

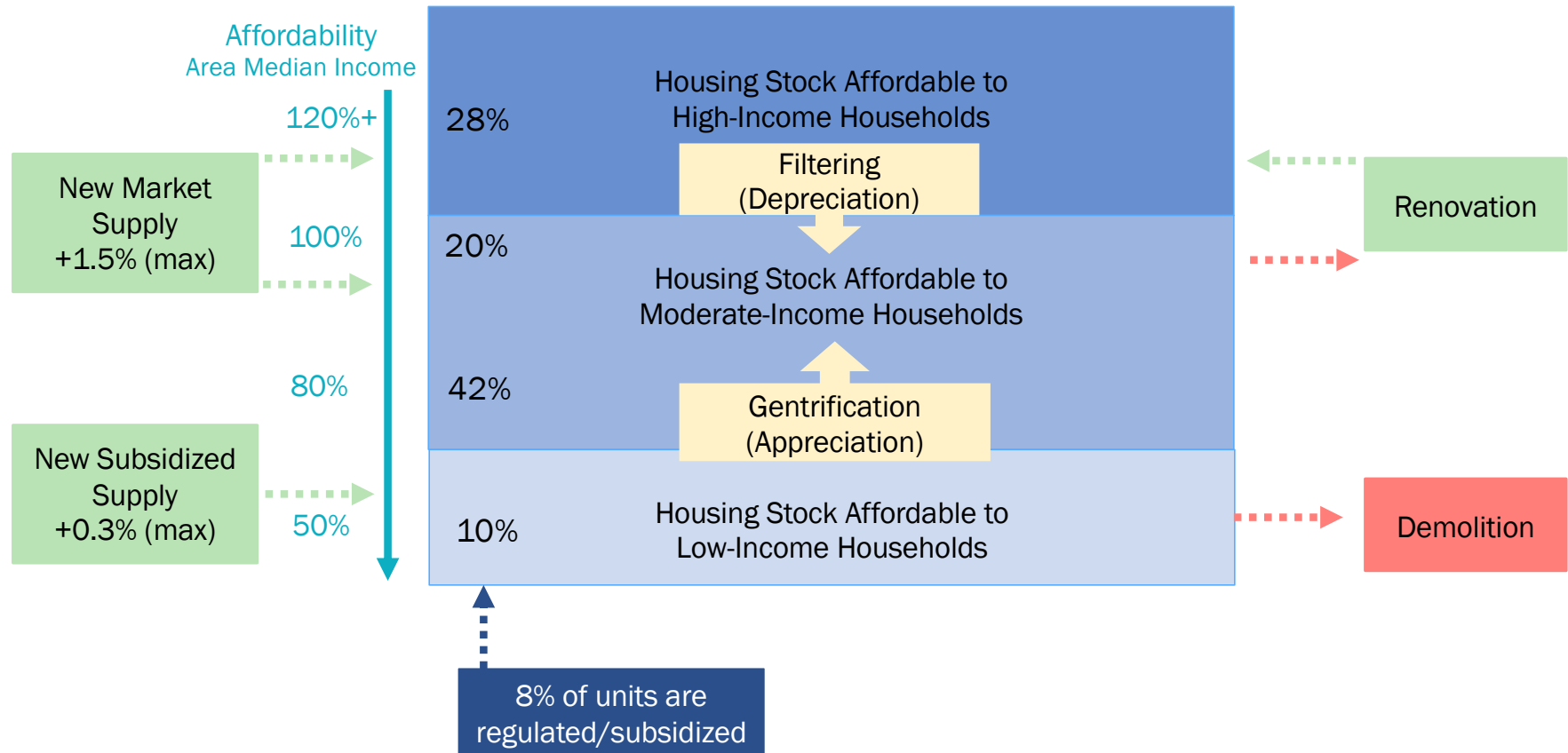
# Declining Housing Production in Portland and Implications for Affordability and Availability

**Planning and Sustainability Commission**  
**June 22, 2021**

- Housing Economics 101
- Housing underproduction and future need
- Housing permitting and under construction trends
  - Scale of development / density
  - Zoning
  - Location
- Affordability and availability of units
  - Naturally occurring units
  - Affordability and availability matrix
- Current market conditions
- Policy options

# Housing Markets, Affordability, and Neighborhood Change

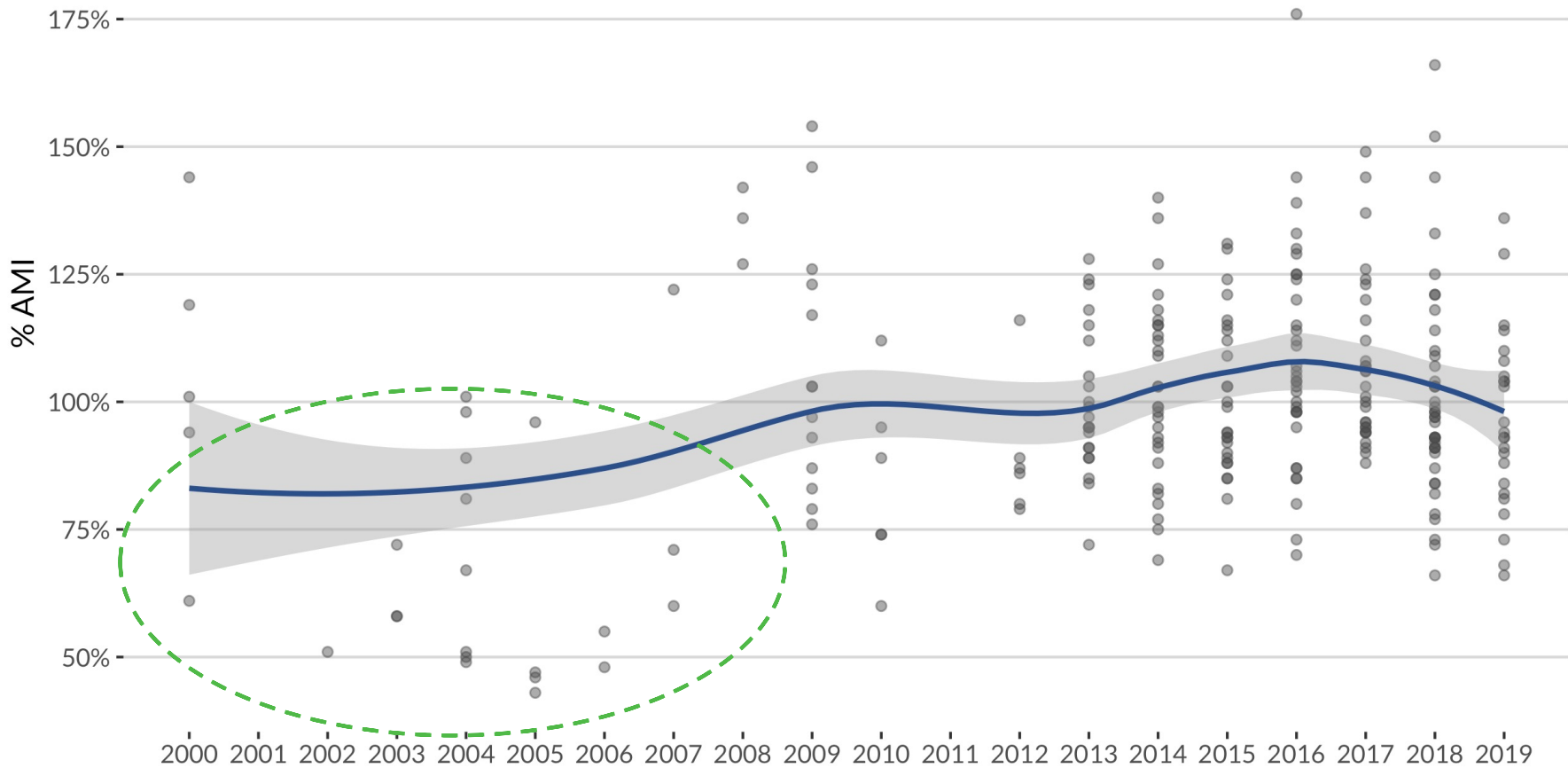
## City of Portland Housing Market Overview (315k units)



