Metro convened a focus group with five representatives of private, for-profit, multifamily development firms that had previously engaged with Metro’s Transit-Oriented Development Program. Participants made several observations related to housing affordability and, in particular, voluntary and mandatory inclusionary housing approaches:

- The relationship between overall supply and affordability is often overlooked in conversations about affordable housing. Cities should take proactive steps to increase the overall supply of market-rate housing and should work to ensure that any incentive tools for affordability do not have the unintended consequence of having a chilling effect on overall development.
- Tools to incentivize or mandate inclusion of affordable housing in market-rate development have a cost. It is important for cities to consider the size of the funding gap and to provide funding (e.g., tax abatements, system development charge waivers, tax-increment financing) to partially offset the increased costs of providing affordable units.
- A challenge is that it’s easier to make housing affordable for middle income households (60 to 100 percent area median income) financially feasible, but there is more political support for those below 60 percent area median income.
- Seattle’s Multifamily Tax Exemption is a simple, predictable, streamlined program that could serve as a model for jurisdictions in our region. The program provides a tax exemption on residential improvements on multifamily projects in residential targeted areas in enhance for setting aside 20 percent of homes as income- and rent-restricted.
- Mandatory tools like inclusionary zoning affect land values. If such a tool were to be introduced, it should be phased in over time so as not to cause a shock to property values.

The Rundown: What’s holding housing back?  
By Craig Beebe  
Sep 15, 2015 01:00pm

7 key barriers identified by Metro outreach: Infrastructure, NIMBY, Financing, Permitting lag, Demand too low—Not market forces to build, Demand too high, Transportation Costs

Building the basic ingredients of a community – streets, schools, pipes and parks – can add up to millions of dollars, especially in new urban areas.

The basic ingredients

What it is: No house is an island. Communities need water, sewer and storm water pipes, streets, transit, sidewalks, parks and schools to function.

Why it’s a challenge: Many communities around the region need these things built, maintained or replaced before additional housing can be built. It all costs money, and there’s often not clear agreement about who should pay – developers, taxpayers or people who buy new homes.

New development – particularly in existing communities – can heighten anxiety along with roof lines. Though existing neighbors might like some of what it brings, how can concerns be balanced with the ability to make a project work?

Neighborhood concerns

What it is: Every day, new people move here and babies are born in local hospitals. They all have to live somewhere. Two decades ago, people in the region decided most new homes should be built within existing downtowns, main streets and near transit instead of paving over farm and forest land. Current trends indicate that’s also where people increasingly prefer to live, but those same trends can raise concerns among existing residents about what it will mean for livability.

Why it’s a challenge: It’s not always easy to see neighborhoods change. We might like being able to walk to a new store or restaurant, and the new neighbors might even be nice. But sometimes those changes mean more traffic on the street, tighter neighborhood parking, even losing favorite trees or open space. They can also raise very real concerns of displacement of existing residents, though displacement also happens without new development.
Whether you’re a buyer or a builder, chances are you’ll need help from a bank to make your housing dreams happen. But finding financing -- particularly for certain types of housing -- can be a challenge that holds new construction back.

Finding funds
What it is: Whether you’re a developer contemplating building new housing or a prospective home buyer, you’ll probably be looking for a loan. But if private financing is hard to find, it’s harder to build and buy housing – particularly certain kinds of housing.

For affordable housing developers, public financing like tax credits or grants tends to be crucial to making projects possible. But affordable housing advocates say public sources of affordable housing revenue are not keeping pace with demand.

Why it’s a problem: Most of us aren’t sitting on piles of cash, so we need credit to help pursue our plans. When credit is hard to access, options are more limited. That’s as true of builders as it is of buyers, and the lending world is still recovering from the crippling recession. And without sufficient public financing for affordable housing, the supply of subsidized or below-market units is severely constrained – leading to years-long waiting lists for many of these homes.

Every community has good reason to add conditions to building permits. But processing those permits takes time, which can delay housing from being built where it’s needed most.

