



## A 'new normal' for multifamily projects

By: Chuck Slothower in Real Estate and Development June 6, 2019 12:02 pm



A six-building apartment development is planned in part on a Northwest 30th Avenue property currently occupied by a single-family home. (Sam Tenney/DJC)

A new proposal in Northwest Portland shows how developers are getting increasingly creative to avoid Po inclusionary housing thresholds.

**Cairn Pacific** is proposing six buildings, each with approximately 18 apartment units. With that arrangement, the developer can build about 108 units, with none required to be offered to low-income renters.

Portland's inclusionary housing rules exempt buildings with fewer than 20 units. For larger buildings, developers must provide a proportional amount of apartments at rents affordable to people who earn less than either 60 percent or 80 percent of the Portland area's median income, or pay a fee in lieu.

Noel Johnson, a principal at Cairn Pacific, said the proposed project would not be built if it had to include units, which bring in less revenue for the developer.

"The reality is basically no projects pencil with inclusionary zoning," he said.

Other developers have moved forward with projects that fall just below the 20-unit threshold. A 19-unit building is under construction at 4130 S.E. Division St. That building is from a limited liability company that lists Anita as manager. It was designed by **Baysinger Partners Architecture**.

In a September 2018 report, the **Portland Housing Bureau** said the pace of constructing buildings with fewer than 20 units was in line with recent years. In 2017, 13 percent of building permits were for structures with fewer than 20 units, according to the Housing Bureau.

"This proportion is consistent with what has been occurring since 2012 as Portland emerged from the recession," the report stated.

Still, 2017 saw the most such buildings constructed since 2012. Data for 2018 were not immediately available.

Gerard Mildner, a **Portland State University** real estate professor, said it's not surprising developers are way around inclusionary housing rules.

"Folks are really scratching their heads over this, and if it takes a lot of 18-unit buildings, they'll do it," he thinks a more likely reaction is to go to the suburbs."

The 20-unit threshold is embedded in the 2016 state law that permitted municipalities – with Portland foremost – to enact inclusionary housing ordinances. The law says inclusionary zoning rules "may apply only to multifamily structures containing at least 20 housing units." Developers have responded by building multi-unit structures of fewer than 20 units on the same site.

Johnson said he expects to see more such projects.

"That's kind of I think the new normal in terms of how Portland's going to be producing housing in the short term," he said. "The reality is we either produce housing, or we don't produce housing."

Portland has no flexibility to change the 20-unit threshold without a corresponding change in state law. So far, the city's projects have included affordable units anyway.



A property at Northwest Nicolai Street and 30th Avenue is one of two targeted for redevelopment with three five-story buildings, each containing about 18 units. (Sam Tenney/DJC)

"The Housing Bureau is encouraged that 14 residential projects with less than 20 units have voluntarily opted into the inclusionary housing program (paying the fee-in-lieu or providing affordable units) due to the incentives provided, and many others are considering doing the same," stated Eileen Park, spokeswoman for Mayor Wheeler, in an email. "The city will continue to consider options to incentivize more affordable housing."

Cairn Pacific is best known for developing a series of large mixed-use projects in Northwest Portland's former industrial way area, now rebranded as Slabtown. These include the **Leland James** and **L.L. Hawkins** buildings, as well as New Seasons Grocery and Breakside Brewery.

This new proposal calls for a series of five-story buildings at 2123 N.W. 30th Ave., and the adjacent block on Nicolai Street. **Architecture** is designing the buildings on 30th Avenue, and **Waechter Architecture** is designing the buildings on Nicolai Street.

Using different architects is meant to provide some variety in design, Johnson said. The new buildings will include townhomes designed by architect Rick Potestio for Cairn Pacific.

"I'm trying to get a potpourri of designers working in that area to get an eclecticity of design," Johnson said.

Cairn Pacific's intention is to create a walkable, livable neighborhood for families within a short jaunt to Fc Johnson said.

The multifamily buildings will have amenities such as bike rooms, storage, common areas and at-grade parking. Cairn Pacific plans to use cross-laminated timber. The material has become popular for office projects in the Portland area, but not multifamily projects.

The proposed buildings are in early-stage design, Johnson said. They're likely to be a mix of one-bedroom and two-bedroom units, with perhaps some three-bedroom units.

The small buildings will be sited on corners wherever possible, to give them more light and air and better performance, Johnson said.

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