Source: ECONorthwest, 2019 1 year PUMS

# Have new apartments ever provided workforce housing?

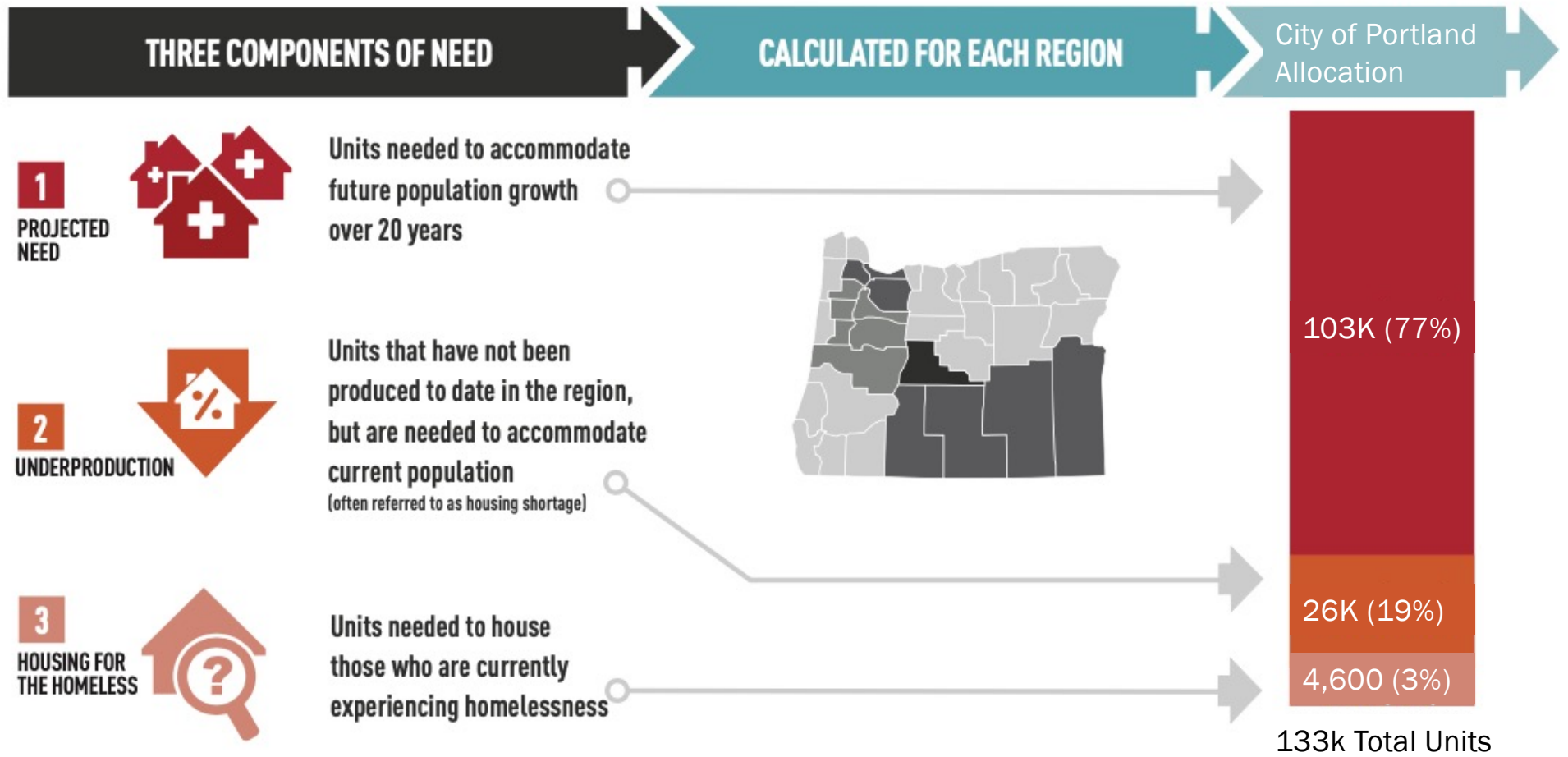
## New apartment rent as a percent of AMI – City of Portland



Source: CoStar, ECONorthwest Calculations

# Housing Underproduction and Future Need

# Comprehensive approach to calculating housing need (HB2003)



Source: OHCS, ECONorthwest

## Current Need vs. Future Need

1) Annual future need : 5k per year

- 20% Detached + Middle Housing
- 80% Multifamily



2) 26k units underproduced (current need)

- 50% Subsidized (LIHTC / Vouchers)
- 30% Regulated (IH) / Below Market / Naturally Occurring



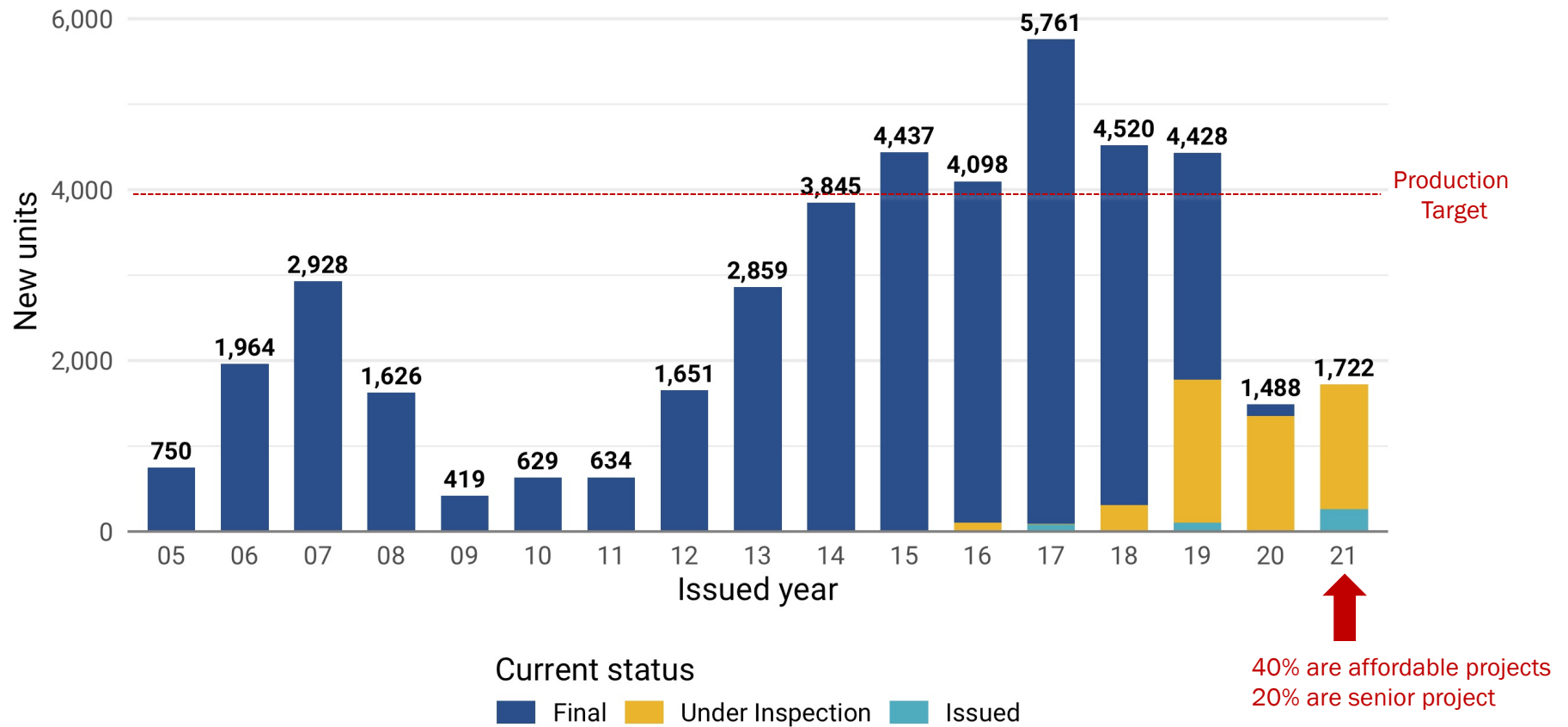
3) 4,600 units housing for the homeless (current need)

# Permitting and Construction Trends



# Permitting has increased in first 2Q of 2021, on trend for 3,500 units

Multifamily housing permit activity, 2010-2021 (through end of May)  
New unit activity only

