



# Economics of Portland's Residential Infill Market

January 5, 2016



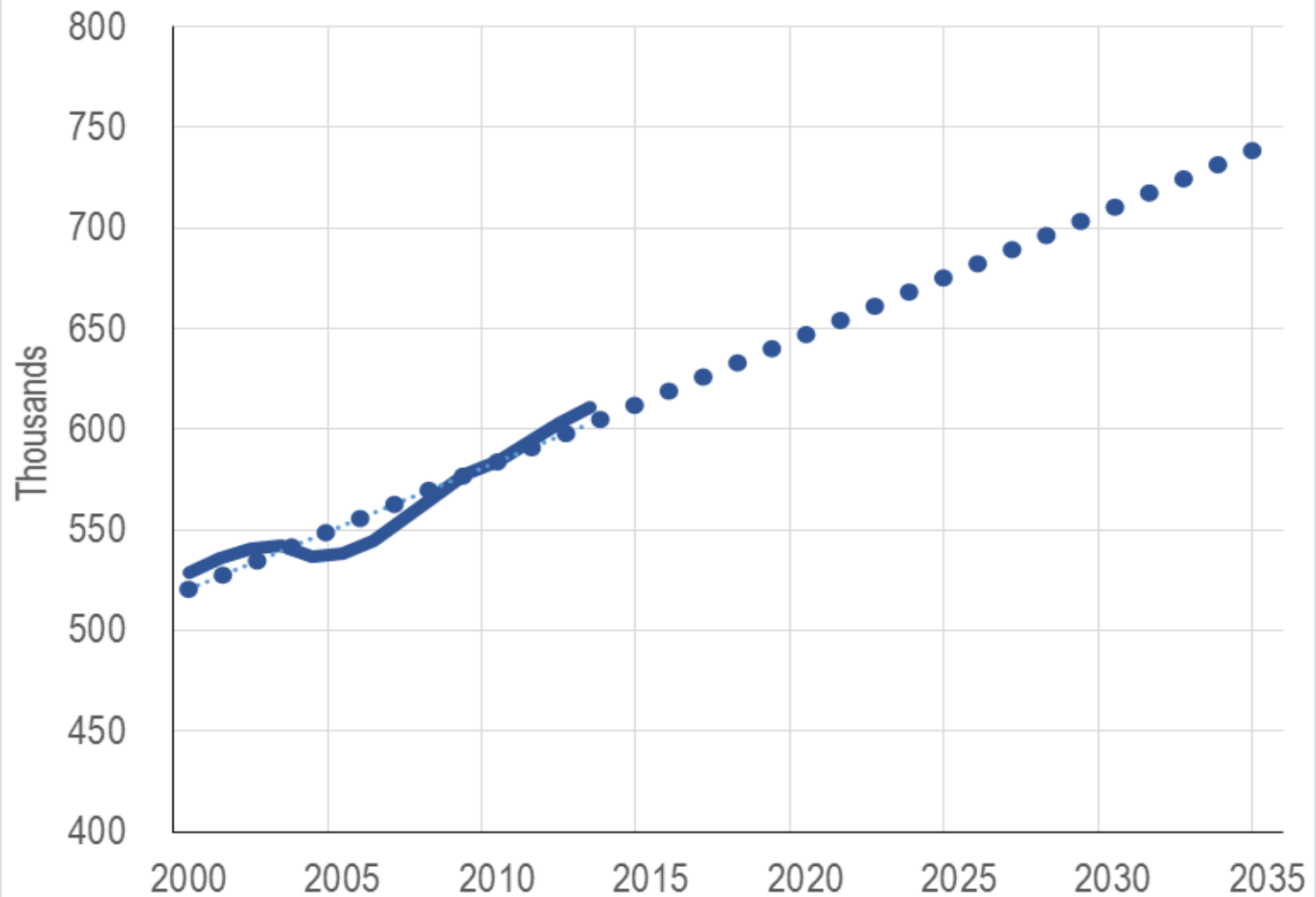
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# 2035 Growth Forecast

