

March 29, 2023
Senate Finance and Resources Committee
Salem, Oregon

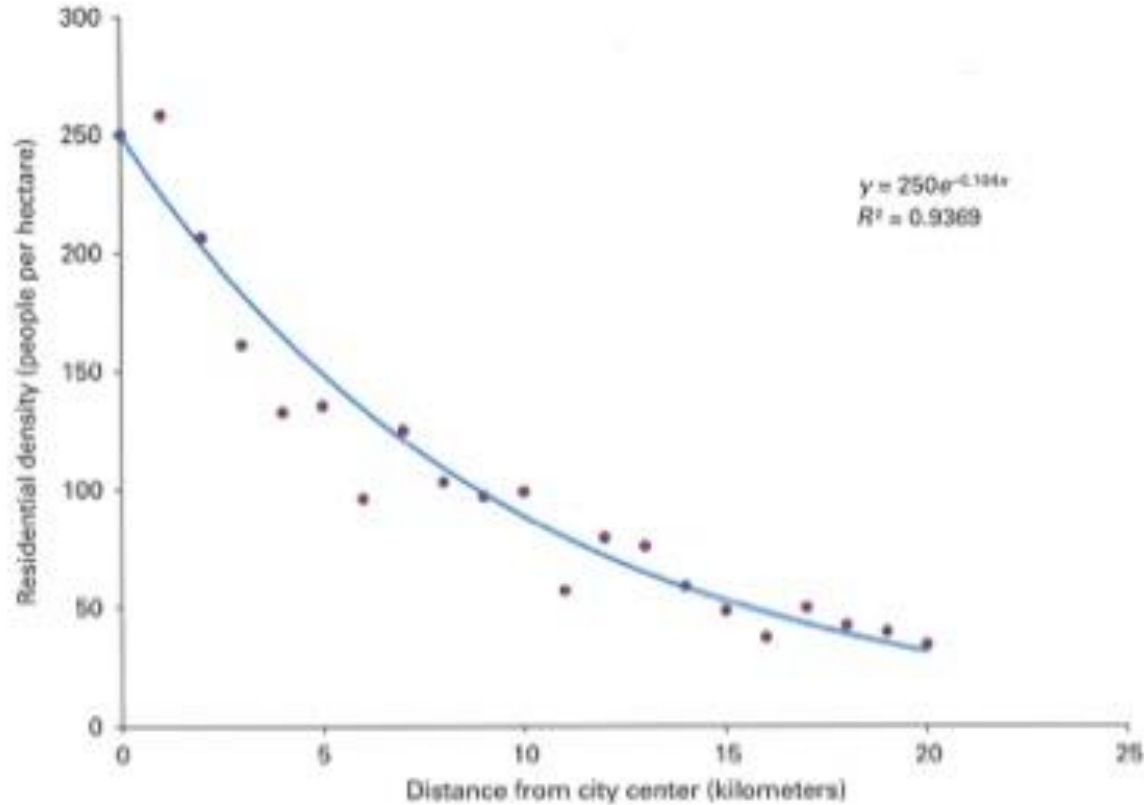
Finance and Affordable Housing

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Why are Cities Growing...?

- Workers Gain from Living in Bigger Cities
 - Access to Jobs
 - Access to Amenities
- Oregon grows by 40,000-50,000 people per year
 - 30-40% of migrants from California
 - Many bring a lot of home equity
- Gov. Kotek's goal of 36,000 housing units well chosen
 - Higher production than any year since 1990.

