

Multiple factors drive housing costs

Lack of supply pushes prices higher

By **PARIS ACHEN**
Capital Bureau

A confluence of factors — including low supply, high demand, obstructive regulations and inadequate infrastructure — are driving up housing prices in Oregon, a panel of state economists and housing experts told a legislative committee.

“There are too few units given the strong and growing demand,” said Josh Lehner, economist with the Oregon Office of Economic Analysis. “In such a market, anything available at a remotely reasonable price and/or location is gone instantaneously. The lack of supply drives prices higher.”

Panelists on Tuesday recommended a series of policy changes, many of which lay outside the Legislature’s control. Local zoning laws, permitting rules and even the state labor commissioner’s interpretation of prevailing wage law for residential construction projects can drive up the cost and time it takes to build units, said Kurt Creager, director of Portland Housing Bureau.

“Who moves to Oregon? The short answer is everyone moves to Oregon,” Lehner said.

More newcomers

In the past year, the state has attracted more newcomers than it had any year in the past two decades. About 30 new households move to the state or are formed in the state every day.

Meanwhile, the state’s stock of affordable housing has failed to keep pace.

Portland is a year behind in building new units to keep up with population growth. The city needed 23,000 more units than were built between 2006 and 2015. That combination has yielded the fifth lowest vacancy rate among the 100 largest metro areas in the nation, Lehner said.

The economist said he doesn’t know why the city lagged behind in building units.

“Coming out of the Great Recession, I know financing was very, very hard for builders to obtain,” Lehner said. “Some analysts like to point out that demand increases much faster than supply can, given how long it takes to build housing.”

New construction doesn’t necessarily equate to affordable housing. Much of the new

construction is more expensive than existing housing, said Mike Wilkerson, senior economist with ECONorthwest.

The median monthly rent in Portland is \$1,200. In order to afford that, you’ll need to earn 113 percent of median income, Wilkerson said. If the unit was built after 2007, that price climbs to \$1,750. Nearly 54 percent of Portland renters are paying at least 30 percent of their income toward rent, according to Lehner’s analysis of census figures.

Construction and labor costs

Increased demand for construction work has driven up the bids contractors make on projects by up to 20 percent, Wilkerson said.

The state labor commissioner’s rulings on prevailing wage also can drive up building costs, Creager said.

One example is the Yards at Union Station, a 1,200-unit development built in five phases in downtown Portland. For the first two phases, the developers were required to pay the residential wage to workers on the project.

After Labor Commissioner Brad Avakian took office, he ruled the final three stages — which were identical to the first — demanded a commercial wage, because 20 percent

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of the development had commercial features. The other 80 percent of the project was residential. That decision drove up labor costs for the project by 25 percent, Creager said.

A solution to help rein in those labor costs is to apply a split wage rate to such projects, he said.

Zoning limits

Local zoning laws limit where developers can build multifamily units, and there are few areas where building multifamily units is viable because of the high cost of installing infrastructure, Wilkerson said.

Panelists recommended easing limits on density and prohibitions on duplexes, triplexes and garden-style apartments in single-family neighborhoods. Decreasing restrictions on construction of condos and prefabricated and modular homes also could help increase affordable housing capacity.

Secondly, Wilkerson said, low-income housing credits need to be targeted geographically where the greatest need is, which is not happening now.

Creager, of the Portland Housing Bureau, said even something as simple as including cost control into the charge of a city’s design review commission might help remove obstacles for developers.

The panelists presented Tuesday to lawmakers on the House Committee on Human Services and Housing. Lawmakers had requested the information to help give them more insight on the drivers of the state’s housing crisis and ideas for proposed legislation in 2017 to improve the situation, said state Rep. Alyssa Keny-Guyer, D-Portland, the committee’s chairwoman.

A priority

Gov. Kate Brown has said augmenting the state’s

affordable housing supply is one of her priorities, but it is unclear how much the Legislature can do to ease the crisis, given the market drivers.

