FROM POLICY TO IMPLEMENTATION | The Do’s and Don’ts to Achieve Affordable TOD

LOCUS NATIONAL LEADERSHIP SUMMIT | APRIL 25, 2017 | WASHINGTON, D.C.
OVERVIEW OF OREGON LOCUS

Oregon LOCUS is the first **Statewide** Chapter of LOCUS, Smart Growth America’s Coalition of Responsible Developers and Investors. Oregon LOCUS is an advocacy organization that supports state and local policy that enables and promotes the development of dense, walkable neighborhoods that are economically, socially and environmentally sustainable.

In 2016, Oregon LOCUS worked with the City of Portland and other key stakeholders to provide important analysis and policy discussion around Inclusionary Housing (“IH”) within days of its forming as an organization, and is now continuing with accountability and measures of success for the IH program as well as crafting additional industry-led policy solutions to urban housing, land use and transportation issues statewide.
METROPOLITAN LAND USE IN THE U.S.

REGIONALLY SIGNIFICANT
- Tri-State Land Area: 95.0%

LOCAL SERVING
- Tri-State Land Area: 2.3%

WALKABLE URBAN

WALKUP
- Tri-State Land Area: 0.5%

NEIGHBORHOOD
- Tri-State Land Area: 2.0%

DRIVEABLE SUBURBAN

DRIVE-IN
- Tri-State Land Area: 2.3%

SUBDIVISION/EDGELESS CITY
- Tri-State Land Area: 95.0%

Though widely known for its walkable urbanism, rail transit and bikeability, 87% of metro Portland’s walkable urbanism is in its center city. Though Orenco Station is a national model of greenfield transit-oriented development, Portland has experienced little urbanization in its suburbs. The metro area continues to build drivable sub-urban patterns, in spite of an urban growth boundary meant to discourage sprawl.

2 Source: Metro (2016)
PORTLAND’S PUBLIC TRANSPORTATION

TRIMET
Rail System

Source: Trimet (2015)
YOU CAN’T STOP THE WATER
(Population Growth)

Housing Affordability

Population Growth

UGB (Supply Constraint)
AS POPULATION INCREASES, AFFORDABILITY DECREASES, UNLESS YOU BUILD AN ADEQUATE SUPPLY OF HOUSING.
ONE OPTION IS TO GROW OUT, HOWEVER THIS HAS INFRASTRUCTURE COST IMPLICATIONS THAT ARE FINANCIALLY STRAPPING MANY CITIES
THE SOLUTION IS TO GROW UP, IN PLACES WHERE INFRASTRUCTURE DOLLARS HAVE ALREADY BEEN SPENT.

Housing Affordability

Population Growth

UGB
LACK OF ADEQUATE HOUSING SUPPLY POLITICALLY UNSUSTAINABLE

Margot Black Wants to Take on the Landlords and Portland City Hall
With Portland Tenants United, she’s harnessing the power of renters to change this city with a new tenants union.

Report: Portland rent increases highest in country
Portland apartment rents increased 14 percent between February and March

Northeast Portland families face tough choice after new owner more than doubles their rent

Housing crisis took center stage in 2016, will keep it in 2017
PORTLAND’S CENTRAL CITY PLAN

Source: City of Portland Bureau of Planning and Sustainability (2017)

FROM POLICY TO IMPLEMENTATION: THE DO’S AND DON’TS TO ACHIEVE AFFORDABLE TOD

MIKE KINGSELLA DEVELOPMENT MANAGER, HOLLAND PARTNER GROUP AND EXECUTIVE DIRECTOR, OREGON LOCUS
PORTLAND’S SOUTH WATERFRONT
WHAT WAS PLANNED

MIKE KINGSELLA
DEVELOPMENT MANAGER, HOLLAND PARTNER GROUP AND EXECUTIVE DIRECTOR, OREGON LOCUS
PORTLAND’S SOUTH WATERFRONT

WHAT’S WRONG WITH THIS PICTURE?

FROM POLICY TO IMPLEMENTATION: THE DO’S AND DON’TS TO ACHIEVE AFFORDABLE TOD

MIKE KINGSELLA DEVELOPMENT MANAGER, HOLLAND PARTNER GROUP AND EXECUTIVE DIRECTOR, OREGON LOCUS
$1.1B LOST

PROPERTY TAX REVENUE OVER USEFUL LIFE OF PROJECT

$11.3M

ANNUAL PROPERTY TAX REVENUE LOST

1,800

UNITS LOST

3,300

RESIDENTS LOST

466

CARS ADDED TO ROADS

2,274

METRIC TONS OF CO2 NOT REDUCED ANNUALLY

PORTLAND SOUTH WATERFRONT

Lost tax revenue by building lower-density forms

AS DEVELOPED

WHAT COULD HAVE BEEN DEVELOPED

Source: Multnomah County Assessor (2017)
Source: Holland Estimates Developed Using IMPLAN and Proprietary Modeling

