



Inclusionary Housing Zoning Code November 8, 2016



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.



Agenda

1. Commissioners' roundtable – 2 minute statements
2. BPS staff presentation on Development Feasibility and Inclusion Rates
3. PSC deliberations on:
 - a. Policy Framework for City Council
 - b. Title 33 amendments



Andre Baugh's Proposed Recommendation

- Set inclusion rates at 20/80 and 10/60 in the Zoning Code.
- Offer a fully funded incentive package so there is no gap in development feasibility.
- Fund the incentive package outside the Central City through a combination of a full tax exemption, SDC waivers and CET funds.
- The City should start negotiations with Multnomah County to raise tax exemption cap amount.
- Set fee in lieu at \$15/sf until the incentive package is fully funded.
- Provide an annual report to the PSC to review inclusion rate.



PSC Framework

1. A framework of policy issues that City Council needs to address to make an informed decision.
2. Title 33 amendments - forward, amend, reject or take no action on zoning code amendments.



PSC Framework

1. PSC supports having an Inclusionary Housing (IH) program
 - a. This can be an important and effective tool to meet some of Portland's need for affordable housing.
 - b. Policy 5.35 of the new Comprehensive Plan calls for the use of IH as a way to use the production of market rate housing to produce affordable housing.
 - c. The priority for incentives should be for the 60% MFI program.



PSC Framework

PSC believes that an effective IH program should not detrimentally impact the financial feasibility of development to a level that reduces the rate of new development.

- a. IH leverages market rate development to produce affordable housing.
- b. The cost of housing overall and the ability to meet the development objectives of the Comprehensive Plan depend on the production of housing at a rate that keeps up with population change.
- c. The cumulative cost of the full range of policy changes (IH, CET, SDCs, etc.) that impact the cost of development need to be accounted for when setting the inclusion rate.
- d. The IH program should be phased in and start with a lower inclusion rate and/or a lower fee in lieu set such that there is no gap in development feasibility and is ramped up over time to an acceptable gap.
- e. The IH program needs a monitoring program with annual reports to the PSC; including a study on the impacts to family-sized (2+ bedroom) units.



PSC Framework

The IH program impact on development feasibility depends on the program's inclusion rates and the incentive packages offered as cost offsets.

Analysis shows that changes to either inclusion rates or incentive packages are warranted for parts of the proposed IH program.

- a. The Central City 10/60 program with a full tax abatement should move forward as proposed.
- b. The potential for significant negative impact on development feasibility warrants adjustments to both the 20/80 program in and outside the Central City; and the 10/60 program outside the Central City.
- c. Lower inclusion rates based on currently proposed incentive packages should be considered.



PSC Framework

The PSC believes more work is needed before the IH program is ready for approval. The following questions need to be addressed:

- a. What are the estimated total resources that will be available for IH incentives?
- b. Will the amounts available for incentives be sufficient to support the expected level of housing development?
- c. If more resources are needed, what is the confidence that they can be increased due to financial limitations or the ability to reach agreements, such as the City-County tax exemption cap?
- d. What inclusion rate can reasonably be achieved given the current housing market and available public resources?



PSC Framework

Other questions include:

- Is the proposed IH program the most resource efficient way to increase affordable housing supply?
- What are the trade-offs related to reprogramming public resources from current uses to IH?
- How can IH be designed to work outside of the Central City?
- Could a voluntary program get units in the current pipeline to incorporate permanently affordable units?



Title 33 Amendments

1. Recommend the proposed Code and Program (20/80 and 10/60).
2. Amend the proposed Code and Program based on the best available information.
 - a. Adjust the inclusion rate.
 - b. Adjust the geography - Central City and outside the Central City.
3. Reject the proposed Code and Program.
4. Take no action (abstain) on the Proposed Code and Program.



