House Bill 2003:
Regional Housing Needs Analysis

January 2020

Oregon Housing and Community Services
Agenda

• Introduction to HB 2003
• Scope and Schedule Overview
• California RHNA Methodology
• Developing the Oregon Methodology
• Questions and Comments
Introduction to HB 2003
HB 2003 Policy Purpose

“As a brief reminder, this bill is designed to improve our implementation of Goal 10, our statewide housing goal, so that we live up to its intent. Implementation of this goal requires that we “provide for the housing needs of citizens of the state,” and “…encourage 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 and allow for flexibility of housing location, type and density.”

“House Bill 2003 would help our state reach its housing supply needs as envisioned by our land use system, while providing local jurisdictions the resources they need to accommodate future growth.”

-Tina Kotek, Testimony in Support of House Bill 2003, April 2, 2019
Components of HB 2003

- Develop schedule for updates of housing needs analyses
- Housing Production Strategies
- **Develop and implement methodology for Regional Housing Needs Analysis, with allocation to cities**
- Reduce development barriers: allow affordable housing by right on public property, other technical fixes
- Report to legislature
What we hope for:

Better way to quantify housing need that:

• Recognizes that housing markets are regional
• Provide targets for local-level housing production (market-rate and affordable)
• Quantifies current and future housing need, including the range of needed unit types and price points
• Supports land use planning for equitable housing outcomes
HB 2003 Stakeholder Outreach

- Strategic Communication with Stakeholders (January and Fall 2020)
- Focus Groups with OHCS staff (Feb 2020)
- Meetings with OHCS, DLCD, and DAS staff (ongoing)
- Survey of local governments about results of this project (Fall 2020)
HB 2003 Stakeholder Outreach

- Scope of work posted for comment
- OHCS website
- Two sets of meetings with stakeholders
  - January
  - Fall (Sept-Oct) of 2020
- Meetings include technical experts, local governments, and other practitioners
- Make reports of results available in Fall 2020
- Survey local governments for feedback
Scope and Schedule Overview
Develop a RHNA methodology to identify the total number of housing units (by housing type and level of affordability) needed to meet each city’s and region’s need.

HB2003 Section 1(3)  
Lead Agency: OHCS

Conduct a regional housing needs analysis for each region, inventory existing housing and estimate the housing shortage for each city and Metro.

HB2003 Sections 1(4) and 1(5)  
Lead Agency: OHCS

- Is allocation to cities ‘appropriate’?
- How does it compare to existing assessments of need in terms of cost and cost effectiveness, reliability and accuracy, repeatability, and predictability?
- Are the region boundaries ‘appropriate’?
- Could this be an acceptable methodology statewide for land use planning for housing?

HB2003 Sections 2  
Lead Agency: DLCD
What Analysis Does HB 2003 Require?

- **Estimate of number of existing dwelling units** by unit type and level of affordability
- **Existing housing need** by income level, including people experiencing houselessness
  - **Shortage of units** – households with “unmet housing needs” such as cost burdened households
- **Forecast of future housing need** for next 20 years
ECO’s Scope of Work

What can we learn from California’s RHNA Methodology?

A. Implement California RHNA Methodology Statewide

B. Implement “California” Allocation Methodology

C. Existing Conditions for Equitable Housing (not part of California Methodology)

Develop the Oregon RHNA Methodology, with Stakeholder Input

A. Oregon’s RHNA Methodology

B. Oregon’s Allocation Methodology

Possible with currently available data?

Possible with improved data?
## Project Schedule

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<th>Tasks</th>
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**Regional Housing Needs Analysis**

- Task 1: Project Kickoff and Project Management
- Task 2: Implement CA HCD Methodology
- Task 3: CA HCD Report
- Task 4: Develop Oregon Methodology
- Task 5: Oregon Methodology Report
- Task 6: Summary of Findings and Recommendations
- Task 7: Communication with Stakeholders

Note: DLCD takes over for report due on March 1.
California HCD RHNA Methodology: Overview and Discussion
Discussion Goals

1. Overview and understanding of CA RHNA methodology and potential approaches to allocation of housing to cities
2. Overview of proposed approach to the Oregon Methodology
3. Get comments and feedback on approach to the Oregon Methodology and Guiding Principles
Why the California Method?

• California has a statewide methodology that has been in place for years and implemented on a regular basis
• California’s methodology is the leading statewide RHNA and the best available model
• California method allocates housing to the city level, not just regional level, based on data from the Census’ American Community Survey
Overview of the CA RHNA Methodology

1. Housing Unit Forecast

2. Housing Unit Adjustment Factors

3. Household Income Distribution

4. Housing Unit Need by Income Bracket Allocated to Cities

5. Cities Update Housing Elements and Housing Policies
Step-by-Step of the CA RHNA Methodology

1. Housing Unit Forecast
   - Population forecast
   - Group quarters forecast

2. Housing Unit Adjustment Factor
   - Vacancy Adjustment factor
   - Overcrowding Adjustment factor
   - Convert pop. forecast to HH’s
   - Subtract occupied units by HH’s

