

Modernizing Inclusionary Zoning in Oregon

Lessons from Portland, 2017-2025

HOMES ARE GOOD

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1

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Can New Housing Supply Mitigate Displacement and Exclusion?

Evidence from Los Angeles and San Francisco

Karen Chapple  Taesoo Song 

ABSTRACT

Problem, research strategy, and findings: The housing affordability crisis is exacerbating displacement and exclusion in built-up urban neighborhoods. Although new housing development might help, it faces local opposition. Researchers have struggled to inform the debate because of data challenges, so we constructed a unique database on construction and household-level mobility to determine how development affects displacement and exclusion in the subsequent 5 years in Los Angeles (a typical coastal “hot market” in California) and San Francisco (the extreme “superstar city” case in California). We found that developing new market-rate housing generally helped slightly to alleviate both displacement and exclusion pressures for low-income households in the hottest markets, the new market-rate units could fall to spur low- and moderate-income households’ in-migration and exacerbate their out-migration. Likewise, the positive impacts of the new market-rate units may fade over time. Subsidized housing generally mitigated both exclusion and displacement slightly in most markets. Future research should examine long-term effects in a variety of contexts, controlling for the role of housing policies such as rent stabilization.

Takeway for practice: Market-rate housing development may help alleviate rent pressures locally and regionally, but it is not sufficient to address displacement and exclusion at the neighborhood level. Because new production helps to mitigate displacement and exclusion in some contexts but exacerbates it in others, planners need to understand the market and neighborhood context for development. In addition to supporting more market-rate and subsidized housing development through zoning and fiscal tools, planners should implement complementary policies such as housing preservation and tenant protections.

Keywords: displacement, exclusion, housing development, neighborhood change

A housing affordability crisis is affecting cities, particularly in built-up neighborhoods in the urban core where demand for housing is high but building new units is difficult (Karran & Bramley, 2017). Across North America, and likely in many other places around the globe, there is clearly an insufficient amount of housing stock to meet need (Parrott & Zand, 2021). Steady demand from higher income households has resulted in increasing rents for existing residents, potentially leading to indirect displacement, or increased household out migration from a neighborhood (Marcuse, 1985). Meanwhile, because low- and moderate-income newcomers are unable to

move in, these neighborhoods have become more exclusive and affluent (Fry & Taylor, 2012; Goetz et al., 2019).

However, housing advocates have disagreed about how to address this crisis. Proponents of building more supply have argued that this will alleviate rent pressures in the neighborhood (S. Phillips et al., 2021). Others have opposed the construction of new housing (Pendall, 1999). For some, new housing threatens neighborhood character, but for others, the key issue is the potential for displacement and exclusion (Boen et al., 2019). Regardless, this local opposition has often

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“Market-rate housing development will undoubtedly help **alleviate the housing affordability crisis** at the city or regional level.”

At the neighborhood level, “new subsidized housing development helped **slightly more than market-rate construction** to alleviate displacement and exclusion.”



Market-rate apartments are good

At the neighborhood level, “new subsidized housing development helped **slightly more than market-rate construction** to alleviate displacement and exclusion.”



HOMES ARE GOOD

Market-rate
apartments are good

Subsidized
apartments are also
good (and in some
ways better)



HOMES ARE EXPENSIVE

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\$300,000

public subsidy
per LIHTC home
(at 60% AMI)

