



## Portland Housing Bureau

# Inclusionary Housing Calibration Study

Stakeholder Work Group

*Meeting #1, November 4, 2022*

## 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.*

# **Welcome & Introductions**

# Agenda

- **Welcome & Introductions**
- **Calibration Study Components and Work Plan**
- **Context Setting**
- **Policy Background and Framework**
- **Inclusionary Housing Program**
  - *Program options*
  - *Program updates*
  - *Program Progress*
- **Close out, next meeting**

# **Calibration Study Components and Work Plan**

# Calibration Study Components

## **IH Unit Resident Experience Survey**

- *Study the experience of residents of IH units*

## **Site Utilization Analysis**

- *Assessment of 15 – 19 unit projects*

## **IH Program Comparative Analysis**

- *Research IH programs in other jurisdictions*

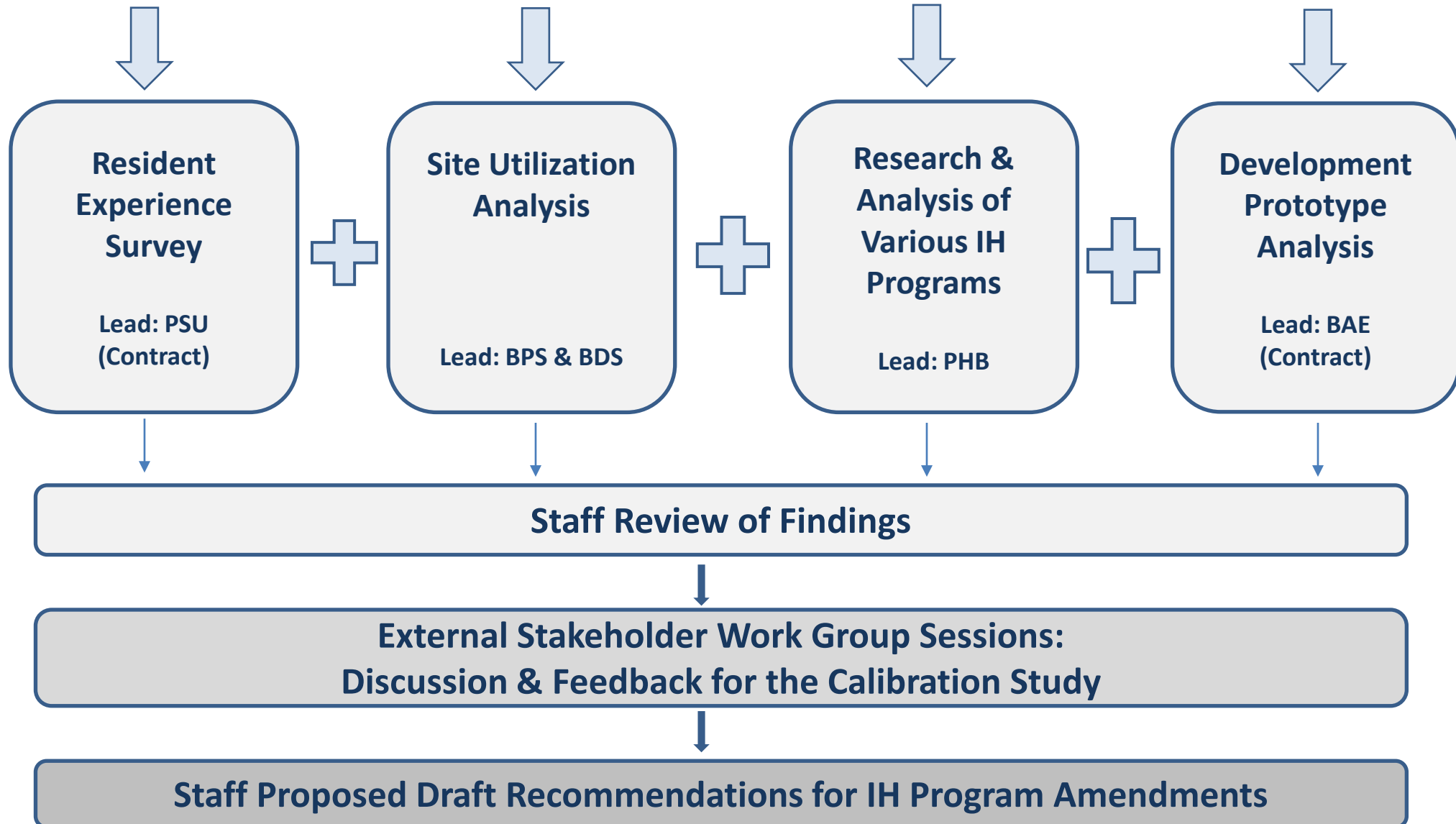
## **Development Prototypes Analysis**

- *Calibration of off-site options, reconfiguration, & homeownership*
- *Assess full tax exemption outside Central City at 5:1+ FAR*
- *Impact of pre- & post-regulated rent increases since IH adoption*

## **External Stakeholder Work Group**

- *SMEs as critical thought partners providing feedback, questions, ideas*

# Inclusionary Housing Calibration Study: Components & Process



# Calibration Study Work Plan

- **December 2**
  - IH unit resident experience study, *PSU*
  - Data inputs development prototype analysis, *BAE*
- **January 9**
  - Site underutilization analysis, *BPS, BDS*
  - Prototypes for development prototype analysis, *BAE*
- **February 24**
  - Program comparative analysis, *PHB*
  - Review data inputs and prototypes for analysis, *PHB, BAE*
- **March 17**
  - Development prototype analysis, *PHB, BAE*
- **April 28**
  - Potential recommendations, *PHB*

# Context Setting



# 25,045

HUD estimated **additional affordable housing units** the City of Portland needs to meet current demand

26

4

2.2

*Portland is **26<sup>th</sup>** largest city in the United States.  
**4<sup>th</sup>** worst income disparity between Black & White households.  
On average, White Portlanders earn **2.2** times more than Black Portlanders.*

