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Responsible Real Estate Developers and Investors

an affiliate of Smart Growth America's national developer coalition

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Oregon LOCUS Testimony before the Joint Ways and Means Natural Resources Subcommittee In Support of HB 2007A-6 June 22, 2017

Co-chairs Witt and Frederick, and members of the subcommittee, my name is Mike Kingsella, executive director of Oregon LOCUS, and I'm here today in support of HB 2007 with the dash 6 amendments.

Oregon LOCUS is the first statewide affiliate of Smart Growth America's coalition of responsible developers and investors. Our organization is made up of a group of largely urban infill and transit-oriented developers who are deeply passionate about advancing the principles of smart growth in their communities. Oregon LOCUS is focused on collaborating with state and local level policy makers to achieve a variety of innovative policy solutions that address our region's housing and land use needs through a lens of economic, social and environmental sustainability.

According to data from the state economist, approximately 100,000 units of housing need to be built *just to catch up* to the current housing shortage—and for each *new* household moving to Oregon, we are only building .3 units, so moving forward we need to *triple* the production of housing across Oregon to meet our housing needs at all levels of affordability.

Let me underscore this: the shortfall is at *all* price points, and drives housing cost up...creating significant competition for what housing *is* available.

Although it may seem counterintuitive, addressing a shortage of housing at higher income levels or price points is critical for housing affordability. Without it, the person who can afford a \$1,500 rental will be competing for the \$800 unit along with the person that cannot pay more. A June 2017 Rental Housing Study commissioned by Montgomery County, Maryland found that a shortage of rental housing at the high end of the market creates downward pressure on less affluent renters because when higher-income households rent less expensive units, lower-income renters have fewer affordable choices.

That is why we support the dash 6 amendment. The bill as amended works *with* the private sector—far and away the largest generator of housing in Oregon—to encourage more housing production serving a full range of incomes by getting at one of the most significant barriers: approval processes that are lengthy, create cost, create uncertainty, and reduce the number of units allowed by law.

While these challenges add to the cost of any housing project, in the case of affordable housing projects, which frequently have complex capital stacks with a multitude of participants, unnecessarily long and complex approval processes can easily sink a deal.

HB 2007A-6 addresses this issue in several important ways.

First, the bill contains a provision that requires approvals within an accelerated 100 days for housing with at least 50% of the units affordable at 60% of the median family income for at least 60 years—that's long-term affordability.

Second, it ensures that when a City goes through its legislative planning process and maps each property with an entitled height and density that design review cannot undo that public process and reduce the number of housing units that are allowed on that site.

Each height and density allowance is the result of many factors, including proximity to transit, view corridors, open spaces, density objectives, and growth goals.

Certainty on the height and density allow you to set property values, analyze a pro forma for development of the site, and approach investors.

But if that allowed height and density is not honored in the design review process, needed housing is lost and projects die, especially affordable housing projects.

This element of the bill is **critical** to meeting the growth planned for and needed in our communities. If 200 units are entitled for a site, but design review reduces the units to 75, things will only get worse.

An in response to concerns in the earlier version of HB 2007, a critical dash 6 amendment enables discretionary design review to influence how those units are *configured* in a project. For example, 200 units could be massed short and broad on a site, or narrow and tall. That's an important change that helps meet the mutual goals of meeting our growth needs and meaningful design review. .

Let me underscore this point: it's a false choice to pit quality design against needed density. We need **both** and HB 2007A-6 supports both.

There is also a unique aspect to reducing housing supply barriers and affordability in Portland, with the City's new Inclusionary Housing program. If you have a site in the Central City and you build 20 units or more you are required to include affordable housing. One of the offsets to the costs of building that affordable housing, is a density bonus.

That density bonus is mandatory and encourages the production of affordable housing in exchange for extra density. HB 2007A-6 ensures that the earned density for affordable housing can't in turn be taken away through a discretionary design review. This is important, as without the bonus earned density, the affordable housing units will not be built.

In this simple example, reductions in zoned density would directly conflict with the construction of affordable housing units.

Last, within the Metro UGB, current law *exempts* residential development in Portland's Central City, in any Metro-declared regional centers, **and** in local historic districts from the requirement for clear & objective standards that otherwise already applies to residential development in all other areas. HB 2007A-6 does **not** change these exemptions.

Oregon LOCUS strongly supports this important, positive housing policy.