



UP FOR GROWTH[®] POLICY BRIEF

Residential Infill Project (Portland, Oregon)

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INTRODUCTORY NOTE

In the following pages, we analyze the provisions laid out in the Portland Residential Infill Project and the potential impact of this program on housing availability and affordability in Portland. Our analysis considers the specific provisions of the project and the anticipated outcomes. In crafting this response, we have engaged housing experts, practitioners, and advocates to gain comprehensive, rigorous analysis of the policy proposal. This work is done by Up for Growth[®], a 501(c)(3), and is not intended to serve as an endorsement.

BACKGROUND

Portland has seen rapid growth over the last few decades, adding more than 55,000 residents from 2014-2019.¹ Homebuilding, however, has not kept up with this growing population, and underproduction has left many Portlanders struggling to find homes that are affordable to them. Research from Up for Growth finds that from 2000-2015, Portland only built 0.53 houses for every one new household formed.² If this huge production gap continues, thousands of Portland residents will face incredibly high rents and transportation costs and be forced to move farther from job opportunities and amenities. Currently, 25% of Portland residents are severely cost burdened, paying more than half of their monthly income on housing and transportation costs.³ As Portland continues to grow, housing underproduction and the accompanying unaffordability will worsen — particularly for low- and middle-income families and communities of color. Rising land costs coupled with widespread bans on small, attached houses mean that only large, expensive houses make sense to build. This land use pattern compounds inequality and unaffordability, and in fact, such restrictive zoning policies make it impossible to avoid this problem. The solution is both increasing the production of housing and diversifying the types of homes that can be built. This will improve both overall housing supply and Portlanders' ability to find homes they can afford in any neighborhood.

The supply of available homes is the result of many separate but related policy decisions and economic factors. When considered cumulatively, individual policies can add up to dramatically reduce the supply of housing, which drives up prices as people bid against each other for the limited number of homes they can find. Restrictive zoning laws have some of the most burdensome impacts on housing production. These zoning laws constrain supply, limit the amount of both market-rate and price-regulated units, contribute to racial segregation and housing inequity, increase rents, and limit economic growth and community building. A well-functioning housing market allows for the creation of diverse housing product types in transit-rich, high opportunity areas near jobs and amenities. Allowing for more housing near transit and job centers also has environmental benefits because small, more densely populated houses reduce

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carbon emissions and the need for cars. Having a variety of housing types is particularly important in cities like Portland that have large populations of single occupant households and growing older and younger populations that are less likely to require or want large detached homes. Furthermore, as Portland's housing costs increase, the crucial workforce of teachers, firefighters, nurses, and other professionals are forced to live farther from jobs and amenities.

Like most cities, Portland used to zone for a mix of housing types that allowed for missing middle and multifamily housing. Using racist and exclusionary tactics, Portland joined many other major cities in the 1940s-1960s to create de jure segregation, restricting Black people and other minorities to neighborhoods redlined by banking practices and regulations.⁴ By designating the majority of the city's land as exclusively appropriate for the most expensive type of housing, Portland limited Black families' access to high quality neighborhoods, jobs, and amenities and the wealth-building benefits of homeownership. Mandatory single detached zoning has not only deepened racial and income inequality, it has made Portland ill-equipped to accommodate the changing preferences of its growing population. The inability to create a housing stock that meets residents' needs has short and long term economic and social consequences. The residential infill project will go a long way in increasing equity and in correctly meeting resident needs with available housing stock.

Currently, duplexes, triplexes, and quadplexes are illegal to build on about 70% of residential land in Portland.⁵ This restrictive zoning means that even when many residents would prefer small, attached homes with lower rents, these homes cannot get built. In Portland, bans on small attached homes has led to an oversupply of large, expensive single detached homes at the cost of a diverse housing stock. Zoning reform that allows for gentle density with missing middle homes — multiple unit houses like duplexes, triplexes, and quadplexes, that are similar in size to single detached houses — can undo much of this mismatched housing supply and help make Portland more affordable to a much larger population. Additionally, when land costs are high, building multiple houses on one lot splits the land cost across the houses, which allows for greater affordability as the cost savings are passed on to residents.

The Portland Residential Infill Project is a big step in reforming the city's housing market and ensuring that more housing gets built and that the city becomes more affordable. Last year, Oregon passed House Bill 2001, a major zoning reform law that requires medium- and larger-sized cities to allow for duplexes and large cities to allow for duplexes, triplexes, quadplexes, cottage homes, and townhomes in residentially zoned areas. Portland's project allows the city to comply with state law while also addressing city-specific housing needs and concerns. The city retains local control over the implementation of the statewide mandate, which allows for better policymaking.

The project began, in large part, as a response to the city's growing housing affordability and availability crisis. Since 2015, the city has undergone an extensive process for developing the new zoning plan. The initial concept plan was approved at the end of 2016, and has since undergone a series of amendments, public comments, and council votes. The current iteration of the plan is soon to be voted on by city council.

POLICY PROPOSAL

The Portland Residential Infill Project's zoning reform allows for the production of missing middle housing in areas that currently ban smaller, detached houses. The reform allows for duplexes, triplexes, quadplexes, cottage homes, or a second accessory dwelling unit (ADU) on the vast majority of low-density residential lots. The plan also complies with Oregon's Senate Bill 534, which allows for the development of homes on narrow lots. Narrow lot homes, like duplexes, tend to be smaller and more affordable, which allows low- and moderate-income families to access home ownership. These zoning reforms will go a long way in increasing the diversity of the housing stock and improving affordability.

