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SMART GROWTH

Advocacy for development that's economically, socially, and environmentally sustainable.

OREGON SMART GROWTH

Permitting reforms

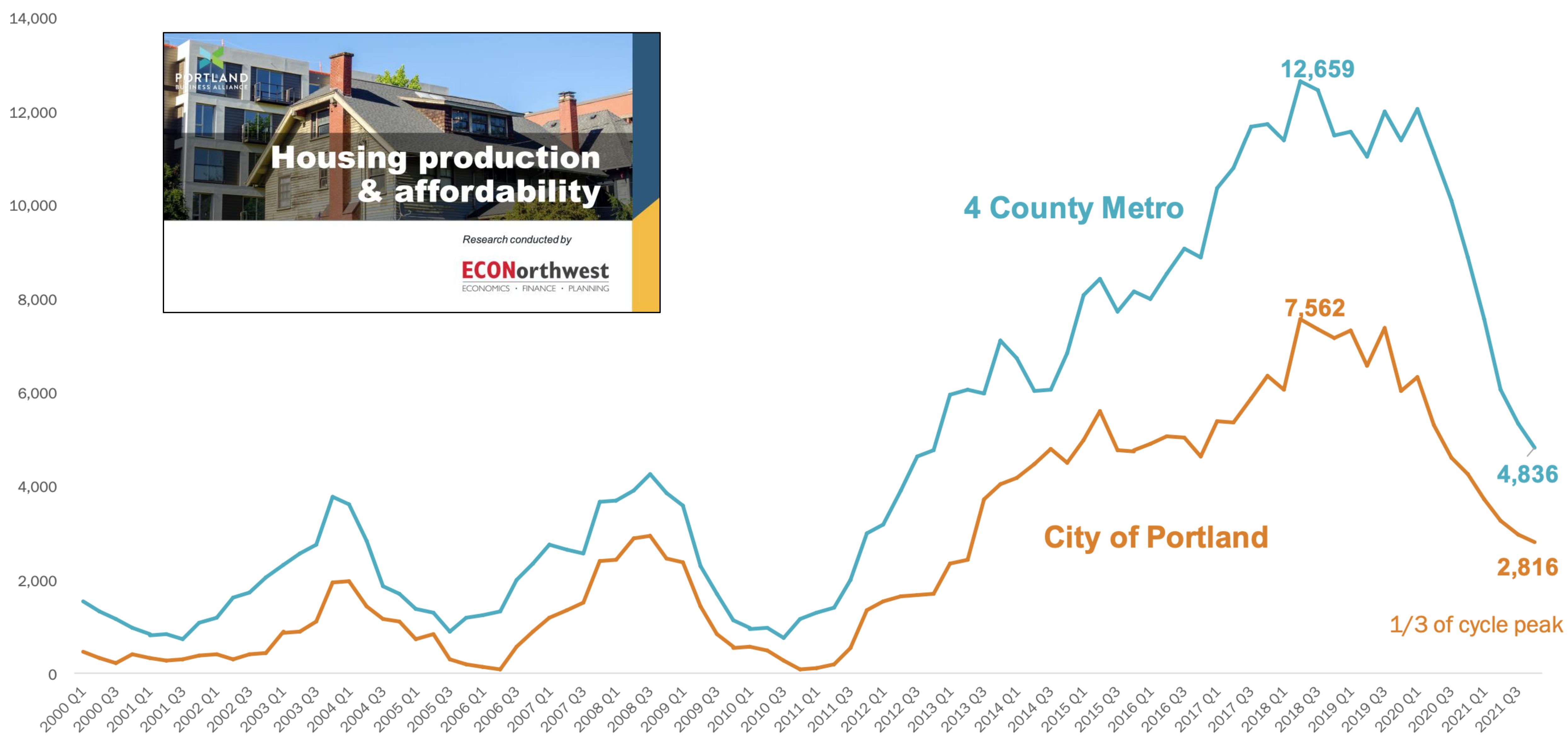
Inclusionary Housing study and recalibration

Underproduction

“Since 2010, only **7 units of housing have been built for every 10 new households in Oregon**. The demand for housing has outpaced new supply, and prices of homes and rents have increased, most acutely in the greater Portland region.”

