

IMPACT STATEMENT

Legislation title: Provide affordable housing through an Inclusionary Housing program (Ordinance; Amend Title 33, Planning and Zoning)

Contact name: Tom Armstrong, Bureau of Planning and Sustainability

Contact phone: 503-823-3527

Presenter name: Tom Armstrong and Tyler Bump, BPS

Purpose of proposed legislation and background information:

Portland has grown by more than 80,000 people in 29,000 households since 2000, but housing supply has not come close to meeting the demand. The resulting low vacancy rates and price increases have been severe. Between 2006 and 2015 the Oregon Office of Economic Analysis estimated that the Portland housing market was underbuilt by approximately 23,000 units of housing - insufficient just to keep up with population growth.

Portland's continued population growth and ongoing economic recovery have had a significant impact on rental housing, resulting in a more than 30% increase in average rents over the last five years, consistently low vacancy rates between 2.6% and 3.2% over the last three years, and high occupancy rates above 96.5% for the last five years. As noted in the City's 2015 Report on the State of Housing in Portland, in the last year average rents across the City increased between 8-9%, or roughly \$100 per month. At the same time, low-wage workers have experienced a decrease in inflation-adjusted wages and a reduced ability to find adequate and affordable rental housing.

The 2016 Oregon Legislature passed Senate Bill 1533, which lifted the preemption of local inclusionary housing ordinances and authorized local governments to require that a certain portion of housing units within a multifamily structure are sold or rented as affordable housing. On September 7, 2016, the City Council extended the housing emergency for one year, through October 6, 2017. The Bureau of Planning and Sustainability (BPS), in coordination with the Bureau of Development Services (BDS) and the Portland Housing Bureau (PHB), was directed to develop a legislative proposal to amend Title 33 to implement a mandatory program for inclusionary housing that is consistent with Senate Bill 1533 (2016). BPS and the Planning and Sustainability Commission (PSC) were directed to forward to the Council the PSC's recommendation on the legislative proposal. On November 8, 2016, the PSC unanimously recommended these Zoning Code amendments to implement an Inclusionary Housing program.

The Inclusionary Housing Zoning Code Project creates a new mandate for the production of affordable housing as a share or portion of the dwelling units in new development with more than 20 units in one building. Specifically, the program requires residential development projects to provide housing affordable to households below 80 percent of median family income (MFI) with an alternative option for projects that choose to produce housing for households at 60 percent MFI and below.

The recommended Zoning Code amendments set the percent of all units in a development that must be affordable to meet the terms of the program, called the "inclusion rate".

The recommended zoning code amendments include:

- Create a new chapter in Title 33 (33.245) to establish the inclusionary housing standard, which is the portion of the new dwelling units (“the inclusion rate”) that must be provided in one of the following ways:
 - On-site. Providing at least 20 percent of the units are affordable to those earning no more than 80 percent MFI, or at least 10 percent of the units are affordable to those earning no more than 60 percent MFI; or
 - Off-site. Either construct new units or dedicate existing units. If constructing new units, either provide 20% of the total units at 60% MFI, or 10% of the total units at 30% MFI. If dedicating existing units, either provide 25% of the total units at 60% MFI, or 15% of the total units at 30% MFI; or
 - The applicant pays a fee-in-lieu of providing affordable units.
- Change the base zones and the Central City and Gateway Plan Districts subject to the Inclusionary Housing Program requirements to develop a base FAR and allowable bonus FAR to offset some of the cost of compliance with the IH program.
- Eliminate the parking minimums for residential development projects close to transit in the current Zoning Code (effective date of February 1, 2017).

The other parts of the Inclusionary Housing Program will be implemented through amendments to Title 30, the Housing Code. These provisions include the incentive packages offered to offset the costs to development and a fee schedule for the in-lieu fee option.

Additional zoning code amendments that are currently under consideration by Portland City Council and the Planning and Sustainability Commission will implement the IH program requirements and subsequent density bonus allowances when the Portland 2035 Comprehensive Plan is accepted by the State of Oregon in 2018. These projects include the Central City 2035 Plan, the Mixed Use Zones Project, and the Multi-Dwelling Zones Project.

Financial and budgetary impacts:

The financial impact of the Zoning Code amendments for the IH program are expected to be limited to BPS staff time to prepare annual monitoring reports and presenting those reports to the Planning and Sustainability Commission. Long-term financial impacts for the City for the IH program are in the incentives offered by the Portland Housing Bureau to offset the cost of providing the affordable housing units, which are addressed in the companion ordinance sponsored by the Portland Housing Bureau.

This ordinance does not amend the budget; authorize additional spending; change current or future revenues; change current or future staffing levels; or create a financial obligation.

Community impacts and community involvement:

The Inclusionary Housing program will have direct impacts on two primary groups of people: lower-income households and residential developers.

For lower-income households, the IH program represents an opportunity to increase Portland's affordable housing supply overall and in high-opportunity neighborhoods by leveraging the development of market-rate housing.

For residential developers, the IH program represents a potential added cost of development that, if not offset by other incentives, could negatively impact development economics to the point that projects are no longer financially feasible.

The PSC is concerned that if the incentive package offered as part of the IH program is not sufficient to fully offset the cost of providing the affordable units, there will be an unacceptable risk of reducing the overall rate of residential development. A slowdown in the overall rate of development will hinder Portland's ability to meet housing affordability, transportation, carbon reduction and other goals in the 2035 Comprehensive Plan. If there is a significant gap between the cost of compliance and the incentives, either the incentives need to be increased and/or the inclusion rate decreased.

The initial community involvement was focused on the Panel of Housing Experts established by Housing Commissioner Dan Saltzman. The panel of housing experts held monthly public meetings to review the various components of a comprehensive inclusionary housing program.

In addition to the public meetings of the panel of housing experts, three community-wide public meetings were held at various stages of the program development process. These community meetings were supplemented by project staff presentations and information sessions with each neighborhood coalitions and other interest groups.

Generally, public comments have three major themes:

- concern about the recommended bonus FAR and density bonuses and their impact on existing bonuses, especially in the Central City;
- a desire from community members and advocacy organizations to set the inclusion rate at the maximums allowed under SB 1533; and
- a desire from community members as well as the development community to minimize the impact on development economics.

Budgetary Impact Worksheet

Does this action change appropriations?

YES: Please complete the information below.

NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

188162



Rec'd 12/7
am.
to use if
12/8 meeting is
canceled due to
bad weather.
sp

DATE: December 7, 2016

TO: Karla Moore-Love, Council Clerk

FROM: Commissioner Dan Saltzman

SUBJECT: Request a special meeting of the Portland City Council on December 13th, 2016 from 9:00am to 12:00pm

With the support of the Council Commissioners listed below, I am writing to request a special meeting of the Portland City Council set for December 13th, from 9:00am to 12:00pm in Council Chambers, pursuant to City Code 3.02.020.

The purpose of this meeting will be to vote on the Inclusionary Housing Program and update the Multiple-Unit Limited Tax Exemption Program.

Sincerely,

Nick Fish
Commissioner

Charlie Hales
Mayor of Portland

Dan Saltzman
Commissioner

Amanda Fritz
Commissioner

Steve Novick
Commissioner