

Housing and Community Development Committee

Date: February 25, 2015

Time: 5:30 pm

Place: City Hall Room 24 (Basement Level of City Hall)

1. Public Forum On Housing

Documents: [SAVE THE DATE - PUBLIC FORUM ON HOUSING.PDF](#)

1.I. Presentation - Public Forum On Housing Production And Affordability

Documents: [CITY OF PORTLAND PUBLIC FORUM ON HOUSING PRODUCTION.PDF](#)

1.II. Encourage And Ensure Housing Development

Documents: [ENCOURAGE AND ENSURE HOUSING DEVELOPMENT.PDF](#)

Public Forum on Housing

SAVE THE DATE!

Wednesday, February 25, 2015



The City Council's Housing and Community Development Committee
has convened a

Public Forum

***to discuss policies that promote residential development in
general, and specific policies for addressing the workforce
housing shortage in Portland.***

The Planning & Urban Development Department will present some
proposals and open the discussion around workforce and affordable
housing in the City of Portland.

Join us!

Wednesday, February 25, 2015

5:30 pm. Room 24, Basement level of City Hall.



City of Portland Public Forum on Housing Production and Affordability

Sponsored by the City Council's
Housing and Community Development Committee
February 25, 2015

Terminology

- “Low Income Housing”: Housing, of any sort, for rent or to own, that is affordable to households at 80% of area median income or below (about \$60,000 for a family of four.)
- “Workforce Housing”: Housing, of any sort, for rent or to own, that is affordable to households at 100% of area median income (about \$75,000 for a family of four)
- “Affordable”: Paying 30% or less of your income on housing costs (rent or mortgage payments, insurance, taxes, etc.)
- “Deed Restricted”: The housing is not just affordable by chance, but by a written requirement that residents meet those restrictions. That restriction may last 20+ years or be in perpetuity.

2002 Housing Plan

- Approved by City Council in 2002 as part of the City's Comprehensive Plan
- Called for five key policies:
 1. *Adequate and diverse supply of housing for all*
 2. *Preserving a quality housing stock*
 3. *Building on neighborhood stability and integrity*
 4. *Housing as a regional issue*
 5. *Sustainable development*
 6. *Freedom of choice*
- Set goal of keeping Portland's population at 25% of County
- Called for Housing Replacement Ordinance
- Set goal of 20% of new units to be affordable at 80% AMI
- Set goal of 200 new affordable home-ownership units, most for families

Housing: Sustaining Portland's Future



**Housing Component of the Comprehensive Plan
City of Portland, Maine**

Prepared by: Housing Comprehensive Plan Committee
Co-Chairs: Councilor Nicholas Mavodones and
Councilor Nathan Smith

Adopted November 18, 2002

India Street Process

- India Street Sustainable Neighborhood Plan process had a working group on housing and equity
- Initially was recommending a requirement that part of all new larger developments in the neighborhood be affordable
- Decided that the requirement should be City-wide so as to not discourage investment in the district
- Prepared a draft ordinance
- Housing affordability is a goal of the draft plan

2030 Workforce Housing Demand

- GPCOG Study completed January 2015
 - 62% of Portland households earn less than the county's median income (38% of homeowners and 81% of renters) which is a 10% increase over last decade
 - 2010-2014 – 1,130 housing units permitted and/or built; only 29% were affordable to household earning median income.
 - There is a predicted gap in affordable housing production of between 24-33%. In other words, the production rate should roughly double

2030 Workforce Housing Demand

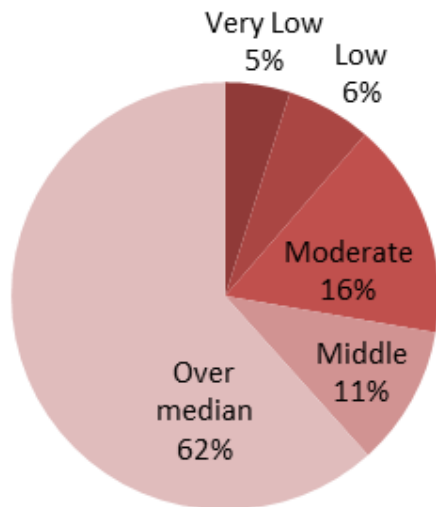
Prepared by Greater Portland Council of Governments January 2015

