

Housing and Homelessness in the Northwest: Policy Options and Evaluation

PNREC

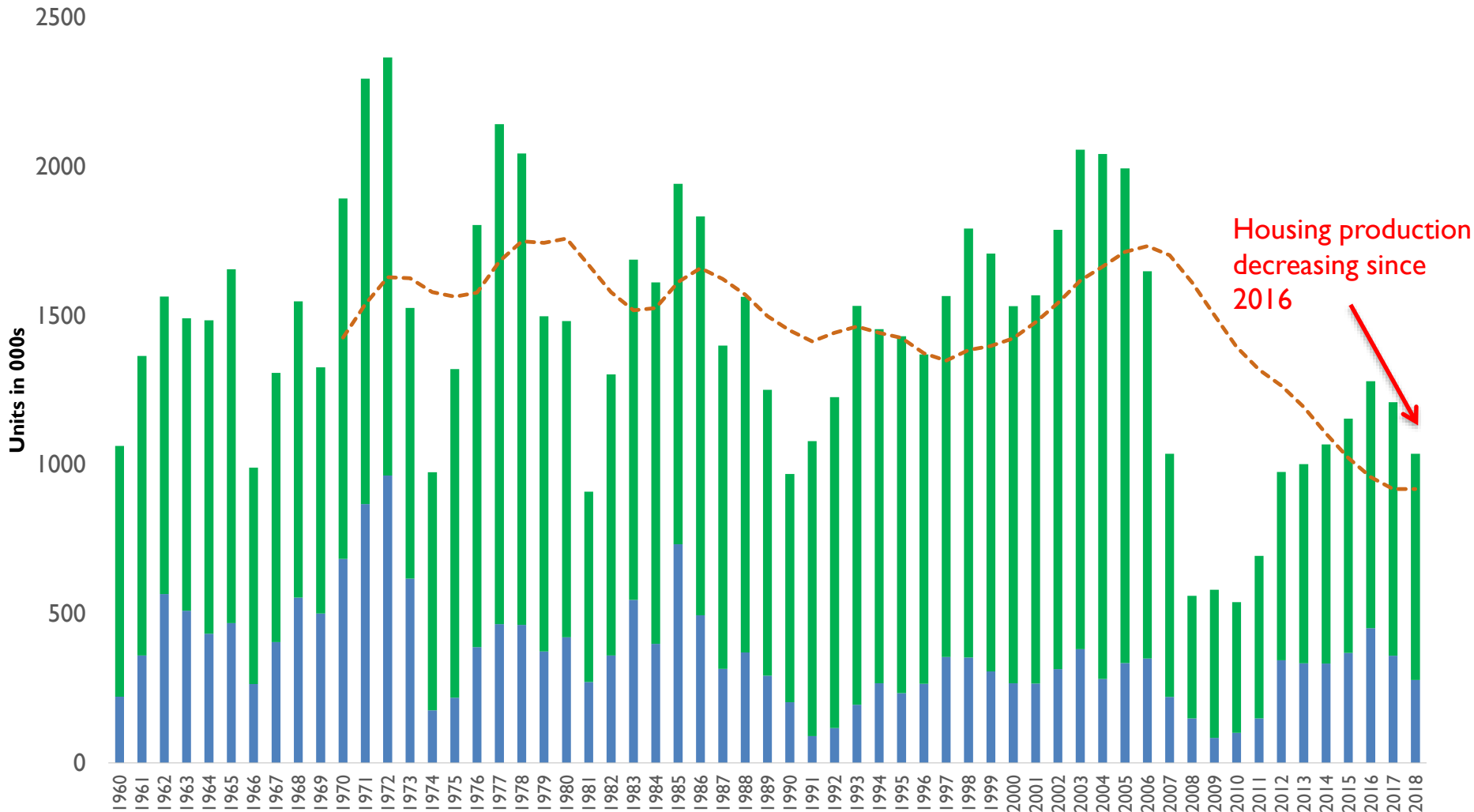
May 22, 2019

Michael Wilkerson, Ph.D.

Last 10 year period has produced the fewest housing units on record

U.S. Housing Starts, Annual and Trailing 10 Year Average

Multifamily Single Family 10 Year MA

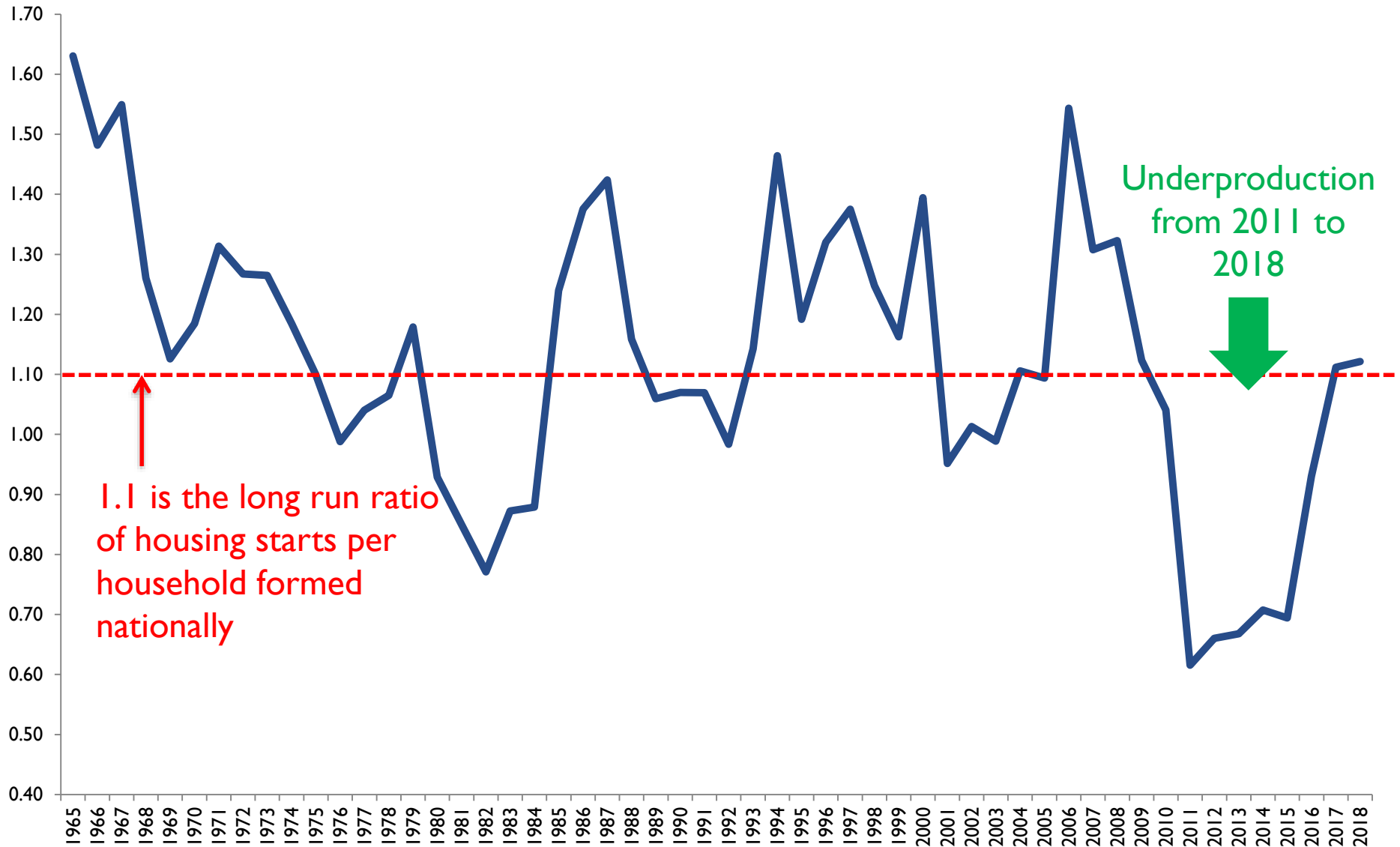


Housing production decreasing since 2016



Housing production has not matched household formation

U.S. Housing Starts to Household Formation (5 year moving average)



