

Oregon Housing Needs Analysis Recommendations Report: *Leading with Production*

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Legislative Report

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About this Report

The report responds to specific legislative direction dating back to House Bill 2003 (2019). This bill charted a new direction to more fully and equitably meet housing needs as required by Goal 10: Housing, of Oregon's statewide land use planning program. House Bill 2003 led to multiple reforms, including a requirement for local adoption of Housing Production Strategies (HPSs) and the development of a new pilot methodology for estimating statewide housing need. In House Bill 2003 and the pilot methodology the model to estimate statewide housing need was called the Regional Housing Needs Analysis (RHNA), but it is now called the Oregon Housing Needs Analysis (OHNA).

In a budget note in House Bill 5006 (2021), the Legislature then directed Oregon Housing and Community Services (OHCS) and the Department of Land Conservation and Development (DLCD) to deliver recommendations on how to implement the OHNA in advance of the 2023 Legislative Session. The Legislature followed up with additional direction in House Bill 5202 (2022) to address issues related to land capacity and the implementation of the OHNA.

This report documents the core components of the agencies' recommendations. While it may be possible to consider some of these recommendations in isolation from others, our core finding is that Oregon's ongoing housing crisis requires comprehensive and structural changes to Goal 10 implementation and housing production. Many precedent documents and processes inform these recommendations:

1. OHCS and DLCD each published reports in 2021 ([OHCS summary report](#), [OHCS technical report](#), and [DLCD report](#)) describing technical elements of the new statewide methodology for calculating housing need and recommending legislative action to implement it.
2. In early 2022, OHCS and DLCD developed an initial framework document, titled [Meeting Oregon's Housing Needs: Next Steps for Equitable Housing Production](#), to describe how the new methodology might be incorporated into the state's Goal 10 processes. The recommendations herein build from this framework.
3. DLCD and Communitas Consulting facilitated a working group, which met six times to inform recommendations. To review meeting materials and summaries, visit the [OHNA Project Webpage](#).
4. Kearns & West led six stakeholder focus groups and three follow-up sessions with partners from nonprofit, development, local government, and fair housing organizations to solicit input. A summary of all stakeholder engagement is included in [Appendix E](#).
5. DLCD held [14 regional forums](#) with local government planners, developers, elected officials, and advocacy groups around the state to inform recommendations. A summary of all stakeholder engagement is included in [Appendix E](#).
6. In response to a 2022 legislative budget note and direction, DLCD led a parallel Housing Capacity Working Group, charged with considering specific reforms to the Housing Capacity Analysis and the process described in statewide planning Goal 14-Urbanization. This group met a total of seven times to inform recommendations, which are included in Recommendation 1.4 and [Appendix A](#) of this report.
7. ECONorthwest conducted [best practices research](#) into what is working in other states and reviewed an [audit of California's housing planning system](#) to inform these recommendations.
8. ECONorthwest completed a series of technical revisions to the initial pilot methodology and prepared a report summarizing these refinements, which is included in [Appendix D](#) of this report.

9. The University of Oregon conducted a literature review and a survey of planners, developers, and local governments regarding barriers to development and published a report summarizing their results, which is included in [Appendix F](#) of this report.

Relevant Acronyms

AFFH: Affirmatively Furthering Fair Housing
AMI: Area Median Income
BLI: Buildable Land Inventory
DLCD: Department of Land Conservation and Development
HCA: Housing Capacity Analysis
HPS: Housing Production Strategy
LCDC: Land Conservation and Development Commission
LIFT: Local Innovation Fast Track

LIHTC: Low-Income Housing Tax Credit
OHCS: Oregon Housing & Community Services Department
OHNA: Oregon Housing Needs Analysis
PAB: Private Activity Bond
RHNA: Regional Housing Needs Analysis (prior name for OHNA)
SDC: System Development Charge
UGB: Urban Growth Boundary

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Executive Summary

Oregon's housing undersupply threatens the very core of our common purpose as Oregonians. We cannot grow sustainably, move toward a more equitable economy, or address the full complexity of the homelessness crisis unless we substantially increase our supply of homes.

Making meaningful progress will require comprehensive system reforms. While Oregon has already made great strides, including through recent legislative initiatives such as House Bill 2001 and House Bill 2003 (2019), we are still falling behind. To continue, the state and its communities must now tackle the harder reforms needed to prioritize housing production.

Our current system plans for and invests in too little housing. The outcome is undersupply, rising home prices, segregation and displacement in some communities, and deepening inequities across all communities. Together, we must plan for and build the housing we need, where we need it.

The recommendations in this document describe the comprehensive, system-wide reforms needed to reverse decades of underinvestment in housing production and development readiness, organize our land use planning systems toward the common goal of building housing, and begin to redress disparities in housing outcomes. These recommendations can only make a difference if the Oregon Legislature commits to serious reform of the land use planning system, helps local governments pay for public infrastructure and affordable housing, and creates a cohesive state approach to housing production. Those comprehensive reforms will require significant investments, as well as changes to state statute, rule, and guidance to implement. In summary, they are:

Housing Under-Production is a National Problem

Oregon is not alone. While nearly every state is experiencing underproduction, Oregon's outcomes are among the worst.

Measured as a share of housing stock, **Oregon ranks 4th in under-producing housing in the country** behind California, Colorado, Utah, and ahead of Washington State.

Recommendation 1) Plan for what's needed.

Oregon's land use system needs to balance housing production with growth management, economic, and environmental goals. For this to work, the system requires a reorientation that starts with an updated and consistent statewide methodology to more clearly determine housing need and equitably distribute it among jurisdictions. Planning for what's needed requires that:

- 1.1 **Adopt OHNA Methodology.** The State should formalize the OHNA methodology as the consistent, statewide source for setting common goals for housing planning. OHCS and DLCDC have extensively reviewed and refined a [2019 pilot methodology](#) (see [Appendix D](#) for refinements) Maintaining and deploying it will require administrative and technical capacity, a regular cycle of review and update to incorporate new data, and annual database management to track progress toward housing production targets.

What is the Oregon Housing Needs Analysis?

The OHNA is the cornerstone of a reformed housing planning system. It provides a comprehensive, city-by-city estimate of housing need by income, along with data and information about how local housing outcomes vary by race and ethnicity, age, disability status, and other identity markers. When implemented, it will be a regularly updated data suite that can be used to set state and local **housing production targets**. It provides a **more accurate representation** of full housing need and a **more equitable distribution of affordable housing** throughout regions.

In the methodology alone, the **OHNA takes a big step toward equitable outcomes** compared to the current Housing Capacity Analysis methods, by incorporating historic housing underproduction and housing needed for people experiencing homelessness into future production targets, and by **using regional incomes to project housing need** by income level. In addition, the OHNA would be the source of annual housing production dashboards that provide clear metrics that can be used to track and monitor real production outcomes and metrics related to housing equity.

- 1.2 **Establish Production Targets and Equity Indicators.** Cities with a population above 10,000 people will have housing production targets and equity indicators, produced by the state, to help solve our crisis. The state will measure progress toward targets in an outcome-driven system that adjusts policies over time.
- 1.3 **Emphasize Housing Production Strategies.** With their OHNA-derived housing production targets and strengthened policy requirements, cities will craft community-led and implementable Housing Production Strategies (HPSs) that promote equitable housing production and overcome locally specific development barriers.
- 1.4 **Streamline UGB Amendments.** An improved system will streamline land capacity and urbanization processes to expedite well-planned expansions that support needed housing where capacity is limiting production.

Recommendation 2) Build what's needed, where it's needed.

It's one thing to plan to accommodate housing and another for that housing to be built. Where housing is built and for whom dramatically impacts who prospers and how our neighborhoods function. Building what's needed where it's needed will require us to:

- 2.1. **Commit Sustained, Coordinated Investment.** Commit resources for housing production, affordable housing production, and development readiness, including infrastructure funding. This is not a one-time, small-scale investment. The state must sustain this effort over time and target for construction the types of housing that the market is least likely to produce without aid: housing for low- and middle-income households and housing in rural and coastal markets. Creative financing and funding sources that leverage private investment should be considered. Additionally, the state will need to better coordinate existing resources and funding toward the goal of housing production (see Recommendation 3.1).

2.2. Reinforce Housing Choice for All. Use the implementation of Housing Production Strategies to advance fair and equitable housing outcomes, including addressing segregation and displacement.¹ We must build more housing in the places where it is needed, with intentional strategies that aim for fair housing and enable housing choice for all.

Recommendation 3) Commit to working together with urgency.

Housing underproduction is a systemic problem that no one actor can resolve. Public, private, local, and statewide entities all have a role to play and can become obstacles when not coordinated. **There is no one entity or person responsible for the public sector role in housing production at the state level.** For our state to have an effective system to accelerate housing production, we must have coordinated administrative systems that can deliver. Working together with urgency requires us to:

3.1. Establish a Coordinated Governance Structure. Develop a mechanism for state agency administration, collaboration, and accountability, to make rapid progress toward housing production goals. The solution should encompass a housing production team composed of experts in development, affordable housing development, fair housing, planning and development code, permitting processes, etc. to diagnose and overcome development barriers and recommend policy or funding intervention when needed.

3.2. Continue State and Regional Policy Action. The State and Metro Regional Government (Metro) should also develop a strategy that clearly articulates state and regional housing production targets. Such a strategy should describe what they will contribute to partnerships with local jurisdictions, consistent with their statutory and charter limitations. Metro will continue to manage its region's land use planning processes and will use housing projection methodologies consistent with the OHNA. The state will allocate housing need to local jurisdictions within the Portland Metropolitan Area.

Implementation Considerations

Few policy imperatives are more important to Oregon's future than increasing the pace of building new homes. Housing production is on the critical path to building Oregon's economic competitiveness, helping families prosper, and improving community resilience. Simply producing the units needed to meet current demand could generate up to \$40 billion in additional economic growth, a boost that would benefit us all.²

¹ Those who most often face housing discrimination, segregation, and displacement include, but are not limited to, low-income households, households of color, people with disabilities, large families, other federally protected classes, and households with other specific housing needs.

² This estimate is based on Oregon's share of the national economic benefits that come from producing 3.8 million housing units across the country over a 20-year time period (as described in [Up for Growth's Housing Underproduction in the U.S. 2022 Report](#)), scaled to match the OHNA estimates of current underproduction and units needed for people experiencing homelessness. Economic growth is measured as increase in gross domestic product.

Implementing these recommendations will likely need to be sequenced over more than one legislative cycle. To make near-term progress on their implementation, we recommend that the Legislature consider bills in the 2023 session that advance the bipartisan goal of building more homes. DLCD and OHCS look forward to continuing conversations about solutions and refining these recommendations in advance of the 2023 legislative session.

A. Redefine Oregon's Planning Process for Housing

The Legislature should establish the OHNA as the foundation for Goal 10 planning processes in state statute, including directing cities to replace local projections of need in Housing Capacity Analyses (HCAs) with OHNA-generated 20-year need. It should strengthen HPSs by requiring actions that address housing barriers and advance fair housing outcomes, and by incorporating production targets based on the data provided in the OHNA. Additionally, the Legislature should make statutory changes necessary to make needed urban growth boundary (UGB) expansions³ more efficient and certain and support housing production within the UGB.

B. Coordinate State Response

The Legislature should establish a Housing Production Team and administrative leadership position. This team should be deployed as quickly as possible to achieve early housing production wins by helping cities build on challenging development sites, removing barriers, and focusing state resources. Additionally, this team should be charged with developing the first ever statewide Housing Production Strategy, which can shift the state's energy and efforts to this urgent challenge. The Legislature should direct staff at a broad cross-section of agencies, including DLCD, Oregon Housing and Community Services, Business Oregon, the Oregon Health Authority, the Bureau of Labor and Industries, and the Oregon Department of Transportation, to coordinate their activities and (as appropriate) available funding toward the goal of housing production in coordination with the new Housing Production Team.

C. Create Innovative Funding and Finance Solutions

In addition to funding affordable housing production through OHCS, the Legislature should establish new housing production funding mechanisms aimed at housing the market cannot produce on its own, including middle-income housing. Along with better coordination of existing funding sources, new sources for infrastructure funding, systems development charges, and pre-development activities are needed. Several formal and informal groups of stakeholders are considering innovative funding and financing mechanisms that are resonant with the recommended fund types in this report.

³ Each Oregon city is surrounded by an urban growth boundary (UGB); a line that designates where a city expects to grow over a 20-year period. Generally speaking, it's where the city ends, and the farms and forests begin.

I. Introduction: Our Housing Crisis

Oregon's lack of housing threatens the very core of our common purpose. Decades of underbuilding have driven up home prices and rents and left too many without adequate housing choices. Too often, people can't afford housing at all. We won't be able to grow sustainably, move toward a more equitable economy, or address the full complexity of the homelessness crisis unless we substantially increase our pace of building new homes. Over the next 20 years, Oregon's communities need to add more than 550,000 units, over 30 percent of which will house Oregon's lowest-income residents and will most likely require public funding or subsidy. We must organize our systems to plan for and build these homes.

We cannot equitably distribute what is being underproduced. The people who are suffering most acutely from our housing shortage are disproportionately lower income households and communities of color. The lack of housing options perpetuates segregation through economic exclusion. By restricting people's housing choices, we make Oregon less fair, deprive people of basic human dignity, and limit our collective growth and prosperity. Where housing is built and for whom dramatically impacts who prospers and how our neighborhoods function. We need a range of housing types for all income levels, distributed equitably around and within each region of the state, providing access to employment and critical services and reducing the overall cost-burden to families and individuals.

