

Promoting Affordable Housing Through Land Use Planning

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*M*etropolitan Portland lies between the Coast Range and Cascade mountains of northwestern Oregon, at the head of the fertile Willamette Valley. Bordered to the north by the Columbia River, and divided geographically by the south-north running Willamette River, the three-county metro area covers 3,026 square miles. As home to nearly 1.2 million people, metropolitan Portland contains 43 percent of Oregon's total population. This area puts to the test the state's innovative land use policies, which range from natural resource conservation and historic preservation to economic development, urban design, and housing.

A major quality of life issue for any city is meeting the housing needs of its citizens. When an urban area is characterized by exorbitant housing costs or blighted and crime-ridden neighborhoods, livability suffers. Nationally, housing affordability is declining. A 1990 study of housing costs by the Harvard Joint Center for Housing Studies, shows home ownership rates falling since 1980, especially among young households. The report states nearly 2 million more households would own homes today if ownership rates had remained at 1980 levels. At the same time, rent levels remain at record highs. The report concludes that, "persistent declines in home prices and rents are unlikely on a national scale."

Despite clear need for more affordable housing, local governments are often reluctant to zone land for lower cost housing types--such as apartments and townhouses, and single-family homes on small lots. Typically such

housing is discouraged because it contributes less tax revenue than do commercial and upscale residential developments. Exclusionary zoning of this kind hurts low and moderate income households by distancing them from employment centers, safe environments and good schools, alienating them from community affairs and, ultimately, adding to their cost of living.

Such zoning practices are difficult to change without strong action by state legislatures. First, Congress and federal administrative agencies have limited power to regulate the use of real property, whether to conserve land or to specify residential development standards. Congress may prohibit granting federal housing money to localities which fail to meet land use and housing affordability targets, as recommended by HUD Secretary Kemp to President Bush in July 1991. However, the amount of federal housing money is small, and that money is not generally given to suburban jurisdictions where the problem exists. Second, the volume, variety and local texture of most land use decisions make a direct national role unfeasible. Third, federal courts have ruled that the failure of states or localities to provide affordable housing does not violate the U.S. Constitution.¹ Fourth, attempts to overturn exclusionary zoning laws through litigation in state courts have largely been ineffective.² At the local level, there is little incentive to adopt "fair housing" laws and forego economic development. Only states can effectively mandate local governments to fairly allocate planned housing types.

The first state legislative effort to attack the affordable housing problem directly was included in Oregon's Comprehensive Land Use Planning Program. Established in 1973, this program has served as a model for land use planning and growth management in other parts of the U.S. Similar state-wide comprehensive planning laws have since been enacted in Florida, Georgia, Rhode Island, New Jersey, Maine and Vermont.

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Oregon Statewide Goal 10 (Housing)

In implementing the Comprehensive Land Use Planning Program, Oregon targeted 19 specific areas of concern. Goal 10 was adopted in 1974, during a period of record growth, and addresses housing issues. It requires local governments to provide, through plan policies and zoning, reasonable opportunity for people of all income levels to obtain adequate and affordable housing. It states:

To provide for the housing needs of citizens of the state. Buildable lands for residential use shall be inventoried and plans shall encourage the availability of adequate numbers of housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.

The state's Land Conservation and Development Commission (LCDC) evaluates local plans for conformance with statewide goals. LCDC has interpreted Goal 10 to encompass the legal principles of fair share and least cost housing. This means that each community within a region must consider the broader housing needs of the region in arriving at a fair allocation of housing

types (i.e., single-family versus multiple-family housing). For that community, "needed housing" is defined by Oregon law to include multiple-family and attached single-family dwellings (i.e., townhomes and duplexes), and manufactured housing.³

Goal 10 also mandates that local standards and procedures for reviewing applications to build "needed housing types" (housing types determined by local governments to be within the financial capabilities of present and future area residents) must be "clear and objective." For example, a local government could not deny an apartment project proposed on a site zoned multiple-family simply on the ground that neighbors do not want it on their block. There must be legal reasoning supported by local and state planning regulations to deny the project. This requirement is codified in Oregon planning law.⁴

Métropolitan Portland: A Model for Regional Land Use Planning

The Portland region has received a good deal of attention for its urban growth boundary policy, which helps to contain urban sprawl. Less known, however, are the region's innovative pro-housing policies, without which the urban growth boundary (UGB) would quickly



A View of Downtown Portland and Mount Hood

be pushed to the breaking point by low-density housing. Among other things, housing policies that encourage development inside the UGB help ease pressures to develop beyond the line, or expand it outward.

