
From: heather@thrivehoodriver.org
Sent: Friday, January 11, 2019 11:06 AM
To: Arthur Babitz; Bill Irving; Tina Lassen; Sue Powers; Mark Frost; Megan Ramey; Dustin Nilsen; Kevin Liburdy; Jennifer Kaden; Annika Cardwell
Subject: Best explanation of how zoning code changes can reduce housing costs

Dear Planning Commission and Planning Staff-

Over the last few months, you've heard comments from people who are skeptical that changing the zoning code in the Westside area will lead to more attainable housing prices. I wanted to share this recent post from the Oregon Office of Economic Analysis--see below. It's the best short read --backed up by economic data-- that I've seen to explain how the spectrum of zoning changes you are considering for the Westside will have a real and lasting effect on housing affordability. And not just affordability, allowing "Missing Middle" housing leads to more livable, walkable neighborhoods too.

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Josh Lehner posted: "As policymakers, builders, and the market work to solve the housing supply issues, a key question everybody asks is what type of housing do we need? Aren't millennials always going to be renters? [No] Should we grow up, or out? Our office's simple answer "

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New post on Oregon Office of Economic Analysis



[Reconsidering Single Family Zoning](#)
by [Josh Lehner](#)

As policymakers, builders, and the market work to solve the housing supply issues, a key question

everybody asks is what type of housing do we need? Aren't millennials always going to be renters? [\[No\]](#) Should we grow up, or out? Our office's simple answer is yes. To accommodate recent and expected growth we will need to see housing supply pick up across the spectrum. This includes both an increase in the effective (buildable) land supply and redevelopment opportunities on lands within our existing communities. This is especially true for areas with good access to employment centers, stores, restaurants, transit and the like.

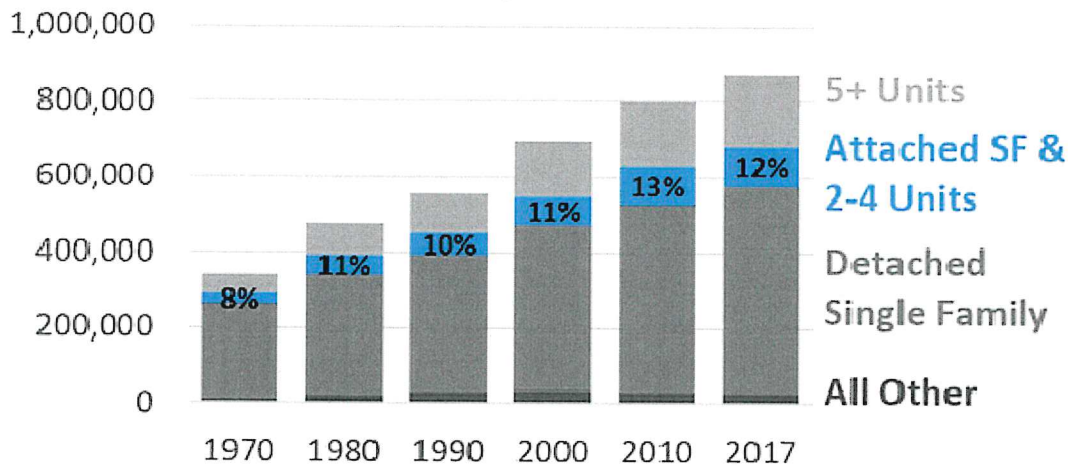
While most housing discussions -- at least ones our office are a part of -- tend to focus on land supply and new construction on the urban fringes, the redevelopment aspect is also an integral part of the housing supply solution. Despite this post's title, I don't want to get bogged down in the zoning weeds here. That said, there are a number of important aspects to discuss and points to consider. Lately I have incorporated more of this work into presentations, including for recent Bend and Portland forecast events.

The crux of the matter is land is the scarce commodity here. Outside of lava flows and seawalls, we're not making more of it. As a region grows, so too does housing demand which places upward pressure on housing costs. This is great for homeowners as [wealth builds](#), but bad for renters and the economy more broadly. Provided we, as a community, actually want to address affordability and accommodate future growth, increased construction is a must.

The problem is in many places one cannot simply build more housing due to zoning restrictions (minimum lot size requirements, setbacks, parking etc). However, if a community were to allow for more units to be built on a given parcel of land, then better affordability can be achieved, and future growth more efficiently accommodated. This is for at least two reasons. First, one would be dividing high land costs over a larger number of units which both lowers cost per unit and increases supply relative to existing zoning. Second, each unit will be smaller than under current zoning, which also lowers the cost per

What Type of Units?