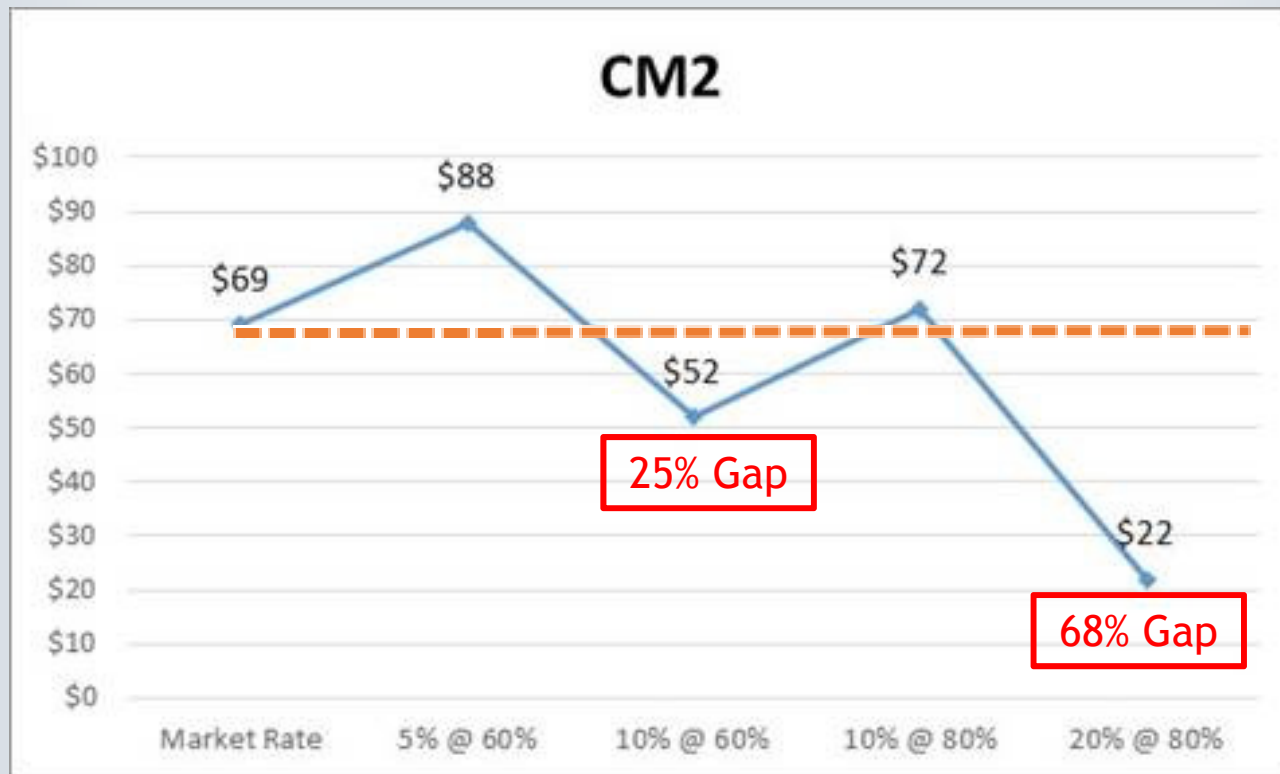
Title 33 Amendments

Inclusion Rates by Affordability Level and Location

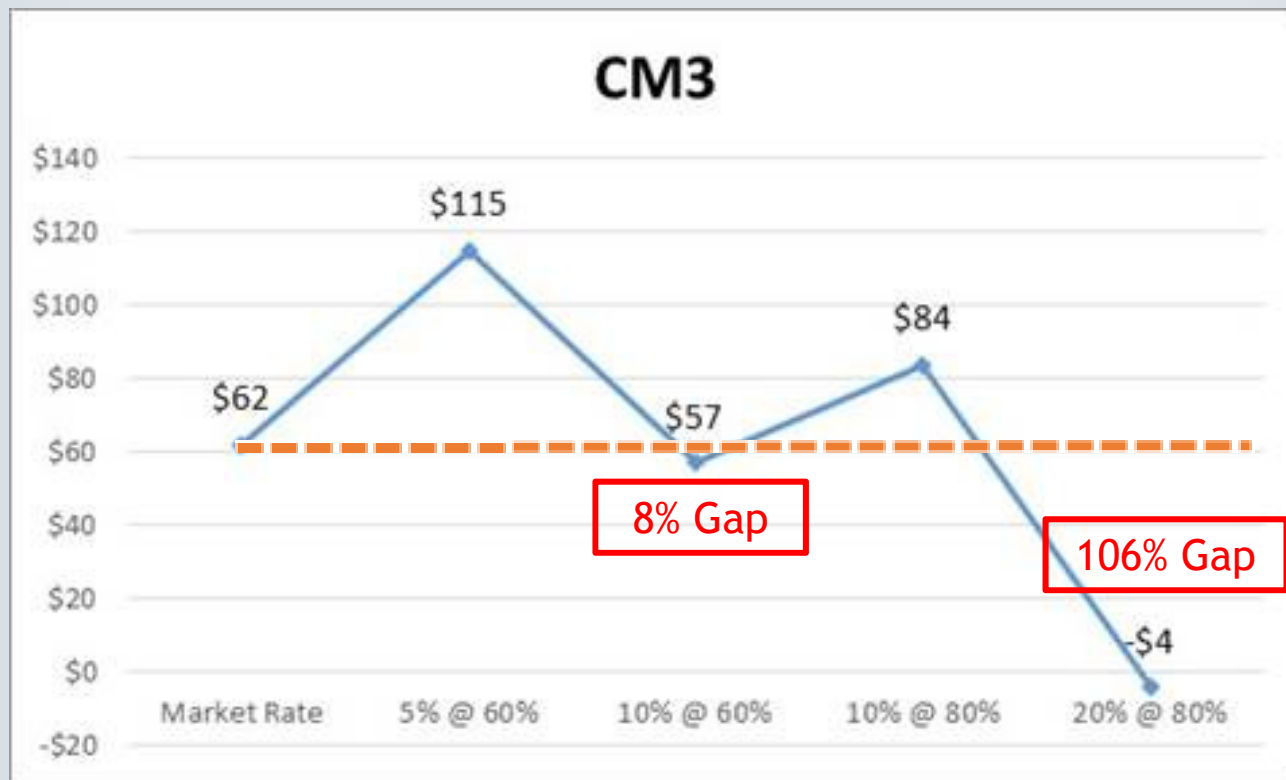
	80% MFI		60% MFI	
	Proposed	Amended	Proposed	Amended
Central City (greater than 5:1 FAR)	20%	15%	10%	10%
Central City (less than 5:1 FAR)	20%	15%	10%	8%
Outside Central City	20%	15%	10%	8%



