



Bureau of Planning and Sustainability

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MEMO

DATE: July 5, 2016
TO: Planning and Sustainability Commission
FROM: Deborah Stein, Principal Planner
CC: Susan Anderson, Director; Joe Zehnder, Chief Planner; Eric Engstrom, Principal Planner
SUBJECT: **Follow-up on the Proposed Residential and Open Space Zoning Map Update**

At the April 26, 2016 work session on the Proposed Residential and Open Space Zoning Map Update, the PSC provided preliminary direction to staff on the proposed Zoning Map, recognizing that the PSC will continue receiving public testimony through July 12, 2016, the date of the next scheduled hearing on the Proposed Draft of the Composite Zoning Map. The PSC asked staff a number of questions that entailed further research and analysis. This memo addresses your questions and is intended to inform upcoming deliberations on proposed Zoning Map changes.

Questions raised on April 26th

The PSC asked for additional data to better understand who is likely to benefit or be burdened by proposed Residential Zoning Map changes. You asked us to review demographic data and evaluate the implications of possible Residential Zoning Map changes on:

- The racial composition of neighborhoods;
- Intergenerational wealth creation; and
- Potential displacement of lower-income residents, particularly communities of color.

The PSC also asked for a better understanding of how the Zoning Review Areas (ZRAs)¹ fit into the growth assumptions documented in the Comprehensive Plan Update Growth Scenarios Report (July

¹ Zoning Review Areas are places where the 1980 Comprehensive Plan Map anticipated greater residential density than allowed by the current Zoning. The Proposed Draft of the Residential and Open Space Zoning Map Update (March 2016) describes the process staff used to evaluate ZRAs for suitability and readiness for zone changes, based on an evaluation of factors including infrastructure constraints and conditions, actual built densities, recent market activity, demographic data and policy direction in the 2035 Comprehensive Plan.



2015). Specifically, the PSC asked: *How would the city's residential growth projections be affected if Zoning Map proposals that are now under consideration were not approved?*

Policy support for expanding housing options

A variety of policies in the 2035 Comprehensive Plan support expanding housing choices to meet the evolving needs of Portland households. Adding capacity for new housing in locations with good access to transit, services and amenities and minimal development constraints is fully consistent with policy direction endorsed by the PSC and adopted by City Council. There are various ways to accomplish this: through Zoning Map amendments (some of which are now before the PSC in the Proposed Composite Zoning Map, and others that may be considered in the future); through potential amendments to the Zoning Code (some of which are under discussion through the Residential Infill Project and others that may be considered in the future); and through development incentives that could make it more feasible or desirable for a property owner to develop at a higher residential density than what is built today.

What portion of the “20%” in the 50/30/20 growth plan do the ZRAs represent? What is lost by not up-zoning these areas?

The ZRAs have an estimated capacity of almost 1,000 dwellings. This represents less than 1% of the total citywide growth forecast, but about 5% of the dispersed residential growth (ZRAs are 5% of the 20%). The ZRAs would all be proposed as R1, R2 or R2.5 zones, where staff have recommended a change. The ZRAs in total represent about 7% of the total capacity of those three zones.

- The R2.5 ZRA areas provide about 11% of the citywide R2.5 capacity.
- The R2 ZRA areas provide about 1% of the citywide R2 capacity.
- The R1 ZRA areas provide about 3% of the citywide R1 capacity.

2035 housing capacity is calculated based on the Comprehensive Plan Map, which provides enough capacity to accommodate anticipated residential growth through the 20-year planning period. Not all of the capacity must be zoned at the beginning of the planning period, as long as the Comprehensive Plan allows for the zoning in the 20-year future.

