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SUBJECT: Draft: Guiding Principles for the Oregon Method

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Oregon Housing and Community Services (OHCS) contracted with ECONorthwest to develop a regional housing needs analysis (RHNA) methodology for the State of Oregon, in response to the requirements of House Bill 2003. This memorandum provides context for that analysis and documents the principles that will guide our efforts.

## Background

House Bill 2003, adopted in the 2019 legislative session, changes Oregon's housing planning and policy context in a number of ways. It requires local governments to address regulatory barriers to housing production, and to develop and adopt strategies for meeting housing need. And, it requires the creation of a new methodology for quantifying regional and local housing need for the full range of local incomes. Together, the changes in House Bill 2003 suggest a transformation of Oregon's approach to planning for housing, tying data and analysis about housing need to local commitments to meet that need in land use plans and housing policies.

We are collectively referring to these technical and policy requirements as *Oregon's housing implementation framework*. Overall, if all of the changes implied in House Bill 2003 were fully implemented, this housing implementation framework would aim to: **(1) support and enable the construction of sufficient units to accommodate current populations and projected household growth and (2) reduce geographic disparities in access to housing (especially affordable and publicly-supported housing).**

At this point in time, this framework remains a work in progress. Some of its components already exist through local land use planning authorities. Some of the components are new requirements with the passage of House Bill 2003 that expand local government responsibilities for planning to meet housing need; regulatory guidance is currently under development. And one component of the framework (the focus of this memorandum and of ECONorthwest's work) is exploratory, but could become a critical part of the framework in the future.



OHCS is charged with the initial research to develop what could become a cornerstone of Oregon’s housing implementation framework: a methodology for quantifying regional and local housing need that can serve as targets or goals for local government housing implementation efforts. Specifically, House Bill 2003 asks OHCS and its partners at other state agencies (the Department of Land Conservation and Development, and the Department of Administrative Services) to develop and implement statewide a methodology for determining regional and local housing need, and produce recommendations about whether and how that analysis might fit into the overall housing implementation framework in the future.

We are referring to this eventual methodology as *the Oregon Method*. Our near-term work product will result in analysis and recommendations for how to advance a potential Oregon Method in the context of the evolving statewide housing implementation framework.

This memorandum documents guiding principles for OHCS’s research and recommendations regarding the development of the Oregon Method, to provide a foundation for discussions with community stakeholders and to guide our research.

## Process for developing recommendations for the Oregon Method

The process of developing recommendations for the Oregon method has two major steps:

1. Develop the RHNA Version 1 to define local and regional housing need with data available, and in compliance with House Bill 2003 requirements. This effort will build from a regional housing needs assessment model that is currently used in California.

In the coming months, OHCS will fulfill the House Bill 2003 directive to develop and produce findings from the implementation of a method that must be completed for all regions and cities statewide with currently available data, and meet a set of requirements outlined in House Bill 2003. Those requirements include: (1) a projection of

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the number of housing units needed regionally to accommodate expected growth at the full range of income levels, by unit type, allocated to cities; (2) an estimate of the current stock and shortage of units cities current face, by income and unit type; (3) an approach to the RHNA which gets the region to an equitable distribution of publicly-supported housing; and (4) other requirements as stated in statute. The outcome of this large and complex effort will substantially inform the development of recommendations regarding the next stage of the work process of developing an Oregon Method, and will provide a learning laboratory for stakeholders and analysts to explore what could and what doesn't work for Oregon.

2. Learn from the RHNA Version 1 method to make recommendations regarding the development of an Oregon Method.

The second major step is to analyze the methods and results of the RHNA Version 1 analysis to make recommendations about a methodology that could work better in Oregon. While House Bill 2003 suggests a direction and set of desired outcomes for an analysis, it does not prescribe the specific steps or data sets that must be used, while at the same time it does include many prescriptive details which could end up inhibiting an optimal analysis. We therefore see opportunity to build from the intent of House Bill 2003 to test a methodology that may produce findings for local governments that differ from those outlined in the HB2003 legislation while still meeting the overall intent and purpose of the legislation. The recommendations we come to in this step will describe what we believe to be the best approach to a regional and local housing needs methodology to inform local land use practices and Oregon's housing implementation framework.

