



Bureau of Planning and Sustainability

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MEMO

DATE: December 2022

TO: IH Calibration Study Work Group

FROM: Svetha Ambati, Equitable Development Analyst

SUBJECT: 12-to-19-Unit Building Production Analysis

I. Summary Findings

The introduction of the Inclusionary Housing program in 2017 implemented additional development standards for buildings with 20 or more housing units to help address the need for more affordable housing in the city of Portland. The Inclusionary Housing program requires developers to provide a certain percentage of new units at rents affordable to households at 80% of the area median income (AMI) or below. Questions have been raised as to whether more developers are circumventing this requirement by building multiple buildings with 19 units or less, or by choosing to build less units in housing projects.

The data provides insight into how the Inclusionary Housing requirements might influence developers to build multiple buildings with less than 20 units, or to evade the requirements entirely by building less than 20-unit buildings when larger buildings are possible on the lot. The most significant finding is that 12-to-19-unit buildings do not make up a large share of housing production. Less than 10 percent of the last three years of housing units produced are within 12-to-19-unit buildings. Most 12-to-19-unit buildings are built on smaller lots that accommodate smaller building types. In terms of projects with multiple buildings on one site, this type of evasion of IH requirements has only happened six times in the past three years (four instances in 2019, once in 2020 and once again in 2021). In conclusion, the avoidance of Inclusionary Housing requirements by building just below the threshold of the requirements is not prevalent within recent years of housing production trends. The analysis shows these detailed findings:

- **Units produced in 12-19-unit buildings make up a small percentage (less than 10 percent) of housing production in the past three years.** From 2019 to 2021, an average of 9.3% of housing units produced annually are in buildings with 12 to 19 units. After the adoption of the IH requirements, there has been an increase in the number of permitted units in 12-to-19-unit buildings. A previous BPS analysis of residential permits from 2012 to 2016 (before IH requirements) showed an average of 200 units per year. There was a significant increase

in the 400-to-500-unit range post-adoption in 2017 to 2018, which is similar to the rate in this analysis for 2019 through 2021.

- **A large portion of 12-to-19-unit buildings are built in mixed-use zones.** About 9% of all units in 12-to-19-unit buildings were permitted in sites zoned CM1, and 37 percent were permitted in sites zoned CM2. In 2021 and 2019, about three-quarters (75%) of units produced in 12-to-19-unit buildings are built in areas zoned CM. In 2020, this number was slightly lower at 65%.
- **Most 12-to-19-unit buildings are built in smaller lot sizes.** In the last three years, 45 percent of units in 12-to-19-unit buildings were built in lots less than 5,000 square feet. About 38 percent were built in lots sized 5,000 to 10,000 square feet. In 2020, almost all the 12-to-19-unit buildings were built in lots less than 10,000 square feet. In 2021, 77% of units in 12-to-19-unit buildings were in lots less than 10,000 square feet. In 2019, this number is slightly less (61%), with more buildings spread out into the 10,000 to 20,000 square foot lot size category and the greater than 20,000 square foot lot size category.
- **About 14 percent of 12-to-19-unit building permits issued from 2019 to 2021 are for multiple buildings on the same lot or adjacent lots.** These multi-building permits total to 167 housing units over the last three years. A large portion (86%) of the 12-to-19-unit building permits issued from 2019 to 2021 are for buildings on separate lots.

II. Background on Inclusionary Zoning (IZ) Requirements

The Inclusionary Housing (IH) program adopted in 2017 was designed to help meet the need for housing units that are affordable to low and moderate-income households in Portland. The program requires that all buildings with 20 or more units provide a percentage of new units at rents affordable to households making 80% of the area median income (AMI). The [regulatory options for meeting this requirement](#) are:

- Option 1 – 15% of units at 80% AMI (As of 2022, this has been updated to 20%)
- Option 2 – 8% of units at 60% AMI (As of 2022, this has been updated to 10%)
- Option 3 – Build off-site in another new development separate from the project subject to program requirements
- Option 4 – Designate existing units as affordable in an existing building separate from the project subject to program requirements
- Option 5 – Pay an in-lieu fee (\$23-27/square foot depending on the area of the project)

With the Inclusionary Housing program in place, developers are required to contribute to the creation of affordable housing in all eligible projects. With these new requirements, the cost of producing affordable housing is now factored into the feasibility of building new market-rate residential buildings.

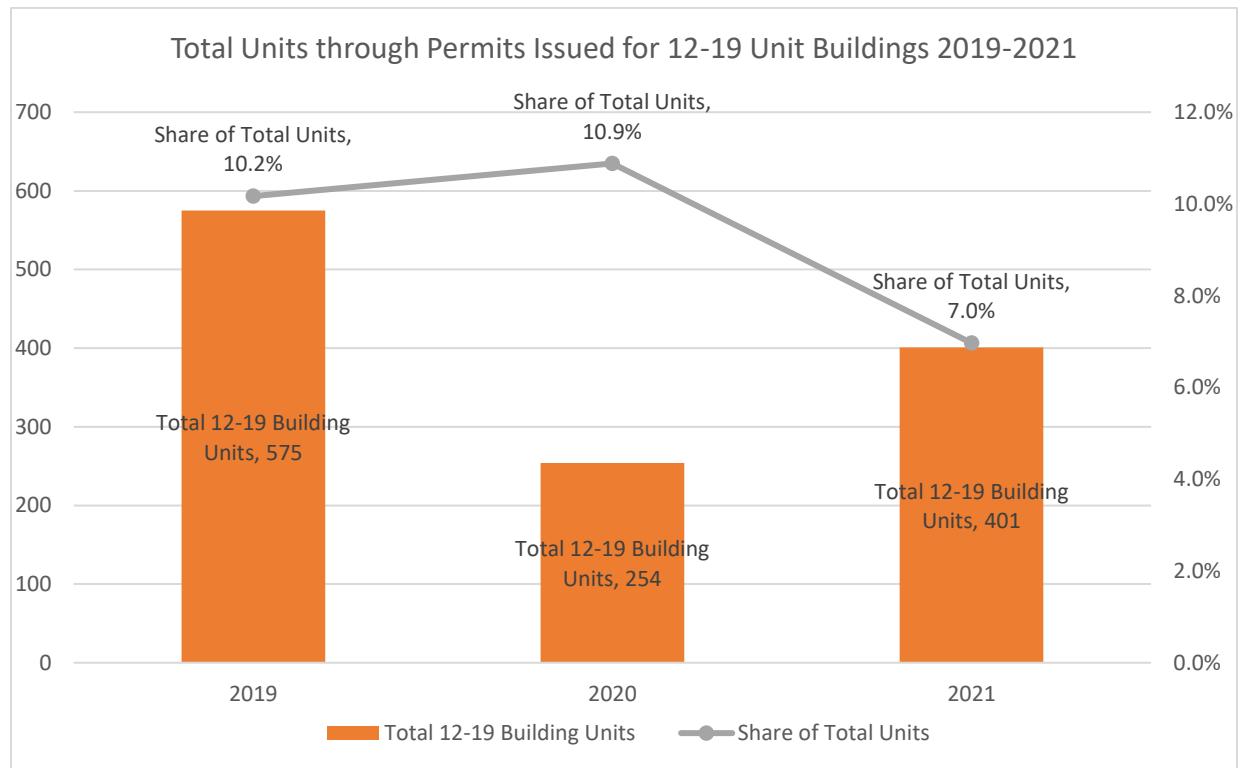
III. Housing Production Analysis (2019-2021)



BPS analyzed building permit issued data for three years (2019, 2020, and 2021) to support these findings. For all three years, any new 100% affordable housing developments or buildings converted to 100% affordable housing were excluded from the analysis.