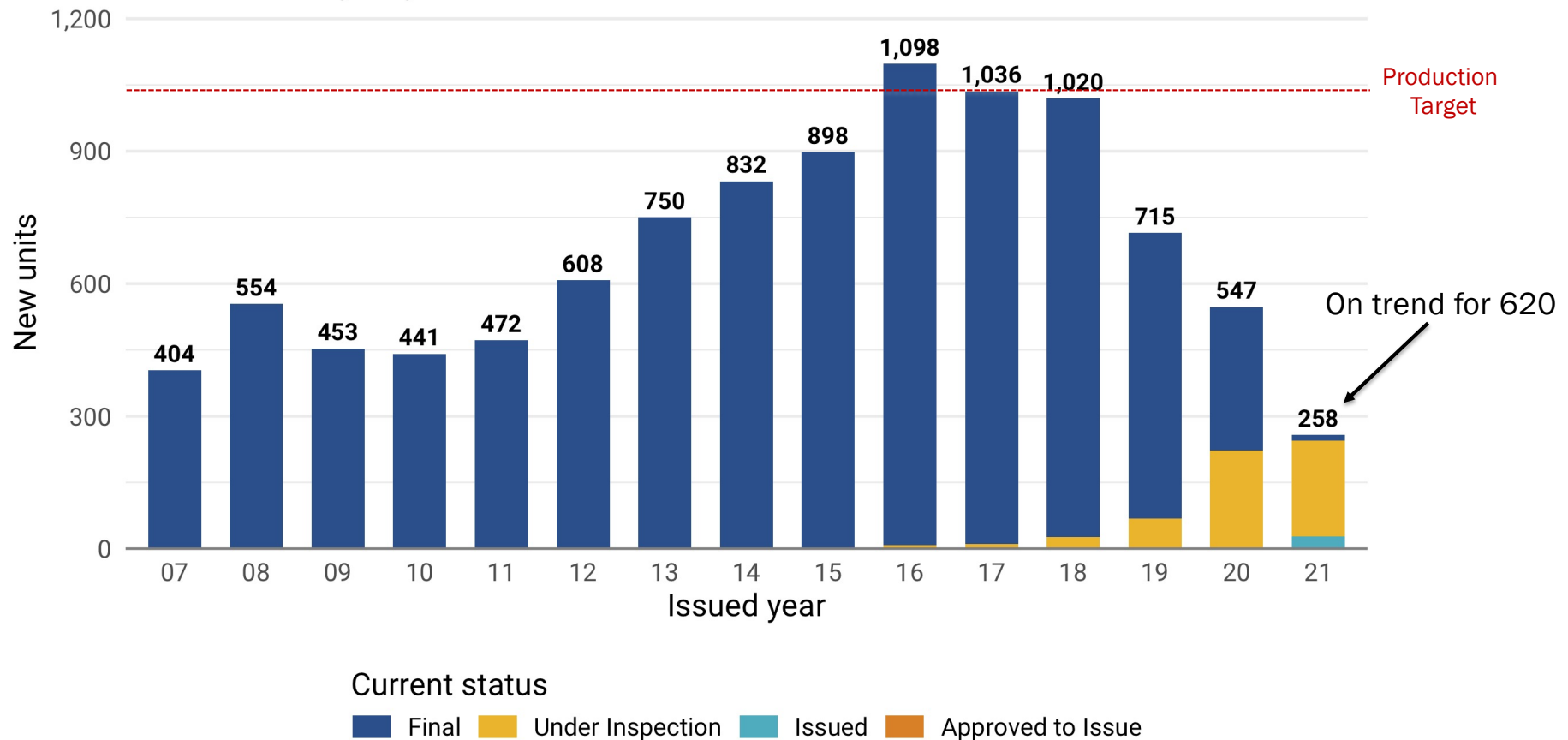


Source: Portland Maps

2,000 total units permitted in 2020, on trend for 4,000 total in 2021

### Single-family & middle housing permit activity, 2010-2021

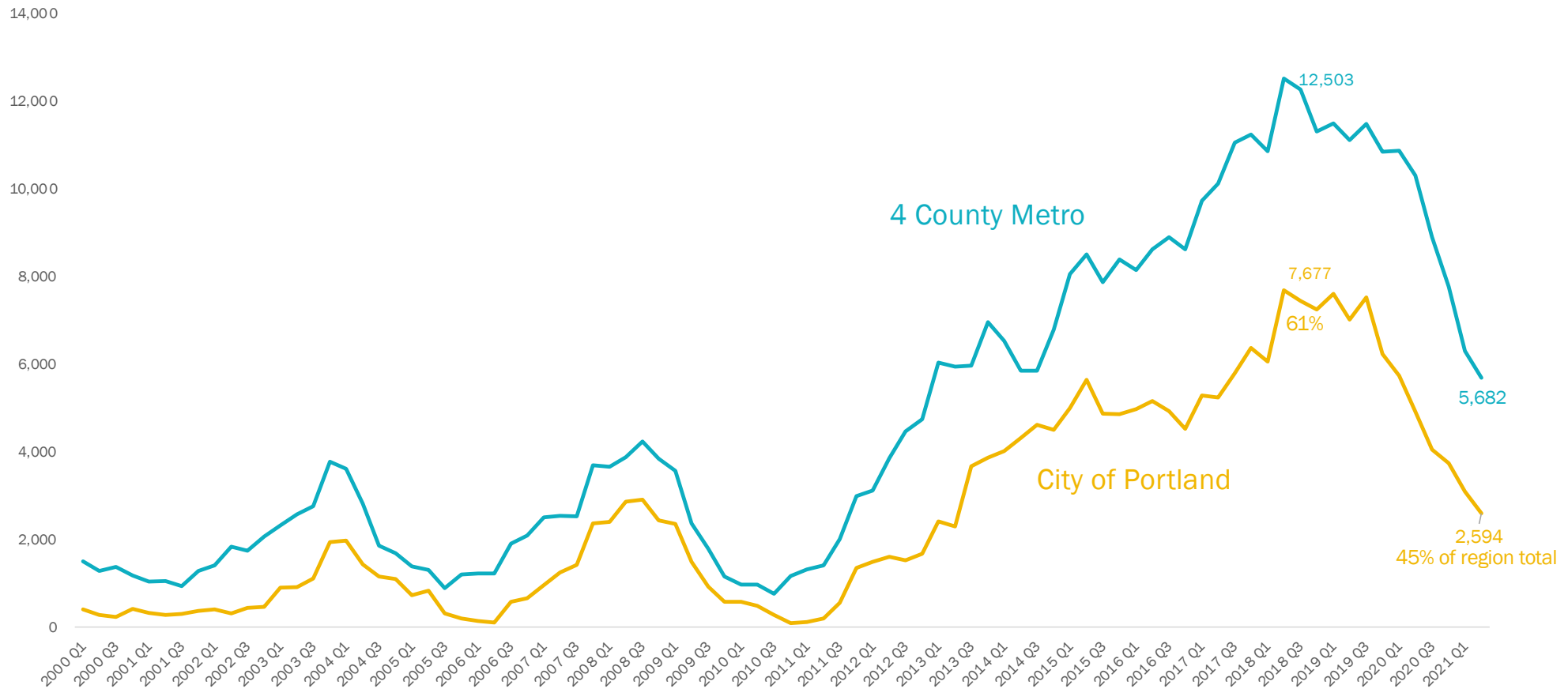
New unit activity only



Source: Portland Maps

# Apartment pipeline in free fall, down 48% in last year in PDX

Apartments Under Construction through 2Q2021  
Portland 4 County Metro Region

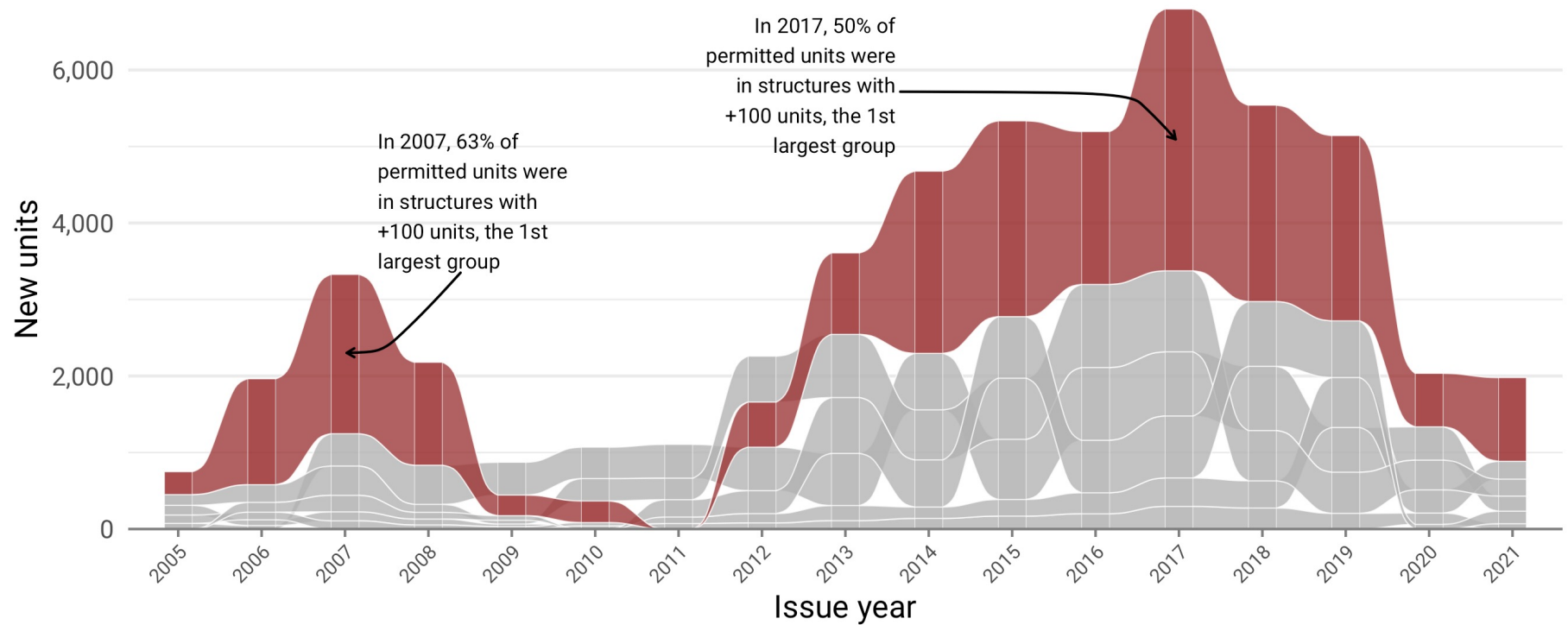


Source: CoStar

# 100+ units buildings have produced the majority of units in past two cycles

## Housing