



Portland Housing Bureau

To: Inclusionary Housing Calibration Study Work Group
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CC: Molly Rogers, Interim Director
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Date: December 23, 2022
RE: IH Calibration Study - Inclusionary Housing Reconfiguration Option

On February 1, 2017, Ordinance 188163 went into effect, adding the Inclusionary Housing (IH) program to the City's portfolio of affordable housing development tools. Under Portland's IH program, all buildings proposing 20 or more new units must provide a percentage of the new units at rents affordable to households at 80% of the median family income (MFI) or below. The City also defined additional regulatory options under the umbrella of this requirement including a sub-option, reconfiguration, when a project selects to provide IH units on-site.

Reconfiguration was not included in the initial proposed ordinance and was included as an amendment during the legislative process. City Council amended the proposal to add reconfiguration to incentivize family-sized units (defined as those with 2 or more bedrooms) when applicants provide units through one of the on-site program options.

As originally implemented in Portland Policy Document HOU-3.04, Inclusionary Housing Program, reconfiguration allows a project to take the total number of bedrooms in their base IH unit requirement and create a lesser number of overall IH units with a greater number of bedrooms in each IH unit. Within HOU-3.04, additional details regarding the use of reconfiguration were outlined, including that reconfigured units have two or more bedrooms and meet all reasonable equivalency development standards.

On April 23, 2021, at the direction of City Council, the Housing Bureau amended HOU-3.04 for the use of reconfiguration to provide clarity around Council's expectations of the program option.

It should be noted that programmatic changes that substantially change existing requirements, such as those of reconfiguration, can only be applied to projects vested on or after the rule change implementation date. Projects that are vested prior to the rule change are subject to the rules in place at that time. Considering that vested projects typically have approximately three years to secure a building permit, it could take several years before the full impact of the April 2021 rule change is evident. Many of the potential projects considering proceeding with construction after the rule change were likely affected by the uncertain economic climate and exceeding costs brought on by the COVID-19 pandemic. As such, reviewing outcomes since the change in reconfiguration requirements must consider the current financial environment.

This memo describes the changes in the administrative rules and provide data on the use of the reconfiguration program option.



Administrative Rules - Definition

Reconfiguration definition prior to April 2021 rule change

Applicant combines IH Units to create fewer total IH Units with a greater number of IH Bedrooms. Reconfiguration is available when selecting an On-Site IH Program option and is based on the total number of Bedrooms required in the Minimum IH Unit calculation. IH Units must be reconfigured into Dwelling Units of two or more Bedrooms. Applicant may reconfigure all or some of the Minimum IH Units.

Reconfiguration definition after April 2021 rule change

Applicant combines IH Units to create fewer total IH Units with a greater number of IH Bedrooms. Reconfiguration is available when selecting an On-Site IH Program option and is based on the total number of Bedrooms required in the Minimum IH Unit calculation. IH Units must be reconfigured into Dwelling Units of two or more Bedrooms. Applicant may reconfigure all or some of the Minimum IH Units. After Reconfiguration is applied, there must be at least one Market Rate Unit that has two or more Bedrooms per reconfigured Dwelling Unit with three Bedrooms, and at least one Market Rate Unit that has three or more Bedrooms per reconfigured Dwelling Unit with four Bedrooms.

Administrative Rules – Development Requirements

Reconfiguration unit size development requirement prior to April 2021 rule change

IH Rental Units must be at least 90% the size of the average of the total units with the same Bedroom count, as measured in square feet.

Reconfiguration development requirements after April 2021 rule change

IH Rental Units must be at least 95% the size of the average of the total Dwelling Units with the same Bedroom count, as measured in square feet.

The reconfigured Dwelling Units must be reasonably equivalent to the size of the average square footage of the studio and one-bedroom Dwelling Units as follows by Bedroom count: 130% for reconfigured two-Bedroom Dwelling Units; 160% for reconfigured three-Bedroom Dwelling Units; and 190% for reconfigured four-Bedroom Dwelling Units.

If there are no one-Bedroom units to consider, the reconfigured Dwelling Units must be reasonably equivalent to the size of the average square footage of the studio Dwelling Units as follows by reconfigured Bedroom count: 195% for reconfigured two-Bedroom Dwelling Units; 240% for reconfigured three-Bedroom Dwelling Units; and 285% for reconfigured four-Bedroom Dwelling Units.