Housing Units Issued through 12-to-19-Unit Building Permits

Overall housing production for 2019 to 2021 resulted in 13,743 housing units issued, with 5,655 units in 2019, 2,334 units in 2020, and 5,754 units in 2021. On average, from 2010 to 2019, about 4,600 housing units were issued annually. In 2019, 665 housing units were issued through permits for 12-to-19-unit buildings. However, 90 units were within 100% affordable housing buildings, so for the purpose of this analysis, the total number analyzed is 575 housing units produced. About 10 percent of the total share of units produced in 2019 are from 12-to-19-unit buildings. In 2020, no affordable housing building permits were issued for this building size category and a total of 254 housing units were issued through permits for 12-to-19-unit buildings (just under 11 percent of the total share of units produced that year). In 2021, 479 housing units were issued through permits for 12-to-19-unit buildings. Seventy-eight of these units were within 100% affordable housing buildings, so excluding those adjusts the total to 401 housing units issued through permits for 12-to-19-unit buildings (7 percent of the total share of units produced in 2021). The chart below shows this production trend for 12-to-19-unit buildings for years 2019 through 2021:



Zoning Classifications for 12-to-19-Unit Building Permits Issued

Breaking this analysis down further into the zoning classification shows that most 12-to-19-unit buildings are permitted in land zoned mixed use (CM – Commercial/Mixed Use zone). Sites zoned as Commercial/Mixed Use 1 (CM1) are small-scale zones intended for sites in dispersed mixed-use nodes within lower density residential areas, or in neighborhood corridors or edges of neighborhood centers. Sites zoned as Commercial/Mixed Use 2 (CM2) are medium-scale zones intended for sites in a variety of centers, along corridors or in other mixed-use areas with frequent transit service. Sites zoned as Commercial/Mixed Use 3 (CM3) are large-scale zones intended for sites in high-capacity transit station areas, town centers, along streetcar alignments, civic corridors, and in Central City locations. In addition to CM1, CM2, and CM3, the CM zone category also includes Commercial Employment zones (CE) which is a medium-scale zone with an emphasis on commercial and employment uses and Central Commercial zones (CX) which is intended for Portland’s most urban and intense areas, specifically the Central City and Gateway Regional center. All the zoning categories for these projects are analyzed using current zoning classifications, which may have changed since the application for the permit was submitted or approved.

In the last three years (2019 through 2021), about 71 percent of all units in 12-to-19-unit buildings were built in sites zoned CM (CM1, CM2, CM3, or CE). In 2019 and in 2021, about 75 percent of units issued in 12-to-19-unit buildings were within the CM zone category. In 2020, about 63 percent of units issued in 12-to-19-unit buildings were within the CM zone category. Within the CM category for each of these years, most units were issued for CM1 or CM2 zones, which are the small-scale or medium-scale zones for mixed-use. About 9% of all units in 12-to-19-unit buildings were permitted in sites zoned CM1, and 35 percent were permitted in sites zoned CM2. Other zones that 12-to-19-unit buildings were permitted in include: R1, R2, RH, RX, or RM4. These other zones are multi-dwelling zones generally developed with apartments. See Table 1 below for a breakdown of zoning classifications.

Table 1: Residential Units in 12-to-19-Unit Buildings by Current Zoning Classification

	CE	CM1	CM2	CM3	RM1	RM2	RM3	Total
2019	-	48	227	142	65	62	31	575
2020	-	18	37	108	-	-	91	254
2021	12	40	188	65	-	60	36	401
Total	12	106	452	315	65	122	158	1230
Percent of Total Housing Permitted (2019-2021)	1%	8.6%	36.7%	25.6%	5.3%	9.9%	12.8%	-

FAR of 12-to-19-unit Building Permits in 2021

Reviewing the Floor-to-Area Ratio (FAR) for the 12-to-19-unit buildings permitted in 2021 shows that FAR generally reflects what is built in the CM1 and CM2 zones. In CM3 zones, the FAR for all residential and mixed used development is higher, but out of the four 12-to-19-unit building developments permitted within that zone in 2021, two developments have an FAR of 1.8 while the other



two developments have FARs much more in line with the average for the zoning classification. For the RM2 and RM3 zones, the 12-to-19-unit buildings are more intensive compared to the average FAR of all residential or mixed-use building types developed. Overall, the 12-to-19-unit buildings have a greater FAR utilization than the overall average FAR.

Table 2: Average FAR by zoning classification for 12-to-19-unit buildings permitted in 2021

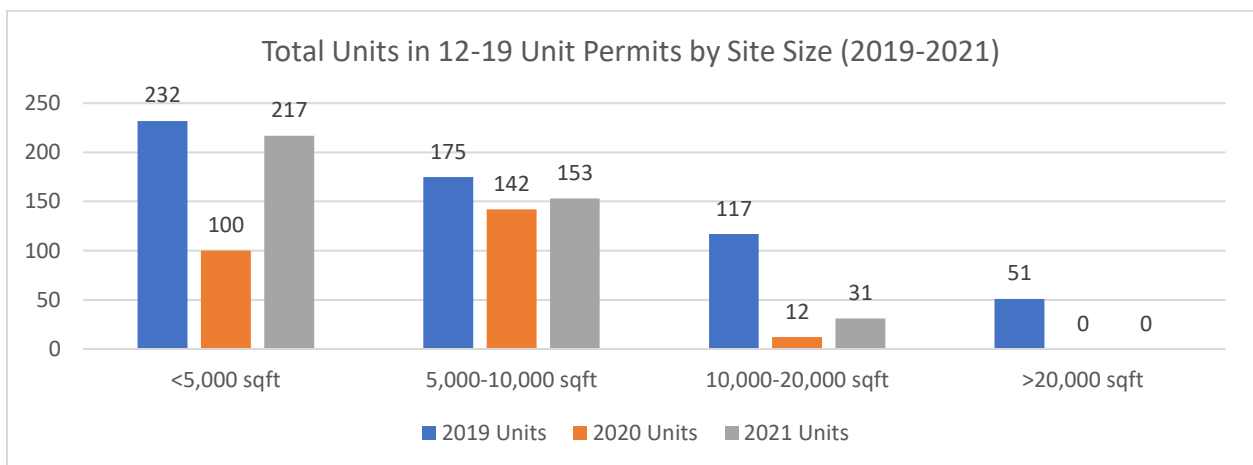
Zoning Classification	2021 Average FAR 12-19-Unit Buildings	Average FAR* (all building types)	Average FAR* (residential and mixed-use building types)	Base Max FAR/Bonus FAR
CM1	1.5	1.2	1.5	1.5/2.5
CM2	2.6	1.9	2.4	2.5/4
CM3	2.0	2.4	2.7	3/5
CE	2.5	0.5	1.4	2.5/3
RM2	1.5	0.8	0.8	1.5
RM3	2.0	1.2	1.2	2

