



# Portland Housing Bureau

## Inclusionary Housing Calibration Study

Stakeholder Work Group

*Meeting #4, February 24, 2023*

### **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

- **Summary of previous meeting**
- **IH Program Comparative Analysis**
- **Development Prototype Baseline Model**
- **Close out, next meeting**

# IH Calibration Study Priorities

- **Options not calibrated at program adoption**
  - Reconfiguration
  - Off-site – new construction and designation
  - homeownership
- **Property tax exemption outside Central City**
  - Built/base FAR of 5:1 or greater
- **Impacts of pre- and post-regulated rent increases**
  - Those after adoption of IH (February 2017)

# IH Program Framework

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**

# Work Plan & Schedule

- **March 17**
  - Development prototype analysis
  - Begin recommendation discussion and brainstorm
- **April 28**
  - Continue recommendation discussion
  - Finalize work group recommendations

# **January Meeting Summary**

# 12-19 Unit Building Analysis

## Purpose

- Explore whether developers are “under-producing” units or not maximizing density
- Reviews building permits issued for 2019, 2020, and 2021
- Excludes 100% deed-restricted affordable housing developments
- Analyzes zoning at the time of the data request

# 12-19 Unit Building Analysis

## Key Findings

- In last three years, 12-19-unit buildings make up less than 10% of housing production. This portion is an increase since the adoption of IH.
- Most 12-to-19-unit buildings are built on smaller lot sizes and in mixed use zones.
- Small share of 12-to-19-unit building permits are for multiple buildings on the same lot or adjacent lots.
- Avoidance of IH by building below the threshold of the requirements is not prevalent within recent years of housing production trends.



# Unit Size Comparison Purpose

- Analysis in response to suggestion from work group that the City explore using State housing agency unit size methodology instead of the current IH criteria.
- Compared Oregon Housing and Community Services (OHCS) minimum unit size standards against the average unit size for studios – four-bedroom units in IH pipeline

# Unit Size Comparison

## Key Findings

- OHCS standards result in units larger than nearly half of market-rate sized units
- Current IH standards are less restrictive
- City code requires IH program to have “clear and objective” criteria creating issues with using OHCS variance request process
- OHCS’s standards is not an effective measure for ensuring that IH units are comparable in size to the market-rate units

# IH Reconfiguration Option Analysis

## Purpose

- Analysis in response to request from work group to review use of reconfiguration program option
- Reconfiguration was included as an amendment during the legislative process by Council to incentivize 2+ bd units
- Option allows project to take total number of bedrooms of IH unit requirement and create fewer units with a greater number of bedrooms

# IH Reconfiguration Option Analysis

## Administrative Rules

### **Prior to April 2021 rule change**

- Based on total number of Bedrooms required in the Minimum IH Unit calculation
- May reconfigure all or some of the Minimum IH Units
- Must be reconfigured into 2+ bd units.
- 90% of the size of the avg of the total units with the same bedroom count

### **After April 2021 rule change**

- Same bullets above, plus
- At least 1 Market Rate Unit with 2+ bds per reconfigured Unit with 3 bds
- At least 1 Market Rate Unit with 3+ bds per reconfigured Unit with 4 bds
- 95% of the size of the average of the total units with the same bedroom count
- Larger than size of the average square footage of smaller units by bedroom count
- For each family sized reconfigured unit, must have a market rate unit of same type

# IH Reconfiguration Option Analysis

## Private Market Building Key Findings

### **February 1, 2017 – April 22, 2021 (*pre rule change*)**

- 79 buildings reconfiguration eligible
- 26 buildings chose reconfiguration
- 21 buildings selected the 60% AMI option
- 9 located in Central City – all at 60% AMI

### **April 23, 2021 – December 20, 2022 (*post rule change*)**

- 29 buildings reconfiguration eligible
- 5 buildings chose reconfiguration
- 3 buildings selected the 60% AMI option
- All buildings using reconfiguration located outside Central City

## **Next Meeting**

**When** March 17, 2023, 9:00 am

**Topics** Residential and Commercial Mixed  
Use Development Prototypes

# **IH Program Comparative Analysis**

# IH Program Comparative Analysis

## Key Findings

- The programs have similar set-aside rates, comparable income thresholds, and lower incentive offset packages.
- Not all use units as the policy trigger.
- Long-term affordability is prevalent.
- Different income thresholds based on tenure is common.
- Offering a density bonus is most common incentive.
- Each require some type of development standard.



