



**Commissioner Chloe Eudaly**  
City of Portland

### **Commissioner Eudaly One-Time Funding Decision Package**

**Title:** Infill Implementation: Accelerate ADU Development

**Goals:** Over the next three years, triple the production of ADUs to 1,500 per year by solving for market failures in lending processes and increasing efficiencies of development processes.

Demonstrate how ADUs can help achieve some of Portland's goals for affordability, sustainability, equity, resilience and economic opportunity on an ongoing basis without continuing reliance on City General Fund or other one-time funding sources.

**Strategies:** Develop lending product that solves problems with loan to value and debt to income calculations, as well as associated appraisal and insurance issues, as they relate to ADU development.

Develop new permitting approach and market supports for ADU development to drive down soft costs of ADU development by at least 20%.

Leverage City investment in developing ADU strategies by at least 2:1.

**Total Cost:** \$2.1 million



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February 9, 2018

To: CBO

From: Marshall Runkel

Re: FY 2018-19 Special Appropriations Requested Budget Review Questions

**How does this program or service align with the goal of advancing equity or achieving goals outlined in your bureau's Racial Equity Plan?**

This proposal doesn't connect with a bureau's racial equity plan, but the proposal was developed with assistance from a diverse set of stakeholders and, if implemented, will produce significant outcomes that make our community more equitable. The equity outcomes that this proposal will enable fall into three categories: helping cost-burdened and/or elderly homeowners remain in their homes by developing new income streams, providing economic opportunities for organizations led by women and people of color as well as businesses owned by women and people of color, creating workforce opportunities for women and people of color.

**For each one-time add request please identify how the program or service aligns with the following priorities:**

***a. Projects that will increase General Fund revenues;***

This project will increase General Fund revenues by accelerating development of ADUs. Each ADU will add to the value of existing homes, thereby increasing property tax revenue to the City of Portland. An ADU valued at \$100,000.00 will produce more than \$400.00 in property tax revenue a year for the City of Portland. At 1000 new ADUs a year, it will take less than 10 years for the City of Portland's investment to begin producing positive returns. This initiative will also significantly increase the rate base for the Water Bureau and the Bureau of Environmental Services without requiring any new public infrastructure investment.

**Incentives for homeowners currently exist through other City programs, how do the incentives proposed here differ?**

The City of Portland currently waives SDC charges for ADUs. That has lowered the cost of building an ADU, but the total average cost to build an ADU is still over \$100,00.00. A recent Portland State University survey of people who have built ADUs indicates that

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only people who have access to more than \$100,000.00 in cash or enough equity in their primary residence to secure a \$100,000.00 loan are able to build an ADU. Developing a loan product and decreasing the soft cost costs associated with developing an ADU will make it possible for people to affordably finance developing an ADU. The SDC waiver increased ADU development from roughly 50 a year to 500 a year, the change theory embedded in this proposal is that a financing mechanism combined with decreased soft costs will increase ADU development from roughly 500 a year to 1500.

**What is the estimated impact of this program?**

1000 new ADUs a year valued at an average of \$100,000.00 each will create \$100 million dollars a year in economic activity in our local economy while increasing our local property tax base. It will also provide economic opportunities, and has the potential to stabilize neighborhoods by enabling homeowners to reinvest in their properties. The program will also significantly contribute to the City's affordability, sustainability, equity, resilience and economic opportunity goals on an ongoing basis

**Please provide a breakdown of how the requested funding will be budgeted.**

\$1.5 million will go to developing a lending product for ADU development, \$600,000.00 will go to initiatives aimed at reducing soft costs of developing ADUs by at least 20% as well as monitoring and reporting activities.

**Please provide a project timeline.**

Summer 2018	Funding Secured, Project Launch
Fall 2018	Soft Cost Initiatives Selected, Loan Pilot Defined
Winter 2018	Loan Pilot/Soft Cost Initiatives Launched
Summer 2019	Interim Report to City of Portland
Summer 2020	Market Loan Launch, Market Supports Defined