*Based on all new development between 2008-2019

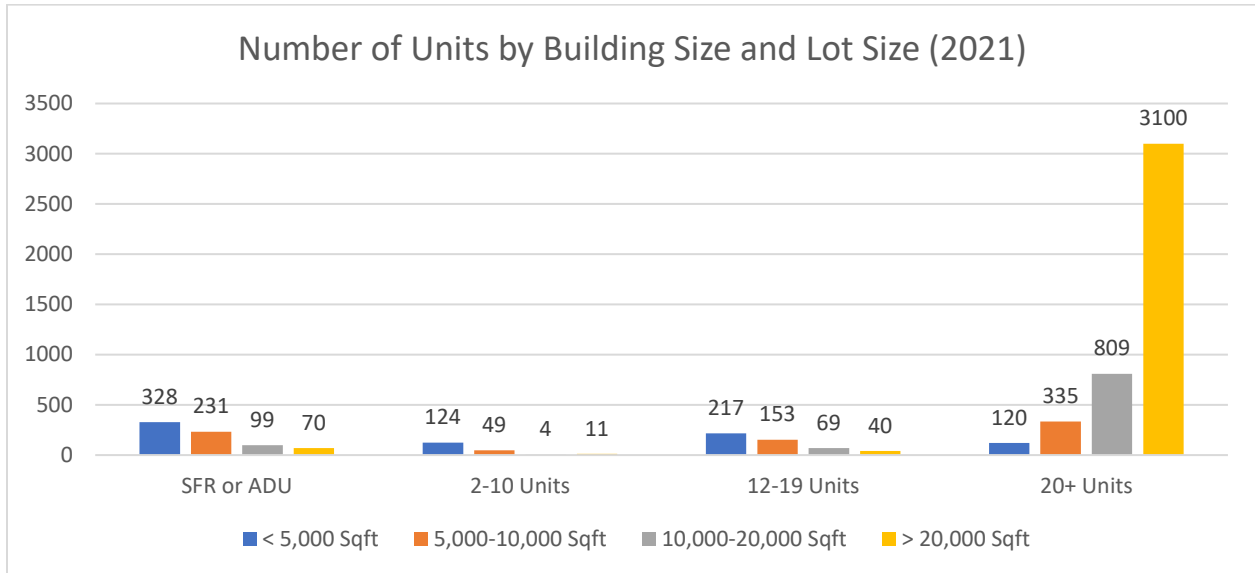
Lot Sizes for 12-to-19-Unit Building Permits Issued

Analyzing lot sizes for building permits issued for 12-to-19-unit buildings shows that most permits were for lot sizes of 10,000 square feet or smaller. Overall, across all three years, 83 percent of all 12-to-19-unit building permits issued were in lots sized 10,000 square feet or smaller. About 45 percent of all 12-to-19-unit permits were issued for lots sized 5,000 square feet or smaller.

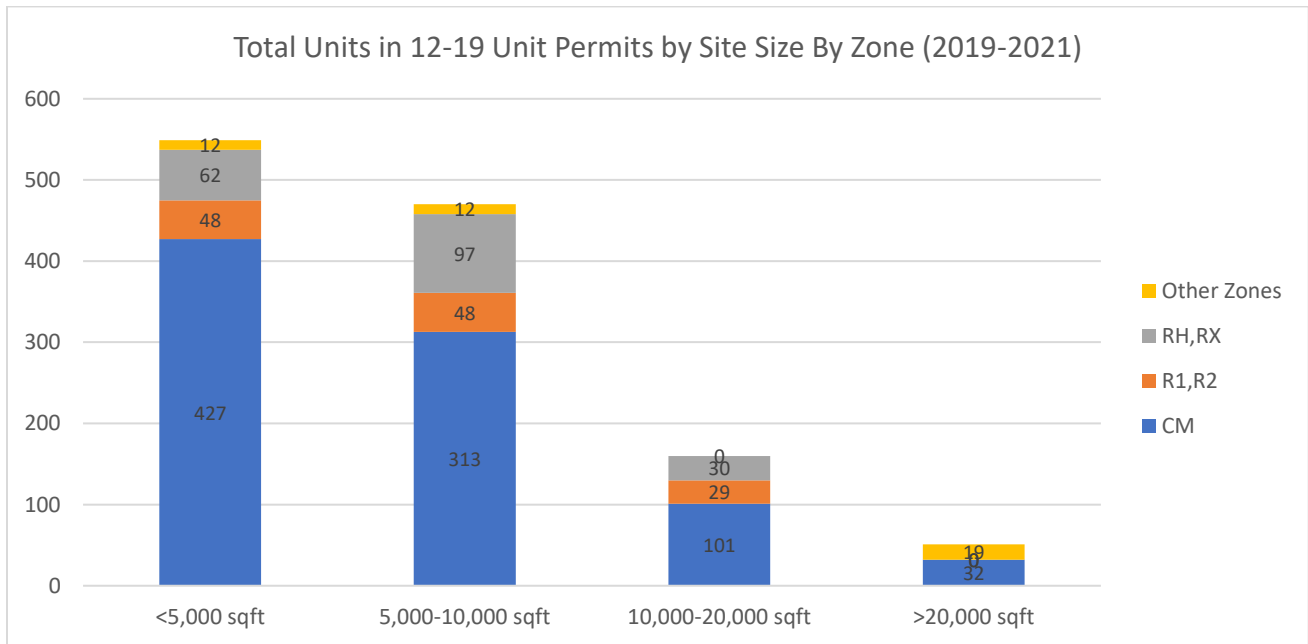
Developers building on these sites are choosing smaller building sizes that can be accommodated in smaller lots. For comparison, in 2021, a little over half of all units issued in buildings with 20 or more units were in lots sized 20,000 square feet or more. About eight percent (8%) of units issued in buildings with 20 or more units were in lots sized 10,000 square feet or smaller. Buildings with 12-to-19 units are mostly in lots sized 10,000 square feet or smaller because these lots can more easily accommodate mid-sized buildings especially in zones considered small or medium scale (CM1 or CM2). The following chart describes number of units issued by lot size for the years 2019 through 2021:



The following chart describes number of units issued by lot size for the year 2021 for all housing permitted (all building sizes):