Less than 30% AMI = *Very low income*

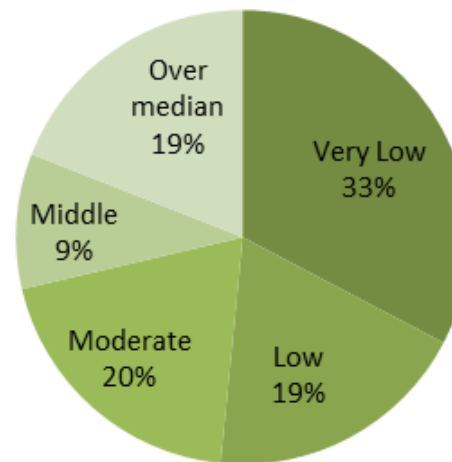
30%-50% AMI = *Low income*

50%-80% AMI = *Moderate income*

Income of Portland Homeowners (2011)



Income of Portland Renters (2011)



2030 Workforce Housing Demand

Why do anything?

- 62% of Portland households earn less than the county's median income(38% of homeowners & 81% of renters). Over the last decade, the number of households earning less than median income has increased 10%.
- The Great Recession of 2008 was a market correction that increased the affordability of existing housing – by giving wages a chance to catch up while stalling home sales and rents.
- Current housing production is not meeting the needs of households earning 80%-100% of median income. If recent trends continue, there will be a gap between supply and demand of workforce housing units ranging from 24%-33%.

2030 Workforce Housing Demand

- While the Portland housing market contains units in a variety of price ranges, the reality is that those with higher incomes, stable jobs, and good credit ratings are in a better position to compete for affordable units that are subsidized and unsubsidized. This creates a glut of affordable units at the low end of the range that may be in rough condition, with deferred maintenance issues.
- The rental market is extremely tight for 3-bedroom units that can accommodate working families.
- Based on the vacancy rate, the inventory of one-bedroom condos targeting households earning over the median income is reaching a point of saturation.

