



Barriers to Residential Development

...include financial and market factors as well as local regulations.

One significant barrier involves **land supply issues**. As the City of Portland's *Housing Production Strategy* notes: It is difficult to find sites appropriately zoned, especially for higher density development. Affordable housing providers are unable to compete with market-rate developers because of the longer timelines associated with financing and development.

Actually, affordable housing developers find it difficult to compete for available land sites not only because of lengthy timelines, but more importantly because of speculative land holding. As reported in the 13 Apr 2022 issue of *Street Roots*, real estate investors purchasing homes pose a major problem for prospective single-family home buyers. First-time homebuyers struggle to compete with the financial resources of investment companies known to purchase homes sight-unseen, waive inspections and appraisals and make quick-closing all-cash offers well above the asking price. As individual buyers are priced out of the real estate market, they continue renting in a market where prices have also skyrocketed over the past two years.

Speculative land holding can be discouraged by built-in incentives of a **land value tax**. By taxing land assessments at a higher rate, and building assessments at a lower rate, corporate investors may find the cost of large-scale purchases and land holdings prohibitively expensive.

There are also **financial** barriers that contribute to homebuyers' struggle to find housing units within their price range, such as rising construction costs, property taxes, increased costs of utilities, cost of permitting, etc.

But it is not the property tax per se that makes housing purchases prohibitive, but rather the perverse incentives of Oregon's current system mandated by Measures 5 and 50. Many scholarly studies have exposed the practice of limiting assessment growth as grossly unfair, incenting speculative land holding and disinvestment. A change to true market assessments and land-based taxation has proven to be less punitive to owners who undertake substantial capital investments. LVT shifts tax burden off higher density sites onto underutilized sites and places a downward pressure on land prices.

The HPAC Work Group is clear in its diagnosis: Oregon's property tax system disincentivizes improvements to real property; eliminating the disincentive will lead to the creation of more housing units. LVT is the clear path to this objective.

See:

CONSOLIDATED TAX REFORM HPAC FINANCE WORKGROUP
[HPAC Work Group Recommendation Template](#)

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