That said, the R1, R2 and R2.5 zones allow small-lot detached and attached houses (an aspect of the “missing middle”). Houses built in these zones tend to be smaller starter homes, in comparison to the larger lots/homes in R5 and R7. Although Portland has adequate land for housing in the aggregate, our growth scenario forecasts suggest there will be a tight supply in some housing types. This is especially true for the kind of entry-level small-lot housing (“missing middle”) allowed in R1, R2 and R2.5 zones. Portland has a lot of land available for apartments, and a lot of land available for larger homes on 5,000-square-foot lots, or larger. But our economic analysis suggests that most people in the region will not be able to afford large-lot housing. Unless we can make more land available for entry-level homes, many young families will be living in apartments because they won’t find other options, and the larger homes will be out of reach economically. In the absence of these zoning changes, the “missing middle” housing supply would further shrink by a small amount.



There is also a geographic element. In our housing policies, we say that we want to create more housing opportunity in close-in areas, near services (see attached opportunity map). The Zoning Review Areas are all in relatively good locations, from an access-to-opportunity point of view. There are limited opportunities for new development in high opportunity areas. The ZRAs, for example, provide almost 20% of the R2.5 capacity in the Inner Neighborhoods. Outside of these ZRAs, a large share of the city's remaining supply of R1, R2, and R2.5 zoning is in North and Outer East Portland. In the absence of these Zoning Map changes, we would expect to see a larger share of the "missing middle" housing built in East Portland or North Portland, because that is where the other available lots are.

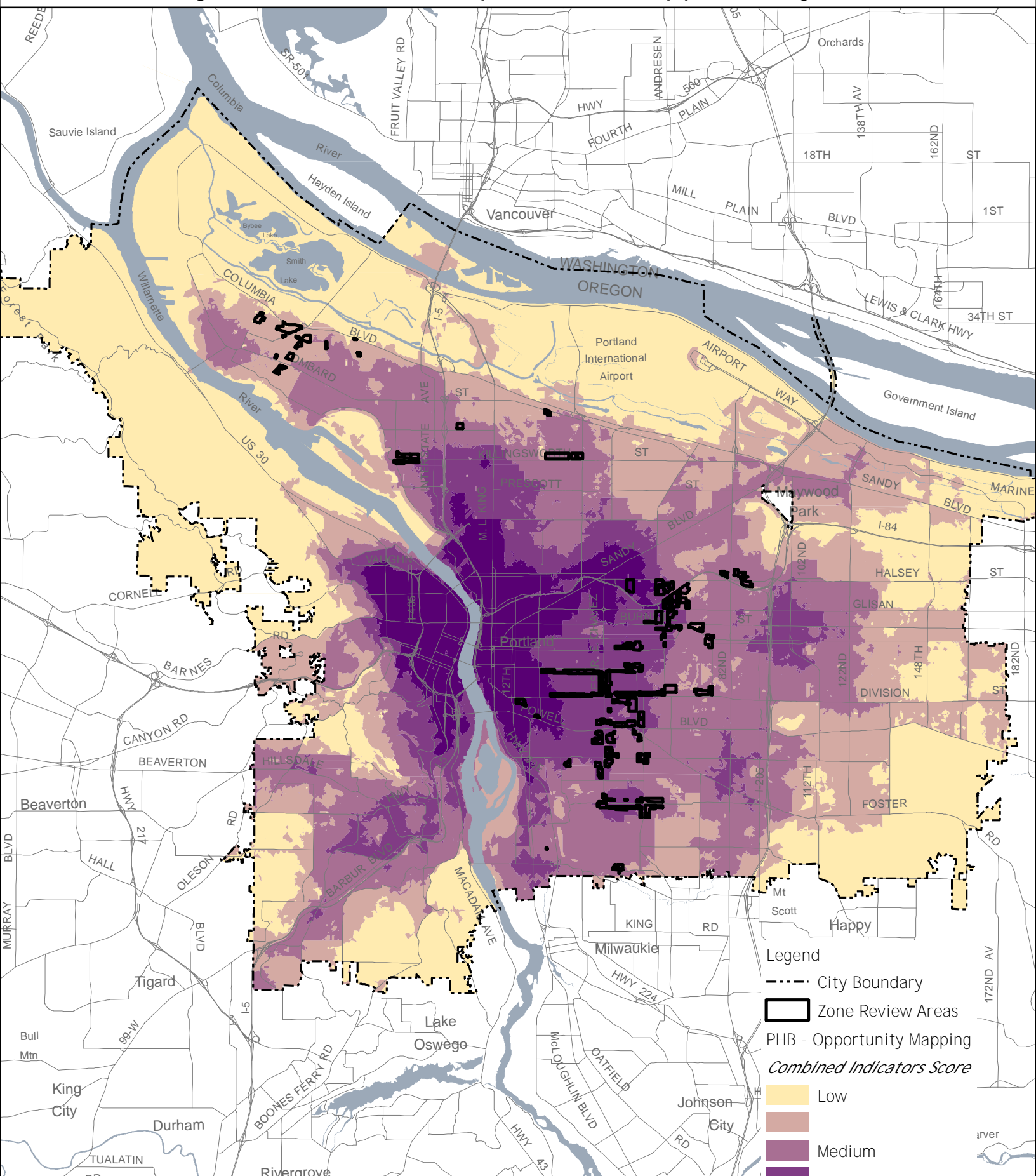
Essentially, choosing to not up-zone these areas would be working against the "middle housing" and "access to opportunity" housing policies.

