

## **Senate Bill 1537 (LC 19): Addressing Oregon's Housing Supply Crisis**

### **Background**

Decades of underbuilding have left Oregon with a severe housing shortage that is driving up rents, home prices, and worsening our homelessness crisis. The state is currently behind by 140,000 housing units. In addition to the existing shortage, the state needs to produce over 440,000 units in the next 20 years to keep pace with demand.

Oregon cannot address its homelessness crisis without tackling its acute housing supply shortage. Furthermore, too many Oregonians can't afford to live where they work, and employers are losing potential hires who cannot find an affordable place to live. Oregonians are being forced to leave their communities and some are leaving the state entirely.

To address this critical economic and livability issue impacting all Oregon communities, the state must dramatically increase production of housing units—up to 80% over current construction trends—to get Oregon on track to meet its future need. A first step is SB 1537, which will be introduced for the 2024 session, to provide tools that lead to more housing production across the state.

Below is a summary of key provisions in SB 1537, which was developed following months of stakeholder outreach to hear from local communities, climate organizations, homebuilders, and others on what tools are needed to address the ongoing housing crisis.

### **Housing Accountability and Production Office**

The Housing Accountability and Production Office (HAPO) will be created to lead coordination of SB 1537 program design and implementation to align with Goal 10 (housing needs analysis, capacity analysis, production targets, and production strategies). HAPO offers a more flexible, better funded approach to support housing production with a more definitive structure and process to address complaints, concerns, and issues from local governments and developers about compliance with state housing law. This process would also benefit from more staffing and resources, enhancing the opportunities to collaborate with local governments in lieu of enforcement actions.

### **Land Supply**

On a one-time basis, cities in need of land or affordable housing can choose to add 75 or 150 acres of land for housing to their urban growth boundary (UGB). Any land added would also need consent of the property owner. The land added can only be urban reserve, non-resource land, or exception land – no high value farm or forest land outside of land in urban reserves already designated for future urban development.

A city must meet land and affordability eligibility metrics:

- Need for additional land demonstrated by having no UGB expansions with housing in the last 20 years, or by having 75% of UGB expansion areas with housing in the last 20 years with comprehensive plan designations, infrastructure plans, and housing

development occurring demonstrated by land use or building permit applications in process.

- Need for additional affordable housing where utilizing the data provided by HUD, a city has a greater % of households extremely cost burdened (paying more than 50% of income on housing) than the State of Oregon as whole.

### **Housing Affordability**

Within any expansion areas, 30% of all housing units must be legally restricted for affordable housing. Affordability requirements exist in over 800 jurisdictions and 25 states, but most programs require between 10-20% of units as affordable. A 30% requirement in Oregon would be one of the strongest requirements in the United States. Oregon has a critical need for guaranteed affordability, as existing land within UGBs (outside of Portland) has no affordability requirement.

### **Climate-Friendly Homes**

Funds grants for new affordable housing construction to incorporate energy-efficient design, reduce energy costs for low-income residents, and stabilize operational costs for owners. These incentives will help reduce the energy burden for low-income Oregonians across the state.

### **Funding for Housing Production Tools**

SB 1537 includes a \$500 million investment package from existing state resources requested by Governor Kotek. Here is an initial breakdown of that funding:

- **Housing infrastructure financing:** \$200 million
- **Moderate-income housing financing:** \$200 million
- **Site acquisition:** \$40 million
- **Climate-friendly incentive funding:** \$20 million
- **Site mitigation and readiness funding:** \$10 million
- **Local housing planning technical assistance funding:** \$10 million
- **Local housing infrastructure planning capacity:** \$5 million
- **Housing Accountability and Production Office:** \$5 million