



**Common Ground**  
**Oregon/Washington**  
Portland, Oregon

9 February 2016

Sen. Sara Gelser, Chair  
Committee on Human Services  
and Early Childhood

Rep. Alissa Keny-Guyer, Chair  
Committee on Human Services  
and Housing

Re: SB 1533 INCLUSIONARY ZONING

Dear Sen. Gelser and Rep. Keny-Guyer:

Since 1999, Oregon jurisdictions have been prohibited from enacting mandatory inclusionary housing ordinances. The pre-emptive prohibition, ORS 197.309, was favored by home-builders and realtors who claimed that inclusionary policies would hurt local housing markets. Oregon and Texas are the only two states that prevent municipalities from requiring developers to provide below market-rate housing in new construction.

The first inclusionary zoning policy went into effect in Montgomery County, Maryland in 1973. Today, there are nearly 500 local jurisdictions with IZ. Most inclusionary housing programs don't simply impose costs on developers; rather, they offset those costs with incentives. The most common is the right to build at higher on-site densities. The extra income covers the cost of providing affordable units. Montgomery County has created more than 14,000 homes for lower-income families in mixed-income neighborhoods.

Portland, like other fast-growing cities, has been promoting mixed-income development. In heated housing markets like Portland, population and economic growth propels the trend towards gentrification which if not mitigated by effective taxation and regulatory policies often leads to displacement. Property owners and developers need to become partners in the solution.

Many developers view inclusionary zoning largely as a hidden tax that adds to housing construction costs and restricts supply, which can ultimately boost rents. But this is not the case. Inclusionary zoning captures economic gains from rising land values, especially in rapidly growing markets where prices and rents are escalating.

Included in SB 1533 is the requirement that local IZ codes provide developer incentives; the most common is increasing the allowable building floor area. However, up-zoning by itself would create a financial windfall for land owners due to the enhanced site value. Inclusionary zoning recaptures a share of the gain from increased land values and up-zoning to help the very residents who disproportionately bear the costs of gentrification

and rising land values. While inclusionary housing won't solve the housing crisis, it is both fair and appropriate for new development to contribute to the solution.

Local jurisdictions need to design their IZ programs to ensure that requirements are economically feasible. Poorly designed inclusionary requirements could slow the rate of construction and ultimately lead to higher housing costs. Yet, the track record is good. Researchers at UCLA compared the data for communities with and without inclusionary housing in Southern California and concluded that the adoption of inclusionary policies had no impact on the overall rate of production. Research results on housing costs are analogous.

Oregon cities already have a model for balancing requirements and incentives so that the net economic impact on projects developers is neutral or reasonably positive. Look to Portland's calibrated cost equalizing system being developed as part of the density bonus feature of the revised Mixed Use Zoning code.

Inclusionary zoning may not be suitable in every housing market in Oregon, but it can work in communities where housing and land prices are rising. Inclusionary programs are tools for sharing the benefits of rising real estate values. The state should allow local jurisdictions this option.

Thank you for your consideration of this appeal to advance and pass SB 1533.

Sincerely, /S/

Jeff Strang,  
Chair

Kris Nelson,  
Legislative Director

Tom Gihring,  
Research Director

Common Ground, Oregon / Washington

cc: Cheyenne Ross  
Adam Crawford      Committee Administrators