



METRO COUNCIL PRESIDENT TOM HUGHES

January 29, 2016

Senator Sara Gelsler
Chair, Senate Committee on Human Services and Early Childhood
Oregon State Capital
Salem, OR 97301

Dear Senator Gelsler and Members of the Committee:

I am writing on behalf of the Metro Council in opposition to SB 1575. This measure contains many policy changes that are highly troubling. Most importantly, the provisions that attempt to allow urban growth boundary expansions without regard to the need for land or the existing prioritization of land are without merit.

Metro is committed to continuously improving the process for managing urban growth in a smart and deliberate way. This measure does not achieve this goal. Last December, when we decided not to expand Metro's urban growth boundary, the Metro Council committed to working with all parties to explore ways to further evolve the existing urban growth system to provide greater flexibility in managing growth. This coming Tuesday, February 2, the Metro Council will meet to discuss how to begin that conversation. We plan to work with local governments, developers, and conservationists alike.

I would ask the Legislature to refrain from taking highly contentious actions on urban growth management, like those included in SB 1575, until we have had a chance to work locally to identify possible improvements that are workable and that enjoy widespread support.

Regarding the specific provisions of this measure:

- "Affordable Housing" UGB Expansions: The Metro area currently has a 20-year supply of land for housing. Adding more land will not solve the current housing crisis. Only by building more units that are affordable – in particular, rental units in city centers – can we hope to solve the housing crisis. This measure would allow valuable farm and forest land to be converted to urban development under the completely unsupportable assumption that urban sprawl will somehow address the housing affordability crisis now or in the future. Additional reasons to oppose this provision and a couple supporting charts can be found below.
- Metro-area Subregional Urban Growth Analysis: Metro is not asking for this authority – it would be overly expensive to conduct and will not be useful to our urban growth management decision. When I was the Mayor of Hillsboro, we worked with Metro to propose subregional analysis of urban growth needs. At the time, the region could not make UGB expansions in strategic areas like South Hillsboro due to the prioritization of lands. In 2007, the region worked with legislators to authorize the creation of urban and rural reserves. This innovation in urban growth policy (which is not quite finalized in Clackamas County) allows Metro to make UGB expansions in strategic urban reserves. So

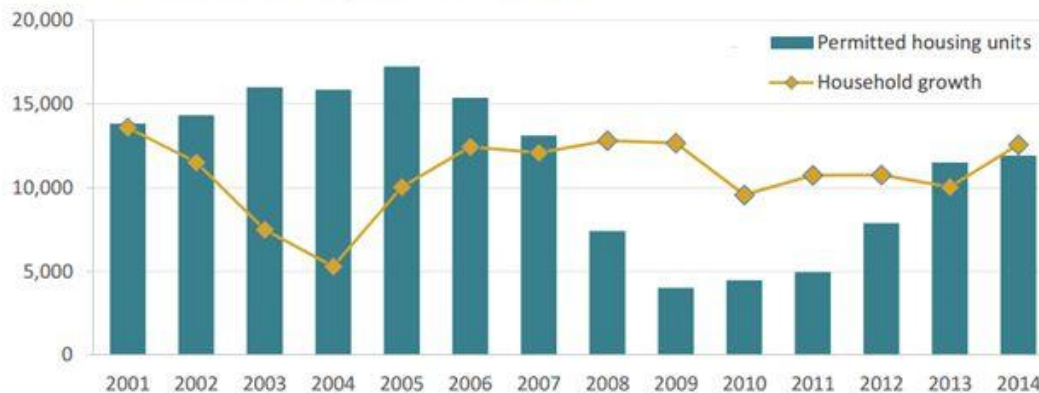
having the authority to conduct additional growth analysis in sub-areas is not only completely unnecessary. Moreover, it is a costly distraction from Metro’s efforts to support growth in the places where there is broad agreement that the region should actually grow.

- **Construction Excise Tax Preemption:** Instead of making the preemption on local governments construction excise taxes (CET) permanent, the Legislature should allow the 10-year CET preemption to expire. Local governments would then not need any special authority to levy a tax on construction to fund affordable housing. In fact, if the Legislature eliminated the CET preemption right now, local governments in the Metro area could begin raising new money to spur the development of affordable housing as soon as 2017.