Underproduction
from 2011 to
2018

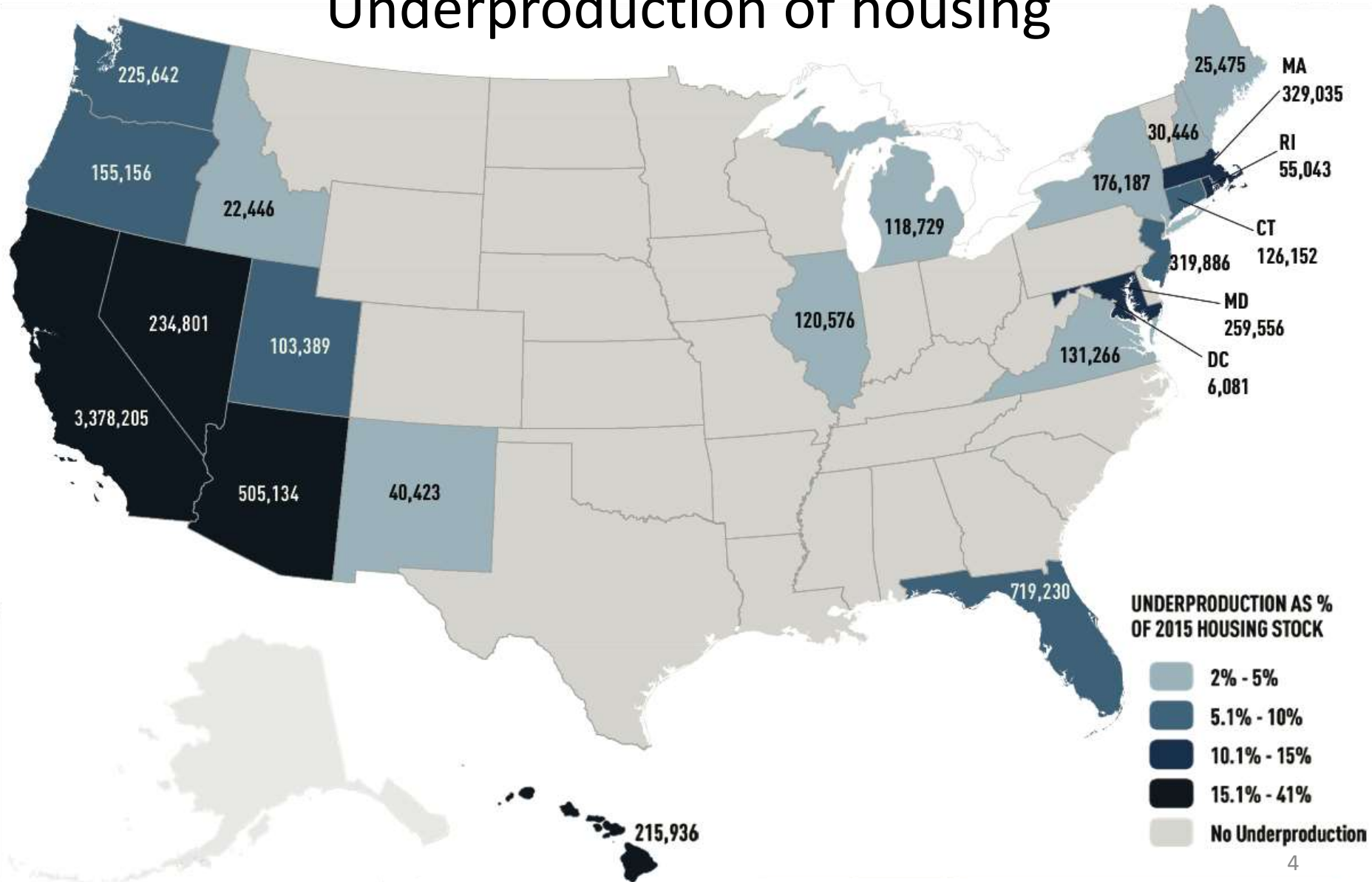


1.1 is the long run ratio
of housing starts per
household formed
nationally

Source: U.S. Census Bureau and HUD

23 States Underproduced 7.3 million units since 2000

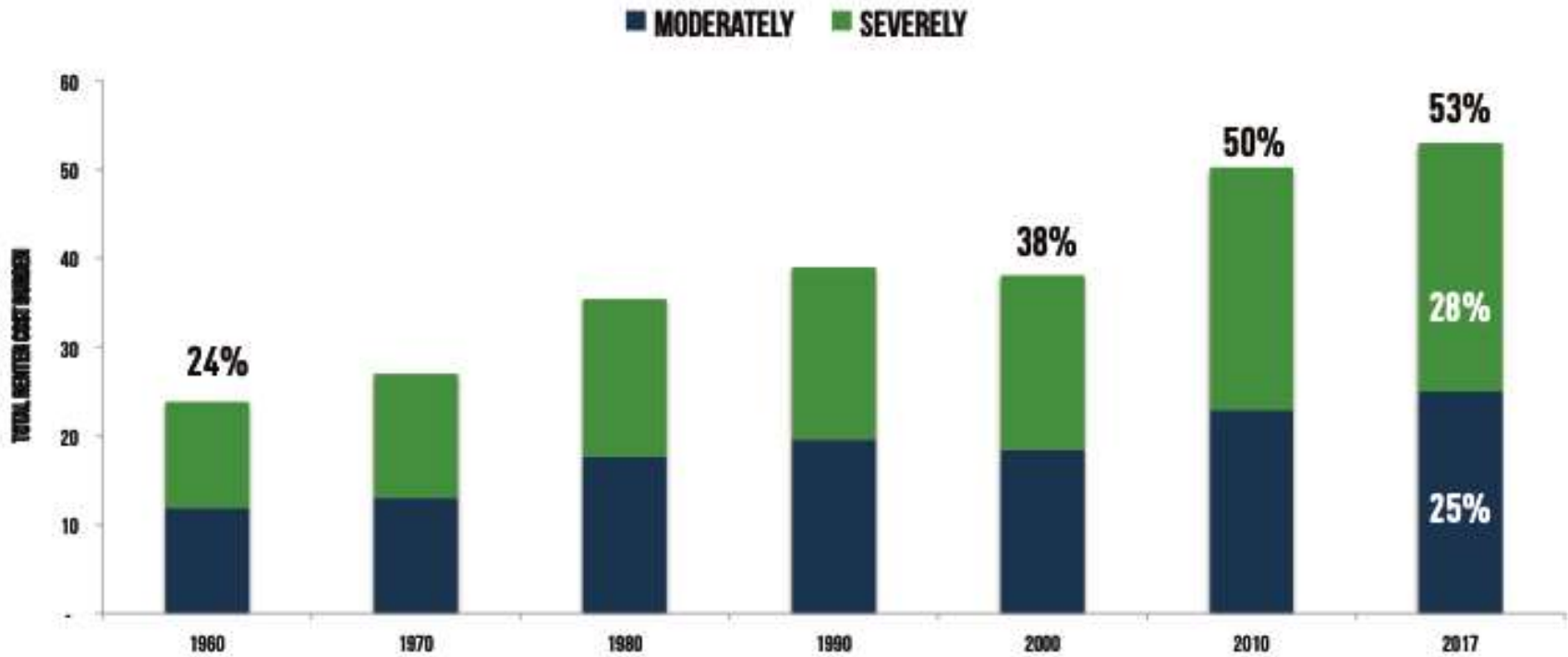
Underproduction of housing



UNDERPRODUCTION AS % OF 2015 HOUSING STOCK

