thursday, Jun 30	1-4 pm
Meeting 4	Process Streamlining and Capacity	Tuesday, Jul 26	1-4 pm
Meeting 5	Report Back and Additional Feedback	Wednesday, Aug 31	2-4 pm
Meeting 6	Review Draft Recommendations	Monday, Sep 26	9-11 am
Joint Meeting with RHNA Work Group	Wrap-up, Next Steps, and Legislative Transition	Thursday, Oct 20	1-3 pm

Work Group Members

Name	Organization or Occupation
Brian McDowell	Business Oregon (ex-officio)
Lucia Ramirez	Oregon Department of Transportation (ex-officio)
Rian Hooff Mary Camarata Greg Svelund	Oregon Department of Environmental Quality (ex-officio)
Al Johnson	Retired Land Use Attorney
Allan Lazo	Fair Housing Council
Bill Van Vliet	Network of Oregon Affordable Housing
BreAnne Gale Brian Rankin	City of Bend
Brian Latta	City of Dallas
Chris Faulkner	Clean Water Services
Dave Hunnicut	Oregon Property Owners Association
Emily Reiman	DevNW
Garet Prior	Wilsonville Alliance for Inclusive Community
Heather O'Donnell	City of Eugene
Jeffrey Adams	City of Cannon Beach
Jeremy Rogers	Oregon REALTORS
Jim McCauley Ariel Nelson	League of Oregon Cities
Jonathan Trutt	Home Forward
Justin Peterson	Oregon Cascades West Council of Governments
Kaarin Knudson	Eugene - Better Housing Together
Kathy Wilde	Oregon Housing Land Advocates
Mary Anne Cooper	Oregon Farm Bureau
Mary Kyle McCurdy	1000 Friends of Oregon
Matt Lawyer	Marion County Board of Commissioners
Michael Burdick	Association of Oregon Counties

Peggy Lynch	League of Women Voters
Peter Gutowsky	Deschutes County Community Development
Samantha Bayer	Oregon Home Builders Association
Stacie Sanders	Housing Oregon
Ted Reid Anneliese Kohler	Metro Regional Government
Yiping Fang	Portland State University

Staff Contacts

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Jamie Damon	971-238-3354	jdamon@kearnswest.com

Housing Capacity Working Group - Meeting 1

May 5, 2022

Meeting Notes

(Published May 16, 2022)



Staff and Working Group Members

Sean Edging, DLCD	Justin Peterson, Oregon	Kaarin Knudson, Eugene – Better
Ethan Stuckmayer, DLCD	Cascades West Council of	Housing Together
Mari Valencia-Aguilar, DLCD	Governments	Stacie Standers, Housing Oregon
Gordon Howard, DLCD	Chris Faulkner, Clean Water	Anneliese Koehler, Metro
Emma Land, DLCD	Services	Ariel Nelson, League of Oregon
Ingrid Caudel, DLCD	Yiping Fang, Portland State	Cities
Matt Lawyer, Marion County	University	Jeremy Rogers, Oregon Realtors
Board of Commissioners	Ted Reid, Metro	Samantha Bayer, Oregon
Peggy Lynch, League of Women	Brian Latta, City of Dallas	Homebuilders Associations
Voters	Emily Reiman, DevNW	Allan Lazo, Fair Housing Council
Jeff Adams, City of Cannon	Garet Prior, Wilsonville Alliance	Brian McDowell, Business
Beach	for Inclusive Community	Oregon
Jonathan Trutt, Home Forward	Bill Van Vliet, Network for	Mary Anne Cooper, Oregon Farm
Brian Rankin, City of Bend	Oregon Affordable Housing	Bureau
Mary Kyle McCurdy, 1000	Al Johnson, Retired Land Use	Rian Hooff, Oregon Department
Friends of Oregon	Attorney	of Environmental Quality (ODEQ)
Heather O'Donnell, City of	Peter Gutowsky, Deschutes	Dave Hunnicut, Oregon Property
Eugene Planning Division	County Community	Owners Association
Kathy Wilde, Housing Land	Development	Lucia Ramirez, ODOT
Advocates	Michael Burdick, Association of	
	Oregon Counties	

Key Insights Summary

Understanding the scope of the Housing Capacity versus the Housing Needs Working Groups –

Although there are distinctions in the purpose and planned outcomes for both Working Groups, the extent of each Working Group's purview could benefit from additional opportunities for clarification. In addition, it would be helpful to connect the conversations of both Working Groups in future discussions.

Policies to increase efficacy of the UGB expansion process and provide better clarity on Efficiency

Measures – The process for cities to plan and pursue a UGB expansion is often slow-moving and expensive, inhibiting the development of dependent land supply projections. It will be imperative to discuss ways in which the UGB expansion process can be clarified to provide cities with a stronger grasp of the necessary steps they will need to take if they seek to increase the supply of buildable lands.

Current population projections do not sufficiently articulate housing need alone – Population projections only provide an estimation of people and do not include any additional metrics such as household size, households with children under 18, households with a disability, etc. Lack of additional data related to housing access and capacity can limit the ability of a city to understand housing need. It will be important to discuss how cities can receive more robust data measurements to plan for necessary housing type and mix.

Presentation and Discussion Notes – Presentation slide deck:

https://www.oregon.gov/lcd/UP/Documents/20220503_Housing_Capacity_WG_Mtg1_Presentation.pdf

Legislative Context and Working Group Scope

Where does the Housing Capacity Working Group fit within the Legislative Context and direction?

