2022

HOUSING MATTERS

THE CRITICAL ROLE OF HOUSING PRODUCTION IN ADDRESSING THE PORTLAND REGION'S HOMELESSNESS CRISIS

Prepared for
Homeless Strategies and
Solutions Initiative

ECONorthwest
ECONOMICS · FINANCE · PLANNING

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1. Introduction

Expanding the strategy to end homelessness

In 2022, the homelessness crisis topped the list of concerns of the region's voters. Forty-five percent of respondents to a January 2022 poll identified homelessness as the biggest issue facing the area—well ahead of crime (24%) and the political process (13%). Reflecting that sentiment, voters in tri-county Portland passed a Supportive Housing Services (SHS) measure in May 2020 that will generate more than $200 million annually to fund housing and behavioral health supports for people living in temporary shelters, on the streets, or in vehicles, and people at risk of losing stable housing. It is a robust intervention that, on a per-person basis, is larger than the measure it was modeled after—Los Angeles County's Measure H. A coalition of governments and nonprofits charged with its implementation is optimistic that the related programming is sufficient to ease the homelessness crisis—measurably and substantively.

The programming authorized under the SHS measure is "downstream"—that is, the funded interventions are targeted at individuals who have lost their housing or are about to lose it. The work is critical but insufficient to the task of ending the region's homelessness crisis. Most observers in this policy space agree that more work needs to be done "upstream" as well, including the wider use of subsidies for low-income, cost-burdened renters and more housing production generally to ease housing price inflation.

This report addresses the region's housing production imperative and the important role it plays in the region's long-term efforts to end homelessness. While the root causes of homelessness are still debated, the role of the housing market is becoming increasingly clear. Nationally, the incidence of homelessness is highest in metropolitan areas with low vacancy rates and high rents. Most of those metros are located along the West Coast and the Washington DC-Boston corridor.

Oregon policymakers have recognized the ties between housing production, housing affordability, and homelessness. In 2019, a bipartisan group of legislators passed two landmark bills aimed at accelerating production: House Bill 2001 legalized duplexes, triplexes, and quads in neighborhoods zoned for single-family homes and House Bill 2003 created a new, updated method to calculate the need for housing across the state. House Bill 2003, and its early implementation, is the focus of this report.

A new state role in accelerating housing production

House Bill 2003 directed Oregon's Department of Housing and Community Services (OHCS) to develop a pilot methodology to estimate Oregon's statewide housing need. In its inception, this methodology was called the Regional Housing Needs Analysis or RHNA, borrowing the term from California. As part of HB 2003 implementation work, the RHNA has been renamed the Oregon Housing Needs Analysis, or OHNA, to better reflect the evolution to a unique, Oregon-

specific model. This report relies on the pilot analysis completed and extensively reviewed in 2020 and 2021 and uses "RHNA" to refer to the OHCS-recommended methodology and initial targets.[1] The OHNA methodology will have some differences and improvements relative to the RHNA methodology.

The RHNA estimated that the state had underproduced housing by 110,000 units in recent years and would need to build a total 584,000 units during 2020-2040—or 29,200 annually—to address the legacy underproduction and accommodate future growth.[2] Recognizing the historic underproduction was novel in Oregon's planning processess. Launching a new state-level framework to measure and address production going forward is the next important chapter in Oregon housing reform, and proponents see a more active state role in production as a critical step in ensuring housing supply keeps pace with population and job growth.

One prominent proponent, urban economist Ed Glaeser, argues that city-level regulatory control leads to underproduction as neighborhoods organize in their own interests to limit growth and protect property values.[3] He proposes regulatory reforms built on a combination of carrots and sticks. For example, in Massachusetts, once the state has determined a locality's rules are too restrictive, it can deploy one of two models. The more powerful (but less politically popular) tool allows the state to override local rules entirely. A second tool requires communities that underproduce housing to make transfer payments to communities that build more. New Jersey has implemented similar state-level overrides of local zoning decisions, and California is considering related approaches.

Oregon policymakers have been reviewing other states' accountablity frameworks and are working toward House Bill 2003 implementation. The Legislature charged the state's Department of Land Conservation and Development (DLCD) with crafting legislation that would formally adopt and codify the House Bill 2003 analytic methods and then apply the resulting needs analyses to enforceable production strategies. In advance of the 2023 Legislative Session, a consultant team is revising the RHNA methodology (renamed OHNA) and developing recommendations for implementing HB 2003. Draft recommendations were published in August 2022; a subsequent report is planned for release in December 2022.[4] DLCD's Housing Needs and Production website provides the latest materials related to this work.[5]

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[1] Full results report: https://www.oregon.gov/ohcs/about-us/Documents/RHNA/02-21-2021-ECONW-OHCS.pdf
Assessment report: https://www.oregon.gov/lcd/UP/Documents/20210301_DLCD_RHNA_Assessment_Report.pdf
[2] *Implementing a Regional Housing Needs Analysis Methodology in Oregon: Approach, Results, and Initial Recommendations* (Prepared by Oregon Housing and Community Services and ECONorthwest, August 2020), https://www.oregon.gov/ohcs/about-us/Documents/RHNA/2020-RHNA-Technical-Report-Final.pdf
[3] Ed Glaeser, *Reforming Land Use Regulations* (Washington, DC: The Brookings Institution, April 24, 2017), https://www.brookings.edu/research/reforming-land-use-regulations/
[4] *OHNA Draft Recommendations Report: Leading with Production,* https://www.oregon.gov/lcd/UP/Documents/20220831_OHNA_Draft_Recommendations.pdf
[5] DLCD, Housing Needs and Production (HB 2003), https://www.oregon.gov/lcd/UP/Pages/Housing-Needs.aspx

This report is focused on the Portland region and is positioned alongside the larger body of HB 2003 (statewide) implementation work. It makes an initial attempt to assemble the data that would comprise a housing production dashboard for the 21 cities in the Portland region with population above 10,000. The exercise shows how recent production (2018-2020) compares to the annualized production need for 2020-2040 spelled out in the pilot RNHA and begins to identify some technical challenges the state and localities will encounter as they begin to put a housing production accountability framework in place.

