

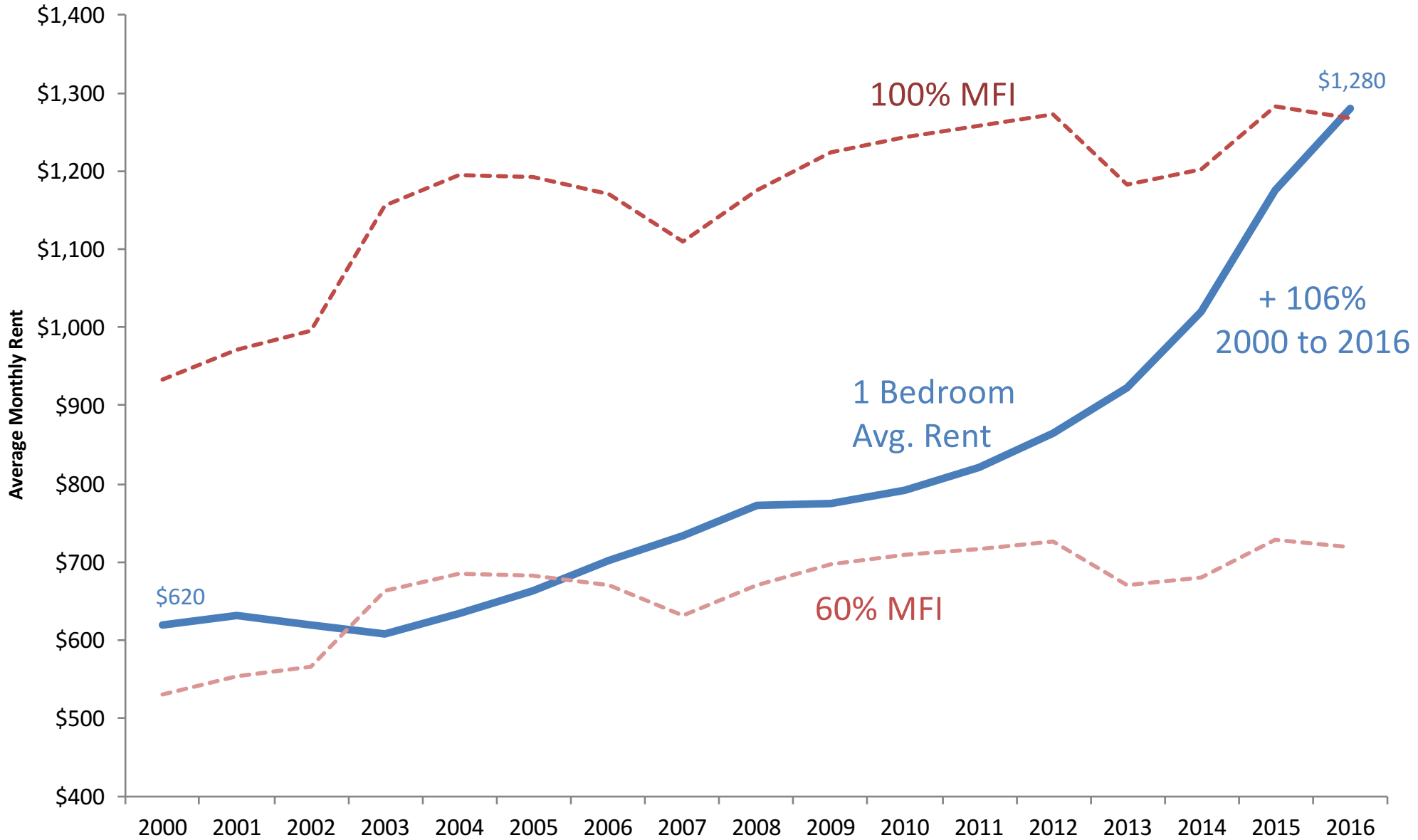
# The Economics of Inclusionary Development

The ECONorthwest Director's Cut



# One Bedroom Affordability in the City of Portland

## Average Market Rent vs. MFI



Source: Costar and HUD

Note: \$100 (2016\$) was deducted to account for utilities in the affordability calculation