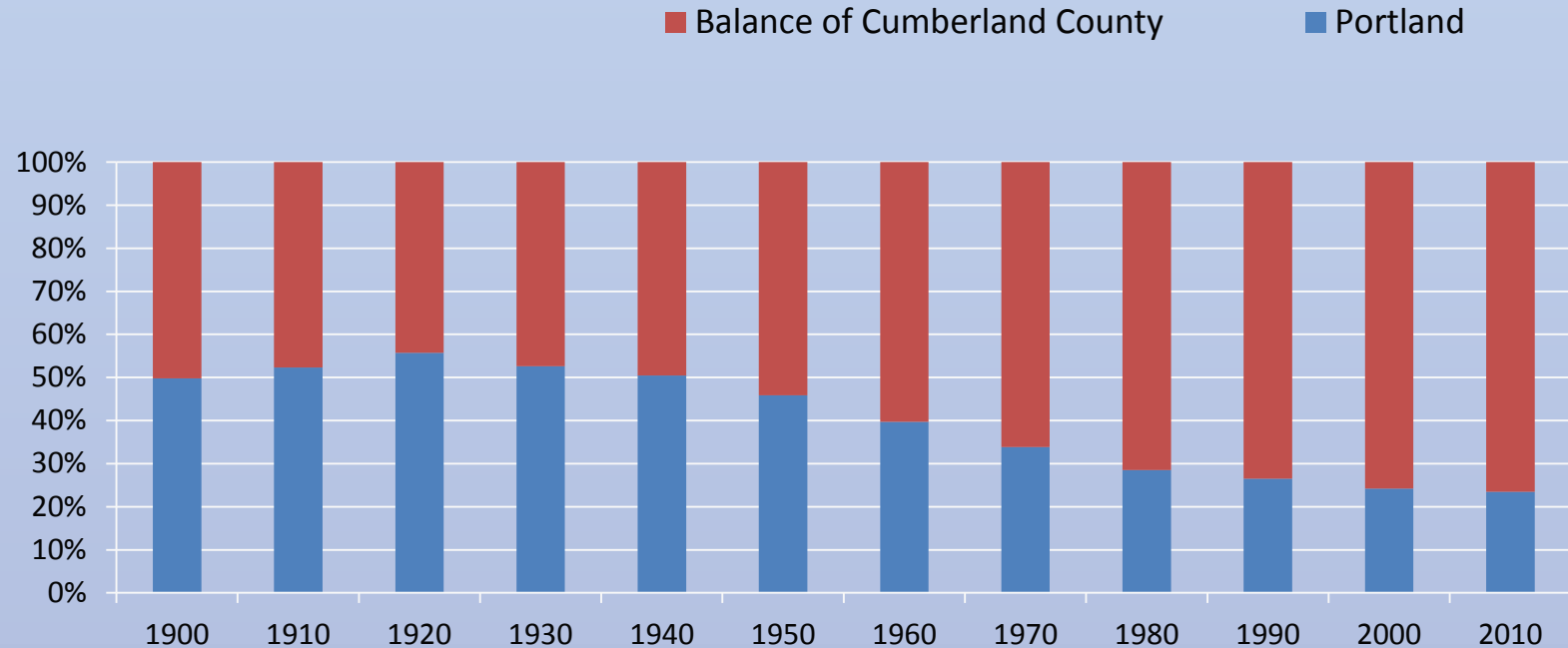
MEREDA 2015 ANNUAL REAL ESTATE FORECAST CONFERENCE

- “A higher end rental market expands and spurs investment”
- Rents up 8-12% this year, predicted another 5% next year
- Sales prices in Portland up 19% since 2009
- **Market Rate/mo**
 - ✓ Studio: \$750 - \$800 (Federal Fair Market: \$739)
 - ✓ 1 Bd: \$925 - \$1,000 (Federal Fair Market: \$880)
 - ✓ 2 Bd: \$1,100 – 1,400 (Federal Fair Market: \$1,087)
 - ✓ 3 Bd: \$1,400 – 1,600 (Federal Fair Market: \$1,405)



PORTLAND'S GROWTH

- 500 units of housing permitted in past two years
- Not quite meeting the 20% of county growth goal but doing OK



Source: U.S. Census Bureau – Included in GPCOG 2030 Portland Workforce Housing Demand Report

The housing production rate south of I-295 is higher than that north of I-295.

	Peninsula	Off-Peninsula	Island	Total
Affordable	320	16	0	336
Market Rate	675	108	11	794
Total	995	124	11	1130

Source: Greater Portland Council of Governments

WHAT ARE OUR EXISTING CITY ORDINANCES?

Housing Replacement Ordinance

Section 14-483 City Code of Ordinances

Primary source of capitalization for the Housing Trust Fund.

Currently at \$64,700 per unit removed from the market and not replaced

Density Bonus

Section 14-484 City Code of Ordinances

Allows up to a 25% bonus in density for affordable housing developments.

WHAT ARE OUR EXISTING CITY PROGRAMS?

FINANCIAL SUPPORT:

U.S. Dept. of HUD- CDBG and HOME – affordable at or below 80% AMI

Since 2000 the City has invested \$8.8 million of HUD funding to assist in the creation of over 800 units almost 700 of which are affordable at 50% to 80% of AMI

City's Housing Trust Fund – affordable at or below 120% AMI currently funded through the Housing Replacement Ordinance

Since 2002 the fund has received approximately \$1 million and expended \$455,585 (Avesta's Oak Street Lofts – 37 efficiency units; two pre-development grants to create Housing First units)

Current balance is approximately \$640,000

How would increased density incentives and new requirements work together?

Changes to density of housing development allowed in key zoning districts. B-2 zone (approved by Council,) R-6 zone (before the Planning Board,) other business zones such as the B-6 zone.

Limited density bonus changes for workforce and affordable housing. The existing language amended to include all deed-restricted units at less than 120% of AMI. consider increasing the density bonuses - existing bonuses at (25%)

Inclusionary Zoning focused on 80-120% AMI Production. Increased densities alone will not address the need to increase development of low, moderate and average-income housing by 24-33%. If such a requirement had been in place over the past 10 years, 77 units of workforce housing would have been produced, in addition to \$630,000 for the Housing Trust.

