



MEMORANDUM

DATE: June 14, 2019

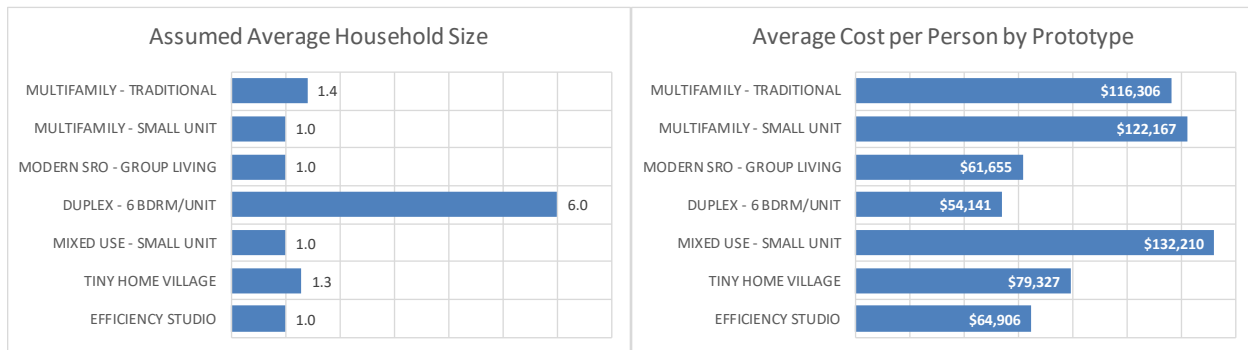
TO: CITY OF PORTLAND GROUP LIVING TECHNICAL ADVISORY COMMITTEE (TAC)

FROM: Jerry Johnson
JOHNSON ECONOMICS LLC

SUBJECT: Portland Group Living and Code Audit and Update, Addendum to Gap Analysis

I have put together this addendum to the gap analysis to summarize the findings of our analysis as it pertains to affordable housing needs by income cohorts.

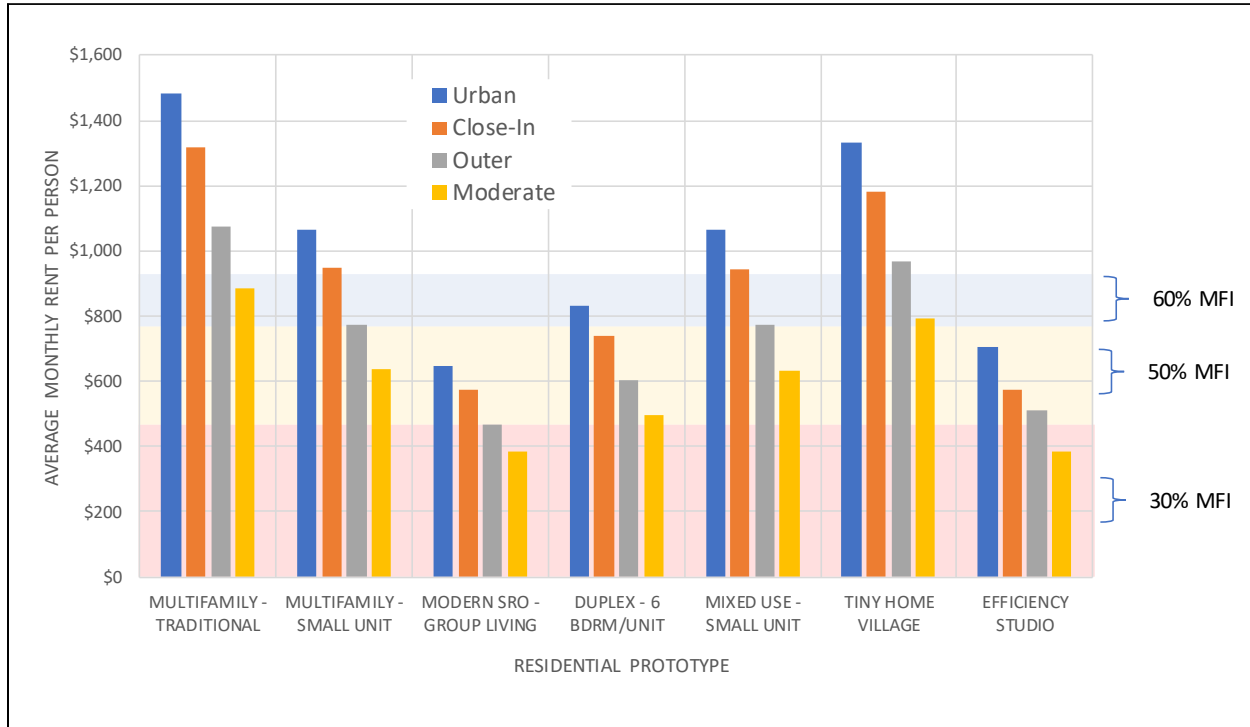
The seven residential prototypes evaluated in that analysis had significantly variance in terms of the construction cost per unit as well as per person. The average construction cost per person was lowest for the six-bedroom duplex units, the Modern SRO, and the Efficiency Studios. While lowest in terms of cost, these units are also the lowest in terms of valued housing attributes such as square footage. The Multifamily-Small Unit prototype had higher costs as it included structured parking.



In addition to construction costs, the final delivered cost of a unit also reflects the value of land acquisition required for the development. Our analysis evaluated the prototypes under four separate assumptions with respect to achievable market pricing for residential units, which yielded a range of supportable land values. It is important to recognize that affordable housing developments must purchase property in a competitive environment, and the clearing price for property is a function of the achievable market pricing. In areas with high achievable pricing such as Central Portland, land prices are significantly higher. This is reflected in a higher cost to deliver housing in these markets.



The gap analysis assumed achievable pricing for the various prototypes based in the four pricing categories and developed average monthly rent levels estimates per person by prototype in these markets. The following chart summarizes these average monthly rent levels per person and compares them with the 2019 defined OHCS allowable rent guidelines for a single person household at 30%, 50%, and 60% MFI in Multnomah County.



As shown, only the Modern SRO and Efficiency Studio prototypes are priced at a level that can meet the needs of a 30% MFI household, while a broader range of prototypes are priced at levels that can meet the 50% and 60% requirements.

PRICING	MULTIFAMILY - TRADITIONAL	MULTIFAMILY - SMALL UNIT	MODERN SRO - GROUP LIVING	DUPLEX - 6 BDRM/UNIT	MIXED USE - SMALL UNIT	TINY HOME VILLAGE	EFFICIENCY STUDIO
Urban	\$1,484	\$1,067	\$646	\$833	\$1,063	\$1,331	\$705
Close-In	\$1,316	\$946	\$573	\$739	\$943	\$1,181	\$573
Outer	\$1,077	\$774	\$469	\$604	\$772	\$966	\$512
Moderate	\$885	\$637	\$385	\$497	\$634	\$794	\$385

- Meets 30% MFI limits
- Meets 50% MFI limits
- Meets 60% MFI limits

While these projects are priced at a level that allows them to meet various affordable income standards, in many cases they are not viable in those markets under the assumed pricing. The pricing is intended to reflect “market” pricing, or what is achievable in the market for a unit with the prototype characteristics. The only product types that are both viable in the market without intervention and meet an affordability target are the Duplex-6 Bedroom units



on the outer and moderate pricing environments, as well as the Tiny Home Village in the moderate pricing environment. The other products require some level of subsidy to be competitive in the market.

Affordable housing providers typically set rent levels below what is achievable in the general market. While any of these prototypes could be priced to serve any targeted income range in any of the pricing environments, the resulting reduction in income would significantly increase the viability gap.