

Establish key actions to increase affordable housing construction (Resolution)

Agenda item 927

HOUSING PRODUCTION NOT KEEPING UP WITH DEMAND

WHEREAS, in 2015, the Council, through Ordinance 187371, declared a housing emergency, which has been renewed five times and was most recently renewed in March 2022 through Ordinance 190756; and

WHEREAS, Portland's population grew by 10.5% from 2010 to 2022, adding just over 68,727 residents. The steady pace of population growth means continuing demand for housing supply that can meet the housing needs of existing and new households without cost burdening them; and

WHEREAS, the Portland region will need to produce 295,000 additional housing units, including both market rate and affordable units, by 2040 in order to accommodate projected growth and to make up for past underproduction[i]; and

WHEREAS, since the State of Emergency went into effect the Portland Housing Bureau has created over 7,735 units of affordable housing that will house over 14,600 Portlanders. Nearly one third of these units are deeply affordable, 20% are as a result of the City's Inclusionary Housing program, and 3,473 units are already in operation[ii]; and

WHEREAS, due to the increasing housing costs in Portland and shortage of available affordable housing units, residents in need of affordable housing wait an average of five years and sometimes up to ten years from the time they apply for public housing units and project-based housing choice vouchers[iii]; and

LACK OF HOUSING INCREASES HOUSEHOLD COST BURDENS

WHEREAS, in 2021 rent growth increased 6% with some listing sites showing an increase of up to 22% and home sales increased 20% to an average of \$455,000. Projections indicate that housing will continue to become more unaffordable in the Portland Metro region in the coming years[iv]; and

WHEREAS, this rapid increase in the cost of housing is increasing the number of households that are severely cost-burdened and at risk of homelessness and

fueling gentrification and displacement as lower-income residents and communities of color are priced out of their neighborhoods; and

WHEREAS, Portland has an estimated 125,265 households that are renting their homes, over 4 in 10 of which have a household income below 60% of the Median Family Income (MFI)[v]. In 2022, this is approximately \$44,760 for a single-person and \$63,900 for a family of four; and

20,000 UNIT AFFORDABLE HOUSING PRODUCTION GAP

WHEREAS, Portland has an estimated 25,045 low-income households that are cost-burdened and at risk of losing their homes as prices continue to rise and an estimated Portland Housing Bureau (PHB) pipeline of 4,200 new affordable units planned to open in the coming years[vi], resulting in a remaining need of more than 20,000 affordable housing units; and

WHEREAS, constructing new affordable housing in Portland currently costs approximately \$490,000 per unit, with an average subsidy from PHB of approximately \$150,000 per unit in development projects receiving City funds[vii], representing approximately one third of the total per unit cost; and

FUNDING NEED REQUIRES NEW PUBLIC, NONPROFIT AND FOR-PROFIT PARTNERSHIP

WHEREAS, constructing 20,000 units of affordable housing could cost approximately \$9.8 billion and, based on PHB's current contribution levels, could require a direct City subsidy of \$3 billion[viii]; and

WHEREAS, addressing this unmet need for affordable housing will require considerable public subsidy as well as partnership with Multnomah County, Metro, the State of Oregon, the federal government, as well as nonprofit, private sector and institutional partners; and

WHEREAS, the City of Portland influences the amount and types of housing that is built within city limits in a number of ways, including:

1. Zoning and permitting regulations that apply to property, including what types of new buildings are allowed, what designs and amenities must be provided, the required process for review and approval of a permit, and development charges for associated public infrastructure;

2. Financial resources, such as use of the Portland Housing Bond or Tax Increment Financing, to provide direct funding for new housing that is affordable to households up to 60% MFI. This type of housing is typically constructed by developers, non-profit and for profit, through a competitive, transparent awards process;
3. Financial incentives, such as offering exemptions from property taxes and development charges for local infrastructure, as well as indirect incentives such as development bonuses. The City typically offers these tools for new housing that is affordable for households earning up to 80% MFI;
4. Providing public land for affordable housing development that is affordable for households earning up to 60% MFI for rental units and up to 100% MFI for homeownership, or pursuing partnerships with private, and other types of property owners to facilitate the production of new housing; and

WHEREAS, the private sector has an important role in housing production, including initiating development, providing capital, and managing construction of new market-rate buildings that are subject to the City's Inclusionary Housing program and offer 10-20% of units as affordable; and

