

Appendix H

Displacement Risk and Mitigation

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EXECUTIVE SUMMARY

The Residential Infill Project, an update to Portland’s single-dwelling zoning code, does not occur in a vacuum. It occurs within a historical context of zoning patterns and other land use regulations that have had exclusionary intents and/or impacts on communities of color. Portland, like most other cities across the United States, has a history of racially exclusionary zoning as well as land use and real estate practices that reinforced segregated neighborhoods. **Zoning, redlining, racial covenants, and community planning have played a role in shaping the city’s urban form—and in exacerbating inequities along race and class lines. Exclusive neighborhoods that do not allow for more housing options to absorb a growing and changing population can increase gentrification pressures in other neighborhoods as housing demand spills over and increases housing costs.**

As the City of Portland continues to understand the history of racially exclusionary zoning and land use practices and understand their impacts, the challenge comes in not repeating past mistakes and beginning to redress past actions. The City established equity as a guiding principle in the adopted 2035 Comprehensive Plan, with a recognition that equitable access to opportunity is essential to Portland’s long-term success.

The Comprehensive Plan calls upon new plans to evaluate the potential to cause displacement or increase housing costs in vulnerable communities. Part I examines who is vulnerable to indirect displacement and where redevelopment is most likely to happen under the proposal. **Overall, the proposal is likely to reduce displacement of low-income renters in single-family homes across Portland.** This reduction results from allowing more units to be built on one lot, which means fewer lots will be redeveloped across the city. However, **Brentwood-Darlington, Lents, and parts of the Montavilla neighborhood east of 82nd Avenue are likely to see significant increases in redevelopment that could lead to the increased displacement of vulnerable households.**

The proposal **will likely significantly reduce the cost of housing** for the additional housing types allowed in single-dwelling zones. This is a function of the smaller unit sizes as well as the ability to defray land costs across two, three, or four housing units as opposed to one unit. These findings suggest the proposals will **reduce displacement citywide, increase housing supply, create less-expensive housing options, and provide choices for types of housing** that were historically allowed but have since been disallowed in Portland’s single-dwelling zones. This, in turn, gives more people across wider range of the income and racial spectrum the opportunities and benefits afforded by our great neighborhoods.

The Comprehensive Plan also calls for identification and implementation of strategies to mitigate for anticipated impacts. Part II presents an **array of potential strategies to mitigate displacement among vulnerable residents in Portland’s single-dwelling neighborhoods.** Where program funding is available for anti-displacement and community stabilization in single-dwelling zones, the neighborhoods most at risk of displacement should be the focus for these actions. Strategies for vulnerable renters include education, financial assistance, incentives to property owners to keep rent affordable, and expanded homeownership opportunities. Strategies for vulnerable homeowners include education to combat predatory practices, financial assistance to stabilize homeowners, and technical assistance and financing to enable low- and moderate-income homeowners to take advantage of the expanded housing choices allowed by the proposal.

Part I: DISPLACEMENT RISK ANALYSIS

This analysis aims to estimate the number of households that may be at risk of displacement due to the proposals of the Residential Infill Project, when compared to the baseline zoning scenario adopted by the 2035 Comprehensive Plan, and to describe the characteristics of households that could be at risk as the result of these proposals.

SUMMARY OF FINDINGS

Key findings from this analysis of the Residential Infill Project proposals in comparison to the baseline zoning scenario include:

- There is a **net reduction in the frequency of demolition and redevelopment** across the city while at the same time a **net increase in the amount of housing units**.
- Housing units that are produced are likely to be **smaller** and **less expensive** than under the current single-family zoning allowances.
- **Citywide**, there is a **28 percent reduction of indirect displacement for low-income renters who live in single-family homes**. Through 2035, around **680** low-income renters in single-family homes are at risk of displacement, compared to **950** such renters under the current zoning regulations.
- In Portland neighborhoods that are identified as **Displacement Risk Areas**, there is a **21 percent reduction of indirect displacement risk for low-income renters who live in single-family homes**. In these neighborhoods, through 2035, around **480** low-income renters in single-family homes are at risk of displacement, compared to **610** such renters under the current zoning regulations.
- **The potential for displacement** is greatest where increases in redevelopment are more likely, and where there is a higher proportion of low-income renters.
- **Three areas have higher potential for displacement: Brentwood-Darlington, Lents, and parts of the Montavilla neighborhood that are east of 82nd Avenue.**

Potential Benefits of the Residential Infill Project

The Residential Infill Project is likely to **reduce displacement of low-income renters in single-family homes across Portland**. This is the result of allowing for more units with each instance of redevelopment. In other words, **allowing more units to be built on one lot means there will be fewer lots redeveloped** overall across Portland through 2035.

Previous analysis by Johnson Economics showed that development of a duplex, triplex, or fourplex rather than a single house would yield more new housing units at sizes that are affordable to households at 80% to 120% median family income.¹ Current zoning standards are most likely to produce larger detached single-family houses that are only affordable to households at 150% to 220% median family income. Together, these findings suggest **the proposals will reduce displacement, increase**

¹ Jerry Johnson, "Economic Analysis of Proposed Changes to the Infill Development Standards" (Johnson Economics, November 29, 2018), <https://www.portlandoregon.gov/bps/article/705704>.

housing supply, create less-expensive housing options, and provide choices for types of housing that do not exist in Portland’s single-dwelling zones today.

INTRODUCTION

Direction from the 2035 Comprehensive Plan

The 2035 Comprehensive Plan defines gentrification and displacement in the following ways:

- **Gentrification** occurs when an under-valued neighborhood becomes desirable, resulting in rising property values and changes to demographic and economic conditions of the neighborhood. These changes include a shift from lower-income to higher-income households, and often there is a change in racial and ethnic make-up of the neighborhood’s residents and businesses.
- **Displacement** is defined as when households or businesses are involuntarily forced to move from a neighborhood because of increasing market values, rents, or changes in the neighborhood’s ability to meet basic needs in the case of households, or erosion of traditional client base in the case of businesses.

The Comprehensive Plan includes a number of related policies in Chapter 5: Housing. This analysis comes in response to two key policies found in that chapter:

Policy 5.15, Gentrification/displacement risk, directs City agencies to evaluate new plans and investments for the potential to cause displacement or increase housing costs in vulnerable communities as well as to identify strategies to mitigate anticipated displacement.

Policy 5.16, Involuntary displacement, calls for programming and coordination with nonprofit housing organizations to create permanently affordable housing and mitigate the impacts of market pressures that cause involuntary displacement when plans and investments are expected to create neighborhood change.

This analysis presents the methodology and findings to evaluate the potential for increased risk of displacement due to the proposed changes to residential zoning through the Residential Infill Project. Part II identifies potential methods to mitigate displacement in the single-dwelling zones.

Where Are We Now?

The Residential Infill Project proposes to revise the height, mass, and range of housing types allowed in single-dwelling residential base zones. This can also expand the diversity of housing in terms of homeownership and rental opportunities in smaller-scale buildings throughout Portland’s neighborhoods.

The proposals presented to the Planning and Sustainability Commission (PSC) in April 2018 included a displacement risk analysis and proposed mitigation strategies. Areas that included a higher proportion of vulnerable populations (defined as areas with a higher percentage of people of color, people with lower educational attainment, renters, and/or low-income residents) were identified as areas at higher

risk of displacement. Areas with higher proportions of vulnerable populations that also had lower housing opportunity scores (based on proximity to amenities such as employment access, transportation access, educational opportunities, parks, grocery stores, and similar factors) were identified. The additional housing types could not be built in these areas until and unless a suite of anti-displacement programs, shaped by community input, would be in place to protect vulnerable renters and homeowners.

In September 2018, the Planning and Sustainability Commission (PSC) considered the Proposed Draft and gave staff direction to revise the proposal to allow additional housing types (duplexes, triplexes, fourplexes, and additional accessory dwelling units) in most areas of the city, and including areas identified as having a high risk of displacement. This was based on an economic analysis done by Johnson Economics in March 2018 that showed that the *size of the building*, which would be regulated similarly across the city, *not the number of units* allowed, was the primary driver of whether a lot would be redeveloped.² This meant that allowing additional units would not significantly increase displacement pressure but would offer those parts of the city the same opportunities to create more housing.

In addition, the Commission was persuaded by input from nonprofit affordable housing providers, housing and anti-displacement advocates, the Portland Housing Bureau, some neighborhood associations, and other groups and individuals who supported allowing the additional housing types to be built “everywhere” in the city.

The new displacement risk analysis described in this appendix is based on changes the PSC has requested, which are detailed in the *Revised Proposed Draft*.

DEFINING DISPLACEMENT RISK

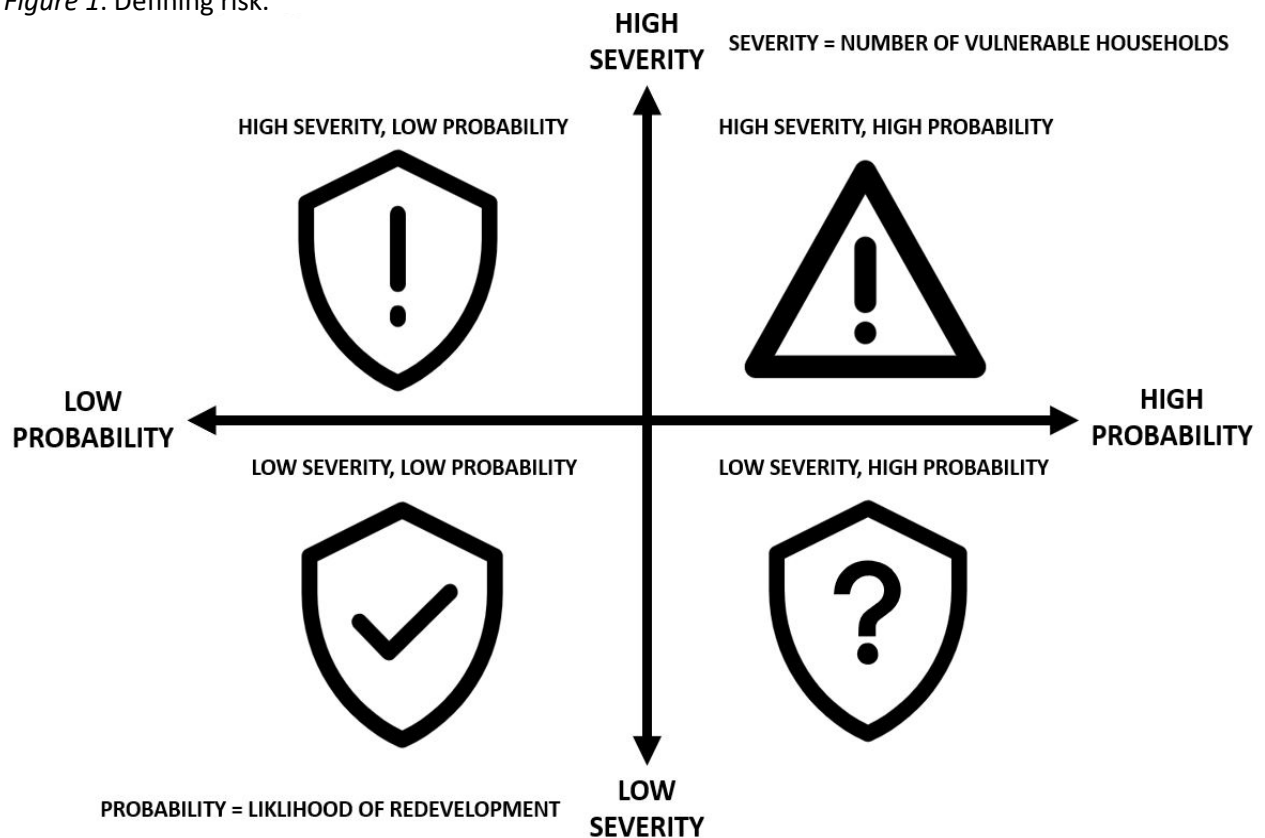
This analysis seeks to understand the potential for the Residential Infill Project proposals to encourage the redevelopment of existing single-family houses in a way that would result in outcomes that further burden historically under-represented communities.