- 123,000 new households
- 142,000 new jobs

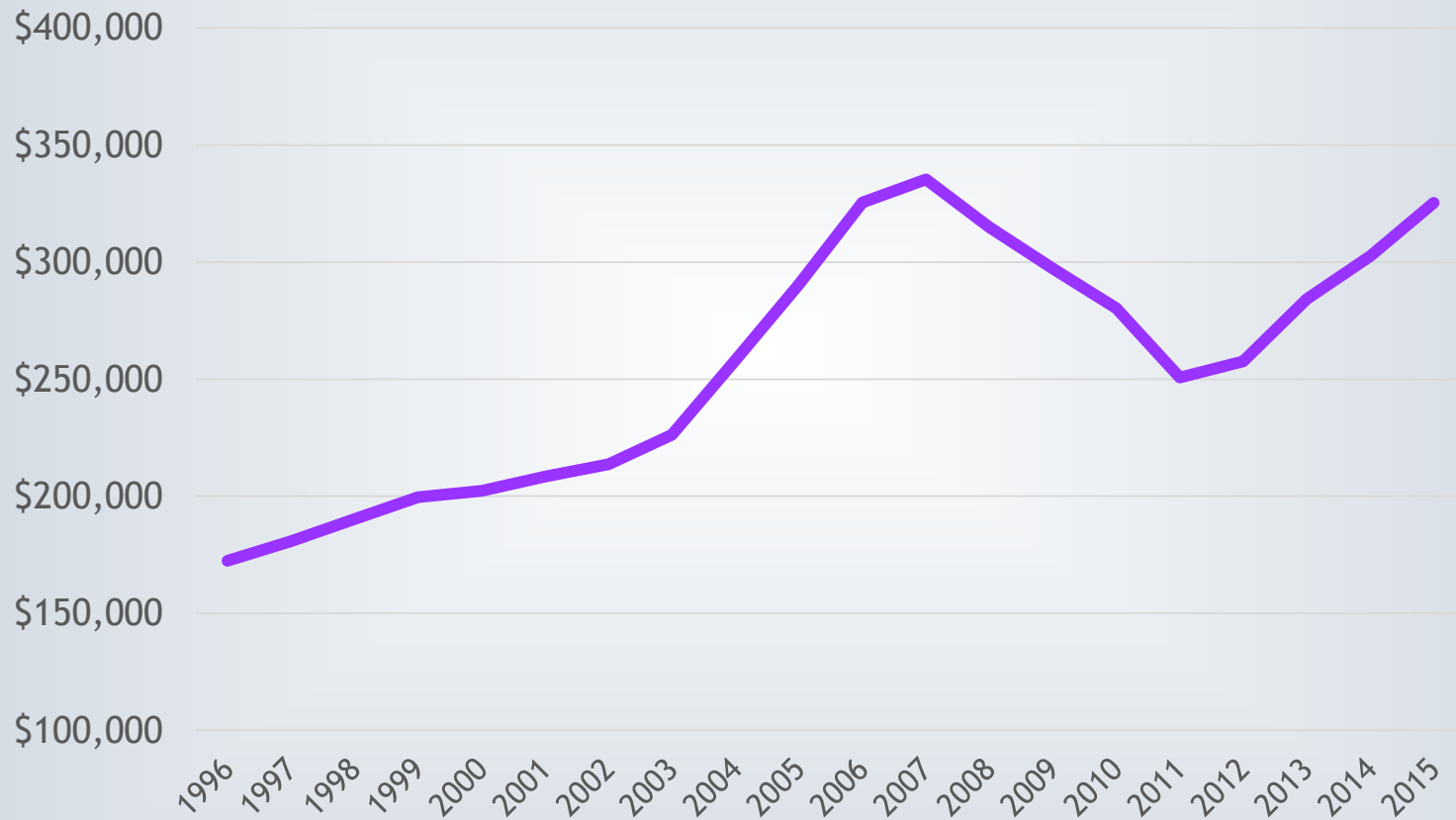
## Population Trend for Portland: 2000-2035



# Current Market Conditions

- Housing market is extremely tight
- Increasing demand
- Low supply of all housing types
- Higher household formation
- Population growth
- Underbuilding during recession is constraining supply
- Consumer preference for the Portland market
- Increasing job growth in high wage occupations

