



Housing Affordability in Portland

A City Club of Portland Comprehensive Research Report

Read the full report online at pdxcityclub.org/housingaffordability

EXECUTIVE SUMMARY

Housing affordability is one of the most important challenges confronting the greater Portland area. It affects everyone, regardless of income. A lack of enough affordable housing, whether for rent or for sale, has already proved devastating for some families and individuals. Communities not yet fully engaged in the housing crisis soon will be as costs continue to rise, often outpacing income, and as both new residents and displaced people compete for homes.

Portland City Council declared a “housing emergency” in October 2015. There is indeed an emergency, and half-measures and business as usual will not solve it. Reforms to how the city manages land and regulates landlord-tenant relations are required. Portlanders struggling to pay rent or to find a home need action now.

City Club of Portland created the Housing Affordability Research Committee to investigate and develop attainable recommendations to address housing affordability. City Club directed your committee specifically to “identify a set of policies and/or programs necessary to increase the supply of, and/or access to, affordable housing for low- and middle- income households.”

Your committee found that the crisis in Portland is as difficult as recent media reports make it out to be. There is no single or simple solution to this complex and multifaceted problem. We first

drafted this report with four times the number of conclusions and recommendations presented in this final version.¹ Some of them eventually slid to lower priority. We narrowed down the rest based on committee agreement, ability of the recommendation to add to the broader discussion and likelihood that it could be implemented.

This crisis continues to evolve. During the recently concluded 2016 legislative session, Oregon lawmakers passed SB 1533, which allows inclusionary zoning and ends a state ban on construction excise taxes. It makes incremental progress, but it was not as expansive as it should have been, so we chose to retain a recommendation on inclusionary zoning.²

The Legislature also passed HB 4143, offering some measure of protection from rent increases. It was, however, scaled back to exclude some of the protections that are included in the just-cause evictions policy that our report recommends.

The fact that this is a complex problem that resists an easy, comprehensive solution should not dissuade Portland and Oregon from acting. Quite the contrary, we can make progress, and we must act now on measures that will have real benefits for Oregonians struggling to find housing they can afford. Meanwhile, all Oregonians, especially our leaders, must continue to engage in an essential public policy discussion, of which your committee's report is one part.

Findings and Conclusions

1. **Finding:** Fewer federal dollars are available to fund affordable housing development, leaving developers with a patchwork of state and local funding sources that makes adequately financing affordable housing difficult and time-consuming.

Conclusion: Dedicated local funding with fewer regulatory restrictions could more effectively fund the development of affordable housing units.

2. **Finding:** As demand to live in Portland increases, the city could strategically acquire properties to encourage development and preservation of affordable housing. The city currently lacks reserve funds to act when attractive properties become available.

Conclusion: In order to pursue strategic property acquisition, Portland needs to set aside funds to purchase foreclosed and discounted properties, especially during economic recessions.

¹ In 2015 Seattle proposed a 65-point plan to address its affordable housing crisis and said the problem required all the points to be enacted in order to make a dent.

² SB 1533 does not apply to buildings with fewer than 20 units and sets the threshold for affordability at 80 percent of the median family income. Under this law, no more than 20 percent of units have to be reserved as affordable.

3. **Finding:** On paper there is adequate capacity within the existing urban growth boundary and zoning code to accommodate Portland's population growth, but other barriers create limits in practice. Moreover, not all properties are built to the maximum allowable density.

Conclusion: Incentives and updates to the zoning code would help ensure that a higher percentage of infill development is used to its fullest potential and with affordability in mind.

4. **Finding:** Many growing cities use rent control to address affordability issues, but Oregon law currently preempts localities from using it.

Conclusion: Lifting the state preemption of rent control would allow Portland to conduct a careful study of its suitability as a potential policy tool.

5. **Finding:** Not having security of tenancy lessens the bargaining power of renters, who fear no-cause eviction. That, in turn, impacts affordability considerably.

Conclusion: A required for-cause eviction process would improve bargaining power of renters by preventing retaliatory and discriminatory no-cause evictions.

6. **Finding:** Portland does not have up-to-date and comprehensive data on the number of landlords, rental units, costs, evictions and renter demographics.

Conclusion: The city is unable to know accurately the extent of Portland's housing affordability problem, especially with respect to equity.

Recommendations

1. Portland City Council should dedicate funding to build subsidized affordable housing units.

Council should follow existing research and recommendations on revenue streams from Metro's "Opportunities and Challenges for Equitable Housing" report and the Welcome Home Coalition. It should consider a variety of funding alternatives, such as a linkage fee; voter-approved housing levy for ongoing revenue; or a general obligation bond authorization for initial funding.

2. The City of Portland, the Portland Development Commission and Metro should develop a housing land bank strategy to put money away during strong economic times for use in purchasing properties during downturns.

Portland should prioritize purchase of foreclosed buildings and other available properties for the purpose of creating and preserving affordable housing.

3. The City of Portland should remove barriers to and identify incentives that encourage development of more housing types.

Examples could include funding the Multiple-Unit Limited Tax Exemption Program (MULTE) to encourage developers to use voluntary inclusionary zoning and streamlining the design review process.

4. The Oregon Legislature should end the ban on local rent regulation.

Ending the ban would allow Portland and other local governments to engage with all stakeholders and consider policies within a spectrum that includes rent stabilization and rent control.

5. The City of Portland should ban no-cause evictions and enact a just-cause eviction policy.

Some advocates note that there are no ‘no-cause evictions’ in Portland and Oregon, only ‘termination of tenancy.’ We trust that policymakers will understand that this is primarily a semantic issue. Whenever tenancy is terminated without documented cause it amounts to a no-cause eviction.

6. The City of Portland should implement a rental property licensing system.

Licensing would allow for data collection, increased inspections and education.

MINORITY SUMMARY

The minority concurs with the majority report on all but the question of “missing middle housing” in residential neighborhoods. The majority does not recommend revising Portland’s zoning code to allow for more housing types in residential neighborhoods, instead urging it only to “work to overcome neighborhood skepticism.” If the city is to make the best use of its available land, it must encourage a diversity of housing types at a range of price points in Portland’s residential neighborhoods.

The minority therefore would amend Recommendation 3 to read:

The City of Portland should remove barriers and identify incentives to encourage development of more housing types.

Examples could include funding the Multiple-Unit Limited Tax Exemption Program (MULTE) to encourage developers to use voluntary inclusionary zoning, ~~and~~ streamlining the design review process **and revising the zoning code to allow for middle housing types in residential neighborhoods.**