

REAL ESTATE

Does Oregon Have the Answer to High Housing Costs?

New zoning laws spur more apartments and some objections as state tries to fight nationwide problem

By Will Parker / Photographs by Leah Nash for The Wall Street Journal

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BEND, Ore.—Oregon is emerging as a testing ground for a new approach to solving the nationwide shortage of affordable housing.

The state legislature in June passed a zoning law requiring cities of 25,000 people or more to allow two-, three- and four-unit residential buildings in neighborhoods of single-family homes.

New construction frees up older and cheaper housing stock, allowing multiple homes on land where only one was permitted before, proponents of rezoning say. That will produce more homes at lower prices.

In Bend, which sits on the Oregon high desert and is one of the fastest-growing small cities in the country, much of what the new zoning law requires is already under way. The city started liberalizing its building codes more than three years ago. Early results there suggest the new zoning encouraged more building and could help start to alleviate the housing shortage.

But in Eugene, there is already opposition to the rules from residents worried about increased traffic, blocked sunlight and what happens to property values.

Emily Semple, a city councilor in Eugene who opposed the state law, said the city needs to develop more housing near transit hubs, rather than filling in disparate neighborhoods.

“The state bill didn’t help that,” she said. “So it’s just a concern that it’s going to change neighborhoods citywide without much [local] say about it.”

Most Oregon cities have more than two years to adapt to the zoning rules. Oregon also passed in March the country's first statewide rent control, capping most annual rent increases at about 10%.

Other cities and states are rewriting their zoning rules. Minneapolis passed a rezoning law this year that will also open up neighborhoods to more construction. Seattle, which changed zoning rules in 27 neighborhoods, will also require developers to include apartments priced below market rate. California has opened up cities to more accessory dwelling units, or ADUs—small residences adjacent to single-family homes—and is weighing a statewide zoning measure.

Bend legislators saw rezoning as one response to the city's booming growth. As people fled from expensive markets like San Francisco or bad weather in places like Portland, Bend's population nearly quintupled to 98,000 between 1990 and 2018.

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New-home construction hasn't kept pace, and the vacancy rate for rental apartments has hovered around just 1%. Home prices have increased at more than triple the pace of wage growth over the past decade, data from Zillow and the Oregon Employment Department show.

The city has turned to ADUs. Construction of these small residences doubled in 2016, after the city made it easier to get permits for them.

"Lots of folks are getting pushed out, or doubled up, tripled up, lots of families in one house or individuals in one house," said Lynne McConnell, the affordable housing manager for the city of Bend.

After seeing the sharp rise in ADU construction, Bend officials now hope that duplexes and triplexes begin to take off.

But Oregon cities that haven't already gone forward with plans for this kind of housing, such as Eugene—the state's second-largest city—show that trying to implement the new statewide zoning laws can be a highly contentious process.

Oregon began requiring cities to allow ADUs in 2017, but Eugene kept restrictive rules on the books that effectively limited how many were built. Fewer than seven ADUs have been permitted each year on average over the past five years in Eugene.



Bend legislators saw rezoning as one response to the city's booming growth.

“These people who represent neighborhood interests are active, they’re loud and they show up in meetings,” said Richie Weinman, a retired Eugene city planning official who recently built an ADU. “It can be a long, arduous process.”

Eugene’s city council last month voted to try to repeal the state zoning bill.

Paul Conte, a retired software developer and homeowner in a Eugene neighborhood that had worked with the city on a custom zoning code, said he expects the state’s rezoning plan will mostly result in high-end rentals or condominiums.



In Eugene, Ore., there is already opposition to the rules from residents worried about increased traffic and property values.

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But advocates say adding more housing, regardless of price, will free up the older and cheaper housing stock.

Oregon House Speaker Tina Kotek, the rezoning bill’s chief architect, said a lack of allowable options is one reason why developers focus on luxury homes. “A builder is [now] going to say, I can build two or three more affordable homes on the same property.”

Even proponents like Rep. Julie Fahey, a Democrat and the only of Eugene’s four elected House members to vote for the rezoning bill, say rezoning is just one of many measures it will take to make a serious dent in Oregon’s housing problem.

“The private market isn’t going to solve the problem for people who can only afford \$500 a month in rent,” she said.

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