Organization of the report

The balance of this report contains four chapters:

- **Chapter Two: Housing and the Region's Homelessness Crisis** summarizes the academic literature on the relationship between a region's housing market conditions and the incidence of homelessness.
- **Chapter Three: The 20-Year Need for Housing in the Portland Region** steps through the analytic methods used in the House Bill 2003-authorized needs analysis and reports findings for the Portland region.
- **Chapter Four: Elements of a Housing Production Dashboard** assembles city-level housing production data and compares them to annualized estimates of need.
- **Chapter Five: Conclusions** reflects on the creation of a state-level capacity to lead a housing production strategy and potential next steps required to accelerate housing production.

2. Housing and the Region's Homelessness Crisis

The theoretical tie between housing affordability and homelessness is relatively straightforward. The cost of housing at the extreme low-end of the market can rise to levels that crowd out spending on food, clothing, childcare, and essential items to such a degree that some individuals and families have no other choice but to move onto the streets or into emergency shelters. In other cases, individuals and families may face an emergency expense (such as a car repair or medical bill) and, without adequate income or savings, are evicted. In each of these situations, supply-side factors relating to access to housing at a range of affordability levels come into play as well as extenuating circumstances.

Economists John Quigley and Steven Raphael were among the first to demonstrate that housing affordability is key to predicting the relative severity of homelessness across the United States.[6] They assembled a variety of homeless and shelter counts from metropolitan areas across the country, as well as a host of location characteristics: rental vacancy rates, nominal rents, rent-to-income ratios, January temperatures, unemployment rates, and numbers of disability benefit recipients. They found that—controlling for weather, unemployment, and disability rates—median rents and vacancy rates in the local rental market are significantly related to the rate of homelessness in that region. They estimated that a 10.0 percent increase in rent leads to a 13.6 percent increase in the rate of homelessness and that a 10.0 percent increase in the vacancy rate of housing units corresponds to a 3.9 percent decline in the rate of homelessness.

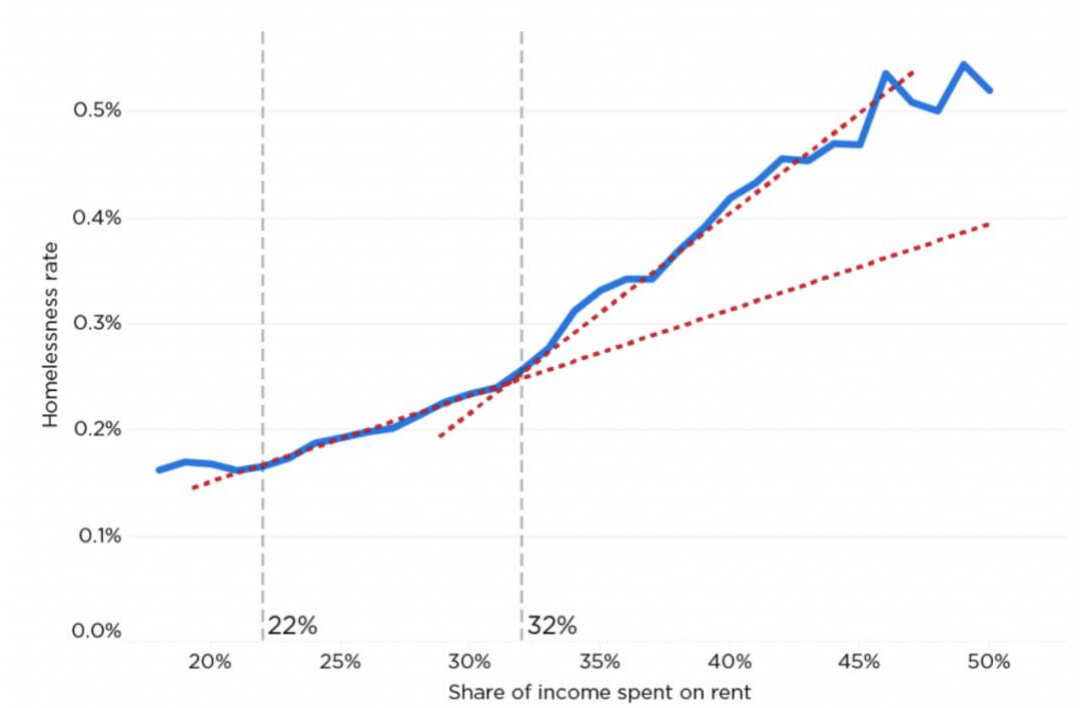
Subsequent analyses have validated Quigley and Raphael's work.[7] Research by Zillow evaluated the housing conditions of the 386 HUD continuums of care (CoCs) across the country and determined that homelessness rises more rapidly at two key rent-to-income thresholds: 22.0 percent and 32.0 percent (see slopes in Figure 1, lending credence to the general industry concept that households should not pay more than 30 percent of their gross income on housing costs).

ECONorthwest's analysis of median rents found that, across the top 50 U.S. metropolitan regions, median rents explain 51 percent of the variance in rates of homelessness (see R^2 in Figure 2).

[6] Quigley and Raphael (2001). "The Economics of Homelessness: The Evidence from North America." *European Journal of Housing Policy* 1(3), 2001, 323–336.