This applies to both renting and homeownership. For most Americans, homeownership is the primary path to building personal and generational wealth. However, housing scarcity inverts the American dream. The market caters mostly to wealthier buyers, while rising housing costs make it nearly impossible for many to buy their first homes. At the same time, the lack of housing increases the need for publicly financed units and ultimately forces the most vulnerable people to become unhoused. This is devastating for people experiencing homelessness and has negative social and economic impacts on communities.

Oregon's system of comprehensive land use planning describes a decades-old intention to do better. It embodies the state's core values and has long represented a consensus on the preservation of farm and forest land, the importance of community engagement, and the need to plan for a healthy economic future. It also includes a requirement that jurisdictions plan for the "availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households."⁴ However, Oregon has not fully realized this vision and many thousands of Oregonians lack an affordable, accessible, or safe place to live.

A [recent survey](#) conducted by the University of Oregon sheds light on what is not working. The survey found broad agreement that we face significant challenges in the cost, availability, and readiness of land to support development as well as the prohibitive cost of infrastructure, materials, and labor. There are sharper divides among those surveyed, however, when

⁴ Goal 10 of Oregon's Land Use Planning: <https://www.oregon.gov/lcd/OP/Documents/goal10.pdf>

determining who is responsible for causing and addressing the current crisis. The survey finds that local governments tend to implicate the lack of funding and inflexibility on the part of developers to deliver a broader range of housing types, while private and non-profit developers view over-regulation and onerous processes as the culprit. Meanwhile, for the most part, local governments interested in advancing affordable housing solutions have been left on their own, without meaningful coordination or investment from the state to help find and implement solutions.

By statute, DLCD regulates the land use planning and policy that is implemented at the local level. OHCS funds affordable housing production and preservation. However, *no state agency is directly responsible for overall housing production*. This has left some jurisdictions without workable solutions to incentivize market or affordable housing production and allowed others to avoid their housing obligations. We should not be surprised that, despite the best efforts of the agencies and local governments, the outcome of this disconnected system has been decades of housing underproduction and the perpetuation of housing inequities.

The recommendations offered in this report focus on streamlining statutory requirements and bureaucracy so that Oregon can deliver real outcomes -- more housing in all parts of the state, a diversity of housing types, and more affordable units where they are needed. We offer these recommendations with a great sense of urgency. While there are many efforts underway to address the immediate symptoms caused by our lack of housing, we will not be able to meaningfully address the hardships faced by Oregonians until we focus on the long-term solution: providing more housing options for everyone, everywhere.

A Shift in Focus That Benefits Us All: Leading with Production

While the originators of Goal 10 intended for careful planning that would result in balanced, diverse, and affordable outcomes, implementation has fallen far short of that intent. The historic implementation of Goal 10 has overemphasized “accommodation” of housing need by completing an accounting exercise of the theoretical capacity of land, while doing little to ensure that housing is built or address where it should be located and whether households are realistically able to access it. This has negative consequences for all Oregonians – with dramatic underproduction, rising rates of cost burdening and homelessness, and continued patterns of segregation and involuntary displacement. The state needs to make comprehensive updates to our planning systems to better produce needed housing.

The recommendations in this report shift the current system’s focus on accommodating potential housing growth to building the housing Oregonians need. We do this by:

- Accurately identifying what housing is needed by income and holding ourselves accountable to action
- Equitably allocating housing need within and between communities
- Requiring jurisdictions to consider context-specific actions to address displacement and segregation

- Providing strategic, flexible funding for housing the market cannot build on its own
- Connecting existing Fair Housing⁵ obligations to our land use system and Housing Production Strategies to support diverse, quality, physically accessible, affordable housing choices with access to economic opportunities, services, and amenities
- Measuring and evaluating progress towards improved housing outcomes, especially for those who have been historically underserved

Taken together, these recommendations can transform our system from one that plans for and invests in too little housing to one that plans for and builds the housing we need, where we need it.

Our Shared Housing Obligation

We all share a responsibility to find the solutions that let us build what's needed where it's needed. The lack of sufficient units affects every community, but the people who are suffering most acutely from our housing shortage are disproportionately lower income, communities of color, or people with disabilities. They cannot be asked to wait another decade or more for Oregon to reverse the discriminatory policies and practices that have limited their housing options.

Solutions include: policies that enable production, public and private investment in a range of housing types, and clear policy goals so we can hold ourselves and each other accountable to outcomes.

To make meaningful change, Oregon needs a comprehensive system reform that brings state and local governments and affordable and market-rate developers together with common goals for building more homes, building more publicly supported homes, and investing in inclusive communities. To achieve this aim, we need a clear shift in approach to lead with production.

Reforming the Goal 10 Planning System for Housing

Oregon does not have a clear roadmap to follow for state oversight of housing production. Few other states have attempted a production-focused strategy, and none of them share Oregon's statewide land use planning system. While our [review of national best practices](#) provides lessons learned from other states, applying them in Oregon requires a thoughtful, carefully implemented approach, at least in part because the Oregon Legislature has already taken some of the suggested steps. In House Bill 2001 (2019), it eliminated zoning exclusive to detached single-unit homes, allowing a greater diversity of housing to be built throughout the state, and required cities of over 10,000 to develop Housing Production Strategies (HPSs). While these are necessary steps that will yield long-term benefits, expedited housing production will also require an alignment of a full suite of policy tools, agency coordination, and public investment.

⁵ All recipients of federal funds from the Department of Housing and Urban Development are required to affirmatively further the policies and purposes of the Fair Housing Act, also known as "affirmatively further fair housing" or "AFFH."

In many states that are newer to comprehensive planning initiatives, zoned capacity limits housing production. Oregon's problems are different. The state has already increased zoned capacity to enable production, including through recent legislative initiatives such as House Bill 2001 (2019). Now, we must tackle the harder reforms needed to lead with production. We need to make sure that enough zoned capacity is available in the right places so that community members, especially those who have experienced historic marginalization, have meaningful choices in where they live and what kind of housing choices are available to them. At present, our system generates lower housing production in whiter, more affluent communities and expands capacity mostly in lower-income and more diverse communities. We need to improve the often onerous and contentious system for allowing jurisdictions to add land needed to meet growth and current housing deficits. And, most importantly, we need to turn our attention and investments to making land ready for development, advance state and local policies that are supportive of increased production and housing options and accelerate affordable low- and middle-income housing construction.

The recommendations in this report are far-reaching and will fundamentally change the way Oregon plans for and produces housing. If adopted, these changes could modernize Goal 10 into a national model for housing production. Goal 10 systems reform can deliver:

- **Increased focus on local actions that enable land readiness and production**, including removal of zoning and regulatory barriers and access to infrastructure investment
- **A smoother and less litigious UGB expansion process**, supported by the land use efficiencies in housing production strategies, a more accurate representation of housing need and capacity, and increased flexibility to unlock land where it's needed
- **Advancing fair housing goals**, by expanding production and housing options in historically exclusionary areas and integrating diverse, affordable, quality, and accessible housing across regions
- **Better and clearer guidance on local actions**, clarifying the purpose of each planning function and reducing and streamlining current requirements

These improvements are anchored by the objectivity of the OHNA methodology, data, and unit allocation to local jurisdictions. It is critical that these goals be seen as achievable and not an unfunded mandate. Discussions with local governments, market rate and affordable housing developers, and various advocacy organizations throughout the state have clarified that the state needs to implement changes that foster **partnership** between state and local governments, **accountability** to working towards housing need, and **investment** to support affordable housing production that the private housing market cannot produce on its own.

II. Core Recommendations

Recommendation 1) Plan for what's needed

Overview: Lead with Production

Leading with production requires a fundamental shift from a more passive planning approach to accommodate growth to outcomes-based strategies that focus on production.

As directed by statute, our current system addresses housing need by using past development trends to calculate the land supply and zoning capacity needed to meet future demand. However, past trends may not reflect the actual regional housing need and demand for housing options in any particular location. In this current system, most jurisdictions systematically underestimate their future housing demand, and especially underestimate their demand for housing for lower income households, because the demand was not appropriately accounted for originally and was reinforced through low production performance. This creates a negative feedback loop where underproducing housing, especially affordable housing, causes future projections to further underestimate need. A consequence of this dynamic over several decades is that the Housing Capacity Analysis (or Housing Needs Analysis), the historic implementing document of Goal 10, has become a land supply calculation and growth management tool that has little to do with actual housing production needed for a healthy society and economy. Instead, Goal 10 implementation has enabled and reinforced housing inequities between and within communities.

Overcoming this challenge requires implementing a new methodology that better estimates total need and does not rely on past development trends to determine where growth will occur (recommendation 1.1), setting production targets and measuring progress toward those targets and equitable outcomes (recommendation 1.2), strengthening Housing Production Strategies so that they are better organized to remove barriers to development (recommendation 1.3), and streamlining the process for expanding urban growth boundaries when they are needed in a coordinated housing planning system (recommendation 1.4).

1.1 Formalize the OHNA as the foundation for housing planning in Oregon.

Part of 2019's House Bill 2003 directed OHCS to develop a pilot methodology to estimate Oregon's statewide housing need. In its inception, this methodology was called the Regional Housing Needs Analysis or RHNA, borrowing the term from California. In this implementation work, it is renamed the Oregon Housing Needs Analysis, or OHNA, to better reflect its evolution to a unique, Oregon-specific model. The pilot analysis was completed and extensively reviewed in 2020, including a [full results report](#), [technical methodology](#), and [assessment report](#) that documents how this methodology improves upon current processes.

The OHNA methodology is the cornerstone of a different approach to Goal 10 implementation. The recommendations in this report assume access to the data and information that would come from implementing the OHNA methodology. The OHNA methodology will provide a data-informed measurement of housing need in each area of the state that, (i) estimates units needed

to meet current and future housing need, (ii) catches up with past underproduction and the resulting pent-up demand, (iii) accounts for people experiencing homelessness, and (iv) ensures a more equitable distribution of affordable units within a region. Using this methodology, the state will calculate and allocate housing need with a standardized approach, replacing housing needs projections that are currently developed by local jurisdictions at great expense of time and resources.

As part of this implementation effort, DLCD and OHCS recommend changes to the pilot methodology to fully account for the impacts on housing markets from second and vacation homes, improve and broaden indicators of housing outcomes, and better align income brackets with funding sources available to support affordable housing production. These recommended changes are documented in the technical report included in [Appendix D](#). The revised methodology suggests that **Oregon needs 554,691 new housing units** to accommodate 20 years of population growth and to account for current underproduction and the lack of units for people experiencing homelessness.⁶ About 176,300 of these units, or 32 percent, will need to be affordable for households earning less than 60 percent of statewide area median income (AMI).

With these revisions, the OHNA contains the following parts:

1. **Needed Housing (20-year housing need).** For each city and county and for the state as a whole, the OHNA will provide estimates of housing need for 20 years, by income range. These estimates will replace the 20-year projection of housing need currently completed locally by cities in housing capacity analyses. Local jurisdictions will continue to make critical decisions about the types, characteristics, and location of housing based on the state methodology, community priorities, and context-sensitive local information, such as cost burden, accessibility, and household demographics.
2. **Housing Production Index (housing production targets).** The HPI establishes local housing production targets for cities over 10,000 (see recommendation 1.2). These targets set a baseline by which the state regularly tracks and evaluates progress on housing production.
3. **Housing Production Dashboard (measures progress toward meeting need).** Annually, for each city that has a six or eight-year production target, for Metro, and for the State, the state will compile and publish data showing progress toward production targets (see recommendation 1.2 for details) in a housing production dashboard.
4. **Housing Equity Indicators (measures housing outcomes).** For each city, the OHNA model will provide annual reports on housing outcomes. These include data and information about rates of rent burdening and homeownership by race and ethnicity, age,

⁶ The pilot methodology estimated a total statewide need of about 554,000 units, of which 110,000 units were due to underproduction. The revised methodology shifts the income bins used and better accounts for the effects of second and vacation homes on total housing stock, which decreases the overall estimate for underproduction while increasing housing need in areas of the state with concentrations of second homes.

and disability status (as data allow for smaller jurisdictions). It can also be updated to include information about segregation and risk of gentrification, or other measures of housing outcomes, such as climate resilience within communities. The information provided will vary from geography to geography; for some smaller geographies, data are insufficient to provide reliable disaggregation. While DLCD and OHCS will lead further engagement and discussion following legislative adoption of these recommendations to confirm the specific measures that are most useful and appropriate, recommendation 1.2 provides initial concepts.

The OHNA will need to be reviewed and updated on a regular cycle as new data become available. This update process should include a process in which the implementing agency consults with a range of experts for peer review and publishes notice and review of the proposed methodology. The most appropriate schedule for significant revisions is likely to be every ten years, timed as new census data and geographic boundaries become available. Smaller mid-cycle adjustments and updates are possible if warranted and resources are available. To maintain and run the model on a regular basis, the OHNA will need to be housed in an agency with data capabilities including housing economics, modeling capacity, database management, and data visualization skills, and with the ability to gather information from local governments about actual rates of production to track progress toward targets.

OHCS oversaw the process of developing the methodology and could continue regularly running and updating the methodology on a regular basis. This work requires staff capacity commensurate with the analytical, procedural, and communications requirements as directed by the Legislature. We estimate that implementation would require a qualified staff person (1 FTE equivalent) to regularly complete and update the methodology, with additional staff capacity to facilitate other factors ancillary to the analysis itself, including external communications, public engagement, data publication and visualization, and connecting analysis to policy. However, the exact number of staff necessary depend on the extent of analysis and engagement directed by the Legislature.

