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## **Latest debate on Portland's 'inclusionary zoning' policy centers on affordable family apartments**

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A total of 237 affordable rental units and condos have actually been built under Portland's inclusionary zoning policy since it was enacted in 2017. Over 85% are one bedrooms and studios. (Stephanie Yao Long/Staff)

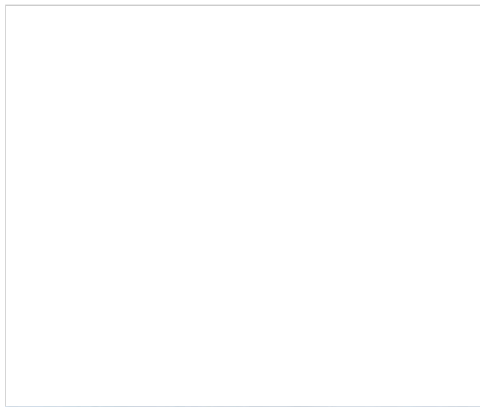
**By [Jamie Goldberg | The Oregonian/OregonLive](#)**

Portland tightened restrictions this spring under a city policy designed to make housing more affordable.

City officials say the rule change closed a loophole in the policy that developers had abused. Developers say they were just trying to provide affordable housing for families — and that the new rules are going in the opposite direction.

It's just the latest dustup over the city's "inclusionary zoning" ordinance, which was intended to take advantage of a building boom to add to the city's affordable housing stock. Developers have argued it's instead contributing to a [rapid decline in new apartment projects](#) being proposed for Portland.

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And as there's growing demand for affordable, multi-bedroom apartments, developers say the new rules will push them toward building more singles.

"This change to the reconfiguration options will make it more difficult to produce affordable family-sized units under the inclusionary housing program," said Sarah Zahn, board president for Oregon Smart Growth, a developer group that advocates for sustainable development. "And we know there is a real need for those units."

Portland's inclusionary zoning policy requires that a percentage of new apartments in developments with 20 or more residential units be set aside, with lower rents, for households making 80% of the median family income or less. The city, in turn, offers developers incentives to offset the cost of building those units, including allowing more density while waiving certain fees and taxes.

To promote the construction of family-sized units, the city has allowed developers to build fewer affordable apartments in market-rate projects if they instead built affordable units with two or more bedrooms.

That's the option that Paul Del Vecchio, founding principal at Ethos Development, took in the development of Analog PDX, a 134-unit apartment building proposed near the Rose Quarter.

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In late April, the Portland City Council voted on whether to grant Analog PDX a 10-year property tax exemption, a vote that Del Vecchio saw as a final perfunctory step in a city permitting and design process that had lasted nearly two years. The tax break requires City Council approval, but developments that fulfill the inclusionary zoning requirements, which Analog PDX did, are supposed to receive the exemption.

But on April 21, the City Council spent more than an hour debating the project, raising concerns about the five three-bedroom affordable units proposed to meet the city's inclusionary zoning policy. Those units averaged 772 square feet in size, while the building's two-bedroom units averaged 809 square feet, and four large one-bedroom lofts on the first floor averaged 810 square feet.

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Commissioner Jo Ann Hardesty questioned whether Analog PDX's comparatively small three-bedroom units would be livable. She also said she was concerned about having family-sized affordable units in a building of primarily studio apartments she felt would be geared toward singles.

Building architect Carrie Strickland, principal at Work Progress Architecture, defended the three-bedroom units as well-designed and livable, pointing out that bedrooms in those units averaged 90 square feet, while the average bedroom size in the building as a whole was 100 square feet.

Del Vecchio said it would have been cheaper to build affordable studios, but that he felt the three-bedroom affordable units would be more beneficial to the community and would offer renters more of a discount as compared to market-rate units of the same size.

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“The three-bedroom circumstance represents a less good economic outcome, but we believe it to be more impactful and more in keeping with the spirit of the law and community objectives,” Del Vecchio told City Council. “This was our honest and genuine attempt to meet policy goals while also trying to get buildings built.”

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The City Council ultimately voted 4-1 to grant Analog PDX the tax exemption, noting that the apartment followed the rules in place at the time it was permitted. Hardesty voted against the tax break.

“My concern is that we continue to pass projects that, though they meet the letter of the law, they don’t really pass the sniff test when it comes to how are people living and thriving in places that we say are affordable,” Hardesty said.