# IH Program Comparative Analysis Methodology

- Review of Grounded Solutions national survey data and report
- Narrowed in on mandatory unit programs
- Applies to rental and for-sale
- Initially jurisdictions with 500K+ population; expanded to 400K+
- Capture range of implementation dates

# IH Program Comparative Analysis

## Jurisdiction Programs

- Los Angeles County
- New York City
- Chicago
- Fairfax County, VA
- Seattle
- Washington, D.C.
- Montgomery County, MD
- Denver
- Minneapolis
- Portland

# IH Program Comparative Analysis

## Background Context

- Value exchange land use tool, fluctuates with market
- Highly customizable
- Tailor compliance to local conditions
- Support economic integration and affordable unit production through “but for” policy

# IH Program Comparative Analysis

## Typical Program Criteria

- Policy trigger threshold
- Set-aside rates, income thresholds
- Affordability duration
- Compliance options
- Geographic boundary or development type(s)
- Exceptions/exemptions
- Development standards for affordable units

# IH Program Comparative Analysis

## Prevalence in the U.S.

- Programs in 31 states and District of Columbia
- Approximately 1,019 programs nationwide
- Mandatory program regardless of tenure most common
- Average set-aside rate is 16%
- Serving households earning 50% - 80% MFI
- Programs in at least 21 states offer financial incentive
- Density bonus most common incentive overall

# IH Program Comparative Analysis

## IH in Oregon

### **In 2016, Statewide pre-emption rescinded through SB 1533**

- May not require more than 20% of units below 80% AMI
- Must provide financial incentives/waivers and fee-in-lieu option

### **Portland IH Policy Framework**

- Citywide, mandatory (20% units at 80% AMI)
- Calibrated by geography
- Incentivized to reach deeper affordability
- Applies to 20+ units, prioritizing units on-site
- Long-term affordability and development standards

# Program Structure Summary

	<b>Trigger</b>	<b>Set-aside</b>	<b>Income Limit</b>	<b>Duration</b>
<b>Portland</b>	20+ units	20% (10%, 30% options)	30 – 80% MFI (rental) 60- 100% MFI (sale)	99 yrs.
<b>LA County</b>	5+ units	5 – 20% (rental) 7 – 20% (sale)	40 – 80% AMI (rental) 135% AMI avg (sale)	Perpetuity (rent) 1st purchase (sale)
<b>New York City</b>	10+ units 12,500+ sq. ft.	20 – 35%	40 – 115% AMI	Perpetuity
<b>Chicago</b>	Recipient of entitlement, City land sale, City funds	10 – 20% (rental) 8 – 20% (sale)	30 – 60% AMI (rental) 120% AMI (sale)	30 yrs.
<b>Fairfax County</b>	50+ units	6.25 – 12.5%	50 – 70% AMI (rental) 70% AMI (sale)	30 yrs.
<b>Seattle</b>	Increase FAR, height, units zone change	5 – 11%	40 – 60% AMI (rental) 80% AMI (sale)	75 yrs.
<b>D.C</b>	10+ units 50%+ increase floor area	8 – 10% floor area 70-90% FAR bonus 8.5% - 20% units	60% MFI (rental) 80% MFI (sale)	Perpetuity
<b>Montgomery County</b>	20+ units 11-19 units (fee)	12.5 – 15%	65 – 70% AMI plus housing cost standard	99 yrs. (rent) 30 yrs. (sale)
<b>Denver</b>	10+ units	8 – 15%	60 – 90%	99 yrs.
<b>Minneapolis</b>	20+ units	4 – 20%	30 – 80%	20 – 30 yrs.