HOUSING PRODUCTION NEEDS STRATEGY RESEARCH UNDERWAY

WHEREAS, in 2019, the state legislature adopted House Bill 2003, requiring local jurisdictions to study the future housing needs of their residents and to develop a list of specific tools, actions, and policies the city will take to promote the development of all identified housing needs, such as revising regulations or providing financial incentives, and a timeline for implementing each strategy; and

WHEREAS, Portland is required to complete the required Housing Needs Assessment by December 2023 and the required Housing Production Strategy by December 2024; and

REFORMS UNDERWAY

WHEREAS, in June 2020 and June 2022, City Council adopted Ordinances 190093 and 190851, removing barriers and expanding options for the construction of new small scale development in residential areas throughout the City that were previously exclusively available to residents that could afford detached homes; and

WHEREAS, since early 2021, a Permit Improvement Task Force comprised of staff from various bureaus and external stakeholders have met to identify and advance

solutions to resolve delays and other concerns with the City's building permit processes; and

WHEREAS, the City has, in recent years, asked bureaus to identify available City-owned parcels for potential use as either emergency shelter or redevelopment as new affordable housing units. Of 69 sites initially identified, the Portland Housing Bureau selected three as potentially suitable; however the City has never created a comprehensive policy maximizing use of public lands for affordable housing.

NOW, THEREFORE, BE IT RESOLVED, that City Council directs City bureaus and Council offices to work together to identify policy and regulatory adjustments, investments, and public-private partnerships to catalyze the production of 20,000 units of affordable housing by 2033 and other forms of housing production, including:

1. Build a landbank of up to 400 publicly-owned sites. Identify sites Portland that are suitable for multifamily housing development, or could with minimal investment or legislative action be made suitable, by February 1, 2023, including but not limited to:
 - A. City-owned and other publicly-owned land where development with affordable housing is not actively being pursued.
 - B. Remnants or nonessential right-of-way owned or controlled by the City or State.
 - C. The Portland Housing Bureau shall work collaboratively with any other City bureau actively acquiring property to explore whether those acquisitions may also be used, in whole or in part, for affordable housing development. This collaborative effort related to property acquisition should continue beyond February 1, 2023 and become a permanent practice between the Portland Housing Bureau and other City bureaus.
2. Identify vacant or underutilized privately-owned properties. Properties should be suitable for multifamily housing development with a mix of market rate and affordable units, including but not limited to:
 - A. Large and district-scale sites in the planning stages for housing development, including land owned by private and institutional partners, but not ready for a development permit.
 - B. Other properties identified through the Buildable Lands Inventory as vacant or under-developed, including empty parking lots.
3. Engage state partners to increase local and state funding for affordable housing. For affordable housing projects in the current pipeline, and for

future projects, seek partnerships with the state and engage the legislature in late 2022 and early 2023 to request:

- A. Additional state funding for affordable housing construction,
- B. Other changes that would unlock local funding options and empower Oregon cities to create more affordable housing in their communities,
- C. Increased coordination with state agencies in the allocation of state financing and other state allocated resources such as private activity bonds that can be made available for local communities; and
- D. Other options to catalyze publicly-owned sites and increase the supply of affordable and other types of housing, such as increased flexibility for regulatory and land use approvals or support with enabling infrastructure.

BE IT FURTHER RESOLVED, that City Council directs City bureaus and Council offices to work together to pursue immediate actions to reduce the cost of building housing in Portland that is affordable to middle and lower income residents, including but not limited to:

1. Central Point of Contact for Permitting. Building off the recommendations of the Permit Improvement Task Force, create a central point of contact at the Bureau of Development Services (BDS) by December 31, 2022 for individual applicants seeking a permit to build affordable housing and a central point of contact for other types of multifamily housing by December 31, 2023.
2. Evaluation of Affordable Housing Opportunities in Large Projects. Recognizing the opportunity for large and district-scale sites to create a significant number of both market rate and affordable housing units, the Bureau of Planning and Sustainability (BPS), Prosper Portland, and PHB should complete a general assessment of the potential issues or impediments for the 10-20 largest housing development opportunity sites, including regulatory and infrastructure challenges, identify those that are within the City's/Council's purview to address, and prepare initial recommendations on potential partnership opportunities. The focus should be on sites where property owners (both for-profit and nonprofit entities) have a stated interest in development and have taken initial steps to explore development feasibility. BPS, Prosper, and PHB should similarly inventory the largest sites controlled by other public agencies where there is a stated interest in housing development, and prepare similar recommendations.
3. Address Zoning Code Issues. In partnership with BDS, the Portland Bureau of Transportation (PBOT), and other bureaus, BPS shall develop and streamline

a package of regulatory improvements with code amendments to address issues that arise as part of the permit process for affordable and multifamily housing for Council consideration in late 2024. BPS and BDS staffing resources for this work was provided in the FY 2022-2023 budget.