Getting approved
What it is: Every community in the region has good reasons to regulate what gets built in its neighborhoods, whether new or old. Builders need a variety of local permits and approvals to build, which can be different in every community and for every project. But in times of high demand, local governments can be stretched to keep up with demand, creating a bottleneck that holds up new housing.

Some of the conditions on local permits (or more specifically, on the zoning codes that influence them) can also constrain what gets built – like regulations that can prevent middle-density options like duplexes from being built in neighborhoods, as developer Eli Spevak pointed out on a June tour in Portland.

Why it’s a problem: Every week of delay on a project can drive up costs and unpredictability can even cause developers and financers to drop projects altogether. That could add up to fewer new homes right when people need them most.

Despite high regional demand for housing, market demand can be uneven between communities. That’s a challenge for increasing overall supply, but potentially an opportunity to plan ahead to preserve affordability.

Demand gaps
What it is: There are numerous examples of vacant land and dilapidated buildings around the region. Many of us pass these places daily and wonder: why is new housing not being built there? One reason can simply be low demand: builders can’t make projects profitable, usually because the market won’t support rents or housing prices needed to pay for developing a project that fits a community's local vision.

Why it’s a challenge, and a potential opportunity: Vacant land and dilapidated buildings can be eyesores, bring down the value of nearby housing and depress the market in a particular neighborhood even more. The market can be fickle and it can sometimes be slow.

Neighborhoods that are walkable and near transit are in hot demand around the region. That can lead to confusion about whether new development is causing higher rents or responding to them.

Hot ‘hoods
What it is: In some of the region’s most popular neighborhoods, market demand seems to be driving rapid change and development, to the point of demolishing houses that seem perfectly fine and replacing them with a more expensive house, several smaller houses or an apartment complex. But housing in the region’s most popular neighborhoods is often still not being built as quickly as needed to keep up with people who want to live there.

Why it’s a problem: Walkable, close-to-transit neighborhoods are in high demand throughout the region and nationally. There are only so many established neighborhoods in the region that currently provide these kinds of amenities; thus demand in those areas is particularly high.
If you can afford a mortgage or the rent but have to drive a long way to get to work or other destinations -- is your home really affordable? The cost of transportation is often overlooked in housing affordability, but plays a major role.

Beyond rent: paying at the pump and by the clock
What it is: If you can afford a house but have to drive an hour to work and spend hundreds of dollars on gas monthly, is that house really affordable? Transportation costs are usually a household's second biggest expense after rent or the mortgage. But housing costs are sometimes discussed in isolation, obscuring the crucial role of transportation in affordability.

Why it's a challenge: Displacement and limited affordable housing options are driving some of the region's middle- and low-income residents to further-out neighborhoods with transportation systems largely designed for automobiles. This adds up to a lot more cost in dollars and time, as well as bigger safety risks, for people who must get to work, school or other places -- whether they drive, take transit, walk or bike.

Barriers Identified in My Initial Tool Survey. I consolidated a few lists to create this list of the main barriers.
Barriers to Affordable Housing – 91.310(d)

Negative Effects of Public Policies on Affordable Housing and Residential Investment