The Oregon Office of Economic Analysis is another possible lead agency for this work in the long run, as they are involved in neither the funding nor regulation of housing and may be seen as impartial. However, it is important to emphasize that this agency has much less programmatic infrastructure in place to conduct this analysis. Therefore, it would very likely take more staff capacity and funding appropriation to implement initially. Overall, regardless of which agency or office manages it, state government needs to closely coordinate the technical work of running and maintaining the OHNA model with implementation of the system (see recommendation 3.1 for more details about system administration).

Broadening “Needed Housing”

Under the current Goal 10 framework, Oregon cities are required to plan for “needed housing”, which refers to housing types determined to meet locally identified need at a variety of price or rent ranges. Currently, this means that cities needed to plan for different housing types, such as single-family, multi-family, and manufactured housing types, based on locally-driven analyses. These analyses are conducted by individual cities and consider anticipated population growth, household demographics, local market trends, and various context-sensitive factors.

However, the implementation of this requirement has often overlooked a number of factors that affect need, especially for historically marginalized communities such as people experiencing homelessness, people with disabilities, and communities of color. Additionally, many of the housing types projected in local analyses are based primarily on past development trends, even if that housing is unlikely to meet need or be affordable to current and future residents.

To implement an OHNA, the Legislature would need to establish a statute that requires a state agency to regularly develop and conduct a methodology estimating and allocating housing need to local jurisdictions, including the number of units and the affordability ranges needed over the next twenty years. Additionally, existing statutes would need to be adjusted to better plan for a variety of housing needs, types, and characteristics, including factors that are currently omitted:

- Broadening the types of needed housing to include middle housing and accessible housing,
- Clarifying that household demographics include race and ethnicity, disability status, and student population (if applicable), and
- Including the effect of second and vacation homes on need, as estimated by the OHNA]

Note: specific changes to the needed housing statute are outlined in greater detail in [Appendix C](#)

This would establish a system in which the state estimates the **total amount of housing and affordability ranges** needed, while local jurisdictions make critical decisions about the **types, characteristics, and location of housing** based on the state methodology and context-sensitive local information, such as cost burden and disability status, as well as community priorities.

1.2 Create production targets and indicators and measure progress towards outcomes in local Housing Production Strategies.

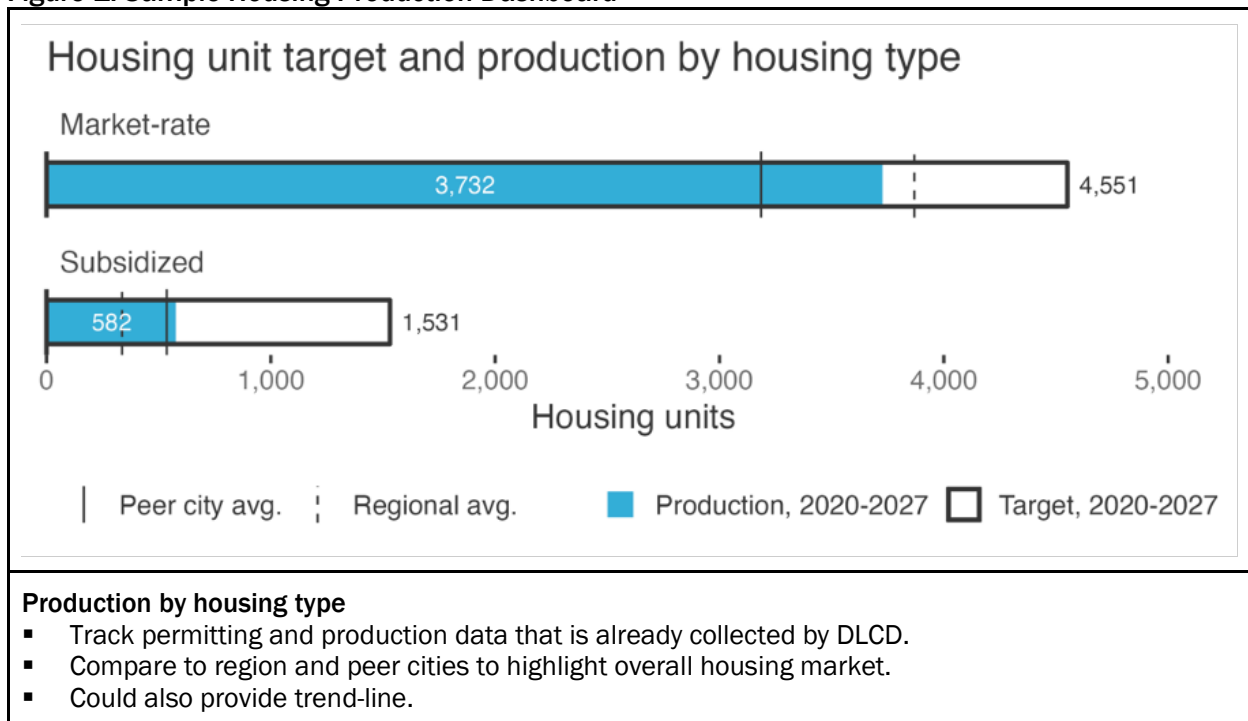
The proposed framework draws from the OHNA’s Housing Production Index to set production targets that orient all partners toward common goals for market-rate and publicly supported housing production. Using the OHNA allows the state to benchmark housing production on an annual basis and informs local policy decisions, providing transparent, regular information about progress toward outcomes.

The OHNA methodology addresses inequities in the current system by allocating a share of regional demand to each community based on income, access to jobs, and population. In this way, the state and local governments can collectively begin to address chronic underproduction and geographic inequity at a regional scale. This will allow implementing jurisdictions to make informed decisions about how to plan for an increase in housing production and allow state agencies to partner with local jurisdictions to help fund and implement those plans. It also means

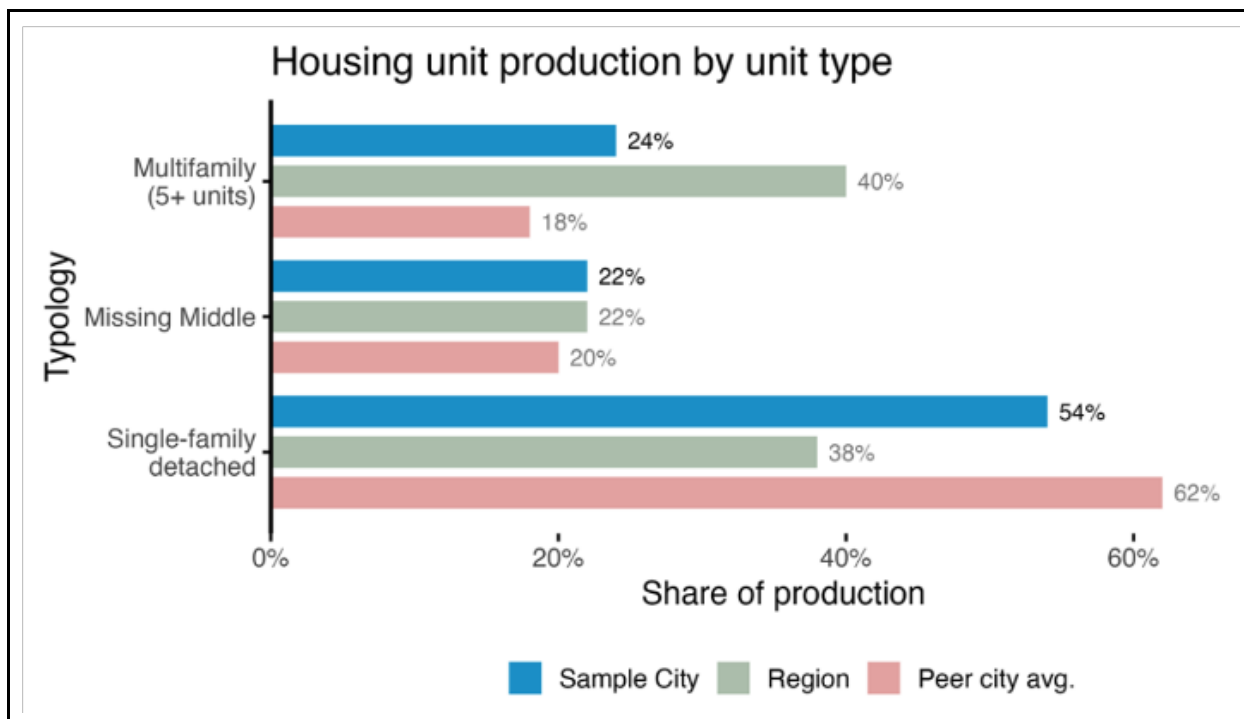
jurisdictions will not have to wait until the end of a six- or eight-year planning cycle to consider housing production.

The state will not expect jurisdictions to hit their targets exactly in each cycle. However, if it is clear that a jurisdiction's production is much lower than in regional or market-based peers,⁷ there are likely locally specific development barriers that the jurisdiction must address. A production-focused system will use measurement of progress toward targets to identify these problem areas, and work proactively to address them, bringing state funding and expertise to support. Below is an example of what such a dashboard might look like, with commentary on the data options, for a fictional city.

Figure 1. Sample Housing Production Dashboard

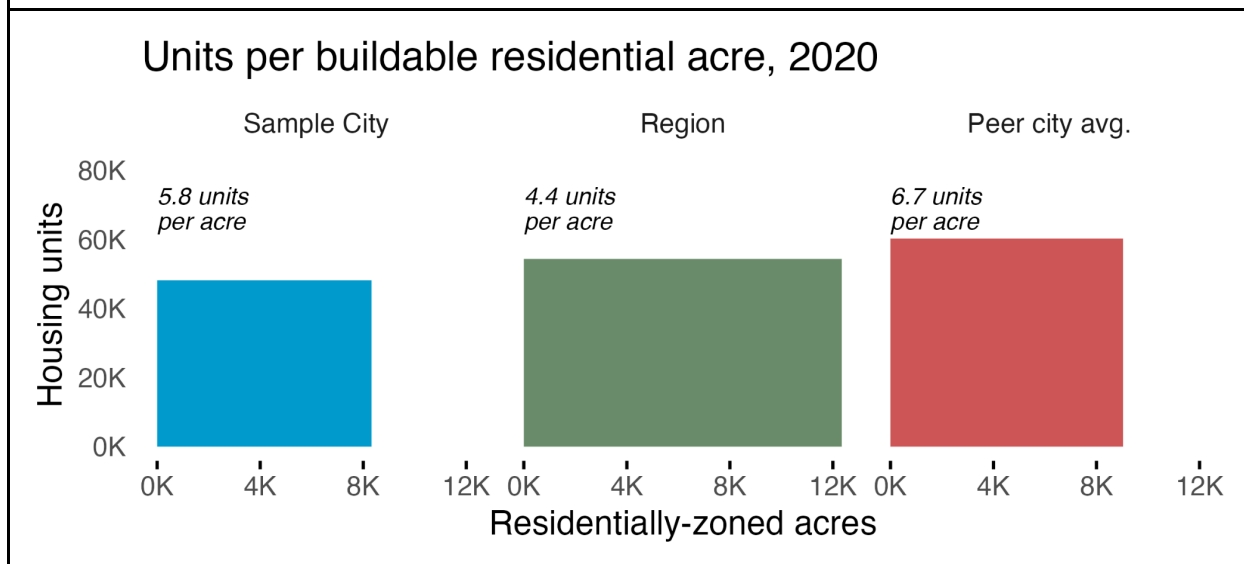


⁷ The technical report included in [Appendix D](#) describes how market-based peer cities could be determined.



Production by unit type

- Use DLCD data about the unit typology to track production (or permits) by basic housing typology (single-unit, middle housing, multi-unit).
- No “targets,” just relative data and information.
- “Efficiency measures” in the HPS will consistently work towards greater housing diversity and choice.



Land use efficiency

- Could be based on calculations of buildable residential land from local Buildable Land Inventories.
- If a jurisdiction is “built up,” the image should expand upwards.
- If a jurisdiction is sprawled, the image would expand to the right.
- No “targets,” just relative data and information.

Twenty-year need (the basis for targets articulated in the Housing Production Index) can be produced on an annual basis, so that cities that are on different planning cycles can have access to the most current data inputs as they begin their analyses. For an individual city, production targets will be set for the entire six- or eight-year time period, as either 30 percent of 20-year need (for cities on a six-year cycle) or 40 percent of 20-year need (for cities on an eight-year cycle) and will be based on Needed Housing data available the year they begin their planning process. Progress toward the six- or eight-year target will be measured annually in the dashboard. New targets will be assigned in the next six- or eight-year cycle, based on updated data that reflect progress toward targets in previous cycles.

Targets should be set for both the **total number of units** and the **total number of affordable units** that should be constructed in six or eight years. By tracking progress toward total unit production, the system recognizes and encourages the production of units affordable to all residents and of all types. Achieving total production targets will help cities overcome past underproduction, which is necessary to allow the private market to better meet the needs of middle-income residents. By tracking progress toward publicly-supported units for lower-income Oregonians, the system recognizes that the private market, on its own, cannot meet all housing need. Even in a well-supplied market, these units will need public support, as market-rate units are unlikely to filter to these levels of affordability in a timeframe that will provide real relief to Oregonians in need.