Additionally, the project discourages needless tear downs by limiting the size of new houses relative to the lot size. Residents and policymakers saw the city's current trend of tearing down existing houses and replacing them with large, expensive single detached houses as detrimental to both community and affordability. This floor area ratio (FAR) adjustment coupled with upzoning will help reverse this trend. The plan also incentivizes more dense housing by allowing a larger square

footage allotment to structures that create missing middle housing. FAR adjustments also make building to a lot's full potential more appealing to developers. Projects with regulated, on-site, affordable housing on site get an additional FAR bonus. The plan also eliminates parking requirements, lowers the cost of development, and allows for more construction in more places, and facilitates more walkable and transit-served communities.

Reforming zoning laws allow for more market-rate housing — the generally older housing that is typically utilized by low- and middle-income households. Exclusionary zoning restricts the supply of housing, increasing competition for older homes, which prevents them from gradually lowering in price. The downstream effects of this underproduction are even more detrimental for low- and moderate-income households who face even more significant budget constraints. Upzoning allows private investment to finance enough homes to keep up with population growth and to better align the types of homes available with the demand and preferences. It also reduces land costs for low-income affordable housing developers, freeing up public dollars to help more low-income families find affordable homes.

Some have claimed that the program will increase displacement, particularly for the city's vulnerable Black and minority communities. This concern is not borne out in the data. Old, cheap homes are already being demolished and replaced with large, expensive one-unit structures under the status quo. A city displacement study found that the project will reduce citywide displacement of low-income tenants by 28%, essentially because allowing more homes per lot reduces the number of lots that must be redeveloped to accommodate population growth.⁶ Supplemental resources, education programs, and policies that protect renters and owners who already live in neighborhoods that are at risk for displacement and gentrification are also important to mitigating the risk. As Portland grows and income inequality deepens, displacement will occur. This reform will mitigate some of this displacement, but more intervention, particularly in areas where there are unique gentrification concerns, may be necessary to mitigate the risk.

The project seeks to achieve a variety of public policy and housing goals by changing the types of housing that can be produced. A Johnson Economics study estimates the plan will lead to the creation of 1,200 homes a year over status quo — 24,450 homes over the next 20 years.⁷ Up for Growth's Housing Policy and Affordability Calculator estimates that, all else equal, enacting the project will result in the average Portland home renting for \$260 per month less than it otherwise would, a 12% savings.⁸ The supply and affordability increase reflected in these studies indicate that the project would be a major step forward for Portland's housing ecosystem.

CONCLUSION

As the nation grapples with a large-scale housing crisis — driven in large part by barriers that limit the production of homes and leave millions of families and individuals cost burdened— cities and states are searching for ways to make housing more available and more affordable in their area. In terms of large-scale zoning reform, Portland is ahead of the curve. The Residential Infill Project opens up key parts of the city for housing and will spur not only the creation of more housing but also the development of more types of housing. These reforms will have far-reaching benefits for the city. Allowing for more diverse housing types will create more housing overall, grant access to residents who have typically been excluded from high-opportunity, transit- and job-rich areas, and will lead to more naturally occurring affordable homes as well as more low-income affordable homes through affordability incentives. Limiting the size of new single detached houses and allowing for gentle density will help mitigate displacement and help diversify neighborhoods. This improved land use also has environmental benefits as building smaller, more densely populated homes will reduce carbon emissions and the need for cars.

The project makes huge strides toward undoing historic patterns of segregation and exclusion. Its implementation will likely lead to a natural correction, particularly for affordability and access to strong communities. Eliminating zoning and land use barriers restructures the market allowing it to correctly meet the need for housing. This type of market calibration

takes time. The city could help further spur the creation of low-income affordable housing by offering more incentives for developing more affordable units.

Overall, the project is a significant step forward for pro-housing policy. Rezoning the city to allow for more diverse housing stock will help Portland achieve equity, affordability, economic, and environmental goals. Portland is paving the way for this type of reform, and the success of the project will be an important model for other localities.

ABOUT UP FOR GROWTH®

Up for Growth® is a national 501(c)(3) organization that forges policies and partnerships to achieve housing equity, eliminate systemic barriers, and create more homes.

¹Portland State University (2019). *Annual Population Estimates and Reports*. Retrieved from: <https://www.pdx.edu/prc/population-reports-estimates>

²Up for Growth. (2018). *Housing Underproduction in Oregon*. Retrieved from: https://www.upforgrowth.org/sites/default/files/2020-07/housing_underproduction_or.pdf

³The Portland Plan. <https://www.portlandonline.com/portlandplan/index.cfm?c=58776&a=420371>

⁴Jenna Hughes, et al. (2019). *Historical Context of Racial Planning: A History of How Planning Segregated Portland*. Retrieved from: <https://www.portland.gov/sites/default/files/2019-12/portlandracistplanninghistoryreport.pdf>

⁵Portland City Council (2017). *Residential Infill Project: City Council Final Concept Report*. Retrieved from: https://www.orcity.org/sites/default/files/fileattachments/planning/page/11250/portland_singlefamilyinfillconcepts.pdf

⁶City of Portland Bureau of Planning and Sustainability. (2019). *Residential Infill Project: Displacement Risk and Mitigation*. Retrieved from: https://www.portland.gov/sites/default/files/2019-12/vol_3_appendix_b_displacement_risk_and_mitigation.pdf

⁷Johns Economics LLC. (2018). *Residential Infill Project Economic Analysis for the Revised Proposed Draft*. Retrieved from: https://www.portland.gov/sites/default/files/2019-12/vol_3_appendix_a_revised_economic_analysis.pdf

⁸Up for Growth. (2020). *Portland Housing Policy and Affordability Calculator*. Retrieved from: <https://www.upforgrowth.org/portland-housing-calculator>



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