



Bureau of Planning and Sustainability

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MEMO

DATE: February 25th, 2015

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SUBJECT: **March 10th PSC Work Session**
Housing Affordability & Residential Compatibility

INTRODUCTION

This report is intended to inform the discussion on housing affordability and residential compatibility policy issues in the Proposed Comprehensive Plan.

Discussion Issues

- A. Homelessness** – Consider policy options to create safe, sanitary and legal housing options for homeless and/or extremely low-income residents..
- B. Regulated Affordable Housing** – Consider setting a more specific policy target for the number of regulated affordable housing units.
- C. Balanced Communities (Role of Income Profile) vs. Housing Variety and Opportunity Areas** – The current (1980) Comp Plan has a policy that calls for creating mixed-income neighborhoods. The proposed Comp Plan modifies that approach by locating affordable housing in “high opportunity” or “complete neighborhoods”, regardless on the income mix.



- D. Gentrification/Displacement** – Consider how a “centers & corridors” growth strategy impacts displacement. Is the proposed set of draft policies on gentrification/displacement adequately address the issue?
- E. Residential Compatibility** – The proposed policy direction in Chapter 4 for lower-density residential areas outside centers and corridors as places of relative stability with policies that also promote creative infill to expand housing options. How should stability or compatibility be balanced with being supportive of expanding housing options?
- F. Residential Demolition** – Policies in the “Resource-efficient design and development” section of Chapter 4 prioritize re-use over demolition. How will these policies be implemented, and how does the Comprehensive Plan relate to regulatory changes being discussed by City Council?
- G. Single Family Residential Standards** – How do the residential compatibility policies in Chapter 4 impact single family development standards, like height, setbacks, and building coverage? How does this relate to the Mayor’s direction for BPS to review these standards?

INTRODUCTION: “HOUSING NEED” & “NEEDED HOUSING”

Oregon’s statewide planning goal, Goal 10, directs local jurisdictions to provide for the housing needs of the citizens of the state. It requires a buildable land inventory and for local governments to plan for housing types to meet the varying housing needs of local residents within their financial capabilities while allowing for flexibility of housing location, type and density. As part of meeting the housing needs of the population, Goal 10 provides a definition of “Needed Housing Units”:

Needed Housing Units – means housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels... also includes government-assisted housing.

Portland was home to 248,546 households in 2010. About 123,000 new households are expected in Portland between 2010 and 2035. Portland is growing and is in the midst of a housing development boom. Still, the city has been adding people faster than it has added housing. This has put pressure on the housing market and increased housing costs across the board.

- Since 2010, Portland has added ~27,000 new residents:
 - From 2010 to 2013, city population grew on average by 1.5% per year.
 - Put dramatically, we are adding nearly 25 new people a day!
 - Very few new housing units were built in 2008 and 2009, due to the collapse of the banking/financial industry, which meant that these new residents were competing for a limited supply of housing.

- Based on recent permit activity, we can expect the housing supply to increase significantly:
 - In 2014, Portland permitted 5,500 new units —the most since we started tracking this data in 1995.
 - From 2010 to 2014, Portland permitted over 15,000 housing units.

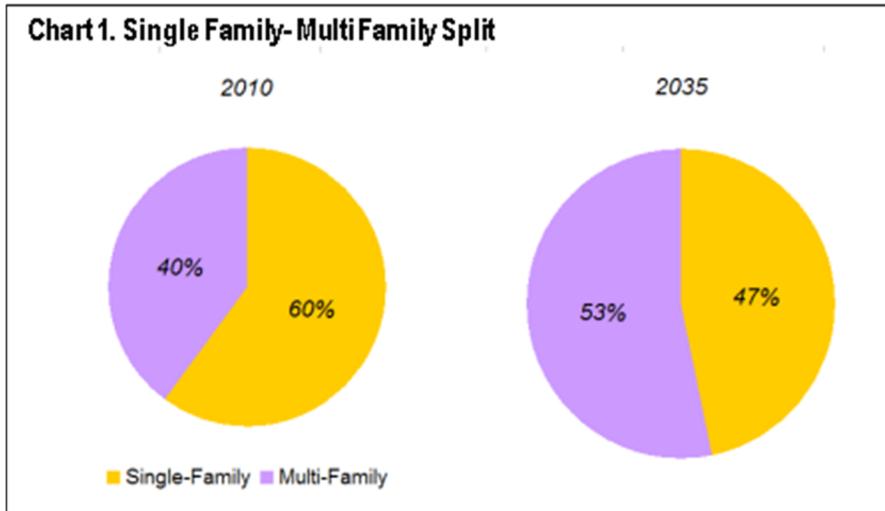
This cost pressure is most acute for our lower income families.

- Today about 30% of Portland households earn 50% or less of the city median family income (MFI).
- Today only ~7.5% (~ 20,300 units) of the housing stock is publically subsidized and maintained as affordable to those earning less than 50% of MFI.
- We know the need for housing for the lowest income households remains large and acute. Lack of housing choices for these households can result in homelessness, or long commutes.

The 2012 Metro growth forecast allocates 123,000 new units in Portland by 2035. The Buildable Land Inventory demonstrates that Portland has almost 230,000 units of zoned development capacity, almost double the amount needed to accommodate the 2035 growth forecast. So, Portland can accommodate the expected housing need. But, we also plan for housing in terms of affordability. The City will need to do more to address needed housing in terms of development regulations, incentives, and other direct investments to address housing affordability.

The 2013 *Growth Scenarios Background Report*, offers additional insights:

The unit mix or split between single-family housing types and multi-family will shift over the next 20 years. 80 percent of the new housing units are expected to multi-family units (apartments and condos), which will shift the overall unit mix from 60% to 47% single-family as most of the new development is in the Central City and in our centers and corridors.