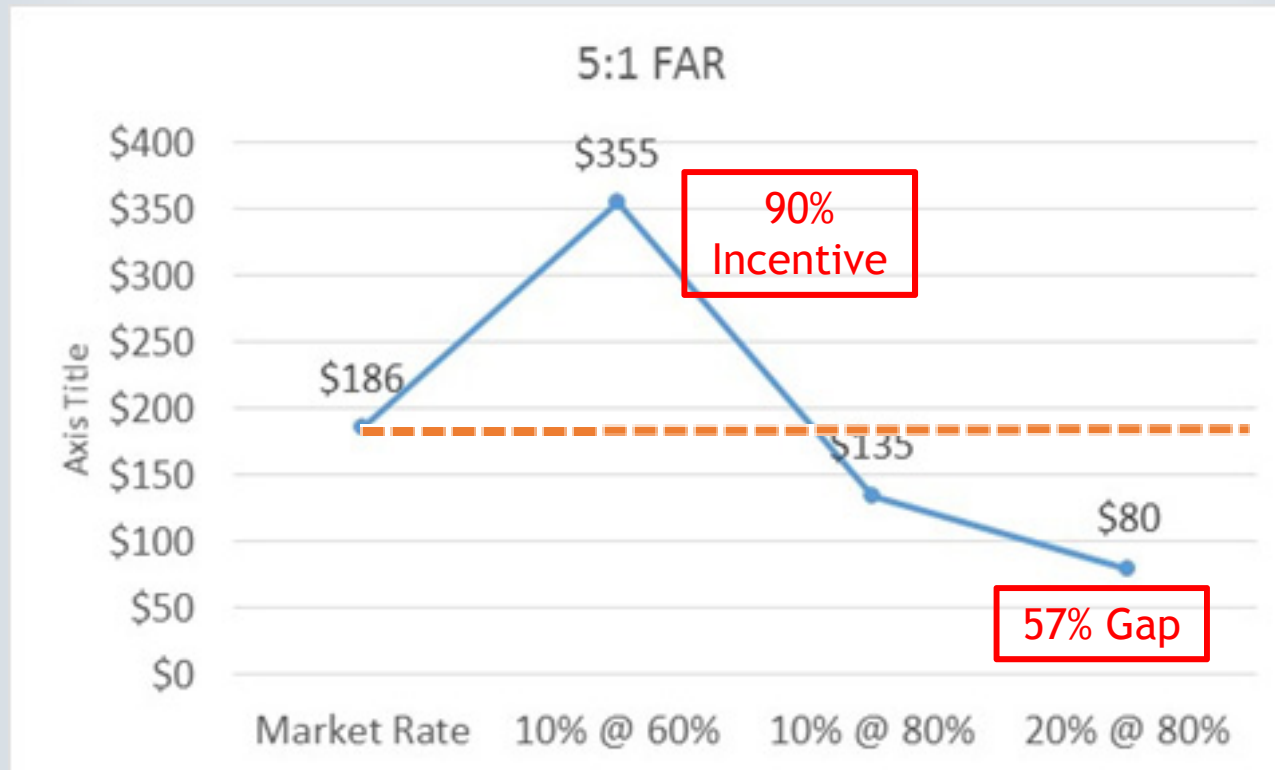
Feasibility Results



Feasibility Results

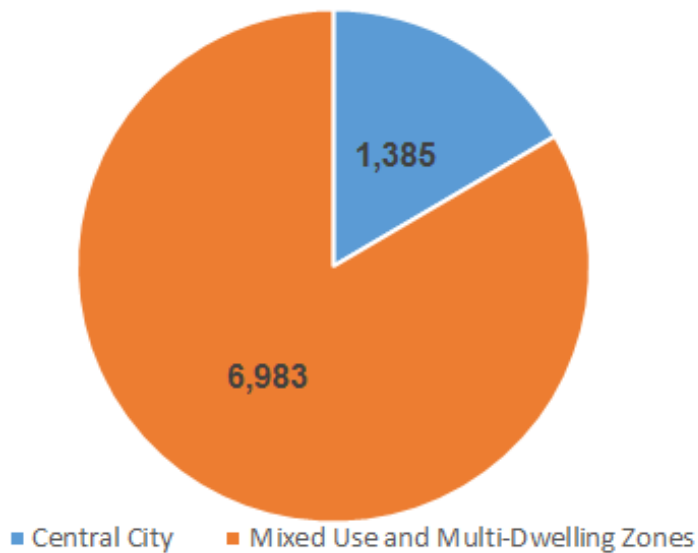


Feasibility Results

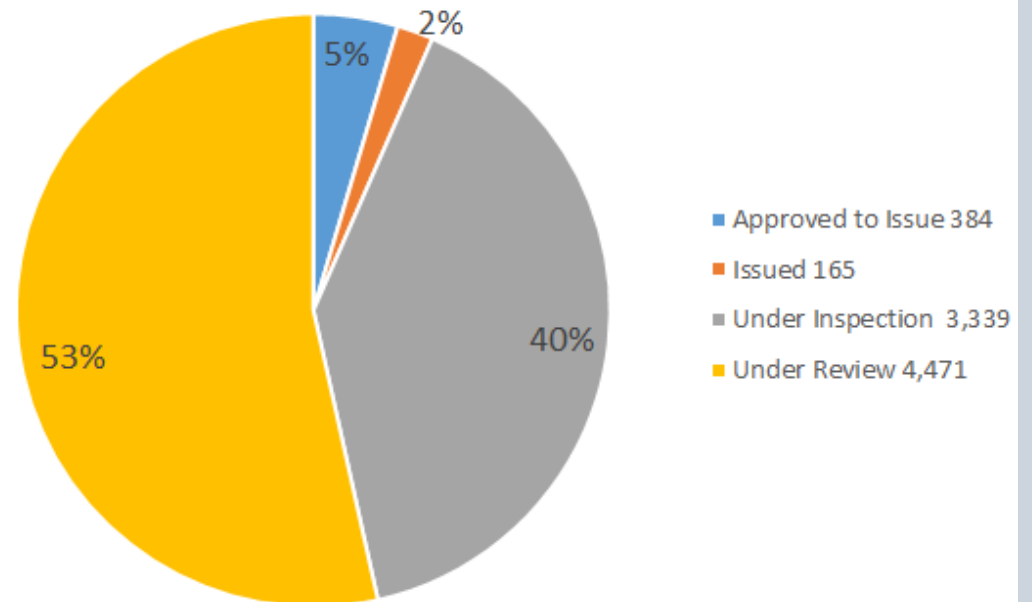


Current Permit Activity

