



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

*Legislative Report*

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Oregon Department of Land Conservation and Development  
Oregon Housing and Community Services



# Executive Summary

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

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

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

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

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## Housing Under-Production is a National Problem

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

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

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## Recommendation 1) Plan for what's needed.

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

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

## What is the Oregon Housing Needs Analysis?

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

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

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

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

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

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

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

### Recommendation 3) Commit to working together with urgency.

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

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

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

### Implementation Considerations

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

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

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

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

#### A. Redefine Oregon’s Planning Process for Housing

The Legislature should establish the OHNA as the foundation for Goal 10 planning processes in state statute, including directing cities to replace local projections of need in Housing Capacity Analyses (HCAs) with OHNA-generated 20-year need. It should strengthen HPSs by requiring actions that address housing barriers and advance fair housing outcomes, and by incorporating production targets based on the data provided in the OHNA. Additionally, the Legislature should make statutory changes necessary to make needed urban growth boundary (UGB) expansions<sup>3</sup> more efficient and certain and support housing production within the UGB.

#### B. Coordinate State Response

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

#### C. Create Innovative Funding and Finance Solutions

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

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