Policies at the federal, state and local level constrain access to affordable housing and decrease incentives to develop, maintenance of units and housing choice. The barriers to affordable housing are a complex system of large and small barriers to overcome. The result is that addressing one policy alone will not provide a solution, rather our effort needs to be systematic and comprehensive. Some barriers are issues for the state or federal government to address, while others require a coordinated and strategic effort to remove.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Market Forces</th>
<th>Federal Regulation or Policy</th>
<th>State Regulation or Policy</th>
<th>OHCS Regulation or Policy</th>
<th>Local Regulation or Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental housing is unaffordable to many working Oregonians, the gap between income and housing cost continues to grow; even those households with incomes exceeding that of the federally defined low income eligibility limits face high housing burdens.</td>
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<td>X</td>
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<tr>
<td>Rising construction costs, including land, building and associated soft costs.</td>
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<tr>
<td>Inadequate public funding for affordable housing: there are many more projects that are eligible for funding than receive funding</td>
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<td>X</td>
<td>X</td>
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<td>X</td>
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<tr>
<td>Market forces and economic trends in the rental and housing industries have disproportionately impacted our low income, disabled and communities of color.</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Historic local government policies and practices establish and continue segregation.</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Gentrification in some urban neighborhoods can drive out lower income residents, and disproportionately impacts people of color and immigrant communities.</td>
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<tr>
<td>Local “Not In My Back Yard” (NIMBY-ism) sentiments impact the development of low-income housing options, resulting in reduced options for siting affordable housing projects, in particular those that address the needs of harder to serve populations.</td>
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<tr>
<td>Federal definitions of income classifications exclude people from accessing affordable housing. In some regions of the state, 60% of the AMI is lower than what a minimum wage worker earns.</td>
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<tr>
<td>Complex requirements associated with using all forms of federal money, including tax credits, grants, and rent assistance. These complexities increase cost and are barriers to projects moving forward.</td>
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<tr>
<td>Persistent discrimination exists in the rental and homeownership markets based on disability, age, race, cultural affiliation, family status, religious preference, and sexual orientation.</td>
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</tr>
<tr>
<td>Multiple sources of public capital and operating subsidy make the development process extremely complex and costly.</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Barriers Brief</td>
<td>Julia McKenna</td>
<td>DLCD Hatfield Fellowship</td>
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<tr>
<td>Limited capacity for development and redevelopment of housing stock in certain rural communities.</td>
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<tr>
<td>Due to limited amount of subsidy and market forces, private sector developers are unable to meet demand for affordable units in communities where small scale rental properties are needed.</td>
<td>X</td>
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<tr>
<td>Limited knowledge of fair housing laws resulting in landlords, housing providers, social services, elected officials and real estate agents violating the rights of tenants, and tenants and homeowners not knowing how to assert their rights.</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Land use planning efforts are not coordinated or consistent, resulting in failure to prioritize and achieve goals.</td>
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<td>X</td>
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<tr>
<td>Many multi-family developments face numerous land use obstacles resulting in higher up front construction costs as well as long-term operational costs</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Limited contractor market pool and incentives to reduce development costs results in limited options that further restrict market innovation and development of a renewed competitive housing marketplace.</td>
<td>X</td>
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<tr>
<td>Regulatory and compliance requirements deter development community from partnering and investing in projects.</td>
<td>X X X X X</td>
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<tr>
<td>The desire to achieve multiple public service goals increase cost for projects. Examples include LEAD certification and 60 year affordability.</td>
<td>X X X X X</td>
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</tbody>
</table>
Notes consolidated from brief of results from OHCS Developer survey for the consolidated and strategic planning process

The survey was administered throughout August 2015. Eighty four persons participated in the survey, response rate for each question varied. The survey was publicized through email lists of developers, partners and agencies that provide affordable housing. NOTE: Questions where respondents could choose more than one response have total percentages greater than 100%.

1. What do you see as the highest priority affordable housing needs in the area you serve?
   First
   - More affordable housing 68.57%
   - Housing with services 40%
   - Housing for Seniors 40%
   Second
   - Housing for Seniors 50%
   - Reentry Housing 45.45%
   - Housing for people with disabilities, physical or living limitation 34.78%
   Third
   - Second Chance programs 83.33%
   - Housing close to services 64.71%
   - Reentry Housing 54.55%

2. What are your suggestions to address the housing needs identified in the previous question?
   Themes: The clear need for more units and any programs that supports the development of new units. Key ideas have to do with innovation around funding, more funding and reducing impediments to development.

3. What are the biggest challenges in building affordable housing in the area you serve?

   First choice
   - Lack of Funding 64.71%
   - Lack of available or affordable land 40.54%
   - Zoning 33.33%
   Second choice
   - Timing of funding 42.86%
   - Lack of community support 40%
   - Lack of available or affordable land 35.14%
   Third choice
   - Lack of community support 50%
   - Timing of funding 50%
   - Neighborhood opposition/land use challenges 40%
4. What are your suggestions to address the challenges identified in questions above?
Themes: coordination with funding and development, zoning, understanding the pipeline, streamlining applications and processes. Key ideas involved multi agency or new funding streams. A clear funding schedule, coordination with and influence over local jurisdictions.