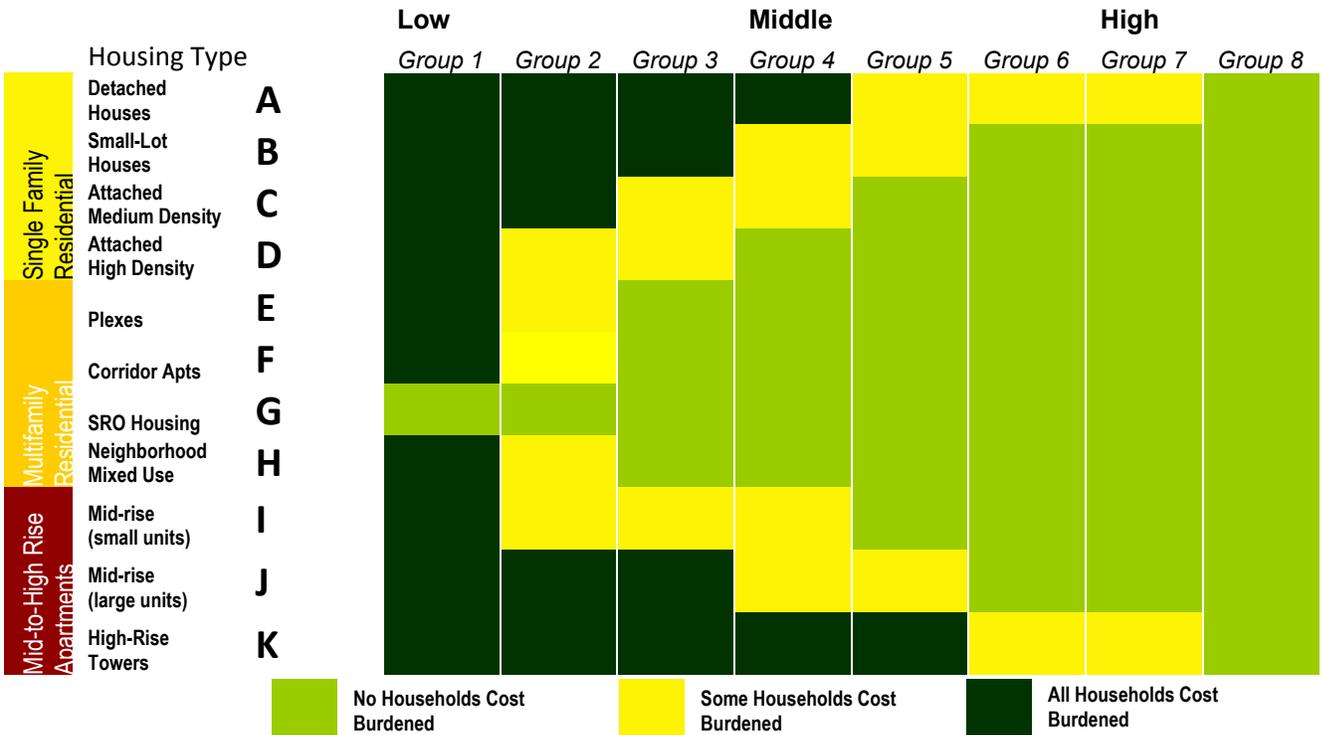


The overall housing need is divided into different income and household type groupings. In general, the diversity of the housing type production should be sufficient to produce enough housing units to meet the future demand, except for the low-income groups, which will have fewer choices from new development. For example, the number of households in the lowest income cohort is expected to grow by 25,000, but we only expect to supply another 10,000 units of housing affordable to that group (small SRO apartments).

Households by Income Type (2010-2035)								
	Household Type	Income	2010 Share	2010 Households	2035 Share	2035 Households	Percent Change	Amount Increase
Low	Group 1	<\$15,000	17%	43,004	18%	67,544	1%	24,540
	Group 2	\$15,000-\$24,999	13%	32,885	15%	56,285	2%	23,400
	Group 3	\$25,000-\$34,999	15%	37,944	16%	60,039	0%	22,095
Middle	Group 4	\$35,000-\$44,999	13%	32,885	13%	48,781	0%	15,896
	Group 5	\$45,000-\$59,999	13%	32,885	11%	41,276	-2%	8,391
	Group 6	\$60,000-\$74,999	8%	20,238	7%	26,268	0%	6,030
High	Group 7	\$75,000-\$99,999	10%	25,296	10%	37,523	0%	12,227
	Group 8	\$100,000+	11%	27,826	10%	37,523	-1%	9,697
	Total	-	100%	252,963	100%	375,239	-	122,276

Source: Metroscope, Gamma 2012

Housing Affordability by Household Type and Income Group:



A similar dynamic exists at the single family level – where the demand for compact small-lot or attached single family homes is expected to exceed demand (based on the Proposed Plan map). Some households seeking affordable home ownership opportunity will have to consider multi-family housing types (condos) or look to suburban locations because our single family supply is limited and tilted towards larger more expensive lots.

Affordability will continue to be an issue that will need to be addressed, especially to meet the needs of low-income households, communities of color, aging populations and people with disabilities. The City needs to focus on keeping housing affordable and increasing the ability of the most vulnerable households to live in complete neighborhoods. This can be achieved through building more affordable units in accessible amenity-rich locations, lowering transportation costs and increasing household prosperity, and improving services in areas that are affordable but not well served.

One approach is to encourage a wide range of housing choices. Producing a diverse supply of housing creates diverse communities with the opportunity for households to remain in their neighborhood as their lifestyles and housing needs change, especially in allowing older adults to age within their community.

Another strategy is to support development of new and nontraditional housing types. Changing household needs and preferences will create demand for new and different housing types. Recently, Portland has seen the development of different, non-traditional housing, such co-housing, micro-apartments and accessory dwelling units. For example, over 600 accessory dwellings have been built in Portland since 2010.

A. CREATIVE SOLUTIONS TO ADDRESS HOUSING NEEDS OF THE HOMELESSNESS POPULATION

Background information

The homeless population is most vulnerable to decreasing affordability and declining household prosperity. As resources to address the national crisis of homelessness continue to diminish, communities across the country are struggling to help families and individuals experiencing homelessness return to a home. Since 2005, the City of Portland, Multnomah County and Home Forward have jointly worked towards achieving the ambitious goals set out by the *Ten Year Plan to End Homelessness (Ten Year Plan)*. Highlights include:

- More than 12,000 homeless households found permanent homes. After 12 months, 84% were still stably housed;
- Opened the Bud Clark Commons, which includes a day center for housing access and services, emergency shelter for 90 men, and 130 units of permanent supportive housing;
- Launched Bridges to Housing, an innovative four-county collaboration providing permanent housing, intensive family services and child care for homeless families with high needs. By 2011, more than 187 families had been assisted.
- Nationally recognized Short-Term Rent Assistance program (STRA) was created in 2005 and consolidated federal, state and local funding from the City of Portland, City of Gresham, Multnomah County and Home Forward into a single, centrally-administered rent assistance and eviction prevention program.

The Reset Process was set in motion in 2012 and led to a new plan, *A Home for Everyone: A United Community Plan to End Homelessness in Multnomah County (2013)*. This plan focuses resources to support priority populations, particularly families with children, unaccompanied youth, adults with disabilities, women, and veterans to achieve the greatest benefit for most vulnerable amongst the homeless. Further, it focuses investments in six program areas to prevent and end homelessness, including housing, income and benefits, health, survival and emergency services, access to services and systems coordination.

Alongside the plan, efforts to address homelessness is informed annually by the Point in Time Count that provides a snapshot of homelessness in Multnomah County on one night in January. Data from 2013 showed more people sleeping outside in every neighborhood, families overwhelming shelters and a higher representation of Communities of Color than their respective countywide proportion. The 2013 count identified 2,869 people who were “literally homeless” – sleeping in an emergency shelter or unsheltered – on the night of January 30, 2013.

Proposed Comprehensive Plan Policy on Homelessness

The primary policy to address homelessness is:

Policy 5.39 Housing continuum. Prevent homelessness and reduce the time spent being homeless by ensuring that a continuum of safe and affordable housing opportunities and related supportive services are allowed, including but not limited to transitional housing, self-built micro housing communities, emergency shelters, temporary shelters such as warming centers and transitional campgrounds.