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MIKE KINGSELLA DEVELOPMENT MANAGER, HOLLAND PARTNER GROUP AND EXECUTIVE DIRECTOR, OREGON LOCUS
BUILT VS. ZONED HIGH DENSITY
SOUTH WATERFRONT | PORTLAND, OR

WHAT COULD HAVE HAPPENED
WHAT ACTUALLY HAPPENED

<table>
<thead>
<tr>
<th>Year</th>
<th>No Development</th>
<th>Projected Property Taxes with Public Investment</th>
<th>Projected Property Taxes with No Public Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$1,100,000</td>
<td>$6,400,000</td>
<td>$6,400,000</td>
</tr>
<tr>
<td>2025</td>
<td>$1,500,000</td>
<td>$23,700,000</td>
<td>$8,600,000</td>
</tr>
</tbody>
</table>

Source: Multnomah County Assessor (2017)
## Annual Property Tax Revenue by Product Type

<table>
<thead>
<tr>
<th>HOUSING UNITS PER ACRE</th>
<th>6</th>
<th>25</th>
<th>45</th>
<th>75</th>
<th>125</th>
<th>500</th>
<th>CITY BREAK EVEN — 60 HOUSING UNITS PER ACRE</th>
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</thead>
<tbody>
<tr>
<td>SQUARE FEET PER HOUSING UNIT</td>
<td>1,500</td>
<td>1,000</td>
<td>900</td>
<td>850</td>
<td>750</td>
<td>650</td>
<td>$98.32M</td>
</tr>
<tr>
<td>TAXABLE VALUE PER ACRE</td>
<td>$0.74M</td>
<td>$2.46M</td>
<td>$5.53M</td>
<td>$10.14M</td>
<td>$21.51M</td>
<td>$98.32M</td>
<td></td>
</tr>
<tr>
<td>ANNUAL TAX REVENUE PER ACRE</td>
<td>$0.02M</td>
<td>$0.06M</td>
<td>$0.13M</td>
<td>$0.24M</td>
<td>$0.51M</td>
<td>$2.32M</td>
<td></td>
</tr>
<tr>
<td>IMPACT FEE PER ACRE</td>
<td>$0.21M</td>
<td>$0.23M</td>
<td>$0.41M</td>
<td>$0.69M</td>
<td>$1.15M</td>
<td>$4.60M</td>
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</tr>
<tr>
<td>COST PER SQUARE FOOT</td>
<td>$130</td>
<td>$175</td>
<td>$225</td>
<td>$250</td>
<td>$315</td>
<td>$400</td>
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</tr>
<tr>
<td>INCREMENTAL COST PREMIUM</td>
<td>29%</td>
<td>11%</td>
<td>26%</td>
<td>26%</td>
<td>27%</td>
<td>27%</td>
<td></td>
</tr>
</tbody>
</table>

### Suburban Subdivision
- Housing Units: 6
- Square Feet: 1,500
- Taxable Value: $0.74M
- Annual Tax Revenue: $0.02M
- Impact Fee: $0.21M
- Cost per Square Foot: $130
- Incremental Cost Premium: 29%

### Garden
- Housing Units: 25
- Square Feet: 1,000
- Taxable Value: $2.46M
- Annual Tax Revenue: $0.06M
- Impact Fee: $0.23M
- Cost per Square Foot: $175
- Incremental Cost Premium: 11%

### 4-Story Slab on Grade
- Housing Units: 45
- Square Feet: 900
- Taxable Value: $5.53M
- Annual Tax Revenue: $0.13M
- Impact Fee: $0.41M
- Cost per Square Foot: $225
- Incremental Cost Premium: 26%

### Wrap
- Housing Units: 75
- Square Feet: 850
- Taxable Value: $10.14M
- Annual Tax Revenue: $0.24M
- Impact Fee: $0.69M
- Cost per Square Foot: $250
- Incremental Cost Premium: 26%

### Podium
- Housing Units: 125
- Square Feet: 750
- Taxable Value: $21.51M
- Annual Tax Revenue: $0.51M
- Impact Fee: $1.15M
- Cost per Square Foot: $315
- Incremental Cost Premium: 26%

### High-Rise
- Housing Units: 500
- Square Feet: 650
- Taxable Value: $98.32M
- Annual Tax Revenue: $2.32M
- Impact Fee: $4.60M
- Cost per Square Foot: $400
- Incremental Cost Premium: 27%

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1. Source: Multnomah County Assessor (2017)
2. Source: Holland Experience
1,800 HOMES | 300 ACRES | 6 UNITS/ACRE

$90,000,000 INFRASTRUCTURE INSTALLATION | $50,000/UNIT

LONG-TERM MAINTENANCE COSTS ARE ESTIMATED AT $395 MILLION OR $220,000/UNIT
# Market Rate Housing Development Public Investment Return Analysis