Risk is defined as **the combination of the probability of harm occurring and the severity of that harm**. What is the likelihood (probability) of redevelopment of an existing house as a result of new development standards, and what is the magnitude (severity) of that displacement in terms of the number of vulnerable households that could be displaced by that redevelopment?

Probability and severity are charted on the matrix below, with the highest-risk situation (areas with highest severity and highest probability) shown in the top right quadrant.

² Jerry Johnson, “Economic Analysis of Proposed Changes to the Infill Development Standards” (Johnson Economics, March 27, 2018), <https://www.portlandoregon.gov/bps/article/678769>.

Figure 1. Defining risk.



DISPLACEMENT IN THE CONTEXT OF THE RESIDENTIAL INFILL PROJECT

Displacement related to plans and public investments can be classified into three categories:

1. **Direct displacement** occurs when government acquires property through eminent domain and a property owner is forced to sell their home—for example, when right of way for a transit line requires condemnation of property.
2. **Indirect displacement** occurs when policy changes create measurable impacts on market dynamics, such as an increase in rates of redevelopment—for example, regulatory changes in zoning around a transit station.
3. **Induced displacement** occurs when market conditions respond to new development and changes in neighborhood character and impact existing housing units in terms of increasing rents or prices—for example, expected increases in property values from the introduction of transit or other new amenities.

Direct displacement is easily measured but not evaluated in this analysis because the proposals will not be acquiring property or using eminent domain.

Indirect displacement is more difficult to measure, but it is possible to use models to estimate the likelihood of redevelopment with some degree of certainty. Indirect displacement is defined for this analysis as a home being torn down and replaced with one or more new units as a result of new development standards. In other words, for the purposes of this analysis, **we define indirect displacement as the displacement of existing houses/households resulting from the redevelopment of units in the R2.5, R5, and R7 zones**, which would see new allowances because of these proposals.

Induced displacement is much more challenging to measure, and it relies on assumptions that are not widely acknowledged or agreed upon.

Therefore, only the second category of displacement—indirect displacement — is evaluated in this displacement risk analysis. This analysis considers the following three steps:

1. **Severity: How many households are vulnerable to displacement?** This step characterizes the households that are the most vulnerable to displacement as a result of the proposal, as well as the magnitude of the impact to vulnerable households.
2. **Probability: Where is redevelopment most likely?** Not all parts of the city will see the same level of redevelopment. This step identifies areas that are most likely to see redevelopment of single-family houses in single-family neighborhoods.
3. **Risk Assessment: What parts of Portland have high severity and probability?** This step examines the overlap of severity and probability to assess which areas with higher levels of vulnerability are most at risk of displacement.

This displacement risk analysis evaluates households most at risk of indirect displacement as the result of the proposals across Portland, with a focus on parts of Portland that have been identified as being at risk of gentrification and displacement by the 2018 Gentrification and Displacement Risk Assessment.³ The gentrification typologies used in this analysis were developed by Dr. Lisa Bates in the 2013 Gentrification and Displacement Neighborhood Typology Assessment.⁴ This method considers whether a neighborhood has a vulnerable population, has experienced demographic change, and has housing market conditions that are undergoing price increases. More information on different neighborhood typologies and how they have changed over time is available in the 2012 and 2018 reports. The Displacement Risk Areas used throughout the remainder of this analysis are identified in Map 1 below.

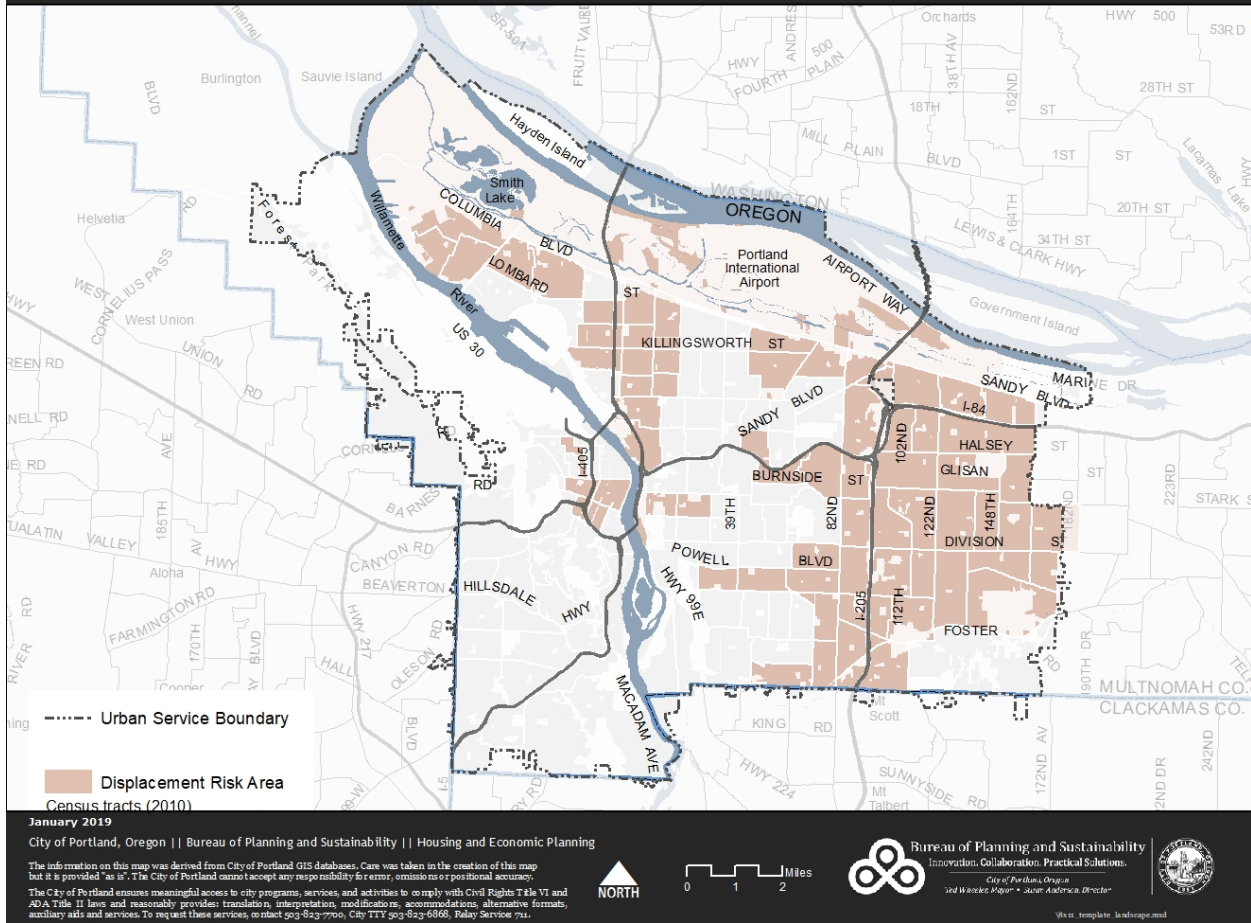
Map 1. Displacement Risk Areas from the 2018 Gentrification and Displacement Assessment.

³ 2018 *Gentrification and Displacement Neighborhood Typology Assessment*, Bureau of Planning and Sustainability (2018), <https://www.portlandoregon.gov/bps/article/700970>.

⁴ Lisa Bates, "Gentrification and Displacement Study: implementing an equitable inclusive development strategy in the context of gentrification," Bureau of Planning and Sustainability (May 18, 2013), <https://www.portlandoregon.gov/bps/article/454027>.

2018 Displacement Risk Areas

Residential Infill Project Displacement Risk Analysis



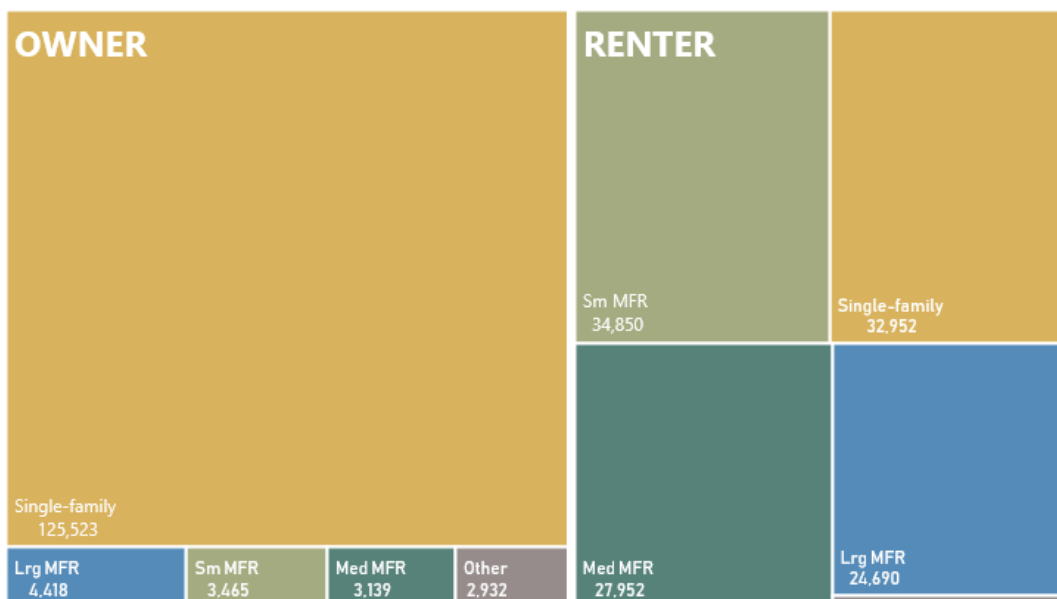
Severity: How Many Households Are Vulnerable to Displacement?

Economic vulnerability is measured across four socioeconomic variables that indicate a reduced ability to withstand housing price increases caused by gentrification. As outlined in the 2018 Gentrification and Displacement Neighborhood Typology Assessment, areas of economic vulnerability are defined as those that have, when compared to the citywide average, the following characteristics:

- A larger share of households that are **renters**
- A larger share of the population that are **communities of color**
- A larger share of adults (25 or older) **without a four-year degree**
- A larger share of households that are **low-income** (below 80% median family income)

Single-family houses comprise 61 percent of Portland's housing stock—about 158,000 homes (Figure 2). About 85 percent of these houses are located in a zone affected by the Residential Infill Project (R2.5, R5, and R7—henceforth referred to as "RIP zones").

Figure 2. Portland's housing stock, 2017.