- House Bill 2003 (2019), a companion bill to House Bill 2001, looks to change the ways in which local governments plan for housing within the Goal 10 framework
 - HB 2003 allocates Oregon Housing and Community Services to create the Regional Housing Needs Analysis (RHNA), a document that articulates housing need
 - HB 2003 directs DLCD to assess methodology
- Gaps in methodology prompted HB 5006 (2021) which provides the direction to OHCS and DLCD to “study and make recommendations on the incorporation of a RHNA into state and local planning programs” by the end of 2022
- Actual housing need has been much larger and higher than what individual cities have been projecting
 - This in part, prompted HB 5202, which provides additional direction to DLCD to support working on regional housing needs and land supply issues
 - Four issues:
 1. How land within the UGB can be better utilized to increasing housing types and units, including reducing restrictive/outdated zoning regulations
 2. How to streamline the process and level of data necessary to establish the needs of UGB adjustments
 3. Determining the regulatory review of UGB adjustments, while considering the protection for resource lands
 4. How to build capacity for cities below 10,000 to plan and build for housing

The Role of the Housing Capacity Work Group

1. Advise DLCD on issues specific to housing capacity
2. Bring diverse perspectives and shared knowledge regarding Housing Capacity Analyses and Goal 10, provide constructive feedback to staff’s direction and proposals (*not to seek consensus*)
3. Consider and integrate perspectives and knowledge from the Housing Needs Work Group

Decision-making process for DLCD Housing Capacity Work Group vs. Typical Rulemaking Process

- Typical Rulemaking Process
 - Prompted by a rulemaking advisory committee and terminates in an administrative rule
- Oregon Housing Needs Analysis

- Begins with research, engagement, and work groups (with a policy focus) that terminates in a set of recommendations shared to Oregon Legislature. Legislature determines how to incorporate these recommendations

Distinction between Housing Needs Work Group and Housing Capacity Work Group

- Housing Capacity Work Group is focused on specific legislative direction:
 - Efficiency Measures
 - Process and Data
 - Regulatory Review
 - Small Cities
- Housing Needs Work Group is focused on implementation of an RHNA as well as “Conditions for Success” (follow-up work needed to achieve production, affordability, and equitable outcomes)

Questions and Comments

- How is the implementation of Efficiency Measures within the scope of the Housing Capacity Work Group distinct from the scope of the Housing Needs Work Group?
Sean Edging, DLCD: There is some overlap between the Housing Capacity Work Group and the Housing Needs Work Group. However, the Housing Capacity Work Group will be focused specifically on analyzing Efficiency Measures. Will be opportunities to coordinate between both work groups.
- Efficiency Measures need to include discussion of infrastructure as well. In addition, HB 2003 provided a new Housing Needs Analysis schedule direction for larger population cities. This should be included in the conversation.
Sean Edging, DLCD: Considerations regarding infrastructure playing a role in Efficiency Measures will be discussed in further detail.

Goal 10 Overview

Broad overview of the policy objectives of Goal 10

- Goal 10 is a statewide land use planning goal, related to housing
 - Requires cities to conduct inventory of lands and plan to accommodate housing
- Traditional Compliance of Goal 10 has been through Housing Capacity Analyses, which have been how a city responds to Goal 10 requirements
 - Projects the amount of housing need planned to be needed over 20 years
 - Determines whether there is sufficient buildable land within a UGB to accommodate for housing, and if there isn't, finding the necessary measures by which to allocate space for it
- In addition to the Housing Capacity Analysis, in 2019, the Oregon Legislature adopted a new requirement for jurisdictions, called the Housing Production Strategy
 - HPS is a game plan for cities, requires cities to document and establish timelines for tools that will support the development of accessible housing

Housing Capacity Analysis Schedule

- HB 2003 establishes a schedule for when HCAs are supposed to occur. Every 8 years for smaller cities and every 6 years for cities with a population above 10,000

- This schedule additionally applies for Housing Production Strategies, required to be completed one year after the HCA deadline, or done concurrently with an HCA
- Cities must adopt updated changes from HNA by the end of the listed year, 6 or 8 years depending on the size of the city

Goal 10 Process

- Housing Needs Projection
 - Begins with a Population Projection (provided by PSU or Metro for cities under Metro)
 - After there is a projection, it is then updated on a regular schedule
- Local Market Data Analysis, helps determine the next 20 years of growth, using trends and market factors
- The combination of Local Market Data Analysis and the Population Projection results in the creation of a 20-year housing needs projection, projects out 20 years of growth informed by past production and market factors
 - Part of the scope of discussion for the Housing Needs Work Group involves determining whether this should be replaced with state provided methodology
- Oregon Housing Needs Analysis/RHNA does not currently provide housing types but does provide housing affordability brackets and other metrics
 - Because the data is reliant on the Census, articulating housing types at the state level has been a challenge

Buildable Lands Inventory

- Jurisdictions are required to produce a map that shows the four categories of buildable lands: vacant, partially vacant, mixed-use, infill and redevelopment. There are also certain types of lands that are not eligible to be seen as “buildable” in the inventory. These lands include:
 - OAR 660, Division 008 (including lands that contain Natural Hazards, National Resource Protections, land that cannot be developed to support public facilities, etc.)
 - OAR 660, Division 038
- The comparison of the 20-year housing needs projection and the capacity of land for housing determines Land Sufficiency
 - If sufficient, no further action required (except for the Housing Production Strategy)
 - If insufficient, it must adopt measures to accommodate needed housing. These include
 1. Efficiency Measures, which serve to increase likelihood of higher density residential development (increase density, financial incentives, easing development review). This list is not exhaustive, other means by which to do this can be done
 2. Urban Growth Boundary (UGB) Adjustment. A city has to demonstrate that they’ve attempted Efficiency Measures within UGB and it has been insufficient, thus requiring them to look into an Urban Growth Boundary Adjustment

Goal 14 Expansion Process

- Goal 14 outlines the basic process for the adjustment of an Urban Growth Boundary. Involves three main steps
 1. Establishing a Study Area (city/local government establishes this area)