Michael Wilkerson, senior economist with consulting firm ECONorthwest, said there is a huge demand for family-sized units in Portland, and it’s only expected to grow as rising home costs continue to price families out of the homebuying market.

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Yet studio and one-bedroom apartments account for nearly two-thirds of the market-rate units built in Portland since 2010, according to data from ECONorthwest.

Similarly, Portland Housing Bureau data shows that few family-sized units are being produced through Portland’s inclusionary zoning policy, even though the mandate was touted as a critical measure to help make housing more affordable for working families being pushed to the outskirts of the city when it was adopted in 2017.

Four years later, 237 affordable rental units and condos have actually been built under the mandate. Over 85% are one bedrooms and studios. The policy has produced just 25 affordable two-bedroom units, eight affordable three-bedroom rental and condo units and one affordable four-bedroom condo.

“There might be huge demand for two-bedroom units, but what drives decisions is financial feasibility,” Wilkerson said.

City commissioners had expressed concerns about the types of family-sized units being proposed through the inclusionary housing policy for months before their debate over Analog PDX.

Those concerns prompted the Portland Housing Bureau to propose changes in January that would require family-sized affordable units to be at least 95% the size of market-rate units with the same bedroom count and larger than the average size of market rate units with fewer bedrooms in the same building.

The rules also stipulate that developers must build at least one market-rate unit with two or more bedrooms for every three-bedroom affordable unit in a building, a change that bureau director Shannon Callahan said she hoped would coax developers to build more family-sized units overall. Developers, however, say the rules will make it harder to build both affordable and market-rate units for families.

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The Housing Bureau rushed to address the City Council's concerns, holding a one-month comment period ahead of just one public meeting before officially enacting the rules on April 23. Callahan said she would have preferred a longer process but that the city had to make the change quickly to ensure it was getting enough from developers for the incentives it was offering.

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"I wish we had more time to work on this, but frankly, we were starting to see more and more buildings reconfiguring into very small family-sized units," Callahan said. "The way the rules were operating was causing some consternation, and council was starting to become very uncomfortable with approving tax exemptions."

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The new restrictions came as developers were already complaining that city regulations were hampering their ability to build in Portland. A [city audit released in March](#) found that Portland's system for reviewing building permit applications is too slow and that efforts to streamline the city's complex regulatory environment had stalled.

Developers have also been calling on the city to conduct a market study on the inclusionary housing policy before making further changes. They say the policy needs the right balance of incentives and requirements to spur the building of more affordable housing, and that now it's headed further off-kilter.

The Housing Bureau had planned [to conduct a study](#) of the mandate last year, but the coronavirus pandemic prompted them to put their funding toward pandemic relief efforts instead.

However, that market study could move forward. The city's draft budget for the upcoming fiscal year includes \$150,000 to conduct an inclusionary housing market study. The City Council is scheduled to take a final vote on the city spending plan this month.

Kim McCarty, executive director of the Portland-based Community Alliance of Tenants, said the city's inclusionary zoning policy needs to continue to be fine-tuned and that the city may have to look to other new policies to ensure that enough affordable family-sized units are being built.

But McCarty said she believes inclusionary zoning has been a success because it has given low-income individuals and families the opportunity to find homes in neighborhoods where they otherwise wouldn't have been able to afford to live.

"The city has been able to create more affordable housing than they would have otherwise, there's no question about that," McCarty said. "This particular policy has broadened where affordable housing can happen."

The City Council's deliberation on the Analog PDX building, however, added a new wrinkle to the concerns developers have been expressing — the fear the city could change the rules for a single development late in its planning process.



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Sam Rodriguez, head of the Portland division of Mill Creek Residential, told the City Council during the April 21 meeting that the fact the commissioners were considering voting against a tax exemption for a project that followed city rules had made investors wary. Del Vecchio said he was relieved that the city ultimately approved Analog PDX's tax break but said after the process he had no plans to develop new projects in Portland.

Wilkerson of ECONorthwest said it makes sense for the city to tweak its inclusionary housing policy as needed, but he said it would cause more problems for the city if changes to the policy even marginally disincentivize developers from building family-sized units.

"The issue is, how can we incentivize more family-sized units? Because there are so few in the city, and the rents on them are so unattainable relative to area-median income," Wilkerson said. "Even if you got fewer units, but they were also family-sized, I think the public benefit of that is much greater than delivering lots of studio units."

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