Building on New Ground:
Meeting Oregon's Housing Need

Technical Advisory Committee
Members of the technical advisory committee were:

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*(formerly worked for Speaker of the House,
the Chief Sponsor of HB 4003 (2019), during the 2019 Legislative Session)*

Ted Reid, Metro

Tyler Bump, ECONorthwest

Other stakeholders involved

A broader group of stakeholders were invited to provide input, both directly to OHCS and through outreach DLCD conducted.[1] The following is a representative list of invitees and participants in this stakeholder engagement process:

1000 Friends of Oregon	Home Builders Association Metropolitan Portland
Angelo Planning	Housing Authority Clackamas County
Association of Oregon Counties	Housing Authority of Jackson County
Association of Realtors	Housing for All
Burns Paiute Housing Authority	Housing Land Advocates
Central City Concern	Human Solutions
Central Oregon Builders Association	Klamath Tribes Housing
City of Albany	Landye Bennett
City of Bend	Law Office of Mike Reeder
City of Corvallis	League of Oregon Cities
City of Eugene	League of Women Voters of Oregon
City of Grand Ronde	Metro
City of Hillsboro	Mid-Willamette Council of Governments
City of Hood River	Mid-Willamette Valley Homeless Alliance
City of La Center	Multifamily Northwest
City of Madras	North Bend City/Coos-Curry Housing Authorities
City of McMinnville	Northwest Economic Research Center - PSU
City of Newport	Northwest Housing Alternatives
City of Portland	Oregon Cascades West Council of Governments
City of Redmond	Oregon Home Builders Association
City of Salem	Oregon Housing Alliance
City of Tualatin	Oregon Smart Growth
City of Turner	Portland Community Reinvestment Initiatives
Clackamas County	Portland State University
Commonworks Consulting	Reach CDC
Community Partners for Affordable Housing	Sabin CDC
Confederated Tribes of Coos, Lower Umpqua & Siuslaw Indians	Siletz Tribal Housing
Confederated Tribes of the Umatilla Indian Reservation	Specialized Housing, Inc.
Coquille Indian Housing Authority	St. Vincent de Paul Society of Lane County, Inc.
Cow Creek Tribe	Think Real Estate
Energy Trust of Oregon	United Way Mid-Willamette Valley
Fair Housing Council of Oregon	University of Oregon
Farmworker Housing Development Corporation	Warm Springs Housing Authority
Hacienda CDC	Washington County

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House Bill 2003, adopted in the 2019 legislative session in the midst of a statewide affordable housing crisis, suggests a transformation of Oregon's approach to planning for and meeting housing need. Tina Kotek, speaker of the Oregon House of Representatives and chief sponsor of the bill, said this of the bill during deliberations:[2]

> *"The state's housing crisis has continued for far too long and demands a bold set of solutions from the Legislature … We must publicly finance more affordable housing across Oregon. We must create more housing choice in exclusively single-family neighborhoods. And we must smooth the way for more construction at the local level. This is the goal of House Bill 2003."*

Since then, Oregon's housing affordability crisis has deepened. The 2020 wildfire season destroyed entire communities, resulting in the loss of 4,000 homes, nearly half of which were mobile homes providing housing that was affordable.[3] As of mid-January 2021, over 1,000 people are still living in hotel rooms, in need of interim and permanent housing options.[4] The COVID crisis has resulted in growing unemployment and economic uncertainty, which, without further policy intervention, will accelerate economic inequities and increase the number

In this report, the term "affordable" means that a household can afford to pay the mortgage or rent without cost-burdening themselves by spending more than 30% of income on housing.

When we refer to rent-restricted affordable units, we use the term "publicly supported housing."

of households facing housing instability and homelessness. At the same time, new households have continued to relocate to Oregon and are seeking housing options.

The pressure on Oregon's housing market, already tremendous for affordable units, is growing. Status quo approaches cannot help us make progress toward the equitable recovery that is needed. In fact, continuing on the path we are currently on will only reinforce the

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existing inequities in our system. It is time for our state to think critically about our systems for planning for housing and reframe them with new urgency and an intentional, unshrinking approach to equity in meeting housing need.

The passage of House Bill 2003 (2019) makes significant progress on this needed reformation by turning local attention toward housing production. This landmark legislation requires communities to develop and adopt Housing Production Strategies (HPSs), which outline the policies and actions cities will take to meet housing need. The first communities in the state are working toward adopting HPSs now.

The bill also tasked Oregon Housing and Community Services (OHCS) with creating a new methodology that would serve as the foundation for our state's housing planning and implementation framework: a systematic, consistent, and statewide approach to understanding housing need by income in every city in the state. The bill envisions this methodology, called the Regional Housing Needs Analysis (or RHNA) as serving an implementation system that increases equitable access to housing, especially affordable and publicly supported housing.

The inaugural run of the RHNA methodology produced stark findings that are already helping to shape the state's understanding of housing need.

Over the next 20 years, Oregon will need to build about **584,000 total new homes**. Nearly **one quarter of these units are needed now** to accommodate today's population. These roughly **140,000 homes** would overcome our state's

chronic underproduction of housing, house those who are currently experiencing homelessness, and add supply to the overall market to increase housing choice and reduce cost burdening for low-income households.

To meet this need, Oregon's housing developers would need to produce between **30,000 and 40,000 new homes every year.** To put the RHNA findings in context, over the past 5 years, we have averaged just 20,000 units per year.[5] **Our state would need to increase its total production of housing two-fold.**

About one-third of all of the projected need **(about 172,000 homes)** would serve households who earn below 50% of median family income (MFI). Meeting this need will require public support, in the form of a construction subsidy to build a home that these households can afford, rent subsidies to help them access a unit, or both. This means providing access to **nearly 9,000 new publicly supported units per year.** Between 2016 and 2020, OHCS has funded an average of just over 3,000[6] units per year. To meet Oregon's affordable housing need with new construction of affordable units only, affordable housing

Equity in the RHNA

House Bill 2003 was passed to address a history of federal, state, and local planning efforts that have harmed people of color, low-income households, and other marginalized populations in Oregon. The RHNA methodology supports that outcome by (1) Incorporating methodological choices that ensure the needs of lowest-income Oregonians are thoroughly accounted for; (2) Disrupting the current system of planning for housing by incorporating a 'fair share' approach that accounts for the needs of lowest-income households in a region, rather than allowing cities to plan for housing that matches past development and income trends; and (3) Providing the best available data on racial housing disparities.

Oregon's housing affordability crisis is leaving communities of color, those with disabilities, and older Oregonians with disproportionately greater unmet housing need. Status quo solutions are simply not acceptable. Housing planning systems that focus only on income will fail to acknowledge systemic racism and other forms of discrimination that lead to the inequities evidenced in this analysis.

The RHNA helps provide consistent visibility into where and how low income households and communities of color are underserved, and, if adopted as part of a comprehensive implementation system, would support local planning efforts to overcome disparities in unmet need. But data alone is not enough; it must inform action.

