On Your Mark...
Get Set...
GO!!!!

Model Inclusionary Housing Practices

Dawn J. Luke, Moderator
NALHFA Finance Workshop
November 6, 2015
“Off to the Races”

- Introductions
- An Overview of Inclusionary Housing
- An Inclusionary Housing Case Study: Portland
- An Inclusionary Housing Case Study: San Francisco
- Questions & Answers
“Training for the Win”

What You Need to Know About Inclusionary Housing
What is Inclusionary Housing/Zoning?

Inclusionary Housing or Inclusionary Zoning broadly describes a set of policies and practices that work through local land use approvals to either offer incentives or require developers to make a share of otherwise market-rate housing affordable to low or moderate income households.
Growing National Interest
States with Local Inclusionary Policies

Not all states’ laws are equal

Need to check YOUR State’s law

Not all states have laws that allow inclusionary policies. Oregon and Texas legally prohibit mandatory inclusionary requirements and other states’ local jurisdictions stay away from the policies because they are concerned about the potential of litigation.

In June of this year, the California Supreme Court upheld Inclusionary Housing ordinance as valid exercise of police power in California Building Industry Associations v. City of San Jose.
Why Consider IH Policies

- High cost housing creating rent burdens
- Looking for tools to help hedge against neighborhood displacement
- Address concerns about the ability to provide affordable workforce housing near city centers
- Helps AFFH and disperses affordable housing in opportunity neighborhoods
- Requires less direct subsidy
- Highly flexible land use regulatory tool
What Should You Be Thinking About...
Inclusionary Housing Policy Development & Implementation

Concerns When Implementing IH

- Fairness – why should developers and purchasers on market housing bear the cost of affordable housing development?
- Concerns about the market impact (increased unit values) and developer profit loss
- NIMBY
- It is not a panacea for solving affordable housing needs
- Highly individualized for your locality
- Takes time for program to show impactful results
“Running the Race”
A Case Study of Portland, Oregon
Portland’s Need
What Does the Data Say?

- Persistent & intractable homelessness
  - 1,880~ for 3 years

- Rapid inflation in the rental market:
  - 30% in 5 years
  - 15% in 2015

- Sustained high occupancy rates
  - 96.5% for 5 years

- Declining wages among low wage workers
  - -5.4%/5 years

- Citywide unmet housing need
  - 24,000 low income households
Portland’s Need
Serving the Missing Middle

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Income Range</th>
<th>Percentage of Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Person HH</td>
<td>$30,900-$41,200</td>
<td>16% of all White Households</td>
</tr>
<tr>
<td>2 Persons HH</td>
<td>$35,200-$47,050</td>
<td>11% of all Black Households</td>
</tr>
<tr>
<td>3 Persons HH</td>
<td>$39,720-$52,950</td>
<td>9% of all NA Households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15% of Asian Households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28% of Hawaiian-Pacific Islander Households</td>
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<tr>
<td></td>
<td></td>
<td>19% of Latino Households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17% of all households within Communities of Color</td>
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</tbody>
</table>

Portland’s typical 60-80% MFI households

Percentage of Different Communities Earning 60-80% MFI
Portland’s Need
Where Do They Live?

Portland Housing Market Snapshot: July 2015
Voluntary Central City Bonus of 3:1
Base entitlement: 4:1 and 6:1
Recalibrated 18 density bonuses to 2: affordable housing and historic preservation
Central City 2015-2035 Forecast: 24,000 housing units
Benefit Up to 80% Median Family Income for 60 years
Fee in Lieu Contribution: $32-$38/square foot paid to HIF
Allow FAR Transfers for Historic Preservation purposes
Evaluate costs every three years
Report production annually in the “Portland State of Housing”
EPS estimates 800-1,300 hard units in the Central City
EPS estimates $120-$200 million fee in lieu in the Central City
Policy Actions and Proposals:

- TIF set-aside for housing increased from 30% to 45%: $270 mm
- Shelter siting standards (zoning) waived for 1 year
- Enhanced renter protections (90 days notice for no cause)
- Commercial & industrial development Linkage fees proposed
- Air BNB revenue for housing proposed
- Design review process for affordable housing being modified
- Mandatory inclusionary housing legislation proposed
Bonus Densities Applied to the Portland River District USPS Site
6.7 FAR; 2,096,054 SQ.FT. Residential; 3,000 units
“Crossing the Finish Line”
A Case Study of San Francisco
## San Francisco’s Affordability Crisis