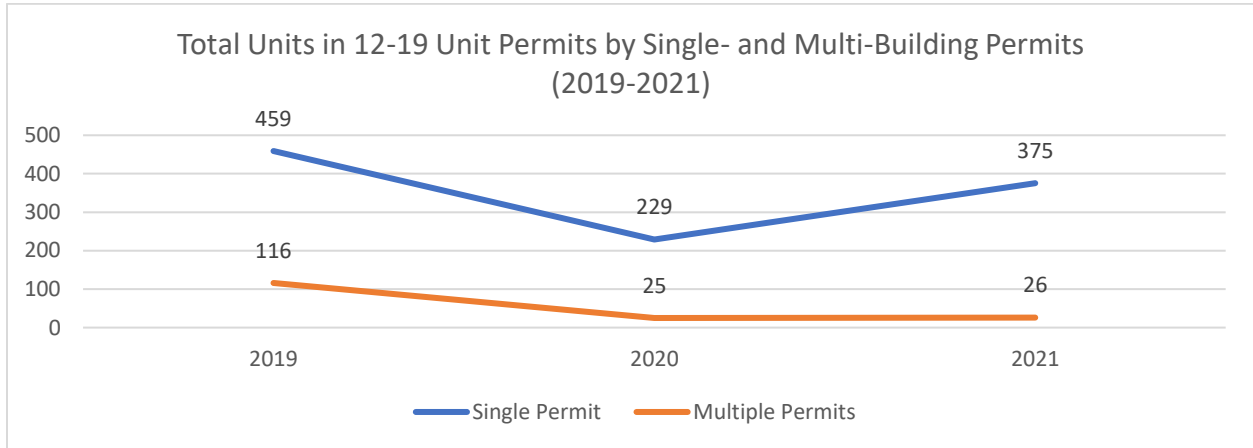


The following chart categorizes lot size buckets by zoning classifications (CM, R1, R2, RH, RX, or other) for years 2019 through 2021:



Multi-Building Permits Issued for 12-to-19-Unit Buildings

Another opportunity for evasion of the Inclusionary Housing requirements is through the production of multiple buildings with 19 units or less on one site. Multiple building permits on the same lot number make up 14 percent of all units issued for 12-to-19-unit buildings in the last three years (2019 to 2021) or about one percent (1%) of all housing units permitted from 2019 to 2021. The number of units issued for 12-to-19-unit buildings on the same lot or adjacent lot is highest in 2019 (20 percent, or 116 units) and falls significantly to 25 or 26 units for 2020 and 2021. The chart below shows this trend for multi-building permits over the three years:



IV. Specific Project Permit Details: Lot Sizes and FAR

The following section provides details on three examples from the building permit data for 12-to-19-unit building permits over the past three years. These examples dive into specifics of permits based on different lot sizes and maximization of floor area ratio (FAR). The second example (4130 SE Division St) was permitted in 2017 and is not included in the analysis above. However, it is an example of evasion of IH requirements but maximization of FAR. The last example (8124 SE 6th Ave) is not yet permitted, so only proposed project details are discussed. This project proposal is a good example of a project maximizing a small lot (less than 5,000 square feet) to produce over 20 housing units.

1524 N Sumner St



Image Source: Redfin

space by building the maximum number of floors, with about 3,500 square feet of building area per floor. The FAR for this project is 2.2.

Project Details: One lot under 5,000 square feet that was zoned EX at the time of the permit application, with one 19-unit apartment building consisting of 14 one-bedroom units, 2 studios and 3 two-bedroom units.

The project is a three-story 19-unit apartment building totaling about 11,000 square feet (about 3,500 square feet per story). According to the building permit plans, the maximum stories (per Table 503) is three stories, the maximum height is 50 feet, and the maximum area is 12,000 square feet per story. Since the lot size is smaller (just under 5,000 square feet), the project is maximizing

4130 SE Division St



Image Source: Building Permit Plans in Portlandmaps.com

maximizes the FAR in a lot that cannot exceed 3:1 FAR, or 22,500 square feet. The building contains 18 two-bedroom units and one three-bedroom unit.

Project Details: One CM2-zoned lot sized about 7,500 square feet, with one 19-unit apartment building consisting of 18 two-bedroom units and one three-bedroom unit.

The project is permitted for a CM-zoned lot with three allowable stories, a maximum height of 50 feet, and a maximum area of 12,000 square feet per floor. The project is allowed an increase of an additional floor and an adjusted allowable height of 70 feet. The total proposed floor area is 20,010 square feet resulting in an FAR that is 2.67. The project



8124 SE 6th Ave

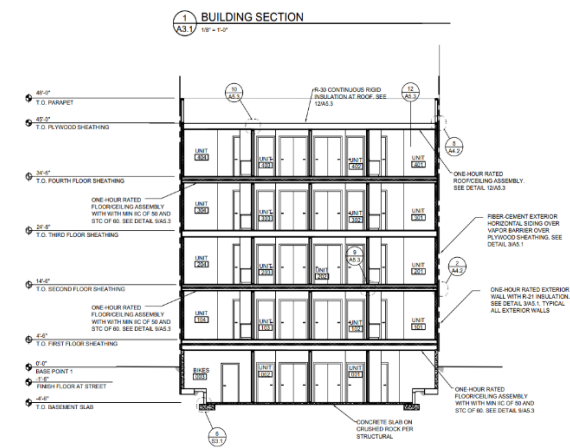


Image Source: Building Permit Plans in Portlandmaps.com

Project Details: One CM2-zoned lot sized just under 5,000 square feet with one new four-story 31-unit mixed use building.

The project has not yet been permitted and proposes a single 31-unit building totaling about 19,100 square feet over four stories. Thirty housing units are proposed to be studio units and one unit is proposed to be a live/work unit. Although the lot size falls under 5,000 square feet the building maximizes space by building 31 units over about 17,100 square feet of building space, resulting in an FAR of 3.5. The zoning code allows for an FAR of up to 4:1 with bonus provisions.

V. Specific Project Permit Details: Multiple Building Permits on Same Lot

The following section details a few specific examples of buildings that requested multiple permits for the same lot or for adjacent lots. The examples from 2019 and 2021 are very similar to most of the multi-building permits for those years, which are typically two buildings on the same lot with each building permitted for 12 to 19 units. The last example is a proposed project that has not been permitted yet and is the most extreme example of evading Inclusionary Housing requirements through the permitting of multiple buildings on a single site. This is not a typical example of permits proposing 12 to 19 units and may be the only project since 2019 that has sought to build just under the Inclusionary Housing unit requirements despite the site being able to accommodate more housing. This project is subject to change as the proposal moves forward in the permitting process.

5780 N Greeley Ave & 5790 N Greeley Ave



Image Source: Building permit plans from Portlandmaps.com

Project Details: One CM1-zoned lot under 10,000 square feet, with two separate 13-unit buildings (totaling 26 units) consisting of mostly studio and 1-bedroom units.