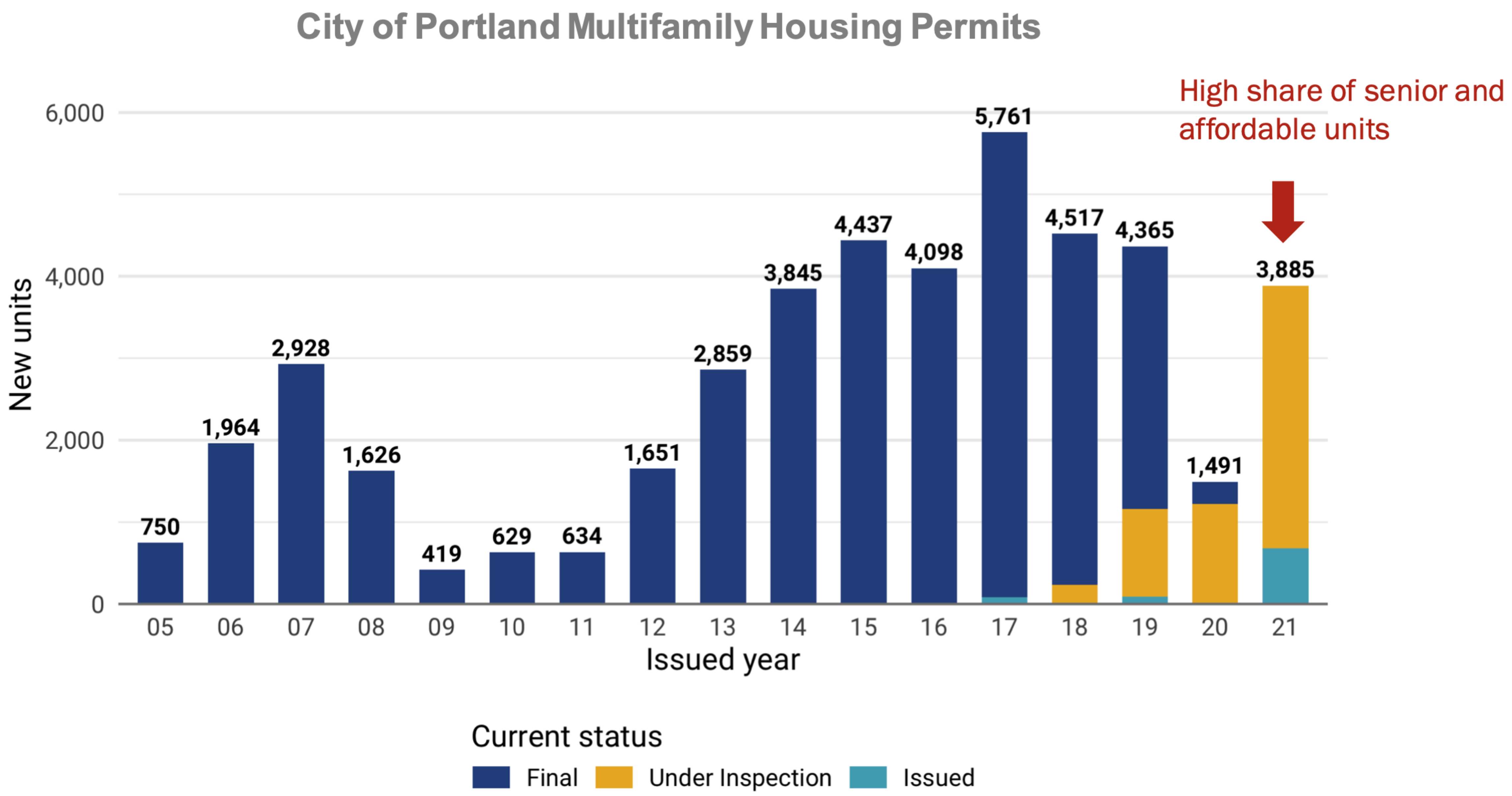
— Portland Business Alliance 2020 Value of Jobs Housing Affordability report