permit issuance activity, 2005-2021

### New unit activity only



### Building scale (number of units in structure)

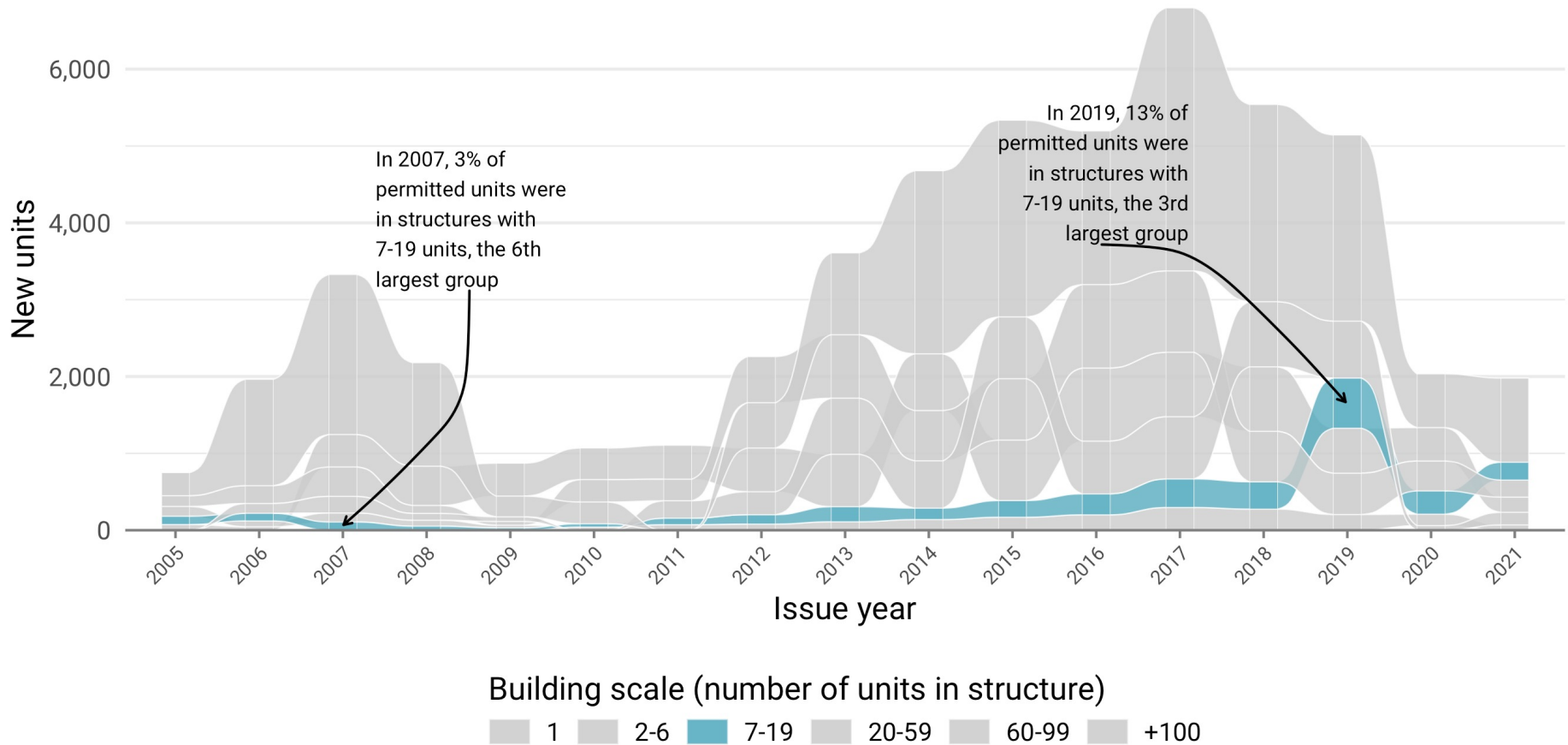
■ 1 ■ 2-6 ■ 7-19 ■ 20-59 ■ 60-99 ■ +100

Source: Portland Maps

# Share of 7 to 19 unit building production has increased 4x in this cycle

## Housing permit issuance activity, 2005-2021

New unit activity only

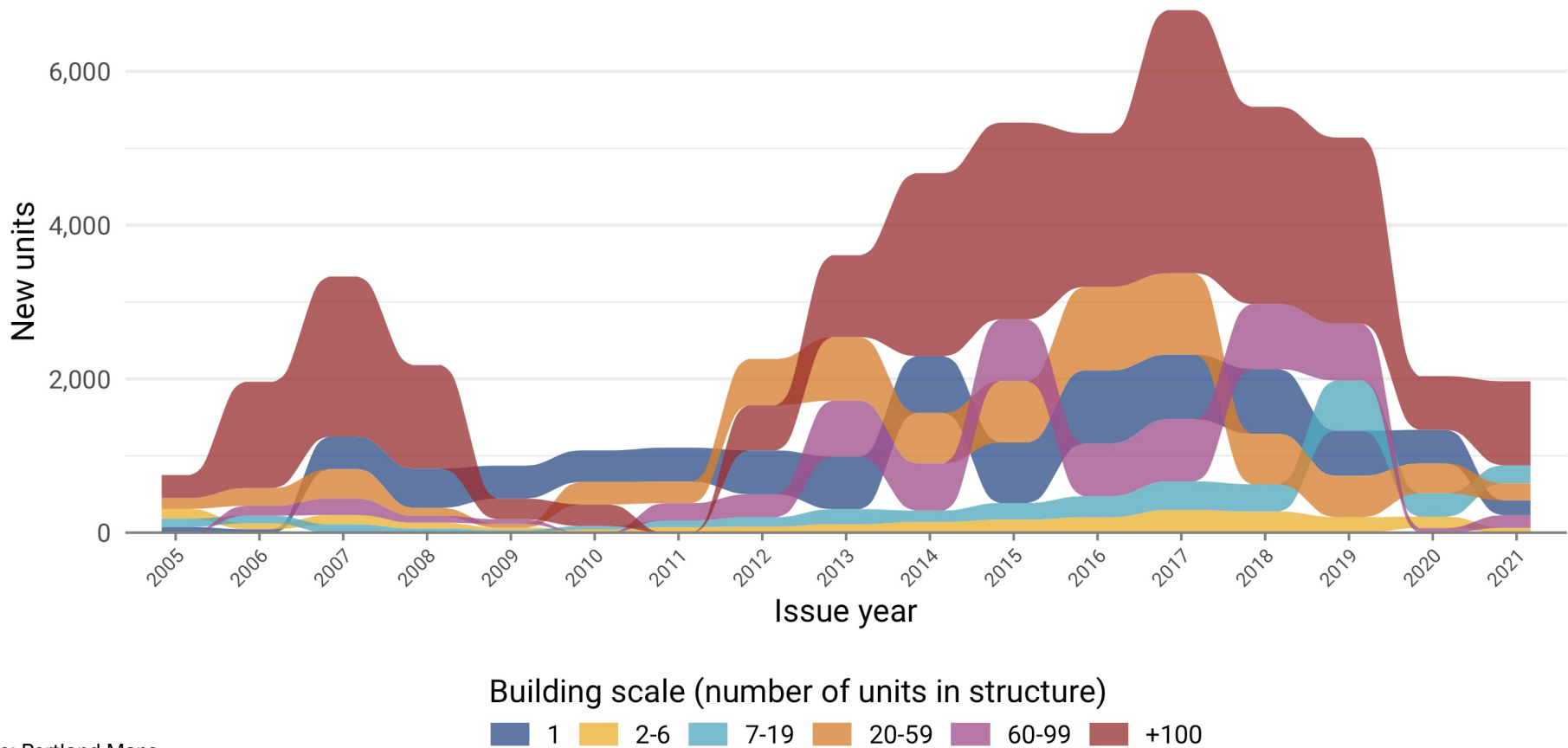


Source: Portland Maps

Since the peak of this cycle, reduced units in buildings between 20 and 100

## Housing permit issuance activity, 2010-2021

New unit activity only

