

December 12, 2016

Mayor Hales
Commissioner Saltzman
Commissioner Fish
Commissioner Fritz
Commissioner Novick

RE: Inclusionary Housing (IH) Zoning Code Project

Mayor Hales and City Commissioners:

In the City Council IH work session, Commissioner Fish asked two questions of clarity from The Portland Planning and Sustainability Commission (PSC): 1) was the PSC making a yes or a no recommendation, and 2) of the nine recommendations in our letter, what would be the highest priorities.

To answer Commissioner Fish's first question - the PSC fully supports implementing IH to promote the production of affordable housing but did not support the program that The Portland Housing Bureau (PHB) put before the PSC.

The PHB stated that their proposal was the result of a data-driven discussion, yet our letter reflects the struggle that the PSC had in getting the data requested to answer our questions. At the conclusion of our hearing on October 25, we had multiple requests for further information including:

- Analysis on the differences between Locus and DRA's models – not provided
- Analysis comparing other IH programs to the proposed program – not provided
- Analysis that includes the cumulative effect of current zoning changes – not provided
- Analysis on the total cost of the program to other programs and City budgets – not provided
- Analysis on calibrating the "sweet spot" for the feasibility gap – meaning what inclusion rate and incentive package provide the most units.

Due to lack of data provided, The PSC chose to recommend proceeding with an IH policy and provided nine recommendations on changing the proposed program in the hope that by the time the program was presented to City Council, the answers to our questions could be addressed so that Council could make an informed decision.

To answer Commissioner Fish's second question – of our nine recommendations, which would we prioritize as most critical:

1) Calibration.

All of the research agrees that calibration is critical to the success of the program. To quote the Lincoln Institute of Land Policy, "Inclusionary programs need to be designed with care to ensure that their requirements are economically feasible. While developers are not able to pass on the cost of compliance to tenants and homebuyers, there is some risk that poorly designed

inclusionary requirements could slow the rate of building and ultimately lead to higher housing costs.”

The PSC recommended a full inclusion rate as long as incentives were increased. The latest proposal by PHB did not increase the incentives, therefore, the PSC recommends lowering the inclusion rate in all zones to reduce the feasibility gap as appropriate for the different areas of the City.

2) Lower the fee-in-lieu.

The PSC recognized the fee-in-lieu option as a critical relief valve for when the program is out of calibration with the financial feasibility of projects. The fee-in-lieu schedule as proposed by PHB is set too high and should be lowered to an amount higher than the cost of providing units on site, but not so high as to be punitive.

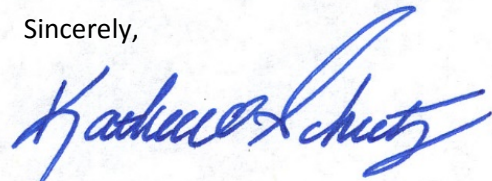
3) Require annual monitoring and reporting to both the PSC and City Council.

Additionally, the PSC was concerned that the program depends on resources that are not certain to be reliably available, are provided at the expense to other programs, and that the City carefully calibrate the program to not offer more financial incentives than is necessary to offset costs.

The PSC highly recommends that you take the time to get all of the data necessary to make a thoughtful decision on a well-crafted and calibrated program.

Thank you for your consideration.

Sincerely,



Katherine Schultz
Chair