- City to define preliminary study area by determining what land is buildable around UGB and then removing land that is deemed unsuitable for development
- The final study area that is developed must be twice as large as the land needed
- 2. Prioritizing lands (categorize lands under study area in four different categories)
 1. Urban reserves, rural “exception” lands, non-resource lands
 2. Marginal lands (only applies in Lane and Washington Counties)
 3. Farm and forest land that is not deemed as high-value farmland
 4. Farm and forest land that is deemed as high-value farmland
- 3. Analyze land using four location factors (*four factors can be weighed according to how the city sees fit*)
 1. Efficient accommodation of identified land needs
 2. Orderly and economic provision of public facilities and services
 3. Comparative environmental, energy, economic and social consequences
 4. Compatibility of proposed urban uses with adjacent agricultural and forest activities occurring on farm and forest lands outside the UGB

Additional Considerations

- Simplified UGB Methodology
- Created to support smaller jurisdictions with navigating expansions
- UGB Land Swaps
- Take land out of the UGB that’s undevelopable and replace with equal amount of land that is developable. If there is alignment, a Needs Analysis is not required. Four locational factors still apply.

Questions and Comments

- How refined is the PSU population projection? How detailed are the metrics of the projection and does it include metrics including household size, age of household, numbers of children other under 18? Anything that could provide insight on the size of necessary housing unit? It may be beneficial as one of the outputs of this Working Group to advocate for cities to receive more detailed data measurements from their respective population projections.
Sean Edging, DLCD: Population projections that are provided to cities solely include estimation of people, and then the cities are subsequently responsible for translating this number into estimated amount of housing units, based on local market data (e.g. household size, past housing production, etc.)
- When cities are identifying and categorizing available lands, is there a factor to account for the fact that not all land will be available for developers to develop on in 10 or 20 years?
Gordon Howard, DLCD: This is something that has been a major issue for the program with UGB expansion process. Will be discussing further in future meetings.
- Are cities required to have a post-hoc analysis, looking at why certain vacant lands weren’t filled in?
Sean Edging, DLCD: There aren’t specific methodologies in place in the Buildable Lands Inventory for doing this review. There are statutes to monitor land and development over time, but nothing that is currently standardized nor comprehensive.

- Can we address new construction methodologies to better understand construction timelines and redefine what is possible beyond single-family and multi-family basic housing?
Sean Edging, DLCD: This highlights an area of needed follow-up work for the Building Codes Division, allowing for more diverse construction methods affordable housing options. This is an example of a “Condition for Success” that we plan to incorporate with the RHNA implementation package.
- The permitting process is slow and needs to be considered when we determine what is buildable.
- Do cities have a requirement to show how they plan to use the projections in relation to Goal 10?
Sean Edging, DLCD: This will be discussed in detail in the subsequent section of the presentation, Overview of Identified Issues.
- We want to make sure that this process doesn’t become more even complex and mired in additional steps. What is the length of time that it takes for a city to go through UGB expansion? In addition, what is the length of time required to go through the land swap process? For the land swap, does the land that is being swapped need to be as identical as possible?
Gordon Howard, DLCD: We don’t have a sense of how long it takes. It can vary greatly, depending on what is going on at the local government level. It can take as little as 1.5 years but can be much longer due to litigious UGB amendments. In terms of UGB land swap, there is not much difference in timeframe. The land swap is looking at the land being added, and if it is similar in its capacity for development.
- Do we have any history of successful UGB land swap? Does the priority statute not apply if a jurisdiction is pursuing a land swap? In addition, is it the jurisdiction rather than the individual that initiates the land swap?
Gordon Howard, DLCD: The priority statute still applies for a land swap. What does not apply is a Needs Analysis if the capacity for development is equal in a land swap. Cities such as Sutherland, Dayton and Pendleton have pursued or are currently pursuing a land swap.
- Is there a Measure 49 issue with land swaps? Do you need to pay the person you are taking out of the system?
Gordon Howard, DLCD: No, our agency interpretation of Measure 49 is that it applies to the zoning of the property, not the UGB.
- Does DLCD have a sense of cost for pursuing land swaps and UGB expansion costs?
Gordon Howard, DLCD: DLCD, does not have any data on that subject. DLCD has given grants in the past before for UGB, but it is a time intensive and expensive process for a city to pursue a UGB expansion. We will follow-up with questions for local governments to assess relative time and expense associated with the expansion process.

Overview of Identified Issues

Understanding Current Limitations

High-level Overview of Five Main Identified Issues

1. Translating housing need (OHNA) to housing types/mix that is responsive to market considerations
2. Assumptions regarding Buildable Lands Inventory assumptions can impact final buildable capacity.

3. The lack of explicit direction surrounding Efficiency Measures.
4. Urban Growth Boundary Review process is often uncertain and runs the risk of litigation.
5. Small cities (below 10,000 population) do not have resources to build for housing capacity

Issues Not Within Scope of the Housing Capacity Work Group

- The implementation of the OHNA and its “conditions for success”
- Protection of farm, forest, and resource lands generally
- Land capacity-related issues outside of land use planning and Goal 10
- Broader systemic issues that are related to housing outcomes

Questions and Comments

- The New Climate Friendly Equitable Communities rules will establish a new set of requirements that will make it increasingly challenging to expand UGBs, particularly regarding the Vehicle Miles Traveled (VMT) reduction targets. Do we consider these rules?
Sean Edging, DLCD: The goal is that UGB expansions don't increase VMT's per capita, there is no requirement to demonstrate VMT reduction prior to UGB expansion. We can discuss rules related to Climate Friendly Equitable Communities in relationship to Efficiency Measures, but we will not be able to affect the substance of that rulemaking process in this work group.
- Looking for ways to better understand timeline and cost of UGB expansion. Is it possible for DLCD to survey cities about their experiences with UGB expansion?
Gordon Howard, DLCD: DLCD will engage with cities on their UGB expansion process, including time and cost.
- We need to better understand household need, including what disability housing needs to be built. How can we translate need into housing type and mix if we do not know an explicit understanding of what the need is?
Sean Edging, DLCD: The OHNA Work Group and Conditions for Success will address some of these considerations, including estimating housing need for people with disabilities.
- We want Efficiency Measures to be implicitly related to Housing Need.
Sean Edging, DLCD: The Policy measures related to Efficiency Measures will be discussed in this Housing Capacity Working Group.
- Parking requirements are a significant impediment for developing housing capacity. Is this Working Group a place to have a discussion surrounding parking implications?
Sean Edging, DLCD: We will talk about it in the broadest sense when we discuss Efficiency Measures.
- Hoping for an opportunity push for a real 20-year land supply timelines. When there is litigation of a 20-year land supply, local governments should have the ability to restart their process of extend their process so that when their expansion is acknowledged, they have a true 20-year land supply.
Sean Edging, DLCD: This will be discussed during the Regulatory Review for UGB Expansions portion of the Working Group.