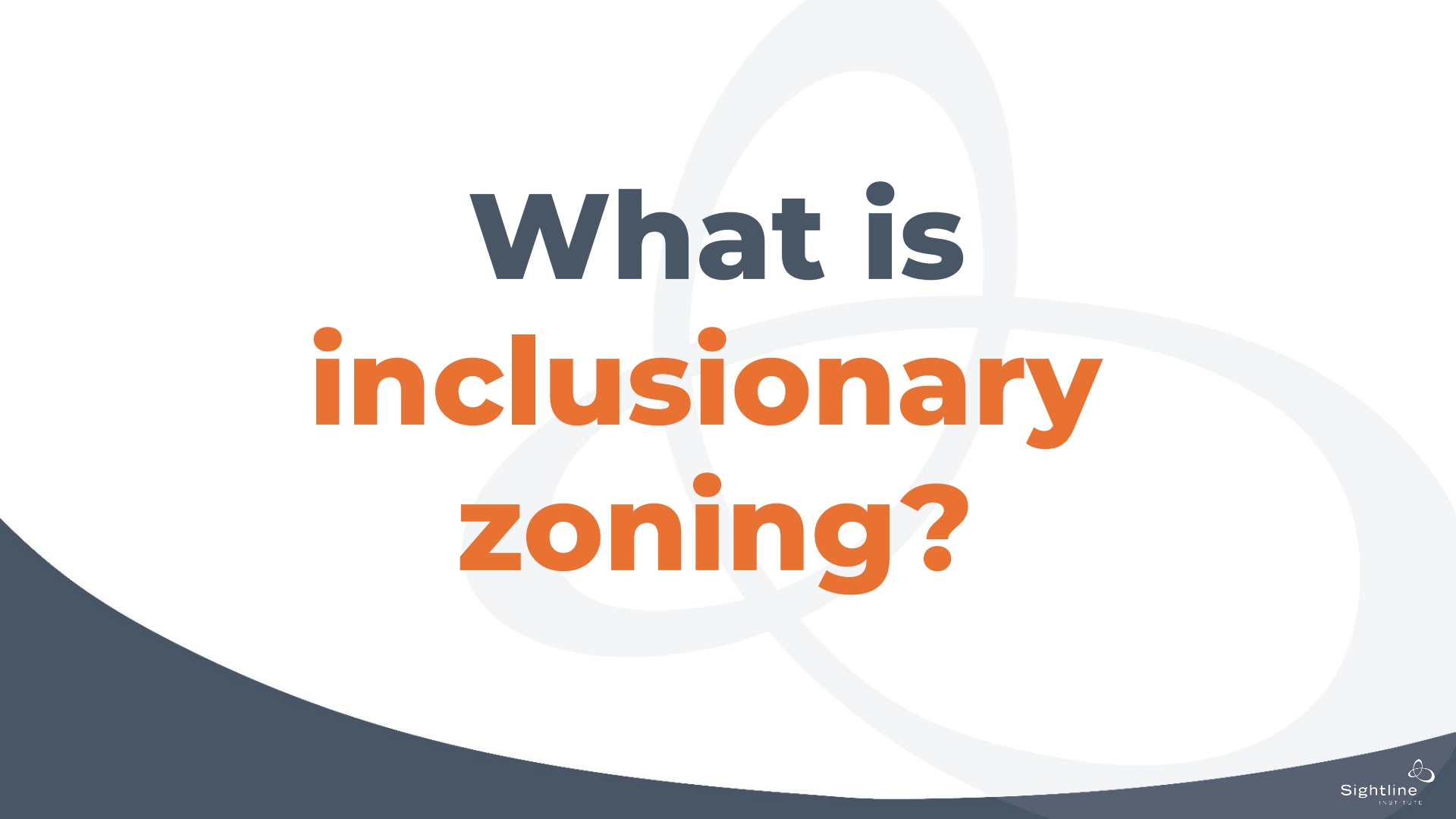
HOMES ARE EXPENSIVE

\$0

public subsidy
per home
(market rate)

\$300,000

public subsidy
per LIHTC home
(at 60% AMI)



What is inclusionary zoning?