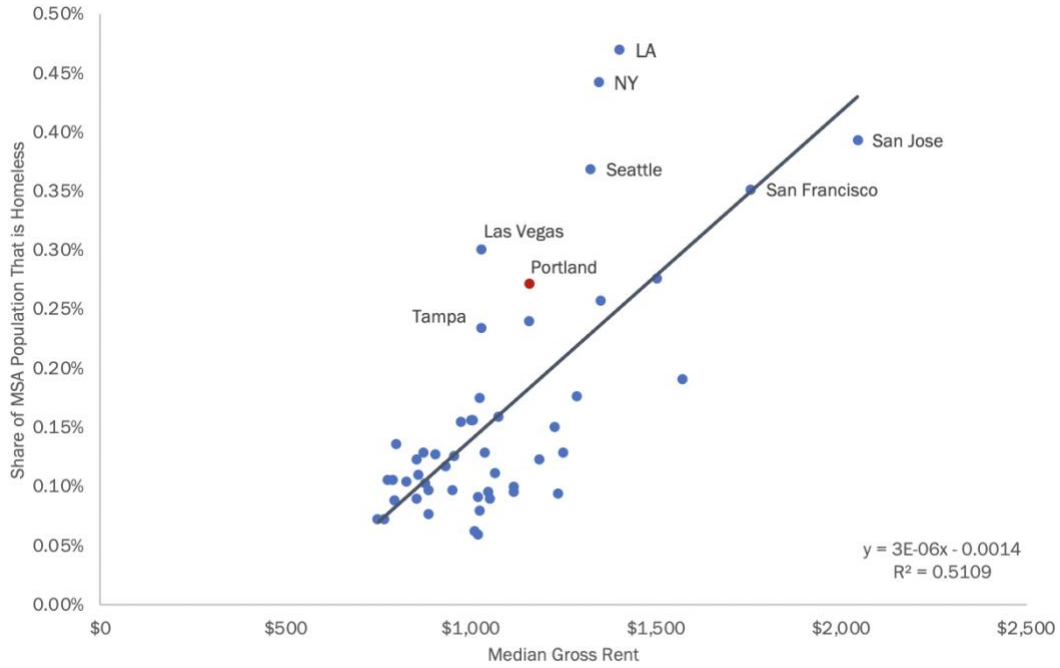
[7] See for example, Maria Hanratty, "Do Local Economic Conditions Affect Homelessness? Impact of Area Housing Market Factors, Unemployment, and Poverty on Community Homeless Rates," *Housing Policy Debate* 27, no. 4 (March 20, 2017): 1-16; Chris Glynn and Emily B. Fox, "Dynamics of Homelessness in Urban America," (Durham: College of Business and Economics, University of New Hampshire, 2017).

Figure 1. Homelessness climbs faster when rent affordability reaches 22 percent and 32 percent of income



Source: Zillow Economic Research, Analysis by Zillow Research Fellow Chris Glynn of the University of New Hampshire, Thomas Byrne of Boston University, and Dennis Culhane of the University of Pennsylvania. Analysis of housing markets in 386 HUD continuums of care.

Figure 2. Regions with high median rents have high rates of homelessness



Source: ECONorthwest analysis of U.S. Department of Housing and Urban Development, 2017 Point-In-Time Counts and 2016 ACS data, Top 50 Metropolitan Statistical Areas. The diagonal line is the line-of-best-fit for the data, showing a strong positive correlation between median gross rent and rates of homelessness. The linear equation for the line is shown. The R^2 value demonstrates how closely the line fits the data; a higher R^2 indicates a better fit and less variance.

More recently, the U.S. Government Accountability Office (GAO) analyzed the factors influencing changes in homelessness in 20 CoCs across the country.[8] This econometric analysis controlled for a variety of housing, demographic, and economic variables and consistently found that changes in a CoC's median rent were positively linked to increases in the homelessness rate, and determined that nationally, a $100 increase in the median rent resulted in a 9 percent increase in the incidence of homelessness in that CoC. In addition, increases in the share of housing stock that was renter occupied had a statistically significant effect on decreases in the rate of homelessness in that CoC.

The research highlighted in this chapter underscores the importance of housing production and affordability in addressing homelessness. The next chapter answers the following question: If the shortage of housing and associated high prices are the principal driver of the region's homelessness crisis, then how much housing do we need?

[8] U.S. Government Accountability Office, "Better HUD Oversight of Data Collection Could Improve Estimates of Homeless Population," GAO-20-433 July 2020, Available from: https://www.gao.gov/products/gao-20-433

3. The 20-Year Need for Housing in the Portland Region

House Bill 2003: Addressing shortcomings of Oregon's planning system

Oregon has long been a national leader in planning to accommodate growth. The state mandates local government compliance with 19 statewide planning goals, which include public engagement, planning for natural areas, and planning for adequate land to support economic development and industry growth, among others. Oregon's Goal 10 requires each city to develop a Housing Needs 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.

While Oregon's land use planning approach remains a model in the nation, House Bill 2003 took aim at four shortcomings:

1. **Need does not consider a legacy of underproduction**. Prescribed methods for calculating housing needs consider only future population growth and do not factor in the adequacy of the existing housing stock.
2. **Planning focuses on land availability rather than housing production**. 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.
3. **Cities estimate housing needs without taking regional trends into account**. Local governments each independently lead attempts to understand and plan to accommodate housing needs, without recognition of the regionality of jobs and housing markets. People seeking affordable rent do not pay attention to jurisdictional boundaries.
4. **Cities can comply with state planning rules while excluding certain types of affordable housing**. Some communities have enacted exclusionary zoning and other regulatory impediments that limit the overall supply of housing, especially multi-family and affordable housing, while still complying with the requirements of the land use planning system. The current system therefore reinforces existing residential segregation patterns by failing to affirmatively further fair housing access.

House Bill 2003 authorized the creation of a new, updated method to calculate the need for housing across the state and address these shortcomings. It 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 bill 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 and (2) reduce geographic disparities in access to housing, especially affordable and publicly supported housing.

A new method for calculating housing needs

Calculating total housing needs

The recommended RHNA authorized by House Bill 2003 uses a three-part approach to estimating regional need: projected need, underproduction, and housing for the homeless. These components are described below, followed by an overview of the steps in the methodology and details about estimating the number of units needed for the population currently experiencing homelessness. While the core components of the RHNA have been thoroughly explored and should remain constant, the RHNA is designed as a living methodology and will evolve over time as data improve and policies begin to take effect.

The **use of a national ratio** of housing units to households is a defining feature of the RHNA methodology and is used in each of the components of regional need.

Housing markets need more than one unit for each new household to allow for vacancy, demolition, and second home production. For every household in the U.S., our national housing stock has 1.14 units. Oregon's communities will need to maintain at least this ratio in its housing market to accommodate future growth.