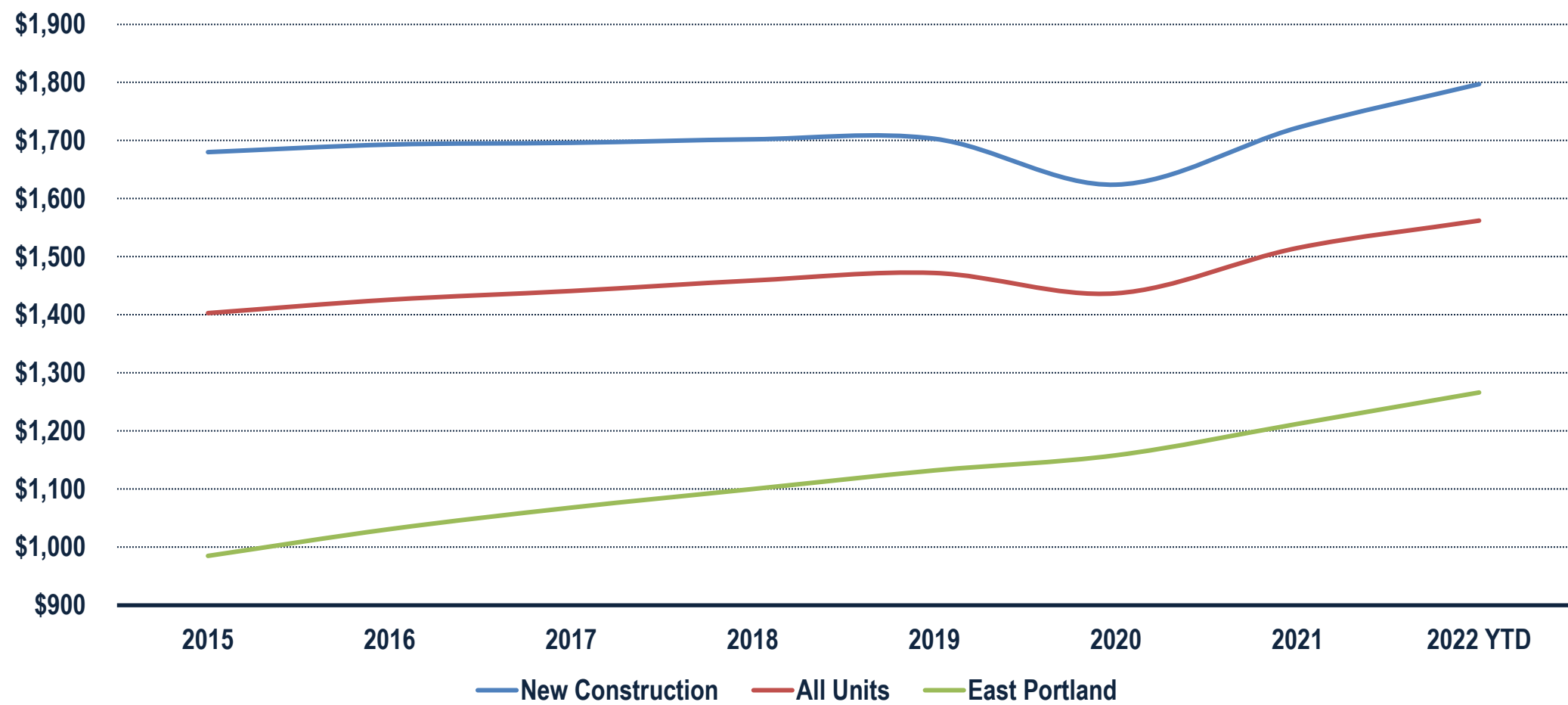
# 56% vs 30%

*Portland has 4<sup>th</sup> largest homeownership disparity in the nation.  
About **70%** of Black Portlanders rent, disproportionately exposed  
to rental housing market issues.*

# 1 of 2

*Portland is **one of two** cities in the top **5** for disparities in both income and homeownership between White and Black households. The other city is Seattle.*

# Average rents in multifamily properties built after 2015



## Using 2022 rents to determine annual housing cost

*\$1,800 per month x 12 = \$21,600 per year*

## Using Portland's income to rent max

*\$43,200 of income required to apply*

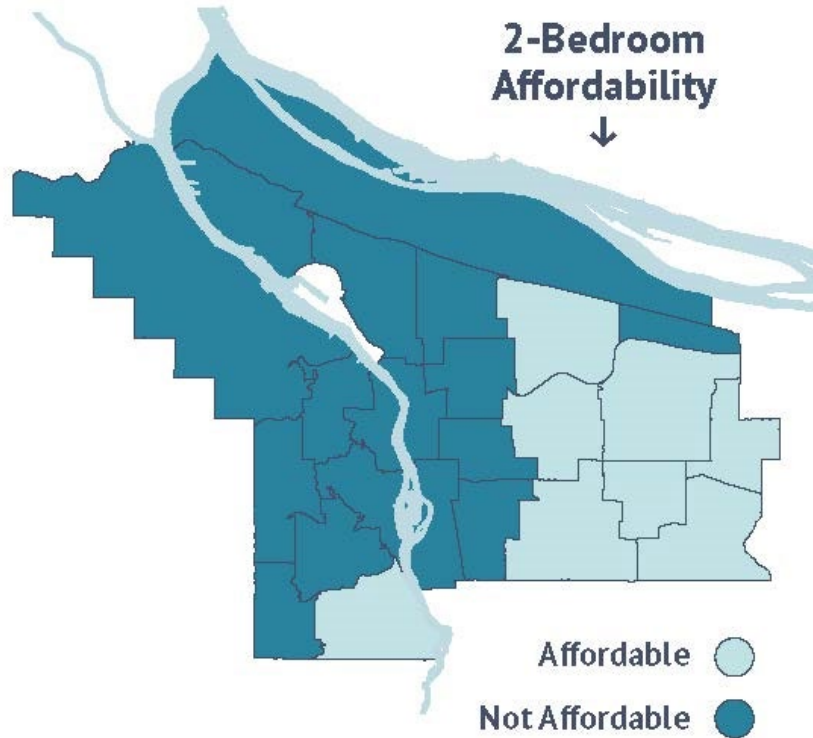
### White Households by Income

<i>\$0 to \$39,999</i>	<i>55,179</i>
<i>\$40,000 to \$99,999</i>	<i>79,900</i>
<i><u>\$100,000 or more</u></i>	<i><u>86,375</u></i>
<i>Total households</i>	<i>221,454</i>

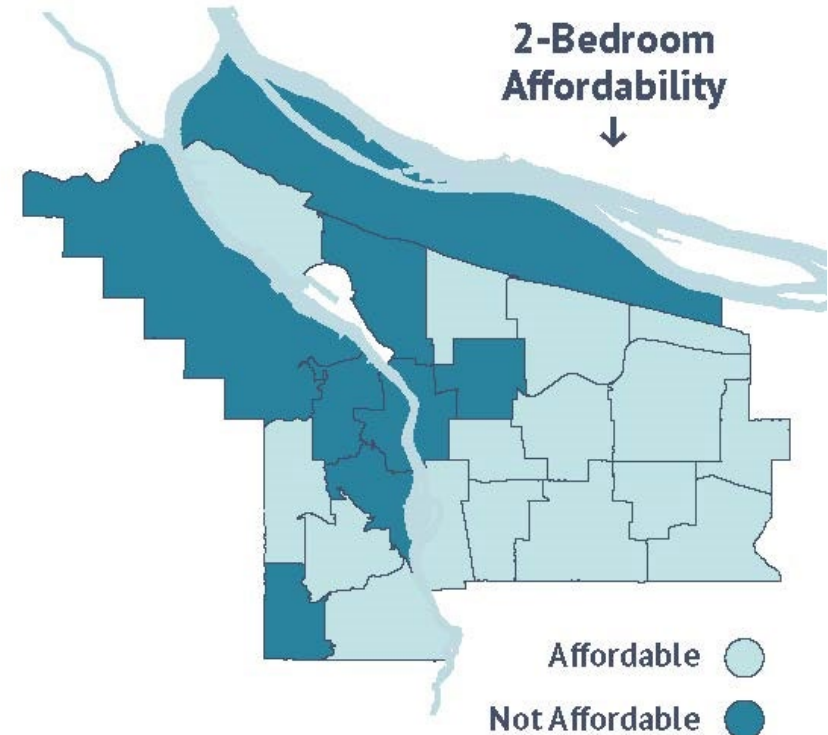
### Black Households by Income

<i>\$0 to \$39,999</i>	<i>4,839</i>
<i>\$40,000 to \$99,999</i>	<i>5,513</i>
<i><u>\$100,000 or more</u></i>	<i><u>2,019</u></i>
<i>Total households</i>	<i>12,371</i>

