

# **THE U.G.R. & HOUSING CHOICE: ECONOMIC AND MARKET-BASED CONSIDERATIONS**

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# THE U.G.R. & HOUSING CHOICE



# BASIC QUESTIONS

- REVIEW METHODOLOGIES USED TO ESTABLISH RESIDENTIAL URBAN GROWTH REPORT
- REVIEW HOUSING NEEDS ANALYSIS
- FRAME IMPLICATIONS OF POTENTIAL POLICY CHOICES

# REFERENCES REVIEWED

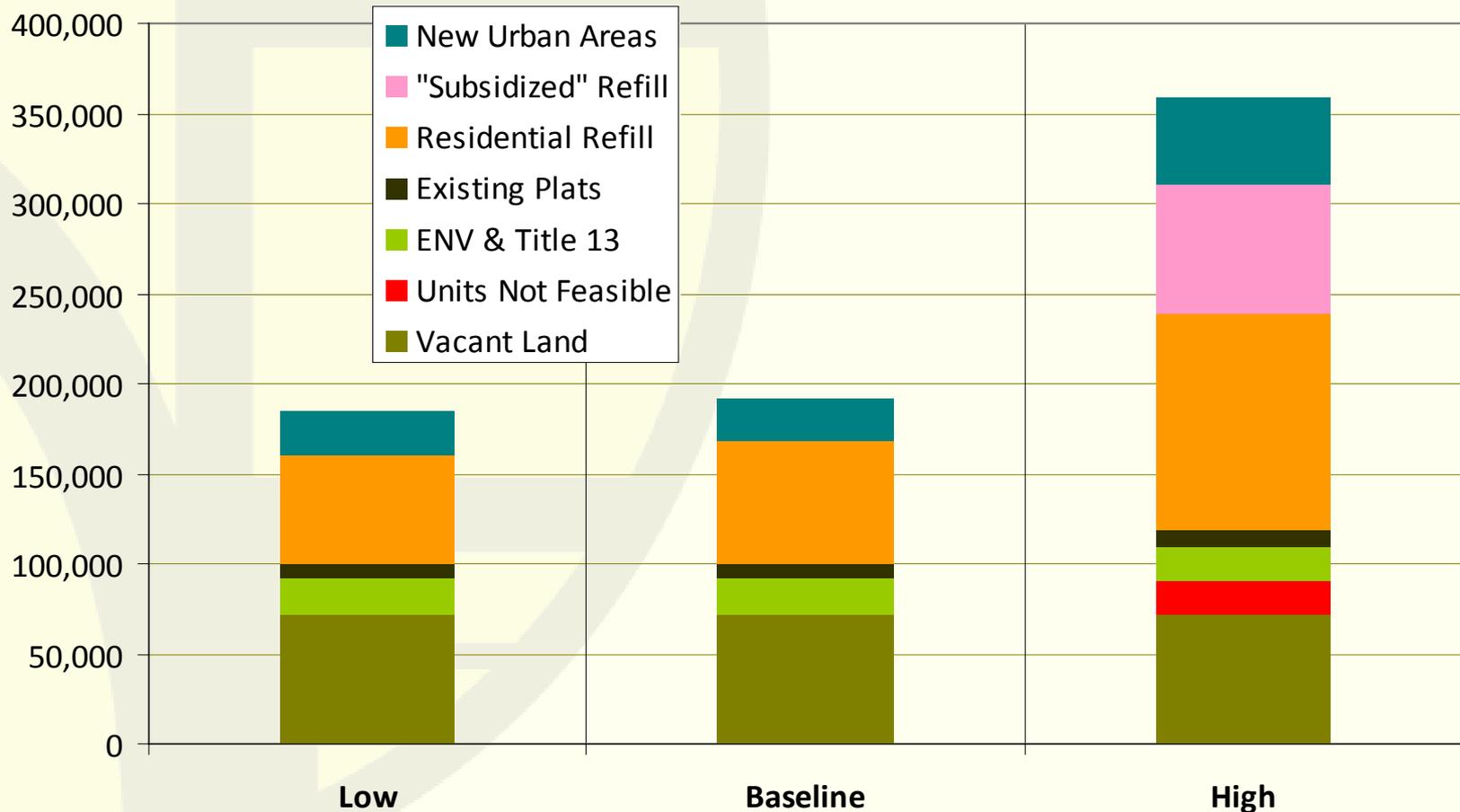
- “Choices” Discussion Guide: Land Use Scenarios (Metro, 2008)
- “Choices” Discussion Guide: Transportation Scenarios (Metro, '08)
- “Housing Needs Study” (PSU, Metro, 2008)
- “Employment Demand Factors & Trends” (E.D. Hovee, Metro, '09)
- “Comparative Infrastructure Costs: Local Case Studies” (Metro, '08)
- “Metro Urban Centers: An Evaluation of the Density of Development” (ECONorthwest, Johnson Gardner, Metro, '01)
- Metroscope Documentation (Metro)
- Preliminary 2009-2030 Residential Urban Growth Report (Metro)
- Preliminary Housing Needs Analysis (Metro)