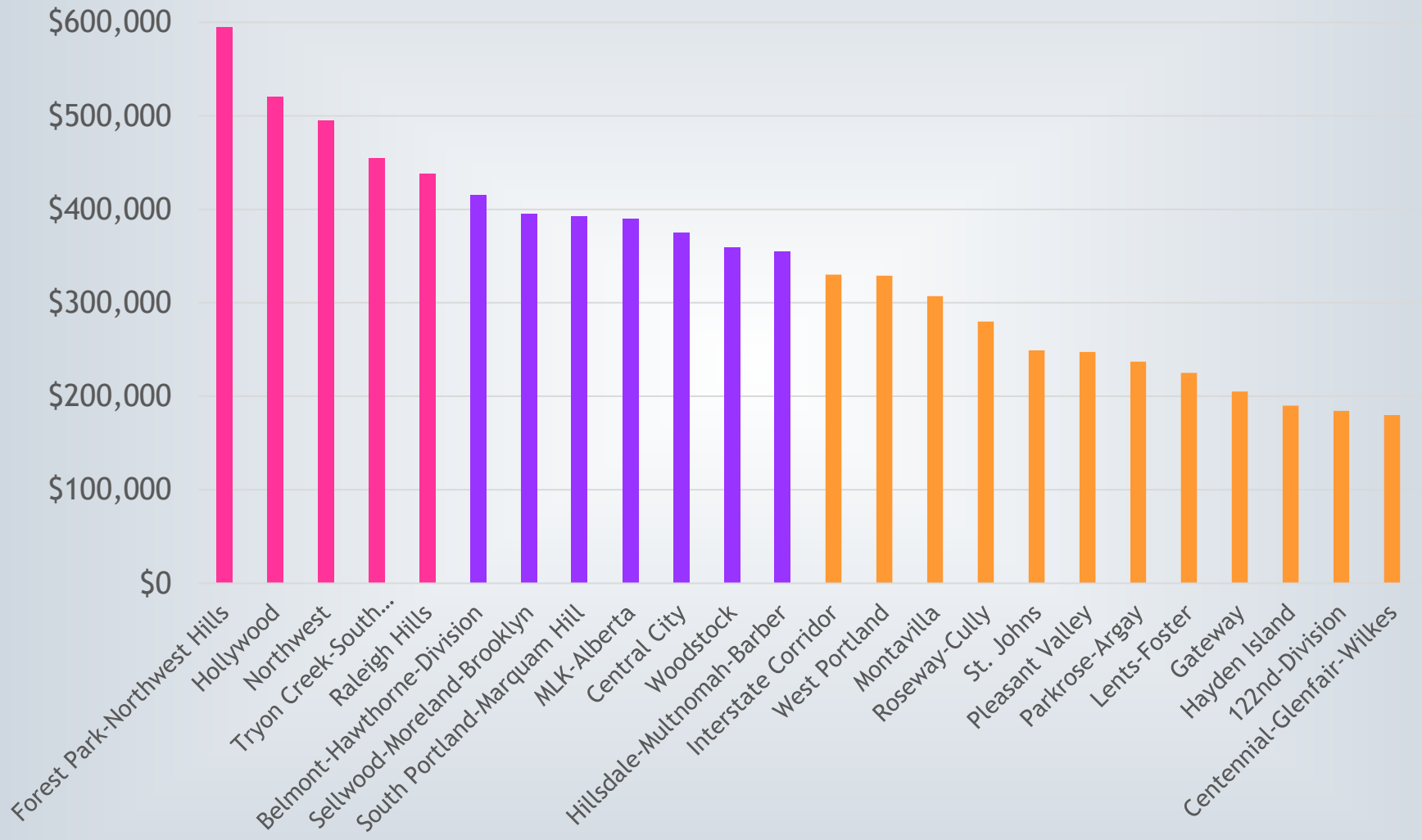
# Inflation Adjusted 20-Year Portland Housing Price Trends



# Median Income and Affordability

|                                                  |                  |
|--------------------------------------------------|------------------|
| Portlanders                                      | 611,134          |
| Households                                       | 253,021          |
| Household Composition                            | 2.35 individuals |
| Households with Children                         | 25%              |
| Median Income                                    | \$55,571         |
| Maximum Monthly Housing<br>Considered Affordable | \$1,389          |
| Homeowners                                       | 53%              |
| Median Income for Homeowners                     | \$79,622         |

# Neighborhood Area Affordability



# Single Family New Construction



|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Average Size         | 1,896 Square Feet | 2,539 Square Feet |
| Average Sale Price   | \$385,509         | \$502,850         |
| Average Price per SF | \$207/SF          | \$198/SF          |

# New Construction Sale Price Levels by Neighborhood

| Small Lot < \$300 ,000 | Large Lot < \$400,000 | Large Lot > \$500,000 |
|------------------------|-----------------------|-----------------------|
| St. Johns              | St. Johns             | Buckman               |
| Portsmouth             | Portsmouth            | Richmond              |
| Montavilla             | Montavilla            | Sellwood              |
| Powellhurst-Gilbert    | Lents                 | Eastmoreland          |
| Madison South          | Powellhurst-Gilbert   | Concordia             |
|                        | Brentwood-Darlington  | South Burlingame      |

# Economic Feasibility



# Examples of Development Costs

## Soft Costs

- Permit and Impact Fees
  - SDCs
  - Permit and building review fees
  - Inspection fees
- Land Costs
  - Site acquisition
  - Legal costs
  - Appraisal
- Financing Costs
  - Loan fees
  - Interest
  - Accounting costs
  - Taxes
- Design and Engineering

## Hard Costs

- Construction Costs
  - Materials
  - Labor
- Site Costs
  - Excavation
  - Grading
  - Paving
  - Infrastructure
- Landscaping
- Contingencies

# Pro Forma Example

| Cost Type                                 | Cost      |
|-------------------------------------------|-----------|
| Site Acquisition                          | \$120,000 |
| SDC and Permit Cost                       | \$45,000  |
| Development Cost @ \$115/SF               | \$287,500 |
| Total Development Cost                    | \$452,500 |
| Developer Profit @ 15%                    | \$68,000  |
|                                           |           |
| Sale Price Needed to Support Construction | \$525,000 |

# How Does the Market Determine Price?

Home buyers are the ones who set prices for new development.