Examples of Inclusionary Zoning in other places

500 municipalities have requirements in more than half the states and DC

Sample Inclusionary Zoning Requirements from other Cities in the US

CITY	Year Enacted (est.)	Requirement	Units Produced	Target Incomes	Notes
Arlington, MA		15% of units			
Belmont, MA		10-15%, no minimum units			
Boulder, CO		20%, no minimum units		60% AMI	
Brookline, MA	1998	15% of 6 or more units and 15% of all bedrooms		80-100% AMI	Cash out up to 15 units
Burlington, VT		25% of 6 or more units			
Cambridge, MA	1998	15% of 10 or more units	450	65% AMI	30% density bonus
Cape Elizabeth, ME		5% (low)-10% (moderate income) of 5 or more units		Below 80% AMI	Also includes Accessory Dwelling Unit language
Carlsbad, CA	1994	15% of 7 units or more	1246	Below 80% AMI	
Emeryville, CA	1990	10-20% of 30 or more units			
Fairfax County, VA	1992	Over 20 Units	2448	"Affordable"	
Lincoln, RI	2006	20% of over 5 units		80% AMI	Given density bonus
Montgomery County, MD	1976	Over 50 Units	13000	"Moderate"	
Newton, MA		15% of units			
Petaluma, CA	1984	15% of 3 units or more	1157		
Pittsburg, CA	2004	6-20% of 5 units or more	11	Below 100% AMI	
Santa Fe, NM	2006	15% of 25 units or more		Up to 120% AMI	City provides up to \$10,000 subsidy per unit
Tallahassee, FL	2004	10% of 50 or more units		70-100% AMI	
Waltham, MA		5% (if given to WHA) or 10%			
Washington, DC	2006	8-10%		50-80% AMI	
Watertown, MA		12.5% of 5 or more units		80% AMI	Rounds up to next full unit

Many of these requirements allow cash out (fee in lieu) as an option, although that option often only exists for smaller projects and/or fractional unit requirements

Some of these ordinances allow for off-site provision of affordable units

Inclusionary Zoning focused on 80-120% AMI Production.

	OPTION 1	OPTION 2	
# of Units	Required Affordable Unit	In-Lieu Fees	Incremental Unit Fee %
10	1	100%	n/a
11	1 + Incremental Fee	100% + Incremental Fee	10%
12	1 + Incremental Fee	100% + Incremental Fee	20%
13	1 + Incremental Fee	100% + Incremental Fee	30%
14	1 + Incremental Fee	100% + Incremental Fee	40%
15	1 + Incremental Fee	100% + Incremental Fee	50%
16	1 + Incremental Fee	100% + Incremental Fee	60%
17	1 + Incremental Fee	100% + Incremental Fee	70%
18	1 + Incremental Fee	100% + Incremental Fee	80%
19	1 + Incremental Fee	100% + Incremental Fee	90%
20	2	n/a	n/a
21+	2 + Incremental Fee	n/a	10%
30	3	n/a	n/a
31+	3 + Incremental Fee	n/a	10%
40	4	n/a	n/a
41+	4 + Incremental Fee	n/a	10%

Fee in lieu of providing affordable housing of \$100,000

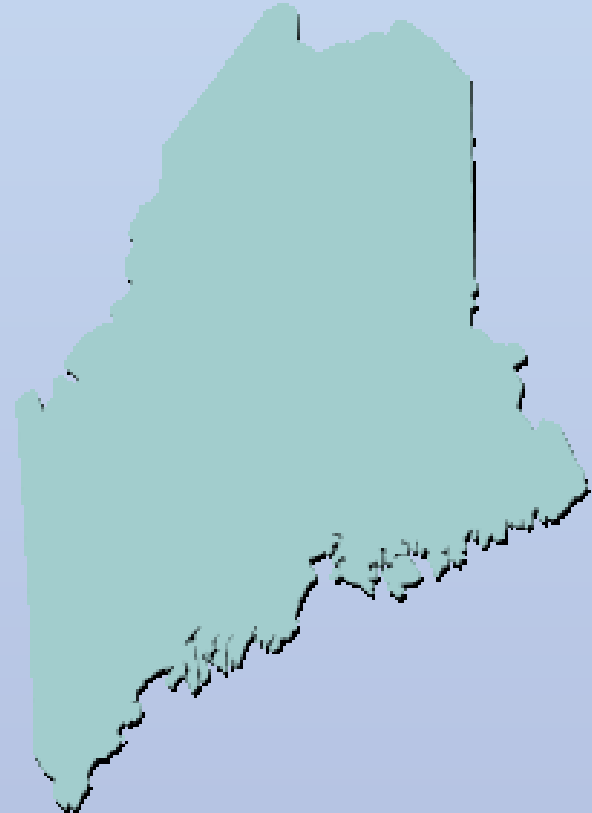
Developments of twenty (20) units or greater, not eligible for the fee in lieu provision.