Exhibit 1. Rent Burdened and Severely Rent Burdened, Selected Demographic Characteristics, Oregon, 2018

Category	Rent Burdened	Severely Rent Burdened
Non–Asian People of Color	29	23
Asian	25	16
Non–Hispanic White	26	20
Limited English Proficiency	34	27
People 65 Years & Older	29	31
People with Disability	27	34
Statewide Average	27	21

Share of Population
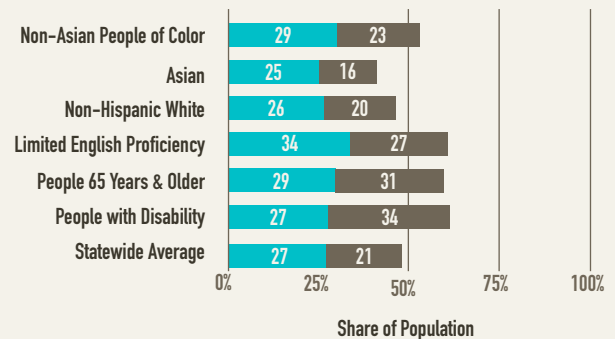
Exhibit 2. Rent Burdened and Severely Rent Burdened, Population by Race, Oregon, 2018

Category	Rent Burdened	Severely Rent Burdened
American Indian or Alaska Native	30	22
Asian	25	16
Black or African American	28	27
Native Hawaiian & Other Pacific Islander	15	6
White	27	21
Other Race	28	24
Statewide Average	27	21

Share of Population

RENT BURDENED   SEVERELY RENT BURDENED
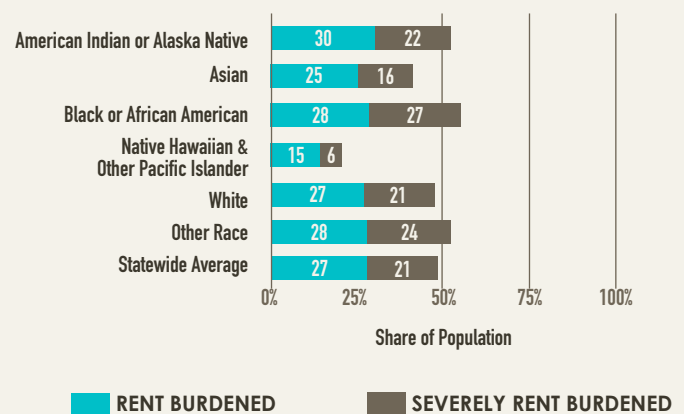
SOURCE: U.S. Census 2018 ACS 1-year PUMS estimates.

NOTE: See the Technical Report for details about the analysis in exhibits 1 and 2, including why these specific demographic categories were selected for analysis.

[5] Public Use Microdata Sample (PUMS) from the US Census, 2019
[6] Based on OHCS analysis and data, 2021

developers would need to increase their production of **subsidized affordable units three-fold.**

These findings show that Oregon is failing its low-income residents in rural and urban communities alike. The need to transform our system of planning for housing is clear. Our current system, designed during periods of lower growth when more federal funding was available for affordable housing, is simply not designed to meet today's need.

The RHNA method is a foundation for necessary system reform. It starts with a regional housing projection, which is allocated to local governments relative to **regional** needs (based on regional income averages), rather than **local** need (based on local income averages). The regional projection of need includes housing underproduction and housing for people experiencing homelessness and asks all cities within a region to plan for their share of this need. This approach stops a cycle of planning for future housing need based on past development trends, which has led to affluent communities planning for fewer low-income households.

If so legislated, the RHNA would provide the projection of housing need that can be used to determine land needs, which is one key part of a comprehensive system for housing planning. The Department of Land Conservation and Development (DLCD) oversees Goal 10 implementation and agrees that incorporating the RHNA as base data for assessing housing need would improve growth management and housing outcomes. DLCD's report to the legislature on the RHNA includes specific suggestions for improvements to the Goal 10 process that

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would support improved housing outcomes.[7] The RHNA would also provide data to target policies in local Housing Production Strategies and measure progress toward meeting production goals.

But comprehensive system reform must go beyond these important processes. It must build on the RHNA, Goal 10, and Housing Production Strategies to comprehensively include the regulatory, funding, and administrative capacity to meet growing needs.

For all of these reasons, **OHCS recommends that the legislature continue the path to implementing the RHNA as a key component of Oregon's evolving housing implementation framework.**

OHCS's high-level findings are clear: it is possible to create a methodology that estimates housing need in a way that contributes to local planning efforts for equitable housing implementation. While the RHNA is designed to evolve over time, as data improve and policies begin to take effect, the core components of the methodology have been thoroughly explored in this process and should remain consistent. The RHNA should continue as a regional need assessment with local allocations that equitably distribute affordable housing, include estimates of underproduction and of housing needed for those experiencing homelessness, and an allocation method that recognizes regional, not local, trends in incomes. And it should continue to provide data about inequities in unmet housing need to support local implementation efforts.

HOUSE BILL 2003 envisions Oregon's housing planning system reformed from a singular focus on ensuring adequate available land to a more comprehensive approach that also achieves these critical goals:

1. Support and enable the construction of sufficient units to accommodate current populations and projected household growth.

2. Reduce geographic disparities in access to housing, especially affordable and publicly-supported housing.

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[7] See DLCD's March, 2021 legislative report for details.

To advance this conversation to the next step, OHCS recommends the following:

- Advance toward adoption of the RHNA as part of a comprehensive housing implementation framework that includes regulatory, funding, and administrative capacity.

- Establish a Task Force to recommend legislation for an effective and comprehensive implementation framework to integrate the RHNA into local planning processes, including Housing Needs Analyses (HNAs) and HPSs. The framework should include funding for housing production and accountability metrics for an equitable distribution of affordable housing and local efforts to meet total housing need. It should incorporate fair housing principles within housing planning and development. It should address changes needed to Goal 10 and land use planning and address the infrastructure needed to support housing development. It should determine an approach that works in Metro's unique land use planning system. It should evaluate the relationship between building new units and providing rent supports to meet near-term need at the lowest end of the income spectrum. And it should make recommendations about stepping up funding and agency capacity to implement this system. OHCS and DLCD should jointly lead the Task Force.

- The Legislature should clarify policy intent on unit type. The language of House Bill 2003 asks specifically for findings on needed unit types (for example, single family, multi-family, duplex or triplex, etc.), but OHCS found that data are not adequate, especially absent policy direction on the desired mix of units. For the Task Force to effectively complete its work, it will require direction regarding the importance and role of unit mix or density targets in local planning efforts, and policy direction regarding how to determine an appropriate unit mix.

- Continue to seek improvements to the data that can help us more fully understand housing need, especially for Oregon's communities of color and others who experience discrimination in the housing market, and integrate those data into the RHNA methodology over time.

Adding roughly 584,000 units over the next 20 years — nearly half of which must serve the needs of households under 80% of MFI — will require concerted, coordinated effort among all of the partners involved in the housing production system. Elected officials, nonprofits, developers, planners, housing and renter's rights advocates, and renters themselves will need to be united through an integrated and comprehensive implementation framework that centers the housing needs of low-income households, communities of color, older Oregonians, those with disabilities, and other marginalized populations. The RHNA provides a critical piece of this framework: it provides the opportunity to tie together data and analysis about housing need to a commitment to meet that need in land use plans and housing policies. It drives a new focus on the equitable geographic distribution of affordable housing.

To be effective, the RHNA would also need to tie into new resources and housing implementation requirements that bind jurisdictions to a commitment to action. This kind of a comprehensive, implementation- and equity-focused framework would be a nation-leading approach to housing planning. Advancing its implementation is the logical next step after the passage of HB 2001 and HB 2003, solidifying Oregon's reputation as a housing policy innovator, and creating shared responsibility among cities, regions, and the state to meet the housing needs of *all* Oregonians. ■

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Oregon has long been a national leader in planning to accommodate growth while protecting farm and forest land. The state mandates local government compliance with 19 statewide planning goals, which include public engagement, planning for natural areas, planning for adequate land for economic growth, and planning to accommodate land needs for housing.

This chapter summarizes information described in detail in a Technical Report published originally in September 2020 and updated and republished in February 2021. Readers seeking a more detailed description of the RHNA methodology and the process of developing it, including underlying assumptions and the implications of various methodological choices, might enjoy reading Chapter 3 and Appendix B.

While Oregon's land use planning approach remains a model in the nation, House Bill 2003 (2019) takes aim at some of its shortcomings. It asks Oregon's cities to plan to do more than provide adequate land for housing development. **It asks them to plan to *meet* total housing need**, through enabling housing production that matches the incomes of current and future residents. And it asked Oregon Housing and Community Services (OHCS) and its partners at the Department of Land Conservation and Development (DLCD) to determine whether it would be possible to improve the methods that quantify housing need to support those plans. The aim is **a new regional methodology that can lead to increased cross-jurisdictional equity in affordable housing production**, called the Regional Housing Needs Analysis (RHNA).

