September 23, 2019

Dear Commissioners:

The Sellwood-Moreland Improvement League (SMILE) submits the following testimony on the Better Housing by Design Project (BHD). We first discuss our motivating principles for this testimony, followed by 1) a proposal to increase the incentive for affordable housing based on observations of the rapid development in our popular neighborhood and BHD economic studies, 2) a request to limit construction of over-sized single-family homes (McMansions) with minimal ADUs in multi-family zones, and 3) endorsements of many of the specific BHD proposals and other comments. Specific recommendations are stated in **bold** so you can find them.

## Motivating Principles

Principles that motivate our testimony include:

- **Any increase in zoned density in our neighborhood should be dedicated to affordable housing.** We recognize that this principle may not be feasible, but it should remain a goal for BHD. At a minimum, increased density should not contribute to economic segregation.

- **Our neighborhood needs housing for working class people.** We have produced and continue to produce a tremendous amount of expensive market rate housing; since 2015, developments completed and in the permitting pipeline increase housing units by 25%. The market is producing housing for wealthy people because our neighborhood is popular. We want to improve housing equity by retaining affordable housing generated in our neighborhood and not transferring it elsewhere.

- **We seek to preserve the wonderful characteristics of our neighborhood while accommodating growth.** Growth is necessary and inevitable given the housing shortage in the City.

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1 New York Times, May 24, 2019, Five Places to Visit in Portland, Ore. Note that all five places are in Sellwood-Moreland.
Increase Incentive for Affordable Housing

BHD does not utilize the greatest lever available to incentivize construction of affordable housing, the number of units that can be built on a lot.

Our proposal to strengthen the incentive to build affordable housing is:

1) Double the current maximum unit density for market rate development.

2) Allow projects that provide affordable housing to have the FAR bonus and unlimited units as now proposed by BHD.

Why the number of units matters

Data available from two economic studies conducted by EPS for BHD show that the feasibility of development in the multi-dwelling zones is more closely related to number of units built, not floor:area ratio (FAR). BHD allows all development to have an unlimited number of units and incentivizes construction of affordable housing with a FAR bonus. Including number of units as an incentive would be more effective.

To demonstrate this, we focus on prototype 2 in the economic reports in BHD Appendix C, stacked flats in inner Southeast on a 5,000 square foot (sf) lot with no on-site parking. Other prototypes appear to produce similar conclusions. The three scenarios for prototype 2 are summarized in table 1. Each was evaluated as a ‘for sale’ and ‘for rental’ project.

<table>
<thead>
<tr>
<th>Number of units</th>
<th>Floor area (sf)</th>
<th>RLV for sale ($/sf)</th>
<th>RLV for rent ($/sf)</th>
<th>EPS report</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>5,000</td>
<td>52.58</td>
<td>46.97</td>
<td>May 2018</td>
</tr>
<tr>
<td>6</td>
<td>7,500</td>
<td>86.85</td>
<td>78.03</td>
<td>May 2018</td>
</tr>
<tr>
<td>9</td>
<td>5,000</td>
<td>127.28</td>
<td>90.20</td>
<td>October 2018</td>
</tr>
</tbody>
</table>

Table 1. Three scenarios for prototype 2.

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2 We define affordable housing as housing that satisfies Inclusionary Zoning requirements: 20% of units affordable at 80% Median Family Income (MFI) or 15% of units affordable at 60% MFI.
3 The May 2018 scenarios included parking and the October 2018 scenario did not. Parking costs were removed from the May 2018 scenarios by reducing construction costs $30,000 per parking space, reducing other soft costs (25% of hard costs) by $7,500 per parking space and recalculating RLV. SDCs and interest were not adjusted. Scenarios with IZ (Inclusionary zoning, no effect because number of units are less than 20) and CET (new construction excise tax) were used.
4 The October 2018 report mislabeled tables and figures according to Tom Armstrong, BPS. The report text is correct.
As the number of units increases, the residual land value (RLV, the value of the land that remains after subtracting development costs, per square foot) increases for both for sale and for rent buildings (figure 1).

![RLV by number of units](image1)

**Figure 1.** Residual land value (RLV) for 4 units (5,000 sf), 6 units (7,500 sf), and 9 units (5,000 sf) for sale and for rent scenarios.

As FAR increases, the RLV varies depending on the number of units (figure 2).