Overall real estate value of a location and neighborhood

Amenity value

- SCHOOLS
- Parks
- Business district
- Walkability
- Transportation access



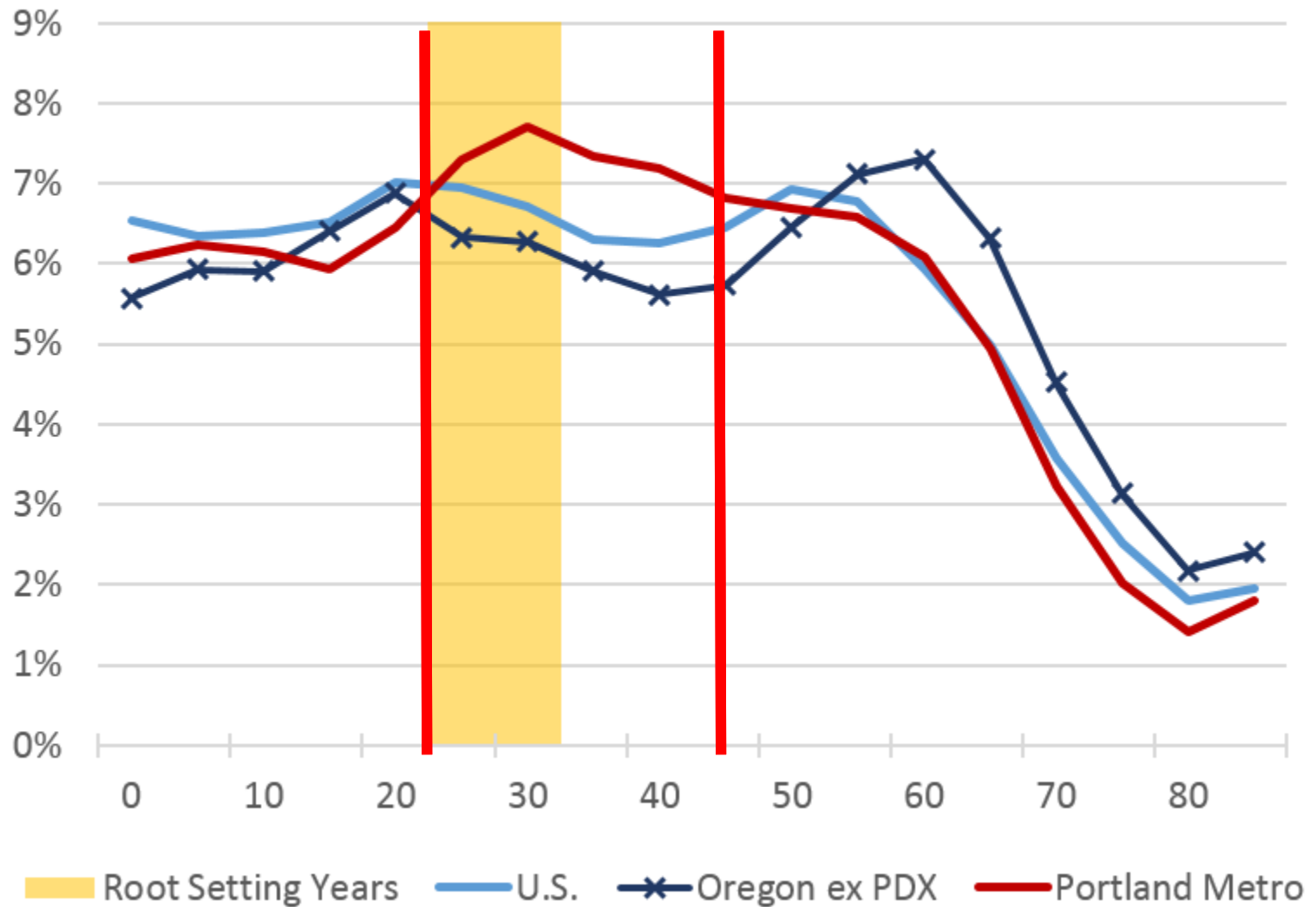
# Who is buying new construction single family homes?

