

State of Oregon

Housing Production Framework

(Draft)

Background

Oregonians in every part of the state have been clear: our state is in crisis and demands urgent action. According to the most recent [Oregon Housing Needs Analysis](#), addressing the state's current housing shortage and keeping pace with future demand would require the development of 36,000 new homes each year for the next 10 years. This severe housing shortage is the root cause of the state's homelessness crisis. We simply must build more homes to meet the need and ensure every Oregonian has a home they can afford.

Since her inauguration on January 9, 2023, Governor Kotek has taken bold steps to meaningfully increase housing production across the State of Oregon. She has:

- Set an ambitious statewide housing unit production target of 36,000 units per year, which is the level of production necessary to address the housing shortage. Meeting this target will require an all-hands-on deck approach from every sector: all levels of government, philanthropic partners, business partners, and non-profit partners;
- Established the Housing Production Advisory Council (HPAC), which developed a robust set of [recommendations](#) to increase housing production for the Governor's consideration;
- Worked with the Legislature to secure almost \$1 billion to support housing production across all levels of affordability, especially housing affordable to people earning low or moderate incomes;
- Directed the State's housing finance agency, Oregon Housing and Community Services (OHCS), to streamline their funding processes in order to maximize production; and
- Passed an omnibus housing production package (SB 1537) with a suite of policy tools to encourage housing production, including addressing common barriers to production like land supply.

Strategic Imperatives (2024)

Through the development and implementation of the Governor's priority housing production legislation (SB 1537), review of the Housing Production Advisory Council (HPAC) recommendations, consideration of stakeholder and agency feedback on the HPAC recommendations, and implementation of legislative investments to improve housing production outcomes, the Governor has refined and expanded her production framework for the State of Oregon. Across all of the strategic pillars of her production framework, the State of Oregon will focus on the following:

- **Outcomes:** Set clear outcome goals to increase housing production facilitated by state resources and transparently report on progress toward those goals at the end of the 2023-25 biennium.
- **Coordination:** Across all strategic pillars, break down silos in State government, coordinate across relevant executive branch agencies local, and regional partners to maximize housing production.
- **Racial Equity:** Center racial equity by ensuring that the implementation of Oregon’s land use system housing goal (Goal 10) affirmatively furthers fair housing, requiring racial equity impact analyses for all aspects of this framework that receive state funding, and ensuring that state affordable housing resources are accessible to culturally-specific organizations developing affordable housing.
- **Tribal Sovereignty:** Across all strategic pillars, consult and collaborate with the nine federally recognized and sovereign tribes in Oregon.

Pillar 1. Statewide Housing Production Outcomes

The Governor’s Office will ensure that the State estimates and allocates housing needs across the State and work with local jurisdictions to develop and implement effective housing production strategies to maximize these outcomes. In addition, the Governor will ensure that the State develops a housing production strategy alongside local jurisdictions, as all levels of government must do their part to remove barriers to development and increase housing production.

- Report statewide production outcomes compared to the annual statewide goals: Oregon Housing and Community Services (OHCS) will create an initial publicly available housing production dashboard by January 1, 2025, that compares housing production goals and outcomes for cities above 10,000. The agency will fully populate the dashboard with complete data by January 1, 2026, and will annually update the dashboard thereafter. This will create transparency for Oregonians about the statewide housing production goals for cities above 10,000, related outcomes, and any gaps between housing goals and outcomes.
- Track the impact of state programs on new housing production: The Governor’s Office will direct the Department of Land Conservation and Development (DLCD) to explore the creation of a dashboard that shows how many housing units, types, and tenures have been produced by state programs and investments, including the Housing Accountability and Production Office (HAPO).
- Focus on equitable outcomes: OHCS will develop, track, and publicly report on equity indicators in new housing production to increase public transparency about whether the housing units being produced statewide are advancing equity in the State.
- Establish and report outcomes for state investments: At the end of the biennium, the Governor’s Office will report on the outcomes achieved with all housing production resources invested this biennium to expand the outcomes-oriented strategic pillar.
- Develop an outcomes-oriented budget: The Governor’s Office and OHCS will work with partners to develop the Governor’s Recommended Budget to make certain we do not lose ground on the housing undersupply crisis by losing the existing affordable housing we have. In addition, the Governor will ensure that any new programs or program expansions that may be included will have clear associated production outcomes and

have a racial equity impact analysis to understand the racial equity impacts of each potential investment.