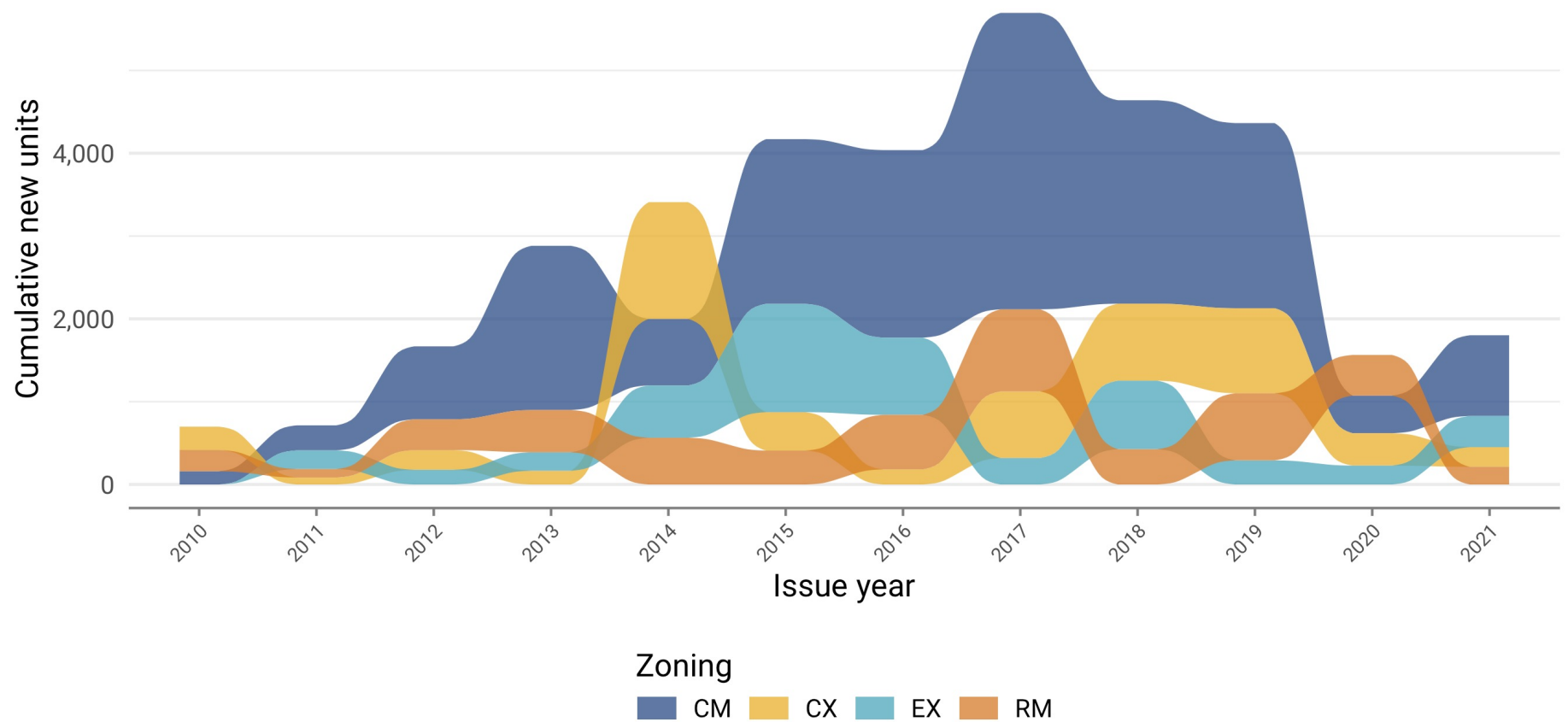


Source: Portland Maps

# RM zoning is becoming more prominent as a share of total development

## Multifamily housing permit issuance activity, 2010-2021

New unit activity only

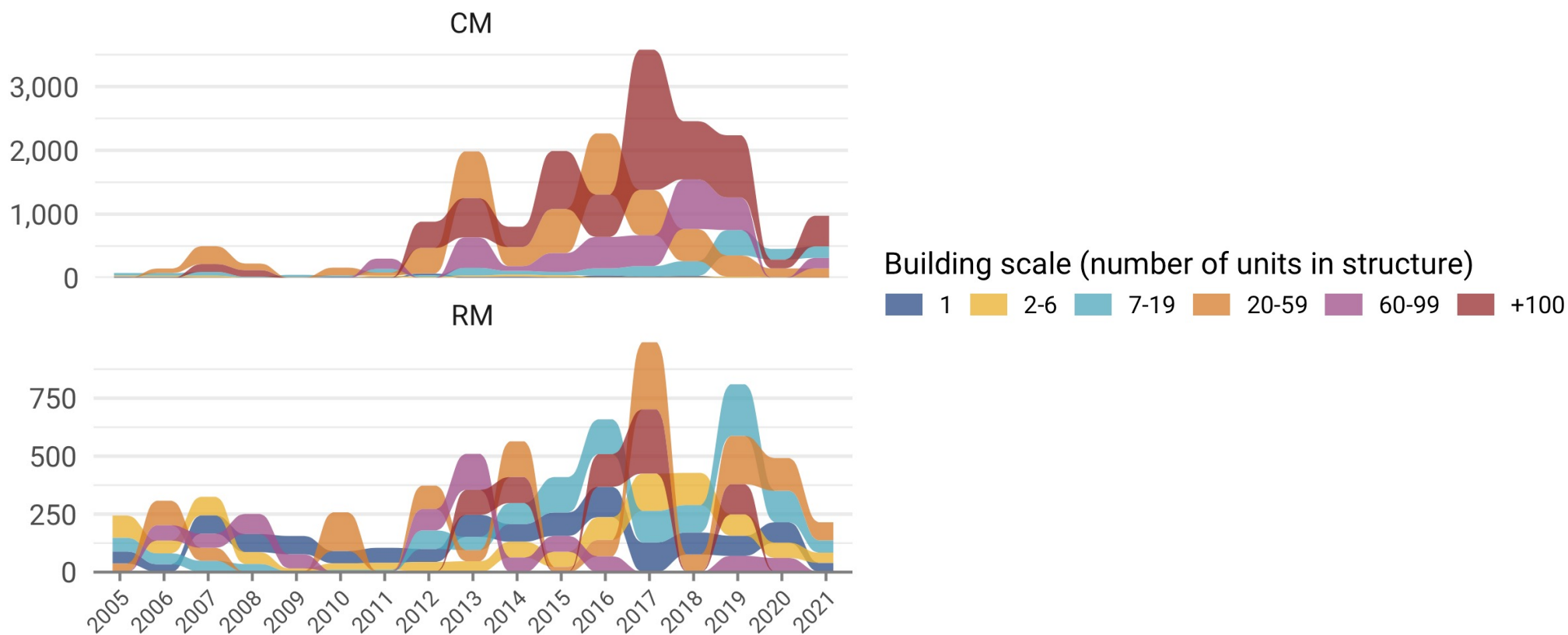


Source: Portland Maps

# Trend is underutilized density in mixed use zones and increasing size in RM

## Housing permit issuance activity, 2010-2021

New unit activity only

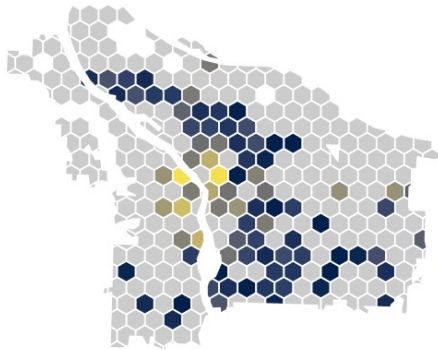


Source: Portland Maps

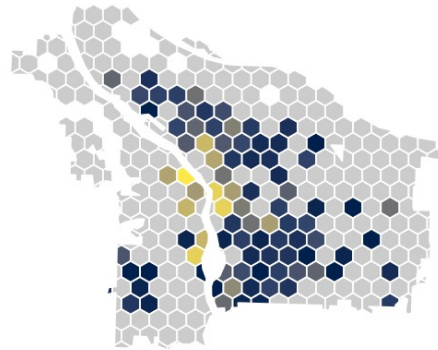


