

# Chapter One: Introduction

## ***I. WHY IS AFFORDABLE HOUSING A REGIONAL ISSUE?***

Having a home is a fundamental human need. A home represents shelter, safety, and security. It's the place where we gather with family and friends and retreat from outside cares. It's where we do most of our living.

A home can be found in many different types of structures. The traditional single-family house comes to mind readily, but other types of housing meet the economic and lifestyle needs of the region's diversifying population. Row houses, condominiums, manufactured houses, apartments, and even houseboats provide homes for people in our region. For most people, the cost of housing is a major consideration in the selection of a home. Many factors can affect the cost, including housing market demand, neighborhood amenities, vitality of the region's economy, and the availability of housing by type within various price ranges.

Throughout the 1990s, demand for housing in the Portland metropolitan region was strong due in large part to a strong economy. Because of the economy, jobs increased and the population in the region grew rapidly. Sometimes jobs are located in jurisdictions that have limited affordable housing opportunities. A large portion of a family's income is then spent getting to and from work. Additionally, the number of people in a household has been shrinking for the past 20 years as children leave home, the population ages, and more single households are created, thus increasing the demand for housing. Because of limited affordable housing, some people have no housing and many people are purchasing or renting more expensive homes than they can afford.

The livability of our region is directly affected by the availability of a sufficient amount of housing affordable to all residents. The impact of affordable housing on the livability of our region is reflected in:

- ◆ ***Household stability***
- ◆ ***A healthy, diverse economy***
- ◆ ***Employees' productivity***
- ◆ ***Cost of doing business***
- ◆ ***Strong tax base***
- ◆ ***Complete communities that accommodate people of all ages, physical conditions and incomes***

A variety of housing choices throughout the region enhances livability by providing family and neighborhood stability. Examples include providing our children with secure homes to study in, and providing the elderly, people with disabilities, and young adults the ability to stay in the communities they are familiar with. A diversity of housing types throughout the region would give residents the confidence and choice to transition from one housing type to another, for example a single family home to a condominium or a parent's home to an apartment, within familiar areas. This personal stability translates directly into neighborhood, community and regional stability.

The Portland metropolitan region functions as one housing market. People may live in one part, work in another and shop in yet another part of the region. In many areas in the region, there are few affordable housing options for the people who work there. This means that workers must drive from other parts of the region, using time and scarce resources while increasing congestion and pollution. A population that can rely upon access to adequate housing choices near employment and services will be less mobile and more aware of their immediate community.

The connection between housing and employment is very important to both employers and employees. Businesses will experience lower employee turn over costs when employees have affordable housing.

Affordable housing is difficult to address locally in a regional housing market. The efforts of one city to provide housing for lower income residents may seem futile if neighboring communities do not make similar efforts. Some jurisdictions have expressed concern over the varying levels of effort shown by other municipalities to address the lack of affordable housing. Some of the concerns relate to the need for a wide choice of housing types, jobs-housing balance, and mitigating concentrations of poverty.

Sometimes the region suffers from a misunderstanding of who needs affordable housing. The shortage of housing affects a wide variety of residents in our region – particularly families or households earning 50% (\$26,850) or less of the region’s annual median household income (MHI). Examples of households that fall into this category include case manager at a nonprofit public defender’s office, special education teacher, cashier for a department store, dental assistant, school bus driver, hair dresser, pharmacy assistant and many retired persons (this is further discussed in Chapter Two: Affordable Housing Needs). Using Metro’s 20-year planning horizon, the Affordable Housing Technical Advisory Committee (H-TAC) has estimated a benchmark need for affordable housing for households earning less than 50%MHI to 2017 to be 90,479 units.

This plan has been developed with the expectation that providing affordable housing opportunities in all communities throughout the region will increase the inventory of affordable housing and improve the region’s overall livability. The direction suggested herein reflects the region’s commitment to maintaining stable, diverse communities, consistent with Metro’s acknowledged 2040 Growth Concept. Hence, this plan contains strategies that will increase housing choices in every jurisdiction in the region, especially if all jurisdictions increase their efforts to provide opportunities and remove barriers to development of affordable housing.

