

# Housing Needs Work Group - Meeting 4

June 16, 2022

Meeting Notes

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## Staff and Working Group Members

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## Key Insights Summary

**Tracking production progress regularly is important** – In general, work group members agreed that requiring progress reports on affordable production, total production, land use efficiency, and equitable and fair housing outcomes, at a minimum is the right direction. Some raised the need for jurisdictions to have the ability to provide a narrative explanation as part of the progress report. There were varying perspectives as to whether production progress should be measured annually vs. once per cycle.

**Progress evaluation must be a two-way conversation** – Some members shared their desire to contextualize the evaluation of the progress report through discussion between the state and jurisdictions, recognizing that many communities, especially smaller and more rural communities, are making concerted efforts towards housing production while facing capacity and financial constraints. There are multiple nuanced challenges that should be reflected in progress reporting. The progress report should be an opportunity to identify the strategies that are working and acknowledge and reward communities that are making significant production progress.

**Targeted and flexible investments to support jurisdictions will be key** – Members agreed that investments and resources will be needed to meet the housing need in Oregon. Some suggested investments be focused on infrastructure and land to move housing projects faster to construction point. Members mentioned the need to ensure state funding streams are simple to access and flexible, especially for affordable housing production that is already burdened by many layers of financing.

**Enforcement should be carefully balanced** – Work group members agreed that an accountability system that includes both rewards/incentives and enforcement is needed. In addition to financial consequences for non-compliance, incentives must be carefully balanced to support communities that need support and are making concerted efforts, and also reward communities making great progress. Some members suggested shifting enforcement action responsibility to a politically insulated organization, like the Land Use Board of Appeals.

## **Pre-Discussion Context**

Presentation slides available at the following link:

[https://www.oregon.gov/lcd/UP/Documents/20220616\\_Housing\\_Needs\\_WorkGroup\\_Mtg4\\_Presentation.pdf](https://www.oregon.gov/lcd/UP/Documents/20220616_Housing_Needs_WorkGroup_Mtg4_Presentation.pdf)

### **Key findings from stakeholder focus groups (conducted March-May 2022)**

- Strong need to connect housing to opportunity (e.g., location, jobs, transportation, wraparound services, etc.)
- Need for tools and policies to incentivize production, ensure codes are flexible and data-driven
- Be thoughtful of the balance between state involvement and localized accountability
- State must address barriers to accessing housing (examples: long waitlists, unique barriers for new immigrants, people with limited English proficiency, people with disabilities, farmworkers, etc.)
- Desire for the state and jurisdictions to better address land supply issues
- Need to improve community engagement and education on housing production issues
- Secure funds and improve local jurisdiction capacity through financial and technical support
- Other critical issues identified, outside the scope of housing production:
  - Houselessness and temporary shelter
  - Equitable representation in government and decision-making processes
  - Connection of housing to climate planning
- Questions/Comments from Work Group members:
  - How can you separate housing need/type in the Housing Capacity Analysis Work Group? Housing need is intrinsically connected to housing type. Type and mix are central elements of determining capacity.
  - Goal 10 includes more than just a production number. What remaining responsibilities are there to implement Goal 10, once the OHNA is in place? Housing type is a poor proxy for everything needed under Goal 10.
  - Baseline accounting of socioeconomic data, as in the Housing Production Strategy report, is critical to begin the housing capacity analysis. This report should come before the housing capacity analysis begins.

### **Progress Updates and Next Steps**

- In May, there was a technical session to work through some of the remaining technical questions on OHNA methodology. Recording is available for work group members who missed the meeting.
- Where are we going?
  - Next step is to begin framing legislative recommendations
  - August 18 meeting will focus on the draft report, preliminary recommendations, and UO presentation on their Barriers to Production research
  - Project team will conduct listening sessions in September
  - October 20 will be a joint meeting between the Housing Needs and Housing Capacity Work Groups; focus on reviewing OHNA recommendations

- December 8 is final work group meeting to review final report and recommendations, due to legislature in December

### **Housing Planning Policies: Production Report Cards, Investment, and Accountability System**

- Advance discussion on how to set realistic and productive accountability measures
- Advance discussion on how clearly articulating shared responsibility for all actors

#### Discussion of Production Report Card

*A key element of this discussion draft proposal is periodically publishing a Housing Production Report Card that measures progress toward:*

- Affordable production*
- Total production*
- Land use efficiency, for instance population/acre, diversity of housing types*
- Progress toward equitable and fair housing*