Next Steps

Subsequent Housing Capacity Working Group Meeting to be held on **May 23rd, 9 AM – 12 PM**
Meeting Adjourned (2:58 PM).

C.1 FRAMEWORK FOR A HOUSING NEEDS ANALYSIS

Economists view housing as a bundle of services for which people are willing to pay. Those services include shelter certainly, but also proximity to other attractions (jobs, shopping, recreation), amenity (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced by both economic forces and government policy. Moreover, different households will value what they can get differently. They will have different preferences, which in turn are a function of many factors like income, age of household head, number of people and children in the household, number of workers and job locations, number of automobiles, and so on.

Thus, housing choices of individual households are influenced in complex ways by dozens of factors; and the housing market in Lane County and Eugene are the result of the individual decisions of thousands of households. These points suggest the difficulties of projecting what types of housing will be built between 2011 and 2031.

The complexity of a housing market is a reality, but it does not obviate the need for some type of forecast of future housing demand and need, and for an assessment of the implications of that forecast for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need. Thus, we start our housing analysis with a framework for thinking about housing and residential markets, and how public policy affects those markets.

C.1.1 HOUSING DEMAND VERSUS NEED

The language of Goal 10 and ORS 197.296 refers to housing *need*: it requires communities to provide needed housing types for households at all income levels. Goal 10's broad definition of need covers all households—from those with no home to those with second homes.

State policy does not make a clear distinction between need and demand. Following is our definition, which we believe to be consistent with definitions in state policy:

- *Housing need* can be defined broadly or narrowly. The broad definition is based on the mandate of Goal 10 that requires communities to plan for housing that meets the needs of

households at all income levels. Goal 10, though it addresses housing, emphasizes the impacts on the households that need that housing. Since everyone needs shelter, Goal 10 requires that a jurisdiction address, at some level, how every household will be affected by the housing market over a 20-year period. Public agencies that provide housing assistance (primarily the Department of Housing and Urban Development – HUD, and the Oregon Housing and Community Services Department - HCS) define housing need more narrowly. For them, households in need do not include most of the households that can purchase or rent housing at an “affordable” price, consistent with the requirements of their household characteristics. Households that cannot find and afford such housing have need: they are either unhoused, in housing of substandard condition, overcrowded, or paying more than their income and federal standards say they can afford.

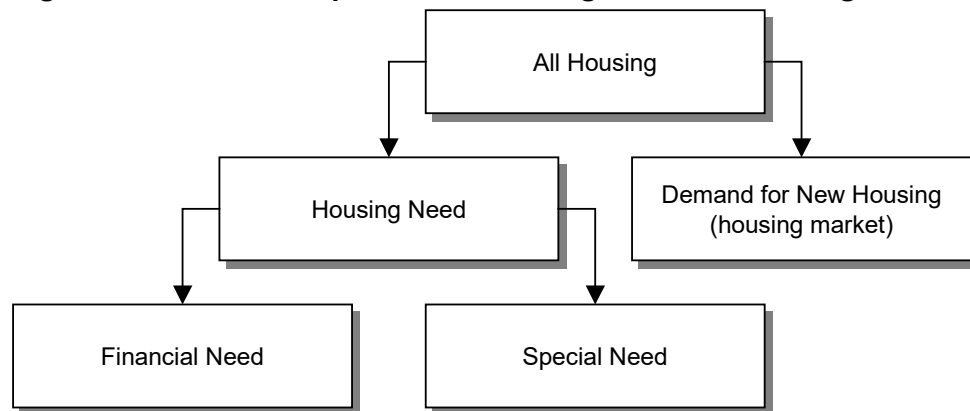
- *Housing market demand* is what households demonstrate they are willing to purchase in the market place. Growth in population means growth in the number of households and implies an increase in demand for housing units. That demand is met, to the extent it is, primarily by the construction of new housing units by the private sector based on its judgments about the types of housing that will be absorbed by the market. ORS 197.296 includes a market demand component: buildable land needs analyses must consider the density and mix of housing developed over the previous five years or since their most recent periodic review, whichever is greater. In concept, what got built in that five-year period was the *effective demand for new housing*: it is the local equilibrium of demand factors, supply factors, and price.

In short, a housing needs analysis should make a distinction between housing that people might need (a normative, social judgment) and what the market will produce (an observable outcome).

Goal 10 does not make a clear distinction between the existing stock of housing and new housing. Because a lot of Goal 10 (and Goal 9, the Economy) is aimed at Goal 14 (Urbanization) and a determination of whether more land should be added to urban growth boundaries, there is usually more emphasis on *new* housing, which will require buildable land. In essence, a Goal-10 evaluation looks at (1) new households that the population forecasts presume will be living in a jurisdiction 20 years in the future, (2) estimates a number of new (“needed”) housing units, by type, and (3) estimates the amount of land they will consume when they are constructed.