# Pattern of development over the past decade

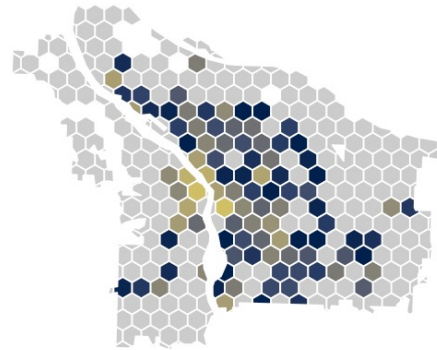
2014



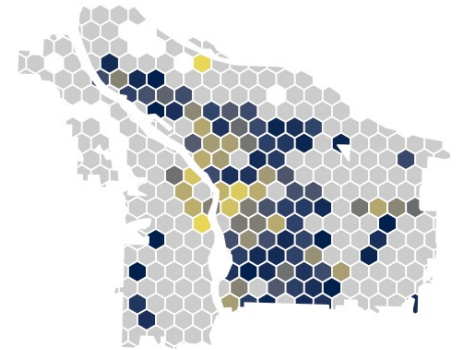
2015



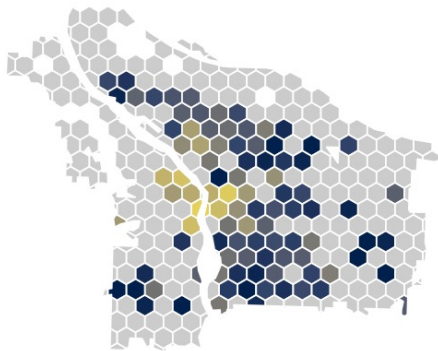
2016



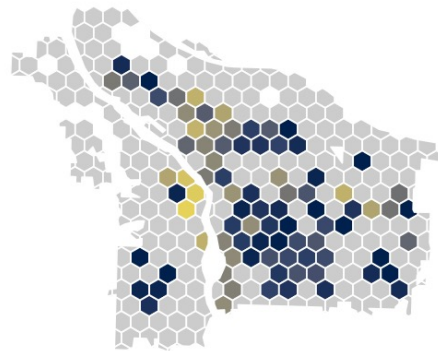
2017



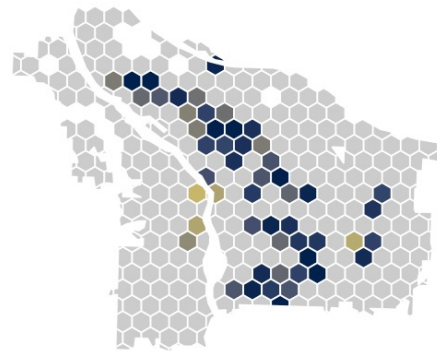
2018



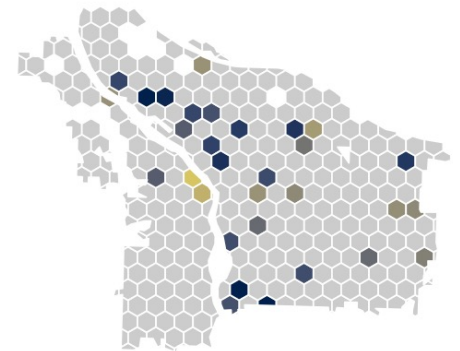
2019



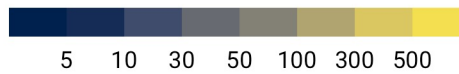
2020



2021



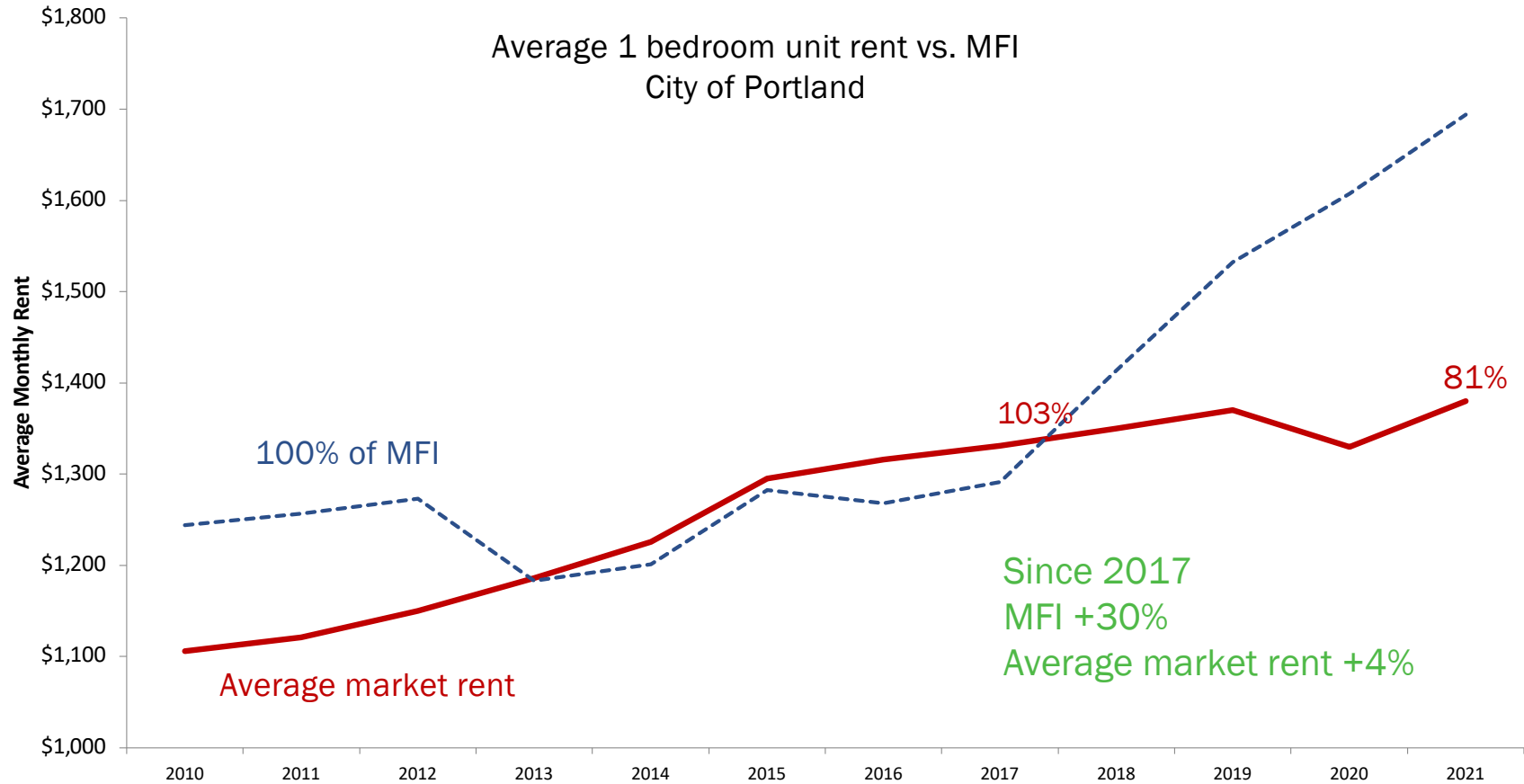
New units



Source: Portland Maps

# Affordability and Availability

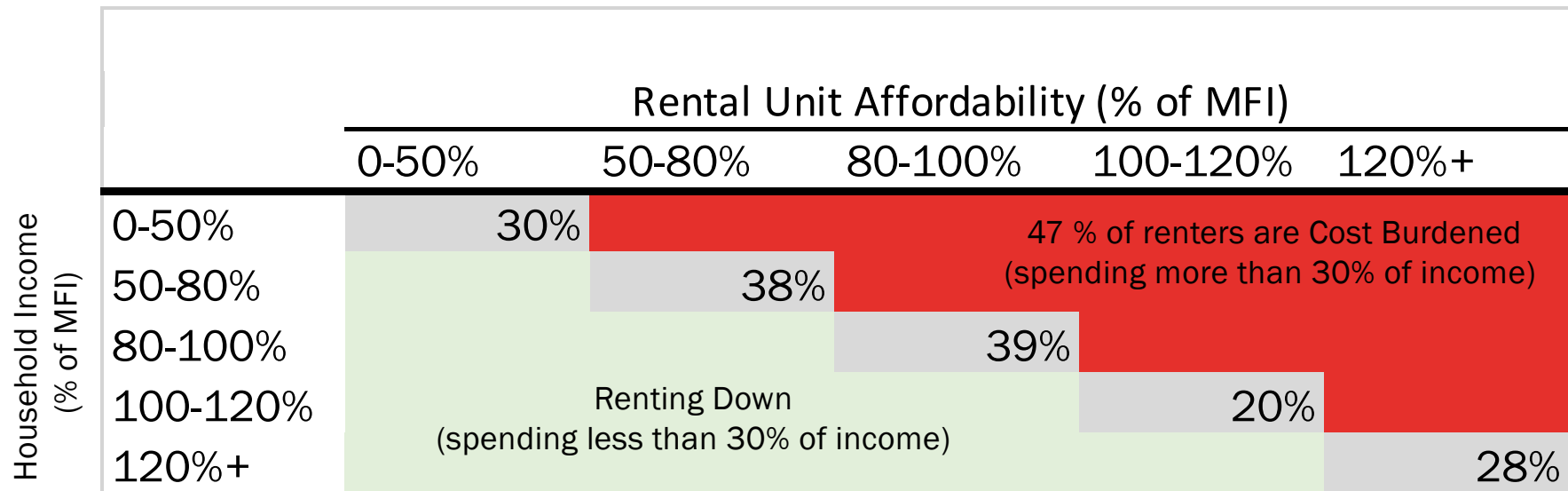
# Apartments are average more affordable than have been in over a decade