OHCS's high-level findings are clear: the RHNA methodology envisioned in House Bill 2003 is possible, and it improves our understanding of housing need. It can also support an overall housing implementation framework that improves equitable housing outcomes for all Oregonians. While more than just new data is needed to meet housing need, the RHNA provides a critical step in the right direction.

HB 2003 and the RHNA address issues with Oregon's current system

Oregon's Goal 10 requires each city to develop a Housing Needs Analysis (also called a Housing Capacity Analysis), which must tie twenty years of projected household growth to units of varying densities, and then determine whether there is adequate land inside the city's urban growth boundary to accommodate those units. Goal 10 directs cities to plan for "… housing that meets the housing needs of households of all income levels." Oregon's statewide land use planning system requires one of the most comprehensive approaches to planning for housing in the country.

In the current system, regulatory authority focuses on land use and land availability — ensuring a sufficient supply of land zoned to accommodate need — without providing sufficient guidance or requirements for the actual production of the housing units needed by income. The current system reinforces existing patterns of residential segregation. Local governments each independently lead attempts to understand and plan to accommodate housing need, with no mechanism allowing recognition of the regionality of jobs and housing markets, but people seeking affordable rent do not pay attention to jurisdictional boundaries. Exclusionary zoning and other regulatory impediments can limit the overall supply of housing, especially multi-family and affordable housing, without violating the requirements of the land use planning system. The current methodology for Housing Needs Analyses (HNAs) allow affluent communities to continue to plan for affluent growth, because they build from past demographic, income, and development trends.

Oregon's system of housing planning has also remained separate from efforts to implement the Fair Housing Act. This landmark piece of legislation, passed in 1968, prohibits discrimination based on race, ethnicity, or other protected class, and requires local governments that receive federal funds to take proactive steps to overcome historic patterns of segregation and foster inclusive communities free from discrimination (referred to as "affirmatively furthering fair housing").

The overall result is that to varying degrees, Oregon has failed to produce the housing units needed to

accommodate regional growth, especially for the state's lowest-income residents and communities of color, in the locations where they are most needed. The number of total units as well as the diversity of price points, unit types, and publicly supported affordable units varies from city to city, resulting in inequities in access to housing and jobs, especially for Oregon's lowest-income residents.

House Bill 2003 disrupts this pattern. First, it requires local governments to produce and adopt Housing Production Strategies (HPSs), which supplement the land supply focus of HNAs with a new and critical focus on removing barriers to housing production and affirmatively supporting the production of needed affordable housing. The first communities in the state are in the process of developing their HPSs as of the writing of this report.

Second, House Bill 2003 asked OHCS and DLCD to determine whether it would be possible and practical to create a new methodology for quantifying regional and local housing need for the full range of incomes that would lead to increased cross-jurisdictional equity in

affordable housing production. Adding regionally derived, income-based housing unit production targets or goals to local planning efforts would require local governments to understand and plan to meet affordable housing production goals that both reflect the regional nature of housing markets and create a shared responsibility for meeting housing need. This would allow cities to meet their obligations to plan for land needs while providing a more robust platform for also taking action to meet housing need.

The RHNA methodology improves our understanding of housing need

In its simplest terms, HB 2003 requires Oregon Housing and Community Services (OHCS) to develop a methodology that estimates the number of households in each income category and in each region that will need dwelling units that are affordable to them, now and over the next 20 years, and to allocate those units down from the regional to the city level. The result is an estimate of the number of

Exhibit 3. RHNA Methodology Overview
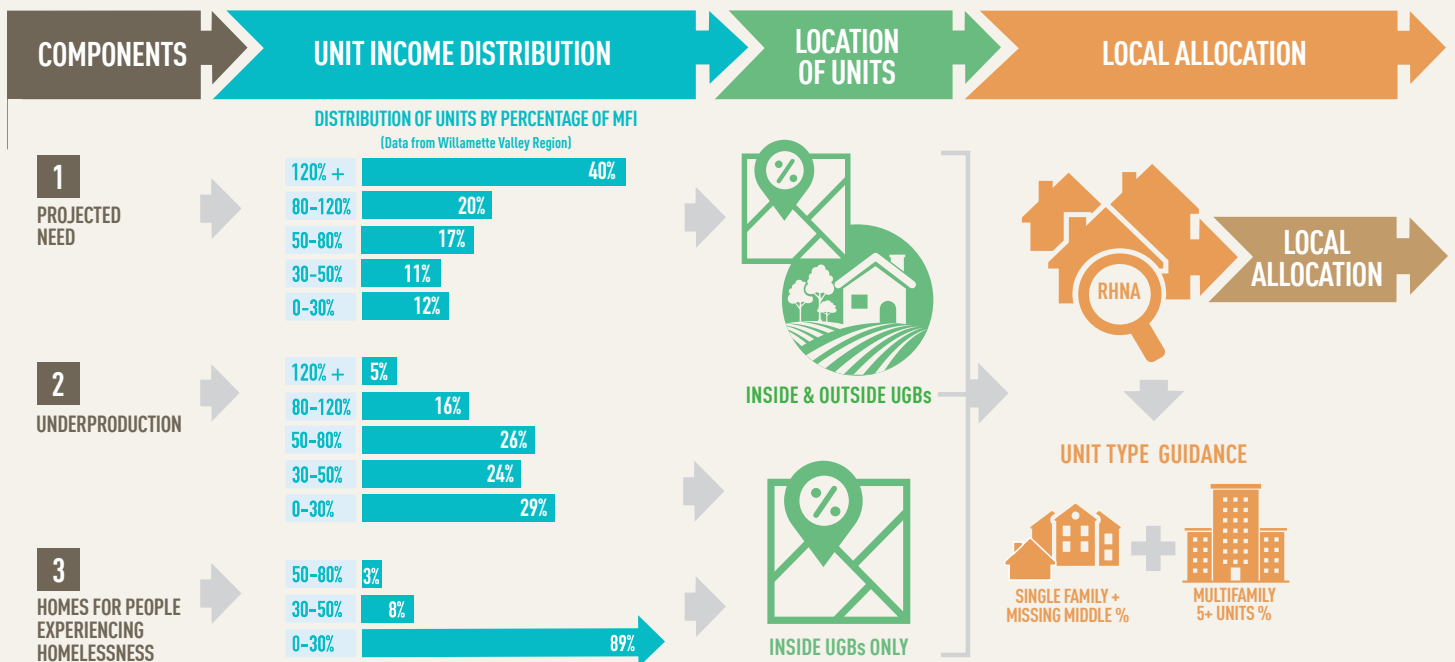
SOURCE: ECONorthwest, 2020
NOTE: MFI is Median Family Income

needed housing units by income for each of Oregon's 241 cities (which this report refers to as the local *allocation* of housing need).

OHCS developed this methodology, in consultation with a range of stakeholders, and produced the required results. Exhibit 3 provides a high-level summary of key components of the methodology. Please see Chapter 3 and Appendix B of the Technical Report for details about data sources and assumptions, income distribution methods, allocation of regional need down to local jurisdictions, and need projection methods.