# Portland Rental Affordability

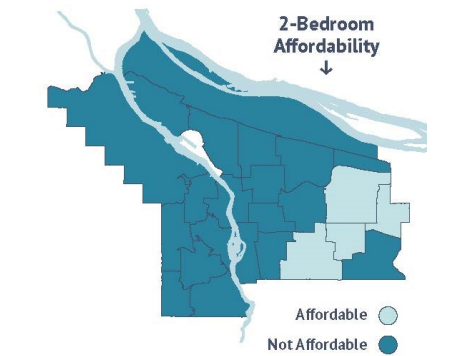
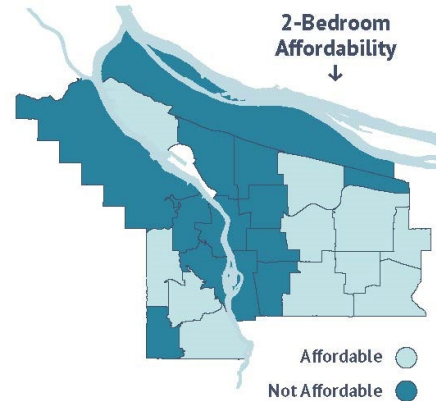
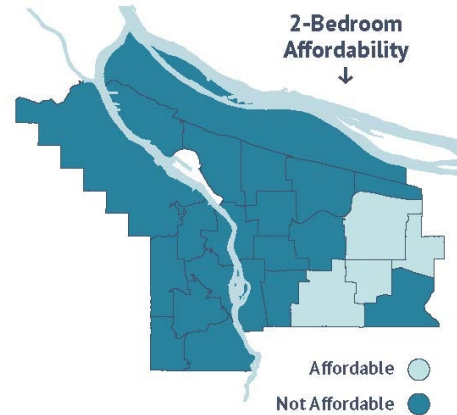
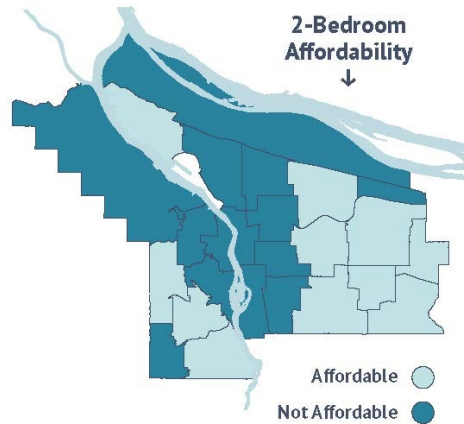


**60% of Median Income**

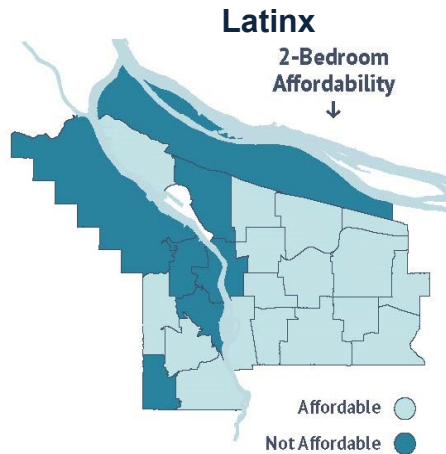
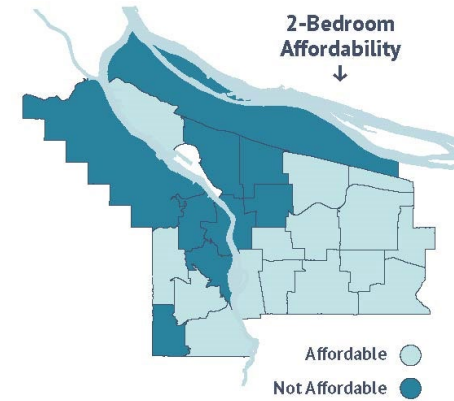