Who potentially benefits and who is potentially burdened by Residential Zoning Map changes?

- **Portlanders generally:** All Portlanders benefit from living in a city that offers a broad spectrum of housing options, including a range of sizes, types, locations, ages and prices to correspond with the evolving needs of Portland's population. New housing is generally more expensive than existing housing, all other factors remaining equal. But adding to the city's supply of housing units - particularly of smaller homes and housing types that aren't readily available, such as accessible units – can lessen the pressures of today's tight housing market and open doors for a wider range of Portlanders to purchase or rent.
- **Households seeking housing:** Proposed Zoning Map changes may open up opportunities for new construction, or internal conversions of existing structures, and development of various single-dwelling housing types, such as duplexes and attached houses, allowed in R2.5, R2, and R1 zones. An expanded supply of smaller units can provide both homeownership and/or rental opportunities in neighborhoods with access to transit, services and amenities.
- **Renters in areas proposed for Zoning Map changes:** Where a neighborhood includes a high percentage of renters, a change of zoning is more likely to present a risk of displacing current residents, who would not have a choice in whether or not a property were redeveloped to take advantage of expanded development potential. In the review of Zoning Review Areas, staff considered the renter/owner composition of each area and did not recommend Zoning Map changes where the percentage of renters was high (i.e., exceeded the citywide average), except where a substantial portion of the housing stock is already in multi-family development, and/or at a greater residential density than what the current zoning allows to be built
- **Property owners in areas proposed for Zoning Map changes:** An increase in residential density most often provides a property owner with the choice of adding one or more dwelling units

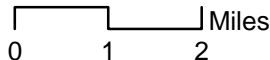


Zoning Review Areas Compared with Opportunity Areas



June 21, 2016

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(depending on the zone change). Addition of residential units would generally increase the sales price of any given property. This will range by location, based on a host of factors and market conditions.

Some testifiers have asserted that an increase in residential zoning represents a decrease in property value. This is not likely to be true when measuring a property's real estate valuation, since the increase in the potential for additional units would generally increase the sales price of any given property. However, the *perceived* value of a neighborhood may decrease for a property owner who wants to maintain the status quo, if a neighboring property is redeveloped with a duplex or multi-dwelling structure while other houses in the neighborhood are uniformly single family houses. Findings from recent research do not support arguments that increasing density weakens the quality of a neighborhood. Instead, research finds that increases in residential density allowances might increase surrounding single family residential property values.²

For a long-term property owner, an increase in property value based on the potential for an additional residential unit (through an addition or redevelopment) may represent a significant form of wealth creation that can be passed on to the next generation. Zoning changes to R1, R2 or R2.5 zones also present opportunities for long time property owners to add additional residential units that support multi-generational housing.