The methodology sums the following to determine total regional need (1) Projected need (the number of units needed to accommodate future population growth over 20 years); (2) Underproduction (the number of units that have not been produced to date in the region but are needed t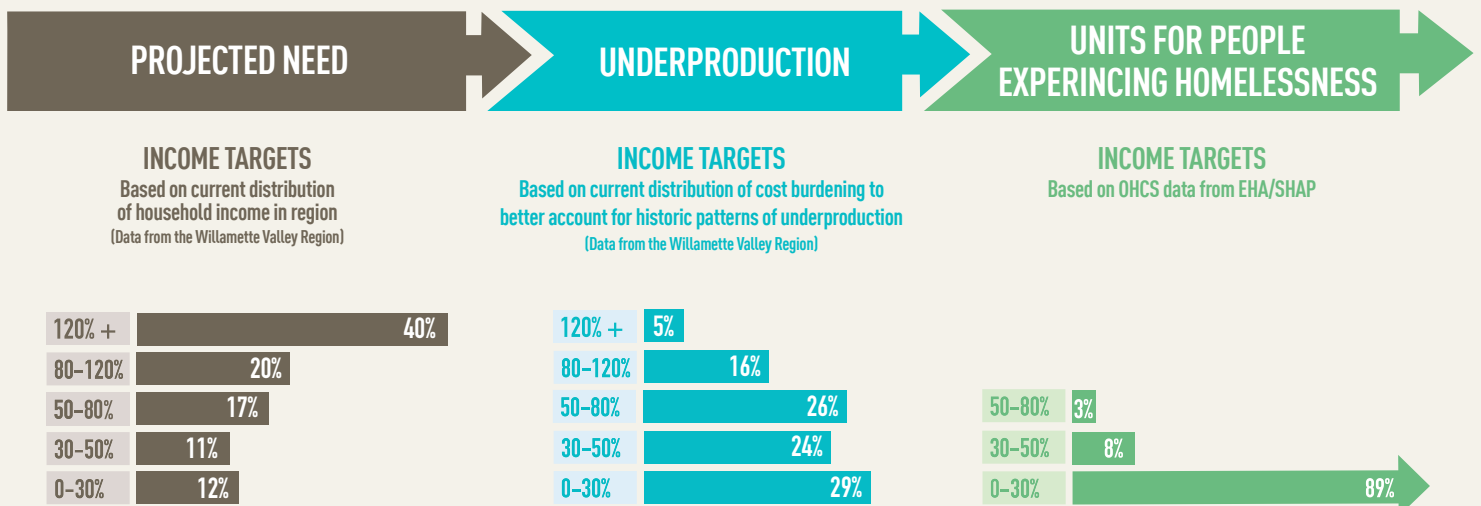o accommodate current population); and (3) Housing for people experiencing homelessness (the number of units needed to house those who are currently experiencing homelessness and are otherwise unaccounted for in the data). **This approach is a fundamental difference, which means that the RHNA better reflects total regional need.** HNAs consider neither underproduction nor housing units needed for those who are experiencing homelessness, and therefore underestimate total housing need.

Cost burdening occurs when a household spends more than 30% of its income on housing.

To determine affordability ranges for the needed units, the methodology distributes the total units needed in each region into income categories, as shown in Exhibit 4. Projected need is distributed proportionate to regional income distributions. Because underproduction leads to rising housing prices, which in turn leads to cost burdening, underproduced units are distributed in proportion to the rates of cost burdening across income levels in each region. Units to meet the needs of those experiencing homelessness are distributed proportionately to OHCS's best available data about the incomes of those households. This income distribution method differs from the current HNA process, which relies on the local income distribution rather than the regional income distribution (reinforcing existing geographic inequities in development patterns). **The RHNA methodology uses a fair share approach that asks cities to plan for future production to match regional incomes, rather than local, and to plan to make up for past underproduction by addressing the needs to those most impacted by cost-burdening.** (This approach is described in more detail later in this section.)

Exhibit 4. Overview of RHNA Income Distribution Method

PROJECTED NEED	UNDERPRODUCTION	UNITS FOR PEOPLE EXPERIENCING HOMELESSNESS
INCOME TARGETS Based on current distribution of household income in region (Data from the Willamette Valley Region)	**INCOME TARGETS** Based on current distribution of cost burdening to better account for historic patterns of underproduction (Data from the Willamette Valley Region)	**INCOME TARGETS** Based on OHCS data from EHA/SHAP

PROJECTED NEED		UNDERPRODUCTION		UNITS FOR PEOPLE EXPERIENCING HOMELESSNESS	
120% +	40%	120% +	5%		
80–120%	20%	80–120%	16%		
50–80%	17%	50–80%	26%	50–80%	3%
30–50%	11%	30–50%	24%	30–50%	8%
0–30%	12%	0–30%	29%	0–30%	89%

SOURCE: ECONorthwest, 2020
NOTE: MFI is Median Family Income

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In another key difference from the HNA process, the allocation methodology takes into consideration the location of jobs to help to plan for jobs / housing balance. Each component of regional need, once distributed into income buckets, is allocated to cities. For allocation inside UGBs, units are distributed based on the jurisdiction's regional share of population (50% weight) and current jobs (50% weight). This methodological decision means that cities with more jobs will be planning to accommodate more housing. While Oregon's land use planning process ensures that most growth will occur inside of cities' urban growth boundaries (UGBs), some will certainly occur outside of UGBs. In line with land use laws, the methodology allocates only projected need outside of UGBs, and then only the portion indicated in the official population projections.

The RHNA methodology provides information about the historic distribution of housing unit types (single family, multi-family, and middle housing types like duplexes and triplexes) at the regional level. These data can be informative for local jurisdictions planning for housing growth but are not intended to be used as a prescription for future housing type distribution. The language of House Bill 2003 asks specifically for findings on unit type, but OHCS found that existing data are not adequate to distribute housing by type of unit to each city and income level, especially absent policy direction on the desired mix of units. We do not expect future housing mix to look like past housing mix for a variety of reasons, including recent legislation eliminating zones that are exclusively for single-family development. Given these findings, the recommendations included later in this summary report ask for clarification on policy intent regarding the inclusion of unit types in House Bill 2003.

The RHNA fundamentally changes how we plan for an equitable distribution of affordable housing

A key purpose of the RHNA's methodology is to **more equitably distribute housing need, and especially affordable housing need, across the region.** The method starts with a regional housing projection, which is allocated to local governments relative to **regional** needs (based on regional income averages), rather than **local** need

Principles for development of RHNA methodology:

- Quantify regional and local housing need with a focus on low-income housing needs, especially publicly supported housing.

- Use datasets that are reliable, reproducible, and available.

- Consider capacity for implementing the methodology in the future.

- Account for regional differences in housing need across Oregon's diverse housing markets.

(based on local income averages). This approach disrupts a cycle of planning for future housing need based on past development trends and current income averages, which has led to affluent communities planning for fewer low-income households. And it better calculates housing need at the lowest end of the income spectrum.

The result is a new, **regional fair share** approach to planning for housing that is affordable. Exhibit 6 provides an overview of how this method would work in the Portland metro area. The green vertical bars show how new construction in various cities in the Portland metro region line up by income bin. Because it is relatively expensive to build new units and they must rent or sell at price points that cover construction costs, it is unsurprising that most new construction in most cities serves those above 80% of median family income (MFI). In the City of Portland (which comprises 57% of all new construction in the region in this time period), a recently passed affordable housing bond is funding new construction that serves those between 50 and 80% of MFI. In the City of Forest Grove, which is relatively distant from the urban core, homes are generally more affordable relative to regional MFI. **But with those notable exceptions, new construction is proportionately skewed away from meeting the needs of households earning below 80% of MFI and is particularly failing to serve those below 50% of MFI.**

The horizontal brown line in each income bin shows proportionate regional need by income based on RHNA

findings. In other words, the brown lines show how new construction would need to be distributed to meet the need for affordable homes. Each city in this example set of Portland region cities is currently failing to provide a high enough portion of affordable new construction to those earning less than 50% of MFI. At the same time, cities

are generally building proportionately more units that are affordable to higher-income households. Importantly, this is not a sign of overproduction in higher income categories. In fact, most cities are underproducing in most income categories when measured in absolute rather than proportionate terms. This underproduction is covered in more detail in later parts of this report and leads to cost burdening among those lower-income households that are least served by the housing market.

The RHNA, if implemented as part of a housing planning and implementation system, would ask each city in the region to plan to meet regional need in its new construction, and bring in state, regional, and local governments in a partnership to fund the needed investments in affordable housing production and rent supports.

REGIONAL BOUNDARIES

The choice of regions and primary dataset is fundamental to the methodology's ability to achieve its guiding principles. Most datasets are tied to particular geographies, leading to trade-offs in choices between accuracy and timeliness of housing and demographic data and possible regional boundaries. OHCS evaluated data availability for various geographies, margins of error based on the number of people in a region, data available about housing markets, and commuting flows. We prioritized datasets that would preserve the ability to, as much as possible, disaggregate our research results by race, ethnicity, age, and disability status. Exhibit 5 shows the regions used in the RHNA. These regions best reflect Oregon's housing market, within the limitations possible with underlying datasets. A full discussion of how we came to this conclusion is included in the Technical Report.