4. Other efficiencies in permitting. In partnership with BDS and private and non-profit housing builders, explore opportunities to create pre-reviewed plans for small multifamily development projects, including projects eligible for a deeper housing affordability development bonus. In addition, explore other opportunities to provide more efficiency and predictability in the permit process, including technology enhancements and potential regulatory changes such as accepting stamped technical drawings through a self-certification process. The bureaus shall request, as needed, any additional resources necessary to advance this work.
5. Assess the impact of City policies and regulations on the cost of building housing. Identify available resources and engage a consultant to assess the costs that local regulatory requirements, including those recently adopted by City Council, have on the cost of building new housing in Portland, and the cumulative effects these requirements have on housing production. This work should focus on costs experienced by both affordable and market rate housing, but also include consideration of a select number of additional requirements that apply only to market-rate housing such as system development charges and certain discretionary reviews. This work should also include a comparison of average costs to build different types of multifamily housing in Portland with the costs in peer cities. In addition to this assessment, Council and bureaus will explore opportunities to understand the impact of future council legislation on the cost of building housing in Portland.

BE IT FURTHER RESOLVED, that City Council affirms related projects in City bureau work plans for 2022 and 2023 to support housing production, including:

1. State-Mandated Housing Needs Analysis and Production Strategy. In consultation with external stakeholders and community, BPS will develop a long-range housing needs forecast with a list proposed strategies and actions for increasing housing production, as mandated by the State of Oregon, to City Council in Fall 2023. These strategies should address current and projected gaps in local housing as identified in the Housing Needs Analysis, including both market-rate and affordable housing, family-sized housing, rentals and homeownership. In addition, the strategy should include

consideration of which tools are best-suited for high market value areas and which are best suited for high-displacement risk neighborhoods.

2. PHB five-year strategic plan. Conduct outreach to external stakeholders and, in alignment with plans for recruitment of the PHB Director, bring a proposal to Council by December 1, 2023 representing a five-year strategic plan for the Portland Housing Bureau.
3. 2022 State of Housing Report. PHB shall update the annual State of Housing report in late 2022 or early 2023 and present an overview of the findings to Council by March 31, 2023.
4. RIP Evaluation Report. BPS shall provide the first annual report and evaluation on the impact of the Residential Infill Project changes on the availability and cost of housing, as directed by a FY 2022-23 budget note. The report should be delivered to Council by June 1, 2023. Upon presentation of the report's findings, Council may request the bureau to explore additional opportunities to increase regulatory flexibility for smaller scale multifamily housing in lower-density areas, such as accessory dwelling units.
5. Simplifying Land Division Process. BPS will collaborate with BDS and other infrastructure bureaus to bring a package of code amendments and operational improvements to Council in early 2024 to increase the clarity and efficiency of the residential land division process for small residential development.
6. Inclusionary Housing Calibration Study. With the support of a consultant team and in consultation with external stakeholders, PHB shall complete an assessment of the current program by June 1, 2023, and identify any changes necessary to better align the mechanics of the program with Council's intention and bring a proposal for any recommended changes to Council.

BE IT FURTHER RESOLVED, the City Council requests that staff return with implementation, operational and funding plans for its further consideration.

[i] Oregon Housing and Community Services Regional Housing Needs Analysis Report March 2021 <https://www.oregon.gov/ohcs/about-us/Documents/RHNA/RHNA-Technical-Report.pdf>

[ii] PHB 2021 State of Housing Report: <https://www.portland.gov/phb/state-of-housing-report>

[iii] 2022 City of Portland / Mayor Wheeler assessment, based on information provided by Home Forward

Strikethrough/underline version

[iv] PHB 2021 State of Housing Report: <https://www.portland.gov/phb/state-of-housing-report>

[v] US Dept of Housing and Development (HUD) Consolidated Planning (CHAS) data <https://www.huduser.gov/portal/datasets/cp.html> and PHB 2021 State of Housing Report: <https://www.portland.gov/phb/state-of-housing-report>

[vi] HUD CHAS data <https://www.huduser.gov/portal/datasets/cp.html> and PHB 2021 State of Housing Report: <https://www.portland.gov/phb/state-of-housing-report>

[vii] PHB FY 2022-23 Budget <https://www.portland.gov/phb/about/budget>

[viii] PHB FY 2022-23 Budget <https://www.portland.gov/phb/about/budget>