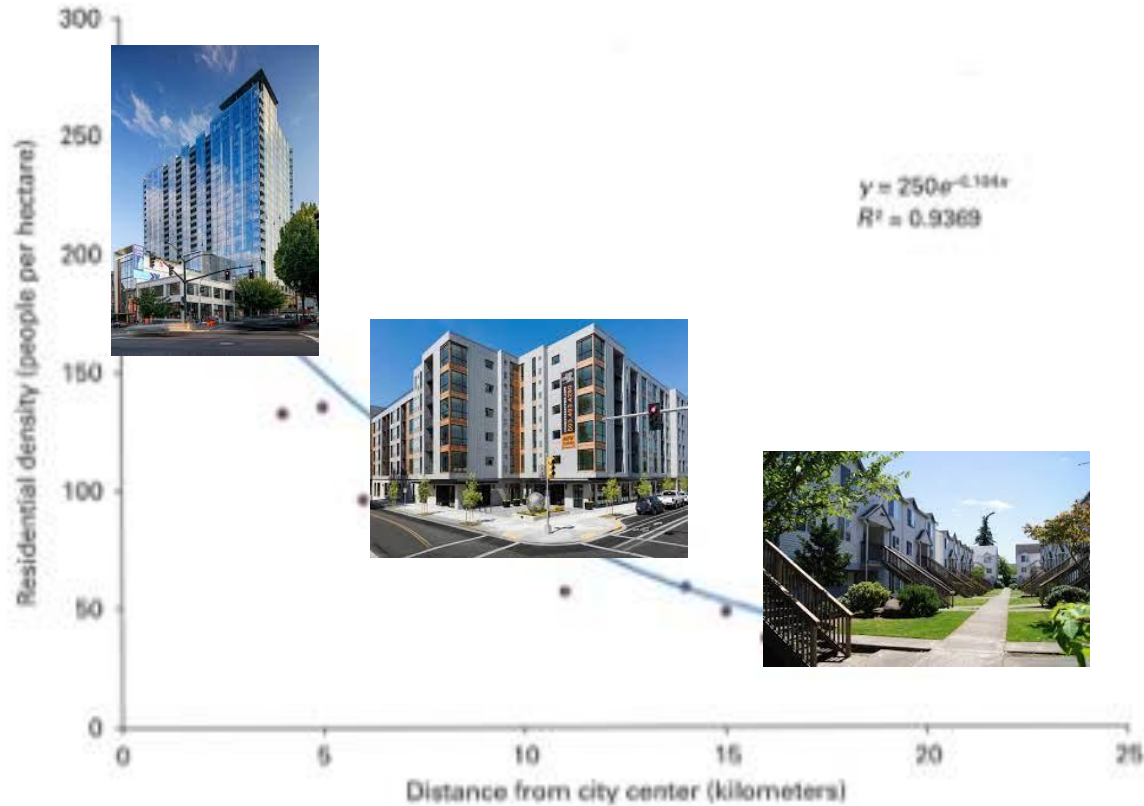
Density and Apartment Rents



- Land Prices Peak at the Metropolitan Center
- High Density in Center
- Low Density in Suburbs

Figure 4.2
Calculation of the density gradient using a regression based on observed densities in a real city.