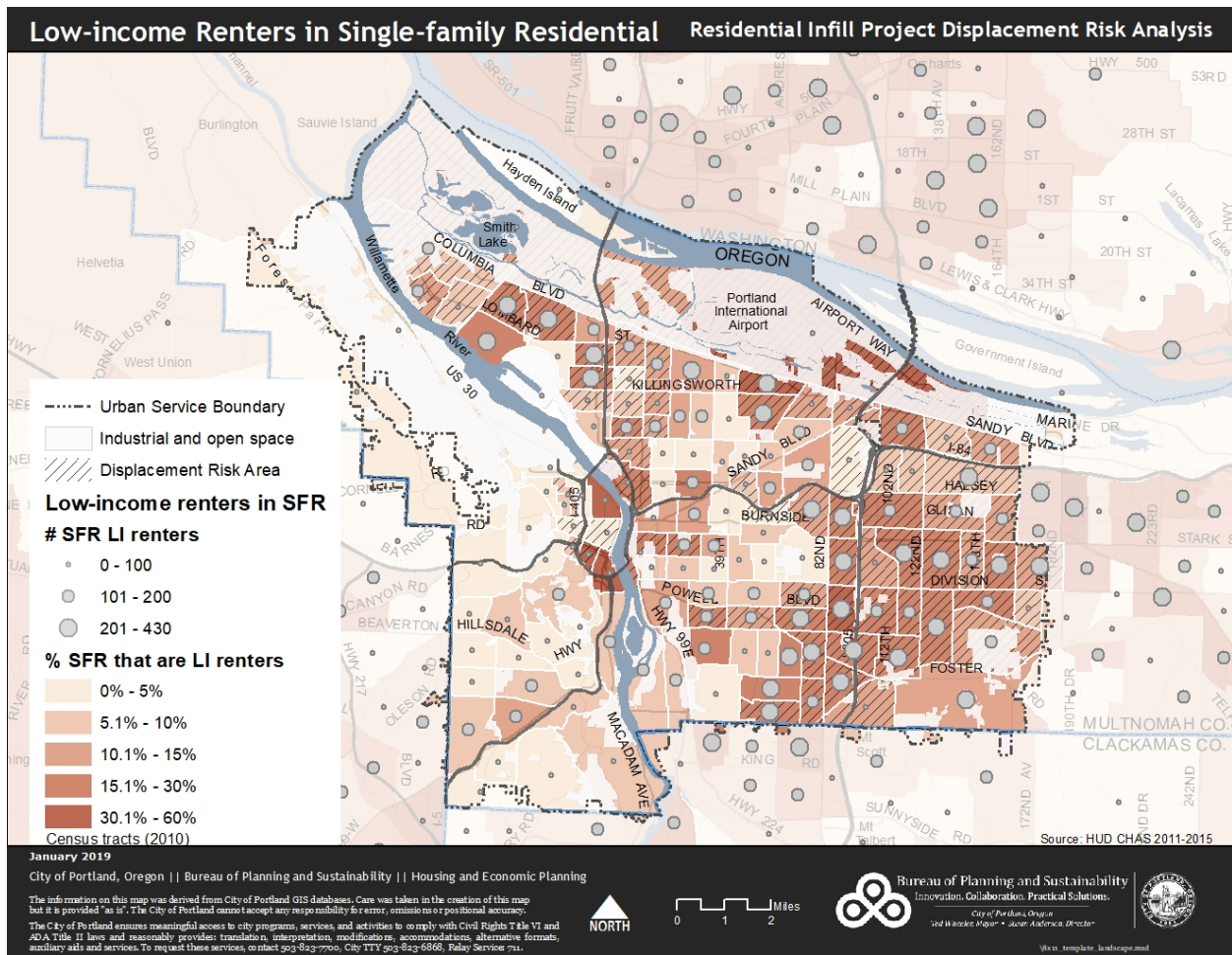


Large MFR = 50+ units. Medium MFR = 10 to 49 units. Small MFR = 2 to 9 units.
Other = mobile homes, RVs, boats, tents, etc.

The baseline scenario, or what is allowed under current conditions, assumes redevelopment of smaller houses into larger single houses with higher achievable floor area than what is proposed in the Residential Infill Project. The project proposal scenario assumes redevelopment into buildings with a higher number of units allowed, coupled with lower achievable floor area allowed by the proposed code changes. In both scenarios, the analysis estimates how often property owners may find it more advantageous to redevelop their property than continue to rent to their tenant.

Therefore, this analysis focuses on the comparison of risk between the baseline scenario and the proposal scenario to the 14,000 low-income households who rent single-family homes in RIP zones (Map 2). These households are most vulnerable when considering the impacts of the proposal because they have the least control over their housing (they are subject to eviction) and the degree of choice in housing (based on affordability).

Map 2. Low-income renters in single-family structures.



While the most vulnerable households that are at risk in this analysis are low-income renters in single-family structures, homeownership is not a guarantee to withstand displacement pressures. Given the history of predatory lending practices, exclusionary zoning, and racial disparities in accessing bank financing to support homeownership, it is important to consider the potential impacts these proposals may have on vulnerable homeowners as well. Low-income homeowners may be targeted by predatory buyers who do not offer a fair price for purchasing their home. Such homeowners may also be more apt to sell if they are in stressed financial situations. Map 3 shows the distribution of low-income homeowners across the City, while Table 1 summarizes the distribution of low-income households by tenure for homes in RIP zones.

Map 3. Low-income owners in single-family structures.

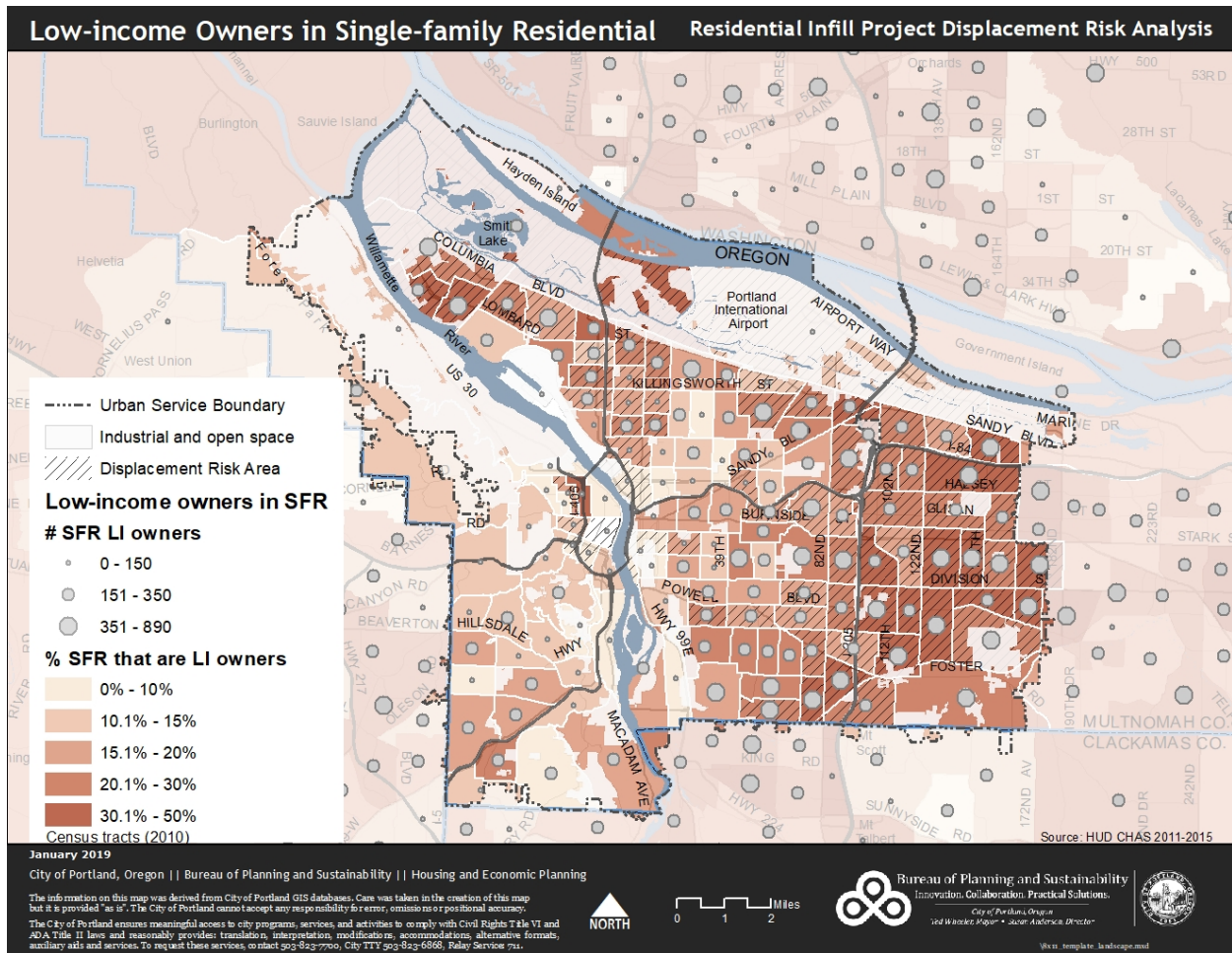


Table 1. Low-income households in single-unit structures in RIP zones by tenure, 2015.

	Displacement Risk Areas RIP Zones	Citywide RIP Zones
Households <80% MFI	24,708	40,078
Renters	8,773	13,582
Owners	15,935	26,496
With mortgage	10,447	16,150
Free and clear	5,488	10,346

Because of historical disparities in access to homeownership, it is important to assess the potential impact on homeowners of color. Homeownership is a critical aspect of intergenerational wealth generation within a family. When a homeowner sells their home for less than market value, they forgo the opportunity to maximize their wealth-generation potential.

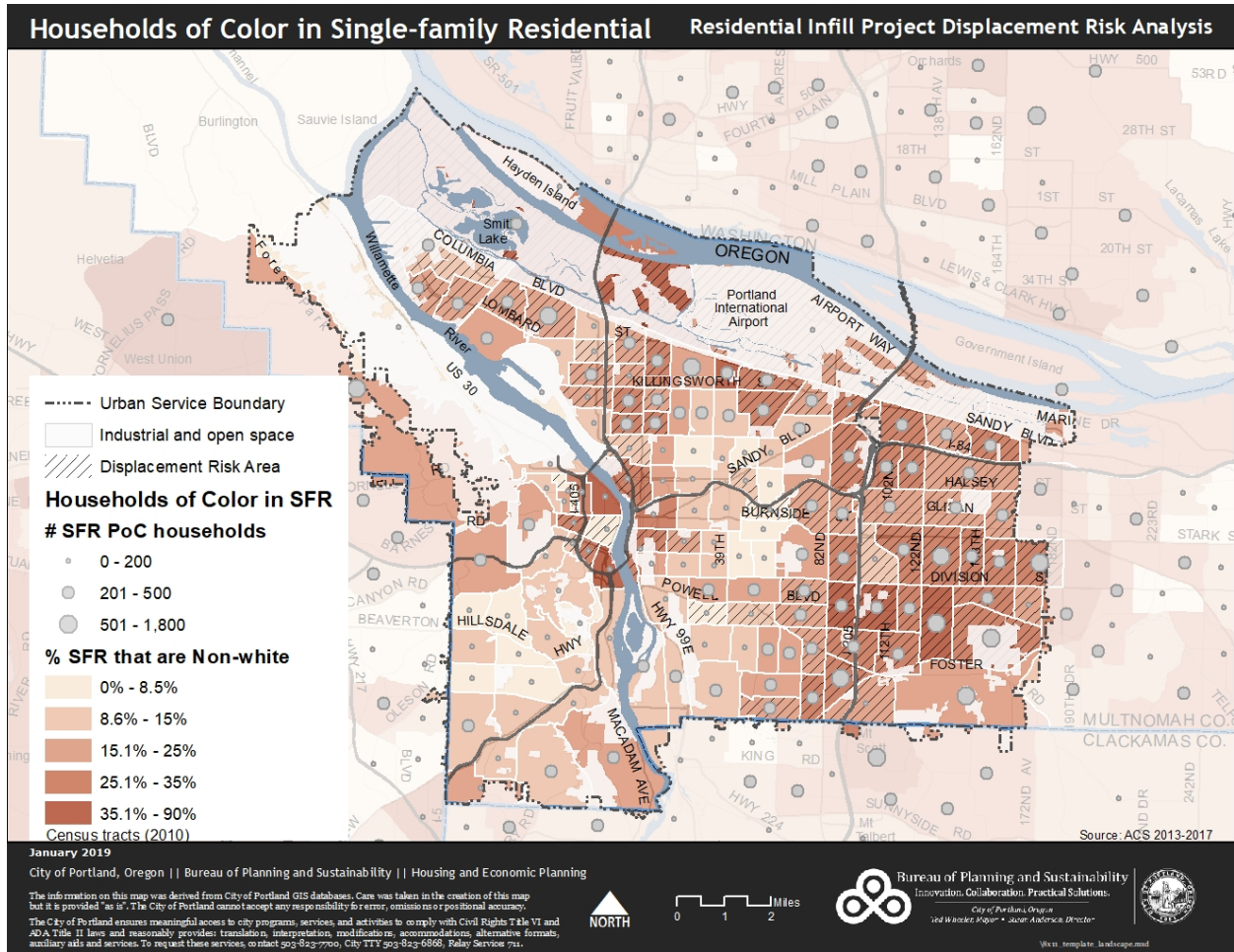
Although approximately 30 percent of Portland residents are a person of color, only 18 percent of single-family homeowners are a person of color. Beyond the racial gap in homeownership rates, national research suggests homeowners of color are more vulnerable to predatory buyers, foreclosures, loan denials, and higher interest rates even compared to similar creditworthy white peers.⁵

Citywide, there are about 18,000 single-family homeowners of color in RIP zones. About 37 percent are low-income households, compared to 29 percent of low-income white households in single-family units.