# Project Operating Revenues

Revenues

Apartment Rent

Retail

Parking

Costs and  
Expenses

Debt Service

Operations

Vacancy

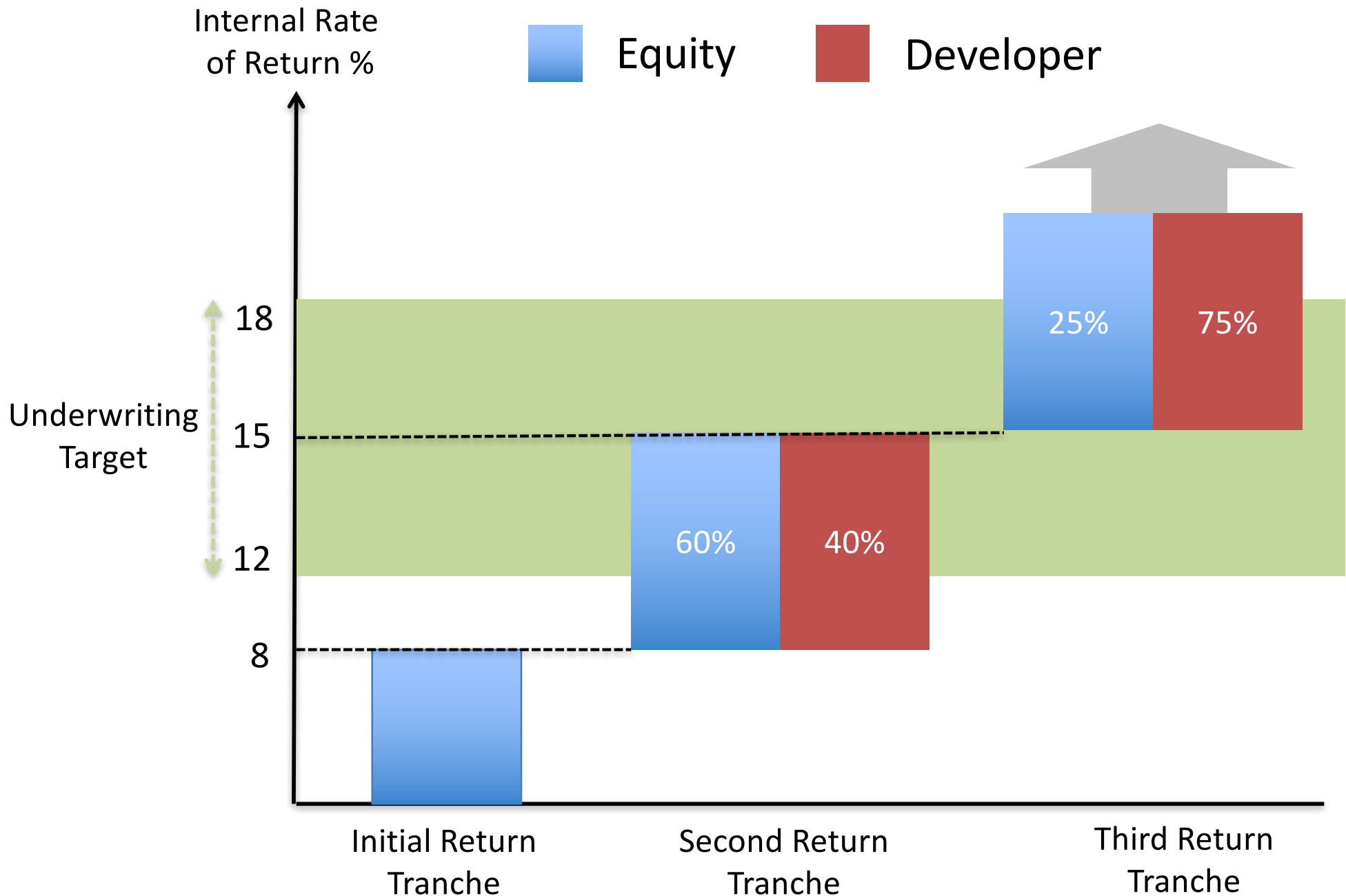
Property Tax

Reserves

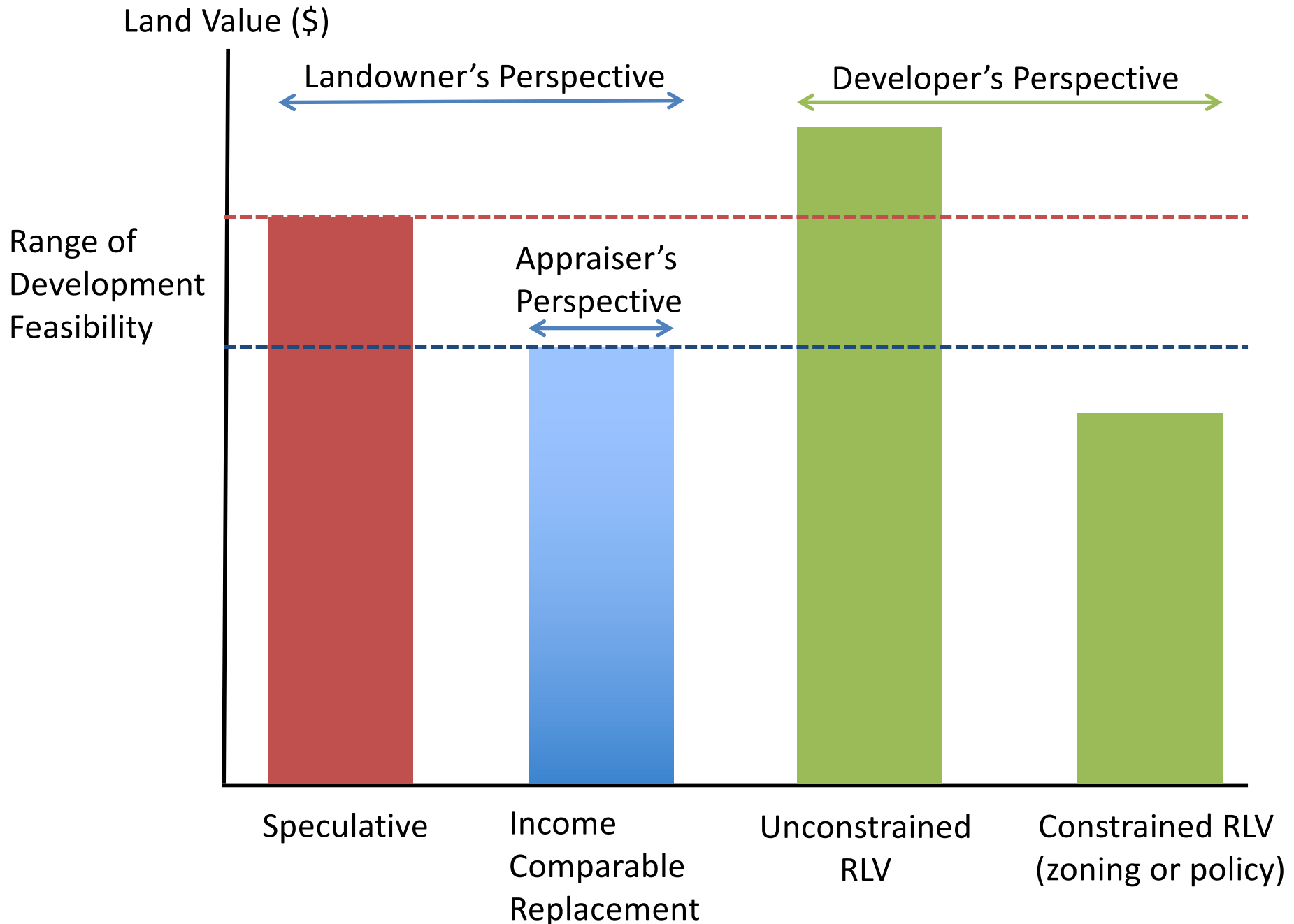
Returns

Net Cash  