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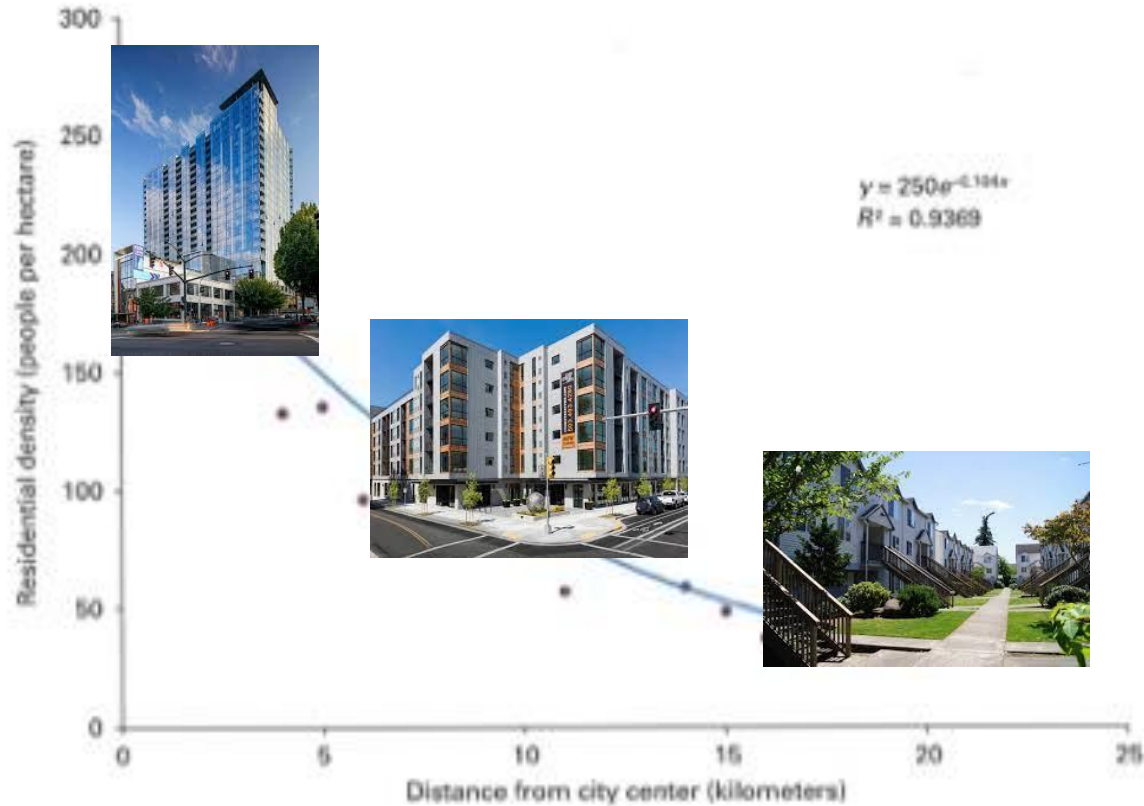


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- 2-story garden apartments - Lowest Cost Per Square Foot
- 5-story apartments (50% more)
- 6+ story apartments (50% more)



▶ Achieving the 35,000 Housing Unit Goal

- What can the legislature do...?