# Program Compliance & Incentive Summary

	<b>Compliance Options</b>	<b>Development Incentives</b>	<b>Development Standards</b>
<b>Portland</b>	On-site, off-site, fee-in-lieu	Density, height, parking reduction, fee waivers, tax exemptions	Unit mix, distribution, amenities, unit size
<b>LA County</b>	On-site, off-site	Density, development standards, parking reductions	Unit mix, distribution, amenities access to building amenities
<b>New York City</b>	On-site, off-site, rehab, fee-in-lieu preservation, conversion	Density	Unit mix and distribution
<b>Chicago</b>	On-site, off-site, fee-in-lieu, combos	Density, height	Unit mix, distribution, amenities, unit size, access to building amenities, parking access
<b>Fairfax County</b>	On-site, land, fee-in-lieu, combos	Density	Unit mix, access to building amenities
<b>Seattle</b>	On-site, fee-in-lieu	Density	Unit mix, distribution, and amenities, access to building amenities
<b>D.C</b>	On-site, off-site	Density, development standard reductions	Unit mix and distribution, unit size
<b>Montgomery County</b>	On-site, off-site, fee-in-lieu, alt payment on for-sale projects	Density, development standard reductions	Bedroom mix and size, unit amenities and size
<b>Denver</b>	On-site, off-site, fee-in-lieu, land, lower AMI, more bedrooms	Density, height, parking and fee reductions	Unit mix, distribution, amenities
<b>Minneapolis</b>	On-site, off-site, fee-in-lieu, land	Small project deferral, Revenue Offset Assistance	Unit mix, distribution, amenities, building amenities and entrances



# Questions

# IH Program Comparative Analysis Case Study – Los Angeles County

## **Rental** (perpetuity)

- Projects of 5 – 14 units,
  - 5% units at average of 40% AMI
  - 7% units at average of 65% AMI
  - 10% units at 80% AMI.
- Projects 15+ units
  - 10% units at average of 40% AMI
  - 15% units at average of 65% AMI
  - 20% units at 80% AMI.

## **For-sale** (initial purchase)

- Projects of 5 – 14 units: 7% or 10% based on submarket, avg 135% AMI
- Projects 15+ units: 5%, 15%, or 20% based sub-market, avg 135% AMI

# IH Program Comparative Analysis

## Case Study – New York City

### **Rental & For-sale** (perpetuity)

- 20 – 30%, add 5% for off-site
- Income is location dependent: 40%, 60%, 80%, or 115% AMI

### **Compliance:**

- On-site, off-site
- substantial rehab, preservation
- conversion from non-residential to residential
- FIL only for projects with 10 – 25 units and 25,000 square feet or less

**Development standards:** unit distribution, proportional unit types or 50% of units must be 2-bd+ and 75% of units must be 1-bd+.

**Marketing:** Marketing handbook on outreach, advertising, applications. Requirements on actions to reach applicants with disabilities and from underrepresented groups.

# IH Program Comparative Analysis

## Case Study – Chicago

### **Rental:**

- 20% of units at average of 60% AMI
- 16% of units at average of 50% AMI
- 13% of units at average of 40% AMI
- 10% of units at average of 30% AMI

### **For-sale:**

- High-cost area: 20% units avg 100% AMI or 16% of units avg 80% AMI
- Low/moderate cost area: 10% units avg 100% AMI or 8% units at 80% AMI
- Households may earn up to 120% AMI

### **Compliance:**

- Rental: 25% on-site, 25% on-site/off-site, rest with any option/combo option
- For-sale: 50% on-site/off-site, rest with any option/combo option
  - Incentive for Family-sized Units (reconfiguration type)

# IH Program Comparative Analysis

## Case Study – Fairfax County, VA

**Rental/For-sale:** amt of density bonus requested determines set aside

- 10% density bonus requires a 6.25% set aside
- 20% density bonus requires a 12.5% set aside
- Rental: 2/3 units at 70% AMI and 1/3 units at 50% AMI
- For-sale: income limit at 70%