## **II. EXISTING POLICIES**

### **Federal Policies**

The federal government -is a key player in providing affordable housing to citizens of our country. The main agency involved in facilitating the provision of housing is the U.S. Department of Housing and Urban Development (HUD). HUD’s mission is: “a decent, safe, and sanitary home and suitable living environment for every American.” HUD was created in 1965 as a cabinet level agency.

Federal government funding for affordable housing is mostly funneled through states, counties and cities. Some of the main housing funding programs include HOME, CDBG (Community Development Block Grant), - homeless funding, and Section 8 project and tenant based vouchers. In addition HUD's 65-year-old Federal Housing Authority (FHA) loan program provides significant resources for homebuyers using private capital; FHA's low down payments resulted in more than 3,500 first time homebuyer loans in 1999.

For HUD, CDBG, and HOME funding, local governments must develop a *Consolidated Plan* for addressing local housing needs every five years in order to receive federal funds for housing and other community revitalization programs. Included is a required analysis of fair housing impediments. Changes in federal law in 1999 also now require that housing authorities complete 5 year plans for the programs that they administer in partnership with HUD. More information about HUD operations in Oregon are available from their website at [www.hud.gov/local.por](http://www.hud.gov/local.por)

## State Policies

### Oregon Department of Land Conservation and Development

There are several state mandates including state land use policies that guide local governments and Metro with regard to housing. These include: Goal 10 (Housing) and Goal 14 (Urbanization) of the Statewide Land Use Planning Program, and Oregon Administrative Rules (OAR) Chapter 660, Division 7. Basic requirements of these mandates are described below.

**Goal 10 – Housing.** To provide for the housing needs of citizens of the state.

- Buildable lands inventory by local governments must ensure that there is sufficient residential land available.
- Comprehensive plans prepared by local governments shall encourage adequate numbers of housing units at price ranges and rent levels that are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type, and density.

**Goal 14 – Urbanization.** To provide for an orderly and efficient transition from rural to urban land use.

- Establishment and change of urban growth boundaries will be based on consideration of the need for housing, as well as jobs and other urban land uses inside urban growth boundaries.

**Metropolitan Housing Rule (MHR)** – adopted as Division 7 of Chapter 660 of the OAR. Purpose: “to assure opportunity for the provision of adequate numbers of needed housing units and the efficient use of land within the Metropolitan Portland urban growth boundary, to provide greater certainty in the development process and so to reduce housing costs.” A basic summary of the MHR is provided below:

- Called upon Metro to ensure that regional housing needs were met through coordinating comprehensive plans to meet the projected housing needs.
- Designed to achieve basic objectives of Goal 10 by providing an appropriate housing mix and enhancing affordability.
- Designed to contribute to the success of the Metro urban growth boundary by mandating minimum average densities and housing mixes for the efficient use of buildable lands.
- Jurisdictions must designate sufficient buildable land to provide the opportunity for at least 50% of new residential units to be attached single-family or multi-family housing.
- Relies heavily on a set of average residential densities: 6/8/10
  - Six largest cities must have an overall density of 10 units per net buildable acre.
  - Majority of other cities must have 8 units per net buildable acre.
  - Smallest communities are required to have 6 units per net buildable acre.
  - These minimum average residential densities are now required to be exceeded by Title 1 of Metro’s 1996 Urban Growth Management Functional Plan.

### Oregon Housing and Community Services Department (OHCS)

The Oregon Legislature directs policy for Oregon Housing & Community Services (OHCS) through state statutes. The statutes acknowledge that a serious need for safe, sanitary, affordable housing exists within the state and that private financing sources are unable to address this need. The laws affirm the public purpose in solving housing problems, and direct the department to identify the problems and respond with appropriate solutions. Congress also passes laws and creates programs administered by OHCS.

Oregon's Governor John Kitzhaber has also focused on affordable housing through several initiatives, including the Community Solutions Team, Quality Development Objectives, and Oregon Strategy for Social Support. The State of Oregon Consolidated Plan for Housing and Community Development prioritizes HOME, CDBG, and ESG program funding with a "worst case needs first" policy, effectively focusing resources toward the lowest income households possible. The department's Consolidated

Funding Cycle, the distribution tool for grant and tax credit resources, provides policy guidance for affordable housing developments through project evaluation criteria.