**80% of Median Income**

# Rental Affordability by Community



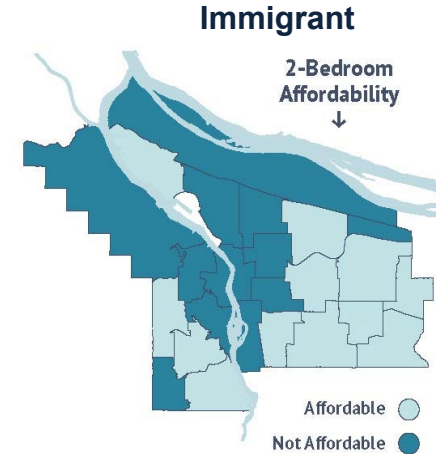
**Senior**



**White**



**Black**



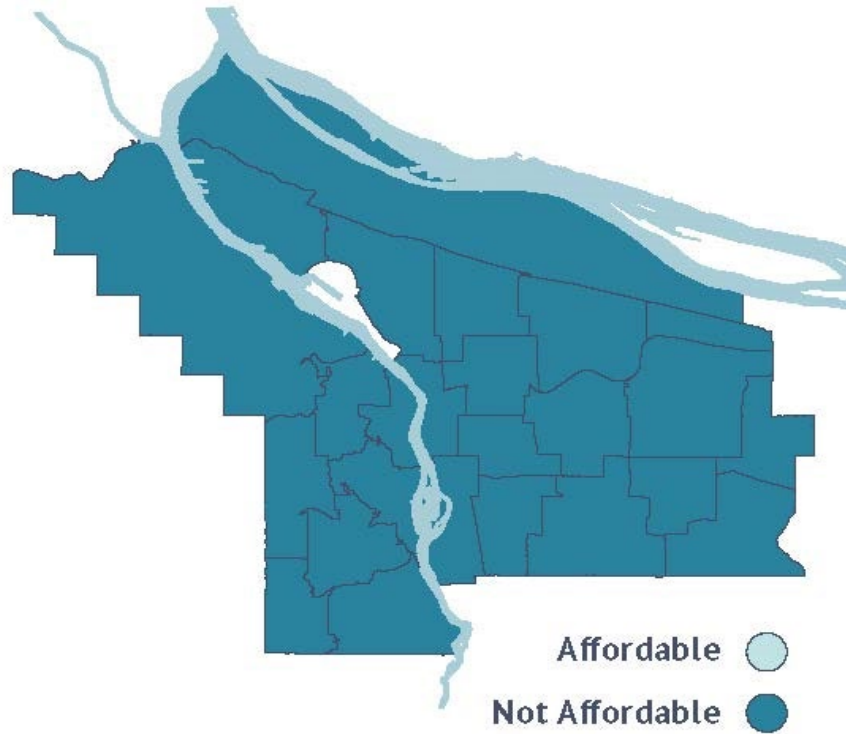
**Pacific Islander**



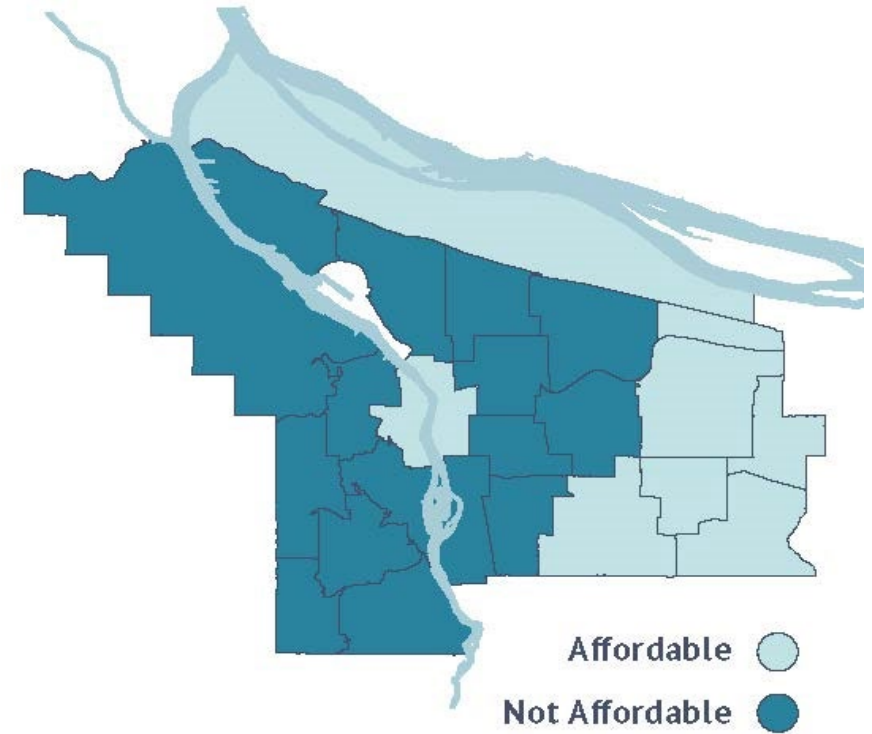
**Single Parent**



# Portland Homeownership Affordability

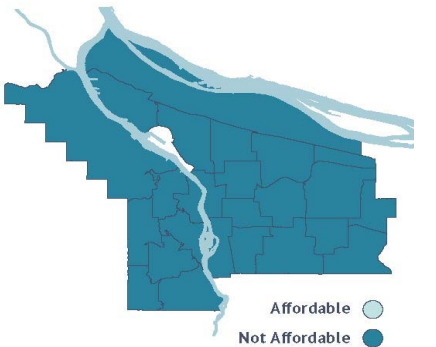


**60% of Median Income**

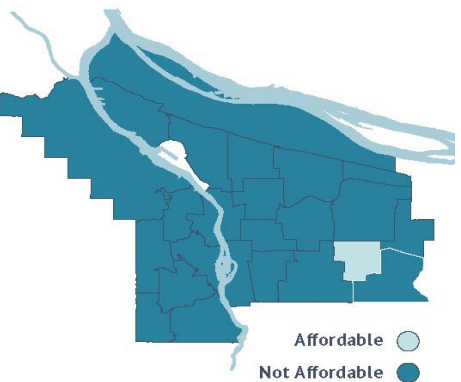
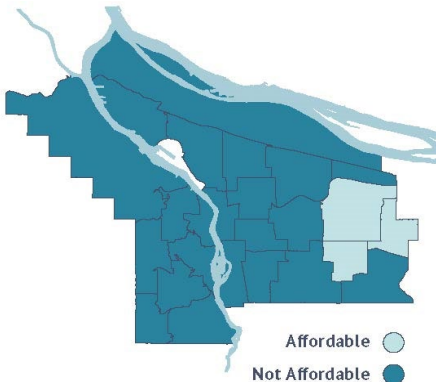


**80% of Median Income**

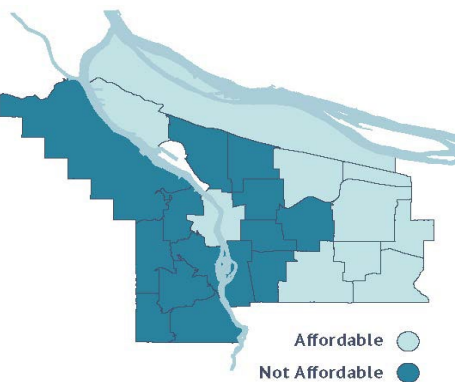
# Homeownership Affordability by Community