A few considerations about determining thresholds for measuring publicly supported affordable units:

- To establish a target for affordable units, we recommend using one income category, all units affordable to households earning less than 60 percent of Area Median Income, (AMI). While there is substantial need for housing for the lowest income Oregonians (with incomes below 30 percent of AMI) it is not practical to track the production of units at these lower levels of affordability, because these units layer subsidies that are impracticable to measure. It is common to add rent subsidies to help very low-income residents access units that may technically be rent-restricted to those below 60 percent of AMI, rather than to build units that are rent-restricted below 30 percent of AMI.
- While the target is focused on one income category, the Housing Production Dashboard should track and report publicly-supported units at all income categories, including housing affordable to middle-income households earning between 60 and 120 percent AMI. In some instances, these are also publicly supported, with the goal of supporting middle-income or home ownership access. While these data will not fully represent the total amount of housing production affordable to these households, it will measure the impact of state and local subsidies aimed at this segment of the market.

Additionally, the OHNA model will track specific indicators of housing outcomes that can enable jurisdictions to better understand and support strategies designed to overcome inequities in the housing market. The pilot methodology included extensive data analysis and documentation for

cities across the state on indicators of housing outcomes that should be maintained as part of the OHNA dashboard going forward. These included cost burden, tenure, and other factors, by race, ethnicity, age, and disability status.

Additional indicators can and should be added to the dashboard, such as segregation, displacement, a deeper look at housing for people with disabilities, greenhouse gas emission reduction, or climate resilience, based on the priorities established by the Legislature and through rulemaking for implementation. The technical report ([Appendix D](#)) describes in more detail the data available to evaluate housing outcome disparities by race, ethnicity, age, and disability status, and offers a few example statistics and graphics. The report also summarizes the data limitations and ways to show as much detail as possible for smaller geographies.

Overall, the dashboard is envisioned as an accessible, publicly available web-based data interface that will provide relevant housing production and outcome data for each relevant geography. The dashboard reporting is a critical evaluative tool that will inform needed refinements to a local jurisdiction's Housing Production Strategies. Over time, the dashboard will also help jurisdictions across the state learn from one another about the types of policy and regulatory approaches that are working well and will provide a simple and transparent way for community members to track progress.

Consideration for Metro

Adopting the OHNA methodology to determine statewide housing need will need to operate somewhat differently within the boundaries of the Metro Special District in the Portland region. The Metro Regional Government holds statutory responsibility for coordinating forecasts within its urban growth boundary. This entails Metro completing a regional forecast and distributing expected growth to its constituent cities and counties. This system has proven largely effective for integrating land use and transportation planning, resulting in livable communities and reduced greenhouse gas emissions. Metro and the region's cities have also developed a distinct system for identifying and planning for UGB expansions that includes urban and rural reserves, as well as concept planning for new urban areas. The region's approach recognizes that Metro is responsible for forecasts and managing the UGB while cities and counties are responsible for zoning and service provision. These differing responsibilities require coordination and a focus, not just on land need, but city readiness to urbanize land.

A core purpose of implementing an OHNA is to distribute housing more equitably between cities in a region. Under the current system, localized needs projections reinforce disparate responsibilities between cities in planning for a diversity of housing types and affordability. While the methodology addresses this dynamic statewide, in the Portland Metro, it will be critical that the resultant allocation of housing results in a more equitable distribution of housing in the region while maintaining Metro Regional Government's statutory responsibilities. More importantly, this allocation must be paired with systematic changes to the implementation of Goal 10 to ensure local governments are taking meaningful actions to increase production, diversity, and affordability within their communities. To do this, we recommend a partnership approach among the state, Metro Regional Government, and local jurisdictions, including the following core components:

1. **Metro should maintain its regional forecast coordination and growth management responsibilities** with its ongoing focus on readiness and requiring concept planning for urban reserves before expanding the UGB. Its 20-year regional forecast should include the same considerations that the OHNA considers, including the effect of underproduction, homelessness, and second/vacation homes.
2. **The state should allocate six-year production targets** for local governments above 10,000 population within the region, based on the 20-year regional forecast. These targets should be applied to local Housing Production Strategies and reflect an equitable distribution of housing between cities within the region. For neighboring communities outside of the Portland Metro region and within the tri-county region, the OHNA will estimate and allocate needed housing similar to other cities in the state.
3. **Local jurisdictions should continue conducting Housing Capacity Analyses** to ensure they adopt efficiency measures and strategize preparing buildable lands for development in subsequent cycles of their Housing Production Strategy.
4. **Accountability should be state-driven for local jurisdictions above 10,000 population** to implement meaningful actions that support production. See Recommendation 1.3 for detail.
5. **Urban, unincorporated portions of Metro counties should complete Goal 10 planning and access state funding programs**, similar to cities above 10,000 population. Counties should be able to enter agreements with cities to plan portions of unincorporated counties, in recognition of annexation dynamics between cities and counties.
6. **Metro Regional Government should complete a "Housing Coordination Strategy"** similar to local Housing Production Strategies but with an emphasis on regional coordination rather than local policies. See Recommendation 3.2 for detail.

1.3 Strengthen the Housing Production Strategy to promote production and overcome barriers.

The existing rules and laws governing HPS implementation provide a starting place to ensure state and local governments are doing everything they can to promote housing production.⁸ According to House Bill 2003 (2019), the Legislature gave DLCD statutory authority to review, amend, and remand Housing Production Strategies. The current accountability system is designed to emphasize general *action towards addressing a need*, rather than achieving specific numerical targets or implementing any one particular action.

The implementation of the OHNA can build on this existing accountability framework and ensure that state agencies and local governments are taking meaningful and effective actions towards housing production. DLCD should incorporate a review of performance and progress towards housing production outcomes and OHNA targets as part of its current review process that occurs at development of a new HPS, midway through the HPS implementation cycle, and then again at the six- or eight-year update of the HPS. With this addition, the system would then be organized to define clear goals, transparently show progress toward those goals, learn together about which actions are helping to make progress over time, and adjust strategies accordingly.

The proposed reforms focus community attention on building the housing we need where we need it (the desired outcome), rather than meeting administrative planning requirements that may or may not result in needed housing production. This makes HPSs – the set of identified local planning and policy changes to support housing production – the centerpiece of Goal 10 implementation.

Building Local Capacity

The vast majority of housing is built by the private sector. At the same time, local plans and development policies play a significant role in creating the conditions for housing production. Given the scope of the state’s housing crisis, we recommend measuring the effectiveness of an HPS by the outcomes it produces. The goal is not to penalize jurisdictions for missing their targets – it will take time to dig ourselves out of our housing shortage – but to evaluate what is working and to course-correct when strategies are not leading to more housing for communities who need it most.

It is important to emphasize that the implementation of locally-focused policy and funding action on housing will require substantial investments in local capacity. DLCD’s 2023-25 Agency Request Budget includes additional staff and a regular biennial investment of \$2.5 million intended to provide jurisdictions technical and financial support for Goal 10 implementation. Additionally, the housing capacity recommendations discussed in [Appendix A](#) call for additional investment in urbanization planning and technical support. These investments are critical to support housing and urbanization planning, but they are insufficient on their own to fulfill the gap jurisdictions face. For example, the Oregon Office of Economic Analysis estimates that meeting housing production needs identified in the OHNA requires approximately 400-500 more

⁸ Oregon Administrative Rules [660-008-0065](#) and [0070](#).

public sector workers per year simply to approve, permit, and inspect the additional units at the local level.⁹

To address this gap, the state should partner with local jurisdictions and provide funding support (described in recommendation 2.1) tied to HPS implementation. Under the current and revised Goal 10 framework, cities above 10,000 in population are required to regularly complete housing planning requirements.

Small, Rural, and Coastal Communities

It is important to emphasize that small, rural, and coastal communities very often face significant and unique challenges with housing production. Many of these communities face significant economic challenges that significantly inhibit production and have limited resources and staff capacity to support housing planning and production.

While it is reasonable to require larger cities to periodically update plans and policies to support housing production, establishing the same requirements to smaller cities is impractical because they lack the financial and staffing resources needed to complete that work. Therefore, these recommendations seek to lift these communities up and provide them the support they need via the following actions and investments:

- Continue to enable, but do not require, communities below 10,000 to adopt HPSs and access the same funding resources that support production as larger jurisdictions.
- Enable county and regional entities to adopt county- or region-wide Housing Coordination Strategies in coordination with cities below 10,000 to access the same funding resources. See Recommendation 3.2 for more detail.
- Direct state investment to support housing production where the market is unable, with an emphasis on housing affordable to low- and middle-income households in rural and coastal markets.
- Establish a program that enables DLCD to provide funding and capacity to smaller communities without requiring submittal of competitive grant applications.
- Provide direct DLCD analytical support for smaller communities pursuing Goal 10 housing-related initiatives.
- Establish more streamlined analytical requirements and policy responses to housing need for smaller communities.

Housing Production Strategies

While cities are currently required to adopt strategies that comprehensively address identified needs, the current accountability framework does not require implementation of a particular strategy or to meet a specific production threshold. Currently, state administration of the HPS

⁹ Oregon Office of Economic Analysis. "Addressing Oregon's Housing Shortage". Accessed via: <https://olis.oregonlegislature.gov/liz/202111/Downloads/CommitteeMeetingDocument/256863>

program progresses from collaboration, assisting jurisdictions in need of support, to increasingly more stringent measures should inaction continue. At the highest level of enforcement, if a jurisdiction is recalcitrant towards adopting meaningful strategies that address housing needs, DLCD has the authority to petition the Land Conservation and Development Commission (LCDC) to issue an enforcement order, requiring the jurisdiction to address the deficiency. These recommendations propose an important change to this system: integrating regular data-informed evaluation of progress toward targets and needed housing outcomes as part of the OHNA. This will help focus strategies and provide clear indicators of successful implementation. This additional data and information will help to focus collaborative conversations about the resources and strategies needed to overcome production barriers.

By establishing housing production as the primary indicator of progress, cities can orient their strategies toward the necessary policy changes, housing types, and measures of land readiness to enable housing outcomes and break the negative feedback loop that leads to underproduction in the current system. Each HPS will be unique to local circumstances, and local expertise is essential to figuring out which strategies make sense in a specific context. At the same time, we can organize local actions into categories that are consistent with statewide goals and best practices for building the housing we need in the places we need it. Tighter definitions of HPS categories will also allow for more consistent evaluation by local jurisdictions and DLCD of their effectiveness and comparisons between peer cities.

The current administrative rule for HPSs requires jurisdictions to provide an interim, mid-cycle implementation report and a full report at the end/start of each cycle.¹⁰ We recommend maintaining these existing reporting functions and will seek to help jurisdictions fulfill the requirements.

Through the OHNA, the state will provide baseline housing needs data that is currently the obligation of cities to generate, as described in recommendation 1.2 above. In addition, the table below provides an overview of the HPS elements that are currently required, and how we propose amending them with clarifications in existing rules and guidance. These changes will ensure that the actions are sufficiently and comprehensively focused on making land ready for development and for equitable housing production.

¹⁰ Oregon Administrative Rule [660-008-0060](#).

Figure 2. Suggested Revisions to Existing Housing Production Strategy Elements

Current elements of the HPS	Recommended revisions
Contextualized housing need	The state will provide OHNA-generated baseline data that is currently an obligation of local jurisdictions. Cities may add data necessary to help inform strategies.
Production strategies	<p>When the HPS is adopted and approved, funding for implementing these strategies is unlocked. Strategies must address the following categories of actions:</p> <ul style="list-style-type: none">▪ Zoning and code changes▪ Reduce regulatory impediments▪ Financial incentives and resources▪ Land use efficiency measures▪ Development readiness▪ Fair housing (more details in recommendation 2.2) <p>To support development of these strategies, new guidance will be needed regarding fair housing, housing mix and land use efficiency measures, and DLCD's defined HPS program outcomes.</p>
Engagement	Local governments will continue to engage consumers and producers of needed housing, as required by current administrative rules. Future state level guidance will be needed to support this work and Goal 1.
Fair housing narratives	New data will be available to support cities' fair housing strategies and reporting through the OHNA, measured as annual indicators of housing outcomes. DLCD will provide additional guidance about how cities can use production-related policies and actions to advance fair housing.

Accountability

Throughout this process, accountability at all levels of government was raised as a substantial condition for success needed to facilitate the development of needed housing. While DLCD has an existing accountability framework predicated on timely, good-faith implementation of tools, actions, and policies that promote production, participants raised a need to better clarify this framework. Specifically, it is not clear under the current framework how underperformance in market rate or affordable housing production will result in meaningful funding or policy interventions to increase production, nor is it sufficiently clear that failure to take meaningful action will be met with appropriate enforcement actions.

It is important to emphasize that under any accountability framework, it will take substantial investment at the state level to support the kinds of policy and funding interventions that are needed to increase production. This report calls for that investment in partnership with local governments to increase local capacity and funding needed to build housing, especially housing that the market would not otherwise produce on its own. Additionally, while many participants have called for increased local accountability, many participants have also correctly asserted that local governments only control a portion of the policy levers that affect housing production and affordability. Underproduction of housing is a consequence of a myriad of policy and economic factors, and any accountability framework should acknowledge and reflect this dynamic.

Recognizing that accountability requires substantial Legislative decision-making, this report provides several considerations to inform future discussion that provides policy pathways that balance perspectives heard throughout the process. First and foremost, the project team

recognizes that **unmet housing need should be addressed with meaningful action from all levels of government**. Achieving that goal requires three major components:

1. Clearly define “unmet housing need” through the OHNA
2. Respond to identified unmet housing need through local and state policy and funding interventions, in partnership.
3. Establish clear enforcement parameters to ensure timely action.