The reconfigured Dwelling Units must be larger than the size of the average square footage of each of the smaller Dwelling Units by Bedroom count.



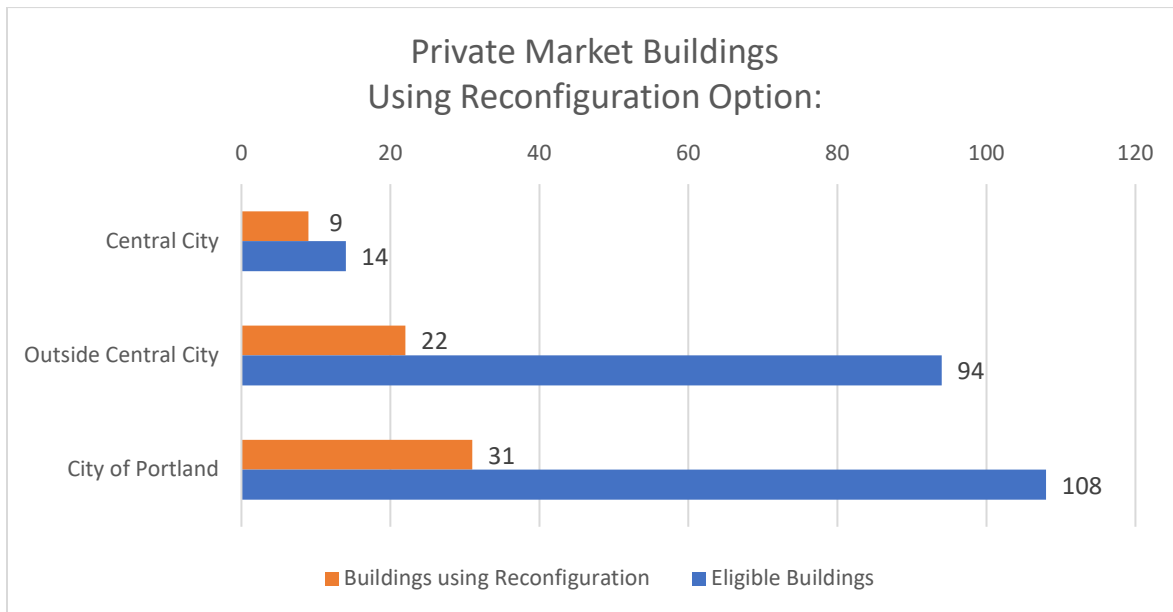
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Program Option Use

Between the adoption of the Inclusionary Housing Program on February 1, 2017, through December 20, 2022, a total of 108 private-market buildings have been eligible to utilize Reconfiguration in their projects. Of those, 31 (29%) private-market buildings have utilized pre- or post-rule change Reconfiguration.

Central City

Nine (64%) of the 14 eligible private-market buildings located in the Central City utilized Reconfiguration while 22 (23%) of the 94 eligible private-market buildings located outside of the Central City utilized Reconfiguration.



Prior to April 2021 rule change

Prior to the April 2021 rule change, 26 of 79 eligible buildings utilized Reconfiguration. Nine of the 26 buildings are in the Central City Plan District (CCPD) and 17 are located outside the CCPD. All buildings located in the CCPD coupled Reconfiguration with the 60% MFI option. Outside the CCPD, 12 of the 17 buildings paired with the 60% MFI option.

On or After April 2021 rule change

As of December 20, 2022, of the total 29 private-market buildings vested on or after April 23, 2021 and were eligible to utilize Reconfiguration. One of the 29 buildings was located in the CCPD. Out of the 29 private-market buildings eligible, five utilized Reconfiguration. All five buildings are located outside the CCPD. Three of the buildings paired Reconfiguration with the 60% MFI option.



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IH Unit Type and AMI

Two-thirds (66%) of the 229 IH units in buildings utilizing Reconfiguration are family sized (2+ bedroom) units. 87% of the 229 IH units in buildings utilizing Reconfiguration are affordable to households earning 60% AMI.