Flow

# Net Cash Flow Distributions (“Waterfall”)



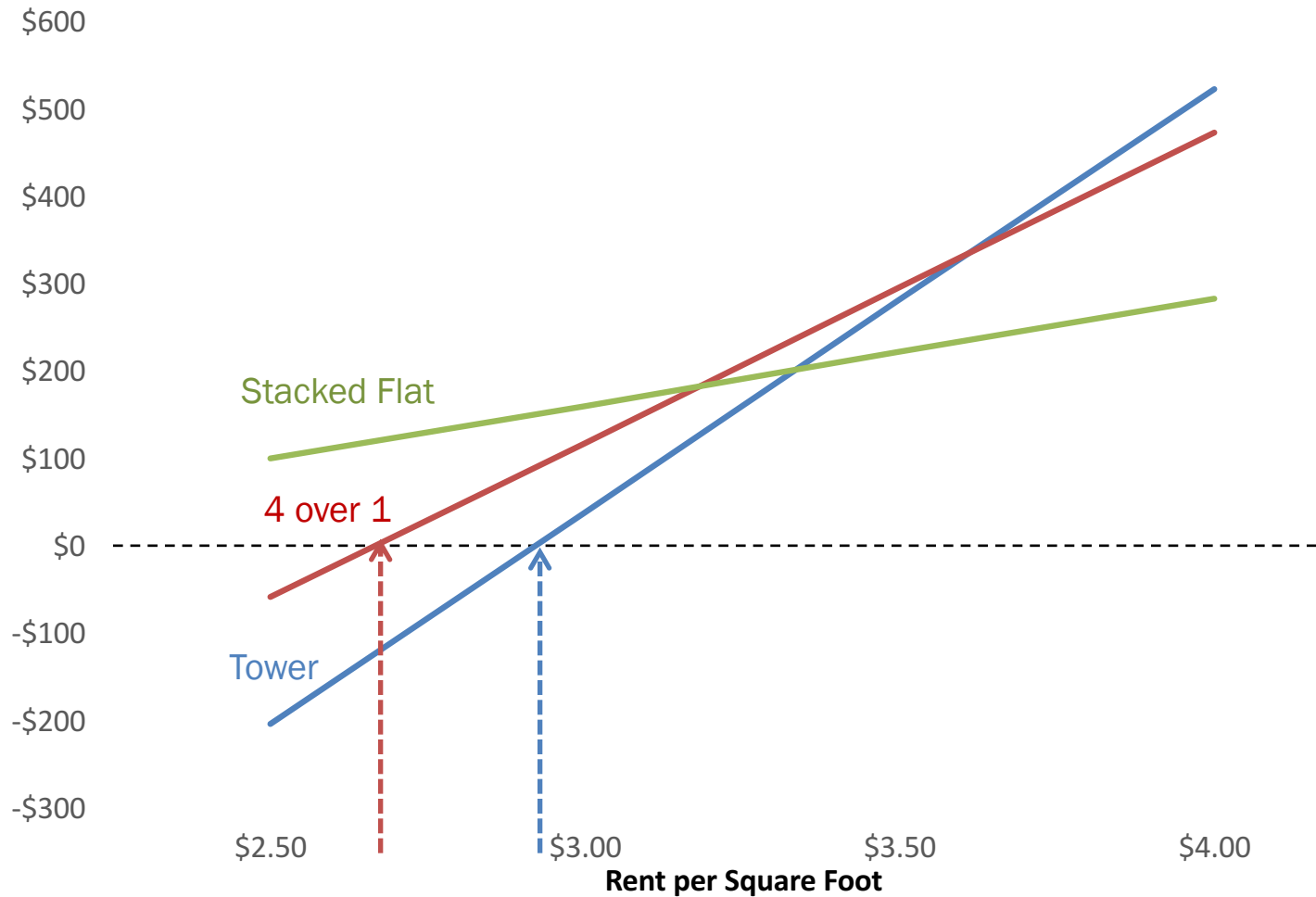
# Land Value - Highest and Best