Pillar 2. Maintain Existing Housing Investments

Preserve and Stabilize Existing Affordable Housing

The State of Oregon has invested in tens of thousands of units, supporting an expanding portfolio of regulated affordable housing. Expiring affordability agreements, capital preservation needs, operational shortfalls, and other issues put past investments at risk. This project will work to preserve and stabilize affordable and moderate-income housing units that have been financed or funded by the federal, state, and local government. This will be accomplished through the following actions:

- A. An analysis and intervention framework for forecasting the State’s preservation need for the next 10 years.
- B. The establishment and capitalization of a state-funded first loss risk pool (partial insurance) for regulated affordable housing and public housing in order to facilitate lower premiums when acquiring insurance for properties, in alignment and coordination with the permanent supportive housing risk mitigation work in the Governor’s 2024 Homelessness Response Framework.
- C. Interventions to support properties experiencing operational challenges as a result of the pandemic or changing market conditions in order to stabilize regulated affordable housing and public housing, as well as prevent affordable housing program withdrawal, prevent foreclosure and loan forfeiture, or address necessary life and safety repairs.
- D. Interventions to preserve manufactured home parks.

Achieve Affordability through Acquisition

Unique, current market conditions are creating a rare opportunity to acquire market rate or unregulated affordable rental housing and convert it into regulated affordable housing at half the cost per unit of new development. These market conditions are supporting this conversion work happening three to four years faster than new development. This project will identify opportunities to leverage this strategy.

- A. The Governor’s Office and OHCS will identify the current program and funding barriers to support the acquisition of existing housing and conversion to affordability, as well as identify program and funding options.

Pillar 3. Land and Land Readiness for Housing Production

Land for New Housing

As sites zoned for residential development have built out, housing authorities, affordable housing developers, and market-rate housing developers are challenged by a lack of residentially zoned

land where housing development is feasible or where land is development ready. The State of Oregon will take targeted action to increase available land and support land readiness.

- A. Through the Oregon Housing Needs Analysis implementation, the Department of Land Conservation and Development (DLCD) will incorporate development feasibility into the requirements and guidance for determining residential buildable land inventories. This will aim to ensure the land counted for housing production is reasonably expected to occur.
- B. DLCD will support local jurisdictions and housing developers in utilizing the one-time site addition to urban growth boundaries that are authorized in Senate Bill 1537 (2024).
- C. DLCD and the Department of State Lands (DSL) will identify program options to provide technical assistance funding to cities for local wetlands inventories and delineations that facilitate the removal of wetlands as residentially zoned lands in a city's 20-year available land inventory.
- D. DSL will identify how to extend wetland mitigation credits to voluntary wetland projects under ORS 196.623, including Oregon Watershed Enhancement Board funded programs, and enable the department to support and create wetland mitigation opportunities (which avoid, minimize, or compensate for impacts to these natural resources) throughout Oregon in order to enhance and preserve key ecosystem functions. This will include a focus on serving urban development where local jurisdictions identify and justify the need for wetland credits (funds that restore or enhance wetlands or waters) to support housing production goals, while investing in climate resilience.
- E. The Governor's Office will work with the Department of Administrative Services (DAS) to evaluate state owned and leased properties and identify which may be suitable for housing development to create a pipeline of housing development opportunities across the state. Creating an equitable, low-barrier disposition process for land can achieve rapid housing production on these properties. Entering into low-cost or long-term leases would reduce land costs for affordable housing developers and create a mechanism to keep public properties affordable for the long term.
- F. Business Oregon will recapitalize and expand Oregon's brownfield property revitalization and redevelopment fund with specific funding for the production of new housing. These options will include additional eligible uses addressing site readiness, such as gradation or public nuisance issues.
- G. OHCS will assess the financial sustainability of their land acquisition program, options for expanding the program for affordable and moderate-income housing, and the alignment of the program with Oregon Housing Needs Analysis requirements associated with housing production targets and local housing production strategies.

Pillar 4. Less Complexity and Cost for Housing Development

Understand and Address Process Barriers

Housing development land use entitlement and permit review has become longer, more complex, and involves more local, state, and public entities. In order to address this, the Housing Accountability and Production Office (HAPO) created by SB 1537 (2024) will:

- A. Complete a land use and permitting process study, as well as a public works and building permit study to assess current conditions in Oregon, best practices, and opportunities for improving the efficiency or lowering the cost of the housing development process.
- B. Identify the drivers and impact of franchise utility process requirements and timelines on major housing development projects, as well as intervention options to mitigate impacts to cost or delay.