OHCS is Oregon's state housing finance agency and a major advocate for affordable housing. Its mission is "to reach out for opportunities to create partnerships that improve Oregonian's lives and the quality of our communities." Since 1977, OHCS has used bond financing to generate homeownership and multifamily rental housing opportunities for Oregonians. Grants, tax credits, and other incentives have also become critical tools for producing and maintaining rental housing and housing for persons with special supportive service needs. Public resources are leveraged with private capital through partnerships with non-profit and for-profit organizations across the state. The department also requires that supportive services appropriate to the residents be provided in conjunction with the housing.

## Regional Policies

Housing has been identified as a significant regional issue by Metro for many years. In 1991, Metro worked with citizens of the region to develop the Regional Growth Goals and Objectives (RUGGOs), to guide in the development of policies to manage and direct growth to achieve the goals of the region. The RUGGOs, acknowledged by the State Land Conservation and Development Commission (LCDC), include the 2040 Growth Concept and map of the region's desire to grow "up not out" with increased densities in mixed use "centers" that include transit and other non-auto transportation choices.

The 2040 Growth Concept was implemented by adoption of the Urban Growth Management Functional Plan (UGMFP) in 1996. Title 1 of the Functional Plan requires changes in city and county comprehensive plans to zone for increased densities in regionally designated mixed-use centers, main streets, and corridors.

The Metro Charter, approved by voters in 1992, called for the creation of two planning products: the Future Vision and the Regional Framework Plan (RFP). The table below describes the evolution of housing policy at Metro since the adoption of the Regional Growth Goals and Objectives (RUGGOs) in 1991, up to the Metro Council's creation of the Affordable Housing Technical Advisory Committee (H-TAC) and the charge to develop this *Regional Affordable Housing Strategy (RAHS)*.