- Young professional couples
- Dual income households
- Small / medium families with young kids
- Families who do not want maintenance of an older home
- Retirees
- Majority of new households are relocating from within the Portland Metro Area or elsewhere in the Pacific Northwest



# Population by Age, 2015

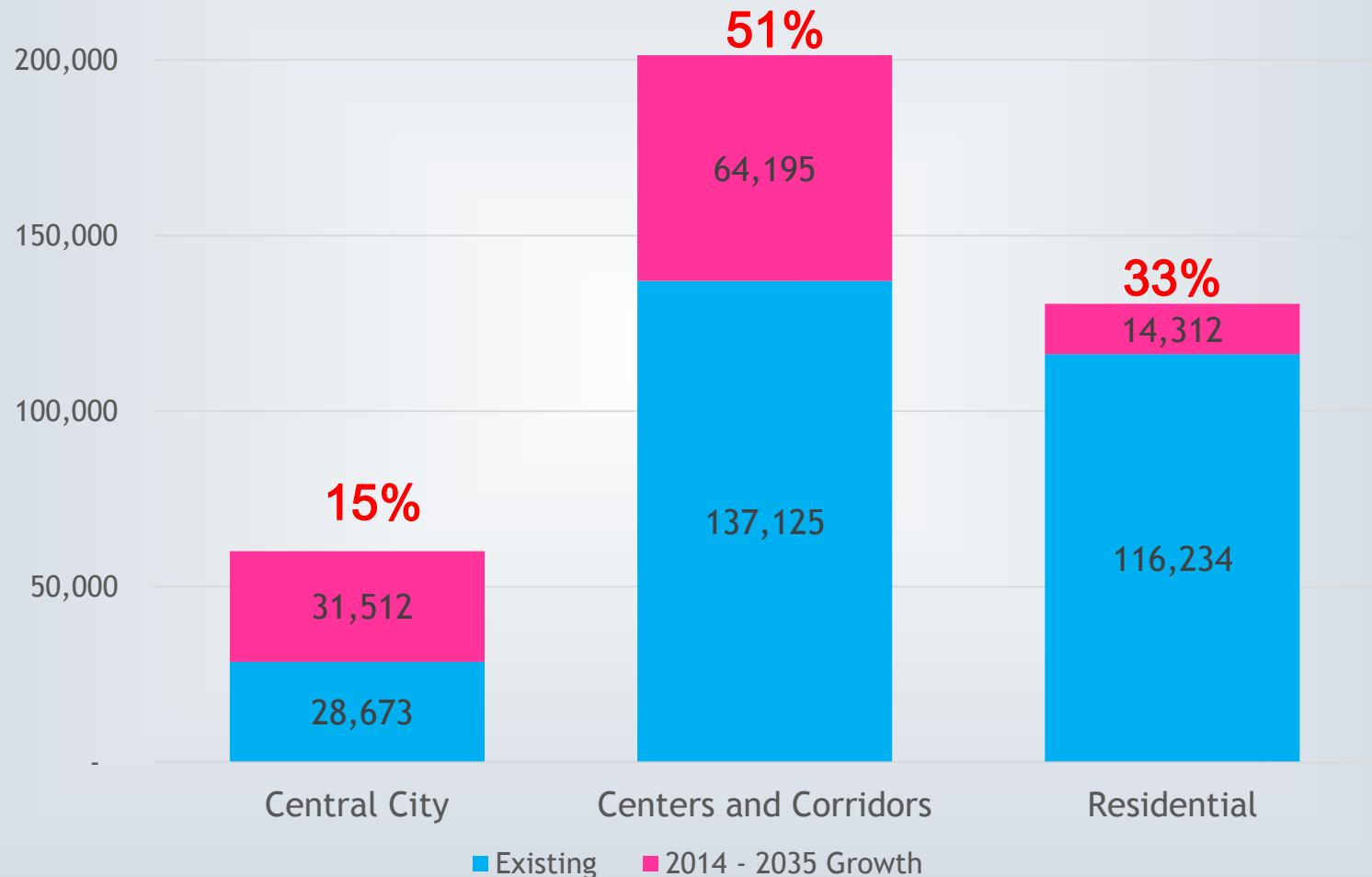
Source: Census, Oregon Office of Economic Analysis