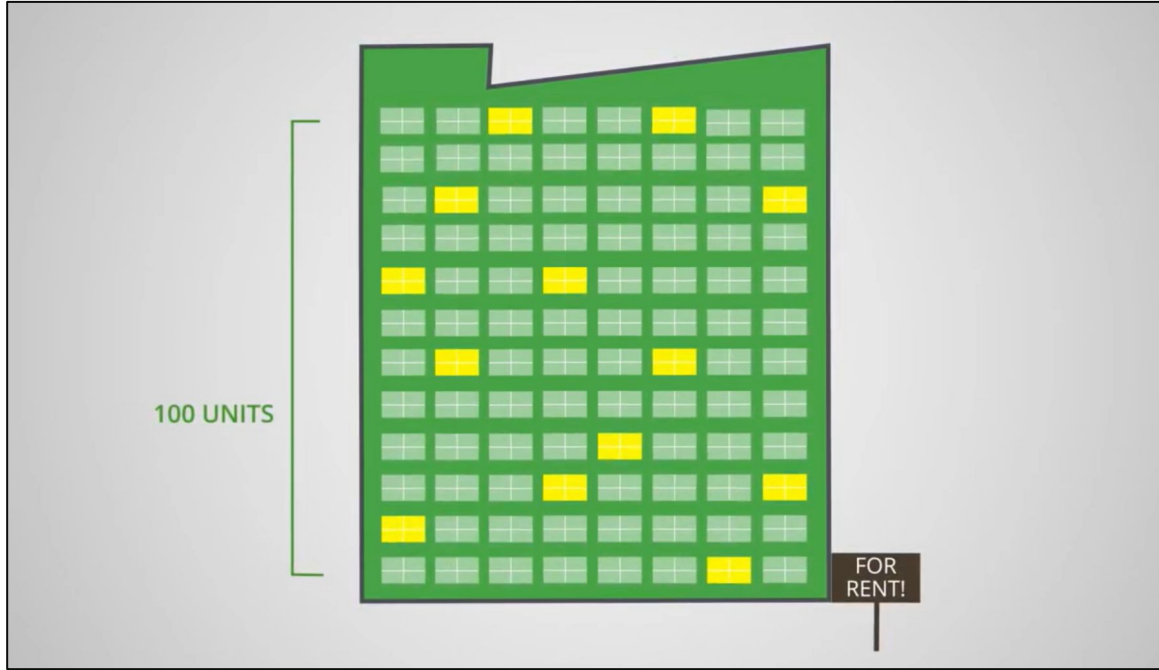


Image: Rick Jacobus

The New York Times

Vast New Study Shows a Key to Reducing Poverty: More Friendships Between Rich and Poor

By [Claire Cain Miller](#), [Josh Katz](#), [Francesca Paris](#) and [Aatish Bhatia](#) Aug. 1, 2022



Jimarielle Bowie at her alma mater, Angelo Rodriguez High School, in Fairfield, Calif. A lawyer, she credits some of her success to the friendships she made in high school.

Marissa Leshnov for The New York Times

IZ: LEGISLATIVE HISTORY

1999: Banned by Oregon legislature

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2011, 2013, 2015: Efforts to lift the ban fail. Its supporters, including some cities, ask for full local design flexibility

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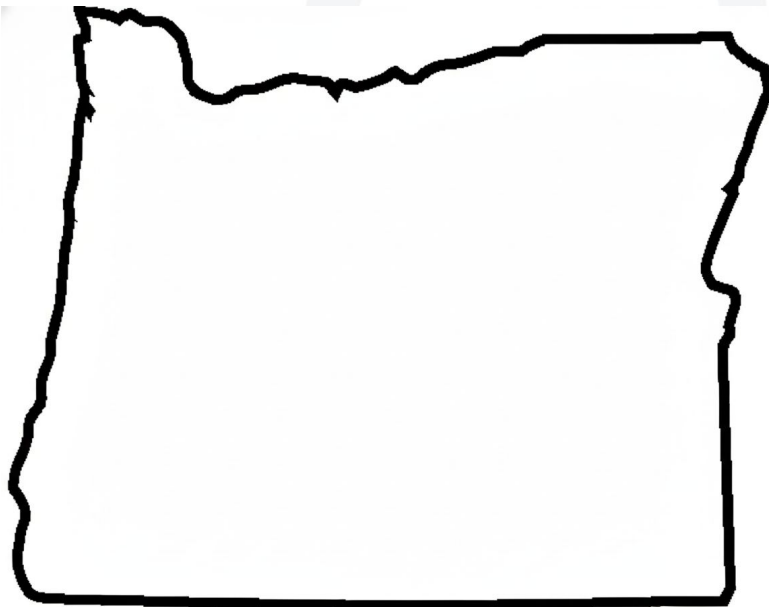
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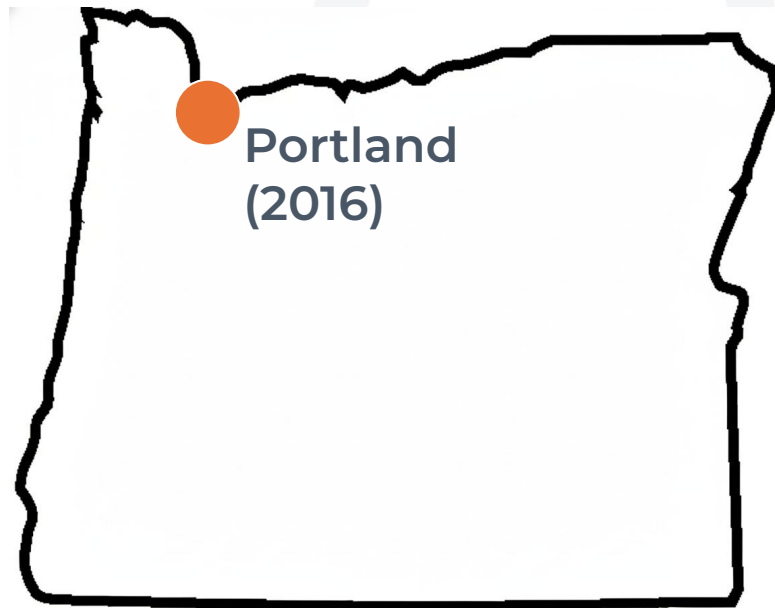
2016: Re-legalized by SB 1533, subject to "sideboards":