Critics of growth management argue that UGBs artificially inflate land costs, thus reducing housing affordability and inhibiting economic development. However, in the Portland area, housing costs relative to per capita income have remained well below those of many comparable (unregulated) U.S. cities. In addition, over the last decade the region has prospered. A 35 percent increase in population is expected in the region over the next 20 years.

The Portland metropolitan area (areas of Clackamas, Multnomah, and Washington counties within the regional UGB) developed the Metropolitan Housing Rule to address housing and land use issues. It requires local plans to:

- provide adequate land zoned for needed housing types;
- ensure that land within the the Metropolitan Portland (Metro) UGB may accommodate the region's projected population growth;
- provide greater certainty to the development process; and
- reduce housing costs.

Local governments are responsible for developing comprehensive plans that comply with the Metropolitan Housing Rule. These plans are then reviewed and approved by the Land Conservation and Development Commission (LCDC). The Housing Rule (OAR 660-07-000) requires that:

- each of the region's three counties and its 24 cities develop comprehensive plans which allow for a new construction mix that includes at least 50 percent multi-family or attached single-family units; and
- plans allow development to occur at certain minimum target housing densities.

In the City of Portland, the target density is ten units/buildable acre (una); most suburban areas are to aim for either six or eight una. Clear numeric targets provide a yardstick by which community efforts to promote more compact and affordable housing can be measured. The idea behind the rule is that development at higher densities (or on smaller lots) will result in more affordable housing.

1990 Housing Study

In response to the request from the National Growth Management Leadership Project⁵ for an evaluation of Oregon's affordable housing land use policies, 1000

Friends of Oregon and the Home Builders Association of Metropolitan Portland undertook a joint housing study in May 1990. In the context of a recent boom in Portland-area construction and rising home prices, our two organizations wanted to find out how well the region's "pro-housing" land use policies have promoted development of affordable housing.

Study Approach:

- compare actual housing development patterns with planned patterns;
- evaluate, by housing type and density, affordability of post-Housing Rule development;
- determine the reasons why actual development densities may depart from planned densities.

Study Objectives:

- measure the link, if any, between housing costs and implementation of the region's housing policy; and
- recommend land use policy changes to better promote affordable housing within the region and the state.

The study area (Metropolitan Portland) was defined as areas of Clackamas, Multnomah and Washington counties within the Portland Metropolitan UGB. Jurisdictions within this area must comply with the Metropolitan Housing Rule.

The period selected, 1985 to 1989, afforded an opportunity to examine the Metropolitan Housing Rule under a healthy economic regime. Prior to 1985, Oregon and much of the country were in an economic recession.

Building permit and planning approval data were used to compare actual development patterns with the housing policies in local plans. Planners, developers and project engineers completed surveys used to assess the reasons why development occurred as it did. Regional and national data on income, home sales, rents and demographics were collected from several agencies and private data sources to assess housing affordability.

Local governmental planners and a project advisory committee reviewed study methods, verified data accuracy, and provided insight on technical and policy-related issues.

The Study's Findings

The volume of multiple-family and attached single-family development increased dramatically. Some communities developed more multiple-family and attached single-family units during the 5-year study period than had been planned for a 20-year period under pre-housing rule proposals. In 1978, for example, only 371 of one jurisdiction's planned housing units were multiple-family. During the study period, the same jurisdiction developed 1,575 multiple-family units, or 425 percent of its

original 20-year plan. In other words, the demand for multiple-family housing during the years 1985-89 could not have been met in some Portland communities under pre-Housing Rule zoning. This finding is significant because it confirms that the regional fair share principle called for by Goal 10 is, at least partially, being realized.

Of all multiple-family and attached single-family units developed, 74 percent were in projects of moderate to low density (less than 25 una); and fewer than 5 percent represented densities higher than 60 una (see Figure 1). These findings allay concerns that minimum density rules would create huge housing "megaliths." High-rise apartment buildings, typically associated with downtown centers, often exceed 150 una.