Exhibit 5. Regions used in the Recommended RHNA, Oregon, 2020

Deschutes
North Coast
Northeast
Portland Metro
Southeast
Southwest
Willamette Valley
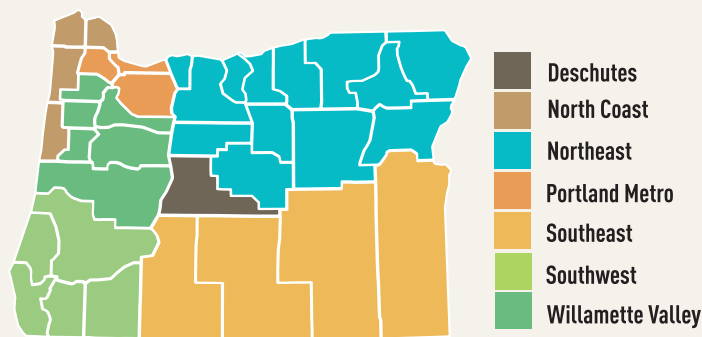
SOURCE: ECONorthwest

The RHNA provides data that focus planning efforts on housing equity

In addition to restructuring our planning systems to focus on an equitable, fair share distribution of affordable housing, the RHNA provides data to support local efforts to improve housing outcomes across incomes, race and ethnicity, and other categories of people with disproportionately unmet housing need. If it were fit into a comprehensive implementation structure, the RHNA could:

- **Serve as a cornerstone of our state's strategy for housing resilience.** The data it provides will be critical to targeting investments in housing stability during and after COVID. It will provide the necessary foundation for an equitable recovery from COVID and wildfire impacts.

- **Provide data to support the integration of equity into system implementation through Housing Production Strategies and other equity policies.** The RHNA offers data demonstrating housing inequities across demographic categories in a consistent format. These data provide indisputable evidence of the differences in the ways various populations experience housing outcomes and can be used as local governments plan to meet jurisdictional housing needs in a more equitable way. And, with appropriate updates, it could provide data about racial segregation that can inform local actions to affirmatively further fair housing.

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■ **Integrate into a comprehensive implementation system, serving as a foundation for accountability metrics.** The RHNA can complement and integrate with the current land use planning system and newly created Housing Production Strategies by providing inputs for land use planning and targets for housing production efforts. It can be used to track progress toward meeting housing need.

■ **Provide transparency and consistency and ensure that data drives the calculations of housing need instead of local political influences.** The RHNA provides a documented methodology that uses readily available statewide data and can be implemented consistently for all Oregon cities.

■ **Increase efficiency.** The current system requires all local governments to complete their own independent analysis of future housing need. Centralizing this effort with a state entity that simultaneously completes the

Matthew Lejune for Unsplash

analysis for the entire state will improve overall system efficiency and allow for improved tracking of housing trends over time. ■

Exhibit 6. New Housing Construction (2017-2019) by Affordability and Compared to Regional Production Share

Y-axis: Share of new housing stock in each city (0% to 100%)

0-50%
- Portland Metro Region: 4%
- Beaverton: 19%
- Forest Grove: 2%
- Gresham: 0%
- Hillsboro: 2%
- Lake Oswego: 0%
- Portland: 4%

50-80%
- Portland Metro Region: 26%
- Beaverton: 22%
- Forest Grove: 57%
- Gresham: 17%
- Hillsboro: 15%
- Lake Oswego: 0%
- Portland: 27%

80-100%
- Portland Metro Region: 31%
- Beaverton: 52%
- Forest Grove: 13%
- Gresham: 31%
- Hillsboro: 41%
- Lake Oswego: 1%
- Portland: 32%

+100%
- Portland Metro Region: 39%
- Beaverton: 7%
- Forest Grove: 28%
- Gresham: 44%
- Hillsboro: 41%
- Lake Oswego: 99%
- Portland: 37%

X-axis: Household income as % of Median Family Income

Legend: ■ Rental ■ Ownership — Regional Production Share

SOURCE: ECONorthwest, based on data from Metro's Regional Land Information System and RHNA Findings

The inaugural run of the RHNA methodology produced stark findings about housing need in Oregon.[8] The need for total housing production and publicly supported housing production outstrip Oregon's current production capacity. **Oregon would need to increase its total production of housing two-fold, and its production of subsidized affordable units three-fold to meet projected need with new construction.**

Oregon needs more total housing production

Exhibit 7 shows that, over the next 20 years, Oregon will need about 584,000 total new homes. Nearly one quarter of these units are needed now to accommodate today's population. These roughly 140,000 homes would overcome Oregon's chronic underproduction of housing, house those who are currently experiencing homelessness, and add supply to the overall market to increase housing choice and reduce cost burdening for low-income households.

To begin making progress toward this need, over the next five years, the state would need to add between 145,000 and 195,000 units.[9] In other words, Oregon's housing developers would need to produce **between 30,000 units and 40,000 units** every year. Over the past 5 years, Oregon has seen an average of just **20,000 units per year.**[10] Our state would need to increase its total production of housing by at least 50 percent, and as much as double production to tackle underproduction in the near term.

Exhibit 8 shows the distribution of needed new units by region and highlights the proportionate amount of housing growth that will meet this need. The southeast region has the smallest current stock and will see the proportionately smallest amount of growth of all regions. The Portland metro area, Deschutes, and the Willamette Valley will experience the greatest growth pressure.

While the housing market will never fully meet the needs of all Oregonians on its own, the largest share of unit production that occurs in any community requires only limited public investment. When unit supply grows at pace with population, in most circumstances, the housing market will meet much of a community's housing needs

Exhibit 7. Summary of Housing Need by Regions and State, 2020–2040

Region	NEW UNITS EACH OF THE FOLLOWING				
	Projected Need	Underproduction	Housing for the Homeless	Total Units	% of Units
Portland Metro	224,683	59,488	10,683	294,853	51%
North Coast	14,731	295	2,309	17,335	3%
Willamette Valley	101,704	35,913	8,972	146,589	25%
Southwest	34,896	10,287	4,579	49,761	9%
Deschutes	49,856	4,837	1,194	55,887	10%
Northeast	16,731	–	899	17,630	3%
Southeast	965	–	538	1,503	0%
Oregon	443,566	110,819	29,174	583,559	100%
% of Units	76%	19%	5%	100%	

SOURCES: ECONorthwest analysis; PSU, 2020-2070 Coordinated Population Forecasts; U.S. Census Bureau, 2018 ACS 1-year PUMS estimates; HUD, 2019 PIT count; ODE, SY 2018-2019 McKinney Vento data

[8] This section provides an overview of state and regional housing need findings. Full results for all local jurisdictions in Oregon are available in the Technical Report.
[9] The low-end estimates divide total need by four (5 years is ¼ of 20 years). The high-end estimate assumes that a larger share of the housing that is needed today is front-loaded, to meet the needs of those who are cost-burdened and living without homes.
[10] Public Use Microdata Sample (PUMS), 2019.

without direct public support. The RHNA findings make clear that total market production is *not* keeping up with housing demand, leading to cost burdening and housing instability that most impacts households at the lowest end of the income spectrum. For this reason, increasing total housing production is critical to meeting Oregon's housing need.