- Must target exactly 80% AMI
- Cannot apply to buildings below 20 homes
- Funding required, but at no particular level
- No check-ins required on whether policy is working

IZ: LEGISLATIVE HISTORY



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PORTLAND'S 2016 PROGRAM

- **Fully funded** in central city
- **Underfunded** in surrounding neighborhoods

UNDERFUNDED INCLUSIONARY ZONING

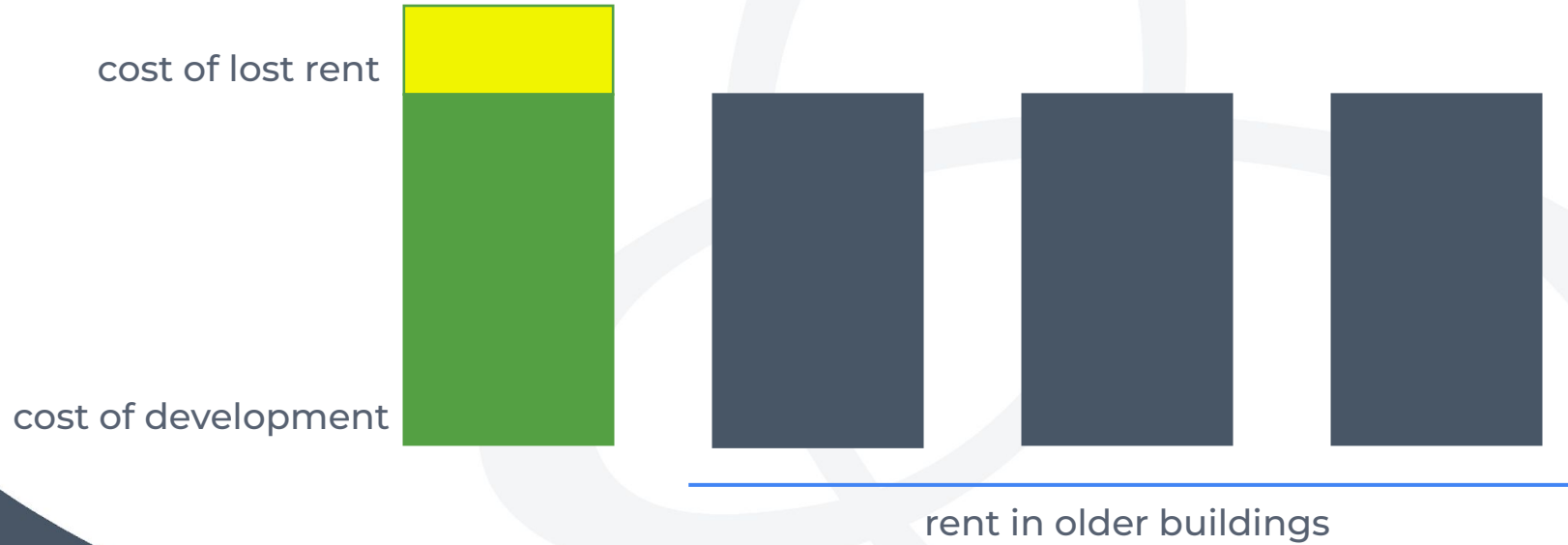
cost of development



UNDERFUNDED INCLUSIONARY ZONING



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rent in older buildings

UNDERFUNDED INCLUSIONARY ZONING



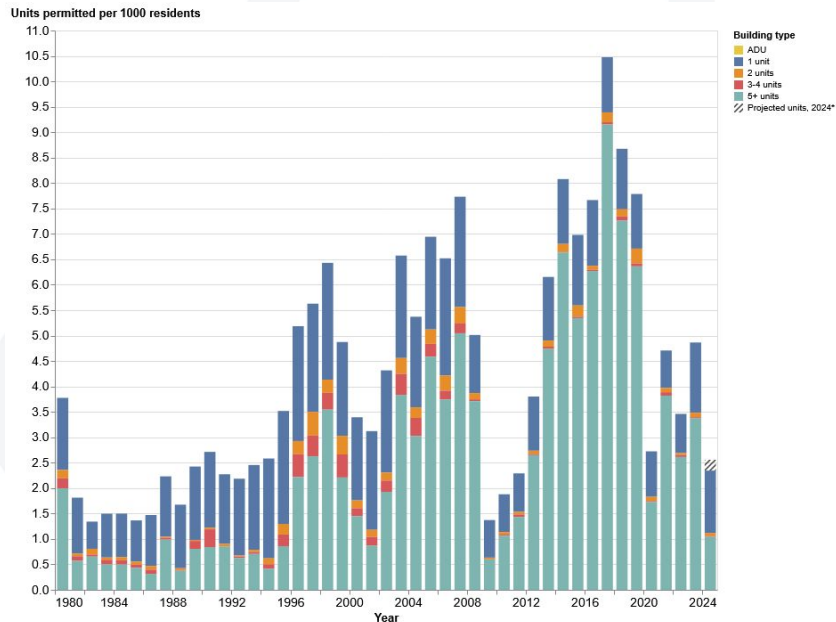
rent in older buildings

UNDERFUNDED INCLUSIONARY ZONING

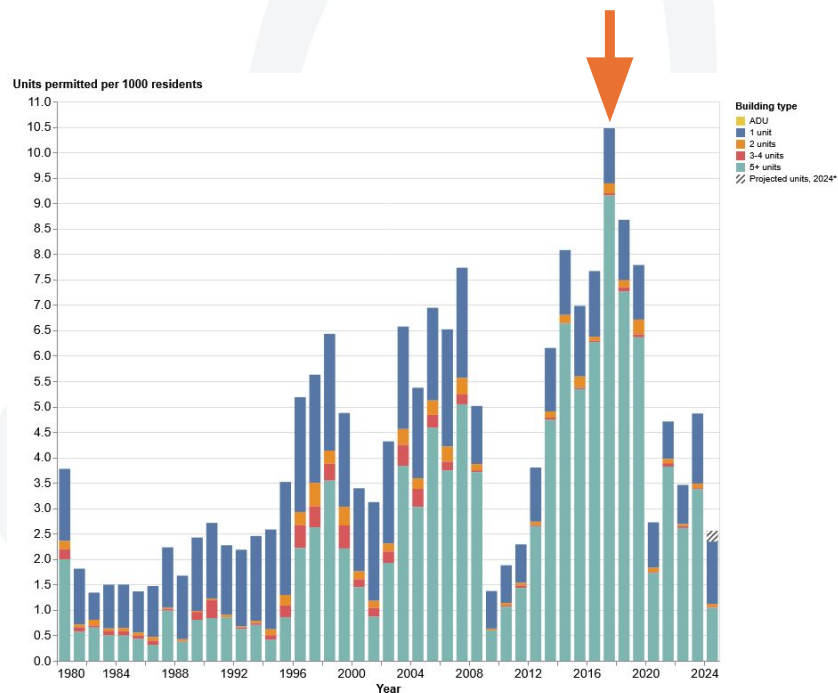


rent in older buildings

UNDERFUNDED INCLUSIONARY ZONING



