



Bureau of Planning and Sustainability

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MEMO

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TO: Planning and Sustainability Commission

FROM: Joe Zehnder, Chief Planner

CC: Susan Anderson, Director; Eric Engstrom, Principal Planner; Deborah Stein, Principle Planner; Tom Armstrong, Supervising Planner; Sandra Wood, Supervising Planner; Uma Krishnan, Management Analyst

SUBJECT: Targets and Tracking Regulated Affordable Housing
April 24 PSC Work Session

Introduction

This report is intended to inform the discussion on setting a numerical target for preservation and production of regulated affordable housing by 2035 for the Planning and Sustainability Commission (PSC) Comprehensive Plan work session scheduled for April 24, 2015.

Discussion Issue

Regulated Affordable Housing

- Should Comp Plan have a policy that sets a target for and requires tracking of the amount of affordable housing in the city by 2035?
- Should the goal be for both regulated and market-rate affordable units?
- Is an admittedly aspirational goal adequate?
- Should the goal be set based on the expected income profile of Portland residents in 2035?
- Should the goal be calibrated to a financial resources plan for affordable housing (similar to the constrained TSP)?

The Portland Plan set the target that 15% of the city housing stock will be affordable by 2035. This includes regulated and market-rate affordable units. The draft Central City 2035 plan is



proposing a target that would have 30% of units in the Central City be regulated affordable housing.

Market rate affordable housing is housing that is available at affordable level without direct subsidy. These units are often lower priced due to location, age, or other factors. For example, the market rate rents for many apartments in East Portland are currently affordable to those earning less than 80% of the citywide MFI, without subsidy. By ensuring enough land is zoned for continued multifamily construction citywide, we can rely on the private market to provide some percentage of the overall need for affordable units.

To meet these goals over 8,700 additional regulated units are needed in the Central City and over 28,000 regulated and market-rate affordable units are needed outside the Central City. This is considerably more than exist today if we are just looking at the supply of regulated affordable units. We do not have an inventory of the size or condition of the unregulated supply.

Background

During its Mar 10th work session, PSC discussed the merits of having measurable targets and tracking mechanism for the supply of regulated affordable housing by 2035. For the purpose of this discussion, regulated affordable housing is defined as housing that is made affordable through public subsidies and/or agreements or statutory regulations that restrict or limit resident income levels and/or rents or sale price of the housing unit. While there was consensus on the need to have a target, there was no consensus on what that might be. The highlights from the discussion:

- Acknowledgement that the Portland Plan objective of 15% of housing stock being regulated affordable units was quite aspirational in terms of the resources historically available to produce affordable housing;
- Acknowledgement that, based on forecasts for 2035, the number of households at income levels that need affordable housing will be a larger proportion of households than today and greater than 15%.
- Acknowledgement that targets need to be tied to clear funding strategies and a mechanism to track performance evaluation;
- Acknowledgement that Portland needs a combination of funding strategies, innovative housing types and creative ways to reduce construction costs (without compromising quality) to achieve the targets;
- Agreement that the Comp Plan should set a numerical target for affordable housing;
- No resolution on what the target should be and whether the targets need to be specific to various income groups like the extremely poor households (0-30% MFI) or very poor (31-50% MFI) households.



I. What is needed to meet the 15% target?

The table below summarizes how many units would be needed to be added to the housing supply under the goals set in the draft Comp Plan and CC235 Plan. After factoring in Section 8 (Housing Choice Vouchers), which average about 8,000 low-income households, these targets imply that the city needs to facilitate the production of approximately 1,000 units each year for the next 20 years.

In the past ten years (2004-2014), the City has invested \$291.1 million for the production of affordable housing through various programs and produced over 4,800 affordable units, which is ~480 units/year. So the 15% target more than doubles current production.

Geography	Total Housing Units (2014)	Housing Allocation (Existing + Expected)	Targeted Share	Potential # of Regulated Units (by 2035)	Existing Regulated Affordable Housing Units (2011)	New Affordable Units needed to meet target
Central City	26,150	55,150	30%	16,545	7,820	8,725
Portland	282,050	392,100	15%	58,815	22,000	36,815

Target for areas outside Central City	28,090	← New affordable units that need to be developed
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Sources: BPS Housing Data & Buildable Lands Inventory; Metroscope Gamma 2012 Projections; 2011 regional Inventory of Regulated Affordable Housing

One decision that must be made is whether the 15% target is expected to be met by a combination of publically subsidized regulated affordable housing and unregulated market-rate affordable housing.

If it includes market-rate units, the Comprehensive Plan needs to consider meeting that supply through public affordable housing support and investment programs, overall growth in the housing supply so that demand does not out bid lower income households for lower price units, and provision of an adequate supply of land for housing.

To have a more robust target, the city needs to have a better understanding about how the housing needs of low income households are being met in the unsubsidized housing market. A mechanism is needed to track performance in increasing the supply of affordable housing from all sources. Also, a multi-year funding strategy is needed to be able to make the case for the need to find new sources and additional sources for funding of affordable housing



production. This is especially important as the City faces a period of decreasing tax increment finance resources over the coming years.

Staff recommends that even though the 15% goal is ambitious, it be included in Comprehensive Plan. However policy needs to require that an affordable housing funding strategy be undertaken and that the data needed to track affordable housing supply and trends be developed and maintained.

Commission Direction

Nature of affordable housing target	Numerical production target (new units)
Aspirational Portland Plan target (15%) including regulated and unregulated affordable units	1,000 units/year to reach a total of 20,000 affordable units (regulated and unregulated)
Realistic regulated housing production target based on performance in the 2004-2014 time period	480 units/year to reach a total of 10,000 units (regulated)
Gap between aspirational objective and realistic target without additional resources and tools	520 units/year to reach a total of 10,400 units (either regulated or unregulated)

Options



1. Strive to produce at least 9,600 new regulated affordable housing units by 2035 that will be affordable to households in the 0-80% MFI bracket.
2. Pursue dedicated funding sources, public-private partnerships and creative mechanisms to produce additional 10,000 units that will help us reach our aspiration Portland Plan goal.
3. Coordinate periodic inventories of the supply of regulated affordable housing in the four-county (Clackamas, Clark, Multnomah and Washington) region with Metro.