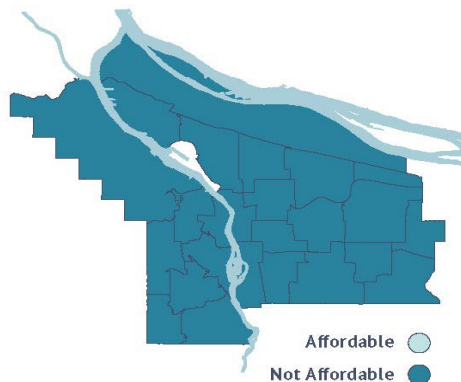
Senior



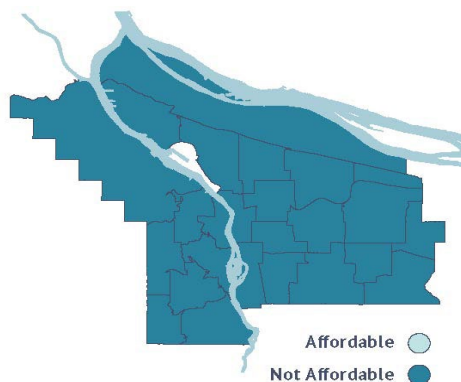
Latinx



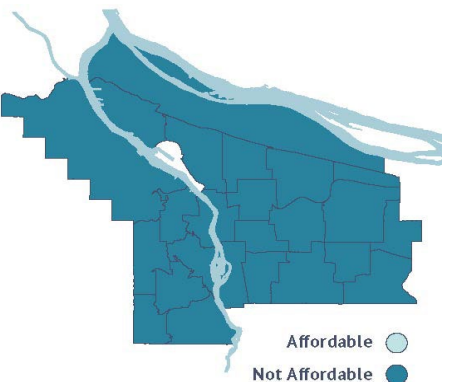
White



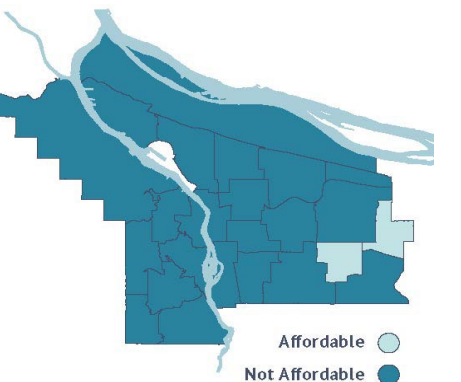
Native American



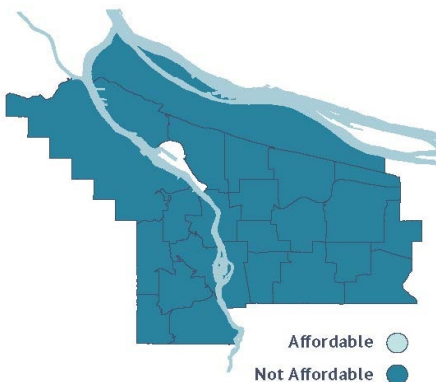
Black



Immigrant



Pacific Islander



Asian

Single Parent

# **Inclusionary Housing Policy Background and Framework**

# Background and Overview



# **Inclusionary Housing**

## ***State Authorization & Sideboards***

- **Mandatory affordability – cannot require units below 80% AMI**
- **Cannot require more than 20% of all units be affordable**
- **Requires incentives for affordable units – such as SDC or fee waivers, financing, and tax exceptions**
- **Must provide Fee-in-lieu option**
- **Can apply to rental and for-sale buildings with 20+ units**

# **Policy Framework for Program Design**

## **Program Goals**

Link affordable unit production to market-rate development

Support development of affordable units in high-opportunity areas

Increase housing opportunities for families and individuals facing the greatest disparities

Promote a wide range of affordable housing types

# Local Policy Development Process

## *2035 Comprehensive Plan*

Policy 3.3 Equitable Development

Policy 5.10 Coordinate with Fair Housing Program

Policy 5.14 Preserve communities

Policy 5.16 Involuntary Displacement

Policy 5.22 New development in opportunity areas

Policy 5.23 Higher-density housing

Policy 5.25 Housing preservation

Policy 5.26 Regulated affordable housing target

Policy 5.27 Funding plan

Policy 5.29 Permanently affordably housing

Policy 5.34 Affordable housing resources

Policy 5.35 Inclusionary housing

Policy 5.38 Workforce housing

# **Local Policy Development Process**

## *Stakeholder Engagement and Analysis*

### **Stakeholder Process**

*40 hours of public meetings over 7 months*

*Panel of experts, community stakeholder meetings, PSC and Council legislative process*

### **Panel of Experts**

*Monthly meetings from April to September 2016*

*Topics: development prototypes, financial modeling, nexus analyses, and economic feasibility*

### **Outside Experts**

*Comparative analysis of all major programs nationwide*

*External consultants DRA*

*Internal rate of return, return on cost, residual land value analyses with industry feedback*



# Policy Framework for Program Design

## Final Result

Citywide, **calibrating** rates and incentives **by geography**

Mandatory program at 80% AMI with **supplemental incentives to reach below 60% AMI**

Prioritize **units on site** over fee-in-lieu revenue or units off-site

Requirement for **all buildings with 20 or more units**

Maintain **comparable quality, size, bedroom composition, and distribution**

Maintain **affordable units for 99 years**

# **Inclusionary Housing Program Options**

# Affordable Units On-Site

**Option 1: 80% MFI - 20% of the units must be affordable at 80% MFI.**

**Option 2: 60% MFI - 10% of the units must be affordable at 60% MFI.**

## ***Reconfiguration***

**Within Options 1 and 2, provide alternative mix of affordable units based on the total number of bedrooms required. Must redistribute into units of two bedrooms or more.**

## ***On-Site Consolidation***

**Sites with multiple buildings can choose to transfer IH obligation from one building into another building on the same site using Options 1 & 2.**

# Affordable Units Off-Site

## **Option 3: Build Off-Site**

**Either 10% of units at 30% MFI or 20% of units at 60% MFI off-site in new building.**

## **Option 4: Designate Off-Site**

**Either 15% of units at 30% MFI or 25% of units at 60% MFI in an existing building.**

## **Option 5: Fee-In-Lieu**

**Pay a fee rather than providing affordable units. Fee calculated by multiplying the Residential and Residential Related gross square feet by the Fee-in-Lieu Factor.**

# Development Incentives

**Density and Height Bonuses** – *depends on zoning and height restrictions*

**Construction Excise Tax Exemption** – *units at or below 80% MFI*

**System Development Charge Exemption** – *units at or below 60% MFI*

**Property Tax Exemption** – *10 years*

*Central City all units*

*Outside Central City affordable units only*

**Parking Exemption** – *reduction or elimination of requirement*

# Additional Program Requirements

**Reasonable Equivalency** – *Standards to ensure IH Units are similar to market rate units*

- **Bedroom Distribution & Unit Count**– *IH Units provided at same ratio as Market Rate Units*
- **Unit Size**
  - *Rental: 95% the size of the average size of units with same bedroom count*
  - *Homeownership: 85% the size of the average size of units with same bedroom count*
- **Reconfiguration**
  - *Must be larger than average of bedroom count below*
  - *Additional requirements by bedroom count compared to average sf of 1BR units*
- **Unit Distribution** – *Max percentage of IH Units per floor: Rental 25%, Ownership 50%*
- **Unit Amenities** – *Equal lifetime expectancy and energy star ratings*