Rate of decline for units under construction slowing, may have hit bottom



Source: CoStar

Permitting in City of Portland recovered to near pre-COVID levels



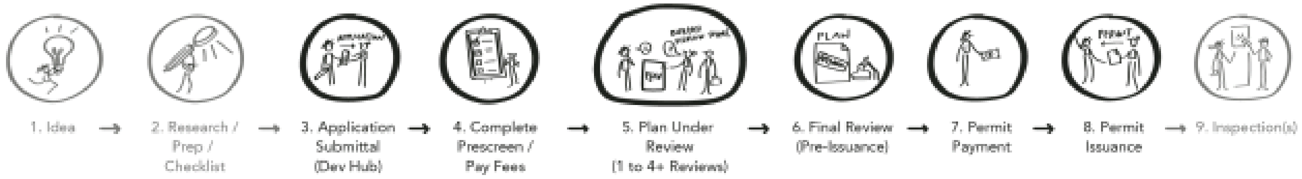
Source: Portland Maps

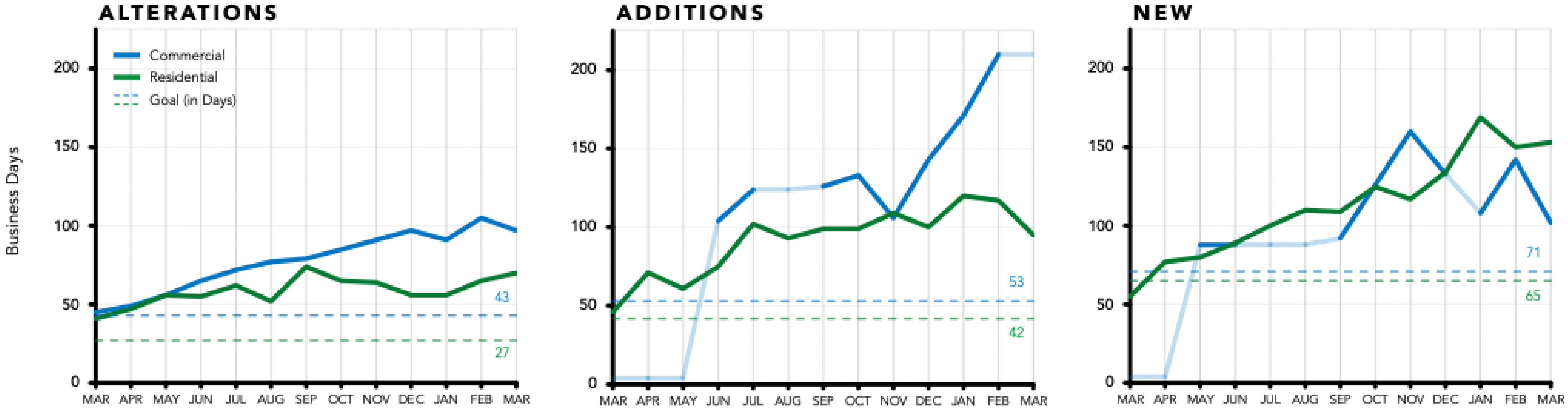
Portland's Permitting Improvement Task Force

City of Portland's Permit Timeline Dashboard

Average Time from **Application Submittal** thru **Permit Issuance** [1]

In Average Business Days | March 2021 – March 2022 [2]





ALTERATIONS

	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
RS Permits Issued	31	45	44	64	73	114	72	52	90	65	89	84	102
CO Permits Issued	9	21	28	35	35	43	55	46	59	46	51	41	47

ADDITIONS

	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
RS Permits Issued	1	7	7	13	14	11	17	15	24	20	14	16	13
CO Permits Issued	0	0	0	1	1	0	3	5	2	3	1	1	0

