



# Portland Housing Bureau

## Inclusionary Housing Calibration Study

Stakeholder Work Group

*Meeting #7, Option 1 – June 30/Option 2 – July 7*

### **2035 Comprehensive Plan** Policy 5.35 Inclusionary housing

*Use inclusionary zoning and other regulatory tools to effectively link the production of affordable housing to the production of market-rate housing. Work to remove regulatory barriers that prevent the use of such tools.*

# Agenda

- **Quick recap of previous meetings**
  - **Status of draft recommendations**
- **Cost comparison study findings**
- **IH calibration study assessment and findings**
- **Close out, next meeting**

# **Summary of Previous Meetings**

# Overview of IH Program: Policy Framework

## Reminder of Core Components of IH Program:

- Mandatory program for buildings with 20 or more units
- 20% of units at 80% AMI or 10% at 60% AMI with additional incentives
- Options emphasize on-site IH units (over fee-in-lieu or off-site option)
- Requires units to be affordable for 99 years
- Ensures that IH units are comparable in quality, size, bedroom composition, and distribution throughout building as market-rate units

**Progress to Date:** Inclusionary Housing has helped create **over 1,000 affordable units** in market-rate projects and generated approximately **\$4M in funding** to support PHB investments for affordable housing in other locations.

# Purpose of the Calibration Study

## Key Questions:

1. Are the incentives offered with IH adequate to offset the requirements?
2. Are the policy objectives being met?
  - Creating more 60% AMI units and family size units
  - Creating affordable housing throughout the city
  - Creating mixed-income buildings
3. What can be done to simplify standards, add flexibility, and create more clarity?
4. How does IH fit into the broader picture of development feasibility right now?

# IH Calibration Study Scope and Components

*Analysis priorities: Off-site, Homeownership, Tax exemption outside CC, Reconfiguration. Additional analysis added at work group request.*

- **IH Unit Resident Experience** - *Survey experience of residents of IH units*
- **Site Utilization Analysis** - *Assessment of 12 – 19 unit projects*
- **Program Comparative Analysis** - *Research IH programs in other jurisdictions*
- **Development Prototypes Analysis**
- **Development Cost Study**
  - *Portland construction cost analysis + comparison city, local policy analysis*
- **External Stakeholder Work Group**

# Overview of BAE's Methodology for IH Analysis

- Review prior development prototype analysis (from 2016)
- Create 15 base prototypes reflecting a range of real-life development projects
  - Ranging from small apartment buildings to large towers
  - Located in high rent areas and low rent areas
- Conduct market analysis
- Conduct developer and stakeholder interviews
- Assess to what extent development prototypes would be feasible under current market conditions, with and without IH requirements
- Compare the value of the City's offset/incentive package with the cost of the IH requirement

**Additional contract** with BAE in 2023 to better understand other cost drivers

# IH Work Group Recommendations *As of May 2023*

*Guiding principles: Simplify standards, Add flexibility, Create clarity*

- **Reasonable equivalency** (*rental projects*)
  - Adjust minimum IH unit size from 95% to 85% of market rate units
  - Adjust proportion of IH units allowed per floor from 25% to 35%
- **Off-site building location** (*rental and for-sale projects*)
  - Increase distance allowed for off-site location from .5 mile to 2 miles
  - Allow Opportunity Map score of 5 to build in Opportunity Map score 4
- **Reconfiguration** (*rental and for-sale projects*)
  - Require one market rate 2bd+ unit for every reconfigured IH unit
  - Amend section language for simplicity and clarity



# Transition to BAE Presentation

# **Preview of July 10 Meeting**

Policy Discussions and Work Group Recommendations

# Priorities for Proposed Changes

1. **Balancing regulatory requirements with incentive offset package**
2. **Program clarity, simplicity, streamlining**
3. **Overall project feasibility**

# Meeting 8 Agenda + Policy Topics

## Meeting Agenda

- Welcome + Previous meeting summary *20 minutes*
- Policy discussion *1 hour 10 minutes*
- Lunch *25 minutes (catered)*
- Policy discussion *1 hour*
- Close out + Next steps *5 minutes*

## Primary Policy Topics

- Homeownership
- Off-site options
- Inclusion rates
- Tax exemption
- Items to revisit/reconfirm