▶ Achieving the 36,000 Housing Unit Goal

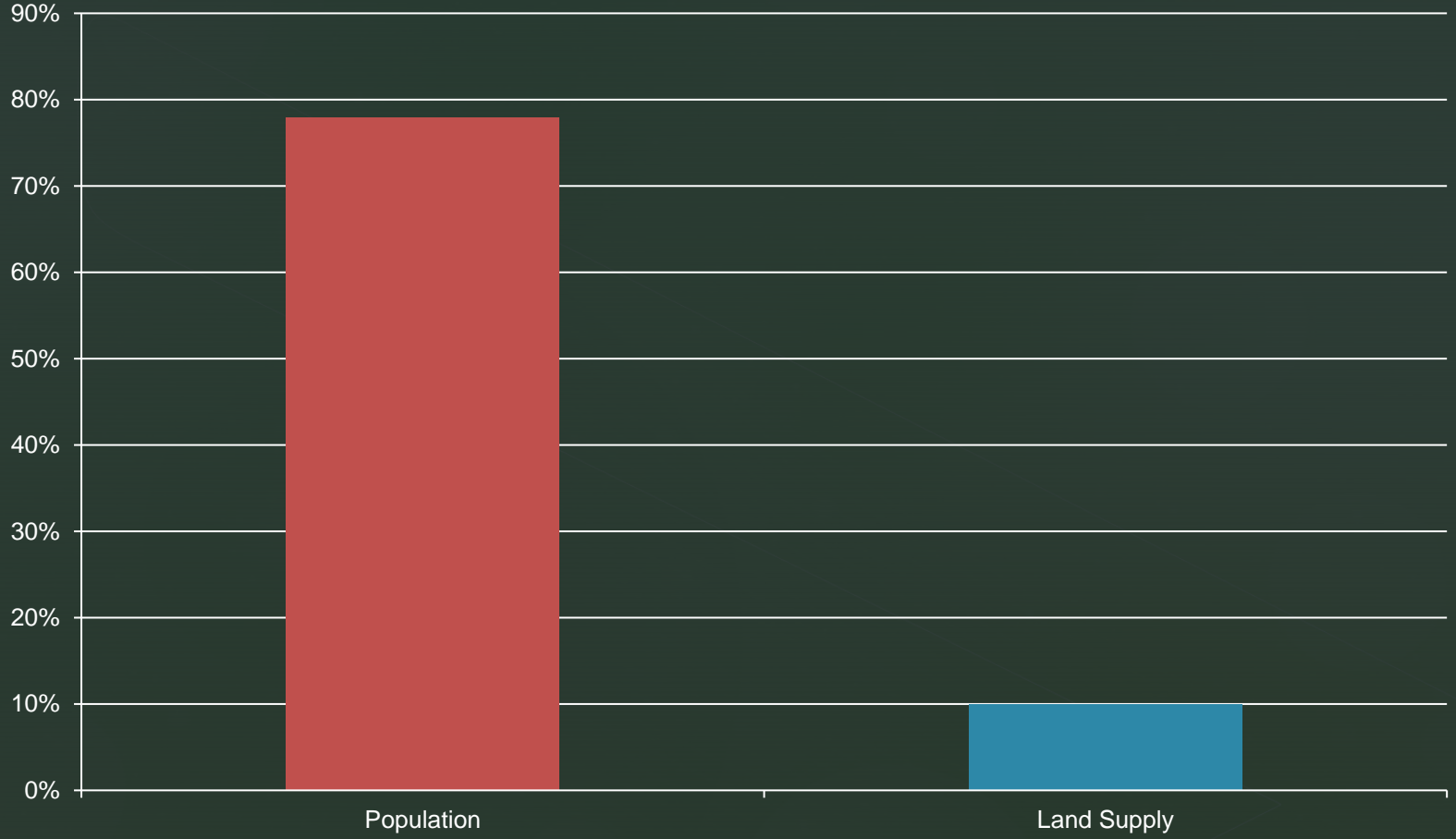
- Shift to higher density as our “marginal” housing unit leads to much higher prices over time
- We need all development - high, medium, and low-density
- Need to reform Oregon’s land use planning system
 - Prevents large, master planned communities (low density)

Achieving the 36,000 Housing Unit Goal

- Shift to higher density as our “marginal” housing unit leads to much higher prices over time
- We need all development - high, medium, and low-density
- Need to reform Oregon’s land use planning system
 - Prevents large, master planned communities (low density)
- Other reforms are needed, too
 - Inclusionary Zoning, Design Review, Permitting Delays, Lack of Road Infrastructure