Comments and Recommended Responses

In addition to the traditional policies, there is a group of advocates that would like to see the City find creative ways to address the needs of our homeless population. The comments collectively call for creating low-cost safe, sanitary and legal units that are not necessarily built to the full specified standards for new construction. The phrase “self-built micro housing communities”, provides some direction, but is not as specific as some commenters have suggested. Following are excerpts from the relevant comments:

- Eli Spevak, Orange Splot LLC with support from several individuals from organizations like Housing Land Advocates, Oregon ON, Home First Development, Shelter Wise, and Cully Association of Neighbors (ad hoc committee representing Cully Neighborhood Association, the Living Cully Coalition, Our 42nd Avenue, and the Cully Boulevard Alliance) have advocated for a new policy to create housing options for homeless that meets all life safety requirements of the maintenance and landlord/tenant codes (ie. egress, smoke detectors, ventilation, hand/guard rails...), but not necessarily the full standards for new construction under today’s building and zoning codes.
- North Tabor Neighborhood Association supports a similar policy for movable, temporary tiny houses along unimproved streets, yards, alleys or other creative locations as a form of affordable housing.

Commission Direction



Options are:

1. Add a separate new policy to create safe, sanitary and legal housing options for homeless and/or extremely low-income residents that meet all life safety requirements of the maintenance and landlord/tenant codes (i.e. egress, smoke detectors, ventilation, hand/guard rails...), but not necessarily the full standards for new construction under today’s building and zoning codes.

Note:

- (1) There is general support for limited experimentation from Portland Housing Bureau (PHB) and Bureau of Development Services (BDS);
- (2) The Portland City Council accepted a report on Micro Community Concepts presented by a non-profit that proposes to build micro housing

No./Issue	Who testified	Recommendation	Rationale	Discuss?
New: Minimal life safety housing types	Eli Spevak, Housing Land Advocates, Oregon ON, Home First Development, Shelter Wise, and Cully Association of Neighbors	No change	Policy 5.39 provides enough direction to support zoning code changes to allow for innovative housing types.	<input checked="" type="checkbox"/>

B. TARGETS & TRACKING REGULATED AFFORDABLE HOUSING

Background information

Regulated affordable housing is defined as housing that is made affordable through public subsidies, agreements or statutory regulations that restrict or limit resident income levels and/or rents or sale price of the housing unit.

The Portland Plan set forth the following 2035 objective tied to affordable housing:

Access to affordable housing: Preserve and add to the supply of affordable housing so that no less than 15 percent of the total housing stock is affordable to low-income households, including seniors on fixed incomes and persons with disabilities.

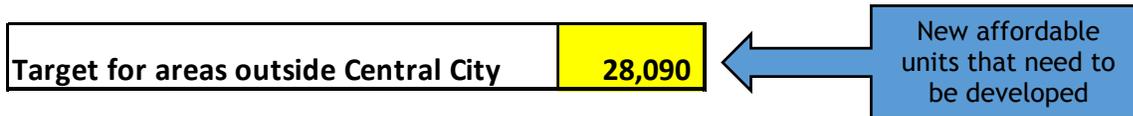
More recently (December 2014), the recommended draft of the West Quadrant Plan sets forth the following performance target for housing:

2035 Performance Target: Housing: 30 percent of all housing in the Central City will be affordable to households in the 0% to 80% MFI bracket.

Setting a target for regulated housing units that the city needs to aim for to achieve the 2035 objective. To get an actual count, the targeted share needs to be applied to the following:

The following table illustrates this calculation:

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



Sources: BPS Housing Data & Buildable Lands Inventory; Metroscope Gamma 2012 Projections; 2011 regional Inventory of Regulated Affordable Housing;

After factoring in Section 8 (Housing Choice Vouchers), which average about 8,000 low-income households in Multnomah County, the City will need to facilitate the production of approximately 1,000 units per year, each year to 2035.

Proposed Comprehensive Plan Policy on Housing Affordability

The primary policy proposal to the issue of production of affordable housing is the following policy in the proposed draft:

Policy 5.22 Housing preservation. Preserve and produce affordable housing to meet the needs that are not met by the private market by coordinating plans and investments with housing providers and organizations.

Notably, the draft language does not contain any numerical targets for preservation and production of affordable units.

Commission Direction



Options are:

1. Add an explicit policy that sets up a numerical target for preservation and production of regulated affordable housing along with mechanism for tracking the supply and performance. For consideration is the following suggestion:

No./Issue	Who testified	Recommendation	Rationale	Discuss?
New: Regulated Housing Target	Central City 2035, West Quadrant Plan discussions	Add a policy that sets a numerical target for regulated affordable housing	Target provides a benchmark to monitor performance over time	<input checked="" type="checkbox"/>

C. BALANCED COMMUNITIES vs. HOUSING VARIETY & OPPORTUNITY AREAS

Background information

Current (1980) Comp Plan policy and its objectives on *Housing Opportunity* reflect the desire for communities with economic diversity and a mix of housing types and tenures.

4.7 Balanced Communities

Strive for livable mixed-income neighborhoods throughout Portland that collectively reflect the diversity of housing types, tenures (rental and ownership) and income levels of the region.

Objectives:

- A. Achieve a distribution of household incomes similar to the distribution of household incomes found citywide, in the Central City, Gateway Regional Center, in town centers, and in large redevelopment projects.

However, the current Comp Plan update is modifying that approach by shifting the focus to encouraging housing, especially affordable housing, in high opportunity areas. The shift is guided by a combination of efforts:

- The Portland Plan’s Healthy Connected City strategy seeks to expand opportunities for Portlanders to live in complete communities offering a mix of desirable services and opportunities.
- The “Portland Housing Growth and Opportunity Analysis” collaboratively conducted by PHB and BPS calls for a dual investment strategy to invest in affordable housing in neighborhoods rich with opportunity and invest in infrastructure and other amenities in neighborhoods lacking opportunity.

Consequently, the current policy of striving for all neighborhoods to reflect the income distribution of the region as a whole is being replaced by a set of housing location policies. A policy to provide for variety in housing types in neighborhoods remains.

Proposed Comprehensive Plan Policies on Housing Location

The proposed Comp Plan includes the following policies address housing location:

- Policy 5.19** **Access to opportunities.** Improve equitable access to active transportation, jobs, open spaces, high-quality schools, and supportive services and amenities in areas with high concentrations of under-served and under-represented populations and an existing supply of affordable housing.

- Policy 5.20** **New development in high opportunity areas.** Locate new affordable housing in areas that are opportunity rich in terms of access to active transportation, jobs, open spaces, high-quality schools, and supportive services and amenities (see Figure 5-1: Housing Opportunity Map).