#### *Discussion Questions:*

- Are these the right accountability metrics for a Report Card? What's missing?*
- Are there any other details on the report card - production, tracking, publishing –needed to ensure shared accountability?*

### **Breakout Group A**

- Jurisdictions already provide a number of housing-related reports to DLCD/state. The state should produce the production progress report using existing reporting (permits, etc.) to the greatest extent possible.
- Metrics should consider the relationship between housing production of a city and that region. It may be best for the state to take this on – describing how the production relates to production elsewhere in the region to determine whether it's commensurate.
- Include a narrative section that describes what a city thinks is working and not working in the HPS to give more “color” to the numbers.
- Consider adding to the progress report an explanation of how each community's incentives have provided for production. What have they used or tried that has or has not worked?
- It would be nice if reporting included information on, both permit applications and actual production, especially affordable production. This would give a better picture of what permits are and are not being approved and whether it was fewer units than what was applied for. The production might not reflect what a city or housing agency has been trying to do. Are there patterns indicating barriers to production that a jurisdiction and the state could work on?
- There are jurisdictions already producing sophisticated monitoring reports. Need a system that allows them to keep doing that, rather than encourage them to do less.
- Reporting should be simple and focused on the OHNA figure.
- A jurisdiction's role is to apply Goal 10 –shouldn't get hung up on production only. We need to focus on whether jurisdictions are meeting needs and obligations under state housing policy.
- Report cards on applications for farm and forest lands are helpful, but they don't get to the needed granularity. Reporting more details on housing production, including location of new units and types, would be helpful. Need report that tracks progress of breaking up patterns of segregation –

how much is in an area already, how much is being added? We need to understand progress of providing choice for diversity of housing types in a diversity of planners.

- Adjacency is important – is new production in happening in places near services, transport options, jobs, etc. Consider having cities report immediate adjacent land uses to new units permitted or produced.
- In a lot of ways, “density” has so much baggage and what it means. “Diversity” of housing types is a better metric.
- “Diversity of location” is an important metric to evaluate.
- Would the report include housing types built? *[Staff response: The initial thought is dividing up larger developments – when talking infill (e.g., single townhouse), checking a box of the adjacent land use.]*
- Not understanding “efficiency measures” – is the intent here to produce more regimented efficiency measures and look at more nuance in terms of housing diversity and affordability?
- Reviewing Coos Bay’s new Housing Capacity Analysis is a good document, but it is inconsistent in terms of the use of “need” and “demand”. It’s based on the 1997 residential lands handbook, which should go through a rulemaking process (95% is good advice and 5% is bad advice).
- There was a diversity of opinions from work group members on frequency of reporting production progress:
  - Would be better if it’s only every 6 or 8 years, just before the HPS cycle starts
  - If it’s made up of reporting already being performed (e.g. HB 4006), then annually/biannually seems to make sense.
  - You want to encourage cities to at least keep tracking what they are already doing, but don’t push cities that cannot come up to the state-of-the-art data.
  - The building permit program / Acela could be useful.
  - FWIW, Acela is very easily accessible for outside parties – would be great if the state made it available (cost effectively) for all jurisdictions.
    - Intergov is also dominant, it would take millions per city to transition.
    - Acela is available to all jurisdictions, but customization can cost money – maybe promoting that. Acela has a 12% fee attached to the permit cost – that’s why it’s inexpensive.

#### **Breakout Group B**

- Is there a report card example or is this just an idea? *[Staff response: there is not presently a template to model after, however the idea is to move away from grading the jurisdiction on the plan making process and rather the progress/outcomes of the plan.]*
- What is the difference between the HPS report and the report card? *[Staff response: Report card is meant to be a succinct report that is standardized in some way to be assessed across comparable markets and be applicable across the state, rather than just the 10,000 + population.]*
- Both permits, and production should be monitored, and jurisdictions should explain the gaps and barriers. *[Staff explained that an idea is that in the case it is needed, an audit would be required to understand the barriers to production and to have some teeth, need to consider accountability for implementing HPS strategies.]*
- Need to measure against the regional need that the jurisdiction needs to be addressing.

