



Home Builders Association
of Metropolitan Portland

November 5, 2015

The Honorable Tom Hughes
Metro Council President
600 NE Grand Ave.
Portland, OR 97232

Chair Hughes and Members of the Metro Council,

On behalf of the over 1,400 members (representing over 10,000 employees) of the Home Builders Association of Metro Portland, please accept these comments and recommendations on proposed Ordinance 15-1361.

We appreciate the difficult job Metro has in managing our region's land supply. In our review of the recommendations and the Ordinance before the Council, we are pleased to see many challenges acknowledged that have been expressed by a number of organizations, many surrounding jurisdictions and MPAC. Issues like:

- how much has the recent severe recession impacted the region's growth over the last couple of years and is that going to change as we work our way out of its impacts;
- how do we balance people's needs and preferences in housing, and housing affordability, with our desire to protect farm and forestland;
- how can our region do a better job in allowing local jurisdictions who want more growth and have shown the ability to do it well to have better ways of achieving their goals; and especially,
- how can our region do a better job at creating higher income jobs and greater economic opportunities for all its residents?

We also appreciate that Metro acknowledges it needs to accelerate its next review cycle to better determine housing trends and needs based on data following the Great Recession, as well as other factors. And we appreciate that Metro is committed to finalizing the urban and rural reserve designations in Clackamas and Multnomah Counties, while also adopting MPAC's recommendation that the accelerated review cycle not be contingent on whether this finalization occurs due to related political ambiguities.

As we have stated previously, our concerns with the results of the Urban Growth Report results have been centered around several key items: 1) An unprecedented projected long-term shift in housing mix to apartments and condos; 2) the assumption of low homeownership rates that don't reflect economic recovery and demographic trends; and 3) the combined affects that an incorrect supply of housing types, increased demand and lack of land supply will have on housing affordability.

In fact, since our initial comments last year, the City of Portland has declared a Housing Crisis. In addition, the very infill and redevelopment the Urban Growth Report calls for is meeting stiff

resistance, resulting in additional regulations, fees and process uncertainties. Many of these will further limit increased density and drive housing costs even higher.

Since the UGR was released in 2014, we have also seen a significant increase in housing development in towns outside of Metro's UGB. As we predicted, not providing for needed housing units within the UGB is pushing many families to the edge of our region, into towns outside of our Metro area as well as Clark County, to find the housing they want and can afford.

While the Council's intentions to examine these issues and trends further and accelerate the next UGR analysis are honorable, we're not convinced that a new review will be enough.

The Metroscope model is a useful planning tool, but we believe it is being used in a way different from past reviews, different from how other jurisdictions around the State conduct their analyses, and that appears to inadequately address Goal 10 needed housing requirements.

Unlike Goal 10 as implemented elsewhere across the State, the UGR analysis holds the current buildable land supply and capacity as fixed and solves for how future residents will adapt to a static capacity that is overwhelmingly high-density, multifamily units in Portland. Unsurprisingly, household demand is effectively forced to choose multifamily dwellings in Portland (assuming they are even available and are at price or rent levels people can afford). It is our understanding that Metroscope, as it is currently being used, cannot mathematically reach a "zero capacity" solution. The mathematical impossibility of finding insufficient housing capacity of any type should be viewed as inconsistent with the methodology and intent of housing capacity analysis and need reconciliation laid out by ORS 197.296.

This became further evident when Metro revised its draft Urban Growth Report to lower the assumption for housing units in Damascus. Instead of creating a need for more land for similar housing units, the report model simply assumed some demand would be pushed outside the region, some demand would be picked up by increased density in urban areas, and some demand would be met by an uncertain future Urban Growth Boundary decision. None of these results seem consistent with the Goal 10 requirement that there is an availability of housing units within the UGB that are at appropriate price ranges and allow for flexibility in housing location, type and density.

We remain extremely concerned that Goal 10 needed housing requirements are not being considered with this UGR. We don't see how, given the way Metroscope is now being used, that a better understanding of housing preferences, nor potential newer data showing development patterns closer to traditional ones than the extreme shift Metro is currently projecting, will result in any change to the outcome three years from now.

If Metro intends to stand by the UGR and its Ordinance and wants to plan in the best interests of the region, we ask that Metro amend its ordinance to include the following:

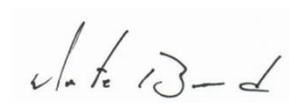
- **Direct staff to provide an examination of our concerns that the Metroscope model as currently used solves demand based on a fixed capacity and can therefore not reach a "zero capacity" solution, and whether this meets Goal 10 needed housing requirements.**
- **Create policy that requires a 5-7 year supply of buildable land in addition to a 20 year supply of buildable land.** The 20 year supply allows areas like Damascus, or areas that require voter annexation but which have repeatedly not been annexed, to be

kept as phantom inventory due to the uncertainties in political processes over a long horizon. In order to address housing demand and affordability, we need to make sure there is a short-term supply of housing in addition to a 20 year supply.

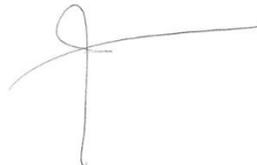
- **Provide tangible leadership from the Metro Council and Staff on political issues that would prevent assumed development and planning from taking place.** For example, when a city like Portland seeks to impose a huge tax on redevelopment or makes other regulatory changes that would affect the density assumptions or costs to achieve projected development, Metro should use its political power to oppose those policies. When anti-growth contingents use voter annexation as a way of preventing the very growth that Metro and our region have planned for, Metro should lead legislative efforts to provide other options to achieve planned outcomes.

In the spirit of our working together to provide solutions rather than just concerns or criticism, we offer up the preceding recommendations for consideration. We also stand ready to continue to support the work directed by Metro in items 3 through 7 of its ordinance.

Respectfully,



Nate Bond
Board President



Jim Standing
Government Relations Chair