Use



# Construction Prototypes



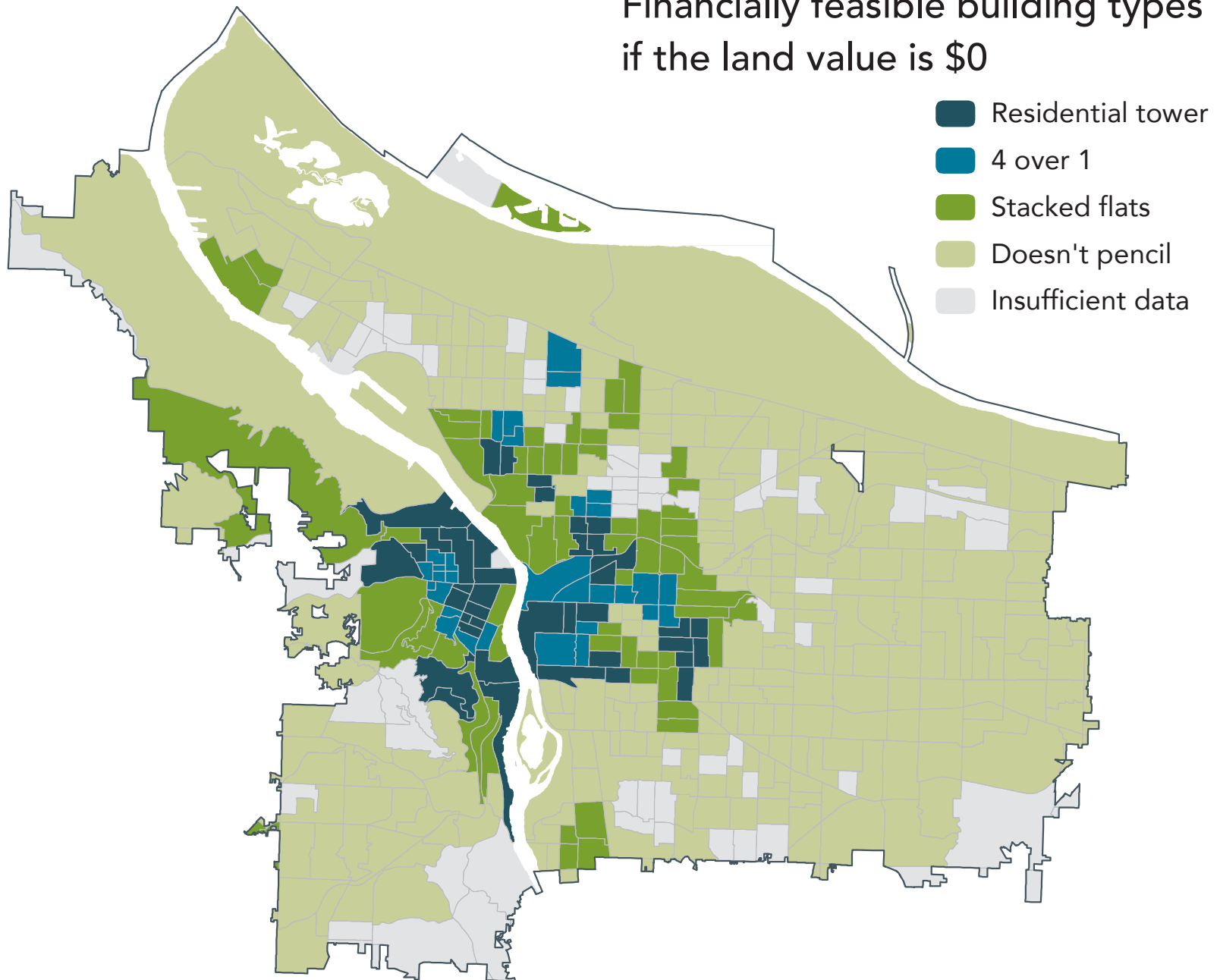
## Residual Land Value by Construction Prototype