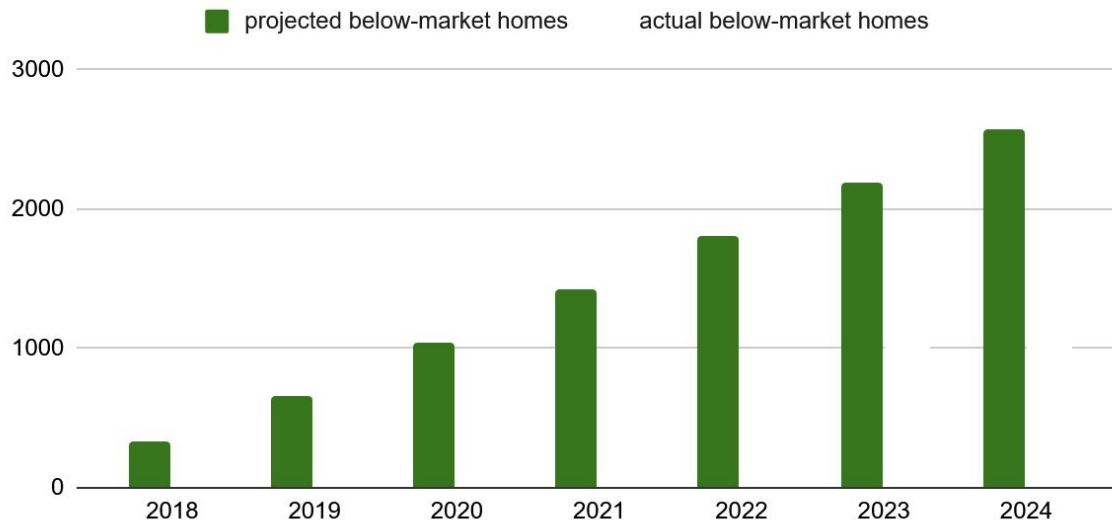
UNDERFUNDED INCLUSIONARY ZONING



UNDERFUNDED INCLUSIONARY ZONING

Projected inclusionary homes (from comprehensive plan) vs. actual inclusionary homes permitted

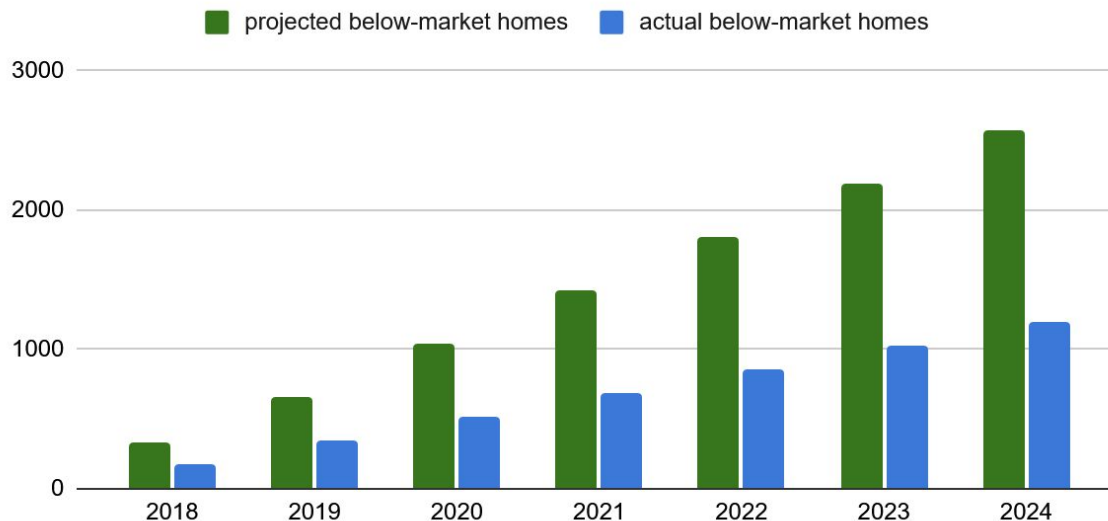
Annualized across period



UNDERFUNDED INCLUSIONARY ZONING

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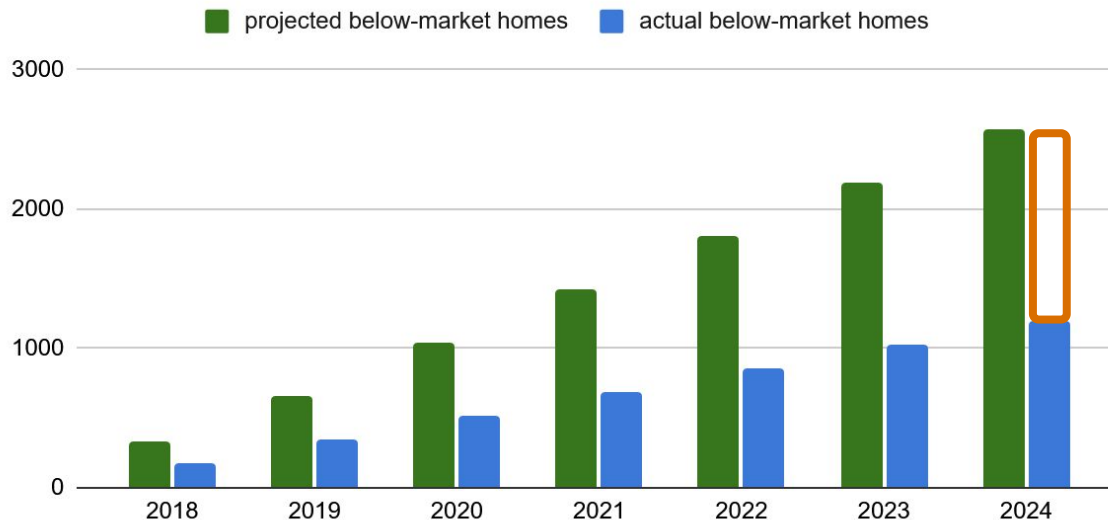
Annualized across period