5. What are the greatest housing-related disparities or inequities in the area you serve?

1. Lack of access to affordable housing 68.89%
2. Poverty 57.78%
3. Lack of affordable housing in rural areas 42.22%
4. Lack of access to economic opportunity 40%
5. Gentrification and displacement 37.78%
6. Substandard housing 28.89%
7. Concentration of subsidized housing 22.22%
8. Lack of access to quality health care 17.78%
9. Housing Discrimination 15.56%

6. Are there federal barriers that exacerbate or increase these disparities?
Themes: Lack of coordination, funding not being in sync with state goals. Key ideas are the challenges of using federal money in rural projects.

7. Are there state barriers that exacerbate or increase these disparities?
Themes: ban on inclusionary zoning, tax inequity, disparity of funding decisions for communities of color, challenges with the NOFA process. Key response was about the risk and expense of the NOFA process.

8. What are the actions that Oregon Housing and Community Services could take to positively impact these disparities or inequities?
Themes: preservation, more affordable housing, use the NOFA scoring system more broadly, even out competition for rural projects. Key ideas are to provide more technical assistance and coordinate better with communities.

9. Describe who/which groups of people most need affordable housing in your local area, and why?
Themes: Everyone needs affordable housing, especially single men, families, seniors and persons with disabilities.

10. Over the next five-years (2016-2020), affordable housing units may be lost in your local area. Please select the contributing reason for this loss below, or provide an "Other" answer.

1. Loss of federal subsidy 44.44%
2. Expiring project-based contracts 40.74%
3. Maturing mortgages 37.04 %
4. Lack of strong partnerships with service providers 25.93%
5. High vacancy rate 3.70 %
11. How do HUD's HOME rents and Fair Market Rents (FMRs) measure up against local market housing rents in your local area?

1. Market rents are higher than FMRs 42.42%
2. Market rents are much higher than FMRs 39.39%
3. Market rents are about the same as FMRs 18.18%
4. Market rents are below FMRs 0%

12. Are there any local initiatives or funding opportunities in your area that would benefit from the development of affordable housing?

1. Investment in employment 56.67%
2. Investment in education 53.33%
3. Investment in health systems 30%
4. Health investments 26.27%
5. Public/private partnerships 20%
6. Employees moving to area 13.33%

14. Are there market conditions in your local area that will influence, either positively or negatively, the use of funding for rental assistance, production of new affordable units, rehabilitation of existing housing, acquisition, or preservation (defined as preserving existing federal project based rental subsidy)?
Themes: rents are high, demand is high and vacancy rates are low.

15. What market conditions in your local area negatively affect your ability to increase the supply of affordable housing?

1. Land costs 59.38%
2. Lack of access to capital 53.13%
3. Development costs 46.88%
4. High rents 40.13%
5. Low rents 3.13%
6. High vacancy rate 0%

16. Please explain your answer about the market conditions in your local area that negatively affect your ability to increase the supply of affordable housing.
Themes: the cost of land and development. Low rents make it difficult to develop.
Conclusion

If we define a barrier as the absence of the use of available tools for efficient development, we should also start looking at what the Fair Housing Council of Oregon has put out as resources to not only cover Fair Housing Law but also to encourage types of housing that often meet the needs of protected classes.

Land Use Planning through a Fair Housing Lens

http://www.fhco.org/learning-resources/downloads/category/1-fhco-downloads?download=41:affh

Accessible and Age Friendly Zoning Guide and Checklist put together by the Fair Housing Council of Oregon in April, 2016.


ADU’s and other smaller housing types meet overlapping goals of accessibility and age friendliness, energy efficiency, and affordability.

In sum, the barriers are endless and well defined. What communities are looking for are tools and action steps to take. There are ample tools for more efficient use of land (Table 5 of the Streamlined UGB covers most) that haven't been maxed out to their full potential.