- 2% - 5%
- 5.1% - 10%
- 10.1% - 15%
- 15.1% - 41%
- No Underproduction

Cost Burdening Increasing Nationally

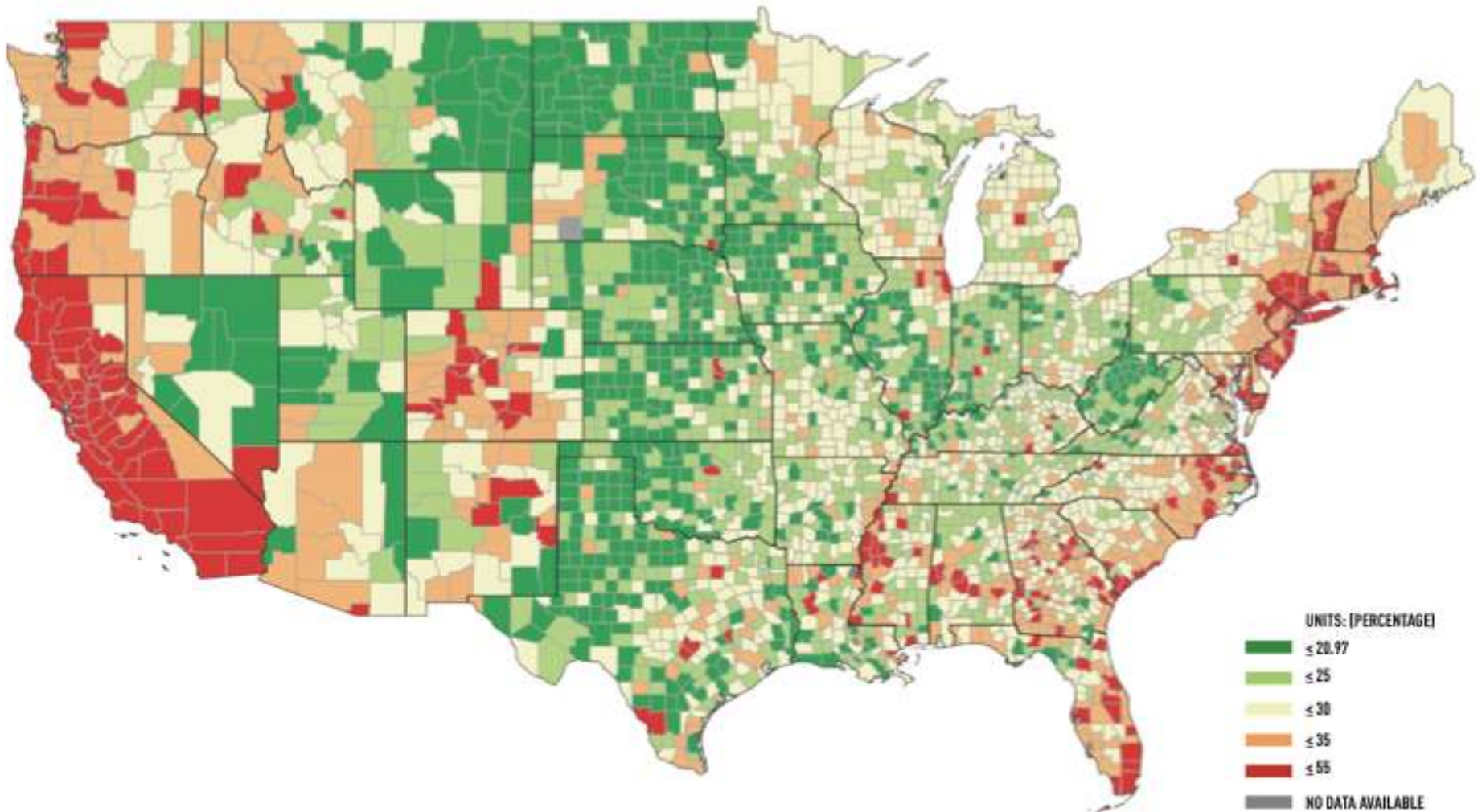


Moderate Rent Burden = 30% - 50% of Gross Income
Severe Rent Burden = 50%+ of Gross Income

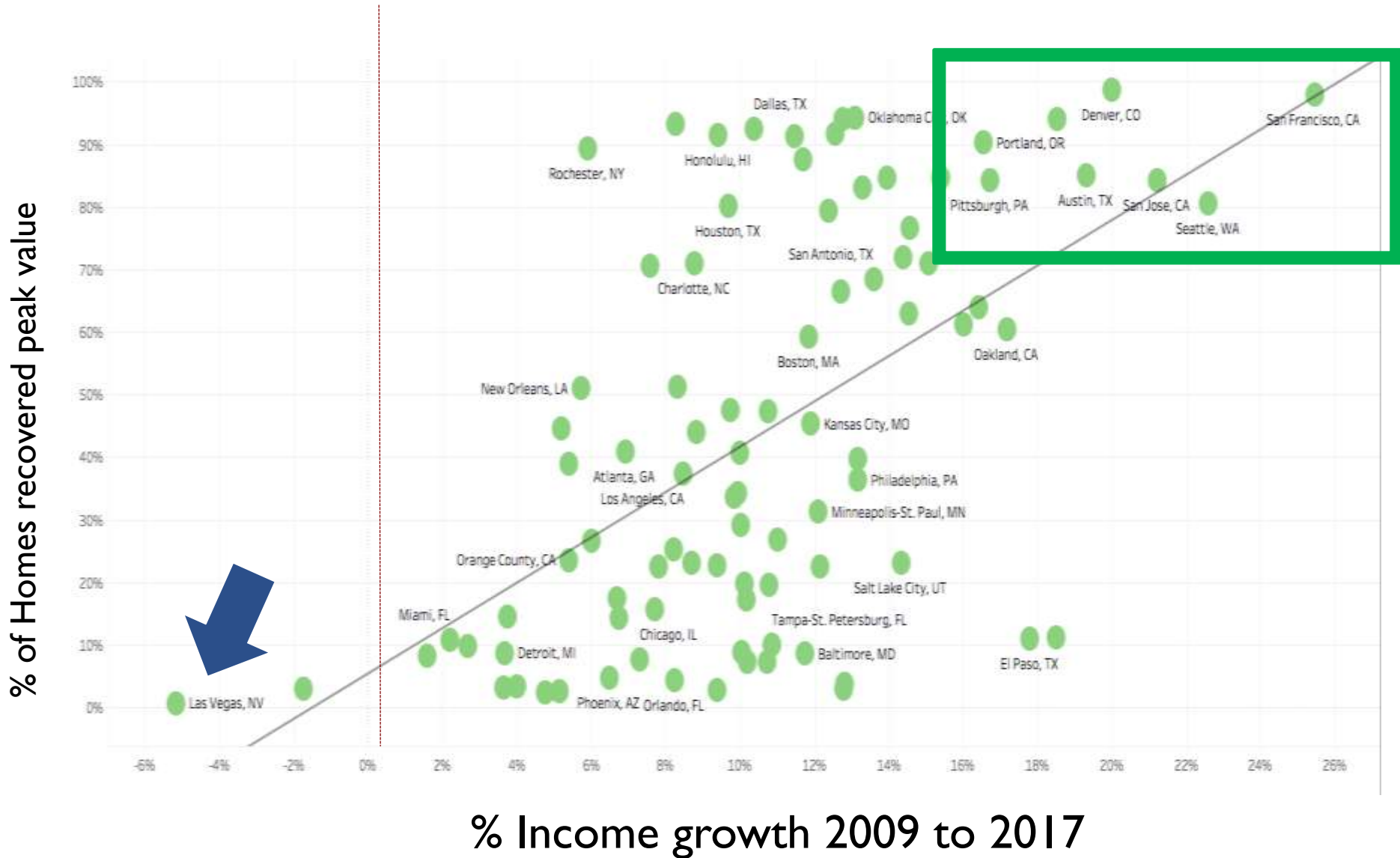
1 in 4 renters nationally spend 50%+ of gross income on rent