UNDERFUNDED INCLUSIONARY ZONING

Projected inclusionary homes (from comprehensive plan) vs. actual inclusionary homes permitted

Annualized across period



UNDERFUNDED INCLUSIONARY ZONING

- 1,375 missing affordable homes
- ~50% less tax base growth from new homes
- Thousands of unbuilt market-rate homes



UNDERFUNDED INCLUSIONARY ZONING



Northbound 30
Collaborative/ 2135 NW 29th
Ave

- Lot Size: > 20,000 sq ft
- Zoned EX
- Thirteen 16 to 19-unit buildings
- Totaling 219 housing units but no affordable units



THE BUREAU OF
**PLANNING &
SUSTAINABILITY**

12-to-19-unit building analysis Briefing | 7/18/2022 | 15

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UNDERFUNDED INCLUSIONARY ZONING



2017-2022: zero check-ins



PORTLAND, MARCH 2024: **FULLY FUNDED INCLUSIONARY** **ZONING**

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- Use 10-year tax abatement from future buildings to **fully offset** lost rents

PORTLAND, MARCH 2024: **FULLY FUNDED** INCLUSIONARY ZONING

- Use 10-year tax abatement from future buildings to **fully offset** lost rents
- Prioritize **60% AMI** in higher-priced neighborhoods

FUNDED INCLUSIONARY ZONING

20-146519	Koz on Interstate	Approved	FINAL	Changed option post issuance	154
20-203458	Cap Hill Apartments A	Approved	FINAL	Changed option post issuance	24
20-211439	Cap Hill Apartments B	Approved	FINAL	Changed option post issuance	27
20-212156	Tabor Heights	Approved	FINAL	Changed option post issuance	78
21-096326	Killingsworth Apartments	Approved	FINAL	Changed option post issuance	69
21-105873	Laurel Lofts	Approved	FINAL	Changed option post issuance	62
19-217418	Vibrant Cities Fargo	In Process	Issued, under construction	Changed option post issuance	100
20-218783	Davis Apartments	In Process	Issued, under construction	Chan	
23-091717	Pettygrove Apartments	Approved	Issued, under construction	Chan	
20-213134	Burnside Apartments	In Process	FINAL	Exter	
21-087403	Brooklyn Apartments	Approved	FINAL	Exter	
19-250217	West Hill Heights	In Process	Issued, under construction	Exter	
20-129170	Pepsi Blocks (A) - aka Splash	Approved	Issued, under construction	Exter	
20-145803	Wheelhouse II	Approved	Issued, under construction	Exter	
20-167723	Alberta 29	In Process	Issued, under construction	Exter	
21-069762	SW Park Avenue Apartments	Eligible	Issued, under construction	Exter	
21-117297	SE 27th & Division Street	Approved	Issued, under construction	Exter	
22-212375	Graham Street Apartments	In Process	Issued, under construction	Exter	
23-054847	Russell Street Apartments	In Process	Permit Review Process	Subm	
24-039925	Pepsi B	In Process	Permit Review Process	Subm	
24-029720	Kiley40	In Process	Permit Review Process	Subm	

First six months:

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First six months:

- 20 projects **opting in**

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- 20 projects **opting in**
- 1,542 total **homes**
- >120 **below-market homes**