# **Inclusionary Housing Program Updates**

# Program Adjustments to Date

*March 2017* **Approved rolling \$15 million property tax exemption cap**

*June 2018* **Technical changes to the fee-in-lieu option**

*October 2018* **IH development 18-month review memo published**

*October 2018* **Expanded full property tax exemption in the Central City**

*November 2018* **Approved incentivizing the pipeline program**

*December 2018* **Council extends lower inclusion rate outside Central City**



# Program Adjustments to Date

*July 2019* **Council approved funding for market analysis**

*July 2019* **Technical changes to IH program administrative rules**

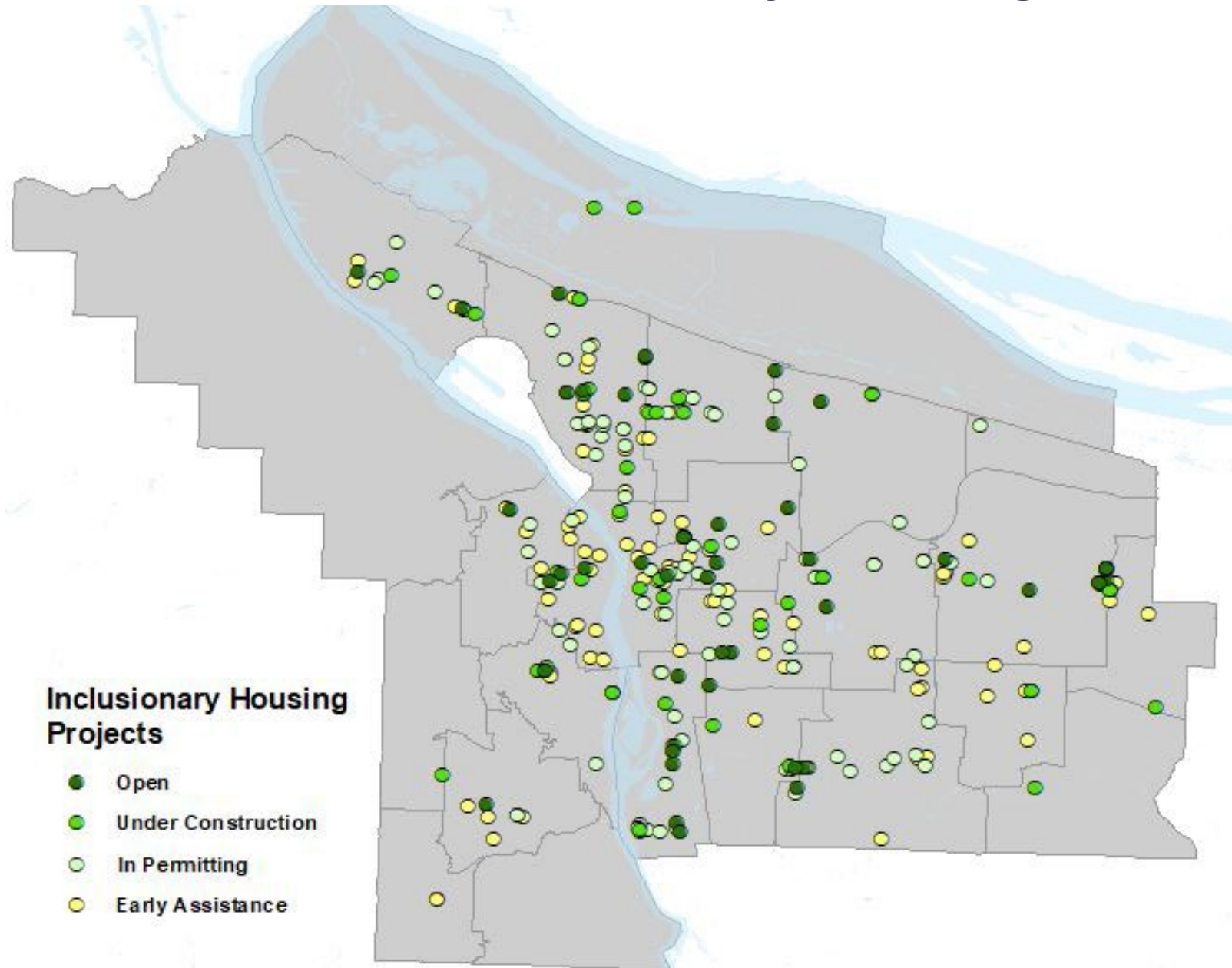
*May 2020* **Council redistributes analysis funding for COVID response**

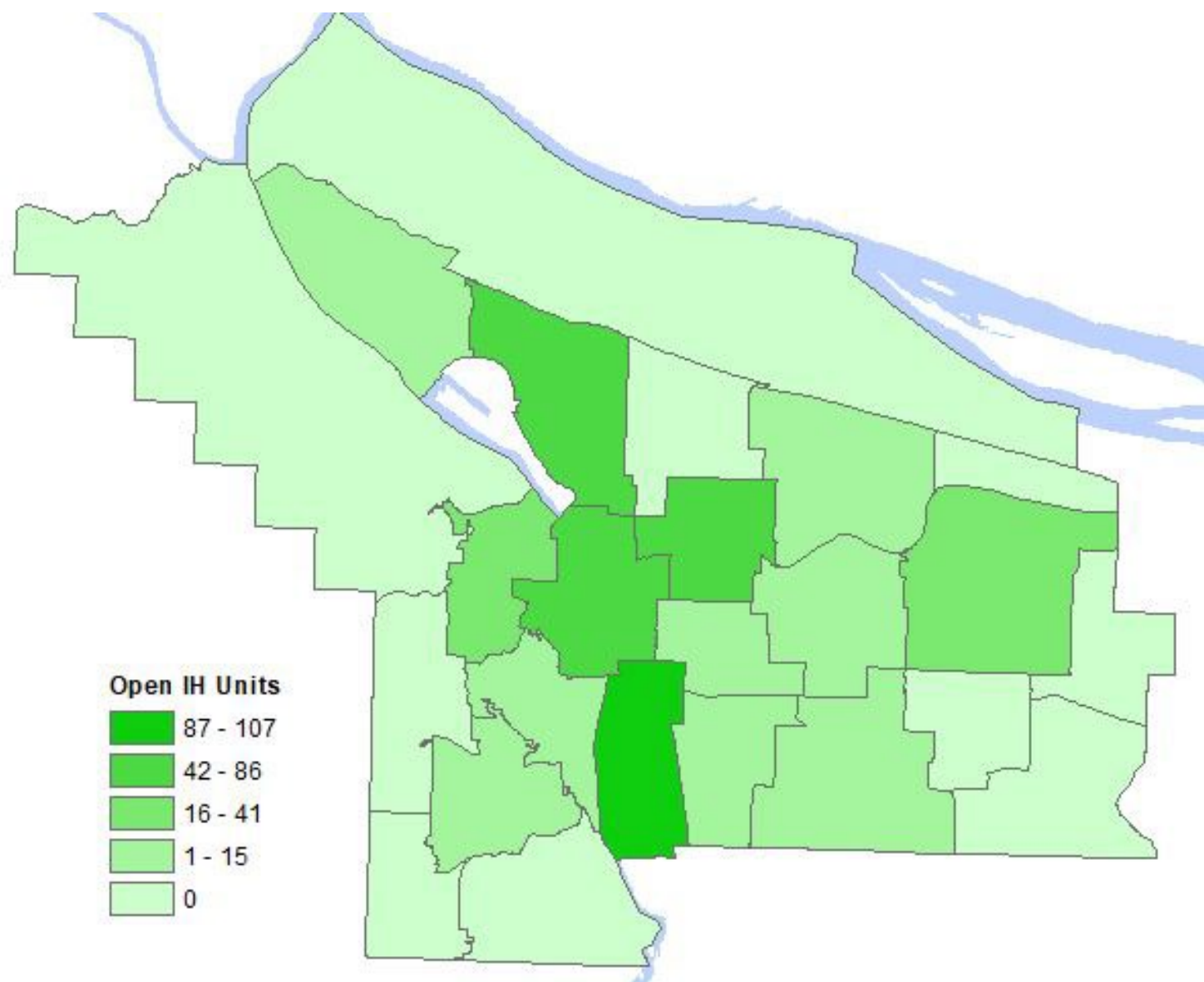
*July 2020* **Council extends lower inclusion rate outside Central City**