To the extent possible, the Oregon Method will then be tested in at least one region (possibly more). The results of running this methodology will be used to inform both OHCS's final report to the legislature and DLCDC's recommendations regarding a statewide RHNA process within Oregon's housing implementation framework.

## Guiding Principles

To begin the work of imagining the Oregon Method, our scope of work asks us to develop a set of Guiding Principles. These Guiding Principles will provide sideboards for the analysts and stakeholders that engage in developing the Oregon Method (what must the method do, what is optional or to be explored as possible), clarify the purpose of the method's implementation in local communities given Oregon's larger housing implementation framework, and serve as touch points that can define success for our work.

Overall, the team's efforts to develop recommendations for the Oregon Method should, at a minimum:

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- Build from data and processes that are implementable in the future, given: (1) limited ability to produce new data and (2) the capacity of OHCS to replicate the methodology on an ongoing basis.
  - Result in data and housing unit targets that can inform existing and new components of Oregon’s housing implementation framework (local land use planning and Housing Production Strategies).
  - Account for regional and other differences in housing need across Oregon’s diverse housing markets, while providing targets for local (city) unit production
  - Account for existing housing shortages (including needed units for people experiencing homelessness) and forecast new housing needs.
  - Recognize the autonomous nature of tribal areas within regions and account for the differences in housing need in tribal areas as compared to all other rural unincorporated areas.
  - Result in a quantification of regional and local housing needed to accommodate expected household growth for cities in a way that responds to regional market dynamics. Those should include targets that specifically increase equitable access to:
    - Publicly-supported housing
    - Housing that is affordable to all Oregonians, including those with low incomes

The team’s work should also explore how or whether the following could be incorporated into a statewide methodology for estimating housing need, among other ideas that may arise in the course of our work. All of these are very important considerations, but they may need to be addressed through other parts of the housing implementation framework (local land use or Housing Production Strategies), rather than through a statewide regional housing needs analysis. However, we should explore the degree to which it is practical to incorporate each of the following into a quantitative methodology that results in unit targets for local jurisdictions:

- Account for inequitable local access to housing for communities of color and other protected classes
- Account for cities’ past production of adequate housing that is publicly supported and / or affordable to lower income households
- Provide production targets that increase equitable access to:
  - Home ownership product as well as rental product
  - A variety of unit types (single family, multifamily, and other housing types)
- Account for local buildable land supply and infrastructure available to support new development
- Account for the role of filtering in providing housing for people in middle-income brackets over the 20-year planning period
- Account for quality of homes in determining housing need

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- Account for number of bedrooms in units in determining housing need
  - Account for aging population / changing housing needs
  - Account for geographic differences in the appropriateness of the location of affordable and publicly supported housing, perhaps including:
    - The relationship between transportation access and housing need
    - Changes in the location of jobs and wages
    - Other measures of access to opportunity or social equity indices (such as OHCS's "Areas of Opportunity")
  - Include a deeper understanding of housing need for Oregon's Tribal Nations

Variables / Concepts we may want to consider substantially varying from the RHNA Version 1 method in the Oregon Method:

- Do we need regions? Or could we use a housing market typology? What about within larger urban regions – should housing need be allocated to neighborhoods or to census tracts?
- Must our methodology be consistent across the whole state? Or could we develop a more robust data-informed method for data rich regions or areas and more straightforward methods in other regions or areas?
- Do we need to account for unit type (such as single-family detached or multifamily housing types)? Is that just at a level of detail that's not helpful?
- Is the 20-year time period the correct planning period? Should we be focused on near-term goals? What are the implications for Oregon's land use planning system?