Figure C-1 distinguishes between housing needs that are unmet and those that are met via market transactions. Housing need is the total number of housing units required to shelter the population. In that sense, housing need is approximately the number of households: every household needs a dwelling place. Some housing need is met through market transactions without much government intervention because households have the income to *demand* (purchase) housing services (as owners or renters). That demand is shown in the box on the right. Other households, however, have needs unmet, usually because they lack the resources to purchase housing services (financial need), but because of special needs as well (though, even here, the issue is still one of financial resources).

Figure C-1. Relationship between housing need and housing demand



Most housing market analyses and housing elements of comprehensive plans in Oregon make forecasts of new demand (what housing units will get built in response to market forces). Work by housing authorities is more likely to address housing need for special classes, especially low-income. It is the role of cities under Goal 10 to adopt and implement land use policies that will encourage provision of housing units that meet the needs of all residents.

It is unlikely that housing markets in any metropolitan area in the U.S. provide housing to meet the needs of every household. Even many upper-income households probably believe they "need" (want) more housing than their wealth and income allows them to afford. A typical standard, used by housing agencies around the country, is *excess cost burden*: does a household spend more than 30% of its income on housing? But even that standard may not comport with a common-sense notion of housing need: if upper income households are spending 40% of their income on housing because they are highly leveraged, betting on increases in property value, and have substantial wealth that they can invest in mortgage payments, do they have a housing need?

Independent of a strict legal interpretation, it is clear that any housing agency is focused on more basic housing needs. At the extreme there is homelessness: some people do not have any shelter at all. Close behind is substandard housing (with health and safety problems), space problems (the structure is adequate but overcrowded), and economic and social problems (the structure is adequate in quality and size, but a household has to devote so much of its income to housing payments that other aspects of its quality of life suffer). Location can also be a burden—households that live farther from work and shopping opportunities will have to spend more money on transportation. Moreover, while some new housing is government-assisted housing, public agencies do not have the financial resources to meet but a small fraction of that need. New housing does not, and is not likely to, fully address all these needs because housing developers, like any other business, strive for profits.

In fact, many of those needs are much more likely to be satisfied by existing housing: the older, used stock of structures that is usually less expensive per square foot than new housing. Thus, forecasting the type of new units that might be built in a region (by type, size, and price) is unlikely to bear any relationship to the type of housing to which most people with acute housing needs will turn to solve their housing problems. One key reason for this is that the cost of building new housing (land, services, materials, labor) is such that it is not “affordable” to low-income households at a price that recovers cost, much less one that generates normal profit. This “trickle-down” effect is well known among housing specialists. In most communities a quick comparison of new home prices with income distributions will underscore the fact that developers tend to focus on the move-up market and not on entry-level housing.

Viewed in the light of those definitions (e.g., housing demand and housing need), the requirements of Goal 10 need clarification. Goal 10 mandates that communities plan for housing that meets the needs of households at all income levels. Thus, Goal 10 implies that everyone has a housing need. As we have noted, however, it is hard to justify spending public resources on the needs of high-income households: they have the income to purchase (demand) adequate housing services in the housing market. The housing they can afford may not be everything they want, but most policymakers would agree that the difference does not classify as the same kind of need that burdens very-low-income households.

In the context of the statewide land use program, planning for housing is addressed through local comprehensive plans and development codes. Moreover, state policy places some restrictions on what local governments can do. For example, ORS 197.309 prohibits local governments from

requiring housing meet certain price points (often called inclusionary zoning).¹ In other words, cities are limited to regulating housing types and densities which correspond roughly to housing costs. It is important to note that increased density can decrease housing costs, but high density housing is not always low cost housing.

This study is not the place to resolve debates about definitions of housing need and the purposes of Goal 10. Our analysis of need addresses the Goal 10 requirements regarding financial need (ability to obtain housing) for future households as well as those households whose circumstances suggest that they will have special problems in finding adequate and affordable housing services. That analysis occurs after, and largely independent of, the forecast of new housing that is likely to be built to supply effective demand.

In summary, Goal 10 intends that cities and counties identify housing need and develop a land use policy framework that meets identified needs. One of the key issues that is addressed in a housing needs analysis is how much land is needed for different housing types, and therefore must be designated for different housing types. Providing sufficient land in the proper designations is one of the most fundamental land use tools local governments have to meet housing need.

¹ ORS 197.309 states: "...a city, county or metropolitan service district may not adopt a land use regulation or functional plan provision, or impose as a condition for approving a permit under ORS 215.427 or 227.178, a requirement that has the effect of establishing the sales price for a housing unit or residential building lot or parcel, or that requires a housing unit or residential building lot or parcel to be designated for sale to any particular class or group of purchasers."

C.1.2 WHAT IS AFFORDABLE HOUSING?

The terms “affordable” and “low-income” housing are often used interchangeably. These terms, however, have different meanings:

- *Affordable housing* refers to a household’s ability to find housing within its financial means. A number of indicators exist that can be used to determine whether housing is affordable. One indicator is cost burden: households that spend more than 30% of their income on housing and certain utilities are considered to experience *cost burden*.² Any household that pays more than 30% experiences cost burden and does not have *affordable* housing. Thus, affordable housing applies to all households in the community.
- *Low-income housing* refers to housing for “low-income” households. HUD considers a household low-income if it earns 80% or less of median family income. In short, low-income housing is targeted at households that earn 80% or less of median family income.

These definitions mean that any household can experience cost burden and that affordable housing applies to all households in an area. Low-income housing targets low-income households. In other words, a community can have a housing affordability problem that does not include only low-income households.

Many (maybe most) households that experience cost burden are composed of people who have jobs and are otherwise productive members of society. A household earning 80% of median family income in Eugene earns about \$44,000 annually – or about \$21.00 per hour for a full-time employee. Based on HUD affordability standards, the maximum affordable purchase price for a household earning \$44,000 annually is about \$132,000. Depending on household size, many of these households are eligible for government housing assistance programs.