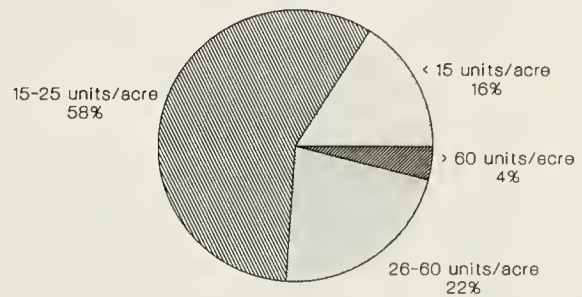
Low apartment vacancy rates through the study period (indicating strong demand, or consumer "need") attest to the performance of the housing mix rule. In July 1991, the multiple-family housing market remained firm in most Portland communities with the average vacancy rate at 5 percent--rates in excess of 7 percent generally indicate an oversupply of units.

Analysis of income and rent data showed 77 percent of the region's households could afford to rent the region's median-priced apartment in 1989. (Housing is assumed to be affordable when households spend 30 percent or less of their gross income on housing.) By contrast, only 67 percent could afford mortgage payments on the median-priced two bedroom home; the figure drops to 43 percent for a three bedroom home. Yet, housing affordability (the percentage of a region's households able to purchase the region's median-priced house) is 2-3 times greater in the Portland region than in comparable West Coast metropolitan areas (San Diego, Los Angeles, Sacramento, San Jose, San Francisco, Seattle).

The proportion of multiple-family and attached single-family housing increased dramatically. During the study period, multiple-family and attached single-family housing accounted for over half (54 percent) of all residential development. Prior to the Housing Rule, these more affordable types represented only 30 percent of the region's planned 20-year supply of housing. New units were primarily in apartments, rowhouses, duplexes, fourplexes and mixed residential-commercial buildings.

The proportion of smaller and more affordable developed single-family lots increased. Historically, exclusionary zoning favors larger, more expensive home sites by prohibiting development on smaller lots, regardless of market demand. By mandating that certain minimum densities be allowed, the Metropolitan Housing Rule removed a regulatory barrier to development and encouraged the creation of smaller (higher-density), less costly lots. Throughout the region, the density of new development increased by 13-32 percent over pre-Housing Rule levels, with the most significant gains in single-family development.

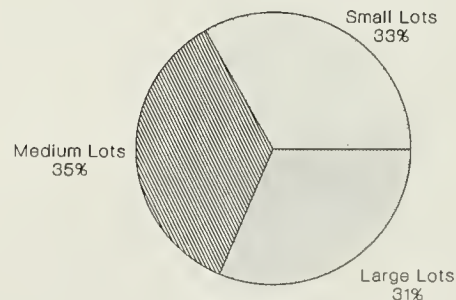
Multiple Family Density Distribution for Portland Area Development: 1985-1989



Source: 1000 Friends of Oregon/HBAMP DB

Figure 1.

Single Family Lot Size Distribution for Portland Area Development: 1985-89



Source: 1000 Friends of Oregon/HBAMP DB

Figure 2.

Single-family development on large lots (or at lower densities) continued to play an important role in Portland area housing markets. The study found development was nearly evenly distributed among three lot size categories: small (smaller than 7,000 square feet (sq. ft.)), medium (7,001 sq. ft.-9,000sq. ft.), and large (larger than 9,000 sq. ft.) (see Figure 2).

New single-family homes on large lots sold for twice as much as small-lot homes. An analysis of new home sales during 1988-90 shows that 25 percent of the region's households could afford the median-priced house in a small lot subdivision (5,000 sq. ft. - 7,000 sq. ft.); however, the figure drops to 16 percent for medium lot developments (7,001 sq. ft. - 9,000 sq. ft.), and 2 percent for large lot subdivisions (9,001 sq. ft. - 15,000 sq. ft.).

Jurisdictions where building activity was greatest generally came closest to achieving development mix and density

targets. This finding suggests a tendency to develop at higher densities when growth is contained and land is in high demand. That is, given rapid development of a finite supply of buildable land, economics tend to favor dividing suitable land into smaller, less costly single-family lots; and building a greater proportion of multiple-family housing where zoning allows. This is important information for policy-makers relying on the UGB to control urban sprawl while promoting lower-cost housing development.