Source: CoStar, HUD

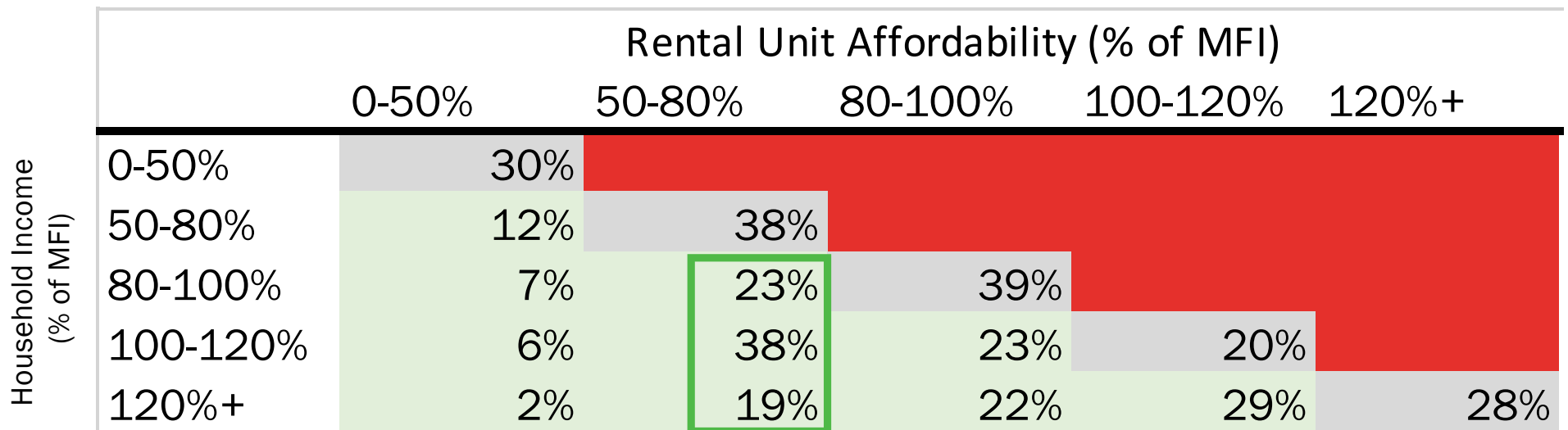
Note: Does not include utility allowance

# Income sorting and its impact on housing affordability



Source: 2019 1 year census PUMS

# Renting down removes unit availability for lower income HHs



Source: 2019 1 year census PUMS

# Renting down doubles the affordability gap for HHs earning less than 80% of MFI

Household Income (% of MFI)	Rental Unit Affordability (% of MFI)				
	0-50%	50-80%	80-100%	100-120%	120%+
0-50%	15,714	24,081	7,726	2,860	1,667
50-80%	3,225	10,382	7,614	3,492	2,395
80-100%	867	2,702	4,494	2,547	1,055
100-120%	567	3,487	2,125	1,841	1,040
120%+	490	4,733	5,424	7,069	6,887

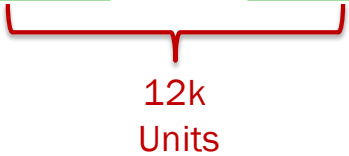
79k Households

66k Units

Rental unit shortage for households earning 80% or less of MFI = 79k - 66k = **13k unit shortage**

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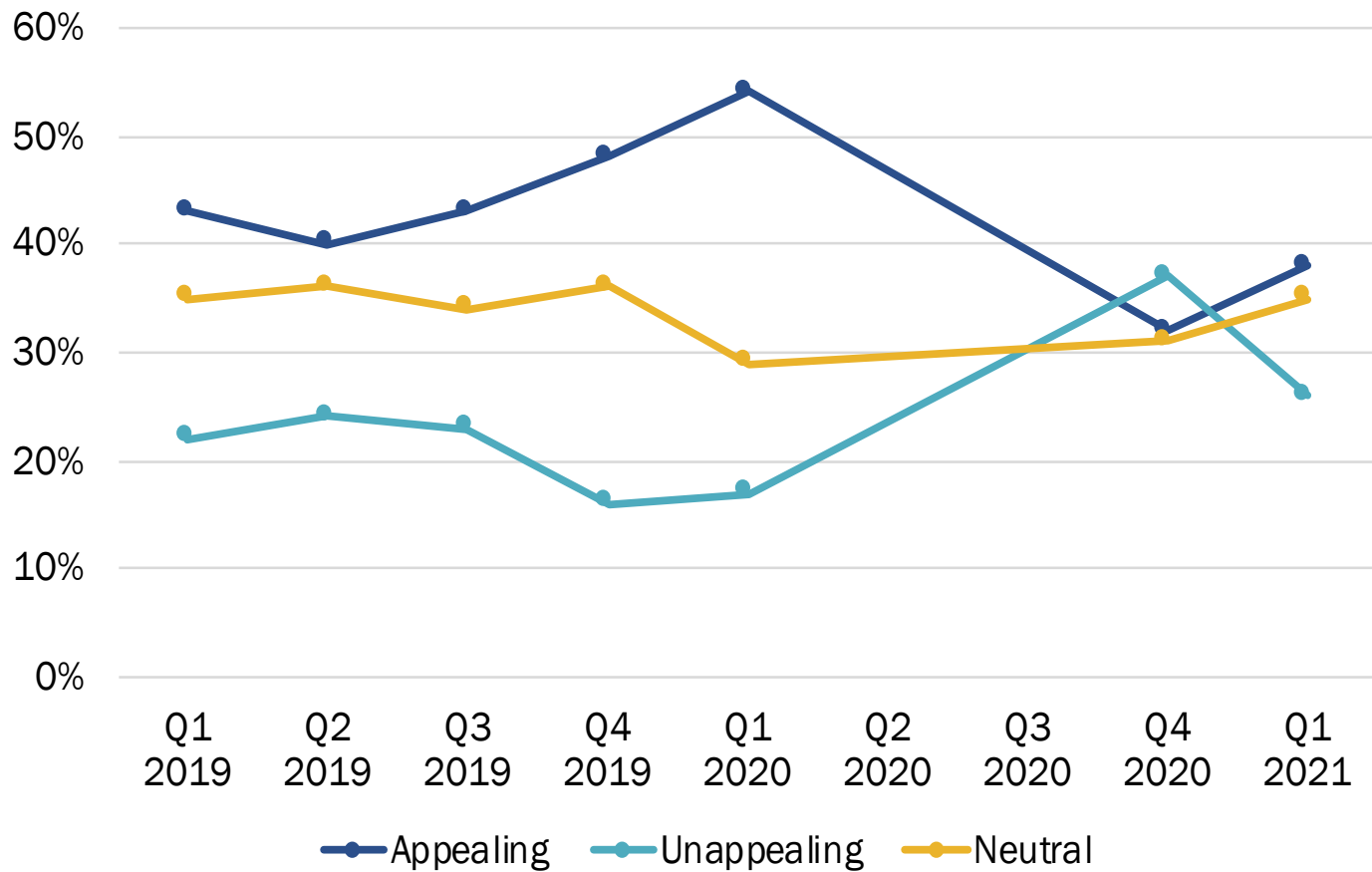

  
 12k  
Units

Shortage for renter households earning less than 80% of MFI  
 13k unit shortage + 12k units not available = **25k rental units**