- Report cards are good – need to measure what HPS said it would produce and if it is adequate or not but will find that jurisdictions will say yes and implement, and others will say no. HPS and report card can show us what actions are possible.
- The idea of an audit is intriguing, not sure how it is funded and who administers, we have enough data to figure it out without it. Have to recognize that some cities are trying to move the needle but can't for reasons that they have control over and some reasons that are out of their control. Maybe city and DLCD also fills out.
- Report card should include the opportunity to write about externalities, e.g., political viability of CET.
- Audit might be the wrong word, maybe something like Technical Assistance, from DLCD or OHCS? *[Staff clarified that that audit really means review and weed out recalcitrant jurisdictions that aren't doing what they can or should be doing and can require them to make changes. This provides cover for those who are trying to make changes but facing obstacles in the community or political sphere.]*
- Want to measure affordability, tenure, type in production to understand where underproduction is occurring. Can it be measured but not graded? *[Staff response: This type of fine-grained analysis is not part of the pilot and is difficult to track due to lack of data and the challenge of collecting it]*
- Data is important but in a small rural area it is a struggle (for instance, the MFI always lags). State should indicate if certain measures are higher priority, so they can focus on those areas. Make everything else supplemental and informative but not part of the 'grade'. *[Staff response: the team is aware of the data limitations, these are meant to be qualitative, e.g., are you meeting AFHH goals, reaching out to people needing housing, etc. Per HB4006, cities are already required to track and report permits and production data that will be rolled into the OHNA or incorporated some other way. Intent is for state to produce, not the cities themselves. The data would feed into HPS in the next cycle or consolidated (fair housing) plans, but we hope not to add to administrative or technical burden in the jurisdiction. Would be included in the OHNA "equity data suite." This data would be made available for everyone to use.]*
- How would this tie in the HPS contextualized housing need? Would the report card be big picture every year while HPS still says on multiyear cycle? *[Staff response: this open for suggestions, but the idea is that the report card would start when OHNA starts and might have multiple years of data behind you in the HPS cycle and could show jurisdictions production that could shed light on how your HPS strategies are working.]*
- The BIPOC community finds report cards very useful because it allows advocates to hold jurisdictions accountable to what they've said they were going to do. An alternative would need to be an easily accessible document for community members to understand and discuss with jurisdictions and discuss over time.

### Discussion of Inclusive and Accountability System

*A key finding from the December Work Group meeting is that there is an “intrinsic connection between responsibility, accountability, and resources,” including the need for careful consideration of the resources and investment required to make OHNA implementation successful.*

#### *Discussion Questions:*

1. *What investments will cities need to be successful? The Work Group, the stakeholder process, and best practices research to date has indicated certain types of investments and incentives that could support production and equity outcomes – SDC buydown fund, affordable housing production funding, land readiness funding, integrated communities fund.*
  - a. *Would these types of investments lead to successful OHNA implementation (increased production and more integrated communities)?*
  - b. *What do you like? What reservations do you have?*
  - c. *Are there other investments the state should consider to meet the needed outcomes?*
2. *What else should the state consider in developing a system of shared accountability? Reflecting on the Report Card discussion:*
  - a. *Should there be a system of rewards/incentives of those consistently receiving high marks on the report card? What would be the recommended parameters?*
  - b. *What are reasonable and viable enforcement tools or penalties if a state or local entity is failing to do everything in their control to meaningfully work towards increased production and more integrated communities?*
  - c. *What other accountability measures are needed?*
3. *So far, our understanding of the role of state agencies is that they should be investing in local capacity and housing production and coordinating on other state-level policies affecting housing outcomes. How should this accountability system intersect with state agency work to ensure they are doing all they can to work toward better housing outcomes?*

### **Breakout Group A**

#### *Question 1: Investments*

- Supplemental to investment is removing regulatory barriers / excess regulations within UGBs. There is a cost to regulations. It should be clearer and easier to figure out what is developable or undevelopable.
  - Think about investment about “costs avoided” instead of just “money coming in” – evaluate existing regulations
- For State investment (assuming it’s limited) – it should lead with affordable housing.
- Like the idea that if a jurisdiction is performing the investment is “unlocked”, without too many strings.
- State could develop a system to evaluate public lands and coordinate more comprehensively to make available to affordable housing providers. There are many efforts at state and locally, but nothing comprehensive happening.
  - Example: Department of State Lands - views its obligation to surplus lands under the common school fund, pre-empting everything else. DSL thinks like a corporation when transferring land. DSL seems attractive but may not be all that great.

- State also looks at residential tax foreclosure lands. If they don't look good, we clean them up to put them back on the market.
- Need funding for infrastructure projects too – e.g., in Bandon, there aren't services that would make housing projects less expensive. Infrastructure investment for land readiness would help.
- A lot of private foundations are taking of interest in housing and how to preserve for the long-term (within land trusts, etc.), so it doesn't evaporate once the project sells. Is there anything from the land use regulation side to incentivize doing that? E.g., infrastructure funding to extend sewers in trade for a deed restriction to make it permanently affordable.