**Table 1. History of Housing Policy at Metro**

Year	Policy
1991	<p><b>Regional Urban Growth Goals and Objectives (RUGGOs)</b>            The Regional Urban Growth Goals and Objectives (RUGGOs), originally adopted in 1991 and amended in 1995, include a set of integrated goals and objectives in the form of text and a map, called the 2040 Growth Concept. The RUGGO 2040 Growth Concept provided a blueprint to guide development of the Urban Growth Management Functional Plan. <i>Objective 17, Housing</i> states that: “The Metro Council shall adopt a “fair share” strategy for meeting the housing needs of the urban population in cities and counties based on a subregional analysis that provides for:</p> <ul style="list-style-type: none"> <li>◆ Diverse range of housing types;</li> <li>◆ Specific goals to ensure that sufficient and affordable housing is available to households of all income levels that live or have a member working in each jurisdiction;</li> <li>◆ Housing densities supportive of the development of the regional transportation system; and</li> <li>◆ A balance of jobs and housing.”</li> </ul>
1995	<p><b>Future Vision</b>            The Future Vision, adopted by the Metro Council in 1995, is a long-term, visionary outlook for at least a 50-year period. The vision describes population levels and settlement patterns that the region can accommodate within the carrying capacity of the land, water and air resources of the region, and its educational and economic resources, and that achieves a desired quality of life. The Future Vision guided development of the Regional Urban Growth Goals and Objectives (RUGGOs) and the RFP. Following are the vision statements related to affordable housing.</p> <ul style="list-style-type: none"> <li>◆ <i>Children</i> - “Incorporate the needs of children for healthy, safe and accessible living environments in RFP elements dealing with the transportation system, housing, urban design and settlement patterns, and parks and open spaces.”</li> <li>◆ <i>Diversity</i> - “Focus public policy and investment on the creation of mixed-use communities that include dedicated public space and a broad range of housing types affordable for all.”</li> <li>◆ <i>Vital Communities</i> - “Incorporate specific expectations for a specific standard of living for all citizens in RFP elements concerned with urban design, housing, transportation, and parks and open spaces.”</li> <li>◆ <i>Variety in Our Communities and Neighborhoods</i> - “Provide incentives, including preferential funding for the acquisition of greenspaces and development of transportation facilities, to communities which act to provide a range of housing types for people of all income levels within their boundaries.”</li> <li>◆ <i>Equity</i> - “Identify the presence of pockets of poverty as a metropolitan problem. Address the issues associated with chronic poverty locations throughout the nine-county region through such mechanisms as tax base sharing, pursuing changes in tax codes, overcoming physical and economic barriers to access, providing affordable housing throughout the area and targeting public investments.”</li> </ul>
1996	<p><b>Urban Growth Management Functional Plan (UGMFP)</b>            The regional policies adopted in the <i>Urban Growth Management Functional Plan (UGMFP)</i> “recommend” or “require” changes to city and county comprehensive plans and implementing ordinances. <i>Title 1 – Requirement for Housing and Employment Accommodation</i> requires cities and counties to change their zoning to accommodate development at higher densities in locations supportive of the transportation system. <i>Title 7 – Affordable Housing</i> recommends that cities and counties increase their efforts to provide for the housing needs of households of all income levels that live or have a member working in each jurisdiction and that they consider implementation of several tools and approaches to facilitate the development of affordable housing.</p>
1997-1998	<p><b>Urban Reserves Policy</b>            In designating Urban Reserves, <i>Metro Code, Ordinance No. 96-655E 1997, section (e) Urban Reserve Plan Required</i> addresses the need to plan for affordable housing before bringing urban reserves into the urban growth boundary. This ordinance was recently amended by Ordinance 98-9772B, which maintains these requirements and also added them to the Functional Plan as Title 11. <i>Item (5)</i> requires demonstrable measures that will provide a diversity of housing stock. <i>Item (6)</i> requires a demonstration of how residential development will include, without public subsidy, housing affordable to households with incomes at or below area median incomes for home ownership and at or below 80% of area median income for rentals.</p>
1998	<p><b>Regional Framework Plan (RFP)</b>            On December 18, 1997, Metro Council adopted the Regional Framework Plan (RFP). All of Metro’s efforts in developing regional housing policies came into play when writing the RFP. Section 1.3 of Chapter 1 of the RFP (Land Use), contains Metro policies that address housing and affordable housing.<sup>1</sup> These policies were amended in September 1998 under Metro Ordinance No. 98-769. The amended policy is the outcome of mediation between local governments, Metro and affordable housing providers. The mediated policy:</p> <ul style="list-style-type: none"> <li>◆ considers local governments concerns while addressing the goals and objectives embodied in the RUGGOs;</li> <li>◆ includes the recommended measures for improving availability of affordable housing outlined in the Future Vision, Functional Plan and Metro Code.</li> </ul>

<sup>1</sup> See RFP Policy 1.3: Housing and Affordable Housing or Appendix A (Ordinance No. 98-769).

## Local Policies

To date, local jurisdictions have made some significant efforts to address affordable housing using their comprehensive plan, zoning codes, and resolutions following State Housing Goal 10 and the Metropolitan Housing Rule during the 1980s and 1990s, and Metro's Urban Growth Management Functional Plan since 1996. Some key areas that have been addressed locally during this time include:

- Provisions that allow accessory dwelling units or secondary apartments in single-family residential zones;
- Increased density in transit corridors and mixed-use areas;
- Community empowerment zones; and
- Increased growth of non-profit housing developers.

Some local governments have implemented tools and strategies to encourage the production and retention of affordable housing. Additional information on locally adopted strategies may be found in Table 12 in Chapter Four, as well as in Appendix F.

### **III. THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE (H-TAC)**

In 1998, the Metro Council created the Affordable Housing Technical Advisory Committee (H-TAC) to carry out the actions identified in the Regional Framework Plan (RFP). The Committee consists of 28 representatives from local governments, nonprofit and for-profit developers, the business and financial community, affordable housing advocates, and representatives from the governor's office, Oregon Housing and Community Services Department, and the U.S. Department of Housing and Urban Development. The charge the Metro Council gave the committee is outlined below:

- "... (A)ssist in carrying out the provisions of (the RFP, Sect. 1.3) and identify cooperative approaches, regulatory reforms and incentives to be considered to ensure that needed affordable housing is built."
- Develop "(t)he Regional Affordable Housing Strategy (RAHS) (that) will include numerical "fair share" targets (affordable housing goals) for each jurisdiction to be adopted in the Urban Growth Management Functional Plan..." and strategies that may be needed to attain the goals.
- "The Strategy (RAHS) will contain recommendations for further actions [by the Metro Council], including appropriate amendments to the Urban Growth Management Functional Plan for those elements which are suitable for implementation through comprehensive plans and zoning regulations, as well as voluntary measures."

