

Multifamily Inclusionary Housing Programs



PORTLAND HOUSING BUREAU

Dan Saltzman, Commissioner
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Framework for Discussion

- As in the PHAC work plan:
 - PHAC to work on a *'focus area issue'* every 4 months
 - **Meeting 1:** Scoping issues to be addressed
 - **Meeting 2:** Review initial staff background research/evaluation
 - **Meeting 3:** Develop initial recommendations on issue area
 - **Meeting 4:** Finalize recommendations as needed

What is Inclusionary Housing?

For the purposes of this discussion:

*Inclusionary housing programs are local land use, regulatory, direct financing, fee waiver, tax abatement, or other incentive programs, that **require or encourage** private developers to include affordable units in **new multifamily residential developments** or that raise revenue for the provision of affordable units by the City.*

Inclusionary Housing Programming

- **Active Programs**
 - Multiple-Unit Limited Tax Exemption
 - System Development Charge Exemption
 - Direct Financing
- **Programs in Development**
 - Voluntary Incentive Zoning
 - Affordable Housing Linkage Fee
- **Potential Programs**
 - Mandatory Inclusionary Zoning
 - Construction Excise Tax

Active Programs:

Multiple-Unit Limited Tax Exemption

- Property tax exemption on 100% of the residential structure in exchange for 20% of residential units regulated as affordable housing
- Buildings have a 10 unit minimum for eligibility and must demonstrate the exemption is necessary to provide the affordability
- Tax exemption duration is for 10 years with the ability to renew
- Affordability set at 60% MFI, or 80% MFI in areas where market rents exceed 120% MFI levels, for 10 years
- Additional public benefits include MWESB contracting during construction and 5% of units built as ADA adaptable

Active Programs:

System Development Charge Exemption

- **System development charges:** fees for transportation systems, parks and recreation facilities, and water works systems, levied on new development in anticipation of increased demand for services
- Exemption based on the proportion of units that will be regulated as affordable housing, as well as other factors
- Affordability set at 60% MFI for 60 years

Active Programs:

Direct Financing

- **Direct financing:** low-interest, favorable term loans for various development phases to nonprofit and for-profit affordable housing developers (typically multifamily rental housing)
- Loan product terms vary based on availability and source of funds
- Affordability set at 80% MFI, or 60% if tax-increment financing is the source of funds, for 60 years

Programs in Development: Voluntary Incentive Zoning

- Central City density bonus and FAR transfer program update and the Mixed Use Zones in the centers and corridors outside Central City
- FAR bonus ranging from 1:1 to 3:1 depending on location in the City
- Affordable units will make up some % TBD of units in the bonus FAR
- Affordability set at 80% MFI in the Central City and 60% outside the Central City for 60 years
- Fee-in-lieu option to raise revenue for the direct financing program

Programs in Development: Affordable Housing Linkage Fee

- Nexus Study Underway
 - An economic analysis of development that has occurred and is likely to occur, and the new jobs created as a result of this development
 - What proportion of jobs in development will compensate wages that are too low-paying for the new employee to afford market rate housing
 - What level of fee would provide revenue for the newly demanded affordable housing, while not rendering development economically infeasible
- Revenue from linkage fee would likely support direct financing program and be subject to the parameters there within

Potential Programs:

Mandatory Inclusionary Zoning

- **Senate Bill 1533:** Legislation currently under consideration to allow a jurisdiction to develop a mandatory inclusionary zoning program
- Affordability at 80% MFI, with option for city to provide additional voluntary developer incentives to reach a deeper affordability
- Applies to rental and for-sale units in buildings with more than 20 units, and limits percentage of affordable units at 20% of all units
- Requires incentives in exchange for affordable units, such as SDC or fee waivers/reductions, financing, and tax exemptions
- Fee-in-lieu option to raise revenue for the direct financing program

Potential Programs:

Construction Excise Tax

- **Senate Bill 1533:** Legislation currently under consideration to allow a jurisdiction to develop a construction excise tax
- Construction excise tax available for residential, commercial, or industrial development - 1% of cap on residential development
- 50% of residential revenue to be used as incentives for inclusionary zoning program, 15% retained at OHCS, 35% for affordable housing programming
- 50% of commercial or industrial revenue to be used for affordable housing programming

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