Units In New Construction Commercial Permits,
Not Finalized



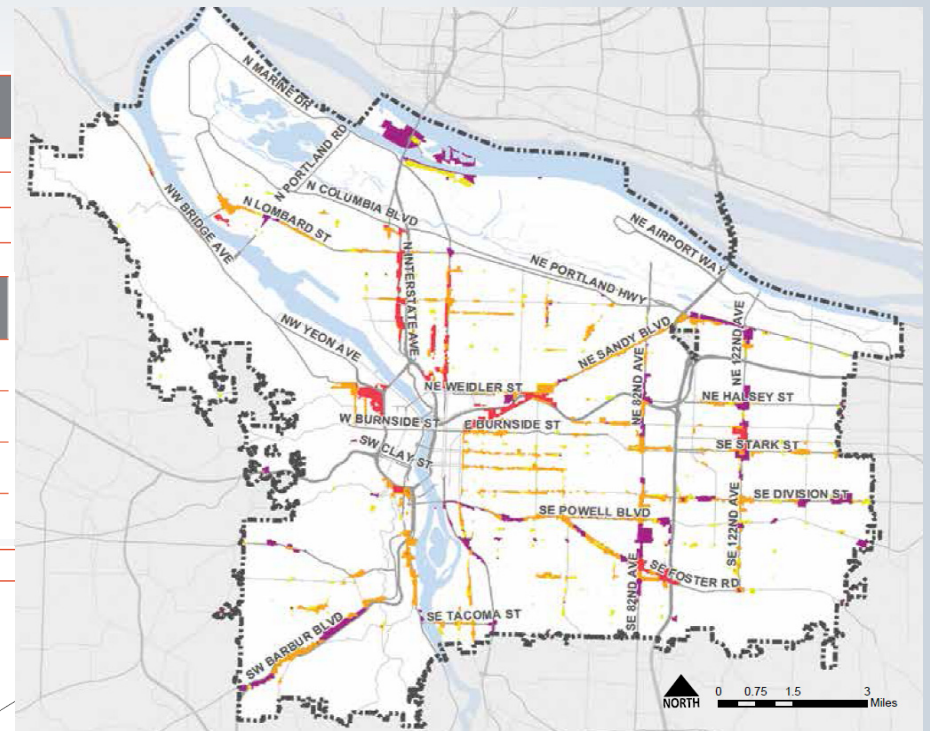
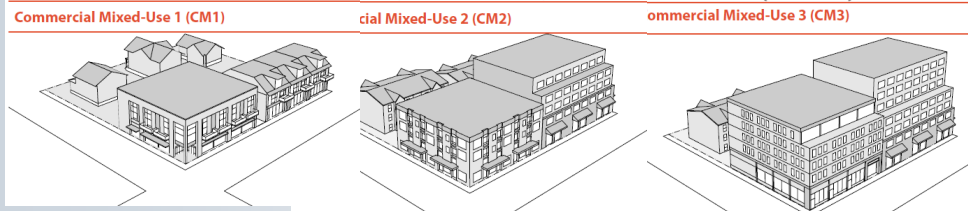
Units in New Construction Commercial Permits, Not Finalized