As discussed earlier, housing is an issue that affects the livability of the region for all residents. The Metro Council, in consultation with MPAC, determined that affordable housing "is a growth management and land use planning matter that is of metropolitan concern and will benefit from regional planning."<sup>2</sup> Thus, the goal of H-TAC was to develop a strategy for addressing the housing needs of current and future residents of the Metro region that could be implemented on a regional level through the cooperation of the cities and counties.

H-TAC members have met since September 1998 to develop the affordable housing goals and implementation strategies described in this *Regional Affordable Housing Strategy (RAHS)*. The committee's approach has included community outreach throughout the process to get input from the public and other interested parties.

### **Decision Making Process**

The RFP and Metro Code 3.07.030, stated that the H-TAC shall forward its recommendations for the adoption of the Regional Affordable Housing Strategy (RAHS)<sup>3</sup> to MPAC<sup>4</sup> for its review prior to being

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<sup>2</sup> *Regional Framework Plan*, Section 1.3, p.1.

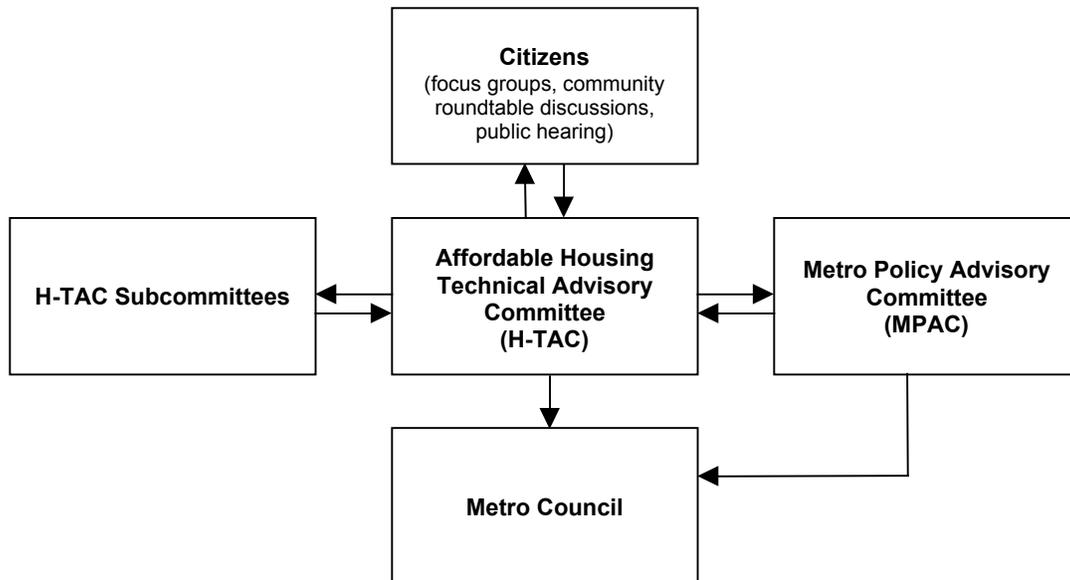
<sup>3</sup> The Regional Framework Plan Policy stated that the RAHS would not be a regulatory document.

transmitted to the Metro Council. The recommendations in the RAHS should include any recommendations for the adoption of or amendments to the RFP and the Functional Plan. The Code also states that prior to making a recommendation, H-TAC should conduct at least one public hearing and invite interested citizens and government officials to testify.

H-TAC used the preliminary analysis and recommendations of the following six subcommittees to develop this plan and the recommendations herein.