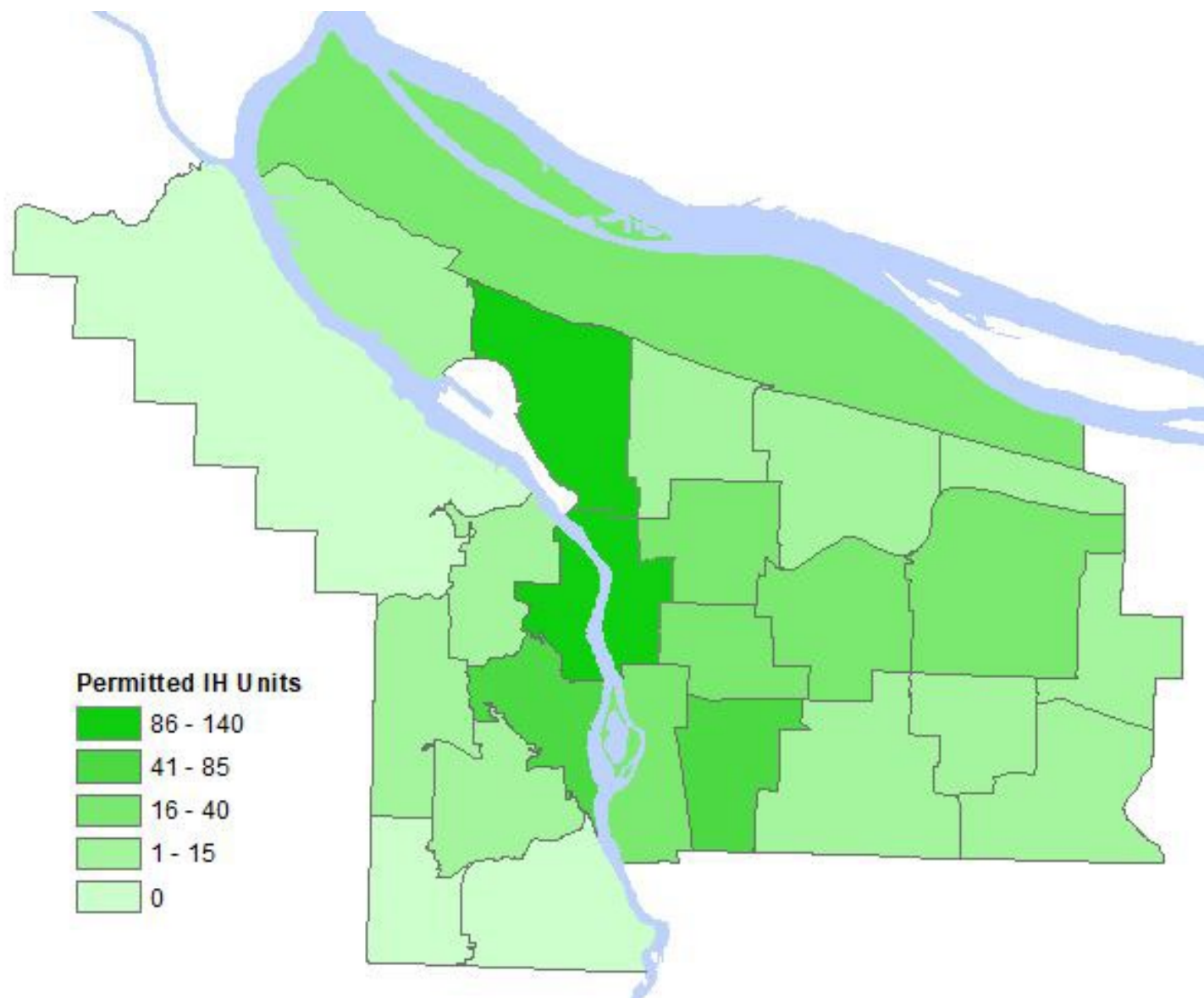
*July 2021* **Reallocation of IH Calibration Study funds for market and program analysis**

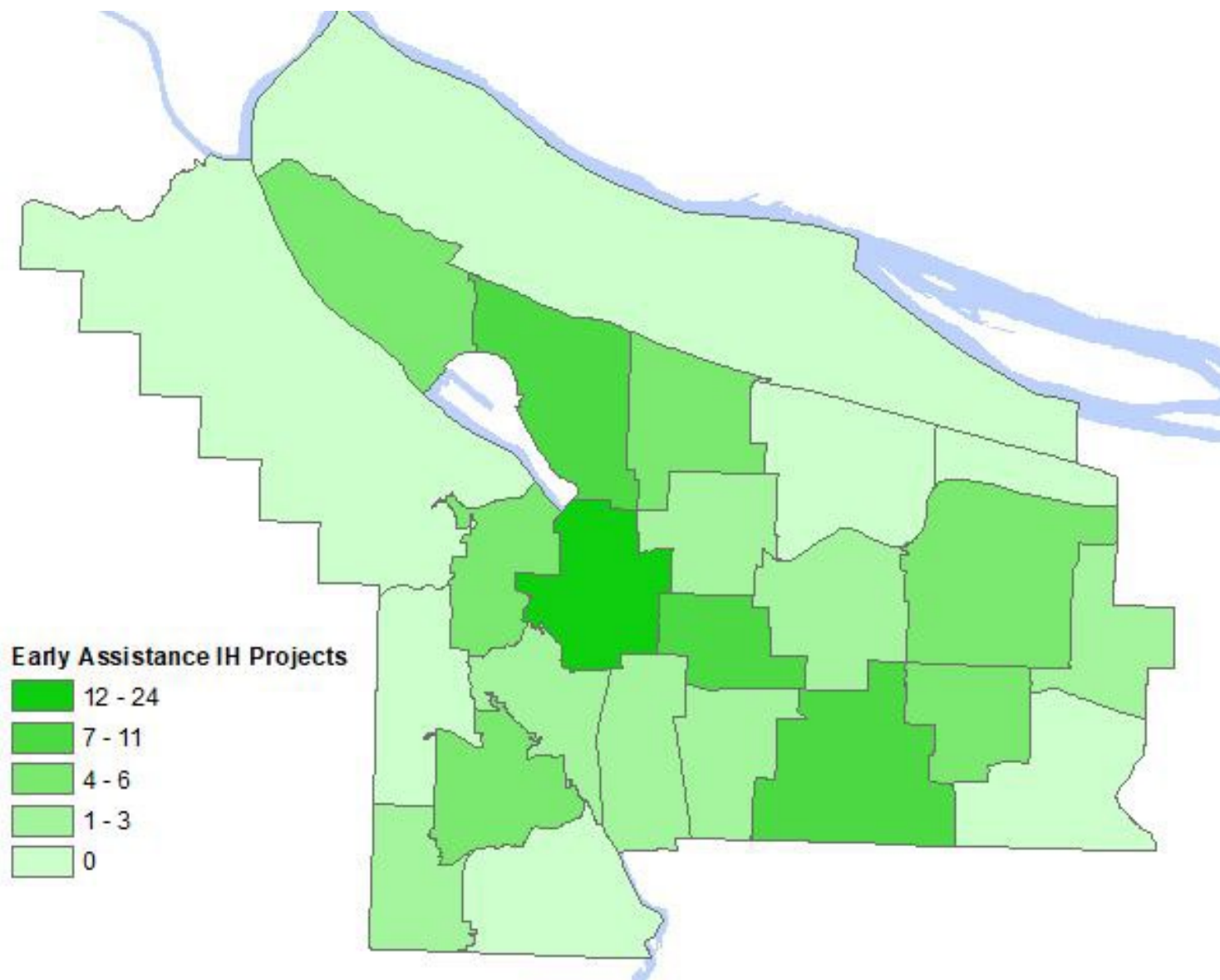
# **Inclusionary Housing Program Progress**