# KEY CONCLUSIONS

- URBAN GROWTH REPORT OUTLINES A RANGE OF POTENTIAL CONCLUSIONS UNDER VARYING ASSUMPTIONS
- POLICY IMPLICATIONS OF ALTERNATIVE ASSUMPTIONS ARE HIGHLY SIGNIFICANT

# PRELIMINARY UGR RESIDENTIAL CAPACITY



# AREAS OF DISCUSSION

- ECONOMICS OF DENSITY
- IMPACTS ON AFFORDABILITY
- INFRASTRUCTURE COSTS
- "LIVABILITY"
- ECONOMIC DEVELOPMENT



# **ECONOMICS OF DENSITY/ IMPACTS ON AFFORDABILITY**

# ECONOMICS OF DENSITY

Low Rise Construction  
(1 to 3 Stories)

Single Family, Townhomes, Garden Apts.



Wood-frame  
Surface parking

Mid Rise Construction  
(3 to 6 Stories)



Wood or steel-frame  
Concrete podium parking

High Rise Construction  
(7+ Stories)



Steel-frame  
Structured parking

DENSITY

COST (PRICE) PER SQUARE FOOT



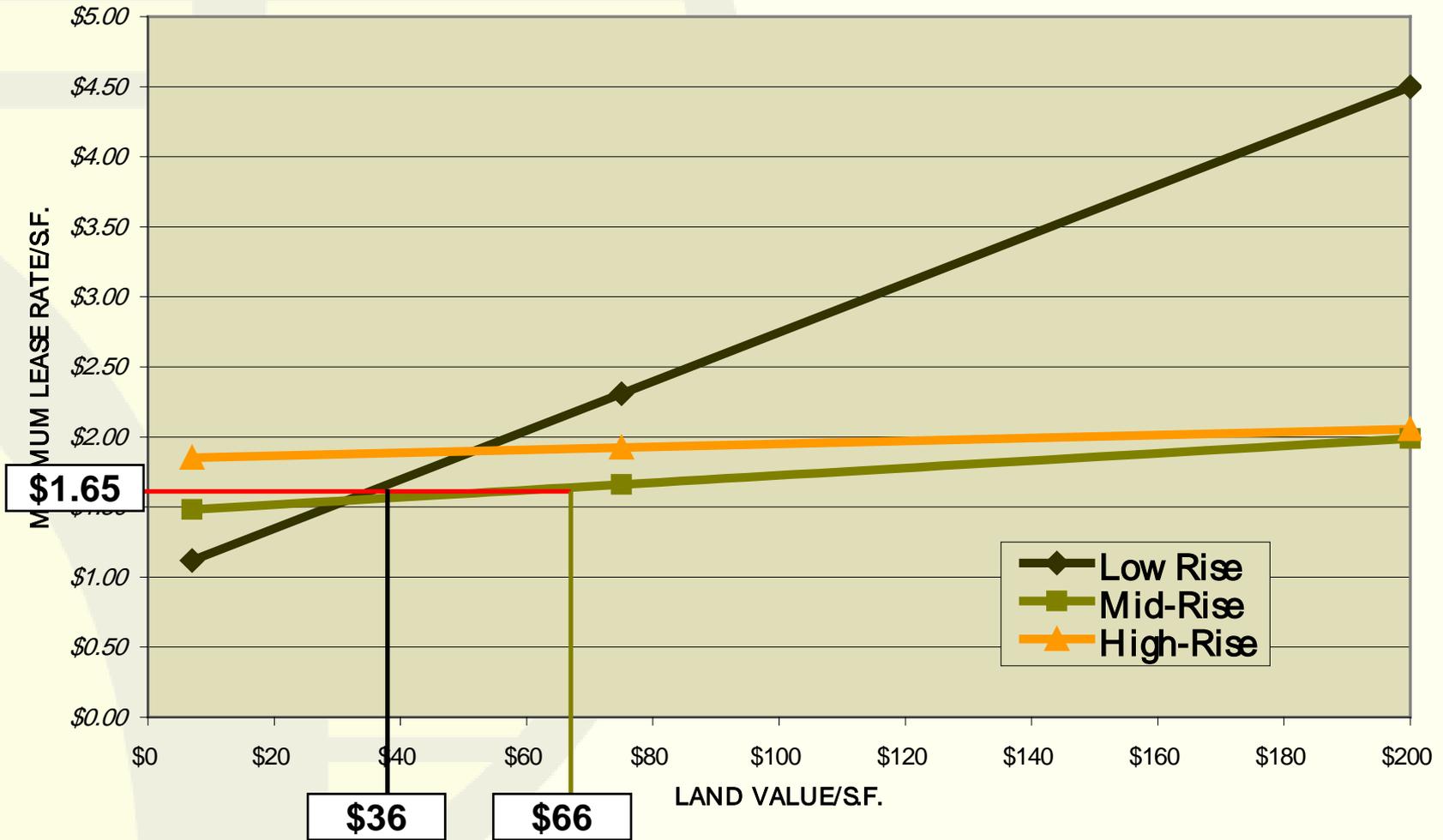
# ECONOMICS OF DENSITY

- COST FACTORS OF INCREASING DENSITY
  - MATERIALS AND HARD COSTS
  - SURFACE PARKING VS. STRUCTURED PARKING
  - SPECIAL FEATURES: ELEVATORS, FIREWALLS, ETC.
  - ENTITLEMENTS AND COMMUNITY OPPOSITION
- DENSITY IS DRIVEN BY ACHIEVABLE PRICE/RENT LEVELS
  - HIGHEST RENTS TEND TO BE IN THE CENTER OF A METRO AREA
  - RENTS FALL AS ONE MOVES OUTWARDS, MAKING HIGHER DENSITIES LESS FEASIBLE



# ECONOMICS OF DENSITY

## Rental Apartment Example



# Recent Sales: Center vs. West Linn

2008 Sales, \$650,000



## Condo flat (Pearl)

- 2 bed/2 bath
- 1,306 s.f.
- 1 car garage
- \$498/s.f.
- HOA dues: \$482/mo.



## Detached home (West Linn)

- 4 bed/2.1 bath
- 3,521 s.f.
- 7,500 s.f. lot
- 3 car garage
- \$184/s.f.



# AFFORDABILITY CONSIDERATIONS

- Higher density requires higher prices to be feasible
- Affordability is a major factor, if not the most important factor, in housing choices
- Unaffordable housing, or insufficient housing choice, may displace growth outside of UGB
- Land scarcity further raises home prices
- If housing supply is constrained in high-employment areas, prices will rise