Exhibit 9 shows how our current production run rate, if continued, would stack up against needed total production in each income bin in several example cities. **Nearly every city is underproducing housing in most income bins.** The brown lines show RHNA targets, or the total number of units that would need to be constructed over the next five years in each income bin in each example city.[11] The green bars estimate the amount of actual housing production over the past five years in each city. The Portland metro region is starting at a deficit (i.e., the region has underproduced total needed housing). This graphic shows that most cities are continuing a pattern of underproduction, and that underproduction is most marked in the lowest income bin. Failing to make progress
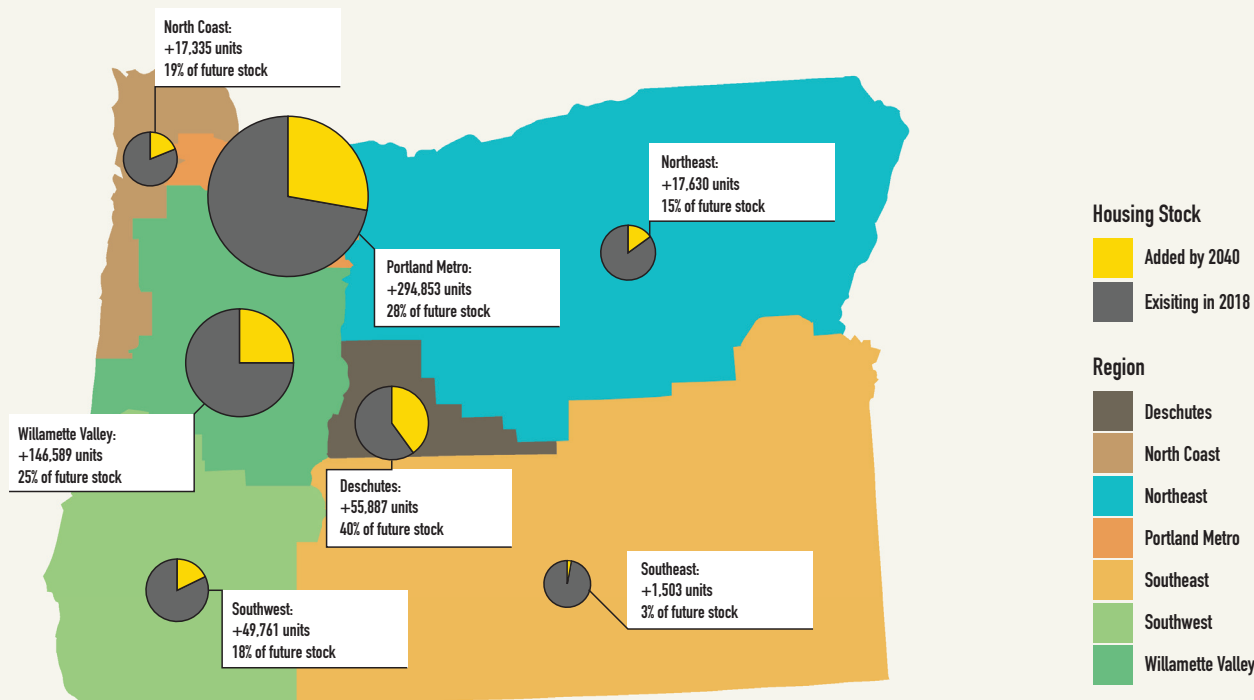
on underproduction will lead to worsening trends of rising prices and cost burdening that will most affect those at the lowest end of the income spectrum.

Oregon needs more publicly-supported housing production

While total housing production is critical to meeting housing need, the market was never organized to produce units that serve households with incomes in the lowest brackets (particularly those who earn incomes below 50% of MFI). Even in markets with many housing type and price options and normal vacancy rates, some publicly supported housing is needed. And, in communities that have consistently underproduced market-rate housing (as in many Oregon communities), the lack of available housing means that even middle-income households' needs are not met.

Without public support, in most Oregon markets it is currently infeasible to build new units that can immediately be rented or sold to households earning less than 50%

Exhibit 8. Total Housing Need by Regions for 2020-2040 Compared with Existing Housing Stock in 2018

North Coast:
+17,335 units
19% of future stock

Northeast:
+17,630 units
15% of future stock

Portland Metro:
+294,853 units
28% of future stock

Willamette Valley:
+146,589 units
25% of future stock

Deschutes:
+55,887 units
40% of future stock

Southeast:
+1,503 units
3% of future stock

Southwest:
+49,761 units
18% of future stock

Housing Stock
- Added by 2040
- Exisiting in 2018

Region
- Deschutes
- North Coast
- Northeast
- Portland Metro
- Southeast
- Southwest
- Willamette Valley

SOURCES: ECONorthwest analysis; PSU, 2020-2070 Coordinated Population Forecasts; U.S. Census Bureau, 2018 ACS 1-year PUMS estimates; HUD, 2019 PIT count; ODE, SY 2018-2019 McKinney Vento data

[11] Based on a low-end five year estimate, derived by dividing total 20 year need by 4.

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Exhibit 9. Current Housing Production Compared to RHNA Targets
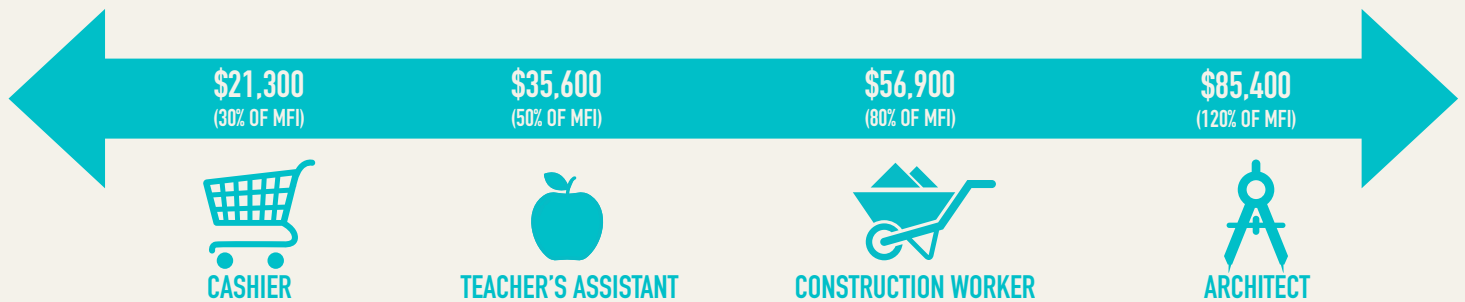
New Housing Construction by Affordability and Compared to 5-Year RHNA Estimates

■ Estimated Recent Housing Production (5 Years)　　— Regional Production Share Based on RHNA (5 Years)
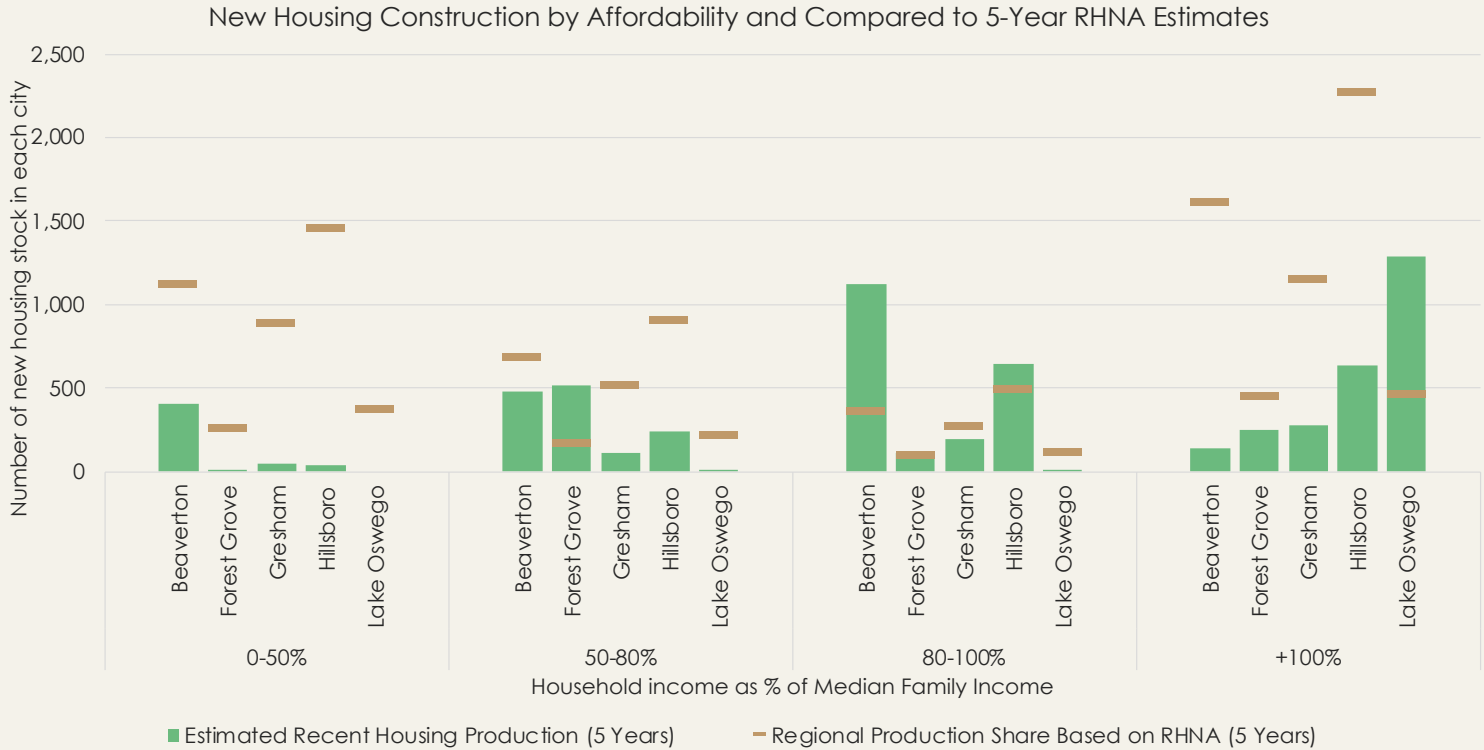
SOURCES: ECONorthwest, based on data from Metro's Regional Land Information System and RHNA Findings