In-lieu fees shall be paid into the Housing Trust Fund as defined in Sec. 14-489.

Fee in lieu = number of required affordable units not provided multiplied by \$100,000.

What are other communities in Maine doing?

- Cape Elizabeth is the only community in Maine with a mandatory inclusionary zoning requirement.
- Many communities have incentive based ordinances similar to those currently existing in Portland.



Effectiveness of Tools

- Density bonuses have some effectiveness in some circumstances. In Massachusetts and New Jersey, state level affordable housing requirements can trump local zoning.
- While economic arguments against inclusionary zoning suggest that it reduces housing production and/or increases market rate housing costs, most studies suggest there is either no such effect or that the effect is very modest

TWO PRONGED APPROACH RECOMMENDED

ENCORAGE HOUSING DEVELOPMENT
BY REMOVING BARRIERS TO
TRADITIONAL URBAN HOUSING TYPES

Under Way or Completed

- *R-6 Changes*
- *B-1 Changes*
- *B-2 Changes*

Additional Tasks

- *Looking at current accessory dwelling units and how we view “abandoned” residential space*
- *Density Bonuses*
- *Examining other zoning districts*
- *Remove regulatory barriers through ordinance streamlining*

ENSURE INCLUSION OF WORKFORCE
HOUSING IN SIGNIFICANT PROJECTS

Inclusionary Zoning - “10/10/100”

- *Start a requirement at a development of 10 units or more*
- *Require that 10% of units be workforce or affordable housing*
- *The required portion would be affordable at 100% of median income, and possibly eligible for funding if below 80%*
- *Cash-out (to the Housing Trust) and off-site provisions (within the same neighborhood) for many developments*

QUESTIONS? COMMENTS?



Jeff Levine, AICP
Director, Planning & Urban Development Department

City of Portland Public Forum on Housing Production and Affordability
February 25, 2015

RECOMMENDATION: ENCOURAGE HOUSING DEVELOPMENT

Completed

- ✓ Comprehensive rewrite of the B-2 zoning districts (along Forest Avenue and elsewhere) to more than double the number of housing units that can be built
- ✓ Changes to the B-1 neighborhood business districts

Under Way

- ✓ Comprehensive rewrite of the B-6 (Peninsula residential) zoning district to significantly increase number of housing units that can be built. This process included a three month outreach phase during which staff met with neighborhood groups
- ✓ Form Based Code in the India Street neighborhood will focus on the built form rather than the number of units in a residential development

Proposed

- ✓ Exploration of ways that accessory dwelling units and reuse of existing buildings can help produce additional housing with minimal impacts
- ✓ Changes to the density bonus provisions to make them more effective

RECOMMENDATION:

ENSURE HOUSING DEVELOPMENT

DRAFT Inclusionary Zoning Ordinance

Purpose

The City believes that it is in the public interest to promote an adequate supply of affordable housing for its residents. The purpose of this division, therefore, is to require developers to include units of affordable housing within development projects, thereby mitigating the limited supply of affordable housing, and by doing so, promoting the health, safety, and welfare of Portland citizens.

Definitions

- a) Affordable housing unit shall be a dwelling unit for which:
 - a. The rent does not exceed 30% of the annual income for a household earning less than 100% of area median income for the Greater Portland Metropolitan Statistical Area as defined by the U.S. Department of Housing and Urban Development or
 - b. Where the purchase price will not result in mortgage payments that exceed 30% of annual income for households earning less than 100% of area median income for the Greater Portland Metropolitan Statistical Area as defined by the U.S. Department of Housing and Urban Development.
 - c. Annual rent increases for that unit are limited in perpetuity by deed restriction or other legally binding agreement to the percentage increase in the U.S. Department of Housing and Urban Development Greater Portland Metropolitan Statistical Area median income figures for a household of that size, or
 - d. The resale price is limited by deed restriction or other legally binding agreement for all future sales of the unit to the percentage increase in the U.S. Department of Housing and Urban Development Greater Portland Metropolitan Statistical Area median income figures for a household of that size.

