

Development Incentives

Program Description & Goals

The Development Incentives team administers incentive and exemption programs related to the production of affordable housing.

The program's primary goals are to promote the inclusion of affordable housing in otherwise market-rate developments, assist affordable housing developed and operated by nonprofit partners through financial incentives, and support the creation of more affordable homeownership opportunities for low- to moderate-income households.

Performance	Actuals FY 2019-20	Actuals FY 2020-21	Target 2021-22	Target FY 2022-23	Strategic Target
Percentage of family sized Inclusionary Housing (IH) units permitted	20%	21%	15%	15%	15%
Percentage of housing units opened or preserved in high opportunity areas	60%	73%	50%	50%	50%
Percentage of Inclusionary Housing (IH) units affordable at 60% AMI or below	63%	64%	50%	50%	50%
Percentage of privately developed residential units permitted as affordable through the Inclusionary Housing (IH) program	12%	10%	10%	10%	10%
Number of households receiving indirect assistance through foregone revenue (mortgage credit certificate, limited tax exemption, and system development charge exemption)	176	153	140	140	140

Explanation of Services

State and City policymakers have implemented regulations to increase the number of affordable units built. For-profit and nonprofit housing developers benefit from exemption programs, reducing permitting expenses and the ongoing cost of property taxes for both rental and homeownership projects, as well as, both single-family and multifamily developments. Developers providing deeper affordability or family-sized units, and manufactured dwelling park owners can receive density bonuses.

The Inclusionary Housing (IH) Program requires buildings with 20 or more new units to provide affordable housing. The options to comply include: 1) provide 20% of the new building's units at 80% MFI; 2) provide 10% of the new building's units at or below 60% MFI; 3) provide 20% of the new building's units at 60% MFI, or 10% of the new building's units at 30% MFI, in another new building; 4) provide 25% of the new building's units at 60% MFI, or 15% of the new building's units at 30% MFI, in an already existing building; or 5) pay a fee-in-lieu of providing affordable units.

The Multiple-Unit Limited Tax Exemption (MULTE), Non-Profit Limited Tax Exemption (NPLTE), Homebuyer Opportunity Limited Tax Exemption (HOLTE), System Development Charge (SDC) Exemption, Affordable Housing Construction Excise Tax (AHCET) Exemption, and Local Transportation Infrastructure Charge (LTIC) Exemption Programs reduce the cost of developing and preserving affordable multi- and single-family rental and homeownership projects.

The Deeper Housing Affordability (DHA) Bonus, Three-Bedroom Bonus, Affordable Housing Bonus Transfer, and Manufactured Dwelling Park (MDP) Bonus Programs provide density bonuses to developers making a portion of their housing units affordable to low - income households.

The Development Incentives team reviews and approves applications prior to construction of new developments and prior to home purchases to confirm program criteria is met. The outcomes of these programs include the creation of mixed-income neighborhoods, long-term stability for families, and below-market rents and home prices.

Equity Impacts

The Development Incentives team supports the PHB mission of addressing the housing needs of the people of Portland through both encouraging and requiring the development of affordable housing and increasing access for homeownership. The Development Incentives programming advances equity by increasing the number of housing options available to low- to moderate- income renters and homebuyers across the City through otherwise market-rate development, without competing with other bureau funding directed towards the most vulnerable residents, and by supporting publicly-funded projects through exemption programs. Success in this program would result in an increase in the number of affordable homes available to low- to moderate-income families and an increase in the number of BIPOC households accessing affordable housing opportunities through PHB.

Changes to Program

To meet the need of housing available to low- and moderate-income households within a constantly evolving market, changes to the Development Incentives Program include:

- Continued refinements to the IH Program including technical clarifications to program administration; and
- Development of the DHA Bonus, Three-Bedroom Bonus and Affordable Housing Bonus Transfer Programs resulting from zoning code changes.

In FY 2022-23, PHB will review analysis and results of a study of the IH Program performed by an outside consultant and determine through a public process what changes may be necessary to respond to current market conditions and zoning code changes since the program went into effect in 2017.

PHB will review current application and processing fees and update and establish new fees to support administration of the Development Incentive Program. As the IH Program has ramped up, fee-in-lieu revenue collected allows the addition of one FTE, by converting a current LTE position.

Program Budget

	Actuals FY 2019-20	Actuals FY 2020-21	Revised FY 2021-22	Requested Base FY 2022-23	Requested with DP FY 2022-23
Bureau Expenditures					
Personnel Services	798,212	796,517	824,513	917,397	917,397
External Materials and Services	241,895	217,222	1,040,871	868,782	868,782
Internal Materials and Services	27,876	10,739	11,780	11,115	11,115
Bureau Expenditures Total	1,067,982	1,024,478	1,877,164	1,797,294	1,797,294
Fund Expenditures					
Fund Transfers - Expense	217,800	23,262	44,997	117,742	117,742
Fund Expenditures Total	217,800	23,262	44,997	117,742	117,742
Requirements Total	1,285,782	1,047,740	1,922,161	1,915,036	1,915,036
FTE	6.15	6.00	6.00	6.00	6.00

Budget Narrative

Resources	Program income is generated through application and processing fees. Cost of living adjustments and establishing fees for new programs are anticipated for FY 2022-23.
Expenses	Program costs are primarily for staffing and indirect costs. Ongoing expenses are limited and include document recording fees and payment to Multnomah County for each tax exemption application approved.
Staffing	Staffing for the program is 6.05 FTEs, one of which is limited-term. Continuing current programming requires converting the limited-term position to a permanent position in FY 2022-23 to ensure sufficient customer service and timely review of applications and to not delay building permits. The addition of more programming merits further supplementation of program staff by adding another Program Specialist and Program Coordinator as sufficient revenue is established from program fees and the fee-in-lieu.
Assets and Liabilities	While no City-owned assets are created by the program, affordable housing assets owned by third parties are created via indirect financial subsidies, density bonuses and regulation.

Program Information

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