3. Household Income Distribution
   - MHI by county
   - Calculate MHI weight by county
   - Calculate regional MHI by county
   - Cost-burdened adjustment factor
   - Calculate housing need

4. Housing Need by Income Bracket
   - Calculate housing need by adding housing unit forecast and housing unit adjustment factors then proportionately distribute housing units by the 5 income brackets
   - Interpolate pop. into 5 income brackets
A Few Critiques of CA RHNA methods

- Bases ‘housing need’ on population projections and current income distribution, rather than on housing prices and a desired distribution.
- Data do not account for currently houseless nor evaluate racial or other housing disparities.
- Process asks cities to plan for as much as 10x the amount of affordable housing that can be funded.
- Allocation processes are often political rather than technical.
  - Cities with more racial diversity and/or lower incomes may be allocated more lower income housing.
Overview of CA Allocation Methodologies

• Allocation methods vary by region and in complexity

• Two major components:
  • Allocation of RHNA by Jurisdiction
  • Allocation of RHNA by Jurisdiction and Income

• Regions entering the 6th Cycle (as of 2019) must address new objections such as: Affirmatively Furthering Fair Housing
Overview of CA Allocation Methodologies

Methodology

Simple

Kern Area (KernCOG)

Complex

Southern CA Area (SCAG)

San Diego County (SANDAG)

Humboldt County (HCACOG)

San Luis Obispo Area (SLOCOG)
CA RHNA Allocation, *Simple Example*

San Luis Obispo Area (SLOCOG)

1. Receive HCD RHNA
2. Approve Allocation Methodology
   - Developed 9 alternative allocation methodologies
   - Board reviews approaches + public comment period
3. Allocation by Jurisdiction
   - Selected and approved approach
   - Distributed RHNA based on jurisdictions’ weighted share of population and jobs
4. Allocation by Income Group
   - Distributed housing unit allocation into 4 income groups

Regional Housing Needs Analysis
Southern California (SCAG)

1. Receive HCD RHNA
   - Separated RHNA into existing need & projected need adjusted for vacancy rate replacement rate

2. Approve Allocation Methodology
   - Subcommittee developed 3 alternative allocation methodologies
   - 1 public info session, 4 public hearings, stakeholder and committee input

3. Allocation by Jurisdiction
   - Determined jurisdictions' projected need
   - Selected and approved staff recommended approach (hybrid)

4. Allocation by Income Group
   - Distribute total housing need into 4 income groups
   - Social Equity adjustments – more affordable housing in “high opportunity” areas
   - Determined total need (projected + existing need)
Existing Conditions for Equitable Housing

• Housing need within regions for the following populations:
  • Race and ethnicity, disability status, family status, family size, people experiencing homelessness, and seniors

• Consider indicators of housing needs relative to the whole population
  • % housed/unhoused, % with housing shortage, % cost burdened, % renters/owners, % in each housing type, and others
Details: Regional Selection & Data Sources

• Data selection is key to the analysis of equitable housing, and the RHNA and local allocation approach.
• Data sources will inform the options for regional selection.
• Regional selection might be different for the Oregon Methodology.
Comparison of Primary Datasets

• Three publicly available datasets:
  • Census Microdata Sample (PUMS)
  • Census American Community Survey (ACS)
  • Census Comprehensive Housing Affordability Strategy (CHAS)

• Evaluated each dataset across 4 categories:
  • Time horizon and data release schedule
  • Geographic availability
  • Detail/data specificity
  • Data quality
Comparison of Data Sources

• Only sources of consistent, statewide data across all regions and cities.
• Give flexibility needed for analysis, especially of equitable housing.

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<th>Annual Data (Point in Time)</th>
<th>Updated within 2 years</th>
<th>Available at needed levels</th>
<th>Can estimate needed level of detail</th>
<th>Data Quality (smaller margins of error)</th>
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Data Source Evaluation Conclusion

• If geography is not a constraint, then PUMS data offers the most advantages (using PUMA geographies).

• If geography is a constraint, then a combination of CHAS and ACS is preferred.

• If the equity analysis will be used for allocation, you cannot use ACS (there will be challenges with other datasets as well)

• Recommendation:
  • Use PUMS for RHNA
  • Use CHAS for allocation and shortage analysis
Developing the Oregon Methodology
Why Develop an Oregon Method?

• CA-HCD legislation does not require HCD to:
  • Determine housing need by housing type and affordability level
  • Estimate existing housing stock and shortage by type and affordability at the city level
  • Consider at trends in density

• CA has some data sources Oregon does not have
  • Work is underway to create additional data sources in Oregon

• Data for bigger cities (CA has more bigger cities) is better quality than for smaller cities

• CA has a stronger COG “infrastructure” than Oregon
Developing the Oregon Methodology

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Develop the Oregon RHNA Methodology, with Stakeholder Input

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Possible with currently available data?

Possible with improved data?
What Principles should Guide the Oregon Method?

Potential principles

• Align analysis with data available or developing new data sources
• Account for existing housing shortage and homeless populations
• Incorporate information about equitable housing into allocation methods
• Tie outputs to land use planning (Goal 10)
• Find balance between being aspirational and achievable in housing production, so that communities can be held accountable