The three components of regional housing need are:

- **Projected need:** the number of units needed to accommodate future population growth over 20 years. To project need, the method uses the regional population forecasts from Portland State University's Population Research Center and transforms the population forecast to a number of households using PUMS[9] data for the current average number of people per household in the region. Household growth is then projected over a 20-year period and multiplied by the national ratio of housing units per households (1.14) as the target ratio.
- **Underproduction:** the number of units that have not been produced to date in the region but are needed to accommodate current population. The method estimates underproduction relative to the ratio of households to units nationally, adjusted in some regions to account for second homes. Regions with a housing units-to-households ratio

[9] Public Use Microdata Sample of the American Community Survey

below the national ratio have produced fewer housing units than are needed to accommodate the region's current population.

- **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. These households need units right now, and without this component, would be captured in neither the projected need nor the underproduction components described above.

The sum of the three components yields the total number of housing units needed in a region for the next 20 years. The method then breaks the need into income categories—expressed as a share of median family income (MFI)—using the region's current distribution of family incomes. Finally, the method assigns regional housing needs to individual cities and other unincorporated areas based on two, equally weighted factors: projected population and job growth.

Housing for individuals experiencing homelessness

A critical component of regional need and a key feature of the recommended methodology is the calculation of units needed for the population currently experiencing homelessness. Populations experiencing homelessness are generally not captured in foundational datasets derived from the Census and so are not included in the projections of need. They are also not accounted for in estimates of underproduction that rely on a national ratio—nationally, many communities experience homelessness despite the overall ratio of 1.14 housing units for every household.

Determining regional housing unit need for individuals experiencing homelessness requires particular attention because available datasets have many known limitations (including undercounting populations). The recommended method uses two main datasets to estimate regional populations of people experiencing homelessness, as follows:

- **Point-in-Time (PIT) count:** The PIT count is a snapshot of individuals experiencing homelessness on a single night in a community. It records the number and characteristics (e.g., race, age, veteran status) of people who live in emergency shelters, transitional housing, rapid re-housing, Safe Havens, or Permanent Supportive Housing (PSH) as well as those who are unsheltered. In addition, the Housing Inventory Count (HIC) estimates the number of beds available. HUD requires that communities and CoCs perform the PIT count during the last ten days of January on an annual basis for sheltered people and on a biennial basis for unsheltered people. Though the PIT count is not a comprehensive survey, it serves as a measure of homelessness at a given point of time and is used for policy and funding decisions. The literature is clear that PIT counts undercount people experiencing homelessness. The counts simply miss some individuals and households at the time the count is conducted, and the limited research on this topic suggests that the actual number of people experiencing homelessness (either sheltered or unsheltered) may be 130-160 percent higher than PIT estimates.[10] The

method applies a multiplier of 160% (the higher end of the 130-160% undercount range) to the PIT count to estimate the number of people experiencing sheltered and unsheltered homelessness.

- **McKinney Vento data:** The McKinney Vento Homeless Assistance Act authorized, among other programs, the Education for Homeless Children and Youth (EHCY) Program to support the academic progress of children and youths experiencing homelessness. The U.S. Department of Education works with state coordinators and local liaisons to collect performance data on students experiencing homelessness. The data include the number of school-aged children who live in shelters or hotels/motels and those who are doubled up, unsheltered, or unaccompanied. This is a broader definition of homelessness than that used in the PIT.

The method does not account for households without children who are living in overcrowded situations, therefore this methodology is likely still undercounting the overall population experiencing homelessness.

Estimated housing need for the Portland region

The pilot RHNA methodology calculated a need for 294,853 additional housing units in the Portland region during 2020-2040—or 14,743 units annually. Of that, about three-quarters of the total is associated with projected population growth, and the remaining quarter consists of underproduction and housing for individuals experiencing homelessness (see Figure 3). An anticipated updated methodology will result in updated unit counts.

Figure 3. Projected need for Portland Metro Region, 2020-2040

	New units for each of the following...				
Median Family Income	Projected Need	Underproduction	Housing for the Homeless	Total Units	% of Units
+120% ($97,680+)	106,223	4,035	-	110,257	37%
80-120% ($65,120 to $97,680)	40,084	9,778	-	49,862	17%
50-80% ($40,700 to $65,120)	34,266	17,173	320	51,759	18%
30-50% ($24,420 to $40,700)	21,715	14,096	855	36,666	12%
0-30% ($0 to $24,420)	22,395	14,406	9,508	46,309	16%
Portland Metro Region	224,683	59,488	10,683	294,853	100%
% of Units	76%	20%	4%	100%	

Source(s): 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 2018-19 McKinney Vento data

Need allocations for the region's 21 cities—broken out by category of need and MFI—are reported in the appendix.

4. Elements of a Housing Production Dashboard

The pilot RHNA estimates of housing need—including city-level needs—have been public for more than two years. A couple of questions immediately follow:

1) Has recent annual production—at all levels of income—kept pace with the forward-looking annualized need?
2) How sufficient does production look, relative to need, at different levels of MFI affordability?

A few federal, state, and local agencies attempt to keep tabs on the region's housing stock and changes in its composition over time. Those include:

- **U.S. Department of Housing and Urban Development's (HUD) State of the Cities Data Systems (SOCDS) Building Permits Database:** This database consists of annual permitting data collected through the Census Bureau's Building Permit Survey. The data provide a useful comparison for the permitting data DLCD began collecting in 2018.
- **Oregon's Department of Land Conservation and Development (DLCD):** Per House Bill 4006 (2018), DLCD collects from all Oregon cities with a population greater than 10,000 the total number of units permitted (building permits issued) and produced (temporary or final certificate of occupancy issued) each year, by housing type. Data collection began in 2018 and data quality varies by city due to differences in reporting processes and how long (and whether) the city has collected each type of data. Cities report permit and production data at two levels: overall units and regulated affordable units. DLCD has noted that the reporting requirements are a "good first step at better measuring and evaluating progress over time."[10] Jurisdictions do not currently experience any negative consequences for failing to provide the data to DLCD, though DLCD follows up with those who have not yet reported.
- **Oregon's Department of Housing and Community Services (OHCS):** The Oregon Affordable Housing Inventory (OAHI) is a statewide inventory database of publicly supported housing that is established and maintained by OHCS. Publicly supported housing is defined as a multifamily rental housing development of five or more units that receives or benefits from government assistance (e.g., HUD, USDA, OHCS, local bonds). OHCS staff continue to develop and refine the inventory and processes that populate it. The inventory includes counts of rent-restricted units by property and—for some properties—counts of units by income-restriction level and a placed-in-service date. Most developments in OAHI are new construction, whereas others are