Areas with underproduction have high cost burdening

Percent of Cost Burdened Households (Owner and Renter) by County, 2017

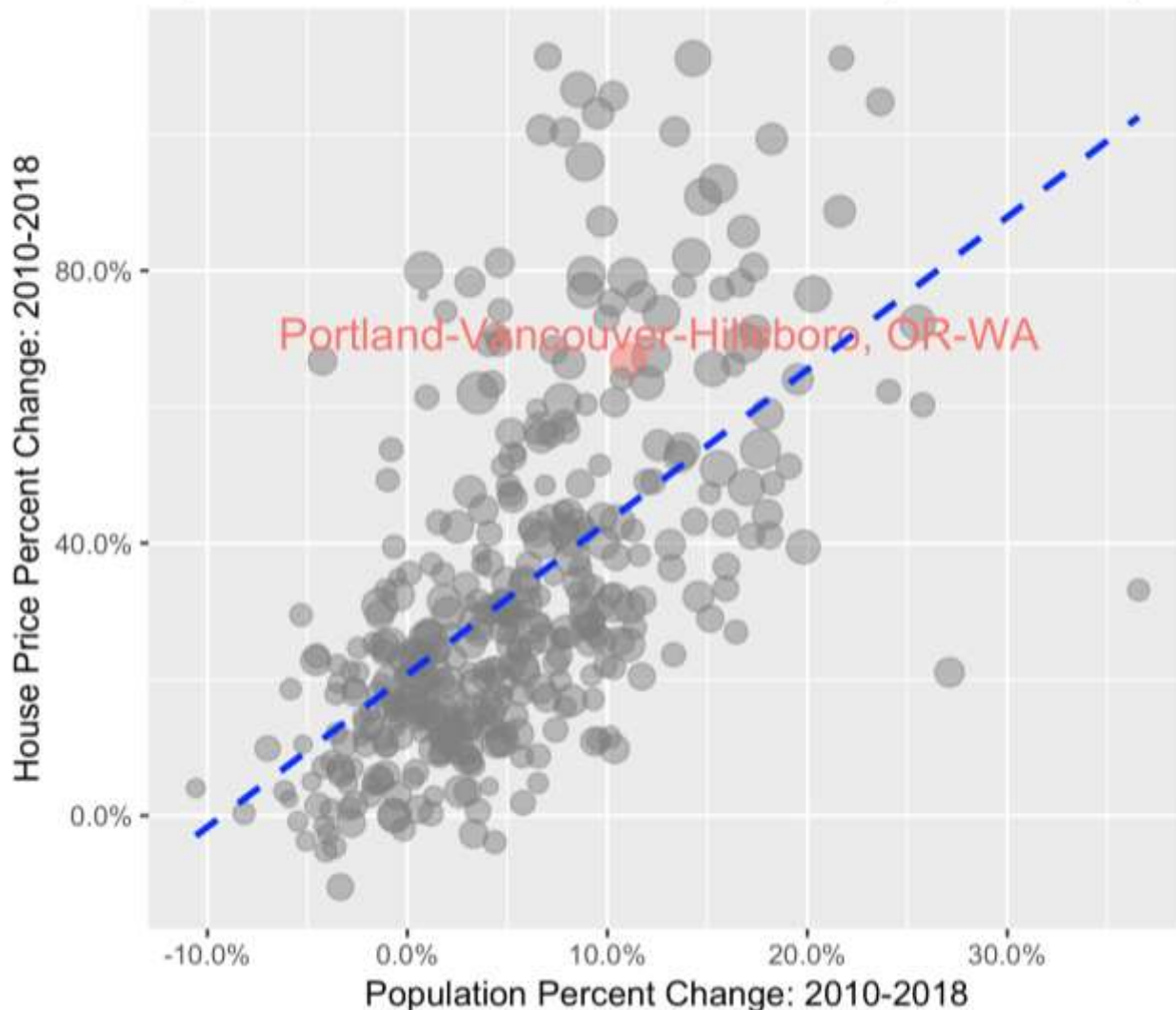


Income growth and peak pricing recovery



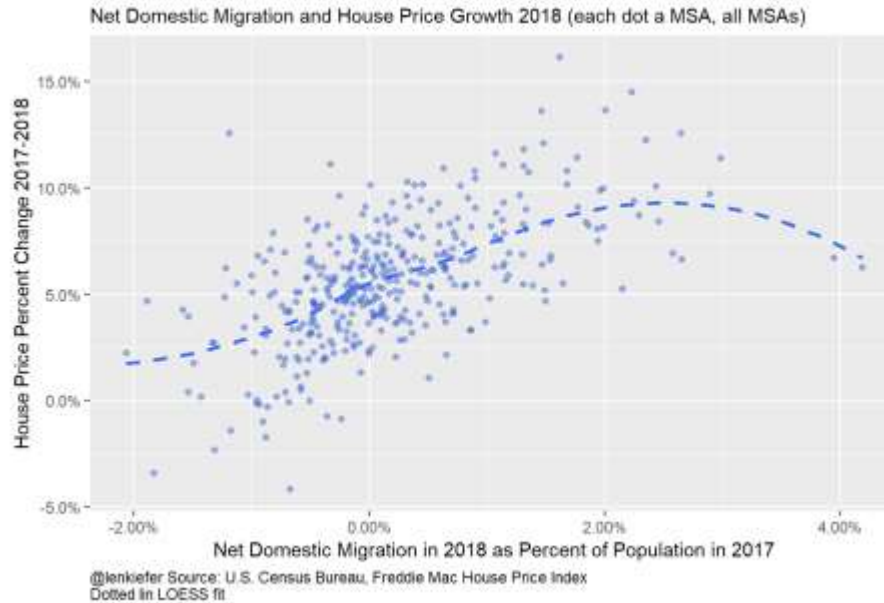
Population growth strong driver of housing markets

Population and House Price Growth 2010-2018 (each dot a MSA)



Every 1% increase in population is associated with a 2.2% increase in housing prices

Domestic migration strongest component of growth



MSA House Prices and Population Dynamics: 2010-2018

Dependent variable:	
Annual House Price Growth Rate (%)	
Natural Population Growth Rate	1.431*** (0.153)
International Migration Rate	1.231*** (0.299)
Domestic Migration Rate	1.910*** (0.066)
Year:2011	-0.048*** (0.002)
Year:2012	0.003 (0.002)
Year:2013	0.053*** (0.002)
Year:2014	0.026*** (0.002)
Year:2015	0.032*** (0.002)
Year:2016	0.037*** (0.002)
Year:2017	0.044*** (0.002)
Year:2018	0.047*** (0.002)
Observations	3,056
R ²	0.710
Adjusted R ²	0.709
Residual Std. Error	0.031 (df = 3045)
F Statistic	677.654*** (df = 11; 3045)
Note:	$p < 0.1$; $p < 0.05$; $p < 0.01$

Source: U.S. Census 2018 Population Vintage Estimates, Freddie Mac House Price Index

Domestic migrants immediately require housing units, often in their root setting years

Housing Crises in Portland

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
OREGON CHAPTER

JANUARY BREAKFAST PROGRAM

Presented By:

BREMIK
CONSTRUCTION

**Portland's Affordable Housing Problem:
What's Being Done?**



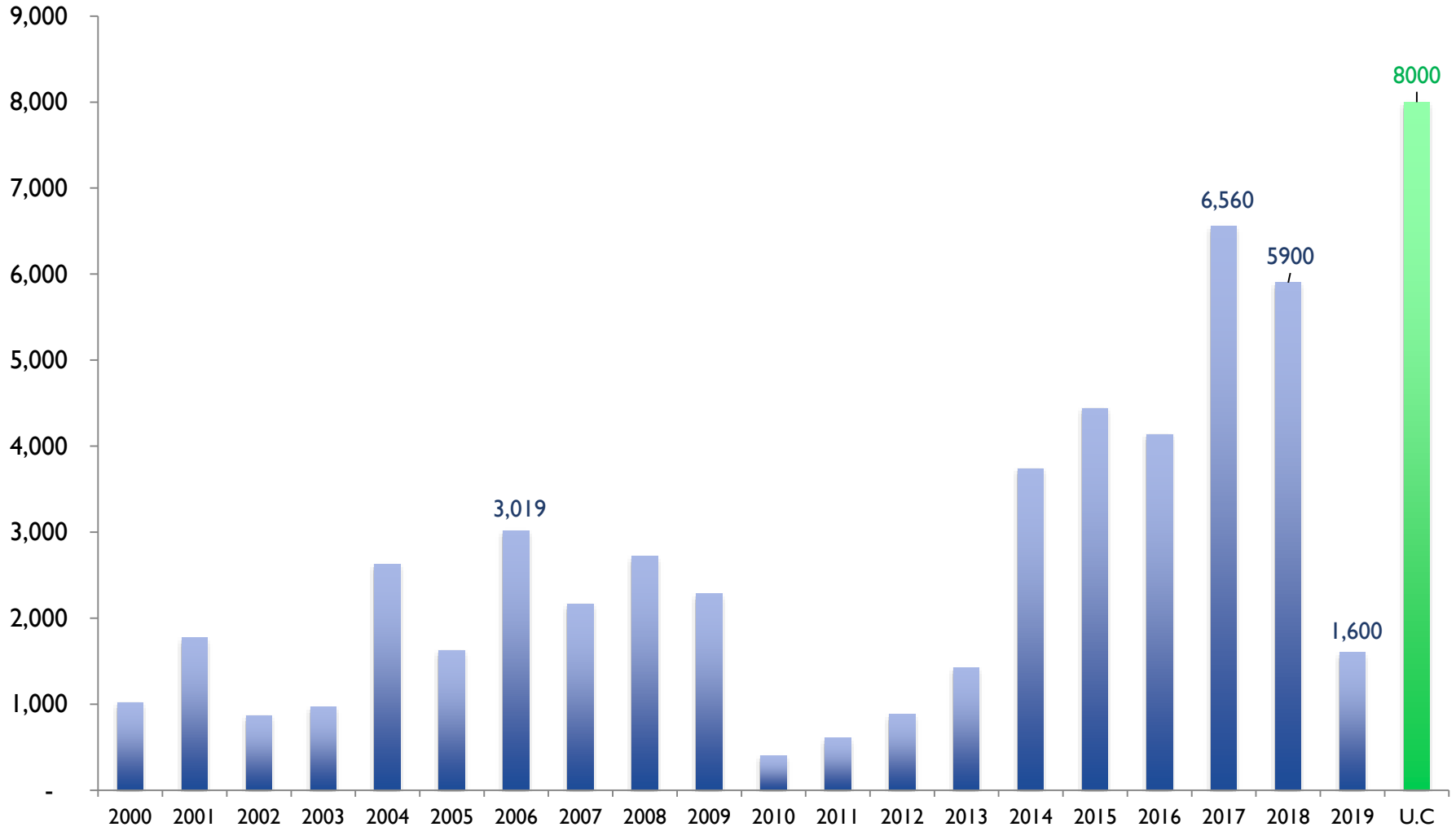
Here's Why a Plan to Ease the Housing Crisis Is Making Portland Homeowners Flip Their Lids

The city's residents and planners are engaged in furious debate over the extent to which Portland should change its single-family neighborhoods.