With regard to where households of color (renters and owners) reside, the highest numbers and concentrations are in East Portland, Cully, and North Portland (Map 4).

⁵ <https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/the-homeownership-experience-of-minorities-during-the-great-recession.pdf>

Map 4. Households of color in single-family structures.



Probability: Where is Redevelopment Most Likely?

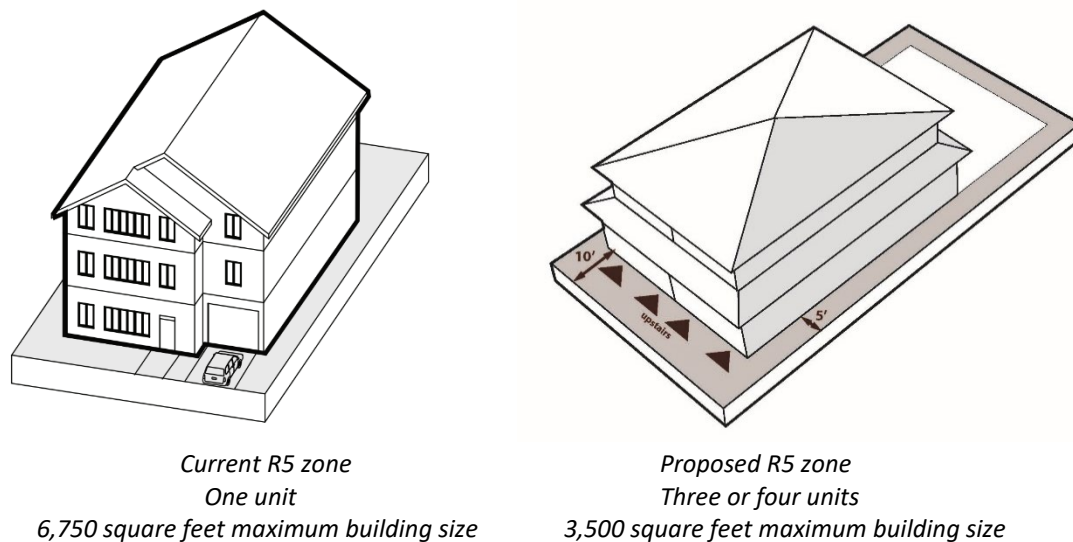
This section describes the citywide outcomes of redevelopment (defined as a home that is demolished and replaced with one or more new units) as a result of the proposal's development standards.

Redevelopment occurs because a new-construction building with one or more units allowed under the proposal might be of higher value than an existing single-unit house. In this situation, redevelopment could occur when a landowner or developer chooses to demolish the existing house to build a new structure with multiple units.

There are two significant factors in the proposed development standards that impact development capacity, redevelopment activity, and the allocation of new housing units in this analysis.

First, the change in Floor Area Ratio (FAR) allowances in RIP zones is the most significant factor that impacts development capacity between the baseline and proposal scenarios. For example, on a 5,000-square-foot-lot, maximum current development allowances in the R5 zone would allow up to a 6,750-square-foot structure, while the R5 zone under the proposal would only allow between 2,500 and 3,500 square feet, depending on the number of units (Figure 3). This reduction in square footage allowance shifts redevelopment activity away from higher-value neighborhoods and towards areas of Portland with more moderate land values that can support the achievable sale prices and rents of market-rate new construction.

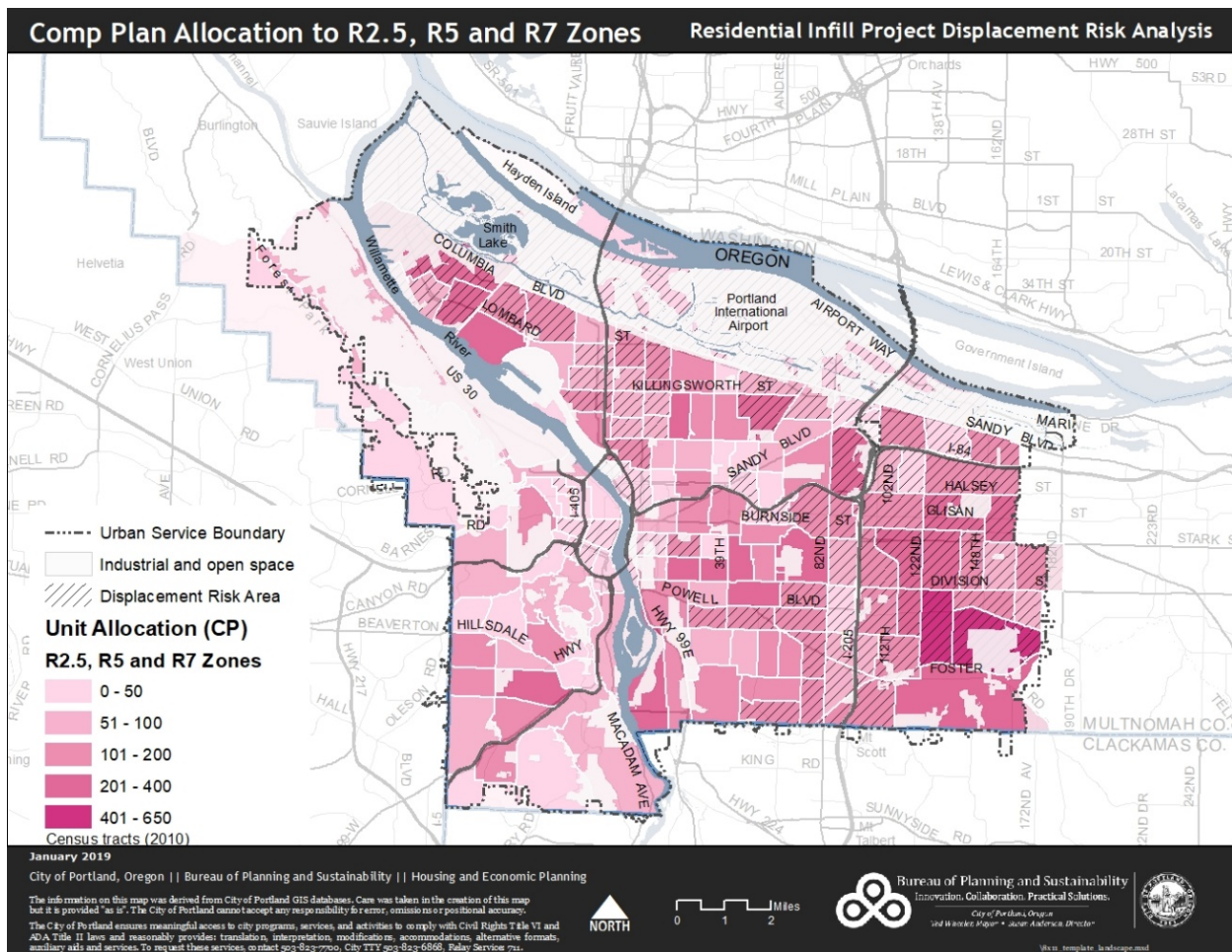
Figure 3. Maximum building size under current and proposed R5 development standards.



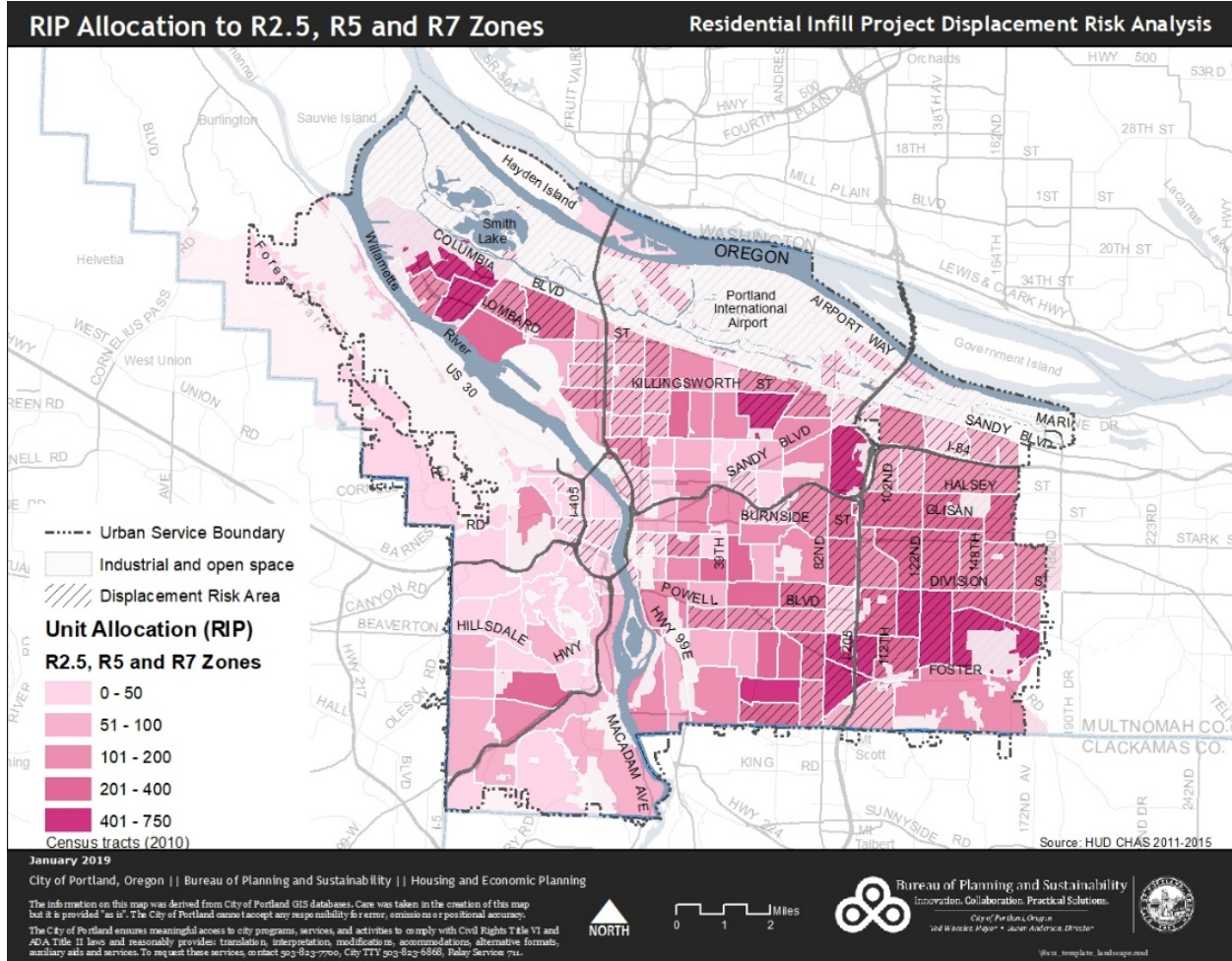
Second, the allowance for duplexes, triplexes, and fourplexes also impacts the distribution of redevelopment activity, though to a lesser extent than building size. These housing types are likely to develop in areas of Portland with land values high enough to support sales prices and rent levels of these housing types.