# AFFORDABILITY CONSIDERATIONS

## Metro Housing Needs Study:

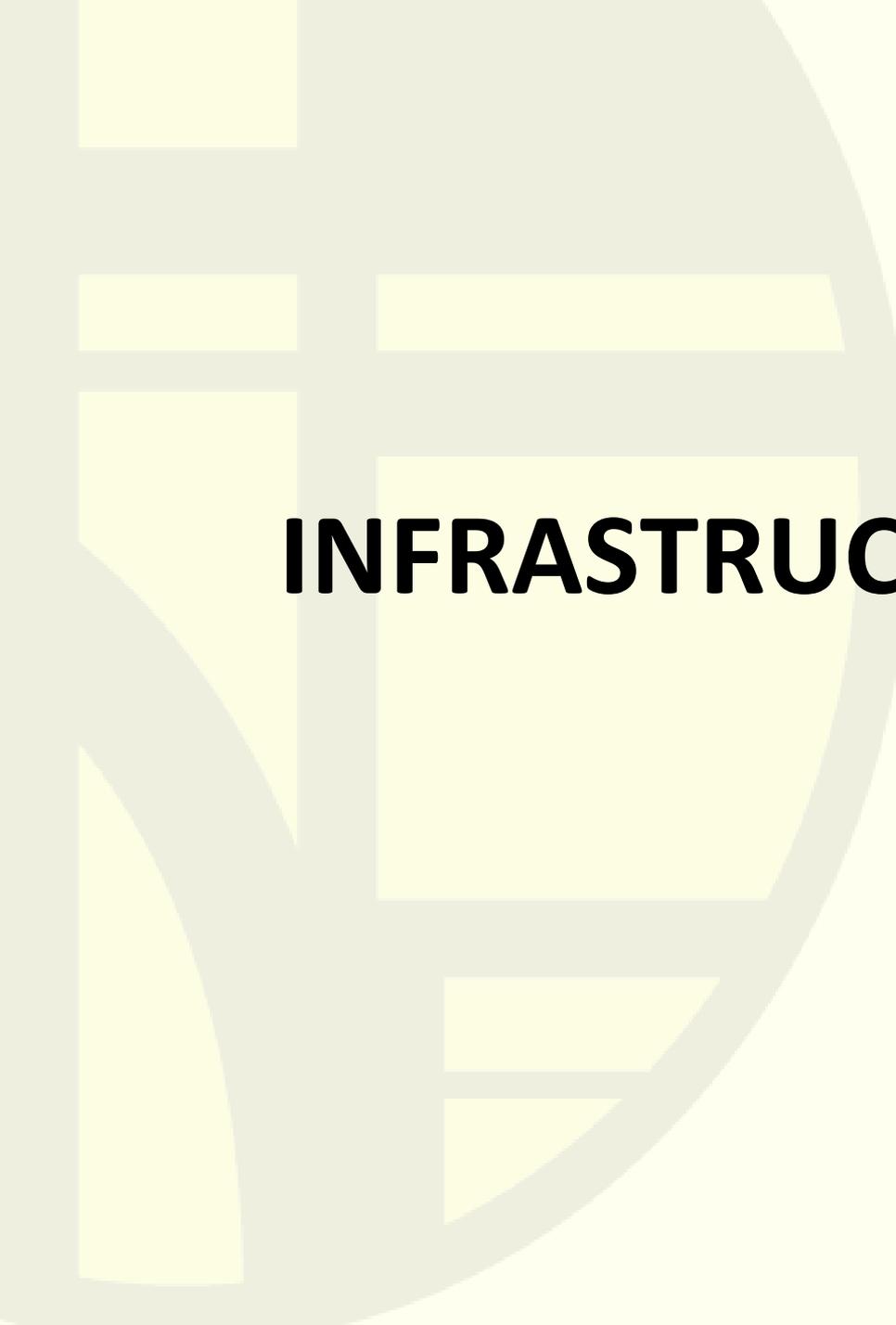
- Analyzes Metroscope base case for 2035
- Estimates Housing Price Escalation of 80%
- Households paying >30% of income for housing increases to almost 50% of households
- Largest increases occur in center of region
- Nearly 100% of low-income singles, and working class households who rent will pay >30%

(Metro, PSU Institute of Portland Metropolitan Studies, 2008)

- Consideration of housing choice, including affordability is required by state law

ORS 197.303, 197.307(3)(a); OAR 660-027-0050(6), 660-007-0033, 660-008-0000(1)





# **INFRASTRUCTURE COSTS**

# URBAN VS. SUBURBAN DEVELOPMENT:

Purported benefits of denser redevelopment in Centers:

- Cheaper infrastructure
- Reduced automobile commutes
- Complete walkable communities: Jobs, housing, recreation



# FUTURE HOUSEHOLD LOCATION: Where will new jobs be?

“Metro Employment Demand Factors and Trends”:

- Central and inner ring areas have lost jobs at .2% to .5% annually
- Outer ring areas have added jobs at over 3% annually
- Industrial and institutional employers will continue to favor the outer rings where land is cheaper, and sites are larger

(Metro, E.D. Hovee & Company, 2008)

- Housing for the labor force must be evaluated when assessing economic development potential

OAR 660-009-0015(4)(d)



# URBAN VS. SUBURBAN DEVELOPMENT: Infrastructure Costs

“Comparative Infrastructure Costs: Local Case Studies”

- Significant variety in estimated costs across urban and suburban locations
- Infrastructure costs of refill projects fell across the spectrum from least expensive to most expensive
- Analysis is inconclusive
- Infrastructure costs must be considered in the urban reserve designation process

OAR 660-027-0050(1)