<table>
<thead>
<tr>
<th>Homes Built at Edge of UGB in Driveable Suburban Form</th>
<th>1,800</th>
<th>300</th>
<th>6</th>
<th>$395,000,000</th>
<th>$5,225,703</th>
<th>76 years</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$220,000 per dwelling unit</td>
<td></td>
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</tr>
<tr>
<td>Homes Built Near Transit in Dense, Walkable Urban Form</td>
<td>1,800</td>
<td>8</td>
<td>225</td>
<td>$161,668,564</td>
<td>$17,628,038</td>
<td>9 years</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$90,000 per dwelling unit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Public investment in driveable suburban development represents the long-term infrastructure maintenance with curbs, gutters, streets, roads, wet utilities, dry utilities installed and put into service by developer.
2. Public investment in dense, walkable urban development represents a 10 year abatement of 80% of property taxes. This is the key ingredient in financing the incremental cost premium of high-rise versus podium product.
3. Source: Multnomah County Assessor (2016)
4. Based on Payback Period Concept as discussed in the essay the "Growth Ponzi Scheme, Part 2." Thoughts on Building Strong Towns, Volume 1, Marohn, C. (2012)
$210M ADDED
PROPERTY TAX REVENUE OVER USEFUL LIFE OF PROJECT FROM A $16.8M INVESTMENT

ORENCO STATION
Additional tax revenue by enabling appropriate density

AS ZONED, LOW DENSITY, MARKET RATE DEVELOPMENT WITH NO CITY PARTICIPATION

$2.1M
ANNUAL PROPERTY TAX REVENUE ADDED
770
UNITS ADDED
1,425
RESIDENTS ADDED
200
CARS TAKEN OFF THE ROAD
975 METRIC TONS OF CO2 REDUCED ANNUALLY

*Source: Holland Estimates Developed Using IMPLAN and Proprietary Modeling

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BUILT VS ZONED LOW DENSITY
PLATFORM DISTRICT, ORENCO STATION, HILLSBORO, OREGON

WHAT COULD HAVE HAPPENED

NO DEVELOPMENT
$35,000 2015
$47,000 2025

PROJECTED PROPERTY TAXES WITH NO CITY INVESTMENT
$600,000 2015
$800,000 2025

WHAT ACTUALLY HAVE HAPPENED

PROJECTED PROPERTY TAXES WITH CITY INVESTMENT
$600,000 2015
$2,900,000 2025

POLICY CONCEPT
WALKUP REGENERATION DISTRICT

- Focus on strategic transit-oriented development locations.
- Prioritize locations where existing infrastructure can support increased density.
- Prioritize potential regionally significant and emerging regionally significant walkable urban places.
- Remove height and FAR restrictions in these districts.
- Capture increased tax revenue over and above potential tax-revenue based on existing zoning.
- Use such incremental revenue to fund affordable housing and other community assets.
$1.1B LOST
PROPERTY TAX REVENUE OVER USEFUL LIFE OF PROJECT

$11.3M
ANNUAL PROPERTY TAX REVENUE LOST

1,800
UNITS LOST

3,300
RESIDENTS LOST

466
CARS ADDED TO ROADS

5,360
PERMANENTLY AFFORDABLE UNITS NOT FUNDED

2,274
METRIC TONS OF CO2 NOT REDUCED ANNUALLY

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AS DEVELOPED
WHAT COULD HAVE BEEN DEVELOPED

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MIKE KINGSELLA DEVELOPMENT MANAGER, HOLLAND PARTNER GROUP AND EXECUTIVE DIRECTOR, OREGON LOCUS
THE RESULT:
PERPETUAL AFFORDABLE HOUSING FUND

PERMANENT AFFORDABLE HOUSING FUND
Revenue to use towards Affordable Housing

$17,600,000
$5,600,000
$5,600,000
DEDICATED TO THE AFFORDABLE HOUSING FUND
SUPPORT FOR 5,360 UNITS IN PORTLAND AT 80% OF MFI

ADDITIONAL TAX BASE
Revenue for Schools, Parks & Local Government

$6,400,000
87% INCREASE IN TAX REVENUE
GOES TO EDUCATION, GENERAL GOVERNMENT, BONDS & MISCELLANEOUS REVENUE

BASE
Current Development Levels

$6,400,000
EXISTING TAX REVENUE BASED ON DISTRICT AS-BUILT

WHAT ACTUALLY HAPPENED

WHAT COULD HAVE HAPPENED

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WALKUP REGENERATION DISTRICT
IMPLEMENTATION SCENARIO

PORTLAND: 5 Potential Walkup Urban Locations

$33.3M ANNUAL PROPERTY TAX REVENUE ADDED
7,370 UNITS ADDED
9,210 RESIDENTS ADDED
2,530 CARS OFF THE ROAD
31,860 PERMANENTLY AFFORDABLE UNITS FUNDED

As zoned, low density, financially feasible market rate development with no vertical public investment
What could be developed with vertical public investment

1. GBD Architects (2016)
2. Multnomah County Assessor (2016)
THANK YOU!