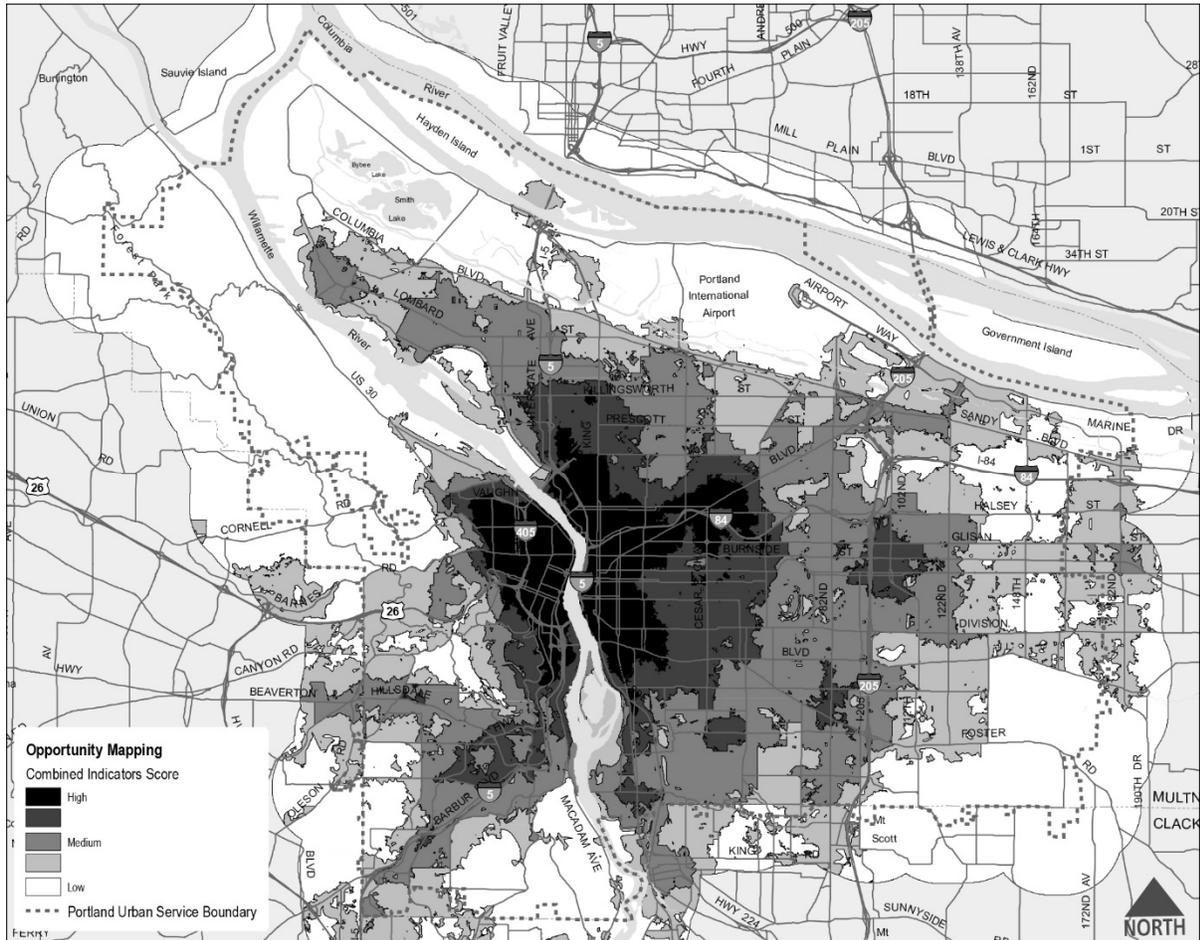
- Policy 5.21** **Higher density housing.** Locate higher density housing, including units that are affordable and accessible, in and around centers to take advantage of the access to active transportation, jobs, open spaces, schools, and various services and amenities.

- Policy 5.26** **Household prosperity.** Facilitate expanding the variety of types and sizes of affordable housing units, and do so in locations that provide low-income households with greater access to convenient transit and transportation, education and training opportunities, the Central City, industrial districts, and other employment areas.

There also is an applicable policy addressing income diversity in centers:

- Policy 5.27** **Affordable housing in centers.** Encourage income diversity in and around centers by allowing a mix of housing types and tenures.

Figure 5-1. Housing Opportunity Map



Comments and Recommended Responses

The public comments offered on this issue generally support the shift towards “access to opportunities”. The support is particularly strong from the members of Community Alliance of Tenants (CAT) who are essentially low-income tenants.

In addition to the public comments, the Neighborhoods and Centers PEG (Policy Expert group) debated this particular policy shift in 2012/2013 and shaped the set of proposed set of draft policies.

Commission Direction



Options are:

1. Endorse the proposed bundle of location policies (Policies 5.18 through 5.21)
2. Consider adding back a policy “balanced income profile” policy for areas that are largely skewed either towards high- income or towards low-income.

No./Issue	Who testified	Recommendation	Rationale	Discuss?
NEW: Balance Income Profiles		No change	Access to high opportunity/complete neighborhoods is more important factor	<input checked="" type="checkbox"/>

D. GENTRIFICATION and DISPLACEMENT

Background information

There is a concern among many that Portland is becoming a less affordable place to live in general. The general increase in housing costs in the city is a product of supply and demand. Portland is a desirable place to live. Demand for housing has significantly exceeded the development of new supply over the last decade. Prices are going up as a result.

Gentrification that leads to displacement is another aspect of increasing housing costs and has been a long-standing concern in Portland. Public investments in response to the desire for community enhancement and private investments in response to market demand for new development can increase a neighborhood’s attractiveness and livability. For many, neighborhood revitalization and growth is a positive change. Residents are able to enjoy the benefits and homeowners are able to have the value of their homes increase.

For others, new development in their neighborhood provokes concern that Portland is becoming less affordable. In some circumstances revitalization becomes gentrification where the negative consequences of rising housing prices and rents outweigh the benefits of neighborhood improvements. These consequences can include involuntary displacement of lower income households and a change in the ethnic and racial make-up of a neighborhood’s residents and businesses. These households may be pushed to move to lower cost housing often in areas with fewer services, amenities and institutions.

In the Portland Plan, the community expressed a desire to find ways to balance neighborhood revitalization with the ability of residents to stay in place to enjoy the benefits of that revitalization.

In 2013, the City prepared an assessment of the overlap between parts of the city that faced increased market and housing price pressure and that also were home to populations that were most vulnerable to this price pressure. This assessment highlights areas where the nature, size and timing of that impact might be mitigated especially if action is taken early.

In addition to public funding, actions to address displacement often focus on capturing part of the value created by private market development and using those resources to help produce permanently affordable housing or commercial space. To do this, the amount of value captured must still support the profitability of the private investment. The resources can then be used in a variety of ways to support affordable housing and retention of current residents and businesses. For these strategies to work, growth and investment must occur.

A dilemma of many interventions designed to mitigate gentrification-driven displacement is that these actions often increase the cost of developing housing. These additional costs can be passed on in the form of lower land values, lower profit margins and/or higher prices or rents. These additional costs could also suppress housing development by tightening economic feasibility of projects. At some point, constricting the supply of housing will drive prices up and fuel displacement.

Proposed Comprehensive Plan includes a suite of approaches to attempt to address gentrification that results in displacement:

1. **Housing production.** The development of more housing is essential to keep the housing market and housing prices in balance. Rising rents are often the result of demand exceeding supply. Low vacancy rates are a sign that there is a housing shortage. In the long run, continued development of new housing will help control housing costs, even if the newest dwellings are market rate. The proposed Comprehensive Plan map is intended to ensure there is enough development capacity to enable the private sector to continue to produce new housing units.
2. **Affordable housing preservation and production.** The existing 1980 Comprehensive Plan policies emphasized residential development and “no net loss” of overall housing capacity. However, the plan did not explicitly focus on the types of housing that are inherently more affordable. Policies 5.23 through 5.38 specifically address preservation and production of affordable housing.

The Comprehensive Plan does not set specific affordability targets, however the Portland Plan set the target that 15 percent of the housing in the city is affordable to households at the 0 to 60% median family income level. The draft Central City Plan includes a proposal that 30 percent of all housing in the Central City will be affordable to households in the 0% to 80% MFI bracket.