Program Recommendations

Mixed Use Zones

Proposed Comprehensive Plan Designation		Future Implementing Zones					
Mixed Use Dispersed		CM1, CE					
Mixed Use Neighborhood		CM1, CM2, CE					
Mixed Use Civic Corridor		CM1, CM2, CM3, CE					
Mixed Use Urban Center		CM1, CM2, CM3					
Comprehensive Plan Designation	Current Zones						
	CN1/2	CO1/2	CM	CS	CG	EX	CX
Mixed Use Dispersed	CM1	CM1	CM1	CM1	CM1# CE#	CM1	n/a
Mixed Use Neighborhood	CM1	CM1+ CM2+	CM2	CM2	CM2# CE#	CM2	n/a
Mixed Use Civic Corridor	CM1	CM1+ CM2+	CM2	CM2	CM2# CE#	CM3	CM3
Mixed Use Urban Center	CM1	CM1+ CM2+	CM2	CM2	CM2# CE#	CM3	CM3



New Mixed Use Zones

- Commercial Mixed Use 1 (CM1)
- Commercial Mixed Use 2 (CM2)
- Commercial Mixed Use 3 (CM3)
- Commercial Employment (CE)

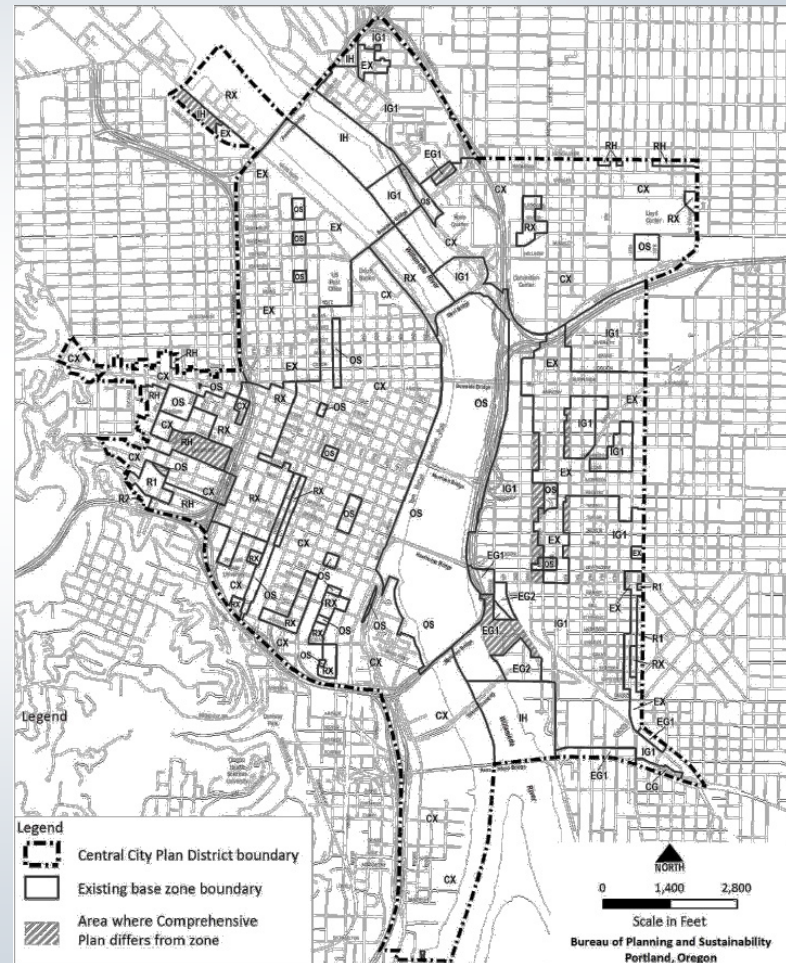
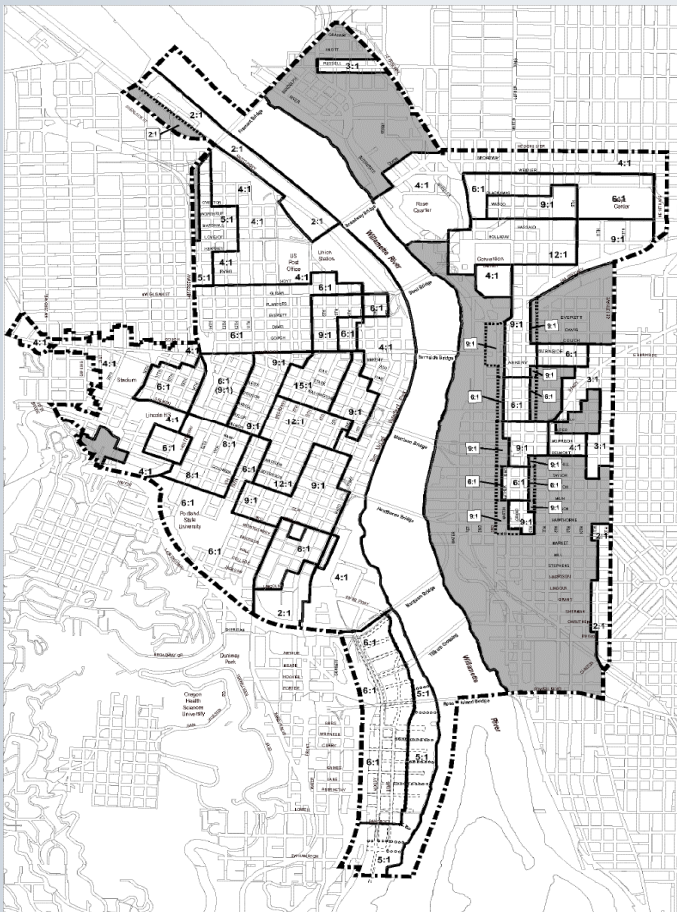
Mixed Use Zones

