

October 25, 2016

Katherine Schultz, Chair
Planning and Sustainability Commission
1900 SW 4th Ave, Suite 7100
Portland, OR 97201

Dear Katherine Schultz:

The Portland Business Alliance (Alliance) represents more than 1,850 small, medium and large employers in the Portland-metro region and understands that housing affordability is a significant issue for the Portland-metro region. The Alliance worked in tandem with the city during the 2016 legislative session to pass the bill lifting the ban on inclusionary zoning. Our 2015 Middle Income Jobs report found that home ownership is out of reach for low and middle income households west of I-205 within the city of Portland. Other reports have also demonstrated that rental rates are growing faster than household incomes for many Portlanders. This represents a major challenge not only for individuals and families, but also for employers looking to attract and retain a qualified workforce. That is why we seek to help address housing affordability challenges and recently endorsed the city of Portland's affordable housing bond.

A large part of the solution lies with the need to increase housing supply of all types, including, but not limited to, affordable and "missing middle" housing. We know that the city of Portland expects to accommodate approximately 123,000 households by 2035, which will come with increased demand for places to live. We must encourage housing development of all types in order to increase supply, otherwise we risk continued upward pressure on rents and home prices.

Unfortunately, the proposed inclusionary housing package, as currently designed, will not help achieve this goal. In fact, it may chill development and exacerbate the affordability problem that we all seek to address. In addition, a program that is not appropriately calibrated between the number of affordable units and financial incentives may undermine other city goals developed through the recent Comprehensive Plan process, such as those related to density, particularly in the central city and along mixed-use corridors with good transit access.

We understand that the Oregon LOCUS Coalition of responsible real estate developers and investors quantified the impact of the proposed inclusionary housing program using a pro forma impact model on 16 actual projects that were recently constructed, are under construction or are in pre-construction within the city of Portland. The modeling made it clear that the proposed inclusionary housing program would have a negative impact on housing development and may result in projects that are not financially viable. In many instances, outside financial investors may move resources into other markets if development in Portland becomes economically unfeasible.

We urge that any inclusionary housing program take into account market realities and impacts on the ability to deliver additional housing stock. The risk of being too aggressive is far worse than the alternative, especially with a new policy whose results can be evaluated as it is implemented. The Oregon LOCUS Coalition's recommendations should be considered as they will help us achieve our collective goals around housing affordability, density and smart growth.

We look forward to working with you to refine the inclusionary zoning program to ensure that it is successful. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Sandra McDonough". The signature is fluid and cursive, with the first name "Sandra" being more prominent than the last name "McDonough".

Sandra McDonough
President & CEO

Cc: Portland City Council
Susan Anderson, Bureau of Planning and Sustainability