Apartment construction in Portland is

City of Portland Multifamily Units

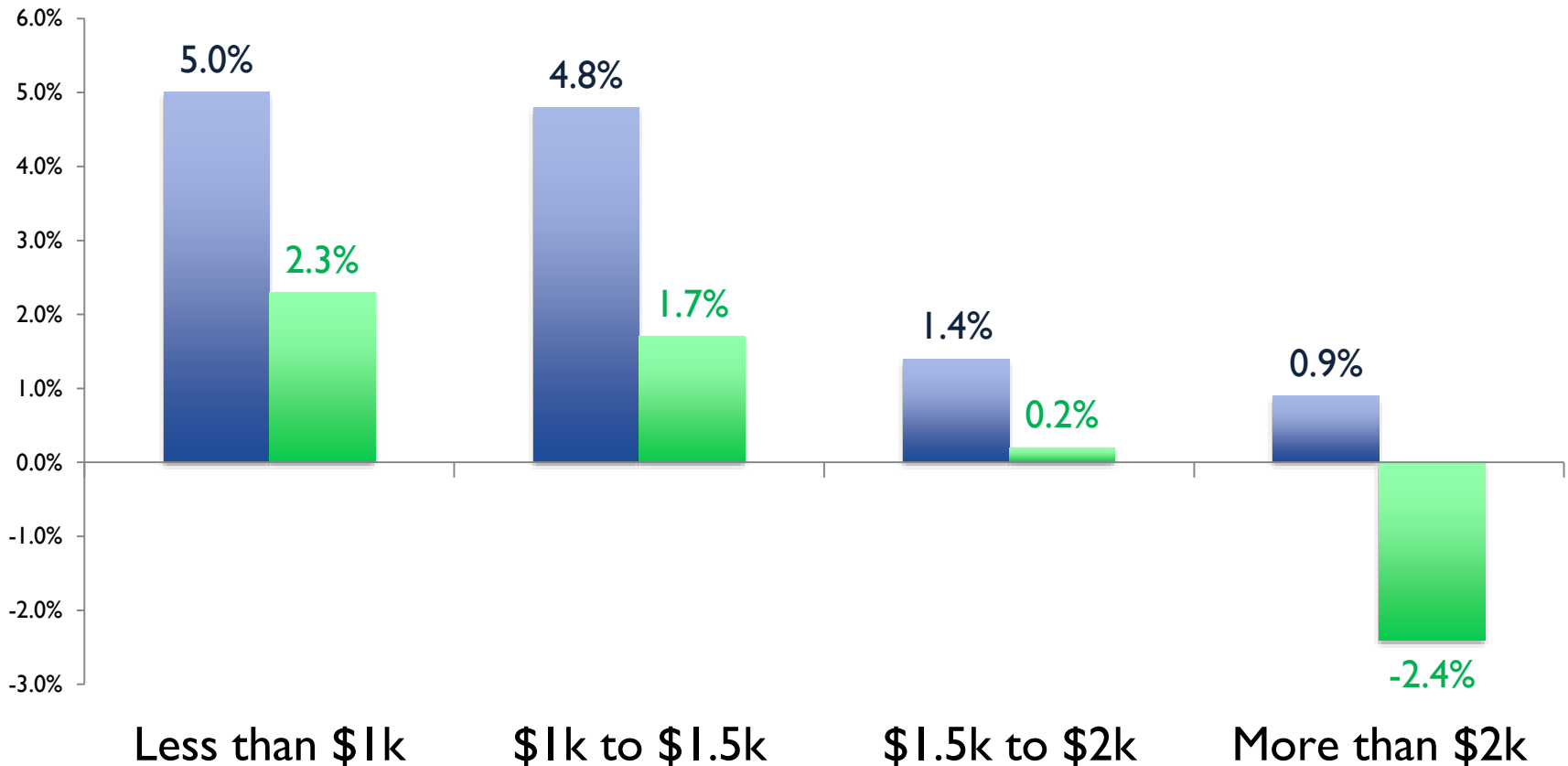
Existing Under Construction



Portland rent growth slowing at all prices

Average Building Level Rent Change (12 months through August)