The Comprehensive Plan also does not identify all of the possible programs that could be considered in the pursuit of meeting the affordable housing goals and policies of the Comprehensive Plan. However, as stated in Policy 5.28, it acknowledges the need to “pursue a variety of funding sources and mechanisms to preserve and develop” affordable housing. This clearly gives policy support to exploration of many of the specific tools that have been recommended by the public as part of the Comprehensive Plan process such as land banks, bonuses and inclusionary zoning programs.

3. **Increasing affordable housing options in the locations with more opportunities.** Households seeking affordable housing in the private market often must look at locations that have reduced access to services, employment, transit and amenities. These locations also can have greater cost for households when housing and transportation are combined.

It is important to increase the supply of affordable housing in opportunity rich neighborhoods. These locations can be particularly beneficial to low income households. These are also locations where it can be more difficult and expensive to find affordable housing sites. The proposed Comprehensive Plan suggests a pivot to locate more affordable housing in/near centers and corridors, close to transit, and in inner neighborhoods with better access to jobs.

4. **Increasing the opportunities in underserved areas.** This approach complements the effort to build affordable housing in opportunity rich locations by trying to increase the number of those locations in the city. This also can address the inequities embodied in not making needed investments in underserved but growing areas of the city such as East Portland. Improving centers and corridors to have more of the elements of a complete neighborhood helps increase the supply of housing with these qualities desired by the market. Greater supply of housing and desirable locations helps bring supply and demand into better balance.
5. **Increasing community economic development in underserved neighborhoods.** Chapter 6, Economic Development, policies on *Neighborhood Business Districts*, especially policies 6.64, 6.65 and 6.67, brings a place-based approach to community economic development into the Comprehensive Plan. Part of the intent of these properties is to ensure the benefits of greater investment and growth in a neighborhood are shared by neighborhood residents and neighborhood serving businesses. The PDC Neighborhood Progress Initiative (NPI) is an example of a specific program toward these ends.
6. **Increasing household prosperity, upward mobility.** The economic development policies and plan map strategies continue to provide a place in Portland for middle-class jobs accessible to Portlanders without a college degree. Although the number of manufacturing and distribution jobs is not growing at the pace of other sectors, these jobs are still providing a critical upward mobility ladder for many families. Planning for an economy with living wage jobs is one of the clearest ways to combat involuntary displacement.
7. **MWESB provisions.** The City will continue to strengthen its contracting requirements to ensure public facility construction and public investment in neighborhoods actually benefits the people that live there. Implementation of Policy 6.31 is critical.
8. **Regulations.** BPS continues to explore legal options to incent affordable housing in the Central City and in other Mixed Use zones. The City's Office of Government Relations continues to work with the state legislature to expand what we can do.

Proposed Comprehensive Plan Policies

The relevant policies in the Comprehensive Plan include those that seek to preserve affordable housing and local businesses; increase the supply of affordable housing in gentrifying neighborhoods; and increase household and businesses assets to improve their ability to stay in their neighborhoods.

The proposed Comp Plan includes policies to address affordable housing, household prosperity and infrastructure investment that work in conjunction to address gentrification and involuntary displacement as Portland grows.

Chapter 5 Housing policies include a number of policies to address housing affordability and access to housing, but there are two key policies that directly address gentrification and displacement:

- Policy 5.13** **Preserving communities.** Encourage plans and investments to protect and restore the socioeconomic diversity and cultural stability of established communities.
- Policy 5.14** **Gentrification/displacement risk.** Evaluate plans and investments for the potential to cause gentrification/displacement in areas with concentrations of communities of color, low- and moderate-income households, and renters.
- Policy 5.15** **Involuntary displacement.** When plans and investments are expected to create neighborhood change, limit the involuntary displacement of under-served and under-represented people. Use public investments and programs, and coordinate with nonprofit housing organizations (such as land trusts and housing providers) to mitigate the impacts of market pressures that cause involuntary displacement.
- Policy 5.16** **Rebuild communities.** Coordinate plans and investments with programs that enable communities impacted by involuntary displacement to maintain social and cultural connections, and re-establish a stable presence and participation in the impacted neighborhoods.
- Policy 5.24** **Permanently affordable housing.** Evaluate plans and investments for their impact on the supply of permanently affordable housing. Increase the supply where practicable.

Chapter 6 Economic Development policies include policies that address the growing inequities in economic opportunity, especially to reduce racial, ethnic, and disability-related disparities, and involuntary displacement:

- Policy 6.30** **Disparity reduction.** Encourage investment in and alignment of public efforts to reduce racial, ethnic, and disability-related disparities in income and employment opportunity.
- Policy 6.31** **Minority-owned, woman-owned and emerging small business (MWESB) assistance.** Ensure that plans and investments improve access to contracting opportunities for minority-owned, woman-owned, and emerging small businesses.
- Policy 6.65** **Involuntary commercial displacement.** Evaluate plans, policies, and infrastructure investments for their impact on existing businesses.
 - 6.65.a Limit involuntary commercial displacement in areas at risk of gentrification and incorporate tools to reduce the cost burden of rapid neighborhood change on vulnerable small business owners.
 - 6.65.b Encourage the preservation and creation of affordable neighborhood commercial space to support a broad range of small business owners.

In addition, an intentional infrastructure investment strategy is essential. The City's infrastructure investment can help address gentrification by providing affordable housing, to fill service gaps, and reduce disparities.

Comments and Recommended Responses

The public comments on these policies are generally supportive of these policies and would like to see stronger policies. A coalition of community organizations submitted recommendations for anti-displacement policies at the Feb 24 PSC hearing. These extensive comments focused on the likely effects of the Proposed Comprehensive Plan on housing affordability and the displacement of low-income residents and people of color. Their overall message – the commitment to housing affordability and displacement is not matched by the commitment of resources and the articulation of concrete strategies. One of the main recommendations is expanded use of “Housing Affordability and Displacement Impact Analysis” and requiring mitigation.

Policy 5.11 in combination with Policy 5.28 provides a policy framework that will allow the City to implement many of the tools and strategies outlined in the letter.

Policy 5.11 **Impact analysis.** Evaluate plans and investments, and other legislative land use decisions to identify potential disparate impacts on housing choice and access for protected classes.

Policy 5.28 **Affordable housing resources.** Pursue a variety of funding sources and mechanisms to preserve and develop housing units and various assistance programs for households whose needs are not met by the private market.

Commission Direction



Options are:

1. Endorse the proposed bundle of gentrification policies.
2. Consider adding additional policies.

No./Issue	Who testified	Recommendation	Rationale	Discuss?
1. Policy 5.15 Involuntary Displacement	Coalition	Amend policy to be more active by inserting: “... (such as land trusts and housing providers) <u>to create permanently affordable housing in affected communities and mitigate the impacts...</u> ”	Extensive comments to focus on permanently affordable housing horizon.	<input checked="" type="checkbox"/>
2. NEW: Community Benefits Agreements	Coalition	Add policy to support wider use of Community Benefits Agreements as part of major investments and legislative land use decisions.		<input checked="" type="checkbox"/>

No./Issue	Who testified	Recommendation	Rationale	Discuss?
3. NEW: Land banking for affordable housing	Coalition	No change	Implementation tool, no policy needed.	<input checked="" type="checkbox"/>
4. NEW: Capture value added from investment	Coalition	No change	Implementation tool. More appropriate for City's state legislative agenda	<input type="checkbox"/>
5. NEW: Inclusionary Zoning	Coalition	No change	Implementation tool. Prohibited by State law. Part of City's state legislative agenda	<input type="checkbox"/>

E. RESIDENTIAL COMPATIBILITY

The proposed policy direction in Chapter 4 for lower-density residential areas outside centers and corridors as places of relative stability but policies also promote creative infill to expand housing options. How should stability or compatibility be balanced with being supportive of expanding housing options? Should the single-dwelling zone descriptions in Chapter 10 be correspondingly modified to emphasize continuity of form, versus specific units-per-acre metrics, in order to accommodate a variety of housing arrangements that are compatible with single-family housing characteristics?