Occupied Units for Clackamas, Clark, Multnomah, and Washington Counties



unit. Source: Census, IPUMS-USA, Oregon Office of Economic Analysis

Currently the City of Portland is considering making changes to much of its single family zoned neighborhoods. Minneapolis recently passed similar zoning changes and Seattle has been wrestling with the possibility in recent years. Now, the proposed changes are not for high rise construction throughout the city, but it would allow for townhomes, duplexes, and triplexes to be built, the so-called missing middle housing. A [recent analysis by Johnson Economics](#) for the City of Portland confirms such changes would greatly increase housing supply and improve affordability relative to the status quo. Full disclosure: Jerry Johnson is a member of the Governor's Council of Economic Advisors, our office's main advisory group.

Essentially what the analysis finds is the net increase in new housing units in the City of Portland would triple relative to current policies and rents for the new units would be half the price. How is this possible? As the report says: "the net impact is expected to be a greater proportion of redevelopment being multiple-unit properties, providing greater net unit yield and lower average price points as a result." Now, these new units are not cheap, as new construction is expensive, but allowing for townhomes and quads instead of just large, detached single family homes does reduce the price per unit. Additionally, this outcome does not result in a big increase in demolitions of existing homes either.

Specifically, the analysis finds the net increase in housing units on the potentially rezoned parcels would be 1,800 per year over the next 20 years. This is both massive for a single policy change and modest from a growing, regional perspective. In looking at population growth and household formation forecast *for the entire Portland region*, this proposed change equals 13-15% of the annual increase in housing demand. By simply allowing for -- not requiring -- townhomes and triplexes to be built on existing lands in the City of Portland, the policy can accommodate 1 out of every 7 new

Portland area households in the coming decade. That is a big finding. Now, on a regional scale it is a bit more modest as we still need to figure out where the other 6 new households will live.

Finally, while I believe the most important aspects from an economic perspective are affordability and supply, there are myriad concerns and societal issues that come along with growth and changes. Growing pains are real, even as they are much preferable to the pangs of decay seen through the Rust Belt and elsewhere. That said, as we have discussed before, there are also some real economic and societal benefits to missing middle

Missing Middle Housing Benefits Include:

- **Affordability**
- **Walkable neighborhoods**
- **Human scale density**
- **Aging in place**
- **Economic mobility**
- **Environmentally friendly**
- **Existing infrastructure**

housing.

All of these benefits accrue to individuals, their households, their communities and help address public policy issues at the same time. Townhomes are more affordable than detached single family homes*. Missing middle housing allows for somewhat denser neighborhoods which supports local businesses, a more walkable neighborhood while also not towering over neighboring buildings as high rises do. Providing housing options within existing neighborhoods also better allows one to age in place, and older residents do not have to leave lifelong friends and relationships to downsize as their housing needs change. Missing middle housing, through better affordability and providing options results in more integrated neighborhoods which is one of the five key characteristics of high economic mobility communities. Finally, missing middle housing reduces the environmental impact and, crucially, makes more efficient use of existing infrastructure.

From our office's view, addressing housing supply and affordability is key to Oregon's long-run economic growth. If households cannot afford to live in or move to Oregon, it puts our biggest

comparative advantage at risk: the ability to attract and retain young, skilled workers.

** In presentations I like to give a personal anecdote to illustrate this dynamic. A couple years ago a builder tore down an old ranch on a double lot just around the corner from my house (4 tax lots away). It was replaced with two single family homes that sold for about \$700,000 and \$800,000. Only 10-15% of Portland area households could afford a home in that price range. At the same time this was happening, a builder tore down an old bungalow directly across the street from our house. It was replaced with two townhomes (a duplex) that each sold for about \$450,000. While this is still expensive, and above market averages at the time, 30-35% of Portland area households could afford a home at that price point. In this sense, missing middle housing is 2-3 times as affordable as detached single family homes.*

[Josh Lehner](#) | December 12, 2018 at 10:00 AM | Tags: [affordability](#), [duplex](#), [Housing](#), [housing supply](#), [missing middle](#), [Oregon](#), [rowhome](#), [supply](#), [townhome](#), [triplex](#) | Categories: [Demographics](#), [Graph of the Week](#), [Housing](#), [News](#) | URL: <https://wp.me/pQNzQ-3bt>

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