Two apartment buildings on Greeley Avenue were permitted in 2021, in what is considered a small-scale zoned area intended for sites in dispersed mixed-use nodes within lower density residential areas. Both

apartment buildings total 26 housing units but are split up evenly into two three-story apartment buildings with 13 units each. The lot is just below 10,000 square feet, which is generally on the smaller



side as fits a primarily residential neighborhood. The maximum FAR allowed on the site is 15,000 square feet total, or 7,500 square feet for each building. The total FAR per building is 7,409 square feet, totaling in 14,818 square feet for the site. According to these calculations, the project is maximizing its site FAR potential. Each building consists of studios, 1-bedrooms, and 1-bedroom with dens.

In this example, having two smaller massed buildings fits the neighborhood context, lot size and zoning classification. If the developer were to propose a single building with twenty or more units, the type of project would be a drastic change from the one that has been proposed and permitted. The changes could involve increasing the height of the building, changing the types of units (i.e. permitting only studio units to increase density), or requesting standards exemptions (i.e. open space requirements or parking requirements) to fit the additional units into the existing lot.

2305 SE 158th Ave & 2306 SE 158TH Ave



Image Source: Apartmentguide.com

Project Details: One CM1-zoned lot about 27,500 square feet, with two separate 16-unit buildings (totaling 32 units) consisting of units with two bedrooms and two bathrooms each. Each building is three stories.

Two apartment buildings on 158th Avenue were permitted in 2019 in a site zoned as CM1, which is a small-scale zoning classification intended for sites in dispersed mixed-use nodes within lower density residential areas. The buildings together total 32 housing units but are split up into two

three-story 16-unit apartment buildings. The lot size falls into the greater than 20,000 square feet category and is generally considered a larger lot more suitable for development of denser apartment buildings or mixed-use buildings. The project proposed a total site area of 27,200 square feet on a lot that totals 34,160 square feet, resulting in an FAR of 0.80. The unit sizes are larger as well, with all the units having two bedrooms and two bathrooms each. Each unit has an on-site parking space and on-site long-term bike storage.

If the project were to consider condensing into one building, other factors such as building height, unit size, or parking location may change. Some of the tradeoffs include increasing building height to keep the unit mix the same, or to reduce the size of the units to one bedrooms or studios to keep the height of the buildings the same. Discussions with developers on the feasibility of these changes could help convey the reasons why the project is split into two separate buildings under the 20-unit threshold for Inclusionary Housing requirements.

Northbound 30 Collaborative (NB30) 2135 NW 29th Ave

The following example is not part of the 2019 to 2021 housing permit data. The example is a project that has not yet been approved or permitted but is considered a relevant example for projects



avoiding the Inclusionary Housing requirements through production of multiple smaller-scale buildings. The proposed details are subject to change as the project continues through the permitting process.



Image Source: Jones Architecture

Project Details: A single EX-zoned site with 13 buildings, each with 16 to 19 units, totaling 219 units.

The project originally proposed eight separate buildings, each with 16 to 19 units, on a site including planned open spaces. The original proposal was approved by the Design Commission, however, an amendment to fill in the originally planned open spaces with five new 16 to 19-unit buildings was proposed

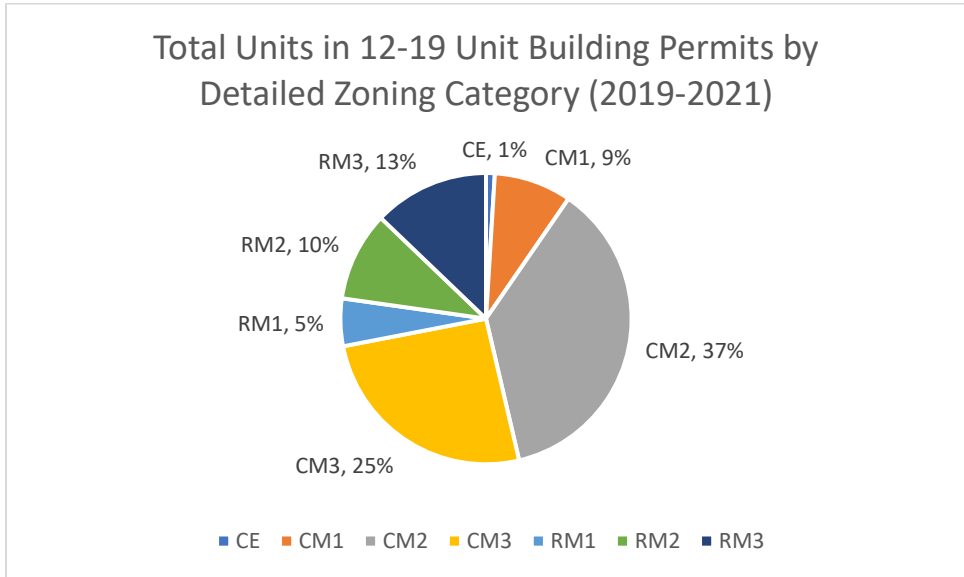
in mid-2022. The site is capable of accommodating buildings with twenty or more units, especially as it is situated in the Northwest quadrant of the city near new denser development in the Pearl District and Montgomery Park. However, the project sponsors continue the proposal with multiple buildings just below the trigger for Inclusionary Housing requirements.