# Questions?

# Proposed Plan Growth Pattern

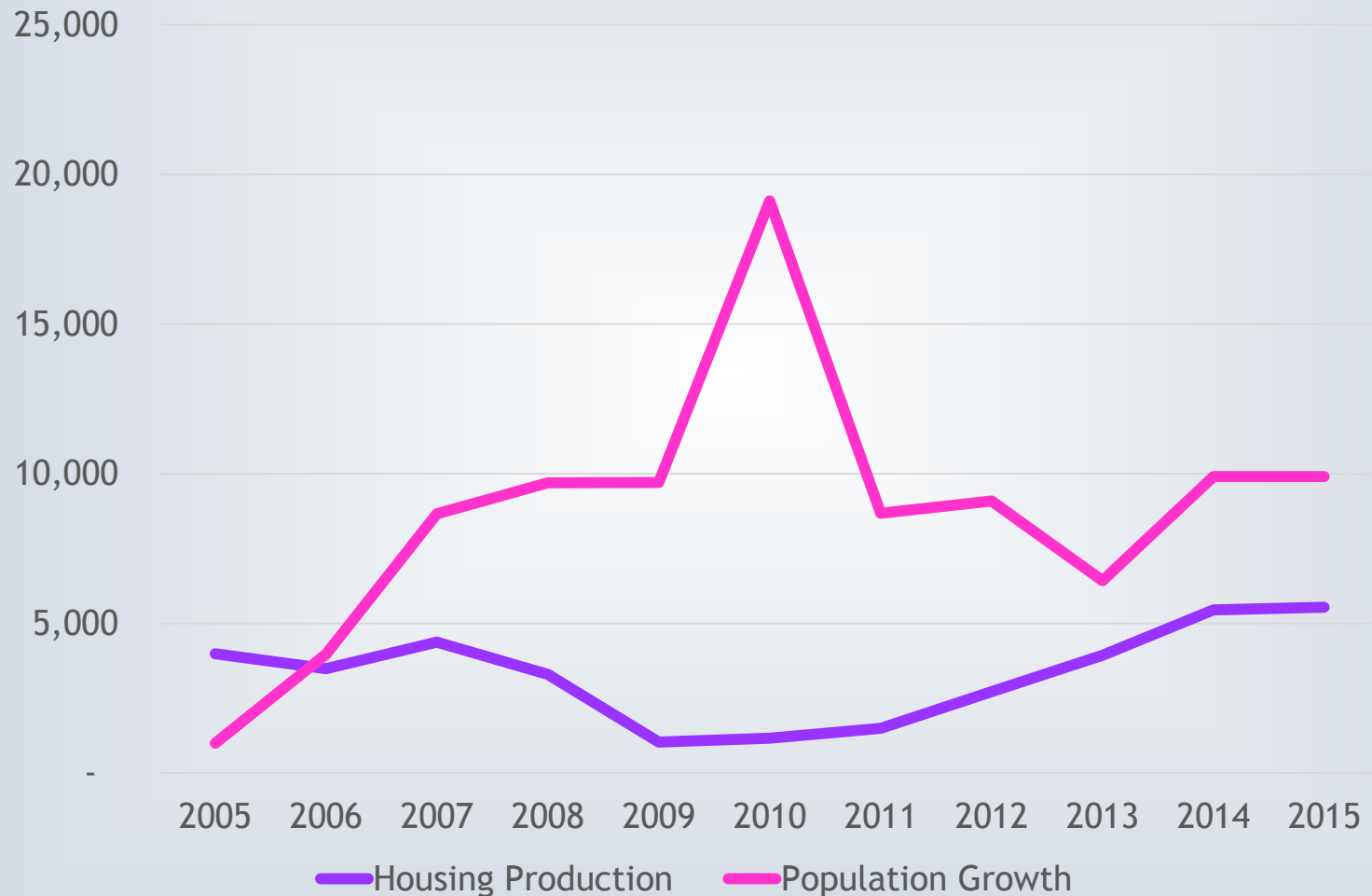
2035 Housing Distribution

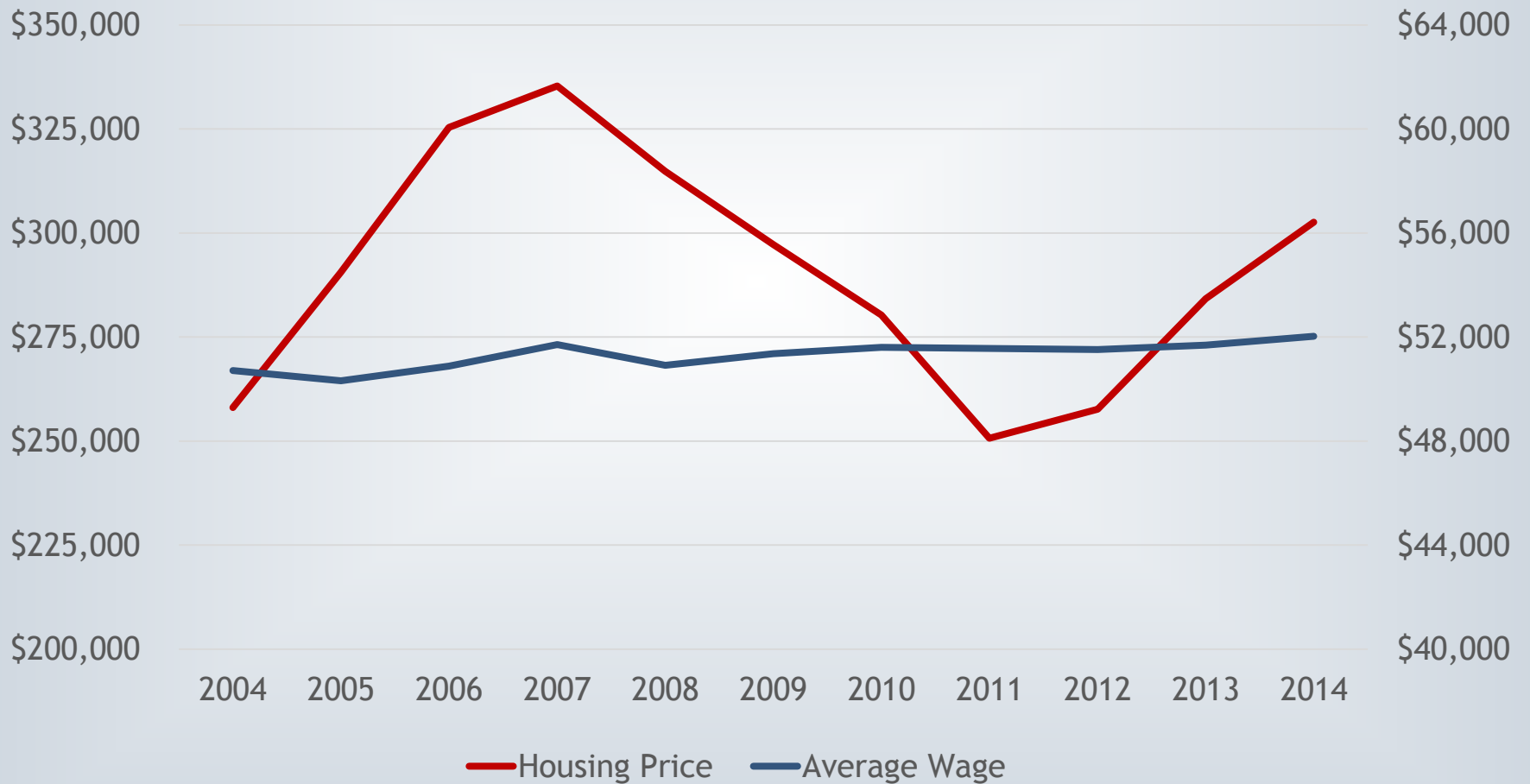


# Proposed Plan Growth Pattern



# Net Housing Production and Net Population Growth 2004 - 2015





# **Draft Principles for Residential Infill Development**

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# Draft Principles for Residential Infill Development

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1. *Fit Neighborhood Context*
2. *Provide Diverse Housing Opportunities that are Adaptable Over Time*
3. *Maintain Privacy, Sunlight, Open Space and Natural Features*
4. *Be Resource-Efficient*
5. *Support Housing Affordability*
6. *Be Economically Feasible*
7. *Provide Clear Rules for Development*

# 1. Fit Neighborhood Context

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- *Would the approach to development standards produce building forms and siting that are consistent with physical qualities common within specific neighborhoods or pattern areas (i.e., scale, massing, street frontage, and transitions to adjacent houses)?*

# 1. Fit Neighborhood Context

- Potential Regulatory Strategies
  - *Appropriate height limits that reflect nearby development*
  - *Front and rear setbacks that match or average adjoining development*
  - *Lot coverage or Floor Area Ratio regulations that respond to lot size*
  - *Street frontage and location standards for entrances, porches, garages*

## 2. Provide Diverse Housing Opportunities that are Adaptable Over Time

- *Would the approach help to produce housing types that accommodate diverse needs and preferences of Portland's residents, and balance the needs of future and current residents?*
- *Would it yield additional housing that can be adapted over time to accommodate changing household needs, abilities and economic conditions, and help older adults "age in place"?*
- *Would it provide flexibility within the building envelope for future additions?*

## 2. Provide Diverse Housing Opportunities that are Adaptable Over Time

- Potential Regulatory Strategies
  - *Allow alternative housing types such as duplexes, stacked flats, cottage clusters in single-family zoning districts*
  - *Allow multiple ADUs, including inside and outside primary structure*
  - *Provide additional development or density allowances for low/moderate-income, accessible, or other desired housing*
  - *Establish different standards for new development vs. alteration*

### 3. Maintain Privacy, Sunlight, Open Space and Natural Features

- *Would the standards result in development that responds to positive qualities of the natural setting and site conditions?*
- *Would they preserve the comfort and privacy of living areas, and provide adequate and usable yard area for gardening and enjoyment of the outdoors?*
- *Would they accommodate sustainable stormwater solutions, and help meet tree canopy goals?*