# URBAN VS. SUBURBAN DEVELOPMENT: Infrastructure Costs

## Metro's 5 Land Use Scenarios, Range of Results:

- By 2035, differences are not large among the scenarios
- Total estimated infrastructure costs: \$54.9 - \$56.1 billion
- Average infra. cost per new HH: \$68,000 - \$70,000
- Avg. annual cost of hsg. & transport: \$26.6k - \$27.7k  
As % of income: 46.8% - 47.5%

(Metro "Regional Choices" discussion guides, 2008)



# URBAN VS. SUBURBAN DEVELOPMENT: Infrastructure Cost Summary

- At this time, public cost benefits per unit of refill vs. new area development are inconclusive at best.
- Must quantify the cost of additional public subsidy (i.e. Urban Renewal contributions).
- Public costs of density may be U-shaped: medium average density may be cheaper than low or high



# URBAN VS. SUBURBAN DEVELOPMENT: Transportation Costs

- Metro's "Regional Choices" study did find variation in the predicted overall system cost among the 5 Transportation scenarios.
- High Capacity Transit scenario had the highest projected public costs.
- **Little variation in the resulting annual cost of housing and transportation for individual households.**
- Study finds that all scenarios result in "significantly more congestion and traffic delay" which will "compromise the economy in the future."
- Urban reserve process must consider transportation efficiency, variety and cost.

OAR 660-027-0050(1),(4)



# URBAN VS. SUBURBAN DEVELOPMENT: Other Transportation Cost Considerations

- Little conclusive evidence of the “Centers effect” on transportation
- Unknown how many people who live in a Center actually work in that same Center.
- Housing growth in Portland with job growth outside
- 35% of inner Portland residents who are employed work outside of Portland (Census)



# URBAN VS. SUBURBAN DEVELOPMENT: Transportation Costs

	Mean Commute Time (Min.)	% of Workers, Commuting Alone by Auto
Portland	24	62%
Lake Oswego	22	79%
Gresham	26	71%
Oregon City	25	75%
Tualatin	22	78%
Beaverton	24	72%
Hillsboro	24	72%
Forest Grove	22	73%

Source: Latest Census data available per geography





**LIVABILITY**

# LIVABILITY

## Refill

- Metro “Urban Growth Report” estimates that 27% to 40% of new housing units will be accommodated through “Refill”
- Refill = Infill and Redevelopment in “existing neighborhoods”
- Existing neighborhoods are defined as “largely single-family”  
(“Choices” Discussion Guide: Land Use Scenarios, 2008)
- Refill can further narrow the range of housing choices, by reducing the supply of *existing* single-family homes



# LIVABILITY

## Public Services

- Challenge to find land for new parks, schools, and public facilities in centers. Sites more expensive.
- Use of Urban Renewal districts limits the funding for other city services, schools, county and other taxing jurisdictions, even as households are added to the area.
- Preference for denser forms of housing is unsubstantiated. Surveys tend to show strong preference for detached single-family homes.





# **ECONOMIC DEVELOPMENT**

# ECONOMIC DEVELOPMENT CONSIDERATIONS

“Current and future residents benefit from the region’s sustained economic competitiveness and prosperity.”  
(Metro Council: Definition of a Successful Region)

- Growth is not a given.
- Competition for employers is not between “Centers” and “Suburbs”. It is between Metro, the nation, and the globe.
- Regional land use planning efforts for housing and jobs must reflect employer location preferences.
- Housing choice means offering the full range of options and affordability levels near employment.

OAR 660-027-0050(6)



# SUMMARY

- FOCUS ON TIGHT UGB
  - Reduced Housing Choice
  - Reduced Affordability
  - Greater Displacement
- ASSUMPTIONS UNDER HIGH CAPACITY SCENARIO
  - No Discount for High-Density Products not feasible
  - Increase in Refill Rate to 40%
  - Additional 71,100 Units in “Subsidized Refill”



# SUMMARY

- INCREASING DENSITIES UNABLE TO ACCOMMODATE FULL SPECTRUM OF MARGINAL NEED
  - Affordability
  - Configuration
- INFRASTRUCTURE AND TRANSPORTATION COSTS ARE NOT INHERENTLY LOWER WITH ALTERNATIVE PATTERNS
  - “U” shaped model with infrastructure
  - Marginal employment and housing not a central spoke model
- ARGUMENTS BASED ON “LIVABILITY” POORLY SUPPORTED
  - Public opposition to refill



# THE U.G.R. & HOUSING CHOICE