**Compliance:** on-site

- Under strict circumstances can petition to provide land dedication, FIL, or combo with some units

**Development standards:**

- substantially the same bedroom mix
- full access to all site amenities

**Marketing:** allows prioritization of applicants that live or work in County

# IH Program Comparative Analysis

## Case Study – Seattle

**Program trigger:** increase in units, zone change, increase height or FAR

**Set aside:** ranges from 5 – 11% depending on

- commercial or residential project
- area designation
- zone designation
- location inside or outside downtown

**Rental income:** 40% - 60% AMI depending on unit size

**For-sale income:** 80% AMI

**Compliance:** performance option or payment option

**Development standards:**

- unit distribution
- proportional unit type and size; functionality
- access to amenity areas

# IH Program Comparative Analysis

## Case Study – Washington, D.C.

**Program trigger:** new construction or rehab

- creating 10+ new units, or
- increase of 50%+ of buildings' existing gross floor areas

**Set aside:** based on project type, construction type, and zone

- 8 - 10% of gross floor area
- 70% - 90% of density bonus used
- 8.5% - 20% of total units

**Income:** 60% MFI for rental and 80% MFI for ownership

**Compliance options:** on-site, off-site

**Marketing:** must use names from a DHCD lottery

# IH Program Comparative Analysis

## Case Study – Montgomery County, MD

**Program trigger:** 20+ units

- Single development or projects phased over time
- 11 – 19 units projects pay into Housing Initiative Fund

**Set aside:** 12.5 – 15% based on density

**Income limit:**

- 4 stories or less = 65% AMI
- 5 or more stores = 70% AMI
- housing cost standard limiting prices to 25% of household gross income

**Development standards:**

- bedroom mix (excluding dens)
- variety of types encouraged not required to match market rate
- unit amenities, distribution, living space
- minimum bedroom and units' size in square feet



# IH Program Comparative Analysis

## Case Study – Denver

**Program trigger:** 10+ units on one lot

- phased projects, multiple permits, multiple owners; nonprofit exempt

**Rental:**

- high market area: 10% at 60% AMI or 15% at average 70% AMI
- typical market area: 8% at 60% AMI or 12% at average 70% AMI

**For-sale:**

- high market area: 10% at 80% AMI or 15% at average 90% AMI
- typical market area: 8% at 80% AMI or 12% at average 90% AMI

**Compliance:** on-site, fee-in-lieu

- At discretion of Director: land dedication, fewer units with greater affordability, fewer units with greater number of bedrooms, off-site.

**Incentives:** reduction in permit fee, parking, commercial linkage fee

- 2-3% above set-aside: increase in height and FAR, parking exemption

# IH Program Comparative Analysis

## Case Study – Minneapolis

**Program trigger:** 20+ units; exempt university housing, nonprofit

### **Rental:**

- 8% at 60% AMI
- 4% at 30% AMI
- 20% at 50% AMI
- 20 years, 30 years if Revenue Offset Assistance is provided

### **For-sale:**

- 4% units priced at 70% AMI for households at 80% AMI
- 30 years, renewable upon each resale

**Compliance:** on-site, fee-in-lieu, off-site, land donation

### **Development standards:**

- unit distribution, mix, and amenities
- building amenities and entrances

# IH Program Comparative Analysis

## Case Study – Portland

### **Rental/For-sale:**

- on-site: 20% at 80% AMI or 10% at 60% AMI
- off-site new: 20% at 60% AMI or 10% at 30% AMI
- off-site existing: 25% at 60% AMI or 15% at 30% AMI

### **Compliance:**

- on-site, consolidation, reconfiguration
- off-site new construction, existing building
- fee-in-lieu

### **Incentives:**

- Density and height bonus, parking exemption
- construction excise tax exemption
- system development charge waiver
- property tax exemption (depending on location, built/base FAR)

# Questions