# 3. Maintain Privacy, Sunlight, Open Space and Natural Features

- Potential Regulatory Strategies
  - *Require generous street tree planting strip areas to create space for large trees*
  - *Allow flexibility in yard requirements to promote retention of mature trees*
  - *Require upper story setbacks along side yards to preserve solar access*
  - *Locate and design windows and balconies to minimize overlook impacts on adjacent yards and houses*
  - *Increase amount of useable outdoor area required*

## 4. Be Resource-Efficient

- *Would the approach encourage the development and preservation of compact, resource- and energy-efficient homes?*
- *Would it support the use of technologies, techniques and materials that result in less environmental impact over the life cycle of the structure?*
- *Would it better utilize surplus capacity in existing public infrastructure?*

## 4. Be Resource-Efficient

- Potential Regulatory Strategies
  - *Reduce maximum lot coverage and provide Floor Area Ratio limits that limit the development of large houses*
  - *Encourage attached houses*
  - *Allow additional ADUs in areas with surplus infrastructure capacity, including areas where alleys provide supplementary access*
  - *Allow additional density where existing housing is retained*
  - *Facilitate use of manufactured components, recycled materials*

## 5. Support Housing Affordability

- *Would the standards help to reduce the cost of housing for homeowners and renters by increasing the availability of housing citywide that is affordable to lower-income families?*
- *Would they promote equity and environmental justice by reducing disparities, minimizing burdens, affirmatively furthering fair housing, proactively fighting displacement, and improving socioeconomic opportunities for under-served and under-represented populations?*

## 5. Support Housing Affordability

- Potential Regulatory Strategies
  - *Allow multiple ADUs (within and external to primary structure)*
  - *Allow alternative housing types in single-family zones*
    - Require affordability/income restrictions?
  - *Retain flexibility in allowed building envelope*

## 6. Be Economically Feasible

- *Would the approach allow for a reasonable return on investment for homeowners and developers, allowing the market to produce needed new housing to sufficiently accommodate the city's growing population?*
- *Would it catalyze desired development while minimizing undesired development and demolition of existing sound housing?*

## 6. Be Economically Feasible

- Potential Regulatory Strategies
  - *Retain flexibility in allowed building envelope*
  - *Retain flexibility in allowed lot coverage and floor area*
  - *Allow multiple ADUs and alternative housing types in single-family zones*
  - *Change lot confirmation process to discourage demolition of existing houses*

## 7. Provide Clear Rules for Development

- *Would the proposed standards be easy to use and understand, and be consistently applied?*
- *Would the zoning districts be clearly reflective of the neighborhood character they would produce?*

## 7. Provide Clear Rules for Development

- Potential Regulatory Strategies
  - *Establish a clear description of the desired character for each single-dwelling zone*
  - *Limit single-family districts to single-family housing types, with simple and clear exceptions*
  - *Rename single-family districts where greater diversity of housing types will be allowed*
  - *Clarify lot confirmation process*
  - *Consistent height limits for standard and narrow lots*

# Relationship between Draft Principles

Portland Residential Infill Project

|   | 1. Neighbor-<br>hood<br>Context | 2. Diverse<br>Housing<br>Opportuni-<br>ties | 3. Privacy,<br>Sunlight,<br>Open<br>Space,<br>Natural<br>Features | 4. Resource<br>-Efficient | 5. Housing<br>Afford-<br>ability | 6. Econo-<br>mically<br>Feasible | 7. Clear<br>Rules |
|---|---------------------------------|---------------------------------------------|-------------------------------------------------------------------|---------------------------|----------------------------------|----------------------------------|-------------------|
| 1 |                                 |                                             | supports                                                          |                           |                                  | supports                         | supports          |
| 2 |                                 |                                             |                                                                   | supports                  | supports                         | supports                         |                   |
| 3 | supports                        |                                             |                                                                   |                           |                                  |                                  | supports          |
| 4 |                                 | supports                                    |                                                                   |                           | supports                         | supports                         |                   |
| 5 |                                 | supports                                    |                                                                   | supports                  |                                  | supports                         |                   |
| 6 |                                 | supports                                    |                                                                   | supports                  | supports                         |                                  |                   |
| 7 | supports                        |                                             | supports                                                          |                           |                                  |                                  |                   |

# Draft Principles for Residential Infill Development

- *Do the draft Principles generally match your sense of the issues and priorities?*
- *Think about the project goal, to “adapt the single-dwelling development standards to meet the needs of current and future generations.” Would the draft Principles be a good basis for evaluating the success of development standards in reaching that goal?*
- *Are there any additional principles or changes that should be made?*