Improvements to the State of Oregon's Process

State agencies have a significant role in reviewing and approving many proposed housing development projects in communities across Oregon. The objective of this project is to improve the State's involvement with the housing development review and approval process. This will be accomplished through the following actions:

- A. Establish major housing project priority review staff at Oregon Department of Transportation (ODOT), Department of Environmental Quality (DEQ), and Department of State Lands (DSL). Major housing project review teams will provide a single point of contact for each agency for a project's permit review and approval process and give the project priority review status over other projects.
- B. Modernize the Land Use Board of Appeals (LUBA) process with electronic filing and systems in order to help expedite appeals.
- C. Provide funding for an ongoing statewide training institute for planners, permit reviewers, and developers of residential housing projects on changes in state statute and rule and LUBA decisions.
- D. The DEQ will work with municipalities and housing development stakeholders to refine and align the post-construction stormwater standards in Oregon in a manner that facilitates housing production and protects water quality.

Tools for Local Jurisdictions and Housing Developers

Local jurisdictions and their housing development partners have highlighted the need for additional tools and support to work through issues that fully implement middle housing statutes and increase housing production. This project will provide initial tools and identify others as needed. This will be accomplished through the following actions:

- A. DSL will develop a program that supports funding for local jurisdictions to start wetlands in-lieu fee programs (projects that are restoring or enhancing wetlands or waters) as a mechanism to better align and expedite housing production projects with wetland preservation and mitigation objectives to enhance and preserve key ecosystem functions.
- B. DLCD will establish model housing development codes for use by small, medium, and large cities, with best practices for development standards for single unit detached dwellings, accessory dwelling units, middle housing including cottage clusters and townhouses, and multi-unit attached dwellings.
- C. The Governor's Office and DLCD will work with stakeholders to explore potential changes needed to Oregon statutes or rules to fully implement the intent of middle housing. This includes addressing barriers to additional accessory dwelling units, single room occupancy units, cottage cluster housing, attached townhouses, and other for rent and for sale middle housing types in all communities in the state.

Pillar 5. Funding and Programs Supporting Housing Production

Ongoing Funding for Housing Development

- A. Continue to maximize LIFT funding, low-income housing tax credits, and private activity bond allocations for affordable rental and homeownership development.
- B. Explore a dedicated, time-limited revenue stream (10 years) to provide consistent additional funding to reduce the cost of low- and moderate-income housing development.

Ongoing Infrastructure for Housing Programs

Infrastructure is a critical need in communities across Oregon to support increased housing production. This project will provide funding and an ongoing role for state government in supporting this need. This will be accomplished through the following actions:

- A. The Governor's Office and Business Oregon will develop a program that supports readying existing land for new affordable and moderate-income housing development with infrastructure programs to support water, wastewater, stormwater, and transportation infrastructure.
- B. System development charges are critical tools to fund infrastructure for municipal services. The Governor's Office will identify options to incentivize payment deferrals or provide offsets for targeted waivers, while maintaining these essential local funding sources.

Strengthen and Expand the State Housing Finance Agency

Oregon's housing production needs are changing, and the state's housing finance agency must change based on conditions on the ground. This project will identify and implement changes to continue to grow the number of housing units. This will be accomplished through the following actions:

- A. Assess the financial sustainability of the Oregon Housing and Community Services (OHCS) predevelopment financing program and options for expanding the program for affordable and moderate-income housing.
- B. Identify options to establish a Tribal housing block grant, to support Tribes in meeting their housing production and affordability needs while providing funding certainty without having to compete with other municipalities or housing developers for funding.
- C. Explore changes to OHCS programs and structure to better support its role as a state housing finance agency. Changes to explore include structural or operational changes, direct lending and loan servicing, pass through bond financing, among other options.

Pillar 6. Workforce for Housing Planning, Permitting, and Construction

Maintain and Expand Successful Initiatives

- A. The Oregon Building Codes Division will identify options and work to expand state and local capacity for plan review and site inspections for housing.

- B. Develop options for the continuation of current pre-apprenticeship funding and programming for housing construction and development.
- C. Establish interventions for targeted outreach, recruitment, and retention plans to support apprentices from priority populations and to support the capacity and participation of employers who are committed to hiring underrepresented and/or underserved populations in licensed trade apprenticeships.
- D. Identify options to expand the Central Oregon Construction Sector Partnership to other interested regions of Oregon.

Understand and Address Workforce Needs

- A. Using existing resources, the Higher Education Coordinating Commission, in cooperation with the Oregon Employment Department and the Oregon Department of Education (*high school CTE*), will complete an in-depth assessment of housing production planning, permitting, and construction workforce needs – looking at specific occupation types and regional needs – and catalogue existing training programs, strategies, and national best practices. Local government and industry stakeholders will be included in scoping and reviewing assessment and findings.
- B. Use the assessment (*above*) to establish program options for the 2025 Legislative Session that include targeted interventions to support the most needed occupations and training programs for different regions of Oregon.