1. Define “unmet housing need”

Recommendation 1.2 establishes housing production targets and provides baseline data by which the state regularly tracks and reports housing outcomes, including annual market-rate and affordable housing production, for cities above 10,000 population. Additionally, it includes relative peer and regional assessments of local jurisdictions to assess the relative performance of jurisdictions by geography and market typology. While this information is not sufficient on its own to definitively assess underperformance, it provides a critical barometer to direct policy and funding interventions.

If a local jurisdiction consistently produces less housing in comparison to the region and other similar housing markets, it suggests that policy and funding interventions may be necessary to facilitate the production of housing¹¹. Thus, Recommendation 1.2 enables DLCD, with appropriate direction and parameters assigned by the Legislature, to define a threshold in which a response is warranted.

2. Respond to unmet housing need

Currently, jurisdictions regularly complete Housing Production Strategies to identify tools, actions, and policies that promote production of needed housing, and DLCD reviews and approves, amends, or remands submitted HPSs to ensure they substantially comply with administrative rule. By necessity, this framework requires substantial discretion, because the actions cities take to promote housing production will vary substantially based on local economic, political, and implementation dynamics. As a consequence, there is a lack of clarity on “how much is enough” with regard to identified strategies.

It is possible to provide more clarity through enhanced review and partnership by DLCD. If a jurisdiction is identified as consistently producing less housing than regional or market peers, this could trigger a requirement for DLCD to conduct an audit and review of city policies in advance of their next HPS, focused on identifying the following:

- Financial and regulatory impediments to production
- Financial and regulatory incentives, including available state resources
- Actions that advance fair and equitable outcomes

¹¹ Interventions cannot be “one size fits all” and should respond to a variety of local contexts and conditions, especially in consideration of fair and equitable housing outcomes. See Recommendation 2.2 and the Technical Report ([Appendix D](#)) for more information.

This audit should include a series of recommendations by which a city could address identified barriers to housing production, either through changes to local policies/actions, coordination of state resources, or other measures. After conducting the audit, DLCD could then be required to develop a performance plan in consultation with cities to establish a series of actions that address the barriers identified in the audit, timelines for the implementation of those actions, and coordination of state and local resources needed for implementation, such as financial or technical support.

This review and performance plan could be extended to a broader range of state agencies with the establishment of a coordinated statewide entity described in Recommendation 3.1, which could provide a much more comprehensive review of the full suite of tools a city could access than DLCD can alone. Additionally, the Legislature could also establish parameters that increase the likelihood of timely and coordinated action, including:

- Establishment of a timeframe by which implementation of actions must be implemented;
Please note: The timeline must balance the need for urgent action with practicable local implementation, with flexibility to modify timelines to accommodate local circumstances. As a starting place for discussion, one option could be adoption of actions within two years of the adoption of an HPS with flexibility for the state to amend deadlines to accommodate extenuating circumstances.
- Requiring DLCD (and potentially other agencies that distribute financial resources to local jurisdictions) to prioritize funding and technical support for jurisdictions with unmet housing need; and
- Establishing clear and scaling enforcement actions connected to the timely implementation of actions, discussed below.

3. Establish clear enforcement parameters

Communities throughout the state generally support the provision of adequate, affordable housing options within their community, and it is important to recognize that to increase the production of needed housing, most of the time this requires providing resources and tools to communities to support the implementation of that vision. However, it is equally important to recognize that appropriately-scaled enforcement provisions are an important tool in ensuring meaningful and timely action.

It is important to emphasize that **enforcement should only occur upon failure to act timely or act at all, not as a consequence of housing underproduction on its own**. Enforcement should begin collaboratively and take progressive steps in response to inaction, while providing opportunities for jurisdictions to readily come back into compliance. An enforcement policy must recognize that many factors operating at the national, state, and local levels can inhibit production and local capacity to address barriers. It is also critical to emphasize that **without substantial state investment in both local capacity and housing production writ large, it will not be possible to implement an accountability framework that delivers meaningful results**.

Additionally, it's important to recognize that there may be cases where, despite consistent good-faith implementation of strategies to facilitate production, housing production remains stymied due to factors outside of a jurisdiction's control. In these instances, there should be a list of policy options where a jurisdiction can demonstrate they are doing all they reasonably can to promote production, without risking the application of potential enforcement provisions.

Under the current framework, enforcement actions begin collaboratively and become progressively more substantial if delinquency continues, with the most substantial measure being an enforcement order issued by LCDC. A challenge with this approach is it 1) costs significant time and resources to compel action and 2) creates uncertainty as to whether failure to act will result in enforcement. Establishing **clear timelines** and **automatically applicable provisions** when a deadline passes addresses these shortcomings and enables city staff to clearly signal to local decisionmakers what needs to occur by when and what happens in lieu of local action.

Enforceable provisions must be established through legislative deliberation, but generally, the more impactful an enforcement provision is, the more contentious and challenging it will be to adopt, implement, and enforce. Additionally, it is important to consider how enforcement might differ between overall housing production and affordable housing production. Affordable housing production faces a variety of barriers, and while overall production requires long-term policy solutions to create healthy market environments, there is a compelling argument to expedite and reduce barriers for subsidized affordable housing substantially to proportionally respond to the affordability crisis.

Below are a few examples of provisions the Legislature could consider, organized from less to more impactful:

1. Application of streamlined permitting processes for units that meet zoning requirements and specific criteria – [California Assembly Bill No. 2011](#) (2022)
2. Application of a “development override” for subsidized affordable housing meeting specific criteria – e.g. [Senate Bill 8](#) (2021) or [Massachusetts Chapter 40 B](#) (1969)
3. Application of a “model code” enabling a greater diversity of housing types in a defined area – e.g. [House Bill 2001](#) (2019)
4. Application of tax incentives, such as property tax exemptions, for qualifying subsidized affordable housing meeting specific criteria – [California Senate Bill 196](#) (2019)
5. Withholding certain state funding sources, such as state transportation funding – e.g. [Utah House Bill 462](#) (2022)

All of the example provisions represent substantial enforcement actions that should not be applied lightly, and any inclusion of such provisions should not be applied until there has been substantial opportunity to address barriers, including state partnership and investment to overcome barriers to housing production.

Other Major Statewide Policy Initiatives

A critical dynamic in the implementation of the Oregon Housing Needs Analysis is how systemic changes to the housing planning system interface with other statewide policy initiatives. In particular, there is significant ongoing policy work related to climate change, wildfire, and housing preservation that stakeholders throughout the process raised as warranting attention as the project team considers legislative recommendations.

Climate Change

The Land Conservation and Development Commission adopted rules for Climate-Friendly and Equitable Communities in July 2022. The rules require fifteen communities to designate “climate-friendly areas” – walkable, mixed-use neighborhoods where residents, workers, and visitors can meet most of their daily needs without having to drive. These areas are required to accommodate 30% or more of a community’s projected 20-year housing need. This raises a critical question: how do we ensure that we are able to provide significantly more housing while planning for neighborhoods that mitigate greenhouse gas emissions?

This was a substantial consideration during rulemaking. Stakeholders and DLCD staff wanted to ensure that ambitious policy facilitating climate-friendly areas did not inhibit a community’s ability to plan for an adequate supply of housing by creating “phantom capacity” – capacity on paper that is unlikely to be realized in practice. To achieve this, the rule requires cities to designate this capacity *in addition to* their 20-year land supply, but this capacity does not “count” until development occurs.

This is a key strategy in planning for significantly more housing. In all Oregon communities, we need to plan for an abundance of housing supply and diversity, but we also need to be conservative in capacity estimates to ensure that these policies do not artificially inhibit an adequate supply of land. In total, the OHNA recommendations ensure that communities are planning for this abundance, ensuring there is an adequate supply of developable land and preparing land to support housing production. To ensure climate-friendly areas result in actual production on the ground, implementation will need to ensure the designation of these areas is consistent with funding and policy actions identified in the local Housing Production Strategy.

Wildfire Adapted Communities

As directed by Senate Bill 762, DLCD has published a [Wildfire Adapted Communities Recommendations Report](#) for consideration by the Oregon Legislature during the 2023 legislative session. The recommendations focus on potential ways the statewide land use planning program and local comprehensive plans and zoning codes can minimize risk, even as the frequency, intensity, and duration of wildfires continue to increase.

The wildfire report is complementary to this report, providing six recommendations and multiple implementation alternatives intended to increase the resiliency of communities. The emphasis of the report is *not* to prohibit the production of needed housing, but rather, to facilitate development in a manner that reduces wildfire risk and minimizes loss of life and property. Protecting existing homes from wildfires is necessary to prevent housing shortages in fire prone communities. DLCD’s recommendations build on the protections recently adopted by the Legislature in SB 762 to minimize the spread of wildfires at the community and neighborhood level, thus further reducing the risks to individual homes and development.

Housing Preservation

This recommendations report makes clear that in order to address the housing affordability crisis Oregon faces today, state and local governments need to plan for substantially more housing and focus policy and funding interventions on increasing housing production. However, an important strategy to support affordability and promote housing stability is the preservation of existing housing supply, especially “naturally-occurring affordable housing” – housing that is relatively affordable without subsidy.

While the recommendations emphasize the need to focus on housing production at all levels of government, the framework should also facilitate the preservation of naturally occurring and subsidized affordable housing that would otherwise be lost to age or demolition. To do this, state and local policies should incentivize and encourage the rehabilitation or adaptive reuse of aging properties while focusing redevelopment on areas with lower risk of displacement, such as in underutilized parking lots or vacant large-scale retail/office sites. The housing capacity recommendations included in [Appendix A](#) include several recommendations that incorporate these principles in the local implementation of housing production strategies.

1.4 Streamline land capacity and urbanization processes to expedite well-planned expansions.

A renewed commitment to implementing Goal 10 for housing requires careful consideration of the relationship to Urban Growth Boundary (UGB) expansions. It is important to note that the adoption of OHNA-generated production targets and Housing Production Strategies are required for cities over 10,000, regardless of their existing built conditions and expansion context. In other words, jurisdictions that have achieved some level of infill or are “land-locked”, i.e., physically unable to expand their UGB, will still be responsible for a share of the overall need. Increasing housing supply and providing affordable options will require a combination of planning and policy actions at all levels, and when warranted, this should continue to include UGB expansions. We need to increase the certainty that expansions are needed, reduce the likelihood of challenges, and simplify and streamline this process.

Under the current system, jurisdictions conduct a Housing Capacity Analysis (HCA), which consists of two major components: a 20-year housing needs projection and a Buildable Lands Inventory. These two analyses answer a critical question: “Is there enough land within the UGB, zoned to sufficient capacity, to accommodate twenty years of projected growth?” If there is a deficiency of land, a jurisdiction must adopt measures to accommodate needed housing. First, the jurisdiction must adopt “efficiency measures,” which are policies that increase development within a UGB. If a jurisdiction cannot reasonably accommodate needed housing within a UGB, the jurisdiction must expand its UGB, conducting a locational analysis under Goal 14 to determine which area would best suit the identified need.

This current process requires a local jurisdiction adopt a housing capacity analysis that projects past conditions into the future to determine whether increasing zoned capacity is necessary. Housing capacity analyses have emphasized characterizing density and counting the

hypothetical capacity of lands for housing at the expense of supporting the actual production of housing. The consequence of this dynamic is that, while jurisdictions have substantial land and zoned capacity on paper, this land is not readily developable and housing production slows as available land supply becomes increasingly more costly to serve and prepare for development.

To put the emphasis on housing production, we recommend shifting the focus of land use efficiency measures from a Housing Capacity Analysis limited to analyzing the potential of lands for providing housing to the Housing Production Strategy (HPS) for cities over 10,000, which includes measures to support housing production, prepare land for development, and increase housing efficiency and diversity. Making this change in the HPS can serve a dual function, providing a policy and planning roadmap for housing production while also making the Goal 14: Urbanization process for land supply simpler and more efficient.

With the HPS at the center of housing implementation, communities can consider plans and policies specifically in terms of meeting their housing production goals. Cities can consider where it makes sense to upzone or rezone, where they should make capital investments in community amenities, where they should focus investments in low-cost market rental preservation efforts and affordable housing production, whether they can streamline their regulatory process to reduce costly delays in permitting, and what kinds of housing types match the OHNA-derived need, to name a few examples. Cities can then adopt these updates into local planning documents, ordinances, and/or comprehensive plans.

Leading with production requires some adjustments to the sequencing of Goal 10 compliance within Oregon's land use program. The current system begins with a local, city-based analysis to determine how many new households might demand housing in the future, translates that demand into unit types and income categories based on past development and demographic trends, and then determines whether there is sufficient land supply to meet the estimated future demand. Further, the method of analysis often varies by jurisdiction, meaning that local projections are not consistent and standardized across the state. When there is a gap, this is addressed either through land use efficiency measures such as rezoning and/or by expanding the urban growth boundary. Local governments often make this determination without consideration of the broader regional housing market, where economic growth is anticipated in the future, the current level of housing choice afforded in the region and other regional demographic distributions, desired equitable outcomes, fiscal impacts, or other systemic effects.