In neighborhoods with a relatively larger population of minority residents, this may be a benefit to those long-term property owners who eventually choose to sell, but may precipitate neighborhood turnover and alter the racial composition of a neighborhood because the redevelopment potential may attract real estate speculation.

Cumulatively, this could significantly erode the stability and demographic cohesion of a neighborhood that is historically Black or comprised of other communities of color (as has occurred notably in North and Northeast Portland, where well-established cultural enclaves have been displaced). On the other hand, retaining existing zoning patterns that limit development to single-dwelling homes will not necessarily stem the tide of neighborhood demographic change; most of the neighborhoods where these ZRA changes are proposed have become less racially diverse and more affluent with *current* zoning in place, at a rate generally outpacing changes at the citywide level.

To what degree will a change from R5 to R2.5 precipitate redevelopment?

A single-dwelling home zoned R2.5 could possibly be redeveloped into a duplex given a sufficiently large lot size, or possibly redeveloped into another, likely larger, single-dwelling house. Alternatively, it may remain unchanged for years to come. Which of these outcomes is more likely for a given home or neighborhood depends greatly on the location and the market.

² Sohn, Dong Wook, Anne Vernez Moudon, and Jeasun Lee. "The Economic Value of Walkable Neighborhoods." URBAN DESIGN International Urban Des Int 17.2 (2012): 115-28. Web.



Currently, where houses are relatively more affordable, houses that are demolished are more commonly redeveloped with larger, more expensive single family houses. In neighborhoods where land values are higher, it may only be financially feasible for a single family house to be redeveloped with multiple units.

ZRAs with a proposed zone change to R2.5 are also areas that are mostly owner-occupied; owners would be choosing to move if they decided to redevelop, rather than facing involuntary displacement. If redevelopment occurs, location and market factors will influence whether a house is replaced by one or two units.

Racial composition of neighborhoods and displacement potential

Staff originally analyzed Zoning Review Areas for suitability and readiness for Zoning Map changes following an evaluation process that is summarized on pp. 13-15 of the *Residential and Open Space Zoning Map Proposed Draft* (March 2016). As part of this evaluation process, staff:

- Identified areas where residential zoning has been lower than what the Comprehensive Plan Map shows.
- Ruled out areas outside the Inner Neighborhood pattern areas, since these would generally not further the goal of increasing the variety of housing near high opportunity areas with strong infrastructure³.
- Conducted a multi-factor analysis considering the suitability of infrastructure, proximity to centers and transit, and rate of non-conforming development, to arrive at a composite score.
 - From this score, three areas were eliminated from further consideration because of location, infrastructure, and natural constraints.
 - For areas with a moderate or high score, staff considered data and maps for other factors, including displacement risk factors, specific location of recent development, and other factors presented through resident comments.

In response to PSC direction on April 26, 2016, staff have further reviewed demographics for areas recommended for Zoning Map changes, with a focus on race and potential indicators of displacement risk.

This data was not used as a determining factor in any one individual map change, but instead was used to test and evaluate the overall impact of all residential map changes. Recent federal guidance warns that rezoning decisions that primarily benefit or burden one group over another can be problematic under the federal Fair Housing Act. For example, if most down-zoning occurred in white high income neighborhoods, the plan could be judged to have a discriminatory effect, even if it was not intentional.

Taken on average (weighted by the proportion of properties proposed to change), the racial composition of areas where staff recommended a Zoning Map change does not differ significantly from

³ Initial conversations were held with the Cully neighborhood on the subject of these areas, but Cully was not formally included in the set of Zoning Review Areas due to strong concerns about the lack of infrastructure and community stability.



areas where staff have not recommended a change (Figure 1), and figures for median household income are also comparable.