# Portland's Inclusionary Housing Units









# Portland's Inclusionary Housing Units

## OPEN

IH Units	Restricted Bedrooms	Est. People Housed
501	655	891

## UNDER CONSTRUCTION

IH Units	Restricted Bedrooms	Est. People Housed
558	858	1,250

## IN PERMITTING

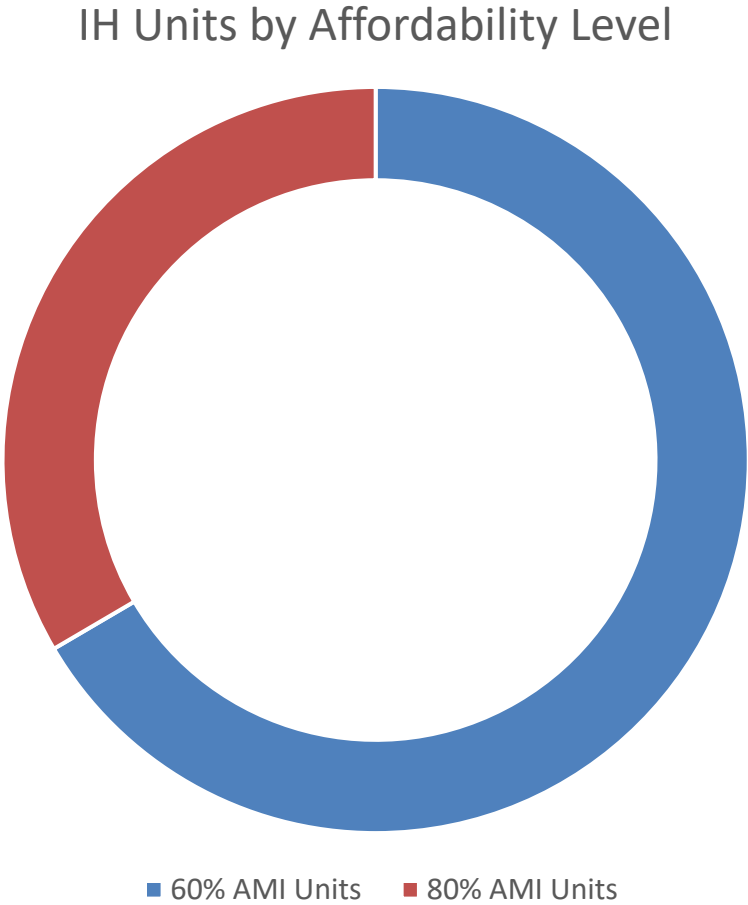
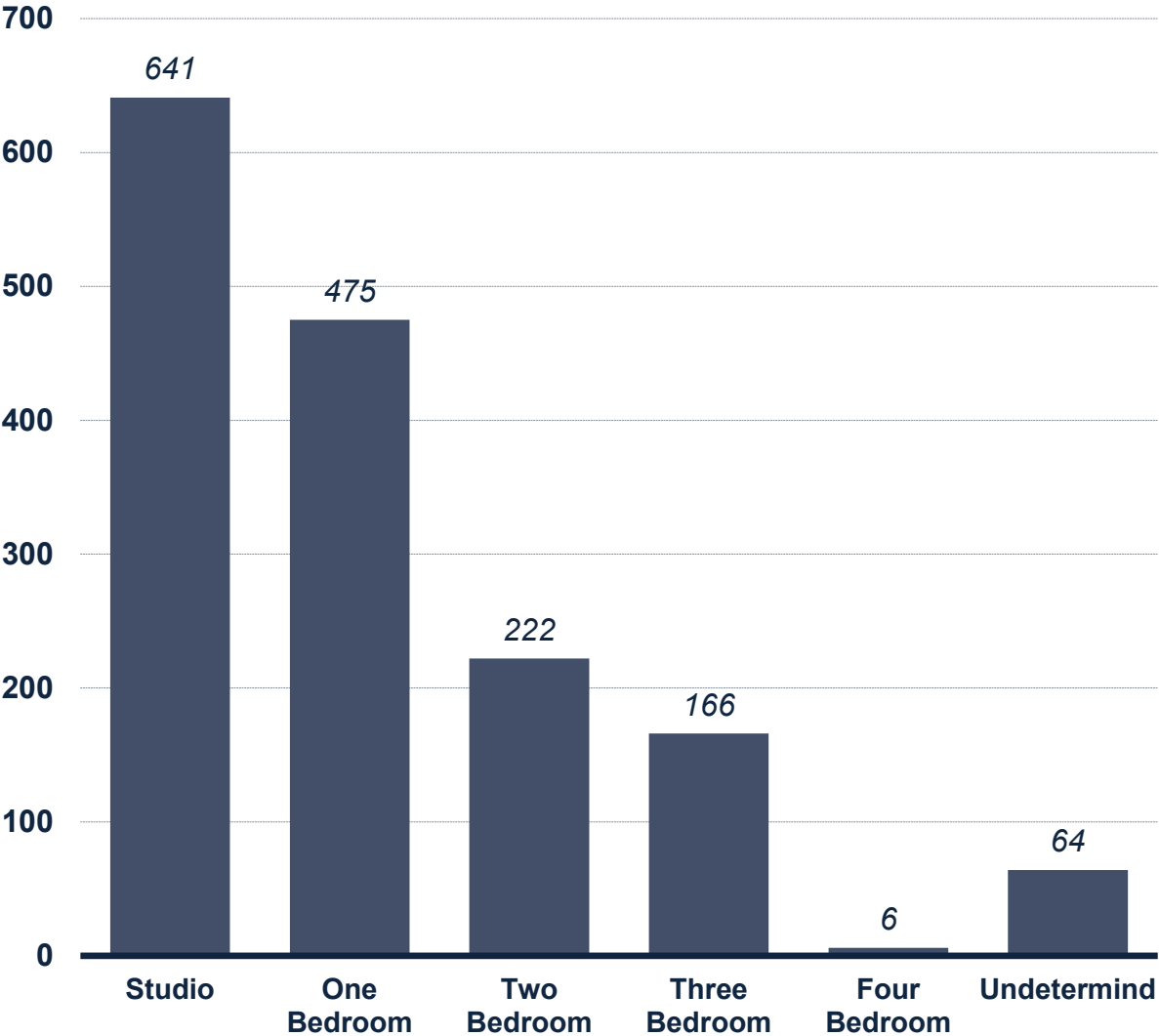
IH Units	Restricted Bedrooms	Est. People Housed
515*	633*	816*

\* Includes an estimated 64 IH Units from projects that have yet to determine their IH option.

## PRE-DEVELOPMENT

Total Units	Projected IH Units
12,547	1,004

# Portland's Inclusionary Housing Units





**Close out, Next meeting**

## **Next Meeting**

**Topics** *IH Unit Resident Experience Study,  
Data inputs for Development Prototype Analysis*

**When** *December 2, 2022, 9:00 – 12:00*

**Where** *1900 SW 4<sup>th</sup> Avenue and Zoom*

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