Metro Portland's UGB

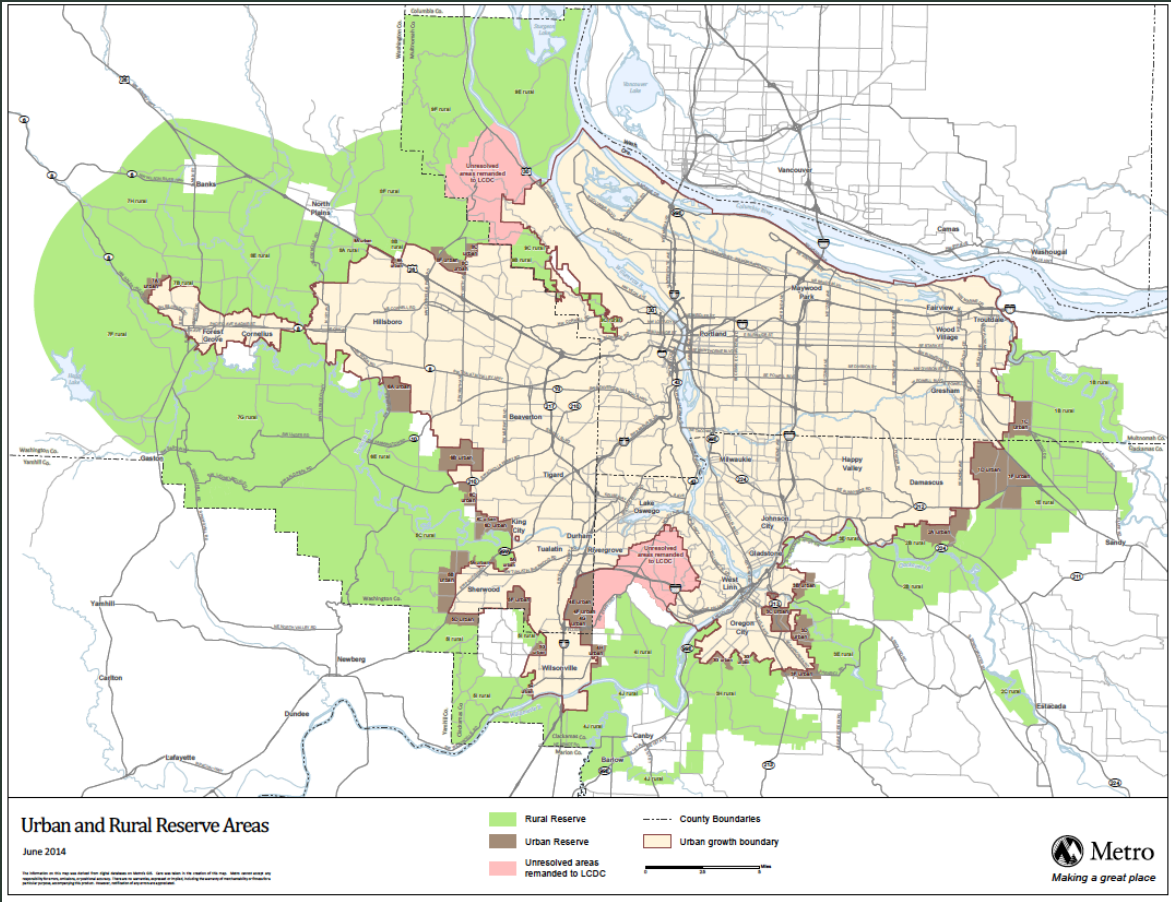
1980-2016



Metro Portland's UGB



Metro Portland's UGB



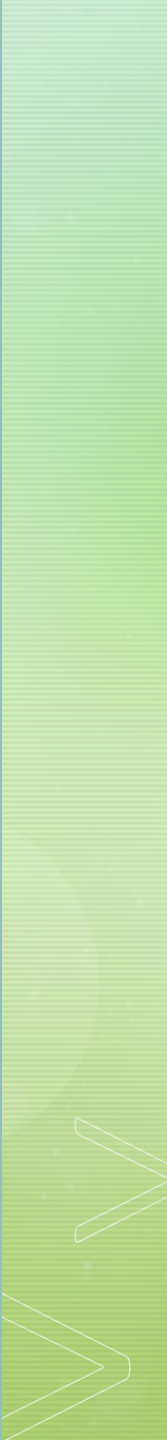
- We need to bring in the Urban Reserves

Results of a Major UGB Expansion

- Assume 10,000 acres of high value, Washington County land
- Represents 2% of region's housing stock
- Boost Middle Income Construction jobs
- When developed, housing prices and rents fall by 10-15%
- Long run impact, 3-4% price reduction
- Helps business recruitment