Figure 1: Comparison of ZRAs, Proposed for Zone Change or No Change

Demographic Factor	Proposed Change	No Change	Citywide
White	83%	83%	77.4%
Black or African American	4%	3%	6.1%
Asian-American	5%	7%	7.5%
Hispanic/Latino	5%	5%	9.6%
American Indian/Alaskan Native	<1%	<1%	0.8%
Native Hawaiian/Pacific Islander	<1%	<1%	0.5%
Biracial/Multi-racial	5%	5%	4.6%
Bachelor's Degree or Higher	53%	44%	44.4%
Renter Households by Property Data	31%	33%	47.2%
Household Median Income	\$63,000	\$65,000	\$53,230
Total Lots	3158	979	-

Comparing only ZRAs with an existing Comp Plan designation of R2.5 (Figure 2), the two sets are again close: an average 29% of households are renters in areas proposed to change, versus 27% in areas not changing, versus 47% citywide. The difference in median household income appears somewhat more noticeable, though both figures are greater than the citywide median.

Figure 2: Comparison of ZRAs with Current R2.5 Comp Plan Designation Only

Demographic Factor	Proposed Change	No Change	Citywide
White	84%	83%	77.4%
Black or African American	3%	4%	6.1%
Asian-American	5%	7%	7.5%
Hispanic/Latino	5%	4%	9.6%
American Indian/Alaskan Native	<1%	<1%	0.8%
Native Hawaiian/Pacific Islander	<1%	<1%	0.5%
Biracial/Multi-racial	6%	4%	4.6%
Bachelor's Degree or Higher	55%	44%	44.4%
Renter Households by Property Data	29%	27%	47.2%
Household Median Income	\$66,000	\$73,000	\$53,230
Total Lots	2523	726	-



Among ZRAs with an existing Comp Plan designation of R2, R1, or RH (Figure 3), those proposed for a zone change are still somewhat comparable to those not proposed for change. Those areas proposed not to change have a somewhat higher proportion of renters and lower median income.

Figure 3: ZRAs with Current R2, R1, or RH Comp Plan Designation

Demographic Factor	Proposed Change	No Change	Citywide
White	80%	78%	77.4%
Black or African American	7%	4%	6.1%
Asian-American	6%	9%	7.5%
Hispanic/Latino	5%	9%	9.6%
American Indian/Alaskan Native	2%	1%	0.8%
Native Hawaiian/Pacific Islander	<1%	<1%	0.5%
Biracial/Multi-racial	4%	7%	4.6%
Bachelor's Degree or Higher	46%	40%	44.4%
Renter Households by Property Data	39%	44%	47.2%
Household Median Income	\$55,000	\$48,000	\$53,230
Total Lots	602	248	-

Beyond the broad comparisons, we also looked at outlier areas within the ZRAs with regard to demographics. An outlier among ZRAs proposed for a zone change is Piedmont, a more racially diverse area with a lower median income than the other ZRAs. Communities of color also appear disproportionately represented in the renter population here. ***In this situation, staff is recommending to respond to community concerns about displacement by reversing their previous proposal and not up-zoning the Piedmont Zoning Review Area.*** As one of the smaller ZRAs (33 taxlots), the corresponding diminished capacity for diverse housing types may not be great enough to outweigh the more immediate displacement risk.

In the North Tabor and Rose City Park ZRAs nearest the 60th Ave MAX Station, staff also see a higher proportion of renters, and a higher relative proportion of people of color. However, this area also has a significant extent of existing multi-family development, both in multi-family zones outside the ZRA, and in non-conforming development. Census data confirm that most renting households in these areas live in housing types that are not buildable in the existing R5 zoning, including duplexes, triplexes, and apartment buildings of various scales. In these situations, staff is maintaining the recommendation to change zoning.

Area-Specific Data

In ZRAs with relatively larger communities of color and renter populations, we have also investigated disaggregated population data with greater detail. Data on tenure by number of units in a building, illustrates whether renter households actually live in the types of structures most apt to be redeveloped.



Information on tenure by race seeks to address whether or not communities of color are disproportionately represented among renter households⁴.