This analysis considers the probability of redevelopment given current market conditions. According to regional forecasts, Portland is projected to gain approximately 123,000 new households between 2010 and 2035. The Buildable Lands Inventory (BLI) model helps us begin to understand where this new growth might occur in Portland. The BLI estimates development capacity, which is defined as the number of new dwelling units that could be accommodated in the city under existing regulations and recent development trends. Staff used the BLI model to evaluate two development scenarios: one for current housing allowances and development standards from the baseline Comprehensive Plan scenario (Map 5) and one for the proposed housing allowances and development standards (Map 6). The output of the BLI model is a map that allocates new housing development—in this case new housing in R2.5, R5, and R7 zones—to show the expected distribution of housing in Portland in 2035.

Map 5. 2035 Comprehensive Plan housing unit allocation in R2.5, R5, and R7 zones.

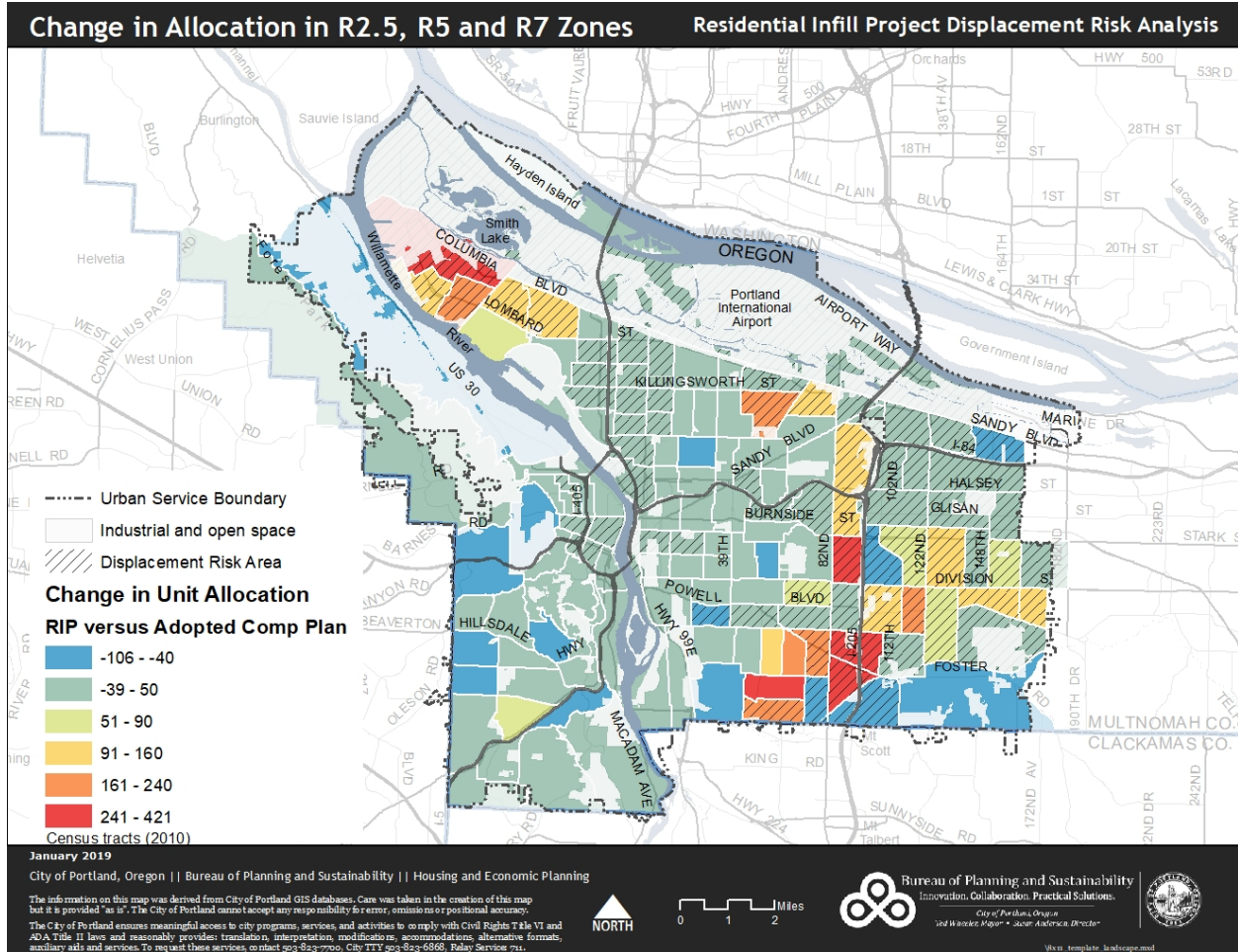


Map 6. Residential Infill proposal housing unit allocation in R2.5, R5, and R7 zones.



Overall, compared to the baseline Comprehensive Plan zoning scenario, the proposal is expected to **create more housing units but decrease overall redevelopment (demolitions)**. Map 7 shows the net change in allocation of dwelling units in 2035.

Map 7. Change in unit distribution between baseline Comprehensive Plan and proposal scenarios.



Map 7 shows that through 2035, with the proposed amendments, some areas of Portland see net increases in redevelopment and new housing units, and some areas see net reductions in redevelopment. The reduction in redevelopment alongside increases in new unit production is the result of allowing multiple units within one structure, which absorbs unit demand that otherwise would have occurred in one-for-one redevelopment situations in the baseline Comprehensive Plan scenario. In other words, current regulations result in more houses being demolished and replaced with a single house, while the proposed regulations result in fewer houses being demolished because more units can be produced on the same site.

With the proposed changes, **inner Portland neighborhoods** like Buckman, Richmond, Eliot, Humboldt, and Northwest see **minimal change in redevelopment rates** and **moderate increases in new housing units**. New housing units will likely be distributed broadly across inner neighborhoods.

Middle ring neighborhoods, including St. Johns, Portsmouth, Concordia, Cully, Montavilla, Brentwood-Darlington, and Lents, see **more significant increases in new unit production**. However, these areas also see a **smaller rate of overall redevelopment**. Under the baseline scenario, these middle ring neighborhoods are expected to see a higher-than-average amount of one-for-one demolition/redevelopment. The proposal scenario indicates **more units will be built on fewer parcels**.

Neighborhoods in East Portland see a broader range of redevelopment and new housing unit impacts. **Most East Portland neighborhoods see moderate increases in new housing units** including Centennial, Powellhurst-Gilbert, Mill Park, and eastern portions of Lents. **Other East Portland neighborhoods** such as Parkrose, Argay, Hazelwood, and Glenfair will likely see **minimal change in the number of new units**.

West Portland neighborhoods see **minimal change in new housing units** compared to the baseline existing zoning regulations. There are small increases in new housing units in some areas along Barbur Boulevard and a moderate increase in new units in Multnomah.

Conversely, this analysis finds that **some areas of Portland see decreases in redevelopment and new units**. These areas include neighborhoods such as Pleasant Valley, Eastmoreland, Southwest Hills, Sylvan-Highlands, Hayhurst, Maplewood, and Wilkes. These decreases in redevelopment are mostly due to a combination of market factors and proposed development standards that make development less likely to occur in these neighborhoods. In most cases, redevelopment is less likely to occur in these neighborhoods than in other parts of Portland because of high home values.

This analysis indicates that there is an unequal distribution of redevelopment. Higher-income and higher-value neighborhoods will likely see less redevelopment compared to other areas across Portland. Many of these neighborhoods have historically had restrictive and exclusionary land use classifications, covenants, and lending practices.

The lower rates of redevelopment for higher-value neighborhoods is driven by existing home values that cannot support new development with proposed FAR limitations and density allowances. In other words, **in many cases the cost to purchase existing houses in higher-value neighborhoods exceeds the land price threshold needed to support new development**. Under the proposal, new development in higher-value neighborhoods is expected to be limited to sites with lower-value houses compared to the surrounding neighborhood. **The claim that these proposals will increase the rate of redevelopment in some higher-value and higher-income neighborhoods in Portland is not supported by this analysis.**

Inner Neighborhoods – These neighborhoods fall roughly within a 3-mile distance from the Central City and are bounded Killingsworth Street, NE 7th Avenue, Cesar Chavez Boulevard, and Powell Boulevard and includes South Portland and Northwest District.

Middle Ring Neighborhoods – These neighborhoods extend to St. Johns, Sellwood, and I-205 and include neighborhoods in Southwest Portland along Barbur Boulevard such as Hillsdale, Multnomah, South Burlingame, and Markham.

East Portland Neighborhoods – These neighborhoods are all located east of I-205 and extend along NE Sandy Boulevard and SE Powell Boulevard to the Portland city limits.

West Portland Neighborhoods – These

Risk Assessment: Which Parts of Portland Have High Severity and Probability?

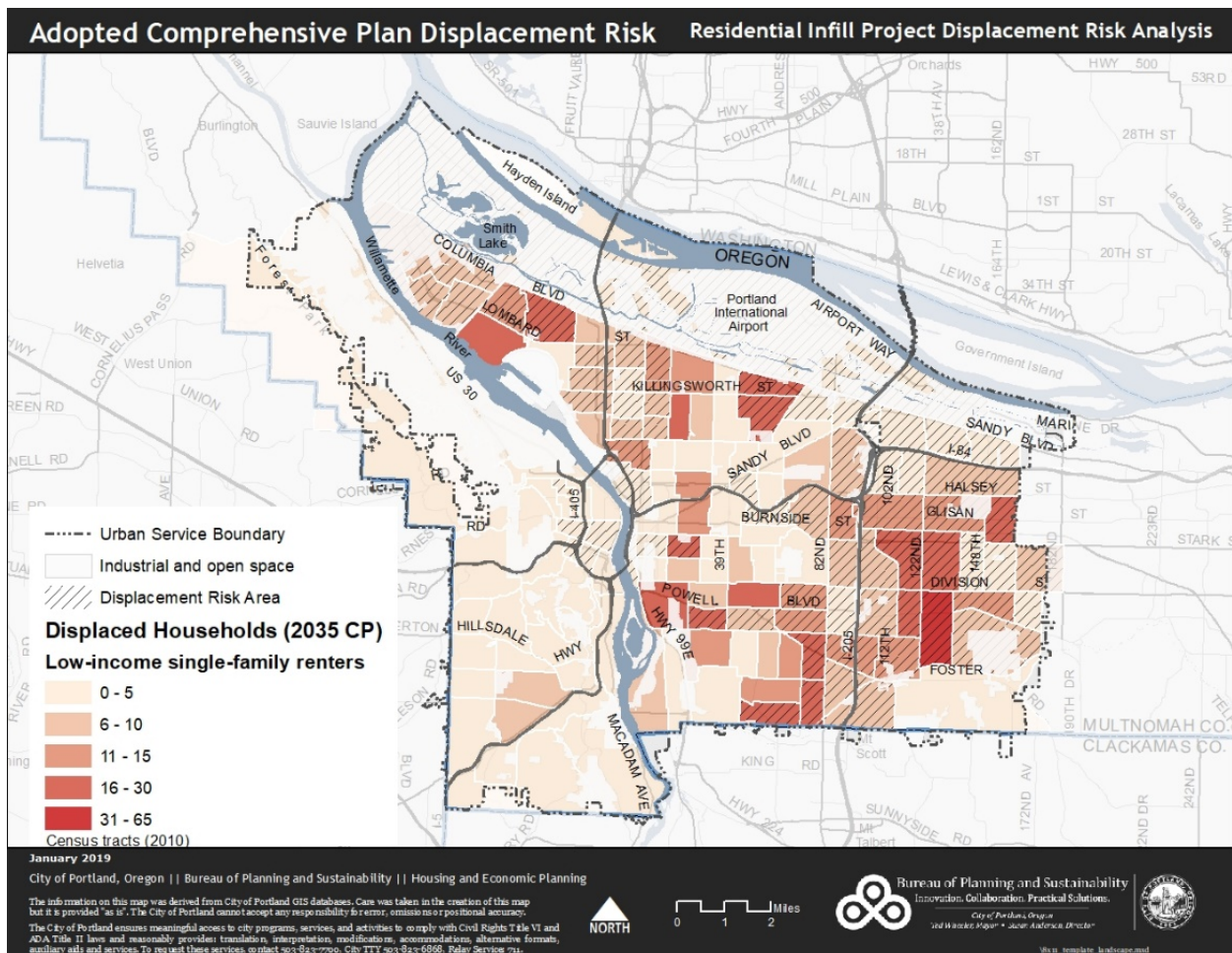
In RIP zones, **low-income renters in single-family structures** are the households most vulnerable to displacement.