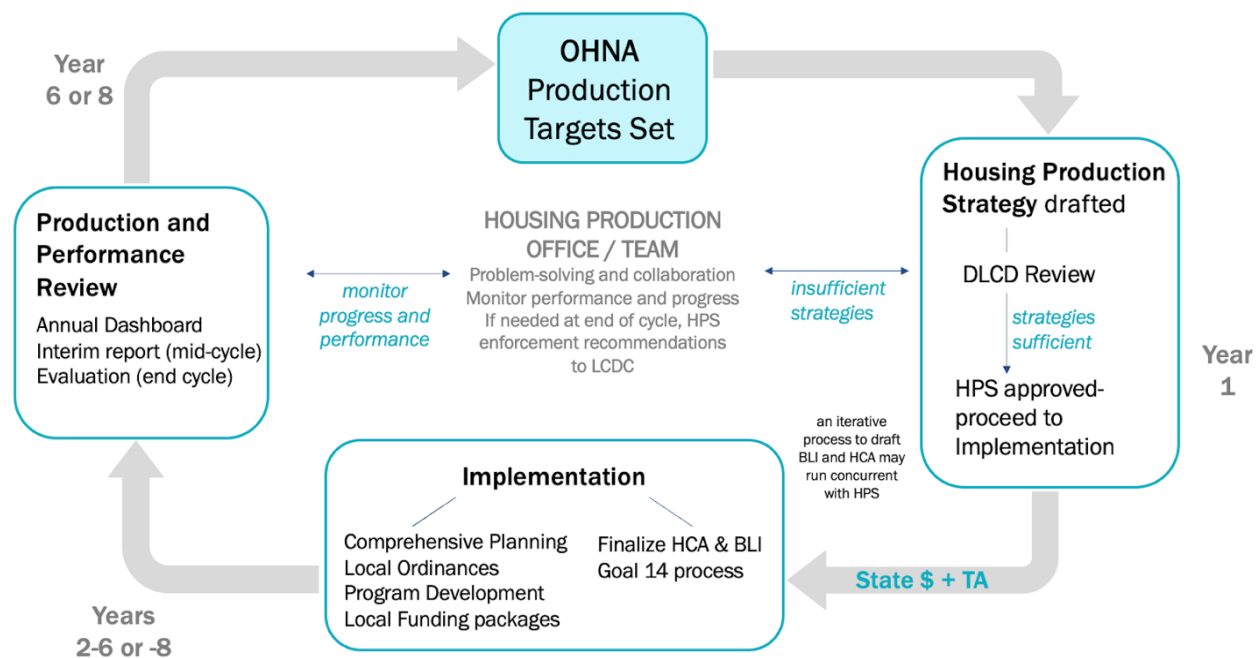
This means that production strategies are only factored in after the jurisdictions have forecast and planned for housing types and determined the need for additional land supply. The process does not take into account the impact that Housing Production Strategies – such as easing regulatory restrictions, minimizing procedural delay, preparing land for development, or increasing housing choices allowed in communities – may have on future development patterns.

This recommendation merges these two processes so OHNA targets inform HPSs, and implementation of those strategies can shape HCAs. In this way, HPS outcomes will inform future Buildable Lands Inventories (BLIs) and HCAs. While in practice the two processes may

inform one another, conceptually, it is helpful to consider this improved Goal 10 implementation process as a cycle in which we transform a negative feedback loop to positive by centering housing production targets. This outcome-focused and comprehensive housing production system will be implemented on a rolling basis, with new targets provided in each planning cycle. If a city is meeting the need and its rates of housing underproduction and cost burdening are declining, its future targets will reflect that progress.

Overall, these process revisions serve to streamline work for local governments by increasing certainty in land supply decisions, providing common datasets that are produced at the state level rather than locally, and creating a space for productive policy discussions in the HPS that are tied to a clear, measurable set of outcomes and targets.

Figure 3. Revised Housing Production Strategy Review Process



House Bill 5202 - Housing Capacity

This recommendation includes a series of refinements to Goal 10 and Goal 14 developed in consultation with a Housing Capacity Work Group, convened by DLCD in response to Legislative direction under [House Bill 5202](#) (2022). Through this process, DLCD has identified a total of nine recommendations to streamline the HCA and UGB amendment process. The net effect of these recommendations would increase local capacity, reduce administrative burden, increase legal certainty, and build on existing tools to facilitate the timely expansion of UGBs and prepare land for development and redevelopment.

These recommendations are summarized below. Specific housing capacity recommendations are included in Appendix A. Housing Capacity Recommendations of this document and are integrated with the policy outline included in [Appendix C](#).

A. Better Utilize Land within the UGB

1. Enable the adoption of “efficiency measures” in the Housing Production Strategy, enabling a jurisdiction to adopt efficiency measures in advance of a UGB amendment.
2. Direct LCDC to adopt administrative rules and guidance on the local implementation of efficiency measures that support housing production and affordability, prioritizing the following outcomes:
 - Credit recent local implementation of statewide policy initiatives related to housing
 - Increase housing diversity, efficiency, and affordability
 - Enhance flexibility in housing choice and location
 - Reduce cost or delay and increase procedural certainty for housing production
 - Incentivize preservation and stability of naturally-occurring affordable housing
 - Prepare land for development and redevelopment, including underutilized commercial or employment lands

B. Streamline Establishing Need for a UGB Amendment

3. Amend the “needed housing” statute (ORS 197.303) to replace local housing needs projections with the OHNA and provide greater local discretion to plan housing types and characteristics in response to need and market feasibility, rather than past development trends.
4. Amend the “buildable lands” statute (ORS 197.296) to reflect a more realistic estimation of 20-year residential land supply and provide more options to discount land that is unlikely to develop.
5. Direct LCDC to refine administrative rules related to buildable lands inventories to provide more methodological options for local jurisdictions to estimate land capacity.

C. Streamline Regulatory Review of UGB Amendment

6. Adjust the “urban reserve” statute (ORS 197.145 and 197A.320) and related administrative rules to increase flexibility and ease of local implementation.
7. Facilitate the existing UGB land exchange process to remove lands within the UGB unlikely to develop within twenty years, while adding land that is more likely to develop.

D. Increase Local Capacity & Support

8. Appropriate funding to support local urbanization planning, including UGB amendments, UGB land exchanges, public facilities planning, urban reserve, and concept planning, prioritizing supporting smaller and more rural communities.
9. Focus new housing staff requested in DLCD’s Agency Request Budget to focus on urbanization and public facilities planning to support local governments with analysis and technical assistance, prioritizing supporting smaller and more rural communities.

Additional Policy Considerations - Small-Scale UGB Amendment

The nine recommendations listed above reflect a substantial set of reforms developed in a very short timeframe prescribed by the Legislature. Critically, these recommendations reflect a series of refinements that have pretty broad support among stakeholders, even among those who often substantially disagree on matters related to urbanization. However, it is important to acknowledge that discussions surrounding urbanization are often significantly contentious, and given the short duration of the legislatively-prescribed deadline, DLCD staff recognized that consensus building for every policy option would be challenging.

DLCD staff believe that a core intent of the Legislative direction provided under HB 5202 required bona fide discussion on potential policy options that could reduce local analytical burden in pursuing a UGB amendment in exchange for delivery of statewide housing goals. The Legislative direction driving this work under HB 5202 is a direct response to a bill considered in the 2022 Session, [House Bill 4118](#), which proposed requiring approval of UGB amendments in response to housing proposals affordable to people earning at or below area median income.

This proposal reflects a broader legislative discussion surrounding this kind of policy. Previously, [House Bill 4079](#) (2016) was initially adopted to evaluate the barriers to affordable housing production arising from the UGB amendment process, and whether a removal of that process (with limitations) would stimulate provision of affordable housing. This legislation enabled two cities (later three) to pursue a UGB amendment without completing a Goal 10 and Goal 14 analysis for a qualifying proposal. To date, two of the three cities (Bend and Redmond) are in progress, but have not yet completed, projects, and the third (Pendleton) has not begun its process.

These policies, and similar policies modeled after these bills, were substantially contentious among work group members. In particular, many members raised significant concern about a potential bypass to the urbanization system that undermines the land use planning program at large, while other members maintain that a pathway could leverage the urbanization process to support statewide housing affordability goals.

While the short timeframe associated with the process was insufficient to establish a fully-developed and viable policy option with substantial buy-in from stakeholders, DLCD staff learned many important takeaways that warrant inclusion in this report. First, it is important to emphasize that **whether to advance a policy option that provides a streamlined UGB amendment in exchange for delivery of affordable housing is a legislative decision**. Should the Legislature decide to pursue this option, there are several considerations to improve its implementation, effectiveness, and political viability. This includes:

1. **A requirement for deed restriction guaranteeing delivery of affordable and diverse housing options in exchange for regulatory flexibility.** The Legislature would need to determine the types of housing outcomes that the pathway should require. Examples include:

- Regulated affordable housing for low-, moderate-, and mixed-income housing, including affordable rental, homeownership, and cooperative ownership housing.
- Diverse housing options the market is unlikely to produce, including manufactured, middle, and multi-family housing.

2. Regulatory streamlining that reduces the analytical burden for small and capacity-constrained local jurisdictions utilizing the pathway. Example approaches include:

- A “shifted burden” approach, in which submittal of a qualifying project triggers a requirement for DLCD to conduct a limited Goal 10 and 14 analyses within a specified timeframe.
- A “limited analysis” approach, in which a subset of jurisdictions identified as facing significant growth and affordability challenges under the OHNA qualify for a limited site alternative analysis, weighing priority and locational factors for several potential development areas.
- An “analysis waiver” approach, in which small jurisdictions with constrained planning capacity submitting qualifying proposals would not be required to prepare Goal 10 or Goal 14-related analysis for limited UGB amendments, subject to a cap on the number of UGB amendments within a 5-year period.

3. Limitations on the scope, scale, and applicability of the pathway. Examples include:

- Jurisdiction applicability, considering:
 - Population – The policy should emphasize providing an additional option to small jurisdictions with limited staff capacity and resources, not to larger jurisdictions with more capacity and resources to pursue a standard UGB amendment.
 - Population growth and cost burden – With the implementation of an OHNA, it is possible to measure and identify fast growing communities facing significant cost burden, enabling the option in communities where it is most needed.
 - Geographic or regional limitations – The policy should exclude areas with significant concerns about the loss of resource lands, such as the Willamette Valley.
 - Frequency of use – The policy should have a limit on the frequency of use to ensure it does not overwhelm staff capacity or bypass the standard urbanization process.
- Site applicability, considering:
 - Site size – There should be some upper acreage threshold for qualifying projects included in the policy. Examples of commonly suggested acreage thresholds include up to 50 or up to 100 acres.
 - Resource land exclusion – The policy should prohibit the inclusion of high-value farmland lands from the pathway and consider requiring a streamlined Goal 14 priority analysis. As discussed previously, the policy should consider excluding geographic areas where preservation of resource lands are a higher priority.

Recommendation 2) Build what's needed, where it's needed

Overview: Addressing housing need at all levels

On its own, the market will not meet the housing needs of all Oregonians. Housing for the lowest income Oregonians will always require public support, and the funding gap for meeting that need is daunting. Additionally, in most parts of the state, denser development, infill development, smaller product types, development in rural communities, and redevelopment of underutilized or contaminated parcels are harder for developers to get permitted, successfully finance, and feasibly build. These units are very important to meeting overall housing need, as they provide important workforce housing and homeownership opportunities, and help build climate-resilient communities and add needed units to an undersupplied market. Overall, approximately 49% of Oregon's needed housing over the next 20 years will require some public subsidy.

In many areas, denser development, infill development, smaller product types, and the redevelopment of underutilized or contaminated parcels are harder to build and require public subsidy.

While housing generally becomes more affordable as it ages, we cannot count on this process for several reasons: (a) it can take generations to reach lower affordability levels, (b) it almost never produces safe, adequate housing for the lowest income levels, and (c) it can halt or even reverse (for example, through gentrification) when a market is undersupplied.

Digging out of our housing deficit will require ongoing funding support from the Legislature that includes and extends beyond the traditional categories of affordable housing. Investments should be targeted to the development types that the market would not otherwise produce on its own, such as those listed above. **Without strong public investment in housing development, implementation of the OHNA will simply help us do a better job counting what we do not build.**

2.1 Commit sustained, coordinated investment

While simplifying and rationalizing our planning system is an important piece of the puzzle, there are many other significant barriers to housing production that communities face. Private market housing providers are not able to provide housing affordable to lower income households without subsidy, and local governments will need new tools to take on an expanded role in housing production. Success requires a new and expanded partnership between the state and local jurisdictions. Without significant state investment, OHNA implementation will likely be understood as an unfunded mandate that fails to provide the necessary conditions for local governments to comprehensively address housing need.

Oregon needs to produce about 27,000 housing units annually to meet the 20-year statewide production targets. In recent years the state has only produced 15,000-20,000 units per year.¹² To

¹² Source: U.S. Department of Housing and Urban Development's State of the Cities Data Systems (SCODS) database on Oregon housing permits. Between 2014 and 2021 annual permits have ranged from about 15,300 to 19,100 statewide.

close this gap, we need to look at which investments are best suited to overcome market barriers at all income levels with particular attention to the needs of historically underserved Oregonians.

Publicly Supported Affordable Housing

The most challenging unmet need to address is at the lower end of the income spectrum of households earning less than 60 percent of area median income (AMI). While public support is needed for many types of development, it is most acute to produce about 9,000 units per year that are affordable to low-income households. Lower-income Oregonians are affected most severely by the housing shortage and live with the greatest housing instability. This intervention point has the most urgent need for additional direct subsidies and support.