#### *Question 2: Shared Accountability System*

- Incentives make sense it's funding in addition to the base investment unlocked for jurisdictions performing well on production.
- Major key to success in early days of the land use program was a lot of funding for local jurisdictions. Funding can be important for difficult local decisions. It can ease that conversation.
- "Carrots don't work if you're not hungry"-Allan Lazo. Think about withholding funding that makes a difference (transportation, infrastructure) – not likely politically viable. Would require cooperation with ODOT, Business Oregon, and Building Code Division.
  - Establishing an interconnected agency structure is important.
  - Possible approach: It can be done in a way – e.g., a scoring card, if a city isn't actively working on production, the State won't consider the city for a grant.
- The enforcement order is a very important tool that is underutilized. One problem is it puts the wrong agency [LCDC] in charge of those decisions. Would be good to see the enforcement order responsibility shifted to a more politically insulated organization, something like LUBA.

#### **Breakout Group B**

##### *Question 1: Investments*

- Who and what are incentives they incenting? Can they be targeted toward difficult to produce housing? Infrastructure investments above certain density? MFI under 80%? If there can be some qualifiers on how incentives are applied, it will mean much more. *[Staff response: due to the inherent funding gap in affordable housing, it's likely incentives would be targeted to affordable production. Many jurisdictions struggle also with market rate housing, site readiness, infill, or vertical housing.]*
- SDCs are not the primary barrier to getting affordable housing. There are a variety of reasons, such as lack of land supply and/or development funding (tax credits).
  - Should focus public subsidies on infrastructure and land that could serve several developments not a single development.
  - With all the complicated laws around SDCs, infrastructure is an easier target to move communities with developers.
  - Land banking and acquisition to cut cost of land is a key investment needed.
  - *[Staff follow up: If the state were able to create a fund to backfill lost SDC how would this feel?]*
  - Business Oregon subsidizes infrastructure for jobs, should also do it for housing. They have administrative infrastructure to do so.

- SDC is not necessarily key investment for housing production. Surprised to see them considered, it might not lead to the desired results.
  - There SDC fee levels are highly varied across the state, so the funds may not be distributed evenly under a backfill program.
- Heard from small business owners of construction companies that the process of becoming a business is a challenge. Supply for housing is not just the materials but also the companies who have access to contracts and development opportunities. Are jurisdictions considering the equity impact of not choosing or supporting local companies for housing developers (rehab, affordable, etc.).?

#### *Question 2: Shared Accountability System*

- When accountability measures matter, typologies matter a lot. If high resource, high income jurisdictions are not contributing proportionally to regional housing production, an accountability measure should be included. *[Staff follow up question: should a curve be applied?]*
  - The OHNA should distribute need equitably, but there needs to be consideration of the resources. Evaluating underproduction should take into account resources available, market strength, and/or willful non-production.
- When looking at rewards and penalties, we want to be careful that it is not perpetuating existing conditions. Jurisdictions shouldn't be denied resources simply because of underproduction, particularly if efforts are being made. Provide accolades, peer recognition for efforts. *[Staff clarified that it wouldn't be a system that retracts housing-related resources due to lack of performance. California's housing system includes a "Pro housing designation", getting a gold star for meeting housing goals. Carrots need to be further explored.]*
- Funds should be distributed according to the percentage of housing required. If they do not use it, they should give the money back
- Can resources be tied to 20-year housing needs analysis? As you meet certain thresholds, rewards are unlocked. *[Staff explained this is one option but could also be considered a rolling need or rolling production. Still under discussion.]*
- Jurisdictions aren't starting in the same place: are we assuming they are? Or are we basing it on historical underproduction? What is the underlying disparity in the region that we're solving for? *[Staff response: future housing need will look at average regional income, but staff will follow up with additional information about OHNA methodology.]*
- When we talk about accountability related to funding – when communities underproduce or overly segregate – are there other streams that would be impacted, such as transportation funds?
- How will jurisdictions be evaluated when production is low even when developers are wanting to produce? *[Staff response: policies and barrier reduction can be accounted for even if production is not happening at the desired rate.]*
- Can progress be monitored as building permit to land availability ratio?

#### *Question 3: State Responsibilities*

- Broad agreement that it would be great if DLCD and OHCS could align and work together better.