Most often, households of color, taken as a whole, were renting at similar rates to the overall proportion of renter households for a given block group area. Two ZRAs stood out as areas where people of color are disproportionately represented among renter households: Piedmont, and Rose City Park. For Rose City Park, this disproportionate representation appeared strongly in one of two relevant block groups, however, multi-family zoning covers most of the area, and just 7% of renter households live in detached single-dwelling houses. Often, different communities have divergent experiences; for example, in Concordia, African-American households are more likely to own their home than the average of the block group area, while Hispanic and Latino households may be more likely to rent. These situations are detailed by specific area below.

Concordia 1: NE Killingsworth. R5(R2.5)
196 taxlots

- As a whole, communities of color are proportionately represented among renter households in this block group area. Hispanic and Latino households are somewhat disproportionately represented among renters, and likely represent about 10 households in the area of nearly 200 taxlots.
- Black or African American households in the block group area are more likely to own their home than the average area household, despite being overrepresented among renter households citywide.
- Since the 2000 Census, this area has seen substantial changes—what used to be an area 55% White and 31% Black has become 72% White and 19% Black.

Creston-Kenilworth, South of Gladstone. R5(R2) & R5(R2.5)
60 taxlots

- As a whole, communities of color are proportionately represented among renter households in this block group area. Asian-American households, the largest minority (5.9% of area population), are more likely to own their home.
- 25% of renters in the block group area rent detached single-dwelling homes.

⁴ **Notes on the data:** This information is based on sample estimates from the American Community Survey (ACS) 2010-2014 5-year data. Due to relatively small populations of communities of color in many of these areas, data about tenure by race for smaller populations often yielded figures where the margin of error exceeds the total household population, so that information has sometimes been inferred. Note also that where we discuss households by race, the Census Bureau defaults to the “householder,” which can be any adult household member, but is most often the person whose name is on the deed, lease, etc. This can also obscure multi-racial households. More detail on available data is given in the Appendix.



Creston-Kenilworth, Near SE Foster & Powell. R5(R2.5)

31 taxlots

- As a whole, communities of color are proportionately represented among renter households in this block group area. Almost all Hispanic and Latino households, and Biracial/Multi-racial households, within this block group area are renters, though they likely represent 5 or fewer households combined. The ZRA appears to have far more owner-occupied households than the surrounding block group.
- 18% of renter households in the block group area rent detached single-dwelling homes.

Creston-Kenilworth, North of Gladstone. R5(R2.5), R5(R1), R2(R1)

124 taxlots

- As a whole, communities of color are proportionately represented among renter households in this block group area. Hispanic and Latino households are somewhat overrepresented among renters, and are estimated to represent about 7 households in this 124 taxlot area.
- Just 6% of renter households in the block group rent detached single-dwelling homes and just 3% rent in duplexes.

HAND. R2(R1) and R2.5(R1)

50 taxlots

At the 2000 Census, this area was 80% White, but now measures over 97% White, even as comparable citywide figures show the city as having a small decrease in the overall proportion of White residents during that time period.

- As a whole, communities of color are proportionately represented among renter households in this block group area.
- 20% of renter households in this area of HAND rent detached houses. Nearly 2/3 are renting units in triplexes or multi-unit unit buildings.
- In the West ZRA boundary, there are four REACH-owned properties maintained as affordable housing, totaling eight units, providing additional stability to the neighborhood



North Tabor, North of Glisan. R5(R2.5), R5(R2), R5(R1)
228 taxlots

- In the overlapping block groups for this ZRA, communities of color are overrepresented in the renter population. This is particularly true for Black and African American households.
 - The block group containing areas of the ZRA *East* of 65th, where all proposed changes would be from R5 to R2.5, 0% of Black or African American households responding to the ACS were renters. The disproportionate representation applies to the *West* block group, which also contains more multi-family zoning and existing multi-family development. In the block group *West* of 65th, North of Glisan, fewer than 7% of renter households rented single-dwelling homes.
- The block group area contains an existing extent of multi-family zoning and some non-conforming multi-family development, including affordable housing near the 60th Ave MAX Station.
- East of 65th, still more than half of renter households live in buildings with two or more units.
- The area of North Tabor is one of the few ZRAs that has seen a small *increase* in the Black or African American population since the 2000 Census, although other communities of color have seen small decreases.