[10] https://www.oregon.gov/lcd/UP/Documents/20210301_DLCD_RHNA_Assessment_Report.pdf

developments preserved under the state's Publicly Supported Housing Preservation (PuSH) process, which was established in 2017 and amended in 2019.[11]

A housing production dashboard should measure both overall and affordable unit production. The DLCD and OHCS data described above can form the basis of an early look at city-level annual production (see following sections), though it's important to note that the available production data are for 2018-2020, preceding the RHNA period of 2020-2040. This timing offset, as well as the anticipated revision of RHNA methodology and the fact that housing production increases and declines in cycles, suggest caution in drawing strong conclusions from this first attempt at charting housing production against targets.[12] Rather, the analysis suggests whether cities were generally on or off the needed pace of production in 2018-2020 relative to forward-looking need.

The housing production dashboard proposed as part of HB 2003 implementation would not include these specific charts but would similarly track progress among peer cities toward total unit production targets as well as production of publicly funded units for lower-income Oregonians.[13] For the latter, the current draft recommendations suggest using just one income category—under 60 percent of MFI—because it is not practical to track the production of units at lower levels of affordability (e.g., below 30 percent of MFI). Rent subsidies commonly help very-low-income residents access units restricted to incomes below 60 percent of MFI. The proposed dashboards would also include production metrics by housing unit type and indicators of inequities in the housing market.

Overall unit production

The charts below use DLCD production (certificate of occupancy) data to compare annual city-level production from 2018-2020, as reported by cities, with annualized RHNA estimates of need for 2020-2040. As shown in Figure 4, only a handful of cities in the Portland region produced the annual number of units (or more) called for by the RHNA.[14] Most cities appear to be off the needed pace of production required to meet RHNA-defined annual need, by up to hundreds of units each per year.

Figure 5 provides a different look: each city's annual production from 2018-2020 is expressed as a share of the RHNA annual target. The four top cities are the same as in Figure 4, but the fifth—Portland—appears much closer to its target based on this metric. The city lacks the largest number of units under the pilot methodology (see Figure 4) but that count is a relatively small share (10%) of the city's total annual need. Overall, in 2018-2020, seven cities built less than half of their RHNA-defined needed number of units per year.

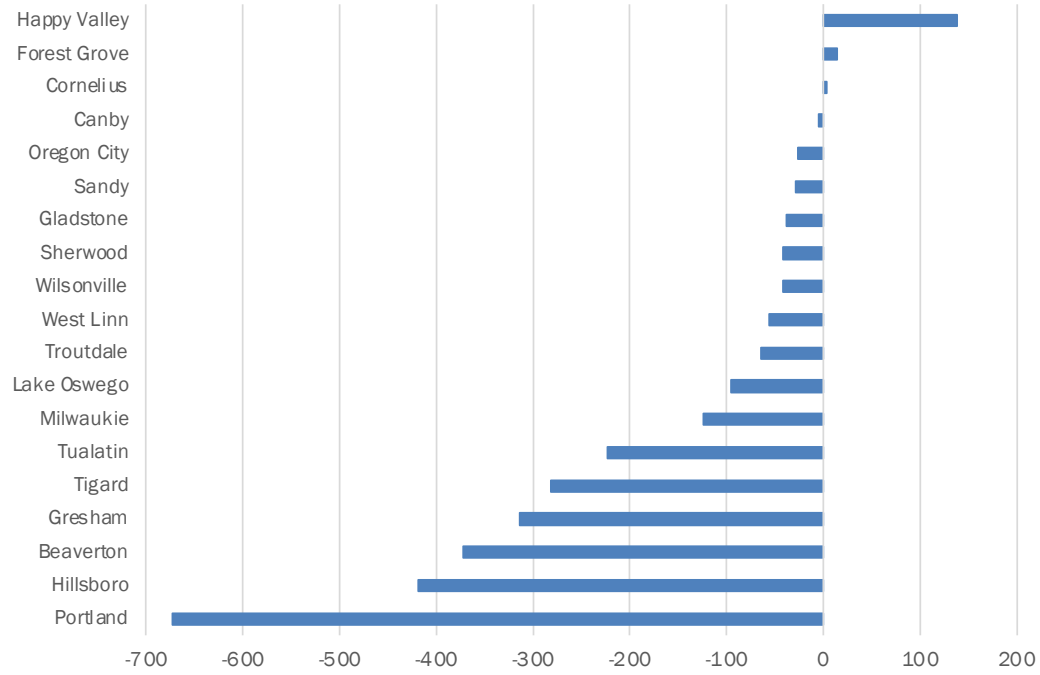
[11] https://www.oregon.gov/ohcs/compliance-monitoring/Pages/push.aspx

[12] For example, 2018-2020 was a period of accelerated housing construction in Portland.