Applicability

This division shall apply to development projects that:

- a) Are permissible under the provisions of this chapter in the zone in which they are proposed
- b) Will be a multi-family dwelling as defined in section 14-47, and will not be located in an R-1 or R-2 zone
- c) Reserve
- d) Create ten or more new dwelling units for rent or for sale through new construction, substantial rehabilitation of existing structures, adaptive reuse or conversion of a non-residential use to residential use, or any combination of these elements.
- e) Have not received, prior to the adoption of this ordinance, a Level III site plan approval, a Master Plan approval or a Building Permit.

Requirement of Inclusion of Affordable Housing Units

Such development projects shall set aside at least ten percent (10%) of the units in the project as affordable housing.

Standards

Projects shall not be segmented or phased to avoid compliance with these provisions and affordable units shall be provided in proportion to the development of market rate units.

Affordable housing units shall be integrated with the rest of the development and shall be reasonably compatible in unit type, appearance, construction, and quality of materials with other units as determined by the planning authority.

In-lieu Fees

Projects may pay a fee in lieu of providing affordable housing except that for developments of twenty (20) units or greater, all of the required affordable units shall be incorporated within the development and shall not be eligible for the substitution of the fee in lieu provision. In-lieu fees shall be paid into the Housing Trust Fund as defined in Sec. 14-489. The fee for affordable units not provided shall be equal to the number of required affordable units not provided multiplied by \$100,000. Beginning on January 1, 2016 and annually thereafter, the amount of the in-lieu fee shall be adjusted by multiplying this amount originally deposited for each unit by a fraction, the denominator of which shall be the "Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W"), U.S. City Average, "All Items Index," as published by the United States Bureau of Labor Statistics ("the Index") for January 1, 2015 Year, and the numerator of which shall be the index for the same month in each subsequent year. In the event that the Index is not then in existence, the parties shall use such equivalent price index as is published by any successor governmental agency then in existence; or, if none, then by such equivalent price index, in lieu of and adjusted to the Index. If the Index shall cease to use 1982-84 equals 100 as the basis of calculation, or if a substantial change is made in the terms or number of items contained in the Index, the Base Index shall be adjusted to conform to such change, using such computation thereof, if available, as shall be employed by the United States Department of Labor in computing same. Notwithstanding anything herein to the contrary, contributions made after January 1, 2016 shall not be less than the amount originally required to be deposited pursuant to this sub-section.

Incremental Unit Fee

A development with ten units will be subject to the provision of one complete affordable unit, or 100% of the required fee in lieu of providing the affordable unit within the project. Each additional unit in excess of ten will be subject to an incremental 10% fee per unit in addition to the provision of the required affordable unit, or an incremental fee per unit in addition to the 100% fee in lieu of the one unit. A development with more than 20 units will be subject to an incremental 10% fee per unit in addition to the provision of the required affordable units. [See chart below]

	OPTION 1	OPTION 2	
# of Units	Required Affordable Unit	In-Lieu Fees	Incremental Unit Fee %
10	1	100%	n/a
11	1 + Incremental Fee	100% + Incremental Fee	10%
12	1 + Incremental Fee	100% + Incremental Fee	20%
13	1 + Incremental Fee	100% + Incremental Fee	30%
14	1 + Incremental Fee	100% + Incremental Fee	40%
15	1 + Incremental Fee	100% + Incremental Fee	50%
16	1 + Incremental Fee	100% + Incremental Fee	60%
17	1 + Incremental Fee	100% + Incremental Fee	70%
18	1 + Incremental Fee	100% + Incremental Fee	80%
19	1 + Incremental Fee	100% + Incremental Fee	90%
20	2	n/a	n/a
21+	2 + Incremental Fee	n/a	10%
30	3	n/a	n/a
31+	3 + Incremental Fee	n/a	10%
40	4	n/a	n/a
41+	4 + Incremental Fee	n/a	10%