In summary, any household can face housing affordability problems. Because they have more limited financial means, the incidence of cost burden is higher among low-income households. Statewide planning Goal 10 requires cities to adopt policies that encourage housing at price ranges commensurate with incomes. State land use policy does not distinguish

² Cost burden is a concept used by HUD. Utilities included with housing cost include electricity, gas, and water, but do not include telephone expenses. All of the indicators ECO has reviewed, including cost burden, have limitations that can distort results. Cost burden does not consider the impact of household size or accumulated assets. As a result a single-person household with an annual income of \$20,000 and accumulated assets of \$500,000 would be in the same category as a family of seven with an annual income of \$20,000 and no accumulated assets.

between households of different income levels and requires cities to adopt policies that encourage housing for all households.

C.1.3 WHAT OBJECTIVES DO HOUSING POLICIES TYPICALLY TRY TO ACHIEVE?

The *Practice of State and Local Planning*³ classifies goals that most government housing programs address into four categories:

- *Community life.* From a community perspective, housing policy is intended to provide and maintain safe, sanitary, and satisfactory housing with efficiently and economically organized community facilities to service it. In other words, housing should be coordinated with other community and public services. Although local policies do not always articulate this, they are implicit in most local government operations. Comprehensive plans, zoning, subdivision ordinances, building codes, and capital improvement programs are techniques most cities use to manage housing and its development. Local public facilities such as schools, fire and police stations, parks, and roads are usually designed and coordinated to meet demands created by housing development.
- *Social and equity concerns.* The key objective of social goals is to reduce or eliminate housing inadequacies affecting the poor, those unable to find suitable housing, and those discriminated against. In other words, communities have an obligation to provide safe, satisfactory housing opportunities to all households, at costs they can afford, without regard to income, race, religion, national origin, family structure, or disability.
- *Design and environmental quality.* The location and design of housing affect the natural environment, residents' quality of life, and the nature of community life. The objectives of policies that address design and environmental quality include neighborhood and housing designs that meet: household needs, maintain quality of life, provide efficient use of land and resources, reduce environmental impacts, and allow for the establishment of social and civic life and institutions. Most communities address these issues through local building codes, comprehensive land use plans, and development codes.
- *Stability of production.* Housing is a factor in every community's economy. The cyclical nature of housing markets, however, creates

³ *The Practice of Local Government Planning, 2nd Edition*, International City Managers Association, 1988.

uncertainties for investment, labor, and builders. The International City Manager's Association suggests that local government policies should address this issue – most do not. Moreover, external factors (e.g. interest rates, cost of building materials, etc.) that bear upon local housing markets tend to undermine the effectiveness of such policies.

Despite the various federal and state policies regulating housing, most housing in the U.S. is produced by private industry and is privately owned. While the land use powers of local government have been an important factor in the production of housing, the role of local government has largely focused on regulation for public health and safety and provision of infrastructure. More recently, awareness has grown regarding the impact policies and regulations have had on the other aspects of community life such as costs of transportation and other infrastructure, access of residents to services and employment, and social interactions.

C.1.4 FRAMEWORK FOR DETERMINING WHETHER RESIDENTIAL LAND IS SUFFICIENT (STATE REQUIREMENTS)

The passage of the Oregon Land Use Planning Act of 1974 (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 requirements of Goal 10 (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 lands⁴ and to encourage the availability of adequate numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households.

Goal 10 defines needed housing types as “housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels.” ORS 197.303 defines needed housing types:

- (a) Housing that includes, but is not limited to, attached and detached single-family housing and multiple family housing for both owner and renter occupancy;
- (b) Government assisted housing;⁵
- (c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490; and
- (d) Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.

The Department of Land Conservation and Development (DLCD) provides guidance on conducting a housing needs analysis in the document “Planning for Residential Growth: A Workbook for Oregon’s Urban Areas,”⁶ referred to as the Workbook. Figure C-2 provides a

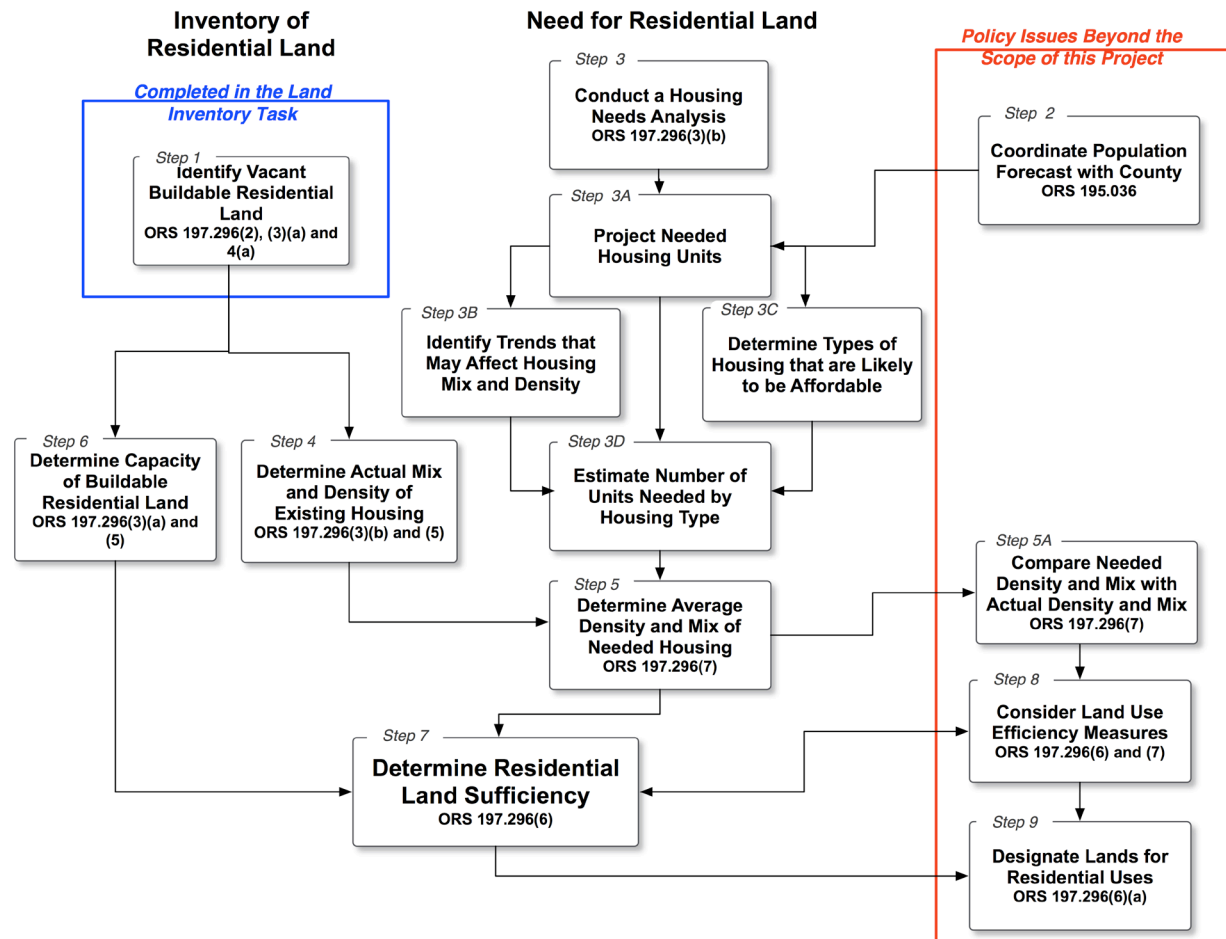
⁴ The definition of buildable residential land from OAR 660-008 is presented in the glossary in Appendix A.