This analysis of the Residential Infill Project is conducted at three levels: citywide, in Displacement Risk Areas, and in a select group of Displacement Risk Areas that show the most redevelopment activity.

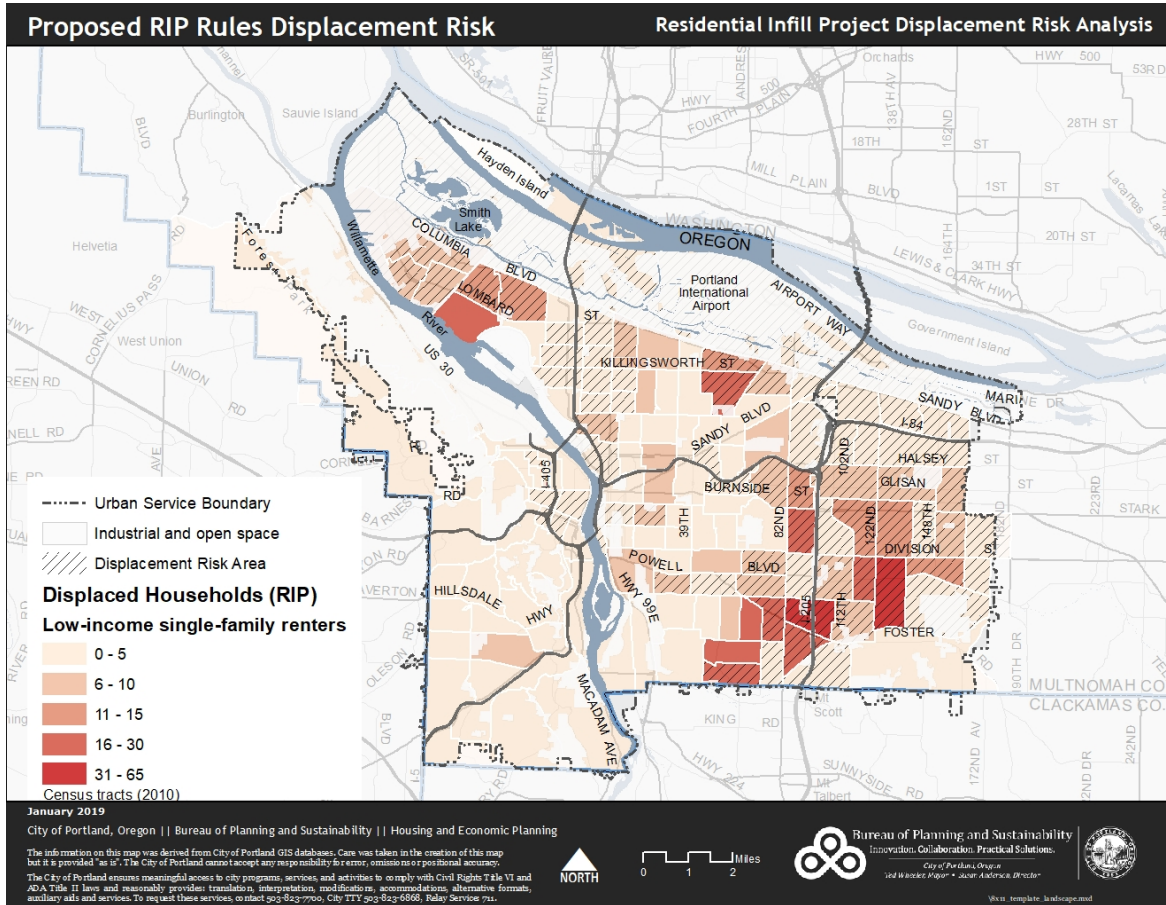
In summary, this analysis finds that **there is a net reduction in displacement pressures across Portland as the result of the proposals**. Under the proposal scenario, this analysis identified around **680 low-income renter households in single-family structures** that are at risk of indirect displacement through 2035 as the result of redevelopment. Under the 2035 Comprehensive Plan single-dwelling development standards, this analysis identified around **940 low-income renter households in single-family structures** that are at risk of indirect displacement as the result of redevelopment through 2035.

Maps 8 and 9 compare areas of increased displacement burden under the baseline scenario and proposal scenarios, respectively. More areas see higher rates of displacement risk under the baseline.

Map 8. Areas with displacement burden under baseline Comprehensive Plan scenario.

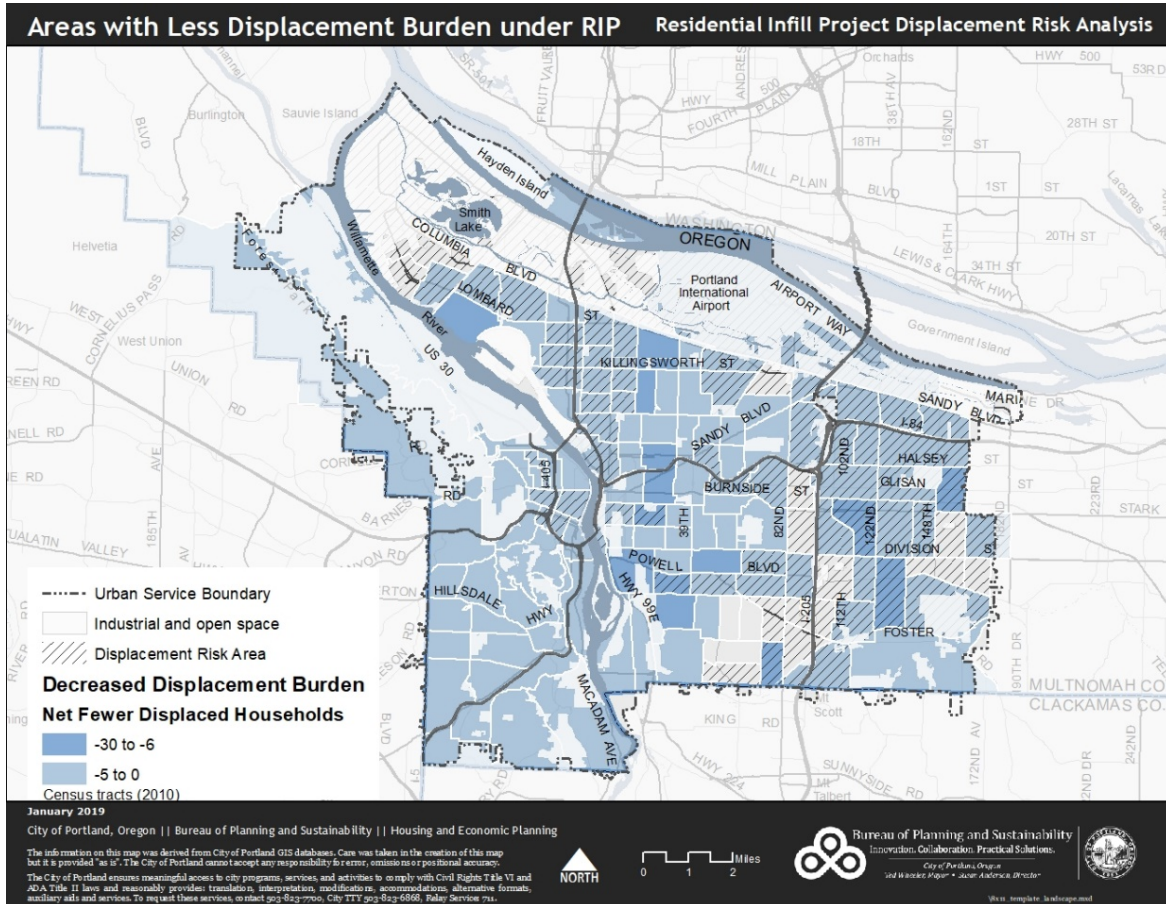


Map 9. Areas with displacement burden under the proposal scenario.



Map 10 shows that the **proposal scenario reduces the displacement risk in most neighborhoods across Portland**. The largest reductions in displacement risk occur in University Park, Concordia, Vernon, Kerns, Creston-Kenilworth, Mill Park, and portions of Powellhurst-Gilbert.

Map 10. Areas with decreased displacement burden under the proposal scenario.



Applying the Risk Assessment to the Displacement Risk Areas

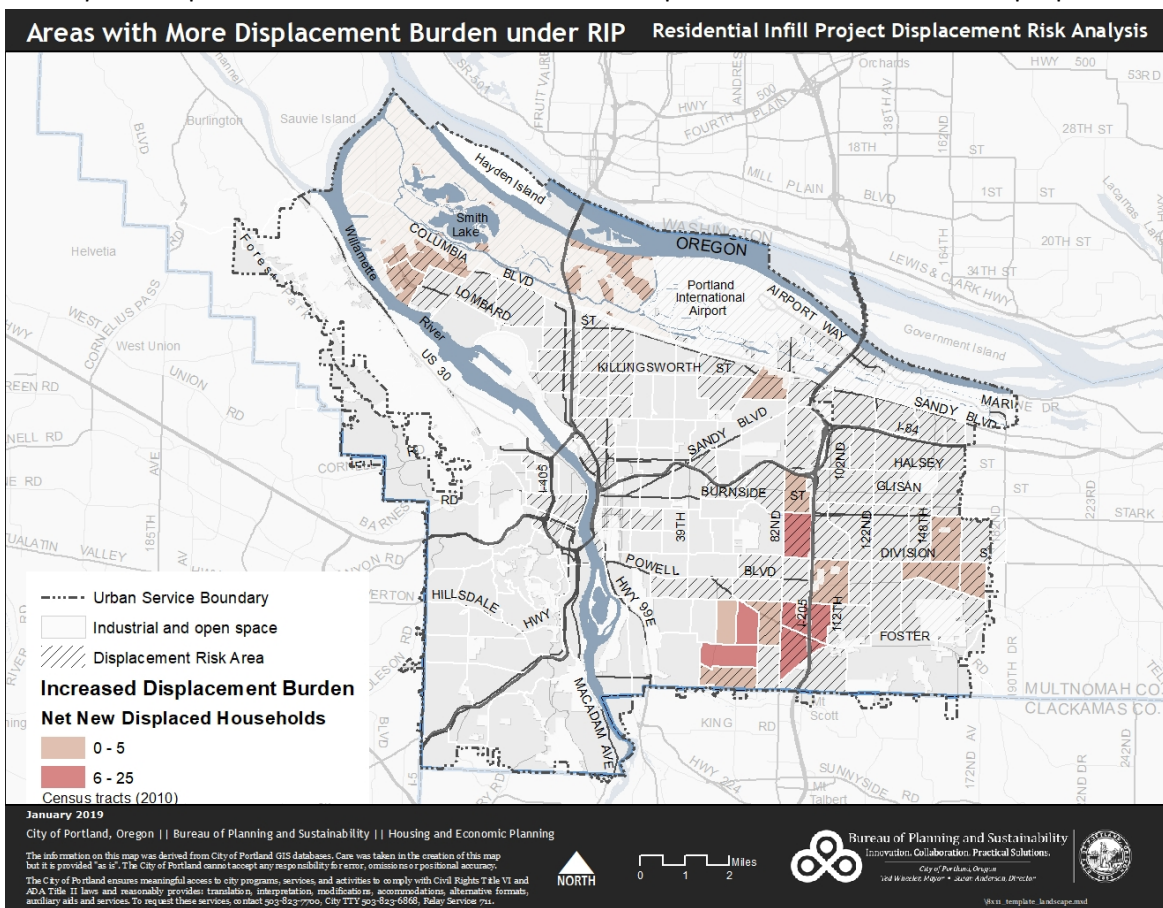
Neighborhood-specific changes vary depending on development feasibility of the proposed development types (detached single-family, duplexes, triplexes, and fourplexes).