Additional Information on Metro-Area Housing Affordability

The current housing affordability crisis is the result of a lack of affordable housing units – primarily rental units – coupled with stagnant wages for lower and middle income workers. Housing construction dropped off dramatically during and after the Great Recession and now, with the improving economy, people are moving to the Portland area and other metropolitan areas in high numbers. Metro has just released a report on housing affordability, and the chart below from that report illustrates this drop-off in housing development contrasted with continuing strong growth in population.

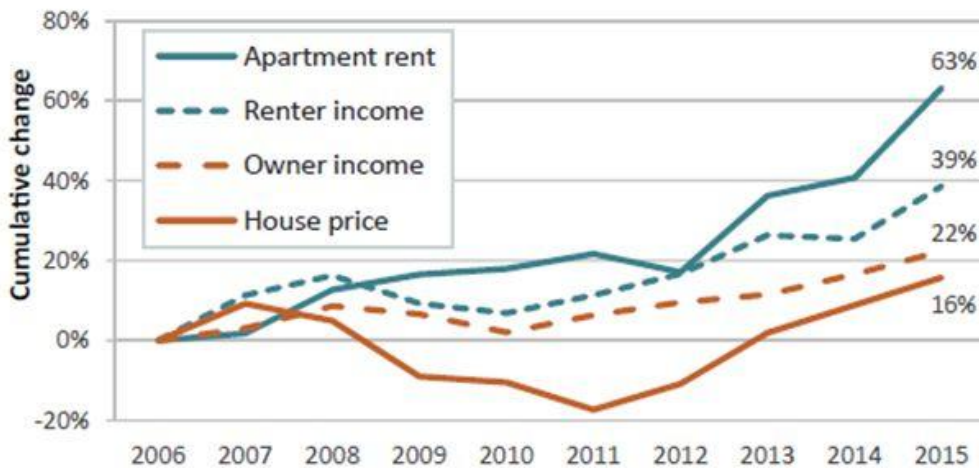
Figure 2 Portland region permitted housing units and expected household growth | Source U.S. Census Bureau. Johnson Economics



Population growth divided by 2.57, the long-term average household size in the Portland metropolitan area.

This sudden growth, coupled with a dearth of rental housing, has caused a sharp increase in rents. Housing prices have also risen, but nowhere near as sharply as rental rates. On the income side, while homeowner income has increased faster than home prices, renter income has not kept pace with rental rate increases. The chart below displays illustrates how this affordability crisis is truly a rental housing issue.

Figure 5 Change in income and home prices | Source Multifamily NW, RMLS, U.S. Census Bureau, Johnson Economics



We know from twenty years of experience that realizing actual development in UGB expansion areas is a complicated and lengthy process. Metro has expanded the urban growth boundary by thousands of acres over the past twenty years. We expected to see 70,000 housing units built in those UGB expansion areas, but permits have been issued for fewer than 8 percent of those expected units.

During that same period, housing development within the original 1979 UGB has been robust. People are moving to our region because of strong economic growth and quality of life. Within the Portland area, people are flocking to urban centers because they want to live in walkable neighborhoods, near transit, and close to schools and shopping.

Equitable Housing Summit and Report

Metro and our local government partners are working to help solve the housing affordability problem – in fact, Metro is convening a long-planned Equitable Housing Summit this Monday, February 1, which will bring together over 200 local officials, developers, and affordable housing advocates to discuss specific solutions. In advance of the Equitable Housing Summit, Metro released a report analyzing the causes of the current crisis and presenting strategies for creating and preserving housing affordability as our region continues to grow. The report can be found at our website: www.oregonmetro.gov/equitablehousing

Conclusion

I encourage the Legislature to support new tools for state and local governments that will actually address the current lack of affordable rental and other housing units within our existing cities. In particular, we would welcome the state’s help in addressing current barriers to development in the Metro region like annexation and infrastructure. Without annexation reform, funding for infrastructure, and local government readiness, the thousands of acres we have already added to the UGB will likely not be developed. Adding even more land without addressing these challenges would be an exercise in futility. Please do not get distracted from important initiatives to solve the

housing crisis by the call from the building industry to abandon key principles of the state's land use laws or to further tighten restrictions on local governments. Please oppose SB 1575.

Sincerely,

A handwritten signature in cursive script that reads "Tom Hughes".

Tom Hughes
President, Metro Council