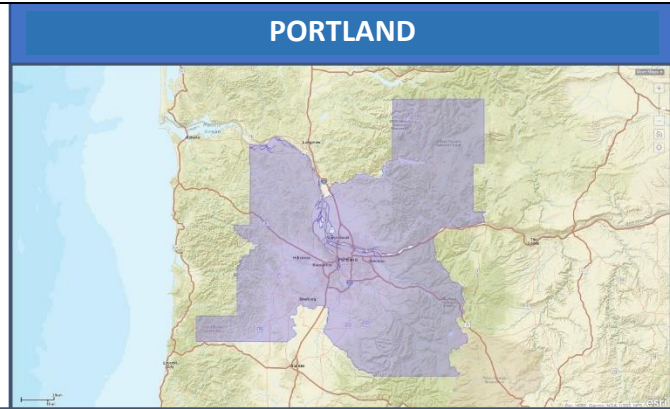
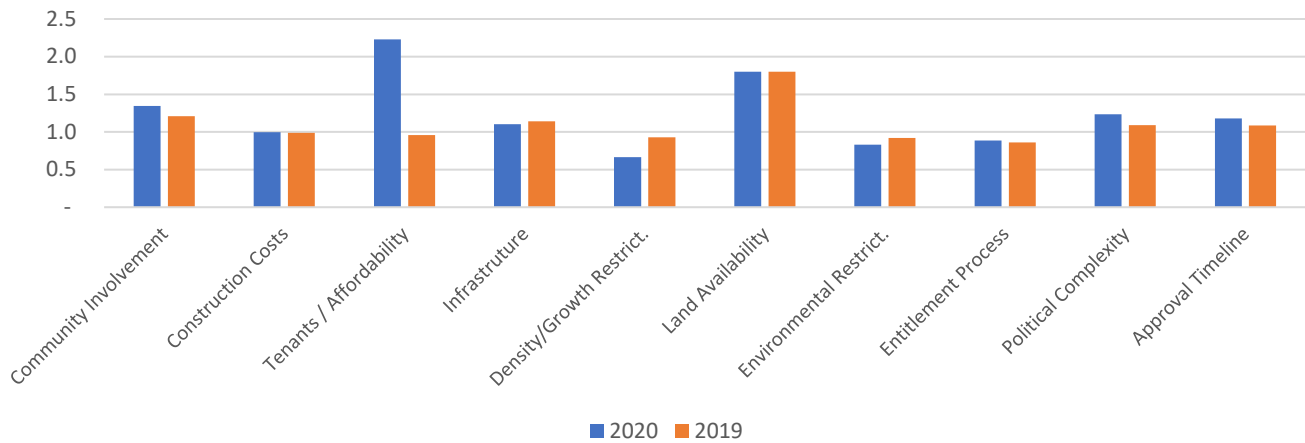


## BARRIERS to APARTMENT CONSTRUCTION 2020 UPDATE

- 2019 legislation at both the state and local level significantly changed Portland's rankings in our Barriers to Supply index this year. While the legislation does somewhat ease density restrictions, it creates significant barriers and complexity to the provision and operation of rental housing.
- The Tenants/Affordability subindex rose significantly reflecting legislation that requires a subsidized affordable component, implements rent controls and requires landlords to have just cause for evictions among many other requirements that create a complex legal and administrative environment that is particularly difficult to navigate for small landlords. Land availability at costs that pencil remains a significant issue.
- With new untested tenant-favorable laws, the market moves to a much more restrictive rank of 32 of 58 markets as compared to 11 a year ago.



Portland Barriers to Supply 2020 vs 2019



Both Oregon and Portland implemented multiple housing measures in 2019 creating tenant favorable regulations. Oregon implemented state-wide rent control for properties that are more than 15 years old. SB 608 limits annual apartment rent increases to no more than 7% plus the Consumer Price Index (CPI). Any rent increase over 10% in Portland city will expose the landlord to paying the tenant's relocation expenses up to \$4,500. SB 608 also causes landlords who own 4+ units to provide tenants with a 90 day notice and one month free rent to evict without cause after 12 months. HB2001 requires cities of 10,000 or more to allow 2-4 unit housing in single-family zones which will allow for more density in single-family areas.

In addition to the state legislation, Portland faces a number of other regulations including security deposit rules and allowance of households to choose adult tenants with no financial responsibility. The new rules are so complicated and punishing that some landlords are not bothering with security deposits at all, instead hoping to have a better chance of recouping damages through legal action. The Fair Access in Renting (FAIR) Ordinance passed in 2019 creating a first come – first served system for rental applications, caps the income-to-rent ratio that can be required for tenants and encourages landlords to use minimally restrictive credit, rental history and criminal records to deny rental applications. Leasing may require complicated Individual Assessments with appeal periods. Material ambiguities in the law and severe monetary penalties for landlords have dramatically enhanced liability for landlords, forcing them to re-write management contracts and making the market difficult for small landlords.

The 2019 legislative changes were significant, notably creating a significantly higher tenant & affordable housing score as well as a higher political complexity score (significant state influence), and eased somewhat the density scores. Survey respondents also noted higher community resistance to new supply this year. The tenant score in fact became one of the most restrictive in the country, driving the overall Portland ranking from 11 to 32 of 58 markets.

### BARRIERS INDEX METHODOLOGY:

NAA HAS Barriers to Apartment Construction indices were created from over 90 apartment development questions in ten categories and scored digitally on a scale of 0 (least restrictive) to 3 (most restrictive) from real estate professionals in both the public and private realms through 2019 and 2020 surveys.



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