Background information

The Proposed Comprehensive Plan policies and map direct the majority of Portland's growth to mixed-use centers and corridors, including the Central City. 80% of future housing growth is anticipated to take place in these mixed-use or multifamily areas, whose commercial/mixed-use and multi-dwelling zoning comprise 18% of Portland's land area. A much smaller portion of housing growth (20%) is anticipated to take place across the much larger amount of land with single-dwelling zoning (42% of Portland's land area), which are therefore expected to have a lesser degree of change.

A large amount of testimony has been received requesting that policies place an emphasis on maintaining the character of neighborhood residential areas (see Comments section, below). These comments have tended to include requests for both limiting demolitions (see Report Section F) and calling for new development that is compatible with the scale and characteristics of neighborhood residential areas. Other testimony called for allowing flexibility for a greater range of housing options within single-dwelling areas that are compatible in form with single-family houses.

A Chapter 3 goal and several Chapter 3 and 4 policies address the topic of the relative stability and continuity of neighborhood residential areas. Besides Chapter 3 policies related to continuing positive characteristics of the Inner, Eastern and Western neighborhoods, these include the following:

GOAL 3.C: Focused growth

Household and employment growth is focused in the Central City and other centers, corridors, and transit station areas creating compact urban development in areas with a high level of service and amenities, while allowing the relative stability of lower-density single-family residential areas.

Policy 3.2 Growth and stability. Direct the majority of growth and change to centers, corridors, and transit station areas, allowing the continuation of the residential scale and characteristics of Portland's residential neighborhoods.

Residential areas

There will be development and change, even in relatively stable lower density residential areas. These policies encourage designs and development that continue the existing development pattern. They also address design and development in lower density residential areas (see Glossary) outside of centers and corridors.

Policy 4.12 Adaptable neighborhoods. Encourage more housing choices to accommodate a wider diversity of family sizes, incomes, and ages. Allow adaptive reuse of

existing buildings and the creation of accessory dwelling units to serve the changing needs of a household over time.

Policy 4.13 **Scale and patterns.** Encourage design and development that complements the general scale, character, and natural landscape features of neighborhoods. Consider building forms, scale, street frontage relationships, setbacks, open space patterns, and landscaping. Allow a range of architectural styles and expression, and respect existing entitlements.

Policies 4.12 and 4.13 recognize that single-dwelling areas can continue to provide additional housing opportunities that can help meet Portland’s evolving housing needs, while retaining their single-dwelling character. Duplexes, accessory dwelling units, cottage clusters, adaptive reuse and new house-like structures with multiple units, are examples of housing types that can provide a range of housing opportunities in forms that are compatible with the characteristics of single-dwelling neighborhoods. Policy 4.13 includes a list of considerations, which is essentially a way of defining compatibility. This policy emphasizes building forms, scale, street frontage relationships, setbacks, open space patterns, and landscaping. It also notes that a range of architectural styles and expression can occur.

Comments and recommended responses

- Many testifiers (over 40) requested stronger policy support for maintaining the character of single-family areas and limiting demolitions. These testifiers also indicated a desire for new development to respect the scale and characteristics of neighborhood residential areas. Among this testimony, the Sabin Community Association testified that they were particularly concerned about redevelopment of houses outside of centers and corridors.
- Multiple testifiers (including the Northeast Coalition of Neighborhoods, the Concordia and the North Tabor neighborhood associations, and several individuals) requested policy support for maintaining the character of residential areas, but requested policies that support allowing a broader range of housing types in areas with single-dwelling zoning that are compatible with the form of single-family houses, such as duplexes, houses with both detached and internal accessory dwelling units, and multiple units in house-like structures.
- The Northeast Coalition of Neighborhoods and the Concordia Neighborhood Association testimony sought policy support for discouraging demolition that involved replacing sound small houses with new larger houses, particularly when no additional units are being created, but stated support for new house-like structures with multiple units in single-dwelling areas close to transit. Some of this testimony requested a change in policies for single-dwelling zones from the current definition that is based on units-per-acre, to one that is more form based.
- In contrast to the above testimony, multiple other testifiers, particularly neighborhood associations and individuals in Southwest Portland (including the Multnomah Neighborhood Association and Southwest Neighborhoods, Inc.), requested removal of policy support for corner duplexes. In some cases, this testimony associated corner duplex development with removal of more trees and higher lot coverage than would be the case with single house development. Regarding Policy 4.13 (Scale and Patterns), testimony from the Bureau of Development Services and the Sabin Community Association requested modifying or deleting the phrase “respect existing entitlements,” which seems to negate the rest of the policy and suggests that Zoning Code allowances trump this Comprehensive Plan policy.

Commission Direction



Options are:

- 1) Acknowledge that the proposed Comprehensive Plan policies sufficiently address concerns about both the compatibility of new development in residential areas and the need to accommodate a range of housing options in these areas, or
- 2) Revise the Residential Areas policies to more clearly reflect one of the following concepts:
 - These lower-density residential areas are places of relative stability, where new development is integrated into their general scale and character. While all places will continue to evolve and change, the single dwelling residential areas will not be places of major change in urban form and scale.
 - In lower-density residential areas, accommodate changing demographics and a range of household types by providing flexibility in how houses are used and allowing compatible infill development that provides additional housing opportunities

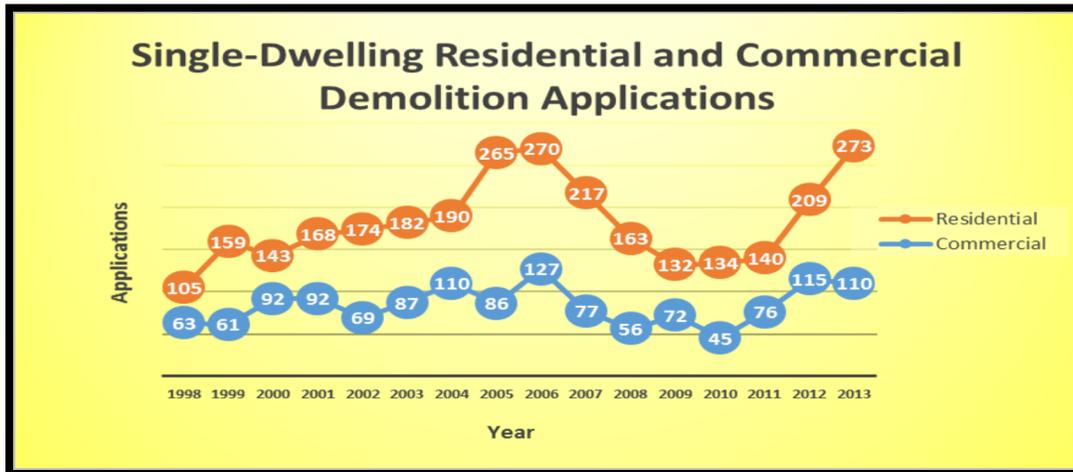
No./Issue	Who testified	Recommendation	Rationale	Discuss?
Policy 4.13 Scale and patterns	BDS, Sabin Community Association	Amend policy to delete: "... Allow a range of architectural styles and expressions, and respect existing entitlements."	Creates unnecessary confusion as to the intent of the policy	<input type="checkbox"/>