■ 2017 ■ 2018



Less than \$1k

\$1k to \$1.5k

\$1.5k to \$2k

More than \$2k

Change from
2017 to 2018 **-2.7%**

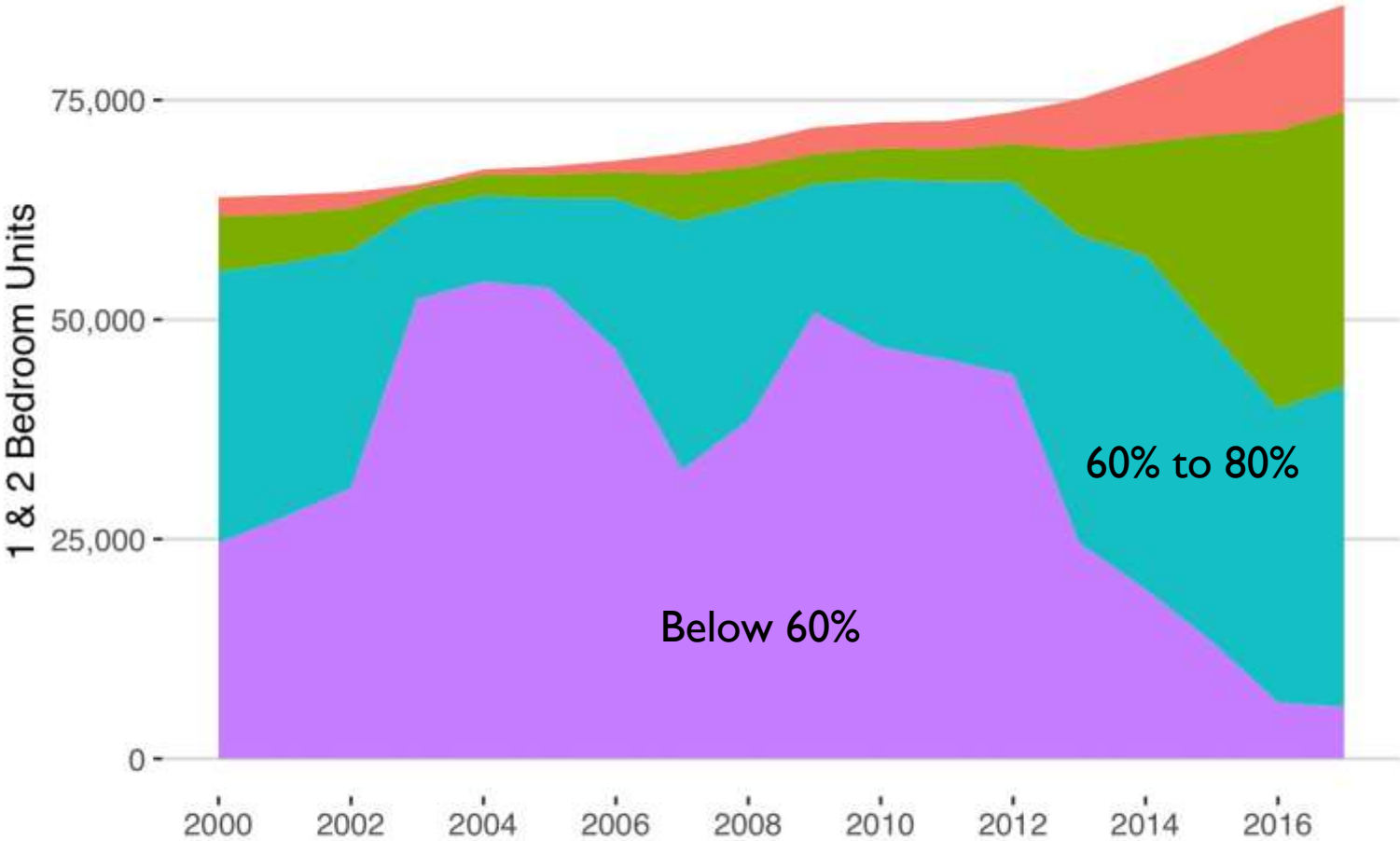
-3.1%

-1.2%

-3.3%

Decline in Naturally Occurring Affordable Units

PDX Metro Region



60% to 80%

Below 60%



Distribution of market rate units by MFI and market

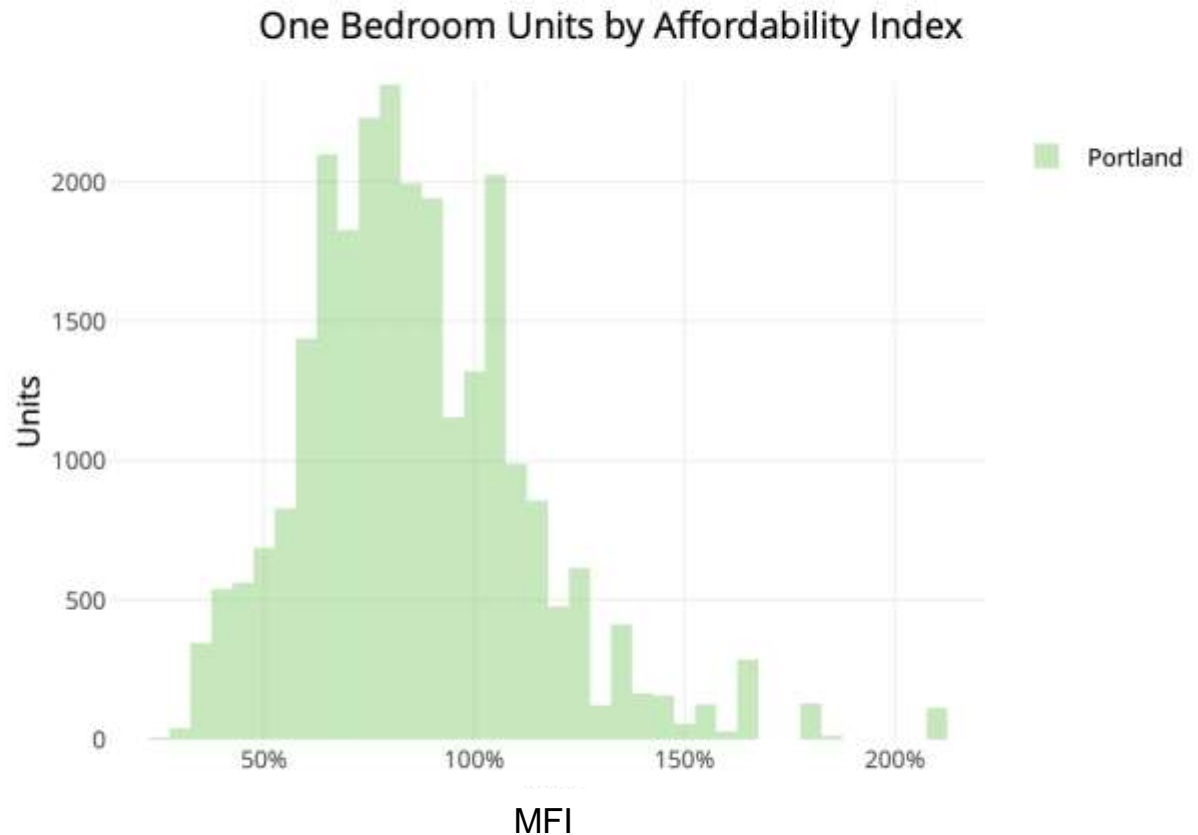
Current Housing Supply by Price Level

Select Unit Type
One Bedroom

Select Plot
Histogram

Select Measure of Rent
AMI

Filter on Units Built by Year
1900 2018
1900 1924 1948 1972 1996 2018



Calculations by ECONorthwest with Data provided by CoStar

Web app available at: <https://www.upforgrowth.org/supply-units-price>

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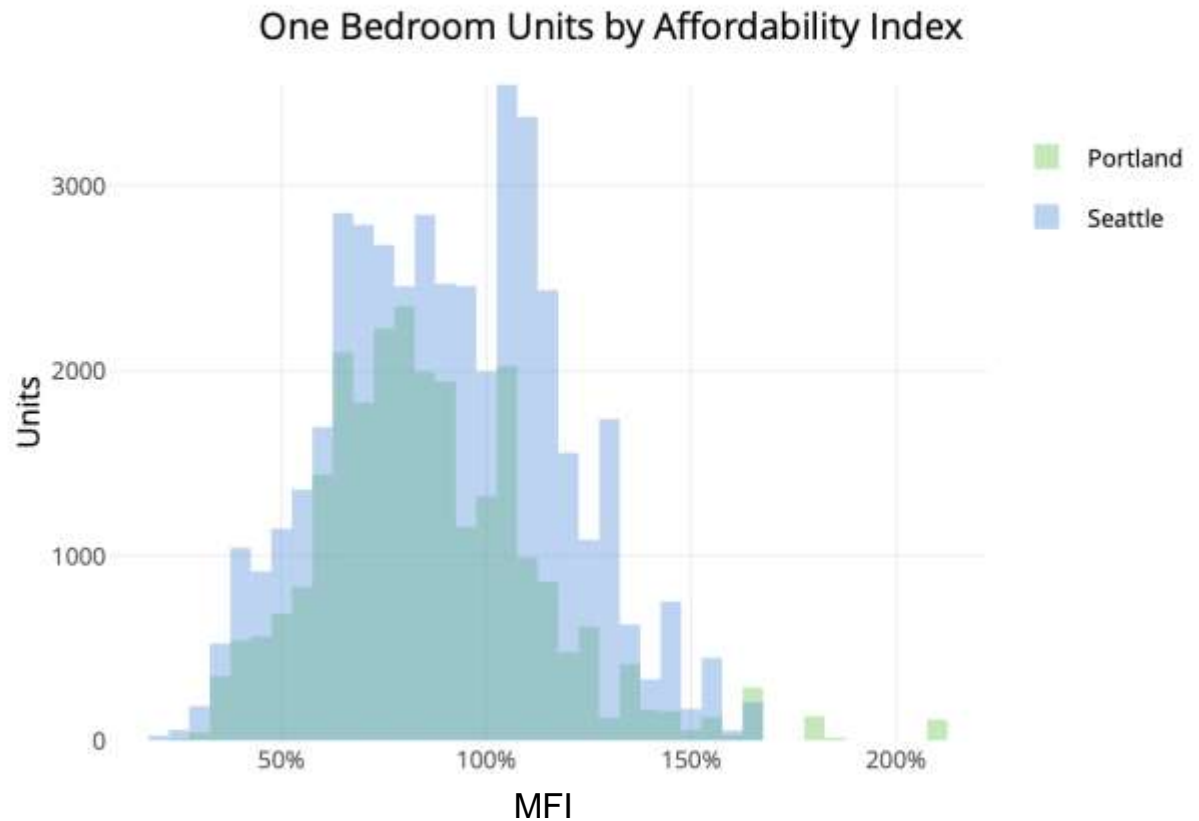
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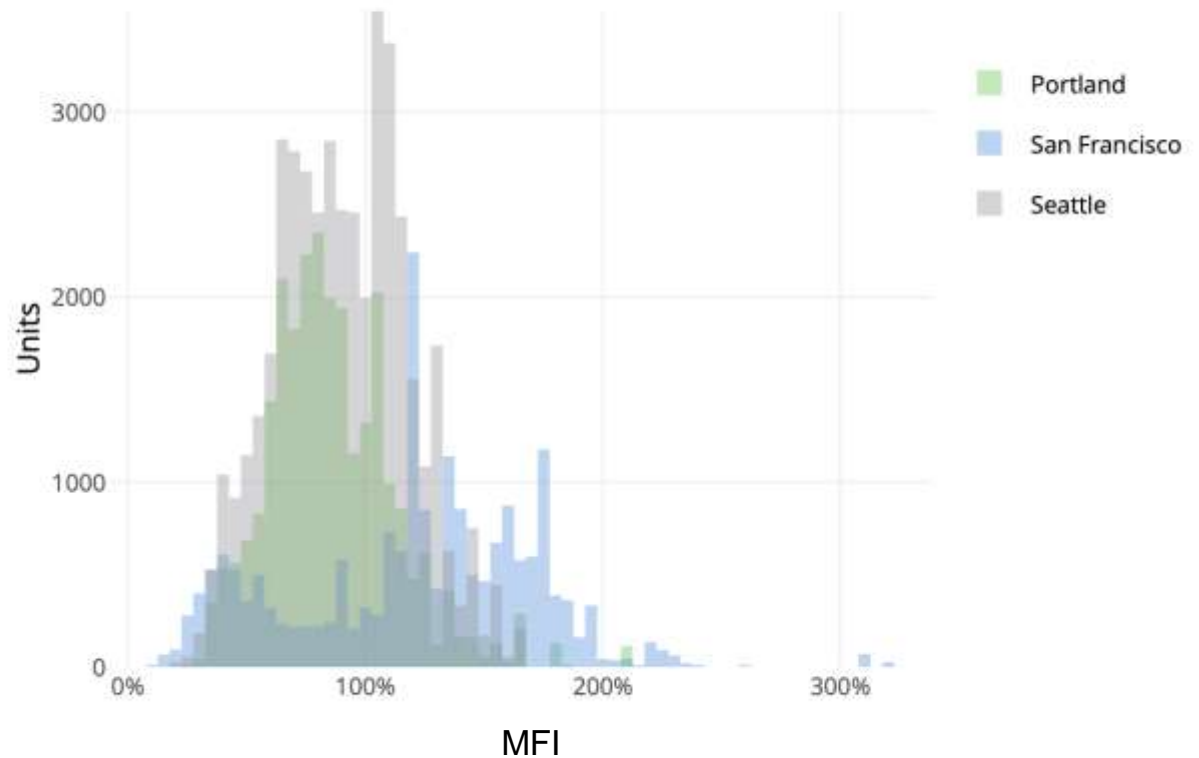
Select Unit Type
One Bedroom ▼

Select Plot
Histogram ▼

Select Measure of Rent
AMI ▼

Filter on Units Built by Year
1900 2018
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One Bedroom Units by Affordability Index



Calculations by ECONorthwest with Data provided by CoStar

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New Construction units by MFI and market