NEW

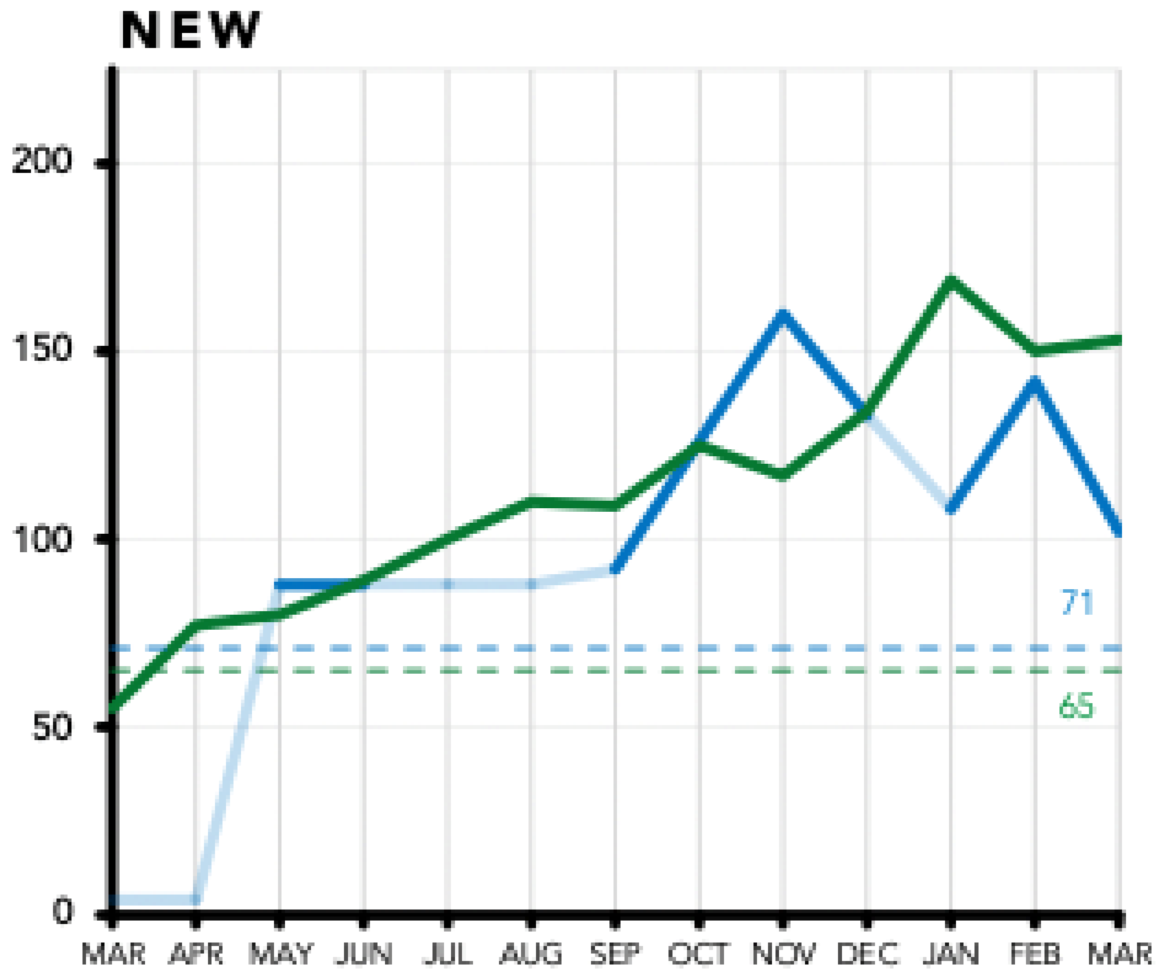
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
RS Permits Issued	1	6	8	16	15	24	35	29	30	48	42	45	28
CO Permits Issued	0	0	1	0	0	0	4	2	2	0	3	4	2

New Construction

RESIDENTIAL:

Current: 150+ business days

Goal: 65 business days

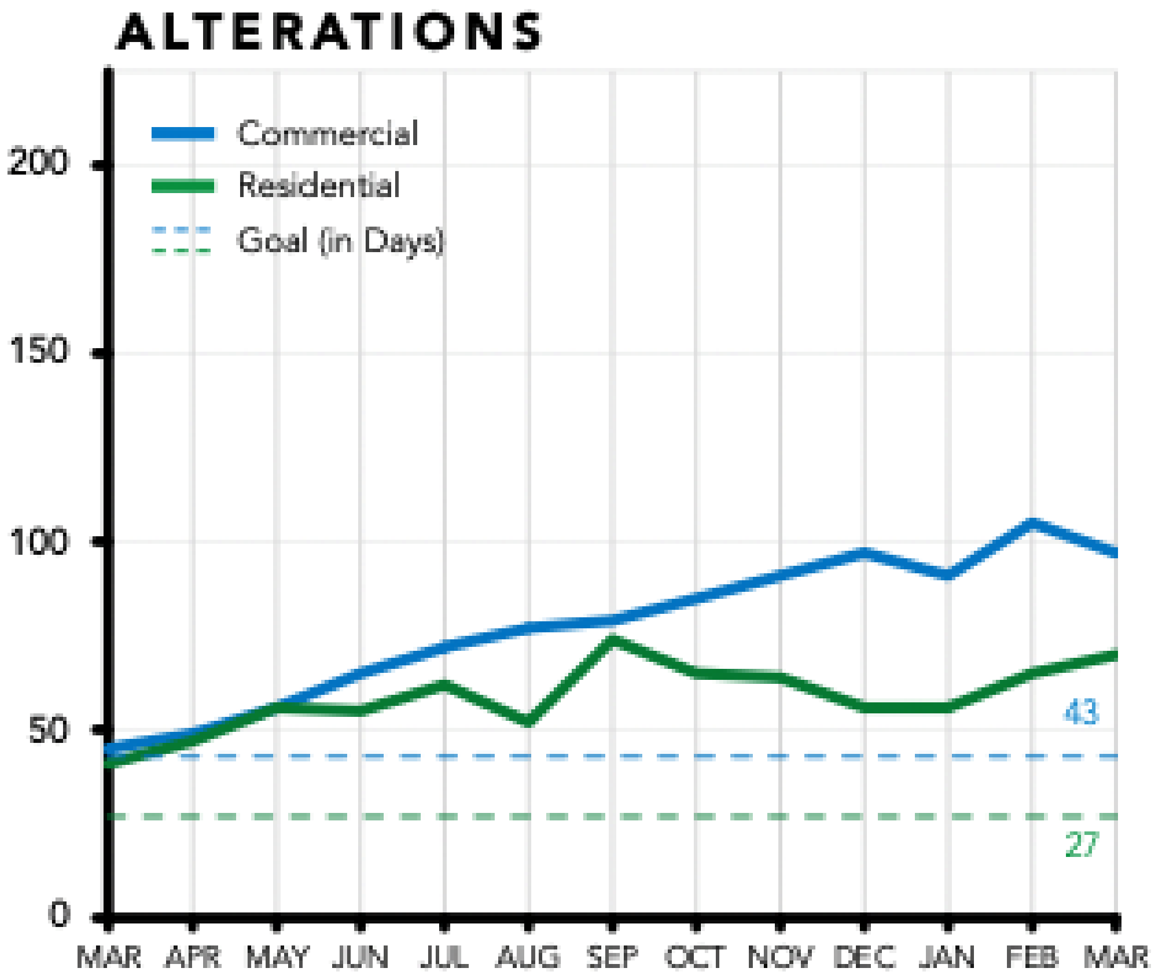


Alterations

RESIDENTIAL:

Current: ~70 business days

Goal: 27 business days



Portland’s Inclusionary Housing Policy

Created in 2017. Projects with 20 or more units must:

- Set aside 10% of units at 60% of median family income (MFI) OR 20% of units at 80% MFI
- Other options for building off-site, unit mix reconfiguration, and fee-in-lieu
- 99-year affordability requirement (longest of any IH policy in the country)
- 10-year property tax exemption, usually for the affordable units

INCLUSIONARY HOUSING PROGRAM
PERMIT PROGRESS SUMMARY

March 24, 2021

	Grand Totals				PHB Projects (Direct funds)			Private Development			
	All Projects Total	Rental	Homeownership	Other/ Undetermined	Total PHB Projects	PHB Rental	PHB Homeownership	Total Private Projects	Private Rental	Private Homeownership	Other/ Undetermined
Units	**9741**	9509	232	0	**1669**	1605	64	**8072**	7904	168	0
Permit Applications	**146**	138	6	2	**22**	21	1	**124**	117	5	2

** Grand Total # of IH Units	1120	Inclusionary Housing Units Summary			Total Projects using Reconfiguration	25
	Total	**Studio**	**1BR**	**2BR**	**3BR**	**4BR**
RENTAL:	**1053**	430	406	140	77	5
HOMEOWNERSHIP:	**36**	3	11	15	6	1

Affordability Levels	Total IH Rental Units	Total IH Homeownership Units	Total	
30% MFI	0	0	0	
60% MFI	702	5	707	**
80% MFI	351	31	382	**

* **Please note:** Eight private-market and one PHB-funded development projects have yet to submit their intake form (which identifies the total number of units required based on the option selected) which accounts for a projected minimum of 74 IH Units not accounted for in the total. PHB staff cannot confirm totals of units by type or affordability levels for any projects that have not submitted an Intake Form. These calculations do not take into account minimum if using reconfiguration, which would be lower in total but increase the number of family type units. .

** In addition, there is one placeholder property for future development in a Planned Development that has chosen On-Site Consolidation of its IH Units for the Site. The Consolidated Building is planned to be built first and will be followed by the Transferring Buildings. It's projected total IH Units are reflected in the grand totals but not elsewhere, totaling 31 IH Units.