F. RESIDENTIAL DEMOLITIONS

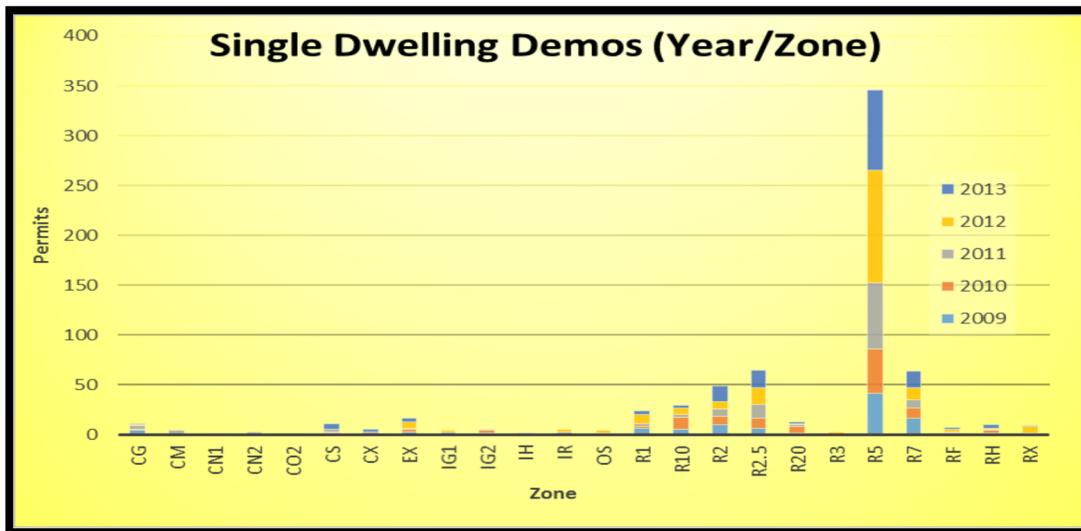
Background information

Residential demolitions has been the subject of passionate public discourse in the recent years as the number of demolitions continue to rise in Portland’s established neighborhoods. Especially distressing to the community is the demolition of modest sized homes selling for \$250,000 to \$400,000, and their one-for-one replacement with much larger homes selling for \$600,000 to \$1 million or more. The following charts document demolition applications (residential & commercial) and actual demolitions by zone from 1998 to 2013.

Permit Applications



Demolitions by Zone



Reacting to strong community concerns regarding demolitions, the City Council has been actively engaged in addressing this issue:

- The City Council accepted a report from the Portland Historic Landmarks Commissions on July 31, 2014.
- The Development Review Advisory Committee (DRAC) and the Bureau of Development Services (BDS) formed a subcommittee to address demolition issues and presented their findings and a companion ordinance to the City Council on December 17, 2014;
- City Council action on Feb 12, 2015,

The proposed ordinance addresses public concerns with issues like no delay for one-for-one replacement demolitions, definition of demolition, public notice requirements and an assessment of the recommended code changes by June 30, 2016.

Despite these actions, some stakeholders feel that the Comp Plan should include a policy to address demolitions as they relate to affordability and neighborhood character. The Proposed Plan includes demolition policies in the “Resource-efficient design and development” section (Policies 4.47, 4.48).

The following data highlights that the relationship of demolitions to housing production vary significantly between mixed-use and multi-dwelling areas compared to areas with single-dwelling zoning. Of the demolitions that took place that year, a small number of other demolitions (25) in areas zoned for multi-dwelling or mixed-use development produced a large number of additional housing units (407). This suggests a need for a policy approach to demolitions that treats centers/corridors differently from lower-density residential areas, if their respective roles in accommodation of housing growth are to be a consideration.

When we looked at the detail of demolition activity (2013 permit data), we find that more than half resulted in no additional dwellings (a 1-1 replacement or no replacement). When there is a new house built to replace the demolished home, BDS permit records also show that the new homes are typically about twice the size of the old. In other words, most demolitions are related to somebody building one bigger home to replace a smaller one. This suggests that demolition trends have much more to do with income disparity and gentrification than growth pressures.

Demolitions and New Housing Production (2013)

Types of Development Associated with Demolition (2013)	Demolitions	Percent	Additional Units/Lots Created
Single Family House (1:1)	121	42.8%	0
Lot Confirmation (1 or more new lots)	65	23.0%	72
Land Division (1 or more new lots)	39	13.8%	74
Multi-Dwelling, Commercial, or MXU	25	8.8%	407
Demo Only (No new development)	33	11.7%	0
Total	283	100.0%	553

Proposed Comprehensive Plan Policy on Demolition

The proposed Comp Plan includes scattered policies that address the issue of residential demolition and deconstruction:

- Policy 4.13** **Scale and patterns.** Encourage design and development that complements the general scale, character, and natural landscape features of neighborhoods. Consider building forms, scale, street frontage relationships, setbacks, open space patterns, and landscaping. Allow a range of architectural styles and expression, and respect existing entitlements. (Page GP4-7)

- Policy 4.38 Demolition.** Protect significant historic structures from demolition until opportunities can be provided for public comment, pursuit of alternatives to demolition, or actions that mitigate for the loss. (Page GP4-11)
- Policy 4.47 Rehabilitation and adaptive reuse.** Encourage rehabilitation and adaptive reuse of buildings, especially those of historic or cultural significance, to conserve natural resources, reduce waste, and demonstrate stewardship of the built environment. (Page GP4-12)
- Policy 4.48 Prioritize reuse.** Encourage maintenance, rehabilitation, and/or relocation of viable buildings over demolition and new construction. (Page GP4-12)
- Policy 5.33 Compact single-family options.** Encourage development and preservation of small resource-efficient and affordable single family homes in all areas of the city. (Page GP5-10)

Comments and Recommended Responses

At least a quarter of the public comments on housing policy are about the demolition issue. Some of the concerns are being directly addressed through the proposed code changes currently being weighed in by the City Council. Those code changes are not dependent on adoption of a new Comprehensive Plan, because the current Comp Plan already has policies that discourage demolition. However, there are many comments that would like new Comp Plan policy to more directly address the connection between demolitions and neighborhood character, housing affordability, solar access and tree canopy protections. Following are some excerpts from selected testimonies:

- United Neighborhoods for Reform (UNR) and its affiliates, backed by the support of 31 Neighborhood Associations.
- James Wygant, Portland resident:

The proposed changes to the City's Comprehensive Plan do not address the growing problem of demolitions of viable housing, followed by new construction. This has been the biggest source of land use complaints in virtually every neighborhood in the City. Any plan that fails to address this problem does not recognize what has become a catalyst for public demonstrations and neighborhood outrage.
- Concordia Neighborhood Association:

While we would love to find ways to slow down the wave of home demolitions, this proposal would allow us to live with the demolitions with the peace of mind that the replacement structures are at least helping us to achieve our broader community planning goals, bringing in more residents to help support neighborhood businesses, providing for more affordable housing, and reducing pressure on the Urban Growth Boundary.