<p>Mandatory Inclusionary Requirement</p>	<ul style="list-style-type: none"> • 20% of Units at 80% Area Median Income
<p>Incentives</p>	<ul style="list-style-type: none"> • Density Bonus • 10-Year Property Tax Exemption <u>on Affordable Units</u> • CET Exemption <u>on Affordable Units</u> • Bonus Units Exempt from Parking Requirements
<p>Deeper Affordability Option</p>	<ul style="list-style-type: none"> • 10% of Units at 60% Area Median Income
<p>Incentives</p>	<ul style="list-style-type: none"> • Density Bonus • 10-Year Property Tax Exemption on Affordable Units • CET Exemption <u>on Affordable Units</u> • Bonus Units Exempt from Parking Requirements • SDC Waivers <u>on Affordable Units</u>



Program Recommendations

Central City



Zones with Base FAR below 5.0

Mandatory Inclusionary Requirement	<ul style="list-style-type: none"> • 20% of Units at 80% Area Median Income
Incentives	<ul style="list-style-type: none"> • Density Bonus of 3.0 FAR • 10 Year Property Tax Exemption <u>on Affordable Units</u> • CET Exemption <u>on Affordable Units</u>
Deeper Affordability Option	<ul style="list-style-type: none"> • 10% of Units at 60% Area Median Income
Incentives	<ul style="list-style-type: none"> • Density Bonus of 3.0 FAR • 10 Year Property Tax Exemption <u>on Affordable Units</u> • CET Exemption <u>on Affordable Units</u> • SDC Waivers <u>on Affordable Units</u>



Zones with Base FAR above 5.0

Mandatory Inclusionary Requirement	<ul style="list-style-type: none"> • 20% of Units at 80% Area Median Income
Incentives	<ul style="list-style-type: none"> • Density Bonus of 3.0 FAR • 10 Year Property Tax Exemption <u>on All Residential Units</u> • CET Exemption <u>on Affordable Units</u>
Deeper Affordability Option	<ul style="list-style-type: none"> • 10% of Units at 60% Area Median Income
Incentives	<ul style="list-style-type: none"> • Density Bonus of 3.0 FAR • 10 Year Property Tax Exemption <u>on All Residential Units</u> • CET Exemption <u>on Affordable Units</u> • SDC Waivers <u>on Affordable Units</u>



Build Off Site Option #1: New Units Off-site

1. # of Affordable Units Required Off-Site
 - *Either, 20% of the total units in sending site at 60% AMI*
 - *Or, 10% of the total units in sending site at 30% AMI*
2. Units of comparable size, quality, bedroom count units in sending site
3. Sending site retains FAR bonus, no other incentives
4. Receiving site affordable units receive CET exemption, and SDC waivers on units at and below 60% AMI
5. Receiving site must fulfill its own inclusionary housing requirement
6. Affordable units must be under construction, or have CO, prior to approval of use as off-site option
7. Affordable units must be no more than 1/2 mile from sending site, or in an area with an equal or better opportunity mapping score
8. Housing Bureau must approve off-site plan
9. No supplemental city subsidy can support the off-site units themselves