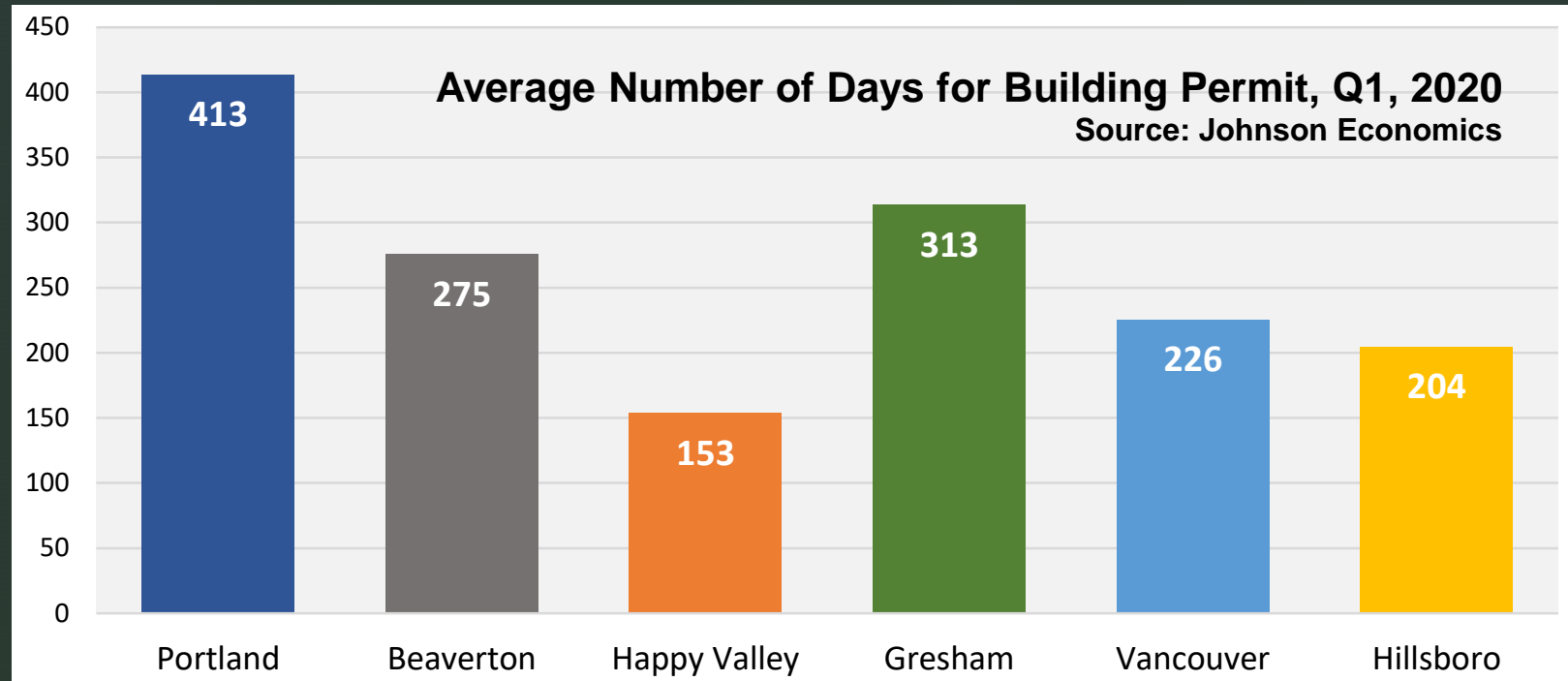
End Rent Control

- Current Policy does little to protect tenants (7% + CPI)
 - SB 611 demonstrates that the legislature might impose tighter rent increase limits
 - Investors require a premium return for risk of reduced future rental income
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Make Inclusionary Zoning Voluntary

- Downtown Portland housing production collapsed following imposition of inclusionary zoning
- City compensation isn't enough to outweigh costs
- City of Portland doesn't like to admit mistakes
- Put the genie back in the bottle
- Voluntary IZ works in Vancouver

Reduce Permitting Times



- Cities should put development revenue in general fund to avoid hiring/firing problem with permit funding
- Developers should be allowed to seek 3rd party permitting if cities are very slow



Questions...?