Current Housing Supply by Price Level

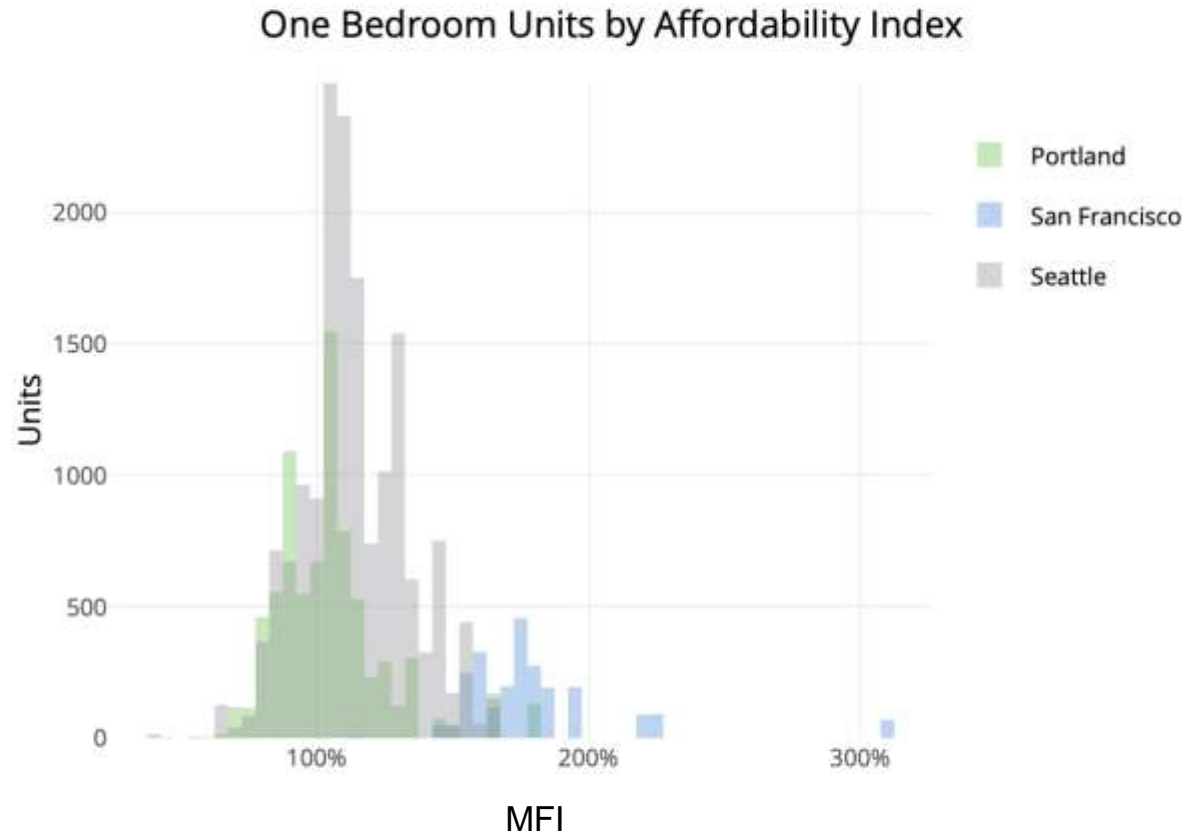
Select Unit Type
One Bedroom ▼

Select Plot
Histogram ▼

Select Measure of Rent
AMI ▼

Filter on Units Built by Year
2010 — 2018

1900 1924 1948 1972 1996 2018



Calculations by ECONorthwest with Data provided by CoStar

Web app available at: <https://www.upforgrowth.org/supply-units-price>

Housing Policy Options in Oregon

Inclusionary Housing (Portland)

Residential Infill Project (Portland)

Tenant Protection/Rental Registration (Portland)

Rent Control

SB 2001 – Exclusionary Zoning/Missing Middle

SB 10 – Transit corridor upzoning

City of Portland Inclusionary Housing 2 year review

- Amount of construction activity and permitting decreasing in the City of Portland (and the region)
- Inclusionary Housing is not the only reason
- Market conditions changing (construction cost increases, rent stagnation, slow absorption)
- Vested units masking true impact of policy
- Increase in construction and permitting of buildings with 19 units and fewer (exempt from IH)
- Policy calibration outside of central city is incentivizing production in areas with lower rent

A photograph of a tall, illuminated sign for 'PORTLAND' in blue and white, set against a clear blue sky. The sign is attached to a brick building with many windows. The sign is partially obscured by a white text box.

INCLUSIONARY HOUSING | PDX

The success of Inclusionary Housing in Portland, Oregon.

PHB has not produced the two year summary report to date as required

Inclusionary Housing Unit Production Summary

INCLUSIONARY HOUSING UNITS CREATED

In 2 years Portland's IH program has been in effect, the City has permitted, or is in process to permit, a minimum of **422 Inclusionary Housing units from 65 development projects** — the equivalent to more than \$34 million-dollar public subsidy from privately financed developments.

| *Over \$34.2 Million Saved in Public Subsidy* |



422

Inclusionary
Housing units

	Projects	Total Units	IH Units
Private/Mandatory Subject to IH	40	2,977	342
Voluntary Under 20 Units	13	138	7
PHB Projects	10	798	73
TOTAL	63	3,913	422

PHB's Pipeline Estimate

Currently, another 65 projects, with a potential **9,261 units**, are in some stage of the pre-permitting process (5,910 units in pre-application/early assistance stage, 3,351 units in land use review).

65
pre-permit
projects

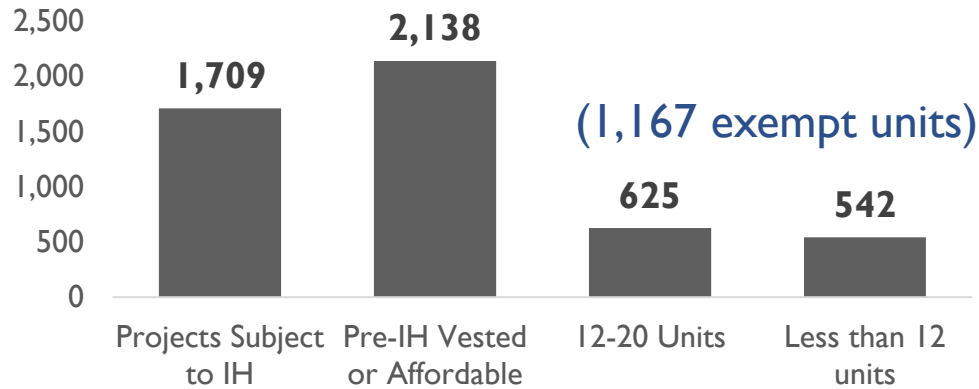


3,000 Remaining Vested Units in Land Use Review – Expire Feb 2020

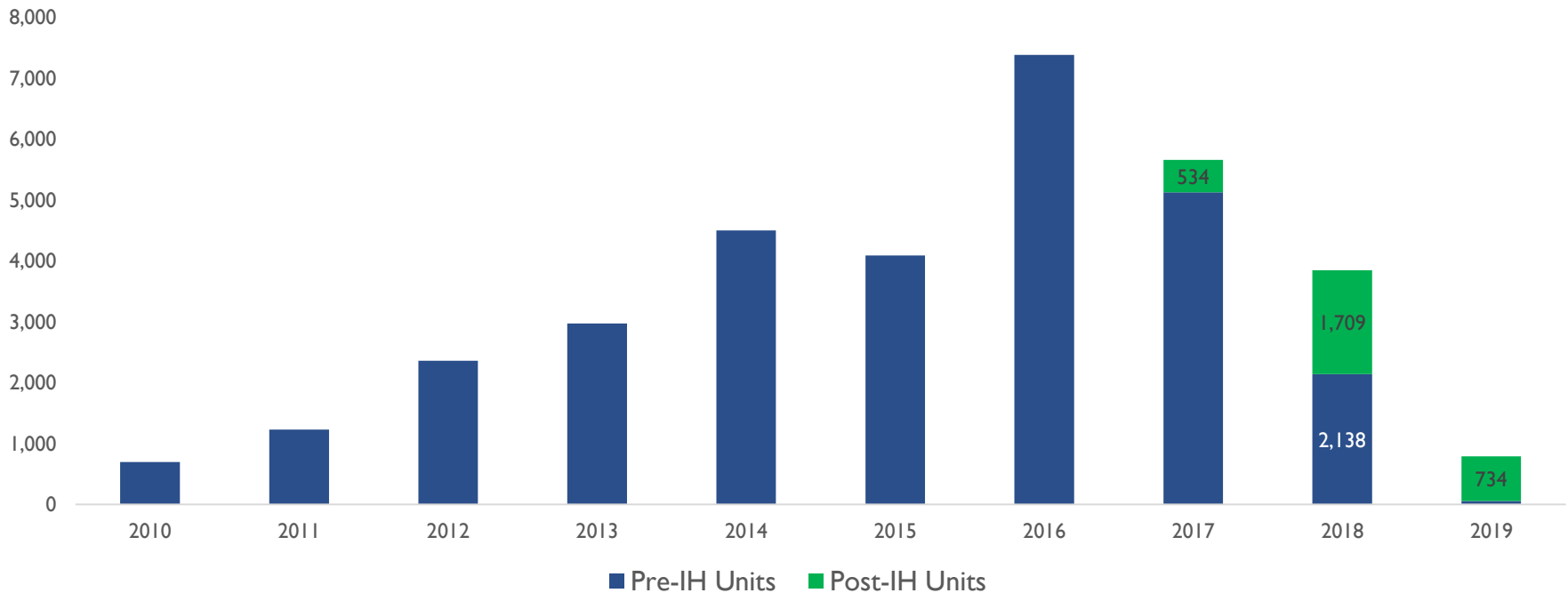
2,000 of the 3,300 units in land use review are speculative projects, unlikely to go forward in near term