[13] See section 1.2, https://www.oregon.gov/lcd/UP/Documents/20220831_OHNA_Draft_Recommendations.pdf

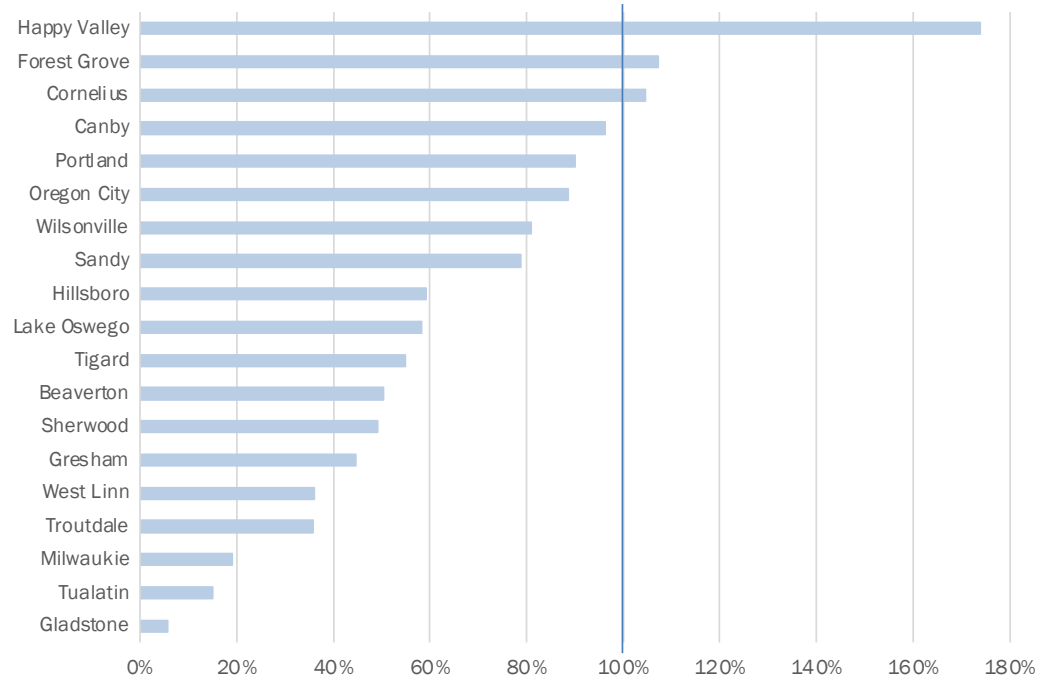
[14] Annexation could be contributing to some cities' annual production counts.

Figure 4. Difference between each city's annual production (3-year average, 2018-2020) and its annualized production need for 2020-2040



Source: ECONorthwest analysis of DLCD certificate of occupancy data and RHNA city-level production needs. Data not available for Fairview and Molalla.

Figure 5. Annual production (3-year average, 2018-2020) expressed as a share of annualized need for 2020-2040



Source: ECONorthwest analysis of DLCD certificate of occupancy data and RHNA city-level production needs. Data not available for Fairview and Molalla.

Rent-restricted, affordable units

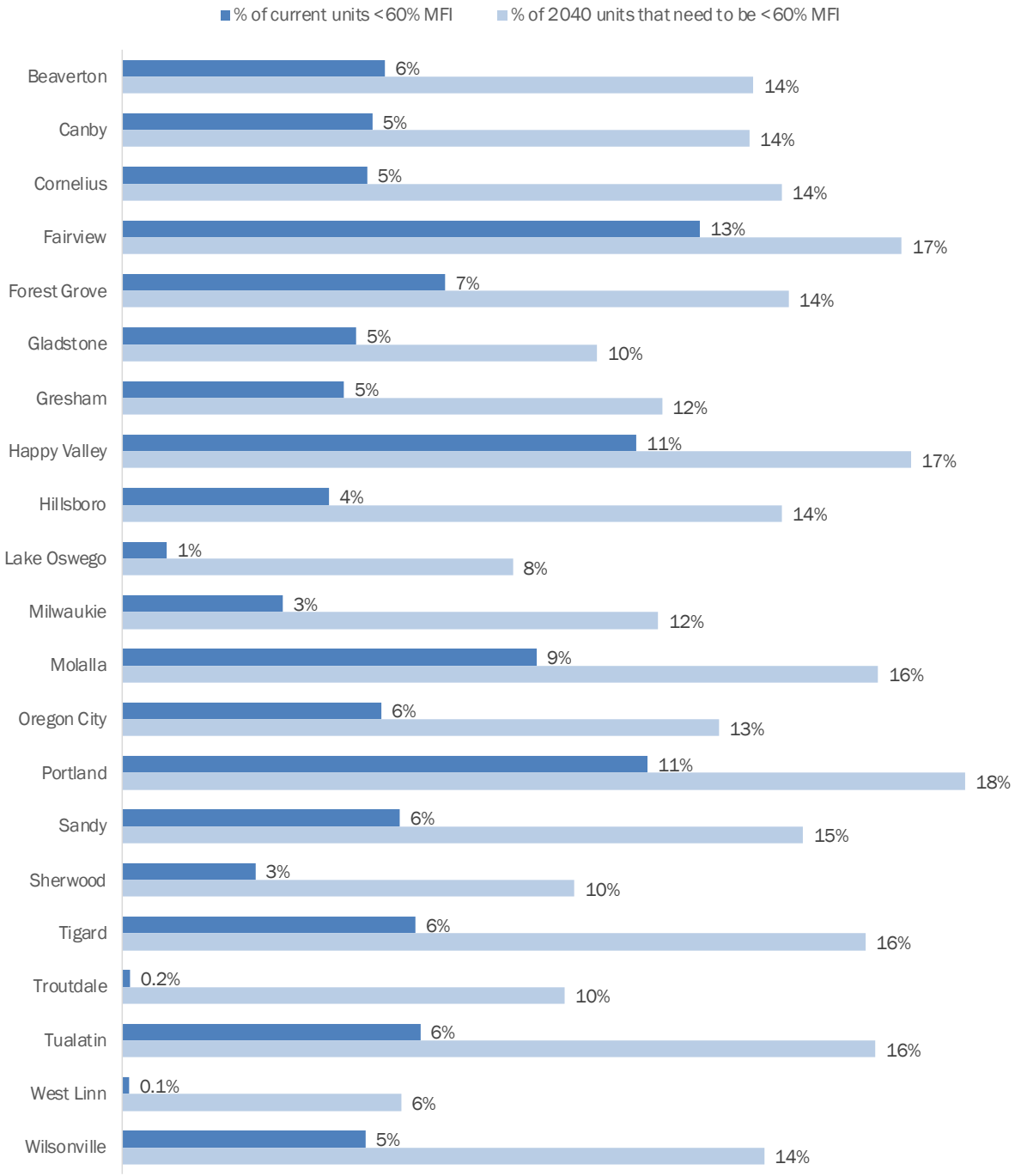
A portion of each city's RHNA production need target needs to be affordable, or rent-restricted by the state, to ensure availability of housing stock at all levels of income. Appendix Figure A1 outlines the housing needed at each income level, and this study aspired to present charts similar to Figures 4 and 5 but specifically for affordable housing (<60% MFI), as DLCD provides a way for—and requires—jurisdictions to report on regulated units. However, many cities do not yet include regulated unit counts in their reports to DLCD, and the data are not yet sufficient for summarizing.