Exhibit 10. Oregon Median Family Incomes

$21,300 (30% OF MFI) — CASHIER

$35,600 (50% OF MFI) — TEACHER'S ASSISTANT

$56,900 (80% OF MFI) — CONSTRUCTION WORKER

$85,400 (120% OF MFI) — ARCHITECT

MEASURING INCOME

The RHNA measures income relative to Median Family Income, or MFI. MFI is a standard measure of annual income that varies by geography and family size. In rough terms, MFI represents the midpoint income for families in a particular geography. It is derived from U.S. Census data and established for each county by the U.S. Department of Housing and Urban Development (HUD). Each region defined in the RHNA has its own MFI, which ranges from $51,200 in the southeast region to $81,400 in Portland metro region. The MFI for the state of Oregon was $75,400 in 2019. Exhibit 10 shows the incomes over various occupations relative to state MFI.

SOURCES: U.S. Census Bureau, 2018 ACS 1-year PUMS estimates; U.S. Bureau of Labor Statistics, May 2019 State Occupational Employment and Wage Estimates. Graphic assumes a one-earner family and uses annual average wages in Oregon.

to 80% of MFI at affordable prices, while still covering the costs of building those units. In some communities or neighborhoods, it may not be possible to produce new units that rent or sell to households earning as much as 120% of MFI at affordable prices. Examples include places where land costs are very high, where second home production drives the housing market, where the lack of available infrastructure stalls housing production, or for unit types that are more expensive to build (e.g., high-rise construction types).

Rental assistance can help some households get into existing units, but much of the needed new housing will have to be built with public funds. In general, in the near term, new units affordable to those earning below 80% of MFI (nearly half of all units needed over the next 20 years) will require at least some public support. Units affordable to those earning below 50% of MFI will likely need be *entirely* publicly supported to be constructed. Exhibit 11 shows that nearly 30% of all needed units (about 172,000 units) fall into this category. This highlights the need for coordinated federal, state, and local efforts to find new solutions to these housing problems, and the need to create the conditions needed for markets to respond as much as possible to minimize the need for public subsidy.

From 2016 to 2020, OHCS produced an average of about 3,000 affordable rental units per year. To meet the need

identified with the RHNA, production of publicly supported units across the state would need to increase almost three-fold. Funding for new construction and rental assistance will be necessary to meet these goals.

With the launch of the Statewide Housing Plan in 2019, OHCS set the goal of having up to 25,000 rental units in its development pipeline by 2023. As of December 2020, OHCS had produced nearly 15,900 units total for this time period, an addition of approximately 7,500 homes over just two years. The funding for roughly one-third of those homes included some type of project-based rental assistance, so that households at or below 50% of MFI can access them. The City of Portland and the Metro region are the only two areas with a notable increase in local funding to produce publicly supported housing, with 26 projects including approximately 3,600 units in some phase of development or completion since 2017 as a result of their new affordable housing bonds.[12] A number of these properties also have funding from OHCS. While not all residents remain without cost burden, federal project-based rental assistance helps about 25% of lower-income residents of publicly assisted housing achieve an affordable rent. Additionally, there are currently just over 36,000 renters receiving federal housing choice vouchers to live affordably in market-rate housing.[13]

Exhibit 11. Housing Need by Income Category, State of Oregon, 2020-2040

Median Family Income	NEW UNITS EACH OF THE FOLLOWING			Total Units	% of Units
	Projected Need	Underproduction	Housing for the Homeless		
120%	201,656	7,725	-	209,381	36%
80–120%	82,796	18,326	-	101,121	17%
50–80%	70,013	30,574	875	101,462	17%
30–50%	44,400	26,119	2,334	72,852	12%
0–30%	44,701	28,076	25,965	98,742	17%
Oregon	443,566	110,819	29,174	583,559	100%
% of Units	76%	19%	5%	100%	

SOURCES: ECONorthwest analysis; PSU, 2020-2070 Coordinated Population Forecasts; HUD, FY 2018 Income Limits; U.S. Census Bureau, 2018 ACS 1-year PUMS estimates; HUD, 2019 PIT count; ODE, SY 2018-2019 McKinney Vento data

[12] Compiled by OHCS with data from its agency databases and these additional sources: https://www.oregonmetro.gov/public-projects/affordable-homes-greater-portland/whats-happening%20and%20https://portlandhousingbond.com/progress, https://portlandhousingbond.com/

[13] HUD Picture of Subsidized Households, 2020 Based on 2010 Census available at https://www.huduser.gov/portal/datasets/assthsg.html

Oregon's Statewide Housing Plan *(Breaking New Ground)* marks a new way of doing business for OHCS. It lays the foundation for OHCS to be a data- and research-driven organization, and proposes a new way of collaborating and focusing resources and energy to address the most pressing housing issues facing Oregon today. The RHNA builds on this work and calls in local governments as partners in implementing housing solutions.

The findings from the inaugural run of the RHNA add urgency to the priorities outlined in the Statewide Housing Plan. They lay bare the need to coordinate resources to enable the production of all housing types at all price points to meet the needs of our growing state. Adding roughly 584,000 homes over the next 20 years — nearly half of which must serve the needs of households under 80% of median family income — will require concerted, coordinated effort among all of the partners involved in the housing production system. Elected officials, nonprofits, developers, planners, affordable housing and renter's rights advocates, and others will need to be united through an integrated implementation system with clearly articulated production goals.

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The RHNA will play an important role in meeting the housing need of Oregonians, but only if more work is done to provide the appropriate system of housing planning and implementation around it. The projections it provides create production targets for affordable units so that the needs of low-income households are clearly known and cannot be ignored. It helps local governments understand the role that housing underproduction plays in rising housing costs. It provides a starting place for understanding how much public investment might be required to enable affordable housing production and provide rent support, and a foundation for innovative housing solutions between federal, state, and local partners to fund needed housing. It can be designed to integrate with local planning efforts and be flexibly updated to account for progress that is made over time in housing production.

For all of these reasons, OHCS recommends that the state advance toward implementation of the RHNA. But the scale of need and the inadequacies of the current planning framework suggests system transformation that goes beyond changing methodologies. System transformation would require a comprehensive evaluation of the regulatory, funding, and administrative capacity to meet growing needs.

