



Mayor Charlie Hales  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Steve Novick  
Commissioner Dan Saltzman

November 16, 2016

**RE: Residential Infill Project**

Dear Mayor Hales and Commissioners,

We are writing to share our concern that the Residential Infill Project concept recommendations do not address Portland's dire need for housing that is affordable to low- and moderate-income families.

While we agree with the 10 existing recommendations, City Council must add provisions to incentivize and prioritize the inclusion of truly affordable homes in Portland's single-dwelling zones. This can be achieved by simply reinstating a provision from the June 2016 Draft Proposal: "Allow an additional bonus unit for providing an affordable unit." We find it unconscionable that this provision was stripped from the Concept Report that you are now considering, and that the Residential Infill Project is therefore on the verge of moving forward without this important tool to expand housing equity and inclusion in Portland's highest opportunity neighborhoods.

Reinstating this affordable housing provision would make the development of affordable homes far more feasible for any developer, including non-profits such as Habitat for Humanity, PCRI and Proud Ground. It would also be consistent with your Comprehensive Plan commitments to expand access to affordable housing and dismantle residential segregation.

Making an affordable housing project financially viable requires that the land cost per unit be kept low. For example, Living Cully member organization Habitat for Humanity finds that it can only afford to spend about \$35,000 per unit for land. Therefore, allowing a bonus unit in exchange for affordability requirements would make more projects feasible, as the land cost could be divided among more units. The same would be true for a for-profit developer that wishes to include an affordable unit in a residential development.

As long as this bonus is provided only in exchange for an affordable unit, the land value will not increase as a result of this increased development potential. Rather, land prices will continue to reflect what market-rate developers are willing to pay, which is based on the number of units that *they* can develop

on the property. An affordable housing bonus will enable developers of affordable units to acquire land at a price reflecting the market-rate density, but then spread that cost out among more units. This would allow them to compete for more properties, make more projects financially viable, and build affordable homes in Portland's high opportunity neighborhoods – where market forces are driving displacement and residential segregation based on race and income.

To illustrate this concept, here is a scenario based on an actual single-family property that is on the market in the Cully neighborhood:

An R7 property is currently developed with a single-family home and listed on the market for \$300,000. Current rules allow for a duplex on this corner lot. A market-rate developer could acquire this property and renovate/add to the existing structure to create a duplex. Affordable homes would not be financially viable on this property, because the cost of acquiring the land can only be split between the two allowed units. The final sales price or monthly rent required to pay for the project would be out of reach for lower-income families.

However, if the inclusion of an affordable unit meant that a triplex could be developed, whereas a market-rate developer could only build a duplex, the land cost would be shared among three units. This could bring down the final cost of the homes to a point that would be truly affordable to families who are otherwise priced-out of the housing market.

Under the proposed Residential Infill rules, which we support, the basic premise of this scenario would be the same, though the numbers would change. The land value would be higher than under existing conditions, because any developer could build a triplex on the corner lot, rather than a duplex. However, an additional bonus unit in exchange for affordability would enable a project to include four units, and therefore split the higher land cost four ways.

We call on you to honor the goals set forth in the Comprehensive Plan by including an affordable housing bonus in the Residential Infill Project concepts. As you know, the Bureau of Planning and Sustainability will develop code and map amendments based on your direction. Eliminating the affordable housing bonus at this stage would be a grave mistake, and a missed opportunity to advance housing equity and build inclusive neighborhoods.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tony DeFalco', written in a cursive style.

Tony DeFalco  
Living Cully Coordinator  
6899 NE Columbia Blvd, Suite A  
Portland, OR 97218