⁵ Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

⁶ “Planning for Residential Growth: A Workbook for Oregon’s Urban Areas” was prepared for the State by ECONorthwest and Lane Council of Governments in June 1997.

graphic representation of the housing needs analysis process as defined in ORS 197.296 and the Workbook.

Figure C-2. Process for assessing the sufficiency of residential land



Source: ECONorthwest

The steps in this assessment are:

1. **Inventory of residential land.** Cities are required to demonstrate that its comprehensive plan or regional plan provides sufficient buildable lands within the urban growth boundary established pursuant to statewide planning goals to accommodate estimated housing needs for 20 years (ORS 197.296(2)). Cities must develop an inventory of vacant, partially vacant, mixed-use, and redevelopable residential lands (ORS 197.296(3)). The residential lands inventory was prepared by the Lane Council of Governments (LCOG). The methods and legal context for the BLI are described in Appendix A.
2. **Population forecast.** Cities are required to have a 20-year coordinated population forecast (ORS 195.036). The population

forecast can be developed and coordinated by the county or it can be based on a safe harbor for population forecasting (OAR 660-024-0030). This study uses the coordinated population forecast for Eugene adopted by Lane County in June 2009.

3. **Housing Needs Analysis.** Cities with a population of 25,000 or more are required to comply with ORS 197.296 and must conduct an analysis of housing need by housing type and density range to determine the number of needed dwelling units and amount of land needed for each needed housing type in the next 20-years (ORS 197.296(3)(b)). The statute defines needed housing types as including (but not limited to): single-family detached, single-family attached, multifamily (for rental and ownership), mobile or manufactured housing in parks, manufactured housing on lots, and government assisted housing. Other housing types may be considered in the housing needs analysis. The steps in the housing needs analysis are:
 - A) **Project housing units needed.** The projection of needed housing units is based on the growth in population from in the population forecast over the 20-year period. The projection considers other factors, such as number of people expected to live in group quarters, household size, housing mix, and vacancy rates. These assumptions are typically based on historical trends.
 - B) **Identify trends that may affect housing mix and density.** These trends include relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix. Examples of these trends include: mortgage rates, homeownership rates, or population growth and in-migration. The housing needs analysis also considers demographic characteristics and housing trends that relate to demand for different types of housing. Examples of these trends include: regional and local trends in housing mix, the aging of the baby-boomers, or household income and housing affordability.
 - C) **Determine types of housing that are likely to be affordable.** Cities must consider the housing needs of all households, from low-income households to affluent households. Cities are required to determine what types of housing is likely to be affordable to new households based on household income and housing costs. The assumption implicit in this analysis is that some housing types are more affordable than others. For instance, renting an apartment is

often more affordable than purchasing a single-family detached dwelling.

- D) **Estimate the number of units needed by housing type.** The estimate of needed units by housing type is based on the projection for needed housing units, trends that may affect housing density and mix, and types of housing that are likely to be affordable. This estimate generally breaks down housing need into housing types and estimates the number and type of dwelling units needed in each plan designation.
- 4. **Determine actual mix and density of existing housing.** The analysis of actual mix and density of housing is based on residential development within the UGB since the last periodic review or five years, whichever is greater (ORS 197.296(5)). This determination is typically based on an analysis of building permits and land that was developed with each building permit.
- 5. **Determine average density and mix of needed housing.** Cities are required to determine the average density and mix of needed housing over the next 20-years (ORS 197.296(7)). The needed average density and mix of housing is based, in part, on the historical mix and density described in Step 4. If a range of densities is allowed within the plan designation, decision makers may give direction on the density assumptions that are used.
 - A) **Compare needed density and mix to actual.** Cities are required to compare needed density and mix for housing over the 20-year period with actual density and mix (Step 5). If the needed density or mix is greater than the actual density or mix, cities are required to adopt land-use efficiency measures (Step 8) to increase the likelihood that residential development will occur at the identified density and mix (ORS 197.296(7)).
- 6. **Determine capacity of buildable residential land.** Cities are required to estimate the capacity of buildable residential land within the UGB (ORS 197.296(5)). Determining capacity is typically done by comparing the estimate of buildable land (both vacant and partially vacant) in residential plan designations with the density allowed in the residential plan designation. The result is an estimate of the number of dwellings that could be built on vacant residential land. Determining residential land capacity is complicated by a number of factors, such as: (1) development density on residential lands with constraints (such as steep slopes) may be lower than on lands without constraints, (2) plan designations often allow a wide range of densities and determining

the capacity of residential land requires assuming a specific density target, (3) different housing types are likely to develop at different densities within the same plan designation.