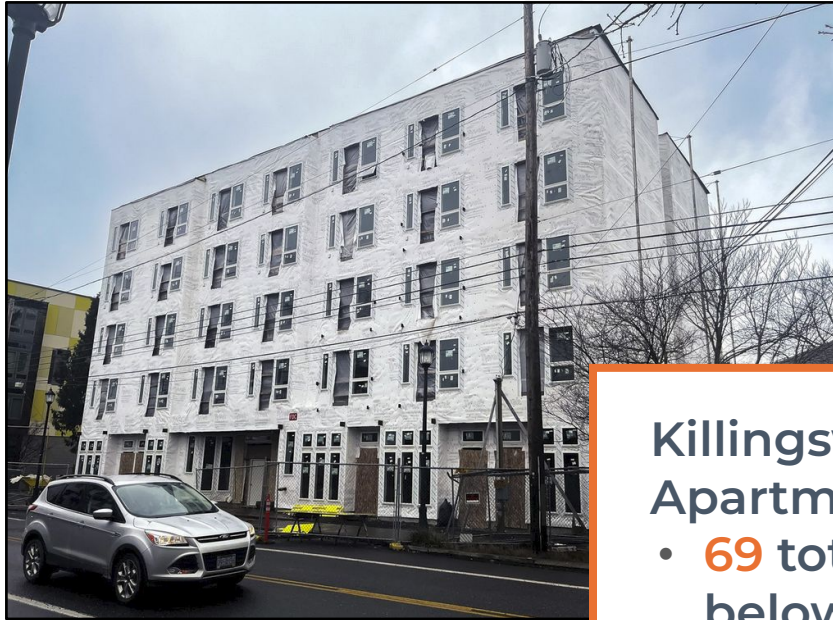
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First six months:

- 20 projects **opting in**
- 1,542 total **homes**
- >120 **below-market** homes
- ~\$220,000 **waived revenue** per 60% AMI home

FUNDED INCLUSIONARY ZONING



Killingsworth Apartments:

- 69 total homes, 7 below market

FUNDED INCLUSIONARY ZONING



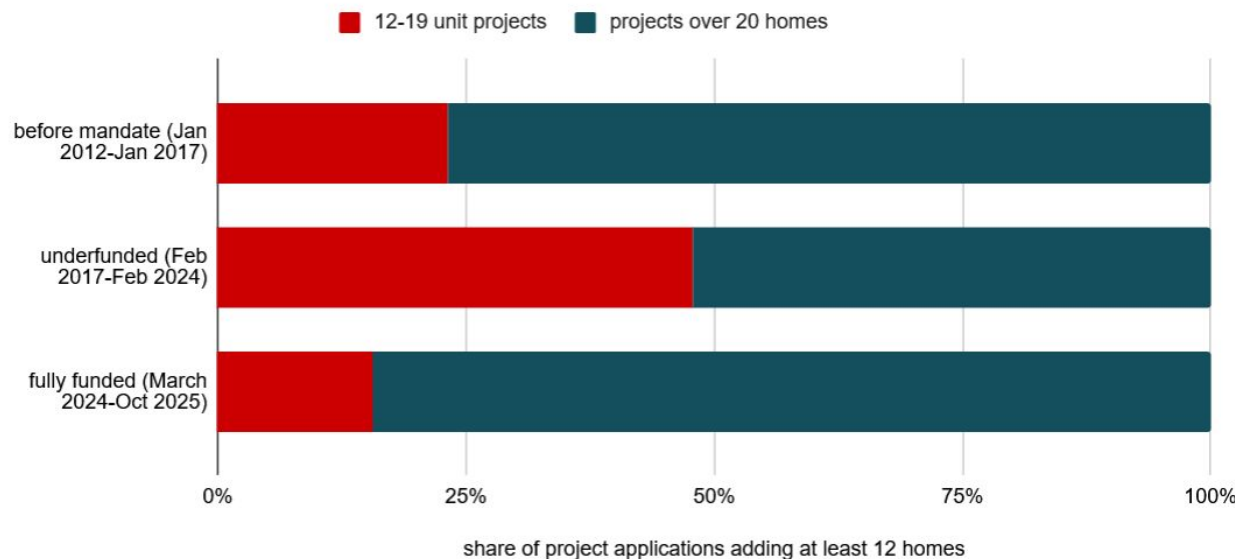
Russell Street Apartments:

- **154** total homes,
16 below market

FUNDED INCLUSIONARY ZONING

The share of projects just below 20 homes fell sharply after Portland fully funded its inclusionary zoning program.

The affordability mandate applies to buildings adding 20 homes or more.



OTHER PLACES MOVING AWAY FROM UNFUNDED IZ

- Washington state
- Florida
- Baltimore
- Illinois
- greater Paris

WHAT HAVE WE **LEARNED** IN 10 YEARS?

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WHAT HAVE WE **LEARNED** IN 10 YEARS?

1. Keep it **optional** for jurisdictions
2. More **local design flexibility** can work if it's fully funded
3. **Regular check-ins** on program balance are important

QUESTIONS ?