“Housing is fundamentally a matter our society has consigned to the private sector, and government at all levels really only tinkers on the margins of that sector,” said Margaret Van Vliet, director of Oregon Housing and Community Services.

Last session, lawmakers passed legislation to end the state’s 17-year ban on requiring developers to include affordable housing in their plans, a measure to prohibit rent increases in the first year of a month-to-month tenancy and increase notice for rent increases from 30 to 90 days, a pilot affordable housing program for smaller communities and a measure to allow annexations without going to the people for a vote.

The Legislature also poured millions of dollars into emergency and homeless housing assistance, foreclosure counseling and other programs designed to keep people in their homes.

The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group.

Oregon renews wildfire insurance policy

By **PARIS ACHEN**
Capital Bureau

SALEM — Oregon officials and forestland owners have renewed the state’s wildfire insurance despite failing to reach the policy’s \$50 million deductible last year.

The price of the premium declined by \$300,000 to \$3.45 million in 2016, according to the state Department of Forestry. Underwriters gave the discount because state did not need to use the policy in 2015, said state Sen. Alan Bates, D-Ashland.

The \$25 million policy is underwritten by Lloyd’s, a London insurance consortium, and AXIS of Bermuda.

Federal and state agencies spent \$94.4 million on wildfire suppression in 2015, according to the Legislative Fiscal Office. Only about \$30 million of that, however, was counted toward the state’s wildfire insurance deductible.

A committee of public and private forestland owners voted in March to renew the policy. That committee typically pays 50 percent of the premium but could only pay 11 percent this year because state law limits how much it can spend fire suppression. It has already hit that \$13.5 million threshold, leaving the state to make up the difference of nearly \$1.4 million.

Senate confirms Oregon’s first resiliency officer

By **PARIS ACHEN**
Capital Bureau

SALEM — The Oregon Senate on Wednesday unanimously confirmed Gov. Kate Brown’s nominee for the state’s first resiliency officer to develop plans for responding to a major earthquake.

Michael Harryman is the former director of emergency operations for Oregon Health Authority’s Public Health Division.

“I am honored that the governor has nominated me for this important position,” Harryman said during a hearing Monday of the Senate Committee on Rules and Executive Appointments.

Harryman is charged with “directing, implementing, and coordinating seismic safety and resilience goal-setting, which includes working with state agencies to improve Oregon’s seismic safety and resilience,” according to a statement from Brown’s office.

One of Harryman’s first tasks is to participate in the regional earthquake preparation exercise, Cascadia Rising, June 7 to June 10. The event is intended to prepare the Pacific Northwest to coordinate a response to a Cascadia Subduction Zone earthquake and tsunami. Participants include state and local agencies from Oregon, Washington state and Idaho, along with the Federal Emergency Management Agency, military commands and members of the private sector.

Geologists and seismic experts predict major seismic activity along the Casca-

dia faultline could devastate communities throughout Oregon, especially along the state’s coastline. Much of Oregon’s infrastructure, such as hospitals, roads and bridges, remain vulnerable to collapse, according to the 2013 Oregon Seismic Safety Policy Advisory Commission Report. Lawmakers also recently approved a record amount — \$50 million — to reinforce the state’s schools against collapse in the event of an earthquake.

The Legislature created Harryman’s position in 2015 to develop earthquake response and recovery plans for the state.

Harryman is the governor’s second nominee for the position. Brown had to withdraw her previous nominee in February because a majority of senators indicated they would vote against her choice. The previous nominee, Derek Smith, a former chief executive officer of Clean Energy Works, had no experience in disaster response or recovery.

Brown announced earlier this month that she nominated Harryman to fill the post. Harryman has a master’s degree in emergency and disaster management and has directed emer-

gency operations at the Public Health Division for the past 10 years.

“Mr. Harryman has the experience and expertise needed to bring our state agencies together to ensure they are well coordinated as we work toward making Oregon seismically resilient,” Brown said in a statement.

Harryman will work out of the Oregon Department of Geology and Mineral Industries office in Portland.

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