Under the proposal scenario, this analysis identified around **480 low-income renter households in single-family structures** that are **at risk of indirect displacement through 2035** as the result of redevelopment in these higher risk areas (shown in Map 10). Under the 2035 Comprehensive Plan single-dwelling development standards, this analysis identified around **610** low-income renter households in single-family structures that are at risk of indirect displacement as the result of redevelopment in these high-risk areas. Similar to the citywide analysis, **there is a net reduction in displacement pressures in Displacement Risk Areas as the result of the proposed changes.**

Some areas are expected to see significant increases in redevelopment in the proposal scenario due to market conditions combined with the proposal’s increased density allowances and reduction in scale. The Displacement Risk Areas with more displacement burden under the proposal are identified in Map 11. These areas fall into two categories: 1) less than five households at risk of displacement through 2035, and 2) between six and 25 households at risk of displacement through 2035.

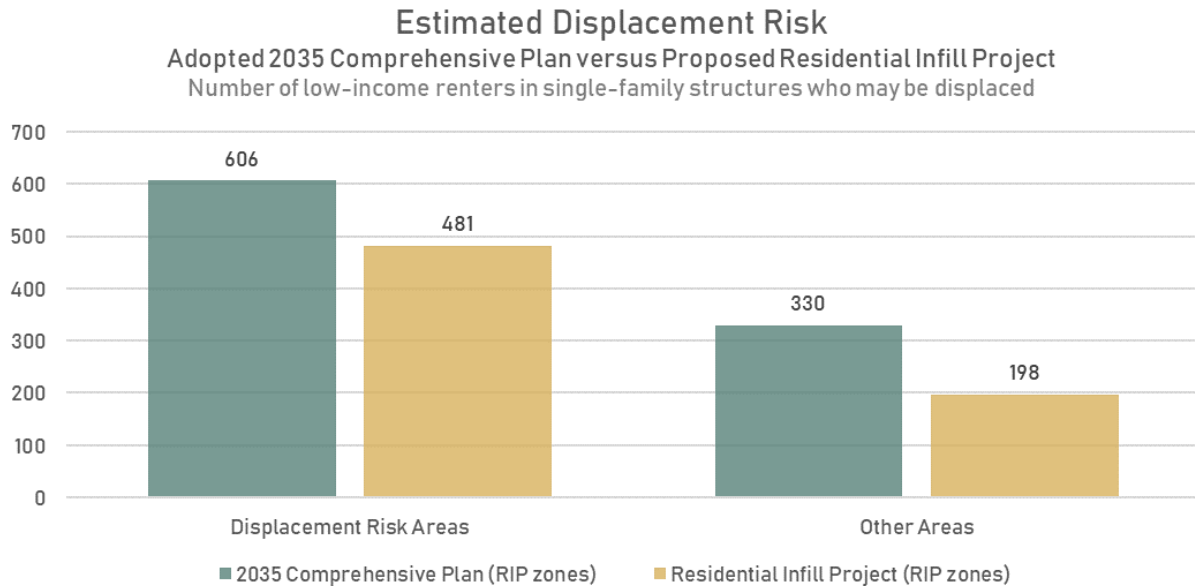
The areas with less severe displacement risk include portions of St. Johns, East Columbia, Cully, and Centennial neighborhoods. Areas with more significant displacement risk include portions of Montavilla, Brentwood-Darlington, and Lents. In addition, there is more significant displacement risk for low-income renters in single-family structures in parts of Brentwood-Darlington that are not identified as a Displacement Risk Area.

Map 11. Displacement Risk Areas with increased displacement burden under the proposal.



Further examination of the Displacement Risk Areas in Figure 4 indicates **aggregate net reductions across all Displacement Risk Area typologies**. Additionally, **areas of Portland not identified as Displacement Risk Areas saw large decreases in potential displacement of low-income renters** in the proposal scenario.

Figure 4. Estimated displacement risk by gentrification typology area.



TECHNICAL METHODOLOGY

This analysis of displacement for the Residential Infill Project relies on the following sources of data and methods:

1. **Severity:** This section relied on demographic data from the American Community Survey (ACS) from the Census Bureau and the Comprehensive Housing Affordability Strategy (CHAS) data from HUD. Some data are published in standard tables from these two sources, while other data required custom analysis using the Public Use Microdata Samples (PUMS), which are person- and household-level ACS data.
2. **Probability:** Finding the likelihood of redevelopment required modifying and running the Buildable Lands Inventory (BLI) capacity and allocation models. The capacity model identifies parcels that are more likely to redevelop given their current value and the proposed development allowances under the project. The allocation model estimates which parts of the city will see new development based on the capacity and recent development trends. This analysis compared the BLI models of the proposal to that of the Adopted 2035 Comprehensive Plan. More details are described below.
3. **Risk Assessment:** The bulk of this analysis focuses on the assessment of severity and probability to estimate displacement risk.

Moving from Unit Allocation to Parcel Redevelopment Count

The BLI allocation model estimates the number of new units an area will see between 2010 and 2035. Within the model, 123,000 units must be placed somewhere in the city, and the model uses a combination of capacity (zoning allowances and development constraints) and market trends to make a best guess as to which parts of the city will see more or less development.

The number of new units is reported in two scenarios: the zoning rules and assumptions under the adopted 2035 Comprehensive Plan and those under the proposed RIP. However, the model does not report the number of parcels that will develop or redevelop—only the number of units. Since displacement risk measures the number of low-income renters in single-family homes (i.e., one-unit parcels) who may be displaced due to redevelopment, this analysis created a way to turn the BLI unit allocation into an estimate of parcels redeveloped.

Under the proposal, new-construction detached single-family homes are less likely to be built than duplexes, triplexes, and fourplexes. The 2035 Comprehensive Plan baseline analysis assumed 1.5 units per parcel that is redeveloped based on recent development trends. That is, one lot yields on average one and a half single-family homes, with accessory dwelling units accounted for separately. Under the proposal scenario, the assumption is that three units will be produced for every parcel that is redeveloped—one lot yields a triplex or three townhomes in R2.5, R5, and R7 zones. Although duplexes and fourplexes are allowed, this analysis uses a most likely average new development scenario of three units per parcel to account for a variation of densities between one and four units per parcel.

For example, if an area zoned R2.5, R5, or R7 was expected to see 47 new units (allocation), then the number of corresponding parcels would be $47 / 3 = 15.66 = 16$ parcels redeveloped. The unit-to-parcel adjustment factor is applied after the unit allocation is aggregated to census tracts.

Accounting for Vacant Parcels

Known vacant capacity must also be accounted for. Recent development trends show that vacant lot development varies by geography but comprises a smaller share of total redevelopment. Staff applied an adjustment factor to account for vacant development versus redevelopment involving demolition. This adjustment factor considered development trends between 2013 and 2018 to estimate the share of anticipated development that would involve demolition of existing structures. This figure was applied at the census tract level and averaged about 80 percent across Portland, meaning 20 percent of development scenarios were estimated to occur on vacant parcels.

Accounting for Accessory Dwelling Units

The analysis did not examine potential accessory dwelling unit (ADU) development for two reasons. First, for the purposes of evaluating displacement impacts, the addition of an ADU to an existing property is unlikely to result in indirect displacement for a renter of the existing primary structure. Second, ADUs created by homeowners are largely built using home equity and are sensitive to other factors that the model cannot readily predict. Therefore, the production of ADUs would occur in

addition to the units included in this analysis. Current ADU projections, based on 2010 to 2016 trends, assume 5,000 more ADUs between 2017 and 2035, or about 280 per year.

Part II: POTENTIAL MITIGATION STRATEGIES

This Part includes a variety of potential displacement mitigation strategies, including programs and funding mechanisms, for both renters and homeowners. Because the Residential Infill Project affects single-dwelling neighborhoods, these strategies specifically address the needs of low-income renters and homeowners that live in single-family houses. They build on previous work, especially the SW Corridor Equitable Housing Strategy and Dr. Lisa Bates' 2013 Gentrification and Displacement Study.⁶ New ideas for reducing the risk of displacement also came from nonprofit housing providers, anti-displacement organizations, and housing advocates.

These strategies face three main challenges—funding resources, organizational capacity, and scattered sites. First, the demand for housing assistance programs already exceeds available resources. Successful implementation of these programs will require additional resources. In addition to resources, there is a need to build organizational capacity, especially in Montavilla, Brentwood-Darlington, and Lents. These neighborhoods are expected to see increased displacement burden under the Residential Infill Project proposals, even as the rest of the city sees a reduction in displacement risk. Fortunately, community organizations like Impact Northwest and Rose Community Development Corporation can provide an organizational structure for these types of programs. Finally, single-family dwellings and other middle housing types are located on scattered sites that are time- and resource-intensive to administer and maintain. Some groups, like Portland Community Reinvestment Initiatives, Proud Ground, and Habitat for Humanity, have been successful with these types of programs. It will be important to learn from their experience to create an effective program.

Next Steps

Although the changes proposed in the Residential Infill Project reduce the risk of displacement citywide, there are still households at risk of displacement, particularly in the three neighborhoods mentioned above. These potential strategies provide a starting point for a community conversation between BPS, other city bureaus, community organizations, and community members to determine which strategies will be most effective in mitigating potential displacement impacts.

The next steps are to engage service providers, community organizations, and low-income renters and homeowners to understand the scope of the challenge, the most effective strategies, and the funding and organizational capacity needed to support these programs. As part of this engagement, BPS will work with the Portland Housing Bureau to analyze the effectiveness and cost of different strategies and how they fit into the City's overall housing affordability efforts.

⁶ *SW Corridor Equitable Housing Strategy*, City of Portland and City of Tigard (2018), www.portlandoregon.gov/bps/article/675321.

OVERVIEW

In general, these strategies apply to two types of clients (renters and homeowners) and include four types of programs (education, technical assistance, financial assistance, and regulatory incentives).

Renters	Education – tenant rights, financial literacy Financial assistance – stabilization Incentives to property owners Expanding supply – land trusts, co-housing, cooperative housing
Homeowners	Education – combating predation of vulnerable homeowners Technical assistance – understanding development opportunities Financial assistance – increasing access to capital for development

The anti-displacement strategies below are detailed in the following pages.

Strategies	Renters	Homeowners
Education		
Tenant rights and legal services	X	
Financial literacy	X	X
Anti-predation/fraud	X	X
Foreclosure prevention		X
Financial Assistance		
Short-term rent assistance (STRA)	X	
Stabilization incentives		X
Home repair loans and grants	X	X
SDC waivers and tax abatements		X
ADU construction	X	X
Community land trusts and co-housing	X	X
Technical Assistance		
ADU construction		X
Pre-approved plans		X
Access to home equity loans		X

STRATEGIES FOR VULNERABLE RENTERS

Renter Education

Providing anti-displacement and prevention services is the most immediate step that can be taken to retain community members in neighborhoods undergoing change. These relatively quick-to-implement services are critical. Other measures to prevent displacement can take years to fund and implement, during which time large turnover of community residents can occur. Anti-displacement services can span a broad range, from legal support to education and outreach. Outreach and education efforts could build on Portland's network of existing community-based organizations that provide education, tenant services, and homeowner assistance. Education programs for low-income renters regarding tenants' rights, understanding lease agreements, financial literacy, and relocation assistance could help them stabilize their housing situation. Funding to support and extend those efforts could focus on people and/or neighborhoods at the highest risk of displacement.

As an example, while doing engagement with renters in the St. Johns neighborhood, the Community Alliance of Tenants (CAT) met a group of renters facing harassment, eviction, and steep rent increases. BPS funded CAT and the St. Johns Center for Opportunity to support these renters so they could learn more about their rights to get repairs completed and advocate to remain in their homes. CAT provides renter's rights education and information and direct tenant support through trained volunteer tenant rights specialists. CAT also provides a renter's rights hotline that focuses on tenant education. CAT does not provide legal advice; rather, they provide support for tenant rights up to the point at which a participant needs legal aid. At this time, CAT can make a referral to Portland Defender, a private law firm, and Legal Aid Services of Oregon. In 2017 the Portland Housing Bureau, through its tenant protection program, provided CAT with an additional \$270,000 for outreach and engagement, renter services, and renter legal advocacy.