- *Cost Reduction Subcommittee*: This subcommittee developed strategies to address certain cost factors affecting housing affordability, as well as other tools as assigned in the RFP.
- *Land Use and Regulatory Subcommittee*: This subcommittee developed strategies for implementing the land use and regulatory approaches identified in the RFP.
- *Regional Funding Subcommittee*: This subcommittee developed options for creating a regional fund for affordable housing, considering possibilities identified in the RFP as well as other ideas advanced by H-TAC.
- *Fair Share Subcommittee*: This subcommittee developed a formulaic model for achieving an equitable distribution of housing opportunities among jurisdictions in the region, including the distribution of a five-year regional affordable housing production goal for assisted housing for jurisdictions in the Metro region.
- *Outreach Subcommittee*: This subcommittee developed an Outreach Workplan Outline and assisted staff in developing public involvement materials and implementing public involvement activities.
- *RAHS Subcommittee*: This subcommittee assisted staff in the development of the *Regional Affordable Housing Strategy*.

**Figure 1. RAHS Adoption Process**



#### **IV. PUBLIC INVOLVEMENT**

H-TAC developed an outreach work plan to include public comment as a key component in the process of developing the RAHS. The Outreach Work Plan included two main components. The first part included a speaker’s bureau consisting of H-TAC members. The main focus was to inform and engage citizens

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<sup>4</sup> The Metro Policy Advisory Committee (MPAC) advises the Metro Council on regional policies. The Committee membership consists of elected officials from each of the 27 jurisdictions in the Metro region as well as citizens.

and other government officials in discussions of the meaning of affordable housing from need, design and livability perspectives. A recent study on the siting of affordable housing concluded, “there is some confusion among the public regarding the phrase affordable housing.”<sup>5</sup> This highlighted a need to involve citizens in a general education effort on people who need affordable housing and the types of housing that are generally viewed as “affordable.” H-TAC members used a set of slides titled “*Affordable Housing – A fundamental need*” to educate their constituents about the meaning of affordable housing and who needs affordable housing.

The second part of the public involvement process was to get public reaction and input on the work products of H-TAC. The overall goal was to involve as many citizens and government officials as possible, within budget and time constraints. Three “focus groups” comprised of community leaders, affordable housing advocates, and non-profit and for profit housing providers met in March 2000 to review the cost reduction, land use and regulatory, and regional funding strategies developed by H-TAC subcommittees. Four “community roundtable discussions” were held in April 2000 at locations around the region to gather citizen input on H-TAC work products. One public hearing was held by H-TAC. (Citizen comments may be found in Appendix E).

H-TAC gave periodic updates to MPAC, which consists of elected officials and citizens representing all of the jurisdictions in the Metro Region. H-TAC also gave a presentation to the Metro Committee on Citizen Involvement (MCCI).

## **V. STRUCTURE OF THIS REPORT**

This document is organized into five chapters, and includes six appendices.

**Chapter 1: Introduction** identifies the vital relationship between affordable housing and the livability of our region. This chapter presents the existing state and regional policy framework for enhancing affordable housing production in this region.

**Chapter 2: Affordable Housing Needs** analyzes the extent of affordable housing need in our region and communities in the long term.

**Chapter 3: Regional Housing Goals** describes the policy direction for the affordable housing objectives, principles and strategies contained in the RAHS. Affordable housing production goals, a realistic five-year goal to begin to meet the overall need, are also presented in this chapter.

**Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing** describes the actions that could be taken by various local governments, Metro and other entities in the region to increase the production of and maintain the existing supply of affordable housing.

**Chapter 5: Recommendations for Implementation** describes the process through which the Strategy would be implemented; defines a number of specific actions for Metro, including the process for measuring the region’s progress; defines actions for local jurisdictions including local comprehensive plan compliance procedures; and details the roles of other entities that must be encouraged and supported in order to attain the affordable housing production goal recommended in this plan.

The **Appendices** include the full text of strategy reports, comments and testimony gathered during the plan development process, affordable housing tools survey of local governments, and other supporting information.

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<sup>5</sup> Oregon Housing and Community Services Department, “Siting Affordable Housing in Oregon Communities”, June 1998, completed by the Community Planning Workshop, University of Oregon.