# Current Market Conditions and Impediments



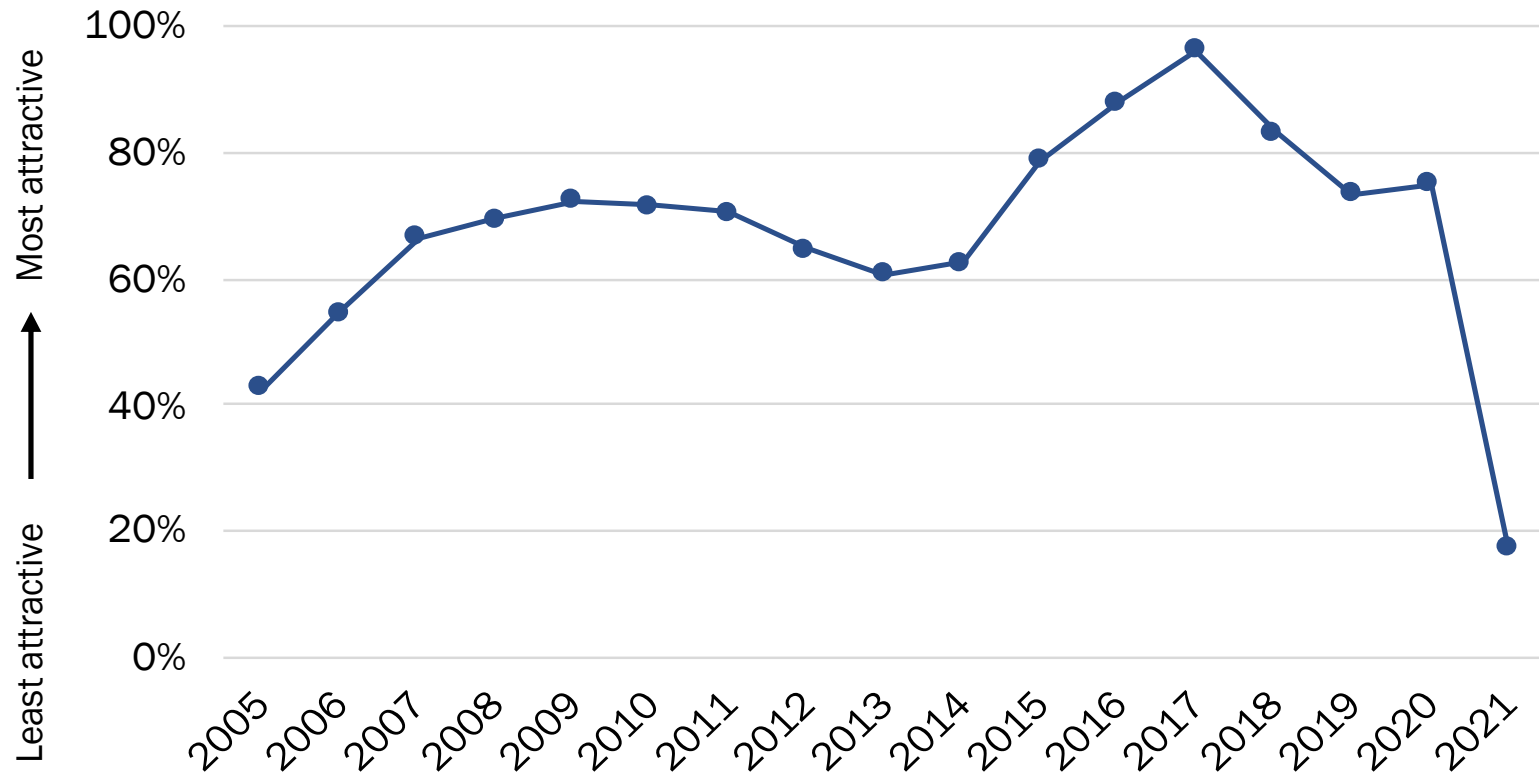
# Portland in the news... reputational impacts



Source: Travel Portland

# Reputation impacting funding for large (institutional) projects

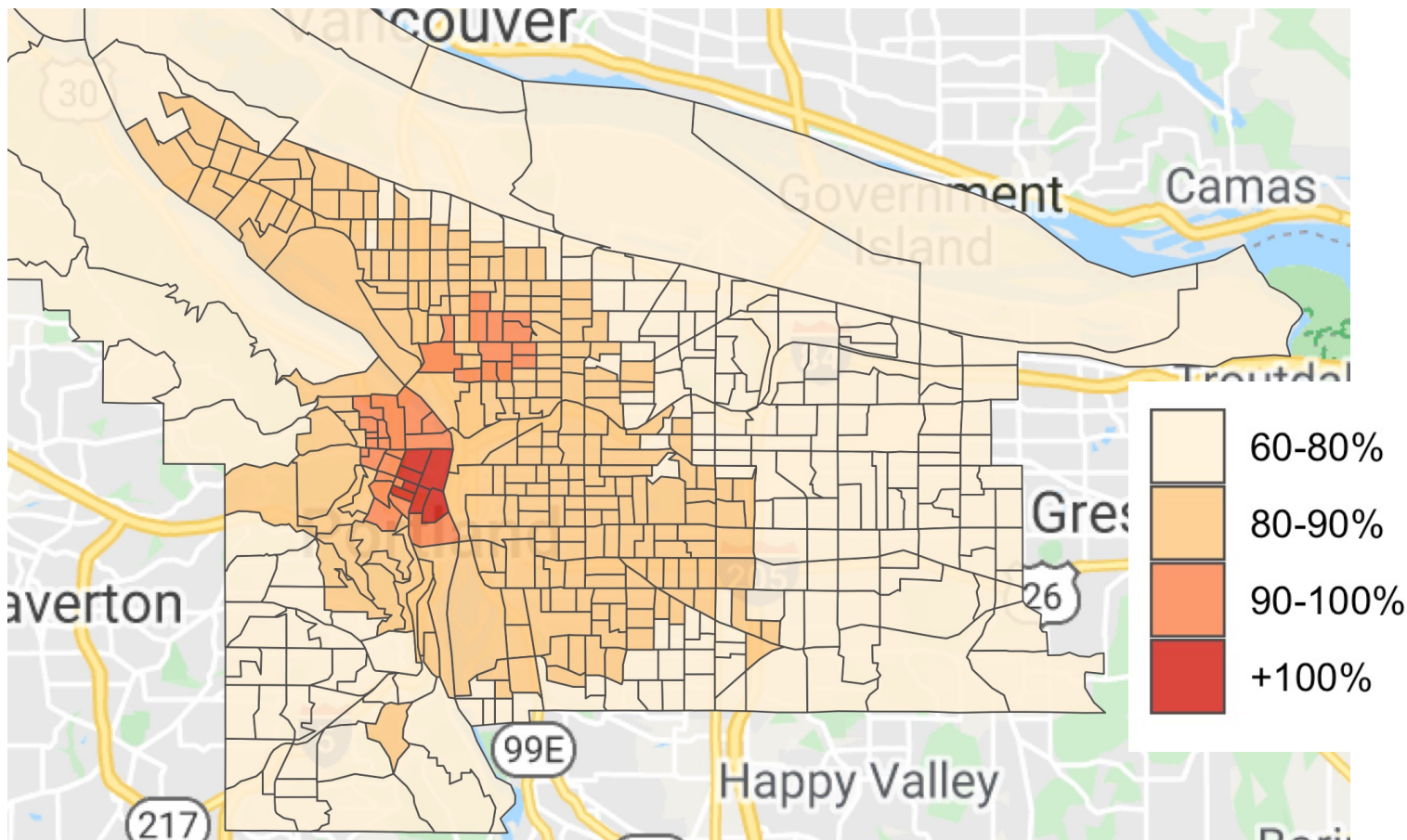
ULI Emerging Trends – Overall Development Prospects – Portland Market Rank



Source: ULI

# New construction rent at less than 90% of MFI for most of the City

Estimated rent as a percent of MFI for new construction 1 bedroom apartments – June 2021



Source: CoStar, ECONorthwest Calculations

# Policy Options

# Policy options to facilitate production of more market rate housing

- Explore locations where RM zoning could produce medium density housing
- Evaluate CM zoning to understand feasibility in current market, including 5 over 2 podiums and a range of wood designs
- Review of IH progress to date (since the published 18-month review) and re-evaluate incentives in light of changing market conditions
- Evaluate the feasibility of transferring and monetizing unused city FAR in the central city
- Support design standards track as an alternative to discretionary review in the DOZA project
- SB 458 (fee simple development) and the opportunities for fee simple housing under RIP allowances

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# **ECON**orthwest

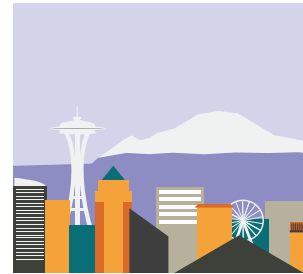
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