North Tabor, Between Burnside and Glisan: R2(R1)

12 taxlots

- As a whole, communities of color are proportionately represented among renter households in this block group area. Hispanic and Latino households are somewhat overrepresented, but there is most likely one or zero such households within this small ZRA.
- 4% of renter households in the block group rent single-dwelling homes, and 27% live in attached or duplex units.

North Tabor, North of Burnside, West of 60th, proposed not to change. R2(R1)

91 taxlots

- As a whole, communities of color are proportionately represented among renter households in this block group area. Hispanic and Latino households are overrepresented; assuming the ZRA is representative of the block group, one would expect about seven Hispanic/Latino renter households within this area.
- 9% of renter households rent single-dwelling homes, and 19% live in attached or duplex units.



Piedmont. R5(R2.5)

33 taxlots

Piedmont has seen substantial loss of the Black and African American population in particular. In the 2000 Census, over 27% of this block group reported as Black or African American, versus 16% now. The Asian-American population has also dropped from 5.2% of this block group to just 0.8%, and the Hispanic or Latino population has reduced slightly, even as citywide representation has increased.

- As a whole, communities of color are somewhat overrepresented as renters in this block group, particularly Black/African American households and Hispanic/Latino households. In this small ZRA, one would expect about five renter households of color.
- 35% of renter households in the block group are renting single-dwelling detached homes.

St Johns 2, R5(R2.5)

132 taxlots

- As a whole, communities of color are not overrepresented as renters. Households identified as Biracial/Multi-racial are however, and one would expect about 10 such renter households in the ZRA.
- 47% of renter households rent detached single-dwelling homes.

Reed 1 (26 of 65 properties proposed for upzone to R2.5)

- As a whole, communities of color are not overrepresented as renters in the related block group area. Households identified as Biracial/Multi-racial are however, and one would expect about 2 such renter households in the ZRA.
- 47% of renters in this block group live in a building with at least 50 units, of which there is only one example, a Home Forward property outside of the ZRA boundaries. The Home Forward property may at least partially account for the somewhat lower median income, and the higher proportion of residents qualifying for SSI in this area, since this property specifically serves low-income seniors and people with disabilities.
- For the portion that is proposed to change, most lots are 4,600 sq ft or smaller, meaning most development is already closer to the R2.5 standard.
- Only 19% of renters in the block group overall rent detached single-dwelling homes, while 22% live in two-unit structures.



Rose City Park 60th Ave Station Area. R5(R2), R5(R1)

207 taxlots

Compared with the 2000 Census, this area of Rose City Park has become more White, although the population of Black or African American households has grown from 6.1% to 8.2%. Representation of other communities of color has decreased, most notably among Asian-American residents—10.4% of this area in 2000, versus just 4.1% now.

- As a whole, communities of color are not overrepresented as renters in the related block group area. Black/African American households are however, and one would expect about 10 such renter households in the ZRA.
- 36% of renter households in the block group rent detached single-dwelling homes. 30% rent in 2-4 unit buildings. 33% of renters live in buildings with five or more units.
- This ZRA area includes existing non-conforming multi-family development.

Woodstock 1 R5(R2.5)

252 taxlots

- As a whole, communities of color are not overrepresented in the renter population, and the largest racial minorities (Asian-American and Biracial households) are more likely to own their homes compared to the overall proportion of renters.
- 51% of renter households rent detached single-dwelling homes. 36% are renting in duplexes or other 2-unit structures, and the remainder live in 3-9 unit buildings or row-houses.