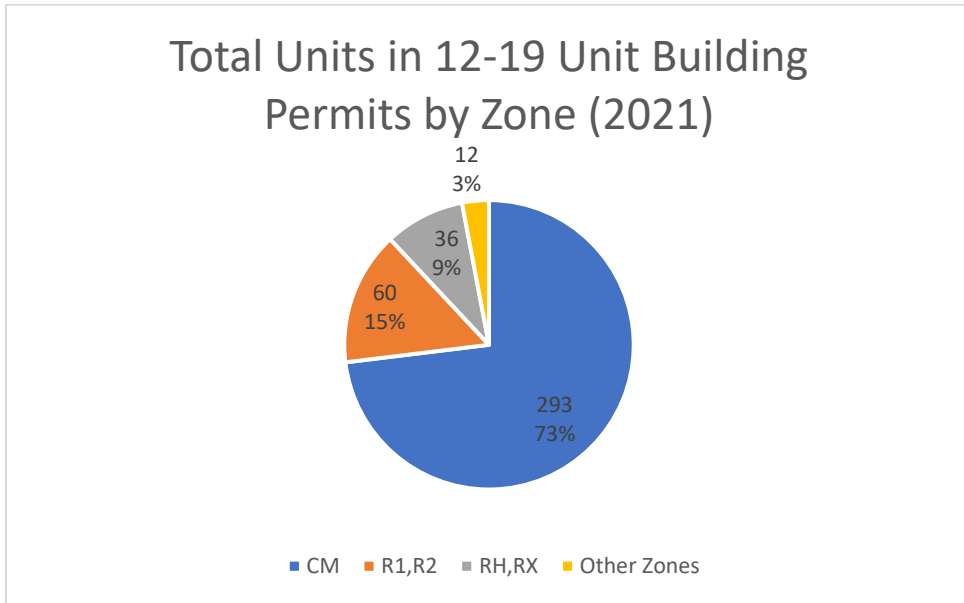
Appendix

12-to-19-unit Building Permits by Zoning Classification

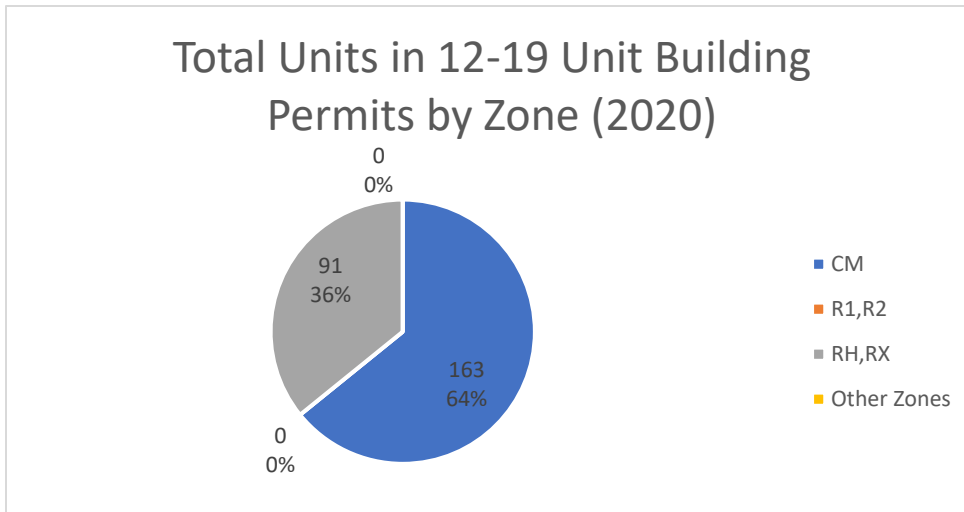
The following chart details 12-to-19-unit buildings permitted in 2019 through 2021 by detailed zoning classifications:



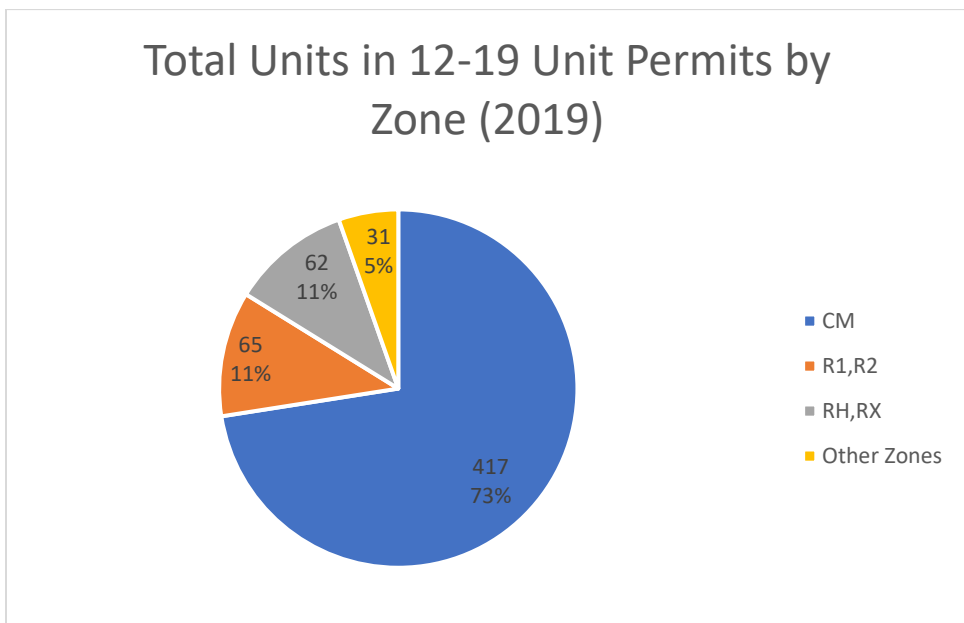
The following chart details 12-to-19-unit buildings permitted in 2021 by zoning classifications:



The following chart details 12-to-19-unit buildings permitted in 2020 by zoning classifications:

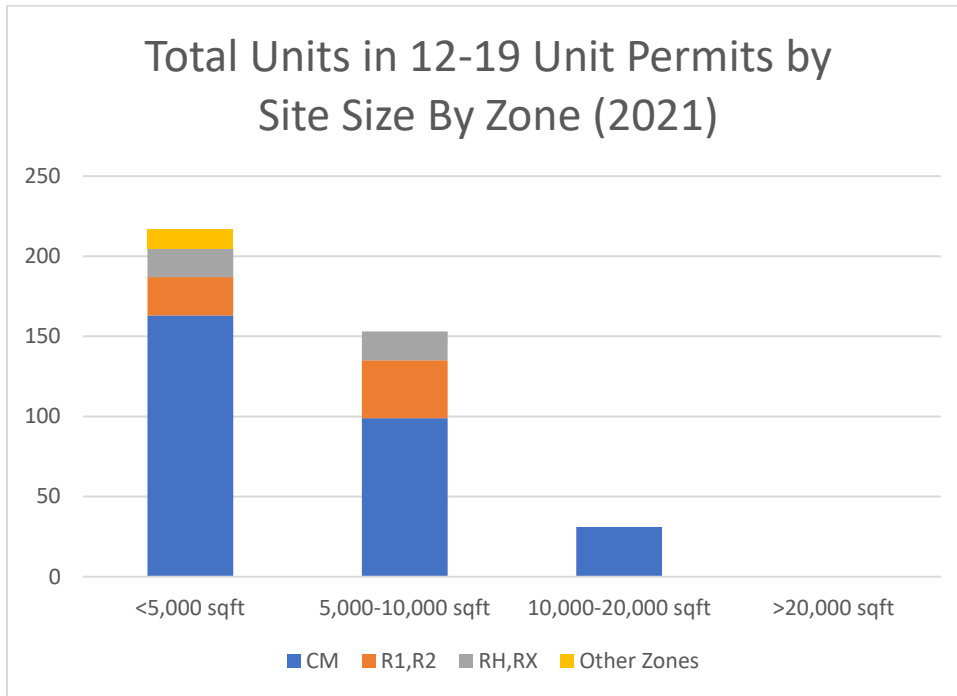


The following chart details 12-to-19-unit buildings permitted in 2019 by zoning classifications:

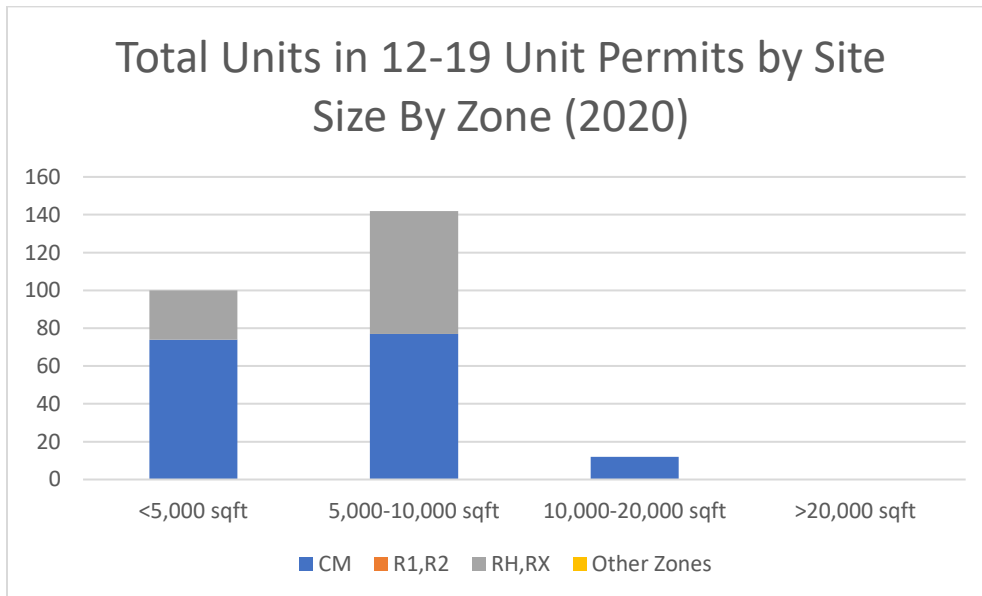


12-to-19-unit Building Permits by Zoning Classification and Site/Lot Size

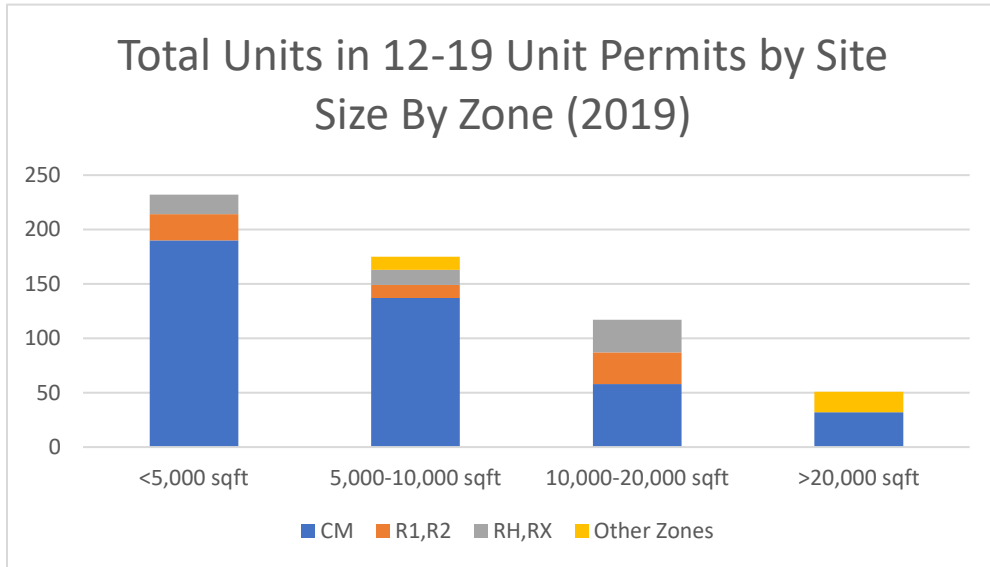
The following chart details 12-to-19-unit buildings permitted in 2021 by zoning classifications and by site/lot size:



The following chart details 12-to-19-unit buildings permitted in 2020 by zoning classifications and by site/lot size:

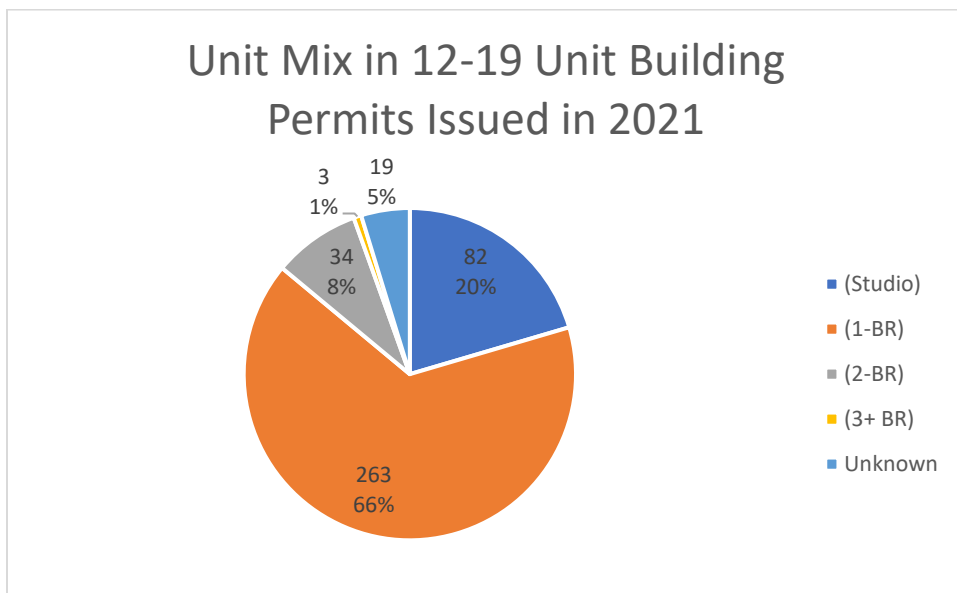


The following chart details 12-to-19-unit buildings permitted in 2019 by zoning classifications and by site/lot size:



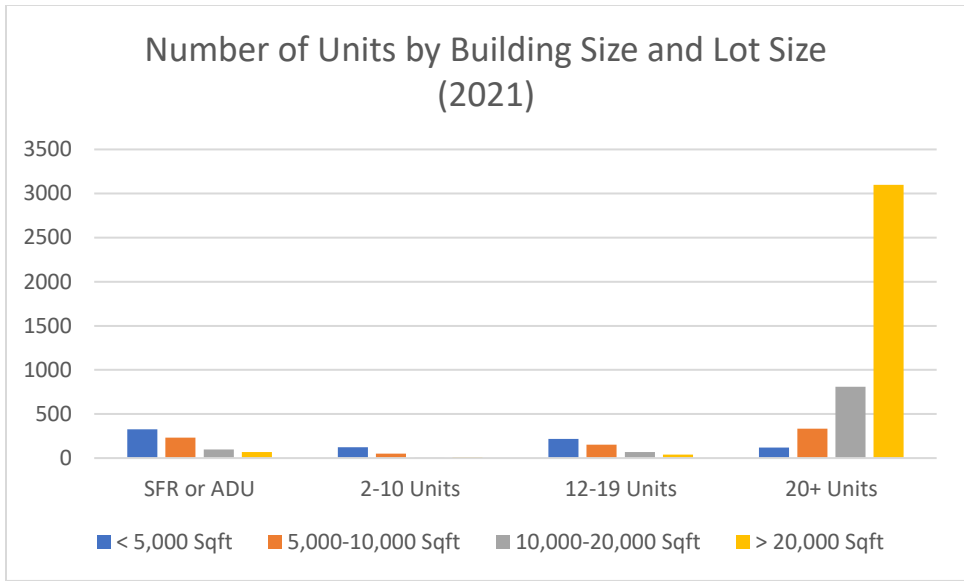
Bedroom Size/Unit Mix in 12-to-19-unit Buildings Permitted in 2021