Importantly, the decrease in single-family lot sizes and the increase in the proportion of multiple-family development helped to further other regional urban growth objectives, such as cost-effective expansion of public transit and basic infrastructure.

Research into the causes of reduced project densities showed very little citizen opposition to development at higher densities. Of five density-limiting factors ranked by project engineers and local government planners, citizen opposition to higher densities was one of the two least influential--the other being inadequate public facilities or services. This finding is significant because it refutes a common argument that "NIMBY" attitudes are a major deterrent to lower-cost housing developments. Although citizen opposition may reduce housing density in isolated cases, the analysis shows the leading causes of underbuilding are, in order of significance: development economics (profit motive), site constraints, and regulatory constraints.

Land developed during the study period was underutilized to the extent that remaining lands cannot absorb the region's projected housing needs under current zoning. Although housing development in metropolitan Portland during the period 1985 to 1989 exceeded density and mix targets for a 20-year planning period, single-

family development consumed land planned for development at densities higher than were built. While multiple-family projects region-wide were built at 90 percent of unit capacity or planned density during the study period, single-family subdivisions were built at only 66 percent of capacity (see Figure 3).

Since most jurisdictions predicated compliance with the Metropolitan Housing Rule on the assumption that development could occur at maximum allowable densities, the 34 percent density shortfall on these subdivisions is significant. Importantly, 12 percent of all single-family subdivisions developed were on lands zoned for multiple-family housing. This improper implementation of zoning accounts for 2,485 (26 percent) of 9,570 units foregone due to underbuilding of planned densities. As a result of underbuilding, insufficient residentially-zoned land remains to meet the region's projected housing needs over the remainder of the planning period.

While nationally unprecedented gains have been made in the past fifteen years, the Portland model of managing growth to promote affordable housing is not flawless. Gains made over the past decade will erode through the planning horizon (2000) without adjustments to the Metropolitan Housing Rule. "Downzoning" or a reduction of planned densities does not appear to be warranted in any part of the region.

Conclusions

Implementation of the Portland Metropolitan Housing Rule removed a regulatory constraint to development of multiple-family housing. Requirements that local plans zone sufficient quantities of vacant land for multiple-family housing opened the way for development. For example, the 11,110 multifamily units approved in Washington County jurisdictions in five years nearly equaled the 13,893 that had been planned to be built over 20 years under the pre-Housing Rule plans.

Overall, multiple-family development comprised 54 percent of all new housing in the region during the study period. Significantly, the study found that 77 percent of the region's households can afford to rent the median-priced two-bedroom apartment, while 67 percent can afford mortgage payments on the median-priced two-bedroom home, and only 43 percent can afford the median-priced three-bedroom home.

Implementation of the Housing Rule removed a regulatory constraint to development of more affordable single-family housing on smaller lots. Single-family housing developed on a wide range of lot sizes, with about two-thirds of the homes built on lots smaller than 9,000 sq. ft.; this compares with an average lot size of 13,000 sq. ft. allowed under pre-Housing Rule plans. The study found that homes on large lots (larger than 9,000 sq. ft.), on the average, cost twice as much as homes on small lots (smaller than 7,000 sq. ft.).

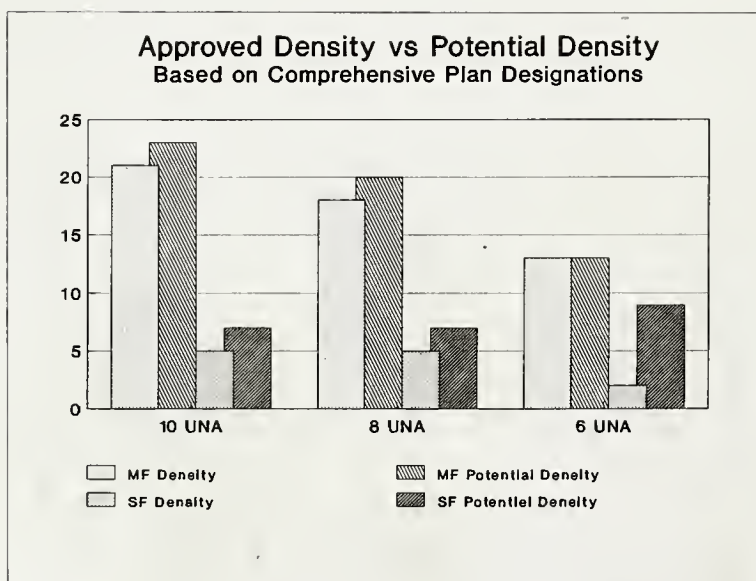


Figure 3.