7. **Determine residential land sufficiency.** Cities must compare the need for residential land (Step 5) with the capacity of buildable residential land within the UGB (Step 6) to determine whether there is enough land in the UGB to meet expected housing need (ORS 197.296(6)).
8. **Consider land-use efficiency measures.** Cities are required to consider land-use efficiency measures if the housing needs analysis finds that the City may not meet identified housing needs (ORS 197.296(6) and (7)). The statute requires that the City evaluate land use efficiency measures when *needed* density and mix are different than actual density and mix.

This project did not include assessing or adopting land-use efficiency measures.

9. **Designation of lands for residential uses.** Cities that identify a deficiency of residential land (Step 7) must either adopt land-use efficiency measures and/or amend its urban growth boundary to include sufficient buildable lands to accommodate housing needs for the next 20-years (ORS 197.296(6)).

This project did not include potential amendments to the UGB.

Methods for estimating redevelopment

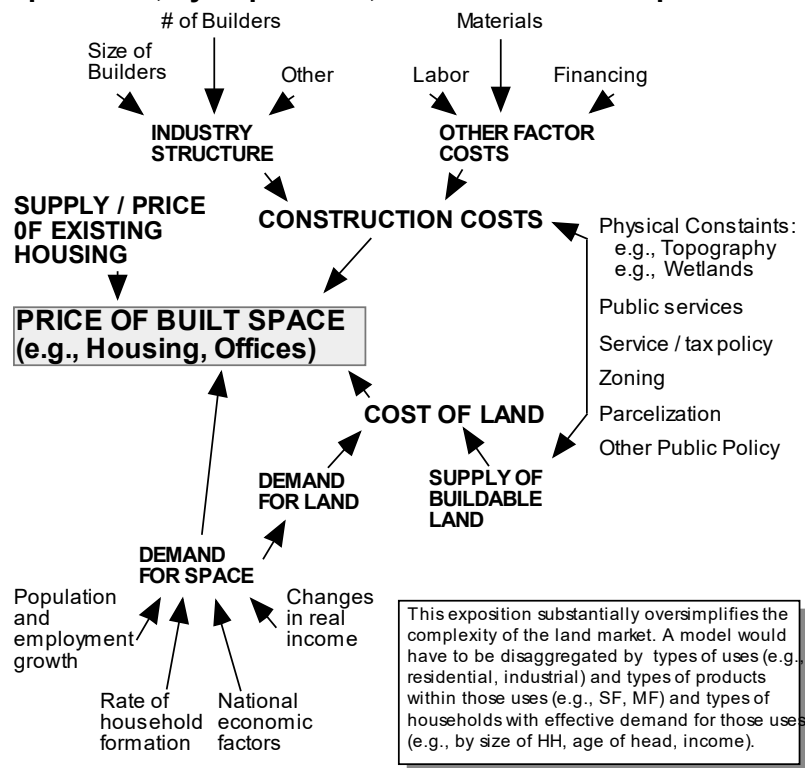
Data about historical residential redevelopment is not generally available for most cities. In previous studies conducted by ECONorthwest and other organizations, redevelopment has been addressed by assuming that a certain percentage of residential growth will be addressed through redevelopment, generally from 5% to 20% of new residential development.⁷ Metro (the regional governing body in the Portland region) assumed that “refill” (its term for the combination of infill on partially vacant land and redevelopment) would account for 26% of new residential development in its 2002 study⁸ and is currently developing a refill rate assumption for their on-going residential land needs study.

⁷ ECONorthwest used this method in studies for the following cities: Redmond, Madras, Ontario, Lebanon, Coburg, Ashland, and McMinnville, all of which have been adopted and acknowledged by DLCD.

⁸ The Metro study is accessible from: <http://library.oregonmetro.gov/files/ugr-residentialland.pdf>

One commonly used method to estimate capacity for infill and redevelopment is by arraying residential tax lots on the basis of the ratio of their improvement value to their land value ratios.⁹ A ratio of less than 1:1 (i.e., where the improvement is worth less than the land) is a typical threshold. While that method is reasonable, convenient, and relatively inexpensive, people familiar with the process of redevelopment correctly point out that the redevelopment decision is affected by many other factors (see Figure C-4), and that many parcels with ratios less than 1:1 will *not* redevelop during the 20-year forecast period, and many parcels with ratios greater than 1:1 *will* redevelop. The ratio is hardly a definitive measure of “strong likelihood.”

Figure C-4: Some of the factors that fact the price of built space and, by implication, the rate of redevelopment



The professional literature of planning, urban economics, real estate, and appraisal does not have much to say about redevelopment rates. Conceptually, the factors likely to influence redevelopment (broadly, the conditions of demand, supply, and price for built space and the factors that go into creating that built space) are clear enough, but the magnitude

⁹ An improvement to land value ratio compares the assessed value of the improvements with the assessed value of the land. For example, an improvement to land value ratio of 0.75:1 shows that the improvement is worth the less than the land (75% as much as the land). A ratio of 2:1 shows that the improvement is worth twice the value of the land.

of the empirical relationships has few studies and no professional consensus. The property owner / developer decision to redevelop is not simply deterministic, but complexly probabilistic. The requirements of Oregon law withstanding, no real estate analyst would have any confidence in making a property-specific assessment for every property in an urban area of the likelihood that the property would redevelop over a 20-year period.