Build Off Site Option

Option #2: Off-site Dedication of Existing Units

1. # of Affordable Units Required Off-Site
 - *Either, 25% of the total units in sending site at 60% AMI*
 - *Or, 15% of the total units in sending site at 30% AMI*
2. Comparable size, quality, and bedroom count as the units in sending site
3. Sending site retains FAR bonus, no other incentives
4. Affordable units must be available prior to approval of use as off-site option
5. Affordable units must be no more than 1/2 mile from sending site, or in an area with an equal or better opportunity mapping score
6. Housing Bureau must approve off-site plan
7. No supplemental city subsidy can support the off-site units themselves



Fee-in-Lieu Calibration

1. Calculation of Maximum Justifiable Fee-in-Lieu

- a) Difference in the capitalized market value between 100% market rate building and a 20% at 80% AMI building with units on site
- b) Calculate on a \$ per gross square foot of building

2. Calculation of Portland Fee-in-Lieu Recommendation

- a) Opting out of affordable units on site requires City to build units
- b) Current city subsidy per affordable unit is \$100,000
- c) Impute the fee per gross square foot based on number of affordable units required
- d) Compare with maximum justifiable fee-in-lieu to ensure no fees exceeds the cap



Fee-in-Lieu Option

Zone/FAR	Maximum Justifiable Fee-in-Lieu per GSF Residential	Recommended Fee-in-Lieu per GSF Residential Based on City Cost to Build Affordable Units
Mixed Use Zones		
CM 1 at Base FAR	\$23.83	\$23.83
CM 1 with Bonus FAR	\$26.48	\$25.79
CM 2 at Base FAR	\$26.48	\$25.79
CM 2 with Bonus FAR	\$40.49	\$26.50
CM 3 at Base FAR	\$43.49	\$26.03
CM 3 with Bonus FAR	\$54.00	\$28.58
Central City		
3.0/4.0 FAR	\$43.49	\$27.39
3.0/4.0 Base with Bonus FAR	\$44.31	\$28.57
5.0/6.0 FAR	\$44.31	\$28.57
5.0/6.0 Base with Bonus FAR	\$57.37	\$28.99
8.0 FAR	\$58.92	\$28.99
8.0 Base with Bonus FAR	\$58.54	\$29.81
9.0 FAR	\$57.37	\$29.81
9.0 Base with Bonus FAR	\$58.13	\$29.42
12.0 FAR	\$58.13	\$29.42
12.0 Base with Bonus FAR	\$58.09	\$29.85
15.0 FAR	\$58.09	\$27.39
15.0 Base with Bonus FAR	\$58.64	\$28.57



Comprehensive Plan Policies for Inclusionary Housing Zoning Code Project

Policy 5.35 Inclusionary housing

Use inclusionary zoning and other regulatory tools to effectively link the production of affordable housing to the production of market-rate housing. Work to remove regulatory barriers that prevent the use of such tools.

Policy 5.1 Housing supply.

Maintain sufficient residential development capacity to accommodate Portland's projected share of regional household growth.

Policy 5.2 Housing growth. Strive to capture at least 25 percent of the seven-county region's residential growth (Multnomah, Washington, Clackamas, Yamhill, Columbia, Clark, and Skamania counties).



Amendments to the Zoning Code

Title 33 - Zoning Code

- 33.245 -New chapter that implements inclusionary housing program
- Project size threshold that triggers the Inclusionary Housing Program (20 units)
- Inclusion rate
- Mandatory - 20% of units at 80% MFI
- Voluntary - 10% of units at 60% MFI
- FAR/Height Bonuses
- Mixed Use Zones
- Multi-Dwelling Zones
- Plan Districts
- Periodic calibration through in coordination with PHB on inclusion rate

Title 30 - Housing Code and Administrative Rule

- Incentive Packages for Mandatory and Voluntary Programs
- Central City
- Mixed Use Zones
- In-lieu fee
- Off-site option
- Distribution, composition, quality of affordable units
- Program administration and monitoring
- Periodic calibration of program though structure of incentive packages



Growth Projections and Housing Supply