The OAHI database includes a couple of variables relevant to counting rent-restricted units produced by year: Year Built and Placed in Service dates. However, again, at this point only 30-40 percent of OAHI property records include these variables. Appendix Figure A2 summarizes currently available placed-in-service data for Portland metro cities.

In place of annual tracking, for now, we calculated the approximate share of each city's current housing stock that is affordable (rent-restricted <60% MFI) and the share that needs to be affordable by 2040 based on RHNA projected need (see Figure 6).[15] This analysis provides a sense of the work ahead for each city in developing affordable housing for current and future residents. Jurisdictions with the largest percent change needed are Troutdale, West Linn, and Lake Oswego (cities with the smallest current share of affordable units), whereas the largest percentage point differences between now and 2040 are for Hillsboro, Tigard, and Tualatin (10 percentage points each). Portland is projected to require the highest share of units that are affordable (18%) followed by Fairview and Happy Valley (17% each).

[15] The 2040 projected shares assume that cities are meeting their overall production targets.

Figure 6. Existing versus needed share of housing units that are affordable (<60% MFI)



Source: ECONorthwest analysis of OAHI data, RHNA city-level production needs, and 2020 Census housing unit estimates from the PSU Population Research Center.

5. Conclusions

Oregonians and their elected officials have had an ambivalence about population and job growth throughout most of the state's recent history. But the people and jobs arrived anyway. As the population grew, no state agency was charged with ensuring that housing was built to accommodate the growth. Rather, that task was left to local governments with input from neighborhood activists—many of whom hoped the housing would go elsewhere. The result is a legacy of underproduction, housing unaffordability, and a homelessness crisis that is among the nation's worst. The chronic underproduction of housing is one of the Oregon's most consequential public policy failures of the past generation.

House Bill 2003 took the initial step in creating a state capacity to lead a housing production strategy. That first step clarified the problem and calculated the need for market-rate and subsidized, affordable housing in communities across the state. The next step, discussed in this report, is to track communities' progress in addressing that need: counting the number of newly created housing units each year and comparing it to the need. This report finds that the data and ability to count units exist but need improvement. Until now, localities have submitted production data simply as information for regional planners and economists. Going forward, the goal of some policymakers is to tie fiscal, regulatory, and legal consequences to the production numbers. In its current form, the reporting infrastructure cannot support a high-stakes accountability system. But it would take only a modest investment to stand up a reliable counting process. Washington and California already collect and develop consistent community-level production data and could serve as models.[16]

A dashboard that reliably tracks progress toward legislatively approved goals would be essential for regional and statewide production strategies. But it's just the beginning. Dozens of more steps— some small, others major—would be required to activate a successful state-level, pro-housing supply effort. Lawmakers would have to empower a state agency or office to oversee the production dashboard and to be held accountable for outcomes. The state would have to revisit its land-use laws while local governments rethink zoning regulations and permitting processes. State and local lawmakers would have to identify funding for infrastructure and housing subsidies.

All these pro-production actions would have to be taken in communities that are likely to remain ambivalent about growth. Overcoming that ambivalence will require clear, consistent messaging about the ties between the region's chronic housing shortage and the humanitarian crisis it has created.

[16] https://ofm.wa.gov/washington-data-research/population-demographics/population-estimates/small-area-estimates-program

Appendix

Figure A1. RHNA housing production need allocations by category of need and MFI, 2020-2040

	% MFI	Projected need	Underproduction	Housing for people experiencing homelessness	Total need
Beaverton	0-30%	1,072	881	581	2,533
	30-60%	1,584	1,262	52	2,898
	60-80%	1,095	650	20	1,764
	80-100%	1,039	401	-	1,440
	+100%	5,963	443	-	6,406
Canby	0-30%	231	120	80	431
	30-60%	342	173	7	521
	60-80%	236	89	3	328
	80-100%	224	55	-	279
	+100%	1,286	61	-	1,347
Cornelius	0-30%	141	75	49	265
	30-60%	209	107	4	320
	60-80%	144	55	2	201
	80-100%	137	34	-	171
	+100%	785	38	-	823
Fairview	0-30%	51	63	42	156
	30-60%	76	91	4	170
	60-80%	53	47	1	101
	80-100%	50	29	-	79
	+100%	286	32	-	318
Forest Grove	0-30%	309	154	102	565
	30-60%	457	221	9	687
	60-80%	316	114	3	433
	80-100%	300	70	-	370
	+100%	1,719	78	-	1,797
Gladstone	0-30%	45	73	48	166
	30-60%	67	104	4	175
	60-80%	46	54	2	101
	80-100%	44	33	-	77
	+100%	250	37	-	287
Gresham	0-30%	756	762	503	2,021
	30-60%	1,118	1,092	45	2,255
	60-80%	773	562	17	1,352
	80-100%	733	347	-	1,080
	+100%	4,207	383	-	4,591
Happy Valley	0-30%	323	101	66	490
	30-60%	478	144	6	628
	60-80%	330	74	2	407
	80-100%	313	46	-	359
	+100%	1,798	51	-	1,849
Hillsboro	0-30%	1,541	1,036	684	3,260
	30-60%	2,277	1,484	61	3,822
	60-80%	1,575	764	23	2,362
	80-100%	1,494	472	-	1,966
	+100%	8,572	521	-	9,093
Lake Oswego	0-30%	301	323	213	836
	30-60%	445	462	19	926
	60-80%	308	238	7	553
	80-100%	292	147	-	439
	+100%	1,674	162	-	1,837