RLV = \$ per gross square foot of land

# Markets Vary Within a Region – Apartment Construction

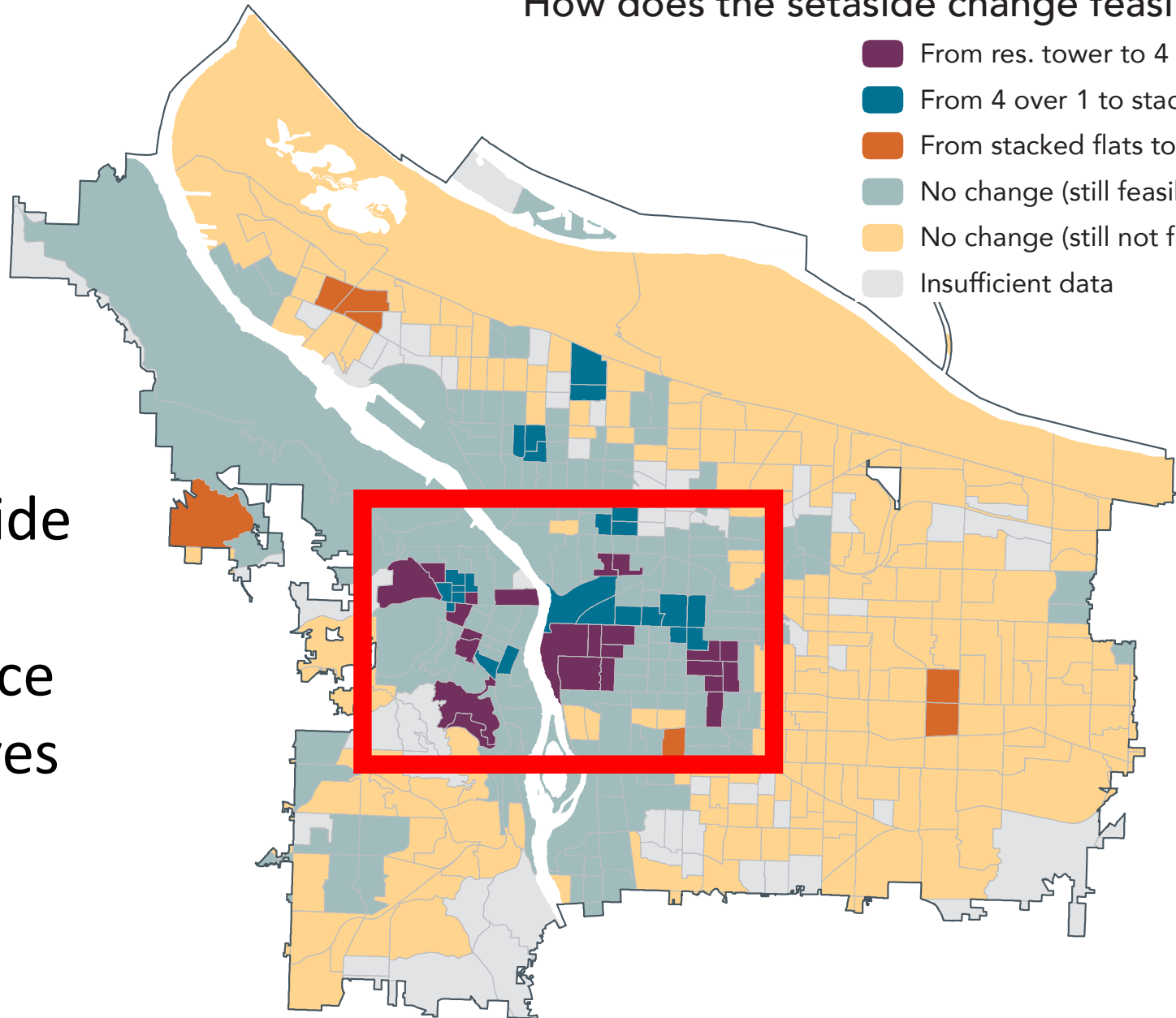
Financially feasible building types  
if the land value is \$0



# The Impact of IZ Without Incentives

How does the setback change feasibility?

- From res. tower to 4 over 1
- From 4 over 1 to stacked flats
- From stacked flats to infeasible
- No change (still feasible)
- No change (still not feasible)
- Insufficient data