Decrease in permit activity

2018 Units in Permit Applications (5,014 total units)

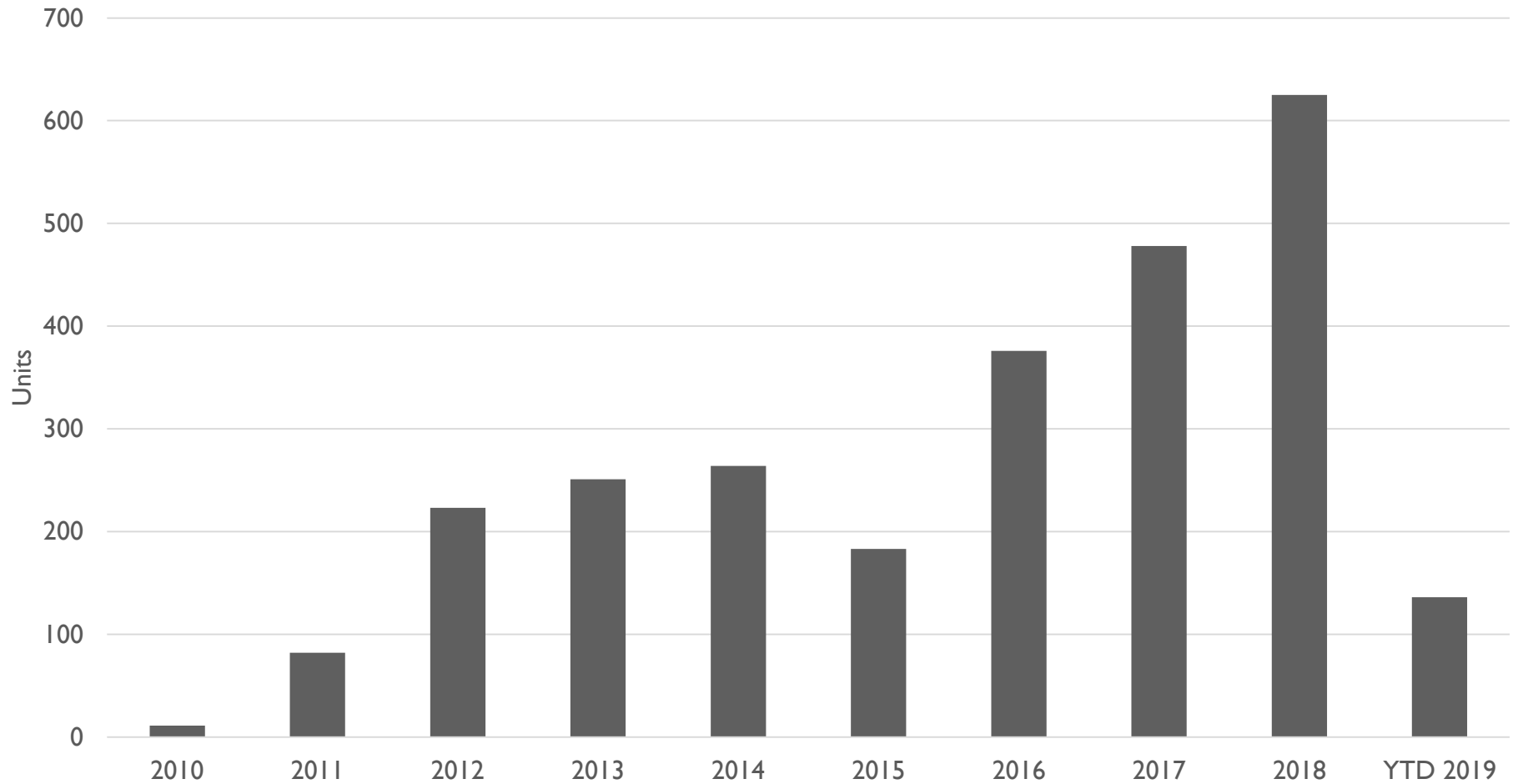


Total Units by Permit Applications (20 Units or More)



Increase in exempt buildings with fewer than 20 units

Total Units by Permit Applications (12-19 Units)



The New York Times

Is Your Rent Through the Roof? Oregon Wants to Fix That

RENT CONTROL

Oregon Passes Nation's First Statewide Rent Control Law

The bill comes with new risks for tenants and property owners alike.

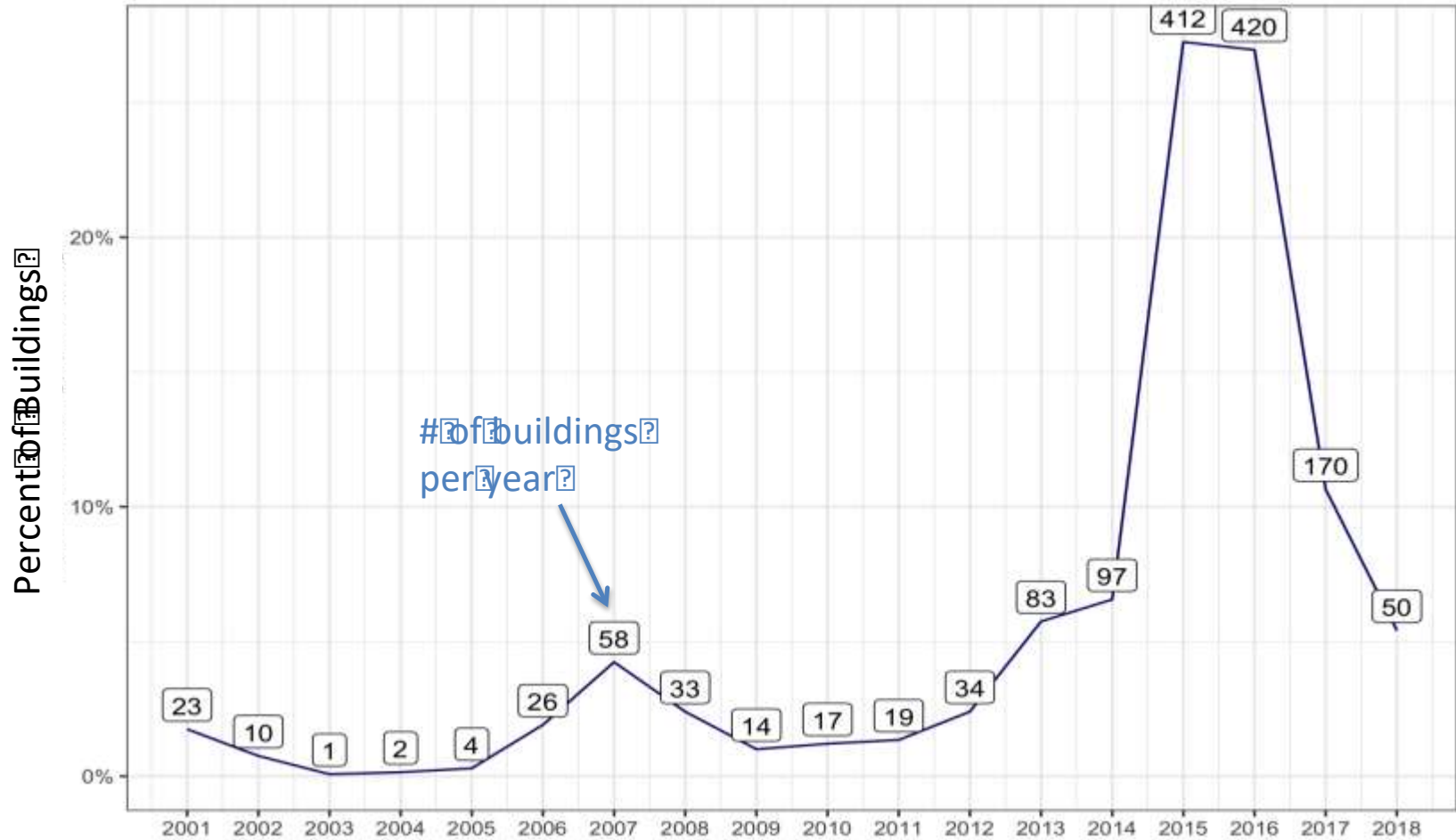
How does Oregon's first-in-the-nation rent control law work? A quick guide

ECONOMY
Oregon Set To Pass The First Statewide Rent Control Bill



Rent Control in Oregon in Generally Non-Binding

Percent of Buildings where 1 bedroom units increased by more than 10% year over year
Portland MSA (measured during 2nd quarter annually)



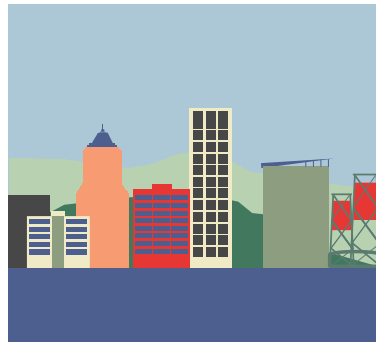
wilkerson@econw.com

ECONorthwest

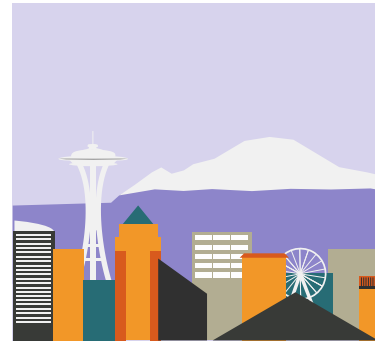
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