PHB Approved Permit vs. Pending	Total	Studio	1BR	2BR	3BR	4BR
Total IH Rental Units Approved	**687**	292	254	98	47	1
Total IH Rental Units Pending	**366**	138	152	42	30	4
Total IH Rental Units On Market	**235**	134	68	25	7	1
Total IH Homeownership Units Approved	**7**	0	0	3	3	1
Total IH Homeownership Units Pending	**29**	3	11	12	3	0
Total IH Homeownership Units On Market	**2**	0	0	0	1	1

Voluntary IH Projects	
Total Voluntary IH Permit Applications	30
Total Previously Vested Permit Applications	6
Under 20 Units	24

Fee-In Lieu	
Total Voluntary Projects paying FAR Bonus Fee- in Lieu ($24/gsf)	13
Total Subject Projects Paying Fee-in-Lieu (based on Zone and base FAR)	1

	Permit Applications under IH	New Residential Units	IH Units Confirmed	*Projected Minimum IH Units (Includes minimum from projects that have not selected an IH Option)	
Combined Total	**146**	**9741**	**1120**	**1194**	**
PHB Project	22	1669	138	145	
Private Development	124	8072	951	1049	

** By Plan District	Total Buildings	Using Reconfiguration	Total IH Units	Total IH Units @ 80% MFI	Total IH Units @ 60% MFI
Central City	15	9	154	27	127
Gateway	2	0	31	15	16
Other	130	16	935	340	564

March 2021

PHB Approved Permit vs. Pending	Total
Total IH Rental Units Approved	687
Total IH Rental Units Pending	366
Total IH Rental Units On Market	235

Inclusionary Housing Market Study

Proposed scope in mid-2019

Upcoming Inclusionary Housing Analysis

No major program changes anticipated

- **Study to focus on, at a minimum:**
  - Calibration of off-site options, including an 80% option
  - Calibration of reconfiguration option
  - Review of calibration for homeownership
  - Option for full tax exemption outside Central City at 5:1+
  - Impact of Opportunity Zones
  - Impact of increasing regulated rents in last 2 years
  - General calibration and adjustments as necessary

POLICY BRIEF Nº 1 | APRIL 2022 UP FOR GROWTH®

Missed Opportunities: Assessing and Leveraging Requirements, Incentives & Tradeoffs in Affordable Housing Development

Insights from Portland, Oregon's Mandatory Inclusionary Housing Policy

By Mike Kingsella

The United States is experiencing a housing crisis driven by a shortage of millions of homes. This housing underproduction disproportionally burdens renters and low-income households (Up for Growth®, 2018). Artificial barriers, exclusionary zoning, and opposition from residents combine not only to limit access to housing that is affordable (U.S. Department of Housing and Urban Development, 2005), but to compound inequality (Rouse, Bernstein, Knudsen, and Zhang, 2021) and exclude families and individuals from high-opportunity neighborhoods (Chetty, Hendren, Katz, 2015).

In response to housing crises across the nation, some jurisdictions have enacted policies to create more affordable housing in mixed-income buildings by requiring or incentivizing developers to set aside a share of newly constructed units at below-market rates. These policies range in type and specification across the country, but generally offset some of the development income lost on below-market rent through incentives. The types of incentives vary, with some jurisdictions offering physical development bonuses, while others exempt property taxes for a period of time (Urban Land Institute, 2016). The most utilized approach is enacting inclusionary housing (IH) policies, either mandatory or voluntary. IH policies typically offer a range of development and funding options that target higher affordability levels with a larger share of units, or deeper affordability with fewer units set aside. In some instances, a fee-in-lieu option is offered as an alternative.

A review of IH policies around the country finds that several conventions or standard policy approaches have emerged. These common practices have varied impacts in different market contexts and often do not incorporate thorough analysis grounded in real estate development feasibility. This policy brief examines how establishing set-aside and affordability pairings without careful calibration rooted in current housing market economics can create missed opportunities to both maximize the number of affordable units produced and ensure lasting affordability by adjusting offsets.

Policies encouraging affordable units in market-rate developments must be carefully calibrated to ensure the program itself does not become an artificial barrier to housing.

A majority of Up for Growth members, including developers, practitioners, and advocates, agree that the focus of IH policies should be on maximizing the number of affordable units created. Incentive programs must work with the market. They must be carefully calibrated and adjusted to the conditions present in each market and be regularly updated to reflect changing market conditions. Poorly calibrated policies can have unintended impacts that reduce the overall supply of units produced, resulting in lower affordability across a market and fewer below-market-rate units.

Up for Growth findings:

- The current IH policy adversely impacts financial feasibility. Increasing the tax exemption to all units for ten years would align the policy with current market conditions (but would not increase the number of units set aside).
- The effectiveness of increasing the duration of tax exemptions – on 10% set-aside units only, per the existing policy – decreases over time.
- Increasing the tax exemption period to 22 years on all units could double the number of income-restricted units set aside in new developments.

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