As the state's affordable housing financing agency, OHCS's funding mechanisms and allocation methodologies rely on complex and layered data and evaluation criteria designed to target resources toward strategic policy objectives. OHCS already prioritizes housing need in its allocation methodologies and can use the OHNA data to ensure that affordable housing production is equitably distributed across the state.

Affordable Housing Financing in Oregon is Changing

Affordable housing finance relies on layering local, state, federal, and philanthropic resources along with private equity and debt to fund development. These layered resources are necessary because the rents that are affordable to the intended tenants are below what it costs to develop and operate the property, leaving a "funding gap." This gap requires public subsidy or low-cost financing to pay for construction and ongoing operations along with large levels of mortgage or debt service payments.

To bring the impact of state resources to scale, OHCS has worked to maximize the use of federal Low Income Housing Tax Credits (LIHTCs) that are generated when the project includes financing with federally allocated Private Activity Bonds (PABs). Long an underutilized program, recent state and local investments in affordable housing were deliberately structured to leverage this 4% LIHTC and have successfully delivered new development. This increases utilization of the 4% LIHTC program has exhausted all built up capacity for the Private Activity Bond resource.

While the 4% LIHTC program will continue to operate and be a source of leverage for state Local Innovation and Fast Track (LIFT) investments, it is not a program that can continue to expand beyond that allowed by the annual federal Private Activity Bond authority allocated to Oregon. This means that the 4% LIHTC program cannot be used to increase the current rate of affordable housing development and future gap funding from the state or local jurisdictions is going to require either much higher per unit subsidy rates or some other source of fund leverage.

OHCS has managed unprecedented levels of investment in affordable housing

Despite federal constraints, OHCS hopes to continue recent momentum in affordable housing development. A major component of this is through a 2023-2025 funding request to the Oregon Legislature that includes \$160 million for LIFT rental housing production and another \$65 million for affordable homeownership. This would help create an estimated 1,200 rental units and 280 homeownership units, which, combined with the leveraging of available federal funds, would develop an estimated 4,000 new affordable homes for rent or purchase over the biennium. Additionally, OHCS is requesting more than \$260 million to support affordable housing development and preservation of affordable homes. Even with this significant investment request, these resources are primarily required to continue funding at the level of recent years and will unfortunately fund less than a quarter of the documented need.

In summary, the landscape for affordable housing funding in Oregon has changed, and action at all levels of government is necessary to meet the moment and provide the funding required to continue developing the level of affordable housing needed by low-income Oregonians.

Additional funding for affordable housing development is critical to meet the needs of Oregon's lowest-income households. The Legislature should consider the investments included in OHCS' 2023-25 Agency Request Budget as an absolute minimum to maintain current production levels, which fall far short of actual needs as outlined in the OHNA. More resources from the state will be necessary to make more progress towards meeting these needs, the funding is only a part of the solution.

Federal caps on LIHTC and PABs currently limit the ability to utilize state and local funds most effectively. The Oregon Legislature must look to Congress as vital partners in housing solutions and pursue changes that will maximize the benefit of state and local investment. Legislation such as the Affordable Housing Tax Credit Improvement Act would, among other things, make technical adjustments to the PAB and 4% LIHTC program that would foster equity investment from the private sector into affordable housing developments and effectively stretch state investments further to allow for greater production. Combining federal action with more state resources for LIFT or other OHCS funding programs would have a substantial positive impact, augmenting unit production in the state beyond even the unprecedented growth in recent years.

Other types of support

Chronic underproduction has made it much harder for more people to afford the cost of housing. This now extends well beyond the traditional categories of publicly supported housing and affects higher income households as well. We need to pursue innovative tools that more effectively work with the market to support development types that might not be feasible. This can be especially true in smaller cities and more rural markets where infrastructure and land readiness costs are prohibitive for local budgets.

At a minimum, we recommend that the state coordinate existing funding sources that are currently distributed across many agencies and ensure that they are leveraged toward the goal of housing production. For example, Business Oregon already distributes some funds for the

purpose of infrastructure development, and recently produced [an economic recovery plan](#) that highlights workforce housing as a major impediment to achieving resilience in the business community. The Oregon Department of Transportation acquires land as it invests in transportation infrastructure, some of which might be used for housing development. The Department of Environmental Quality administers a Clean Water State Revolving Fund that has recently been significantly expanded with federal infrastructure funding and could be leveraged to support housing production. There are many other examples. While coordinating these investments and activities would require administrative structures that do not exist, this strategy is the most straightforward near-term option to make progress toward production goals, in part because it does not require new revenue sources.

At the same time, we know that additional, sustained resources will be needed. We cannot meaningfully move toward meeting housing need without aggressive investment in desired housing outcomes. The following types of funding would be particularly helpful to consider. Further inquiry with developers, lenders, and other partners in the development process can help to clarify how incentive programs might best be structured, funded, and targeted to needed types.

- **Infrastructure and development readiness.** Local governments will require infrastructure investments to jump-start housing production strategies both within existing UGBs and in expansion areas. This could take the form of a revolving loan fund or grant program such as those that currently exist within Business Oregon and would offer significant incentives for jurisdictions to play a more active role in housing production. Additional funds could be made available on a competitive basis to jurisdictions successfully meeting housing production metrics, such as the number of units permitted.

Infrastructure funds would be used to support land acquisition, parcel consolidation, and infrastructure in expansion areas. It would also be available for retrofitting infrastructure for infill development, and master planning for larger sites. This could be structured like a block grant, such as those currently available for economic development. Ideally, these funds would be distributed with limited administrative requirements required from local entities, proportionate to the need identified in the OHNA.

- **Systems development charges (SDCs)** are fees charged to new development to help cover the incremental impact of new units and households on local infrastructure. While there is no question that these fees are necessary to the viability of public infrastructure, they also increase the cost of development and can be a barrier to production. A state-level fund to buy down the cost of SDCs for both affordable and market-rate workforce housing could support development that would not otherwise occur. Such a fund would create an incentive for needed housing types without affecting the revenues that local governments depend on for basic services in their communities. By backfilling these costs, the state could help make more units viable and affordable. Additionally, this could be set up as a local matching fund to maximize available resources for the greatest impact. As a very

rough starting-place estimate, an investment of \$100 million could incentivize the creation of 5,000 - 10,000 units depending on program structure, that would not otherwise be built.

- **Gap funding.** Most local governments have extremely limited capacity and few resources to take an active role in housing development. The state could help jurisdictions achieve specific outcomes in their HPSs by providing access to capital for gap funding and assistance for workforce and missing middle housing (e.g., duplexes, triplexes, cottage clusters, etc.). We recommend that the state consider a revolving loan fund, capitalized by state dollars, to help overcome local barriers to production such as site acquisition, preparation, or rehabilitation, or gap funding directly to a project that helps a jurisdiction meet its production targets.
- **Funding for implementing fair housing strategies.** Housing production is one of several tools available to help cities advance fair housing outcomes. With expanded guidance, cities may be including additional strategies that better connect people to units, facilitate homeownership, increase unit accessibility, and reduce discriminatory practices. To support policy development and implementation, some grant or technical assistance funding for local governments will be helpful. Additional incentives should be made available by the state to support affordable housing development in areas of concentrated affluence, where higher land costs are often a barrier to development. By more equitably distributing affordable housing across communities, we can work toward equitable and fair housing goals such as dismantling segregation, preventing displacement, improving homeownership opportunities, or increasing the accessibility of existing or new housing, among others.
- **Technical assistance and capacity building.** Current staffing levels in local governments would be stretched beyond capacity by realizing the shared objective of catalyzing a rapid increase in statewide housing production. This requires a significant legislative investment to support implementation of Goal 10, which would include technical assistance for locally needed plans and permit capacity to speed up the building process.

The Oregon Office of Economic Analysis estimates that 400-500 new local planners and inspectors would be needed statewide for a 10,000 increase in annual housing starts. Currently, many cities fund their permitting staff at least in part through permit fees charged on development. This means that cities must staff up quickly when the development market picks up and may have to lay off staff when development cools. This is highly inefficient and can lead to permitting delays. Additional funding for permitting staff, perhaps conditioned on decreased permitting fees to development, could help overcome this challenge.

Additionally, the transition to an implementation-focused system suggests the addition of other types of local government staff, including planning staff who can create actionable Housing Production Strategies and coordinate policies and investments to support production. In the previous biennium alone, a historic investment from the Legislature in housing planning totaling \$4.5 million supported 92 housing-related

projects in 75 jurisdictions. This translates to \$1 million of investment supporting roughly 20 new housing projects in about 15-20 communities. DLCD has submitted an Agency Request Budget to establish a continuous biennial budget of \$2.5 million for direct planning assistance to local jurisdictions in order to implement legislative housing direction. More funding support will directly result in increased local capacity to work on housing production, especially in small communities, and is an essential signal that the state is a true partner in housing production.

2.2 HPS implementation should advance fair housing outcomes

While housing abundance is a necessary precondition to housing equity, it is insufficient on its own. The people who are suffering most acutely from our housing shortage are disproportionately lower income and communities of color. They cannot be asked to wait another decade or more for Oregon to reverse the discriminatory policies and practices that have limited housing options for generations. Meaningful implementation of Goal 10 must provide a range of housing types for all income levels, distributed equitably around and within each region of the state, and for people of all ages and abilities. This provides access to employment and critical services and reduces the overall cost-burden to families and individuals. Centering the HPS in our Goal 10 system creates a new space for communities to address these issues directly.

Housing Production Strategies can serve as an important tool available to cities to help advance fair housing outcomes. Improved guidance to cities can help them consider how policies that influence housing production and the built environment intersect with fair housing outcomes. DLCD can begin by connecting existing, but currently separate, guidance regarding gentrification and anti-displacement into the HPS process, and cross-walking other existing guidance to more clearly demonstrate how the recommended tools can support land use efficiency.

Fair Housing Considerations

The Fair Housing Act prohibits discrimination in housing because of race, color, national origin, religion, sex (including gender identity and sexual orientation), familial status, or disability status.¹³ Oregon's laws also protect people from discrimination based on source of income, domestic violence survivorship, and marital status.¹⁴

Furthermore, the Fair Housing Act requires the U.S. Department of Housing and Urban Development (HUD) and its recipients of federal financial assistance to Affirmatively Further Fair Housing, which means they must “do more than simply not discriminate... take meaningful actions to overcome patterns of segregation and foster inclusive communities.”¹⁵

OHCS, Business Oregon and the Oregon Health Authority receive federal funds from HUD and as such have an obligation to affirmatively further fair housing. These agencies work together to comply with this mandate by engaging in fair housing planning through a process called the Analysis of Impediments to Fair Housing Choice every five years.

The OHNA housing equity indicators are intended to help provide standardized data across Oregon communities to monitor housing outcomes on a range of equity and fair housing concerns. The goal is that this data will help jurisdictions in their fair housing and equity reporting requirements and help communities track progress and hold jurisdictions and the state accountable with easy-to-read annual reports on progress.

In addition, these recommendations align local actions in a Housing Production Strategy with the Fair Housing obligations of combating housing discrimination, overcoming patterns of segregation, and fostering inclusive communities free from barriers that restrict access to opportunity.

In developing HPSs, local jurisdictions and state partners will need to consider which actions to deploy in which places to generate the desired outcomes, such as assessing where upzoning can help to undo patterns of exclusion and underproduction, or where is it necessary to consider stabilization and anti-displacement measures. These issues can be addressed using a decision-making framework similar to the example below. In the near term, jurisdictions can estimate current levels of production and patterns of growth using their permit data, recent HCAs, or other easily available sources. Over time, the OHNA will provide data to help jurisdictions understand what actions are most effective in individual census tracts and within jurisdiction as a whole.

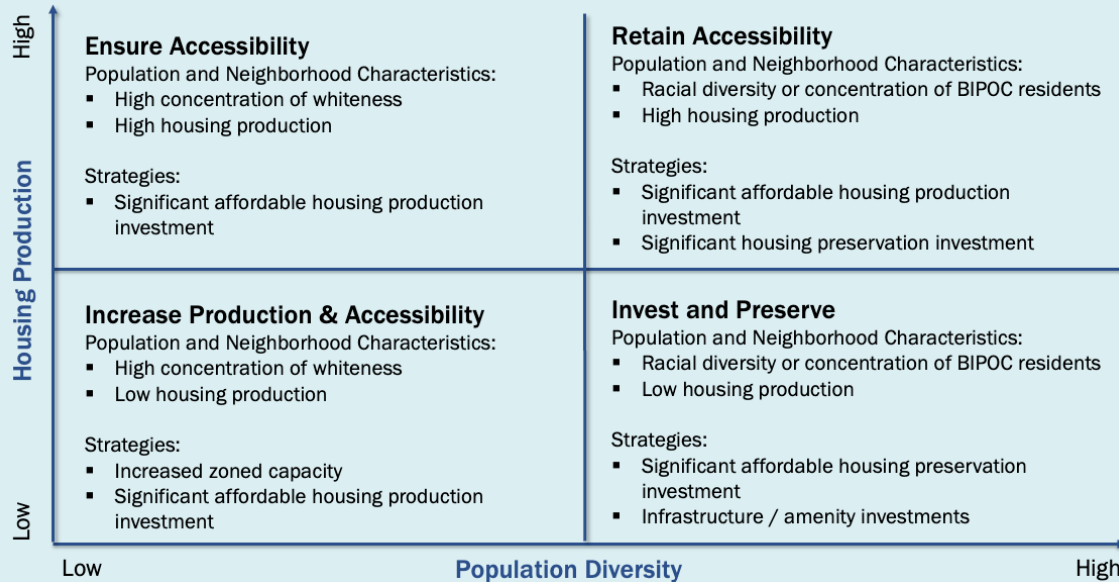
¹³ U.S. Department of Housing and Urban Development. “Housing Discrimination Under the Fair Housing Act.” https://www.hud.gov/program_offices/fair_housing_equal_op/fair_housing_act_overview.