The following chart details unit sizes for 12-to-19-unit buildings permitted in 2021:

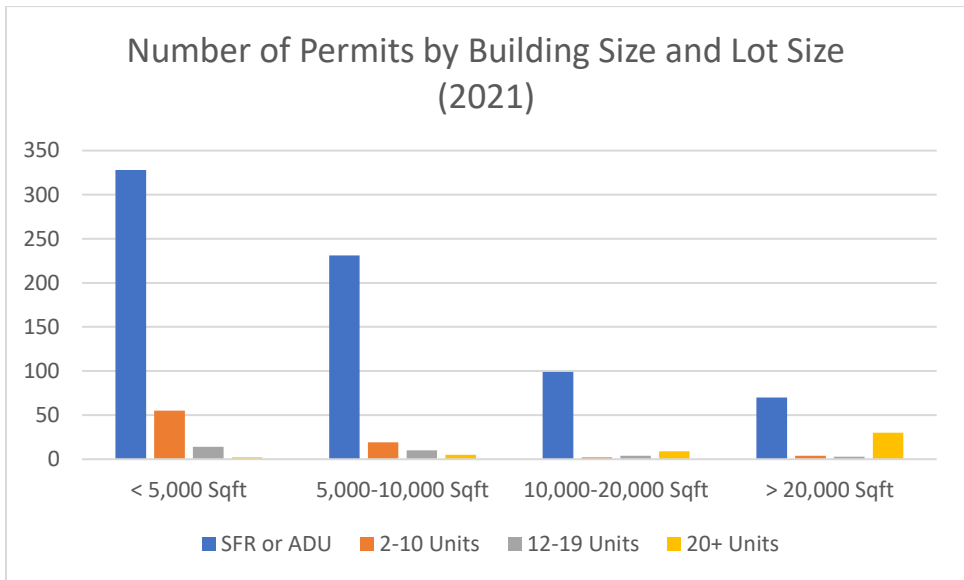


Analysis for All Building Sizes Permitted in 2021

The following chart details lot sizes for all building sizes permitted in 2021:

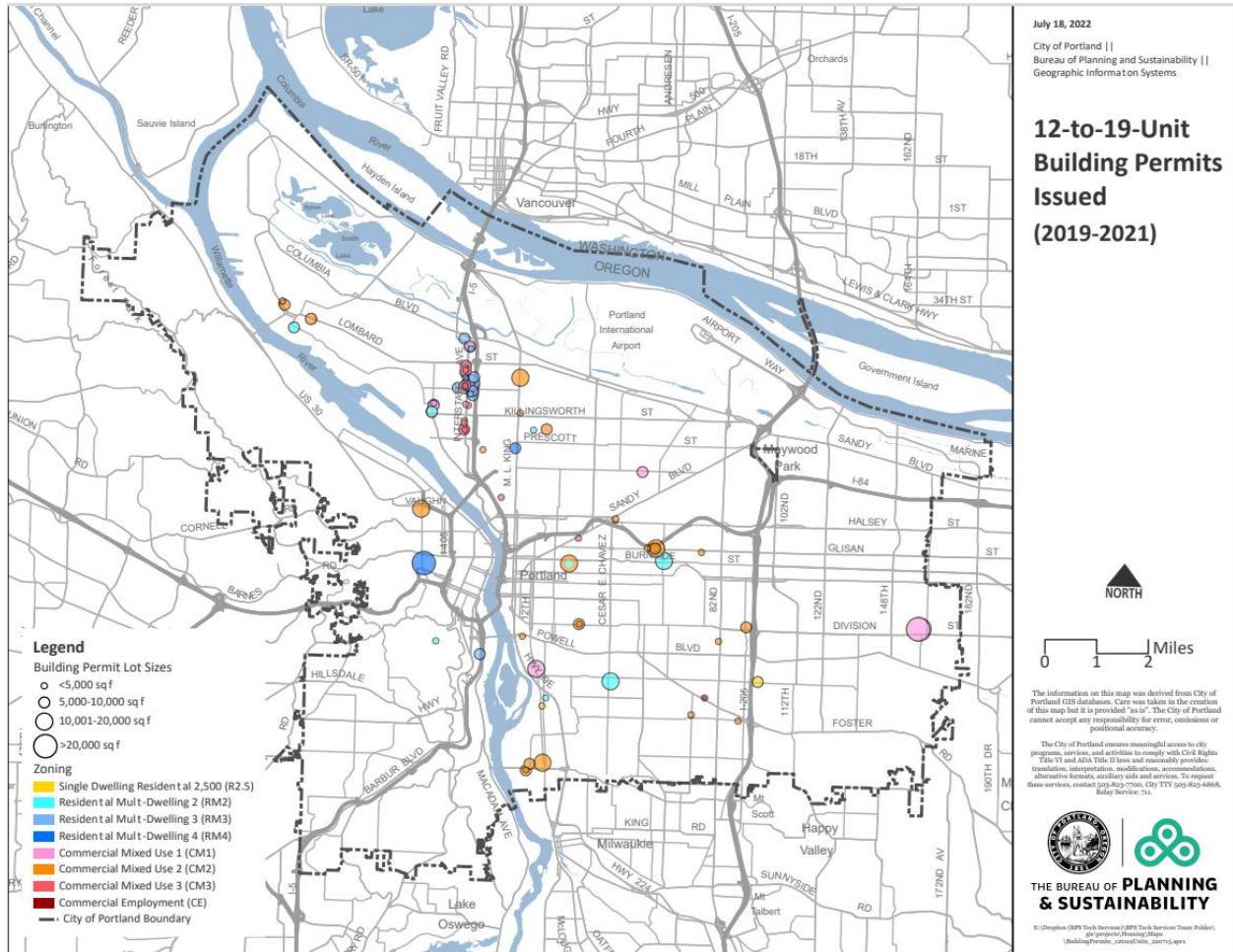


The following chart details lot sizes for all building sizes permitted in 2021:



Geographic Distribution of 12-to-19-unit Building Permits:

The following chart details the geographic distribution for 12-to-19-unit buildings permitted from 2019 to 2021:



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