The Portland region's pro-housing policies have helped to manage regional growth while promoting affordable housing. If the same amount of development realized during the study period had occurred at the lower, pre-Housing Rule densities, it would have consumed an additional 1,500 acres of planned residential land within the UGB--an area over two square miles in size. Due to this savings in land area, an additional 14,000 housing units can be built within the UGB. In short, combining Portland's urban growth boundary and "pro-housing" policies helps to manage growth and promote affordable housing development.

The study showed the importance of land use planning in providing for the housing needs of a metropolitan region. It shows that zoning, under a state-mandated housing rule, can be used to increase the availability of more affordable housing types and to make home ownership more attainable by diversifying the stock of single family housing sites to include smaller lots.

Although the study finds that land use planning is a necessary (and, in Oregon's case, successful) tool in promoting affordable housing, the study does not mean to imply that planning, alone is a sufficient means for achieving that end. An important study recommendation is that Portland area governments strategically plan for areas where shortages of affordable housing are most critical, focusing land use policy and public and private investment toward the production and rehabilitation of low cost housing.

Recommendations

In order to recover lost housing opportunities and to better implement comprehensive plans throughout the region, Home Builders Association of Metropolitan Portland and 1000 Friends of Oregon recommend that local governments, Metropolitan Portland and LCDC adopt a new interpretation of the Metropolitan Housing Rule. Since the Housing Rule presently only speaks to planned development, a new interpretation should recognize that Goal 10, through the Housing Rule, mandates development standards.

In brief, we recommend stronger housing density and mix standards for promoting affordable housing and efficient urban growth through the planning horizon, and beyond. The recommendations focus on amending the Metropolitan Housing Rule, and extending its principles to other parts of Oregon. The following recommendations spell out how such standards should be applied.

Mandate Minimum Density Requirements. Development codes normally specify a maximum allowable density for each zoning district. Housing may be built at density levels up to the maximum or "ceiling" density allowed by a particular zone. Our study found that such zoning often leads to unplanned development patterns--for example, by allowing encroachment of single-family

(lower-density) development onto lands designated for multiple-family (higher-density) use. This report recommends minimum density standards or density "floors" to help retain buildable land for multiple-family and lower-cost single-family housing. Single-family housing should not be allowed to develop on lands zoned for multiple-family use.

We also recommend a planned unit development (PUD) approach to all single-family subdivisions in higher-density zones. This would require, for instance, that no more than 25 percent of vacant developable land, per project, be divided into large single family lots (i.e., greater than 9,000 sq. ft.). LCDC should enact minimum density standards by amending the Portland Metropolitan Housing Rule. In short, minimum density requirements should help to ensure that the region's projected housing needs are met by retaining lands that are needed for multiple-family developments; and promoting site and building designs which utilize smaller lots for single-family housing.

Reform Local Planning Procedures and Regulations. Local planning procedures and regulations (such as site design standards) played a less significant, though, important role in reducing housing opportunities in the Portland area. The study recommends LCDC apply the "clear and objective" policy during its periodic review⁶ of local comprehensive plans and development codes to address this problem. For example, LCDC should review parking space standards and determine whether codes are unnecessarily reducing the number of units which can be built on a given site.

Demonstrate Compliance with Regional Housing Objectives. In drafting comprehensive plans, Portland area governments were required to accommodate their fair share of the region's population growth. In demonstrating compliance with the Housing Rule, they made assumptions about future housing development within their respective jurisdictions. Local governments assumed density, redevelopment and infill potential, and the amount of land needed for streets and other services would be at certain levels. LCDC approved these plans in the early 1980s, aware that each jurisdiction's ability to accommodate projected growth was predicated on the development assumptions.