¹⁴ State of Oregon Bureau of Labor and Industries. “Civil Rights and Fair Housing.” <https://www.oregon.gov/boli/civil-rights/Pages/fair-housing.aspx>.

¹⁵ U.S. Department of Housing and Urban Development. “Affirmatively Furthering Fair Housing.” <https://www.hud.gov/AFFH>

Example Fair Housing Framework

Figure 4. Example Framework to Determine Strategies Needed for Fair Housing Production



The framework in Figure 4 is one way to think about organizing that guidance. On the vertical axis, the framework conceptually shows a range of housing production outcomes, from low production in slower growing or constrained environments to high production. On the horizontal axis, it conceptually shows community diversity, from low diversity, where there is a relative concentration of whiteness, to high. The fair housing challenges and solutions vary in each quadrant and so must the strategies. For example, areas with a high concentration of white households and corresponding concentration of affluence that have low housing production (in the bottom left-hand corner), restrictive zoning is likely reducing development capacity and should be increased. In the opposite corner, relatively high diversity combined with high housing production suggests a strong need for anti-displacement strategies and investment in preservation.

It is possible to place communities – either entire cities or census tracts – in these quadrants to provide a key input to cities as they complete their HPSs. The technical report included in [Appendix D](#) outlines recommended changes to the OHNA Pilot Methodology will provide more details and examples. Many of the tools that might be applied to fair housing outcomes are already listed in HPS guidance but are not clearly cross-walked to desired policy outcomes nor to the market characteristics that are likely to drive neighborhood change.

As described in the funding recommendations above, local governments will need new tools and technical assistance to plan and implement specific programmatic improvements aimed at fair housing outcomes and anti-displacement and gentrification. This could take the form of a specific housing equity fund.

Recommendation 3) Commit to working together with urgency

Overview: Dedicate state level staff to oversee and support housing production across the entire market spectrum

Currently, there is no specific agency of state government responsible for overall housing production, and many of the available regulatory tools are better suited to preventing unwanted developments than to encouraging those that are needed. As a result, the policy response to the current housing shortage has been disjointed, with siloed policy discussion and action occurring at several agencies without meaningful, systemic coordination between them or with local and regional partners.

A comprehensive, production-focused system needs leadership and coordination across the many entities engaged in some aspect of housing production. Simply put: someone needs to be in charge, to: (1) ensure coordination of available funding sources and regulatory authorities (currently spread across many agencies) toward meeting production targets, and (2) implement the OHNA model, including ongoing management of the data that measure progress toward targets.

Figure 5. State agency roles in housing production.

Agency	Roles in Housing Production
Oregon Housing and Community Services	Affordable Housing Finance, Fair Housing
Department of Land Conservation and Development	Planning & Zoning Rules, Public Facilities Planning, Land Use Regulation
Department of Administrative Services	Economic Analysis
Oregon Department of Transportation	Integrated Transportation and Land Use, Transportation Infrastructure and Planning
Department of Environmental Quality	Water and Wastewater Infrastructure, Environmental Regulation
Business Oregon	Infrastructure & Capital Improvements Funding, Economic Development, Community Development Block Grants, Brownfields Redevelopment
Bureau of Labor and Industries	Occupational Licensing, Fair Housing
Department of Consumer and Business Services	Building Codes, Lending & Financial Regulation

3.1 Develop a coordinated statewide administrative structure

Coordinated statewide action would require sufficient authority to (a) convene agency leadership, (b) develop and refine policies to achieve desired housing production outcomes, (c) administer programs with accountability in housing production as well as fiscal and budget, contracting, HR, and IT services, (d) provide specialized housing production expertise to local partners, (e) direct funding for housing and public infrastructure, and (f) provide regular reporting to the Legislature and Governor's office.

Recognizing an urgent need to begin addressing housing production barriers, we recommend establishing an interagency Housing Production Team and administrative leadership position. The leadership of this team should be housed at the coordinated statewide administrative entity, and staff assigned to the team should be drawn from multiple agencies, leveraging the expertise and programmatic knowledge of each agency. This team should respond to a legislative mandate that directs agencies to coordinate their existing and potential new funding sources and regulatory authorities toward the goal of housing production. This provides a clear focal point for communicating and partnering with local governments.

The Housing Production Team should have (or be able to contract for) expertise in affordable housing finance, market rate development, permitting and building code, land readiness, fair housing law, community engagement, and development policy analysis. The team would deliver a commitment to federal and state requirements for fair housing, including anti-displacement tools and other housing equity strategies. This would also facilitate better coordination of housing production with broader policy initiatives, including transportation, equity, infrastructure, environmental quality, and climate. This team would function in two ways:

- A. As technical experts that can be called on to address specific site development challenges or policy questions in partnership with local governments. Local jurisdictions face numerous constraints that inhibit the development of sites that would otherwise support housing production and receive minimal support from the state in technical or financial assistance to address such constraints. This team would provide varied and specialized housing production expertise that can diagnose and overcome development barriers through policy and investment interventions. It should also be able to deploy technical assistance and consultant support to ensure that it can help unstick complex development sites or evaluate thorny policy questions.
- B. As an accountability and review team, to oversee progress toward goals in HPSs. The team would recommend actions that may be missing in local strategies or need more attention on a regular review cycle. In its accountability function, we recommend that the inter-agency Housing Production Team incorporate the existing staff review of HPS documents. This will enable the team to partner with local jurisdictions on specific actions identified in the HPS to ensure they have the resources and state coordination needed for implementation. If necessary, they would also be able to recommend enforcement orders for cities that are not meeting targets and are not taking sufficient action to address those deficits.

Implementing the OHNA will require a high degree of trust, communication, and transparency, as jurisdictions become accustomed to the new methodology. The establishment of a coordinated statewide administrative structure and Housing Production Team may necessitate phasing, recognizing the substantial challenge of reorganizing power and responsibility among state government agencies. We recommend further discussion around the best models for building confidence, such as community and stakeholder engagement, contracting of experts in the field, and regular reporting to the Legislature.

3.2 State and Regional Continuing Policy Action

The goal in centering housing production and outcomes in Goal 10 implementation is to remove barriers to housing development and to align capacity for better outcomes. This is true at both the local level and across state and regional government. To ensure that we are bringing all resources to bear in addressing the housing crisis, we recommend that the state and Metro Regional Government adopt action plans similar to HPSs that would:

- Define new regional and state actions to meeting need, such as the LIFT affordable housing development program or Metro’s voter-approved measures for affordable housing and permanent supportive housing
- Identify existing resources that could be invested or leveraged for better outcomes
- Coordinate with local implementation
- Report to legislature on regional and state progress
- Identify new opportunities for action

In contrast to locally-adopted HPSs, the action plan that Metro adopts must recognize the coordinating role that regional governments play in housing planning. Rather than adopting specific policies, such as local zoning codes and regulations, regional housing coordination strategies should emphasize the collaborative actions among local governments that can be facilitated regionally. For example, regional housing coordination strategies could include identifying shared funding sources, sharing staff capacity, or entering intergovernmental agreements to promote housing production.

While we recommend that Metro be required to periodically complete such a strategy, counties and other regional entities should be able to opt-in and collaborate with cities, especially those with populations under 10,000, making them eligible for funding, capacity, and resources to address shared housing priorities. This would be especially helpful in smaller, more rural communities.

At the state level, the administrative entity described in Recommendation 3.1 should periodically complete a coordinated state HPS. Such a requirement would help address significant data gaps and follow up policy work. At present, we do not have an accurate picture of how much housing exists or is being produced statewide. An Oregon HPS would create a baseline understanding and data standards to track new production and the equitable distribution of housing options. This would allow for comprehensive tracking of the state’s progress towards closing the gap in underproduction.

Additionally, many of the policy issues DLCD and OHCS heard through engagement require follow-up and collaboration with other state agencies. See [Appendix B](#) for a detailed list of DLCD’s follow-up policy work. These and other areas of follow-up work highlight the need for a statewide HPS in which the state is consistently working to promote housing production and evaluate progress towards equitable outcomes.

III. Conclusions and Next Steps

Housing underproduction is a systemic, nationwide challenge that has been decades in the making. Nearly every state has failed to produce enough homes to meet the need. In this respect, even with its comprehensive land use program, Oregon is not unique. Along with the other coastal and intermountain west states that have seen rapid population growth, Oregon's situation is dire. We rank fourth worst in states in terms of underproduction as a share of total housing units, better only than California, Colorado, and Utah.¹⁶

This crisis is felt throughout Oregon, whether in large urban areas with skyrocketing rent and home values, in more rural communities struggling to find construction workers and developers, or on the coast where the local workforce competes for housing with short-term rentals. While some important details remain to be resolved in the coming months, we believe that these recommendations will position Oregon to make the systemic changes necessary to confront this challenge.

Few policy imperatives are more important to Oregon's future than increasing the pace of building new homes. Housing production is essential for Oregon's economic competitiveness, helping families prosper, and improving community resilience. Simply producing the units needed to meet current demand could generate up to \$40 billion in additional economic growth, a boost that would benefit us all.¹⁷ Achieving this will take hard work, coordinated action and investment from many partners in the public and private sectors, and at the state, regional, and local levels.

The recommendations described in the pages above are complex and comprehensive. Implementing them will require significant investments, changes to state statute, rules, and guidance, and will likely need to be sequenced over more than one legislative cycle. To make near-term progress on their implementation, we recommend that the Legislature consider bills that advance the bipartisan goal of building more homes, as follows:

- A. **Redefine Oregon's Planning Process for Housing.** The state should establish the OHNA as the foundation for Goal 10 planning processes in state statute. This should, at a minimum:
 - Adopt core components of the OHNA methodology into statute, including that the OHNA must account for underproduction and an estimate of housing needed to serve people experiencing homelessness, must be allocated based on regional incomes and job distributions, and must be reviewed and updated with appropriate new data on a regular cycle. (Recommendation 1.1)

¹⁶ Up for Growth, 2022, Housing Underproduction in the U.S. 2022, <https://www.upforgrowth.org/underproduction>

¹⁷ See footnote 2 on [page 3](#).

- Create administrative capacity to run the OHNA and track progress toward targets on an annual basis. This could be in OHCS, or in the Office of Economic Analysis. (Recommendation 1.1)
 - Direct cities to replace local projections of need in Housing Capacity Analyses with OHNA-generated 20-year need numbers, by income, produced by the state. (Recommendation 1.1 and 1.4)
 - Direct cities to strengthen Housing Production Strategies by requiring actions that address housing barriers and advance fair housing outcomes (Recommendation 1.3 and 2.2) and by incorporating production targets based on the data provided in the OHNA (Recommendation 1.2).
 - The state should make statutory changes necessary to make needed UGB amendments more efficient and better prepare land for development. This should include direction and funding/resources for DLCD and LCDC to continue work related to Goal 10 and facilitating timely expansion of Urban Growth Boundaries when a need is identified. (Recommendation 1.4 and [Appendix A](#)).
- B. Coordinate the state response.** The state should establish a coordinated statewide administrative structure with a Housing Production Team. If it is necessary to phase this in, a temporary Housing Production Team could be established as part of DLCD or OHCS while broader discussion occurs. The housing production issues facing many communities demand an immediate state response. This team should be deployed as quickly as possible to achieve early housing production wins by helping cities unstick challenging development sites, removing barriers and focusing state resources. Additionally, this team should be charged with developing the first ever statewide Housing Production Strategy, which will serve to shift the state's energy and efforts to this urgent challenge. Over time, as rules are developed and take effect, this team can begin to function in its review process to assist with HPS implementation and accountability. (Recommendations 3.1 and 3.2).
- Provide position authority and Legislative direction for staff at other agencies to work with the newly established Housing Production Team toward the goal of housing production. Meeting production goals will require coordinating existing funding sources to meet housing need, working across agencies to overcome site permitting challenges, and providing support to local staff to overcome affordable housing funding challenges. (Recommendation 3.1)
- C. Create innovative funding and finance solutions.** The state should establish new housing production funding mechanisms aimed at middle housing or workforce housing development. Several stakeholder forums are considering innovative funding and financing mechanisms that are resonant with the recommended fund types in this report. (Recommendation 2.1)

The process of developing a Statewide Housing Production Strategy will inevitably uncover additional changes that are needed, and iterative improvements should be expected. More work will undoubtedly be required in future Legislative sessions. The Housing Production Team may need to evolve as we learn from its initial successes. Additional funding sources are required to make meaningful progress. Further accountability mechanisms may be needed. However, the comprehensive legislative package described above would be a substantial movement in the right direction, putting Oregon on the trajectory to lead the nation with a new approach to housing production focused on meeting the needs of all Oregonians. These recommendations, and the associated increase in housing production, will only succeed with sustained Legislative leadership and action in the 2023 Session and beyond.

IV. Appendices

[Appendix A. Housing Capacity Recommendations](#)

[Appendix B. Follow-up Policy Work - Basis for a Statewide Housing Production Strategy](#)

[Appendix C. OHNA Legislative Policy Outline](#)

[Appendix D. OHNA Technical Report](#)

[Appendix E. OHNA Engagement Summary](#)

[Appendix F. University of Oregon Development Barriers Survey Summary](#)