Financial Assistance

Financial assistance programs provide an array of monetary support, either with assistance in emergency situations or to access housing. Home Forward's Short-Term Rent Assistance (STRA) program pools funding from the their organization along with the City and County Joint Office of Homeless Services, Multnomah County Department of County Human Services, United Way, and the City of Gresham. Home Forward contracts with providers to deliver the STRA program to households who are experiencing homelessness or are at risk of homelessness in Multnomah County. Eligible expenses for STRA include financial assistance with rent, rent arrears, mortgages, motel vouchers, application fees, deposits and move-in expenses, housing debt, and limited "non-leasing" expenses needed to reduce or eliminate barriers to housing.

Incentives for Property Owners to Stabilize Renters

Providing incentives to property owners to rent to existing or new low-income tenants could help stabilize vulnerable groups.

The City could build on existing assistance efforts to homeowners for weatherization and home repairs by subsidizing weatherization or home repairs for property owners renting to low-income tenants.

Further, the City could incentivize property owners to rent new dwelling units to low-income tenants. Multnomah County's A Place for You pilot program built accessory dwelling units (ADUs) as transitional housing for homeless families and could be extended for other housing types allowed by the Residential Infill Project.⁷ In Austin, Texas, the Alley Flat Initiative supports the creation of affordable rental units if the homeowners offer the units at a rent affordable to people making 80% of the median family income or below (with rent not exceeding 28% of the tenant's income) for five years. Assistance includes reduced fees; expedited services; a design catalogue with a step-by-step guide to development and City-approved building plans for ADUs; and advocacy in resolving issues with City departments.⁸

The City of Portland offers System Development Charge (SDC) waivers for ADUs that will not be used for short-term rentals for 10 years. The City could extend SDC waivers to other types of housing units allowed through the Residential Infill Project if the property owner signs a covenant agreeing to rent to a household at a specified income level (60% to 80% median family income) for 10 years.

Expanding Homeownership Opportunities

Programs can help low- and moderate-income tenants purchase their homes. Limited equity cooperative homeownership models or other forms of cooperative or co-housing models of ownership can make homeownership more affordable. Cooperatives allow members to share the risk and responsibility involved in owning and maintaining a home. Peninsula Park Commons in North Portland, established in 2004, provides an example of co-housing with nine units. When available, units can be rented or purchased. Another project underway in the Interstate Urban Renewal and North/Northeast Housing Strategy Plan area will be developed by Proud Ground with 41 of the 50 condominium units to be permanently affordable, family-sized units serving households at a range of 35% to 100% of median family income.

Community land trusts are organizations that own land and provide long-term ground leases to low-income households to purchase homes on the land with agreement on purchase prices, resale prices, equity capture, and other terms. This model allows low-income residents to become homeowners and capture some limited equity as the home appreciates but ensures the home remains affordable for future homebuyers. Community land trusts may also lease land to affordable housing developers for the development or management of rental housing.

⁷ "A Place for You August 2018 Briefing," Multnomah County Idea Lab (August 2018), <https://multco.us/file/77423/download>.

⁸ *The Alley Flat Initiative* (2019), http://thealleyflatinitiative.org/?page_id=41.

STRATEGIES FOR VULNERABLE HOMEOWNERS

Combating Predation of Vulnerable Homeowners

The complexity of information about regulations, financing, and the development process has allowed for predation of vulnerable homeowners in the past. Much can be learned from the causes of and responses to the 2008 foreclosure crisis, which uncovered racially discriminatory real estate practices that resulted in a disproportionate number of homeowners of color losing their homes. The City could consult with nonprofits currently offering services to at-risk homeowners in order to learn more about the dynamics of vulnerability and predation (for example, targeting a vulnerable homeowner by reporting nuisance violations to coerce a quicker sale or reduced sales price) and collaborate on a variety of anti-predation education efforts.

One form of predation comes in predatory speculation, leading to “voluntary” displacement of homeowners (i.e., homeowners who sell their home after being given misleading information). The City could support educational and public awareness campaigns aimed to help low-income homeowners resist predatory real estate practices.

Homeowner Stabilization

The Portland Housing Bureau currently provides assistance to at-risk homeowners through home repair loans as well as foreclosure prevention assistance.⁹ These programs could be marketed in areas anticipated to see increased displacement risk.

Development Assistance and Financing

The complexity of information about regulations, financing tools, and the development process also creates a knowledge gap between well-resourced homeowners and low-income homeowners. Programs offer technical assistance to help low-income homeowners add ADUs and other housing types on their property. For example, Verde leads a community-based affordable ADU collaborative, with programs focused on creating benefits for both modest-income host families and lower-income rental housing occupants in displacement-impacted neighborhoods throughout Portland.

Pre-approved plans for ADUs or other housing types could help low- and/or moderate-income homeowners overcome barriers in the permitting process. The City could host a design competition to solicit plans and partner those with a lineup of potential funding partners for interested homeowners. City precedents for such a program include the Courtyard Housing Design Competition, which called for infill housing designs that promote more affordable family housing, and the Living Smart competition, which sought aesthetically pleasing designs for narrow houses and resulted in two permit-ready plan

⁹ “Homeowners,” Portland Housing Bureau (2019), www.portlandoregon.gov/phb/72624.

sets.^{10,11} The Living Smart program and its resultant permit-ready plan sets were cancelled due to lack of interest by developers, perhaps because of the plans' costly design, so any design competition or pre-approved plans created now should include strict cost constraints to remain relevant to both affordable housing developers and homeowners with moderate budgets.

Low-income homeowners also face barriers accessing capital to further develop their property, whereas access to capital is less of a barrier for developers and high-income homeowners. The City could help lower these barriers by partnering with local banks to offer home equity lines of credit and/or low-cost loans. The Federal Deposit Insurance Corporation (FDIC) promotes partnerships between banks and Community Development Financial Institutions (CDFIs). CDFIs fill a niche by specializing in providing credit to borrowers and communities that may be difficult for traditional banks to serve. Many borrowers may be creditworthy but often lack credit history, have a poor past experience with alternative or predatory credit providers, or have a minimal amount of personal savings. CDFIs offer products with more flexible underwriting standards, combine a range of below-market financing with their own resources, and provide technical assistance with their lending activities to help ensure that borrowers use credit and capital effectively.¹²

Efforts to combat disparities in both information and financing could include collaboration with existing efforts, such as the Portland State University's Small Backyard Homes Initiative, which is working with CDFIs and other financial institutions on loan products to make ADU development more affordable.¹³

As an example of a program supporting ADU development from another city, the West Denver Single Family Plus initiative will address involuntary displacement of homeowners through resources addressing general refinancing options, home equity, basics of ADU development, and high-risk mortgages, as well as an ADU handbook.¹⁴

A pilot "developer hub" in East Portland or other areas of the city with low-income homeowners and/or residents vulnerable to displacement could convene financing opportunities and education for low-income homeowners looking to develop additional units. Private developers could provide technical assistance to community development corporations looking to develop affordable housing or low-income homeowners looking to develop additional units.

¹⁰ "About the Project," *Portland Courtyard Housing Design Competition* (Bureau of Planning and Sustainability), www.courtyardhousing.org/about.html.

¹¹ *Living Smart: Designs of Excellence*, City of Portland (2004), www.portlandonline.com/bds/Living_Smart_Design_Excellence_Monograph.pdf.

¹² "Community Affairs Program – Strategies for Community Banks to Develop Partnerships with Community Development Financial Institutions," Federal Deposit Insurance Corporation (2014), www.fdic.gov/consumers/community/cdfi/index.html.

¹³ "Small Backyard Homes Initiative" (Portland State University, 2019), <https://www.pdx.edu/sustainability/small-backyard-homes-accessory-dwelling-units-adus>.

¹⁴ "Housing (the WDSF+ Initiative)," West Denver Renaissance Collaborative (2019), <http://www.mywdrc.org/wdsf.html>.

The Fair Housing Council of Oregon’s guide to examining local land use with a fair housing lens notes that certain groups of people have historically been excluded from amenity-rich housing areas. A 2015 rule from the U.S. Department of Housing and Urban Development requires jurisdictions receiving federal money to affirmatively further fair housing and identifies increasing integration and overcoming historic segregation patterns; and narrowing disparities in access to transit, education, and employment as key actions. In addition to increasing access to affordable development in high-displacement-risk areas, the City could use its housing opportunity lens to identify more exclusive neighborhoods and partner with community-based organizations to increase affordable housing options in those neighborhoods, consistent with Policy 5.22 of the 2035 Comprehensive Plan.

FUNDING MECHANISMS

Delivery of these programs will require additional resource commitment from the City of Portland, which could result in new programs for other bureaus and agencies (e.g., the Portland Housing Bureau) and partnerships with nonprofit organizations that serve low-income communities. Potential funding mechanisms are outlined below.

Housing Investment Fund

Funding for these strategies could come from the Housing Investment Fund, created to develop or preserve affordable housing in Portland or help low- and moderate-income individuals access affordable housing. Revenue sources for this fund include the short-term rental lodging tax, loan interest income, fee payments, cash transfers, and local shared revenues.

Affordable Housing Construction Excise Tax

The City’s Affordable Housing Construction Excise Tax (CET), effective August 1, 2016, provides another potential funding source. It levies a tax of 1 percent on all permits valued at \$100,000 or more to help fund affordable housing programs. All single-dwelling development over this value threshold is subject to this tax. Revenue from single-dwelling development after the proposed zoning changes go into effect could be earmarked for affordable housing development in single-dwelling zones or anti-displacement programming. The Residential Infill Project’s November 2018 economic analysis predicts \$6.1 billion in construction investment in the single-dwelling zones over 20 years, which would work out to \$61 million in Affordable Housing CET revenue. Assuming a construction cost of \$300,000 per affordable unit in the single-dwelling zones, for example, this revenue could fund 10 affordable units per year for 20 years, help bridge the gap between existing subsidies and financial need, or fund a variety of anti-displacement programs.

Charge an Anti-Displacement Fee

Similar to an SDC, requiring a fee for anti-displacement programming or affordable housing development would result in some public benefit in exchange for the increase in property value, sales price, and/or rental revenue that property owners could receive due to increased zoning allowances.

The fee could be structured as an additional construction excise tax that could be dedicated to development assistance for low-income homeowners and/or the creation of affordable units. This could be applied to development in single-dwelling zones. This fee would need authorization from the Oregon Legislature.

Leverage City and Regional Funds

Sources of City funding can be leveraged with grant funds and philanthropic program-related investments. Measure 102, passed by voters in November 2018, changed the Oregon constitution to remove the requirement that local governments retain ownership of housing projects funded with bond money, potentially opening new opportunities to fund and collaborate with nonprofit organizations and private-sector developers for affordable housing.

Voters have recently passed bonds for affordable housing in the City of Portland and Metro, part of which could be spent on affordable housing development in single-dwelling zones.

OTHER STRATEGIES

A number of policy toolkits can help inform the creation of a mitigation strategy:

- Partnership for Working Families: Policy and Tools www.forworkingfamilies.org/resources/tools
- HousingPolicy.org: Toolbox www.community-wealth.org/resourcetype/Toolbox
- PolicyLink: Equitable Development Toolkit www.policylink.org/resources-tools/affordable-housing
- All-In Cities: Policy Toolkit www.allincities.org/toolkit
- Association for Neighborhood and Housing Development: Policy Tools www.antidisplacementtoolkit.org/
- Grounded Solutions Network: Policy Toolkit www.groundedsolutions.org/sites/default/files/2018-11/17%20What%20About%20Housing%20-%20A%20Policy%20Toolkit%20for%20Inclusive%20Growth.pdf