### What Does the Data Say?

#### Current Average Rent for 2-bedroom Apartment: $5,000

<table>
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<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Annual Salary Needed to Afford Average Rent:</td>
<td>$200,000</td>
</tr>
<tr>
<td>Percentage of Average Median Income:</td>
<td>250% for 2-person household</td>
</tr>
<tr>
<td></td>
<td>200% for 4-person household</td>
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#### Current Average Sales Price: $1,080,750

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<th>Description</th>
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<tbody>
<tr>
<td>Annual Salary Needed to Afford Average Sales Price:</td>
<td>$200,000 (with 20% down payment)</td>
</tr>
<tr>
<td>Percentage of Average Median Income:</td>
<td>250% for 2-person household</td>
</tr>
<tr>
<td></td>
<td>200% for 4-person household</td>
</tr>
</tbody>
</table>

San Francisco’s Mandatory IH Policy

What are the Requirements?

All Projects with 10+ New Units Pay Fee at 20%

OR

Alternatives to Fee

On-site Units at 12%  
Ownership at 90% of AMI  
Rental at 55% of AMI

Off-site Units at 20%  
Ownership at 70% of AMI & within 1 mile  
Rental at 55% of AMI

Land Dedication in One Plan Area
San Francisco’s Mandatory IH

What has been the Affordable Housing Production?

All Completed Projects 1992 - 2015 Q3

- On-Site: 76%
- Off-Site: 4%
- Fee: 19%
- Combo On/Fee: 1%
- Land Dedication: Less than 1%

Total Projects = 226

Inclusionary Projects in the Pipeline as of 2015 Q2

- On-Site: 58%
- Off-Site: 0%
- Fee: 39%
- Combo On/Fee: 2%
- Land Dedication: 1%

Total Projects = 83

On-site projects: 171
Off-site projects: 9
Fee projects: 43
Combo On/Fee: 2
Land Dedication: 1
Total projects: 226

On-site projects: 48
Off-site projects: 0
Fee projects: 32
Combo On/Fee: 2
Land Dedication: 1
Total projects: 83
Robert Hickey’s Seven Lessons of IH

1. It doesn’t kill the market (if designed well)
2. Mandatory has the best track record (strong incentives needed for voluntary to work)
3. Apply it broadly
4. Make it predictable
5. Make it flexible
6. Make it win-win (provide cost offsets)
7. Make it long-term
Resources:

- Making Inclusionary Housing More Flexible: Four Ideas for Urban Settings, Center for Housing Policy, Robert Hickey

- The Effects of Inclusionary Zoning on Local Housing Markets, Furman Center for Real Estate & Urban Policy, NYU

- Inclusionary Up-zoning: Tying Growth to Affordability, Center for Housing Policy, Robert Hickey
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### 2015 Tax Increment Financing Policy Review

Enacted 10/28/15

<table>
<thead>
<tr>
<th>Urban Renewal Area</th>
<th>Status Quo Policy Set Aside $</th>
<th>Targeted 45% Set Aside $</th>
<th>Resulting 2015-2025 Set Aside $</th>
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</thead>
<tbody>
<tr>
<td>Lents Town Center</td>
<td>$31,637,259</td>
<td>+$7,500,000</td>
<td>$39,137,259</td>
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<tr>
<td>Gateway</td>
<td>$10,644,013</td>
<td>+$2,000,000</td>
<td>$12,644,013</td>
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<tr>
<td>Interstate</td>
<td>$63,653,046</td>
<td>+$32,000,000</td>
<td>$95,653,046</td>
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<tr>
<td>Central Eastside</td>
<td>$9,840,270</td>
<td>+$0</td>
<td>$9,840,270</td>
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<tr>
<td>North Macadam</td>
<td>$60,000,000</td>
<td>+$5,000,000</td>
<td>$65,000,000</td>
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<tr>
<td>River District</td>
<td>$26,507,340</td>
<td>+$20,000,000</td>
<td>$46,507,340</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$202,281,928</strong></td>
<td><strong>$66,500,000</strong></td>
<td><strong>$268,781,928</strong></td>
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