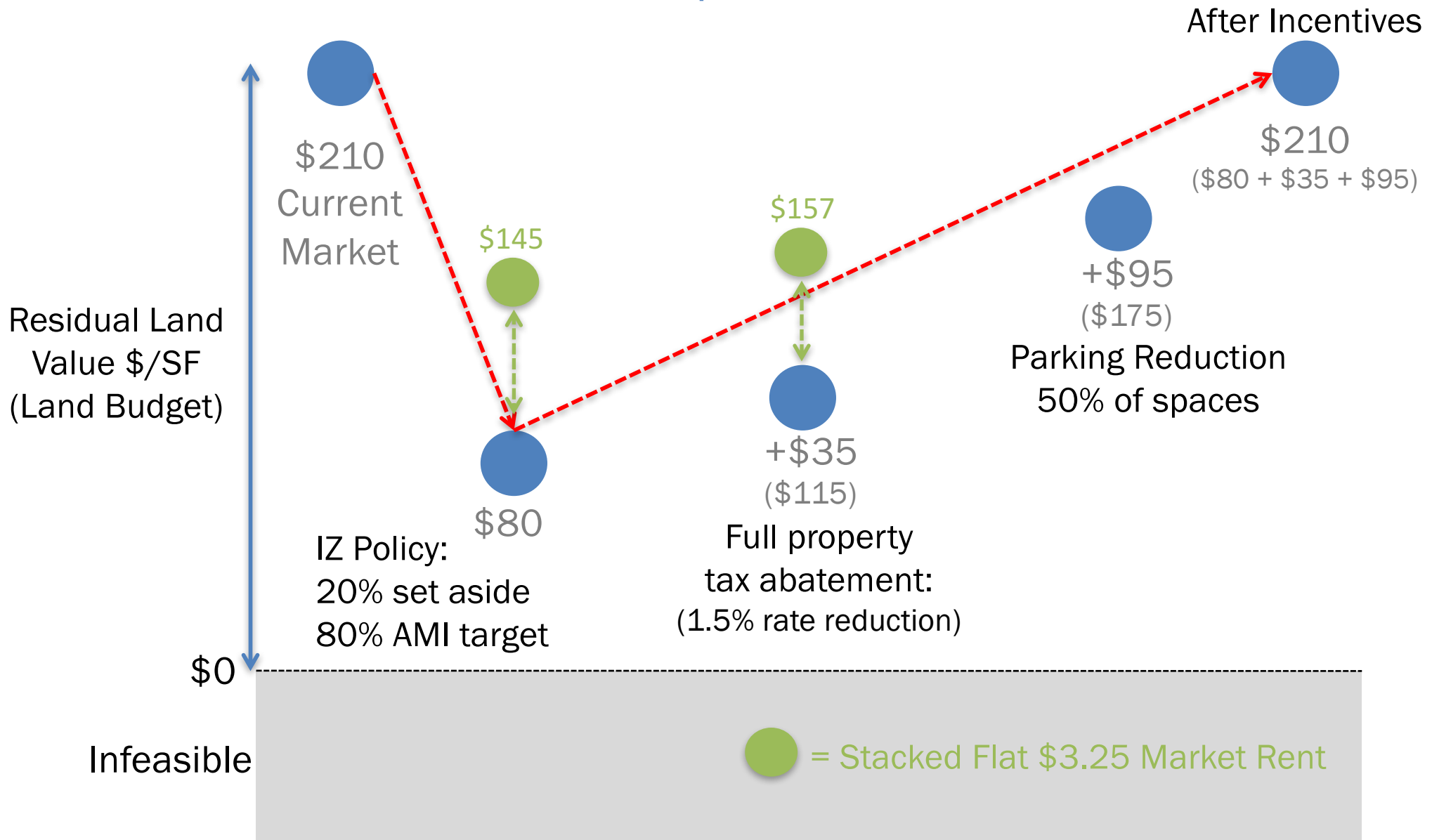
## IZ Policy

20% Set Aside  
80% of MFI  
\$0 Land Price  
No Incentives



# IZ Policy Offset – Incentive Comparison

## 4 over 1 Podium \$3.25 Market Rent



# ECONorthwest

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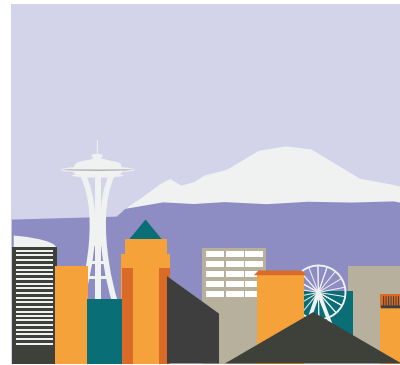
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