Upon testing those key assumptions, we found that the region is meeting its general urbanization (density) objectives, but in the long-term several jurisdictions will likely fail to meet the more demanding housing targets under Goal 10 and the Metropolitan Housing Rule. The study therefore recommends amending the Housing Rule to provide a better check on the procedures used to show compliance with Goal 10. A "justification of assumptions" by local governments during periodic review is one way to provide such a safeguard.

Monitor Regional Growth Patterns. This study shows the critical importance of comprehensive data collec-

tion in evaluating regional development. The report recommends that local governments monitor urban development and transmit standardized data to the Metro (the region's planning agency), and that Metro use this information to assess the adequacy of the region's land supply for meeting Housing Rule objectives. Assuming that Metro's Regional Land Information System (RLIS) operates as planned (operational by 1992), the agency should be able to deal with this task.

Evaluate Regional Growth Patterns. Metro should recommend to LCDC that it mandate rezoning, or other policy measures, to offset identified local shortages of needed housing types. To carry out this process, Metro and local governments should identify where requiring higher densities would best support infrastructure investments such as the regional transportation system. For example, zoning should encourage higher-density housing near major existing or planned employment centers and transit stations. Finally, Metro should initiate a study to evaluate whether currently prescribed Metropolitan Housing Rule mix and density levels are adequate for meeting housing, transportation and other urban goals.

Develop Regional Strategies for Affordable Housing. Metro should develop strategies to preserve and rehabilitate the region's supply of special needs and low- and moderate-income housing. In addition, unmet housing needs should be identified, and a regional strategy should be developed to focus land use policy and public and private investment toward meeting unmet needs. Regional strategies for affordable housing should address the "fair-share" distribution of housing responsibilities among the jurisdictions of the region, including the provision of supporting social services.

Mandating a Statewide "Urban Housing Rule." The issues which drove the adoption of the Metropolitan Housing Rule for the Portland area are now challenging other urban areas in Oregon. In its 1990 *Urban Growth Management Study*, the Department of Land Conservation and Development found in four case study areas housing costs rising faster than personal income by as

much as 300 percent. In addition, affordable multiple-family housing types are increasingly in short supply outside the Portland metro area. This report recommends LCDC adopt a statewide "Urban Housing Rule," similar to the Metropolitan Housing Rule, to address these concerns in appropriate jurisdictions.

Public Education on Growth Management and Housing. Finally, there is a great need to provide information to the public, within and outside the state, about the benefits of Oregon's land use planning program. Many communities elsewhere are struggling to implement innovative housing policy. Citizens and policy-makers, locally and nationally, do not understand the connection between land use policy, housing affordability, and cost-effective urbanization. The report therefore recommends LCDC, Metro and local governments in the Portland area publicize the benefits of regional housing planning, using Portland as a national model.

[Editor's Note: This article was adapted from the Executive Summary of 1000 Friends of Oregon and the Home Builder's Association's housing study, 'Managing Growth to Promote Affordable Housing.' Copies of the report can be obtained by writing Paul Ketcham, Senior Planner, 1000 Friends of Oregon, 534 SW 3rd Ave., Suite 300, Portland, OR 97204.]

Notes

¹In *James v. Village of Valierra* (1971) the U.S. Supreme Court held that the U.S. Constitution does not guarantee a "right" to affordable housing; and in *Construction Industry Assoc. of Sonoma Co. v. City of Petaluma* (9th Circuit, 1975), the U.S. Court of Appeals upheld large-lot zoning used to "cap" the city's population.

²The famous Mt. Laurel cases in New Jersey in 1975 and 1983 resulted in little exclusionary zoning actually being changed. The court ruled against exclusionary zoning provisions in *Wayne Britton v. Town of Chester* (New Hampshire Supreme Court, 1991), but the long term effects of this case are yet to be determined.

³See ORS Ch. 197.303; OAR 660-07-035.

⁴See: ORS Ch. 183 & 197; OAR 660-07-015.

⁵A Coalition of 17 state-level conservation organizations working in growth management and land use policy

⁶The Oregon Department of Land Conservation and Development reviews local comprehensive plans every 5-7 years.