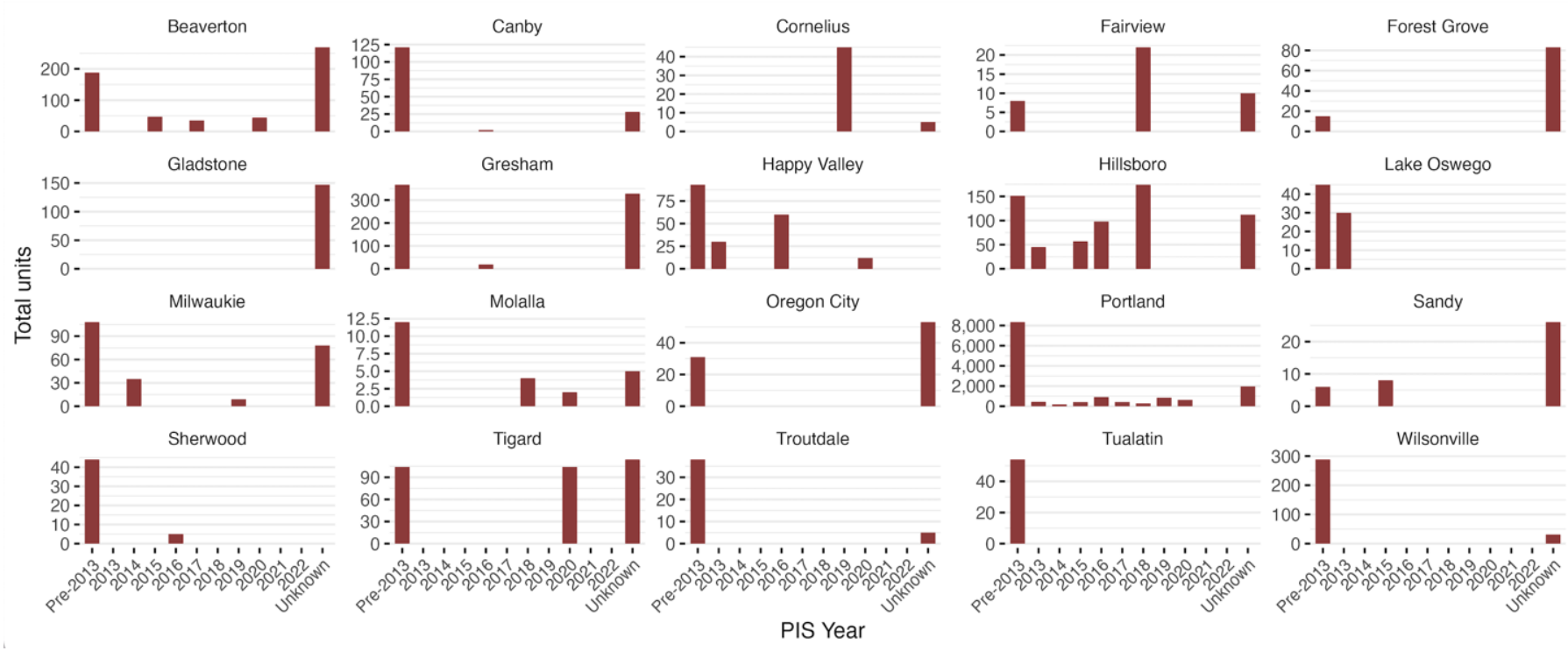
(continues on next page)

Figure A1 (continued). RHNA housing production need allocations by category of need and MFI

	% MFI	Projected need	Underproduction	Housing for people experiencing homelessness	Total need
Milwaukie	0-30%	211	194	128	534
	30-60%	312	279	12	602
	60-80%	216	143	4	363
	80-100%	205	89	-	293
	+100%	1,174	98	-	1,272
Molalla UGB	0-30%	157	61	40	259
	30-60%	232	88	4	323
	60-80%	160	45	1	207
	80-100%	152	28	-	180
	+100%	873	31	-	904
Oregon City	0-30%	330	265	175	770
	30-60%	488	379	16	883
	60-80%	337	195	6	539
	80-100%	320	121	-	441
	+100%	1,837	133	-	1,970
Portland	0-30%	10,297	6,246	4,122	20,666
	30-60%	15,217	8,950	371	24,538
	60-80%	10,522	4,608	139	15,269
	80-100%	9,984	2,846	-	12,830
	+100%	57,287	3,143	-	60,429
Sandy	0-30%	233	73	48	354
	30-60%	344	105	4	453
	60-80%	238	54	2	293
	80-100%	225	33	-	259
	+100%	1,294	37	-	1,331
Sherwood	0-30%	99	129	85	313
	30-60%	147	185	8	339
	60-80%	101	95	3	199
	80-100%	96	59	-	155
	+100%	553	65	-	617
Tigard	0-30%	953	592	391	1,936
	30-60%	1,409	848	35	2,292
	60-80%	974	437	13	1,424
	80-100%	924	270	-	1,194
	+100%	5,303	298	-	5,601
Troutdale	0-30%	135	135	89	359
	30-60%	199	193	8	401
	60-80%	138	100	3	241
	80-100%	131	62	-	192
	+100%	751	68	-	819
Tualatin	0-30%	357	340	224	921
	30-60%	528	487	20	1,035
	60-80%	365	251	8	623
	80-100%	346	155	-	501
	+100%	1,988	171	-	2,159
West Linn	0-30%	101	150	99	350
	30-60%	149	215	9	373
	60-80%	103	111	3	217
	80-100%	98	68	-	166
	+100%	560	76	-	635
Wilsonville	0-30%	313	251	166	730
	30-60%	462	360	15	837
	60-80%	319	186	6	510
	80-100%	303	115	-	418
	+100%	1,739	127	-	1,865

Source(s): 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 2018-19 McKinney Vento data

Figure A2. Rent-restricted units by placed-in-service year, Portland metro cities



Source: ECONorthwest analysis of OHCS Placed in Service data. No data available for West Linn properties.