At the highest level, if and when the RHNA moves forward as a component of Oregon's housing planning and implementation framework, we envision that it would (1) replace the portion of the required local HNA that projects housing need, and then rely on the currently-in-place land use planning system (including buildable land inventory and zoning analysis) to determine the appropriate housing type mix that can accommodate housing need through the zoning process; and (2) inform unit production targets or goals that the policies and investments described in the Housing Production Strategy would help to achieve.

Beyond that, moving forward with a comprehensive housing planning system will require further discussions among stakeholders and additional legislative action. Both DLCD and OHCS have important roles to play in these next steps and have coordinated these recommendations in their respective reports to the legislature.

OHCS recommends the following near-term path forward:

- **Advance toward adoption of the RHNA as part of a comprehensive housing implementation framework that includes regulatory, funding, and administrative capacity.** Such an implementation framework will require additional legislative action, but before that can occur, many unanswered questions must be addressed. Until the state can adopt enabling legislation, we recommend the state use the interim time to engage with stakeholders to ensure that the implementing framework is thorough, thoughtful, and appropriately scaled.

- **Establish a Task Force to recommend legislation for an effective and comprehensive implementation framework to integrate the RHNA into local planning processes, including HNAs and HPSs.** The framework should include accountability metrics and funding for an equitable distribution of affordable housing and local efforts to meet total housing need. It should incorporate fair housing principles within all aspects of the housing planning system. It should address changes needed to Goal 10 and land use planning,[15] and address the infrastructure needed to support housing development. It should determine an approach that works in the Metro government's unique land use planning system. It should evaluate the relationship between building new units and providing rent supports to meet near-term need at the lowest end of the income spectrum. And it should make recommendations about stepping up funding and agency capacity to implement this system.

  OHCS and DLCD should jointly lead the Task Force. Task Force representation should include planning and housing staff from smaller and larger cities, Metro staff, affordable housing developers, representatives of community-based organizations, homeless services providers, tribal leadership, academics from local universities, and affected communities including communities of color.

- Invest in improved data, especially to better understand housing need for Oregon's communities of color and others who face discrimination in the housing market. These data would ideally build

CORE COMPONENTS OF THE RHNA

The RHNA is designed as a living methodology, intended to evolve over time as data improve and policies begin to take effect. Chapter 7 of the Technical Report provides some specific recommendations about new datasets that would be helpful, particularly in terms of strengthening our ability to equitably define and respond to housing need, as well as other tweaks that could improve the methodology over time.

However, the **core components** of the methodology have been thoroughly explored in this process and should remain consistent. Specifically, the RHNA should:

- Continue as a regional need assessment with local allocations that equitably distribute publicly supported housing.

- Include an allocation method that recognizes regional, not local, trends in incomes.

- Include estimates of underproduction and housing needed for those experiencing homelessness.

- Provide a source for consistent data about unmet housing need by race and ethnicity, age, and disability status to support local equitable housing planning and implementation efforts.[14]

The RHNA can provide annual data to support local planning schedules. OHCS recommends a periodic update cycle involving stakeholder input to incorporate new data or other methodological adjustments.

[14] These data are included in Chapter 5 of the Technical Report.
[15] See DLCD's legislative report for details.

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from qualitative methods that capture the lived experiences of these populations, to better inform an implementation system that advances fair housing access. Additional quantitative data are also needed. These are detailed in Chapter 7 of the accompanying Technical Report.

■ The Legislature should clarify policy intent on unit type. The language of House Bill 2003 asks specifically for findings on unit type, but OHCS found that existing data are not adequate, especially absent policy direction on the desired mix of units. The problems are many: (1) The data available consistently and statewide for understanding trends in unit mix is incomplete and flawed; (2) We do not expect future housing mix to look like past housing mix for a variety of reasons, including recent legislation eliminating zones that are exclusively for single-family development; and (3) While lower-income households are more likely to be renters in multi-family developments, this may not be reflective of their housing preferences but rather opportunities restricted by unaffordable housing. Creating targets that assume lower-income households should be housed in multi-family developments risks perpetuating a lack of housing choice for lower-income households.

For the Task Force to effectively complete its work, it will require direction regarding the importance and role of unit mix or density targets in local planning efforts, and policy direction regarding how to determine what an appropriate unit mix might be.

With this clarification in hand, the Task Force can begin the work of developing a legislative concept for an implementation framework. The Task Force will face many difficult questions. Among them:

■ How will the Oregon establish a regulatory system that holds cities accountable, while recognizing that local governments are not generally in the business of actually building housing, and that market cycles — which are almost entirely out of the control of local governments — greatly influence production?

■ With the RHNA serving as a data source for local housing production targets, how will state and local governments track progress toward those targets and create accountability structures that focus on total unit production as well as the production of publicly supported housing?[16]

■ How can the RHNA and any additional changes in the land use and housing system fit within Metro's structure and charter for land use and transportation planning? Given that Metro has more comprehensive data and modeling capacity than other regions, could a methodology be developed for Metro that builds on the core aspects of the RHNA method? How should the regulatory structure be implemented within Metro communities to ensure local accountability?

■ Tribal housing need is not directly captured in the RHNA. Basic calculations for tribal areas can be added to the methodology with relatively simple additions to the PRC data, but larger questions remain that should be addressed. How can we improve our understanding of tribal housing need, which is dispersed across many geographic areas, and develop an implementation and funding framework that meets these needs in collaboration with Oregon tribes?

■ What administrative structures are most appropriate to provide implementation leadership, given that OHCS, DLCD, and other state and regional funding sources and agencies all have a role to play? What kinds of changes in authority would agencies need to coordinate state resources, planning efforts, incentives, and enforcement mechanisms?

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[16] The RHNA identifies housing need by estimating the number of *households in each income category* that will need housing that is affordable to them. Local government implementation efforts will need to plan for the number of *units that must be built*. The translation between housing need and unit production is not one-to-one. Some low-income households have access to housing vouchers, which help them afford units that may have been built by the market. We suggest focusing on progress toward total production, publicly-supported production, and changes in unmet need. Additional detail is in included in OHCS's Technical Report.

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- Given new local housing production strategies and the possibility of changes to Goal 10,[17] what other kinds of administrative or regulatory structures may be needed to enable an implementation system that meets the housing needs of all Oregonians?

- What is the best method for achieving accountability in addressing patterns of residential segregation by race and income and access to housing for other marginalized populations? These could include recommendations on how to codify densification or unit mix goals, and an approach to affirmatively furthering fair housing goals in the land use system.

- How can local jurisdictions be empowered to make adjustments for specific local needs, such as a large student populations or markets with a significant percentage of second homes, that do not show up in Census data in those localities, while maintaining the integrity and transparency of a consistent RHNA methodology?

- Evaluate timing and participation options and requirements. What's the optimal frequency for completing the RHNA, and what would be a reasonable review period for the methodology? How does this best align with the update cycles for HPSs and HNAs? How should cities under 10,000 participate?

- How will Oregon partner with local and federal funders to generate the resources necessary to make progress toward this need? Through the combination of funding for new construction and other kinds of tenant

supports? How can other (non-OHCS, non-DLCD) state funds be directed toward accomplishing the stated intent of the HB 2003 legislation?

Achieving the outcomes desired in HB 2003 will require our existing housing planning and implementation system to evolve. This process will not be without challenges, but the magnitude of need underscores the importance of action.

There is no single solution — not one entity, or one person — that can solve the crises across the housing spectrum, from homelessness to stable rental housing to increasing homeownership. Coordinated responses are needed to bring together philanthropy, markets, business leaders, developers, builders, and all levels of government to prevent people from slipping into homelessness, to get people quickly off the street, and to help all Oregonians access stable homes.

Today, Oregon is working more closely than ever before with local governments and other partners to address housing needs across the entire housing spectrum. These recommendations provide a first set of steps and ideas for moving forward that OHCS, DLCD, and others would need to build upon to advance the RHNA to statewide use. Stakeholder engagement will help to shape and improve these recommendations and support effective implementation. OHCS looks forward to the opportunity to continue to lead conversations with stakeholders, the legislature, and the Task Force as it grapples with these questions. ■

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[17] DLCD's report to the legislature describes several of these.

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