

SB 1521A: Modernizing inclusionary zoning in the Portland metro area

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History

In 2016, Oregon lifted its ban on inclusionary zoning (IZ), an optional local policy that requires a share of homes in new buildings to be available below market rate. The state imposed various "sideboards" that limit the design of local programs, intended to prevent IZ from backfiring.

Problem

Ten years have shown that this original set of sideboards did not prevent IZ from having unintended ill effects. Only one city, Portland, created such a program, and it greatly underperformed projections because it was underfunded. For most potential projects, the program costs outweighed the benefits. The share of new buildings of 12–19 homes, just below the program's 20-unit threshold, doubled to almost 50% of all new projects as developers avoided the program in large numbers.

Solution

In 2024, Portland conducted a fresh economic analysis and decided to extend full funding to rental projects in more of the city. Early numbers show that the share of 12–19-unit projects quickly returned to normal. **SB 1521A would learn from Portland's experience by requiring any jurisdictions with such programs within the Portland metro area to self-evaluate every six years, ensuring that estimated costs and benefits for a prototypical project stay in balance.** Within the metro area but outside Portland, the bill would also limit the duration of rental price controls to the duration of tax abatement. In exchange, jurisdictions would get new flexibility in how to design their programs.

SB 1521A has no effect outside the five-county Portland metro area, and no effect on jurisdictions that do not choose to use IZ programs.

Why it's urgent

Portland's next program check-in is set for 2027, before a 2027 state bill could reliably take effect. The bill has been crafted to correspond with this process and also to resolve changes to condo programs before a window of opportunity for new mixed-income condo buildings closes.

Broad support

After much conversation and various amendments, the City of Portland has settled on a neutral position on this bill; the League of Cities and Oregon Association of Realtors are not taking positions; and the organizations below are in support. We are not aware of any remaining institutional opposition. This committee bill passed Senate Housing 5–0 and the Senate floor 21–6.