- Doug Levin, Portland resident:

I am okay with demolishing old homes, if replacements make sense within the Comprehensive Plan and Climate Action Plan. I have seen new construction that makes no environmental sense. I don't know that such homes should be forbidden, but there should be related fees that encourage density and affordability and discourage excess square footage per occupant.

Commission Direction



Options are:

1. Acknowledge that the proposed Comprehensive Plan policies sufficiently address concerns about demolition.
2. Consider adding a policy to the Residential Areas policy section that discourages demolition of housing, particularly if the new development does not provide additional housing opportunities, similar to the language from the current (1980) Comp Plan policy that can guide demolition with replacement in ways that contributes towards affordability:

Policy 4.1, Objective H: Create alternatives to the demolition, without replacement, of structurally sound housing on residentially zoned property.

Consider adding stronger policy in Chapter 4 expressing a preference for retaining existing small homes – especially those in the 800 to 2,000 square foot range. This would further emphasize points already made in Policy 5.33, putting additional emphasis on preservation of existing small homes. Placement of this policy in Chapter 4 may give additional support for maintaining the existing character of many neighborhoods defined by their small homes.

No./Issue	Who testified	Recommendation	Rationale	Discuss?
1. Policy 4.48 Prioritize reuse		Move Policy 4.48 to Residential Areas section and make stronger emphasis to affordability.	Creates stronger connection single-family affordability	<input checked="" type="checkbox"/>
2. Policy 5.33		Move to Chapter 4	Additional emphasis on preservation of existing small homes and support for maintaining the existing character of neighborhoods defined by their small homes.	<input type="checkbox"/>

G. SINGLE-DWELLING DEVELOPMENT STANDARDS

How do the residential compatibility policies in the Comprehensive Plan (Chapter 4) impact single-dwelling development standards, like height, setbacks, and building coverage? How does this relate to the Mayor's direction for BPS to review these standards?

Background

The proposed Comprehensive Plan Map was based on a 30-50-20 residential growth strategy, with 30% of the anticipated household growth allocated to the Central City, 50% to other Centers and Corridors, and 20% to other residential neighborhoods outside of the Centers and Corridors. Approximately 24,600 new dwellings are expected in the single-dwelling designations (RF to R2.5). These units are distributed as follows:

<u>Residential Designations</u>	<u>% of Single-Dwelling Zone Growth Allocation</u>
Farm/Forest	1%
Single-Dwelling 20,000	3%
Single-Dwelling 10,000	12%
Single-Dwelling 7,000	20%
Single-Dwelling 5,000	40%
Single-Dwelling 2,500	24%

There are about 3,600 acres of vacant residentially-zoned land in single-family neighborhoods. That's enough to accommodate about 11,000 homes on vacant land, after factoring in things like slopes and environmental resource lands. The larger vacant lands are clustered in several specific semi-rural low density areas – Pleasant Valley, Sylvan, and along SW Boones Ferry Road. There are also several thousand other large semi-rural (but not vacant) lots, where zoning allows small subdivisions and several additional houses could be built. The largest concentration of these lands are in Powellhurst-Gilbert. The remainder of single family development would likely occur as individual infill houses on smaller underutilized lots throughout the city.

Proposed land use designations allow for 50-60% of new homes to be detached single-dwelling homes on large lots (5,000 square foot lots or larger). About 10-15% of new homes could be detached single-dwelling homes on small lots (2,500 to 5,000 square feet). About 30-40% of could be higher density attached homes. If current ADU trends continue, at least 3,000 new dwellings may be ADUs, many of them in the single dwelling zones.

Several thousand additional single-dwelling homes may be built in the multi-dwelling zones – primarily the R2 designation – where the allowed density range enables single-dwelling townhouse style development.

Concerns

Recent experience with infill has raised concern that some new residential development is unacceptably out-of-scale with the surrounding houses. Some of this infill includes demolition and replacement of existing houses. Some involves new development on historically platted skinny lots. Some community

members have seen this development as an unexpected increase in the number of houses on a block. The scale of the new buildings are criticized as being incompatible with neighboring houses.

On the other hand, one can see this development as meeting a market demand and housing need. It also represents desirable new investment and modernization of the city's housing stock. Since demand for housing in Portland single-family neighborhoods will continue to grow, it is important redesign our development rules to mediate these conflicts, while increasing the options for households to find housing in these neighborhoods.

Portland's new Comprehensive Plan policies call for "context-sensitive" development and for accommodating new growth. For example, Policy 4.13 calls for consideration of "scale, street frontage relationships, setbacks, open space patterns, and landscaping," while at the same time calling for maintaining "sufficient residential development capacity to accommodate Portland's projected share of regional household growth" (Policy 5.1)

Single Dwelling Code Project

At the Mayor's direction, the Bureau of Planning and Sustainability is launching a project to explore and develop implementation measures that support the proposed new policies. Key issues that will be explored include:

1. **Scale of Houses.** Concerns have been raised that some new infill development does not respond to the character of established residential areas due to the scale and massing of new development. Issues include: new development that is significantly taller than adjacent/nearby structures; development with significantly higher percentages of lot coverage; long and tall side walls, lack of features such as windows or trim details. This issue is often associated with full or substantial demolition of existing housing.
2. **Narrow Lot Development and Density:** In many parts of Portland, areas that are planned and zoned for single-dwelling residential development (predominately R5 zones) are experiencing development on historically created narrow and small lots. The result is new housing, generally at densities greater than anticipated by the Comprehensive Plan and Zoning Map or on lots that are smaller than typically allowed by the zone. Many community members see the development as incompatible with existing and expected neighborhood patterns. The fact that this allowable density is not easily "legible" by looking at zoning maps also creates confusion and uncertainty. In addition, City Council has recently expressed concern about some narrow lot development proposed in the R2.5 zone.
3. **Flexibility in Housing Stock.** There is a need for greater flexibility for existing and new housing in amenity-rich areas – the purpose is to promote retention of sound single-dwelling buildings while allowing for more intense use of these structures.

Project Timeline

The Bureau of Planning and Sustainability is requesting funds to begin this project the spring of 2015, and continue through FY 15-16. We anticipate an 18-month project timeline. The work will include data collection, public involvement, development of concepts and alternatives, code development, and the legislative adoption process.

Commission Direction: No PSC direction is requested at this time. This information is provided for context, since you are discussing housing and residential policy. We expect regulatory changes described above to come to the Commission for consideration in 2016.

Chapter 6 Policy Consent Recommendations

No. /issue	Who testified	Recommendation	Rationale	Discuss?
1. Policy 5.5 housing in centers		Amend policy to highlight need for family-friendly multi-family housing in centers.	Respond to comments urging emphasis on family-friendly multi-family.	<input type="checkbox"/>
2. Policy 5.40-5.45 Health and Safety		Identify policies that could have a "require" verb rather than an "encourage" verb.	Consider where the City already has regulatory requirements.	<input type="checkbox"/>
3. Policy 5.4 and 5.36	Staff	Consider "including but not limited to" language for these lists.	Clarify that it is not an exclusive list.	<input type="checkbox"/>