![RLV by floor area](image2)

**Figure 2.** Residual land value (RLV) for 5,000 sf (blue is 4 units, gray is 9 units) and 7,500 sf (6 units) buildings, for sale and for rent scenarios.
Thus, the number of units is the more important than FAR for determining feasibility of development. A 5,000-sf building with 9 units (gray bars) is more feasible than a 7,500-sf building with 6 units (orange bars). By allowing all projects to have unlimited units, BHD loses its greatest incentive for construction of affordable housing. **The City should evaluate using number of units to incentivize affordable housing with thorough economic modeling.**

**Benefits**

The benefits of our proposal are:

- **Increased incentive to build affordable housing for the average Portlander.**

- **Consistency with Residential Infill Project (RIP) housing options:** The maximum size and unit density for purely market rate development on a RM1 lot would be greater than allowed by RIP. Our proposed maximum densities for purely market rate development are 1 unit per 1,000 sf of lot size in RM1 and 1 unit per 500 sf in RM2. In RM1 on a standard 5,000 sf lot, a 5,000-sf building with 5 market rate units could be built, larger and with one more unit allowed than on a 5,000-sf lot by RIP.

- **Consistency with RIP proposed 6-unit option:** The RIP 6-unit proposal and our BHD proposal both allow additional units if affordable housing is provided.

- **No effect on large RM2 lots:** In RM2 on a 10,000-sf lot, a 15,000-sf building with 19 market rate units could be built under our proposal, identical to BHD. The unit limit would only matter on lots smaller than 9,500 sf in RM2.

- **Prevent saturation of standard RM1 lots with tiny market rate units:** Based upon ongoing development, two-story, 5,000 sf buildings with 15 market rate units are feasible on standard RM1 lots in our neighborhood. A 7½-fold increase in the number of units presently allowed. Such development would be allowed by BHD and violate our principle that increased density should be dedicated, or at least include, affordable housing. We are also concerned about increased traffic and parking congestion near our corridors which would reduce the viability of some small businesses, increase crowding in our neighborhood schools (already a 39.7% increase in K-12 public school attendees since 2009), hinder emergency vehicle access, and reduce vehicular, pedestrian, and bicycle

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5603 SE Milwaukie, a 4-story building with 30 market rate units under construction on a 3,080-sf lot zoned RHd. It has footprint of about 2,200 sf which can fit on multifamily-zoned lots 5000 sf or larger, about 950 or 73% of multifamily-zoned lots in our neighborhood. Each unit is 250-350 sf. Using this as a template for a building on a 5,000-sf lot, a two story 15-unit building in the proposed RM1 zone is feasible on 5,000 sf lots with the base FAR. Present zoning would allow a maximum of 2 units, our proposal would allow 5 market rate units or this building if it included affordable housing.
safety (especially along narrow streets). An example of where the proposed density increase would not contribute to positive qualities of our neighborhood is Tenino Street: 24 feet wide (three car widths), zoned R2 (RM1) with some R1 (RM2), and with an existing traffic volume of 1,188 cars per day\(^6\), many of which are getting to or from the Sellwood Bridge by cutting through the neighborhood to avoid traffic jams on parallel Tacoma Street. If many units are going to be crammed into a standard lot and diminish some of the wonderful characteristics of our neighborhood, our proposal would at least make some of them affordable.

- **No change in BHD example development**: The BHD summary and volume 1 show several examples of what could be built and all of the examples shown could be identically built under our proposal. The number of market rate units that could be built would remain unlimited if affordable housing is included. This proposal may reduce the number of expensive tiny market rate units built if developers stop building at the maximum market rate unit threshold, but it would increase the number of affordable units built and thus better accomplish our motivating principles.

### Remove incentive to build McMansions in RM1

The BHD proposal fails to consider that, rather than middle housing, oversized single-family homes are possible thus making RM1 the new McMansion zone. Under the proposed rules, an oversized single-family home with an accessory dwelling unit (ADU) could continue to be built on 5,000 sf lots in RM1. In our popular neighborhood, ADUs are sometimes used as short term rentals and these do not contribute to the housing supply. If the housing market continues to favor development of oversized houses over middle housing, the RM1 zone could become a McMansion zone with the minor inconvenience of including a small minimal ADU. A small minimal internal ADU could easily be incorporated into the living space of the primary dwelling. A McMansion zone would contribute to economic segregation in the City. In addition, the smaller FAR limits proposed by the Residential Infill Project for single family zones incentivize McMansion construction in RM1 zones where FAR is greater. The Residential Infill Project includes a 0.8:1 FAR limit for detached homes with and ADU on R2.5 lots. To solve this problem, **add a 0.8:1 FAR limit for detached homes in multi-dwelling zones.**

### Endorsements and other comments

The recommended BHD proposal does not limit the number of units but does convey how many units could actually be built. To make BHD a transparent process, **the maximum number of units that could be built should be provided and shown using fire and building standards.**

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\(^6\) Jamie Jeffrey, PBOT, Tacoma Traffic Analysis, August 2017
Many of the BHD proposals will improve multi-dwelling housing in our neighborhood. **We endorse the 35-foot height limit for the RM1 zone in proposal 1. We would oppose increasing the FAR limits in proposal 1. We endorse proposal 5 that allows limited commercial uses along corridors.** North Westmoreland lacks retail businesses and thus is not a walkable neighborhood; this proposal would help correct this problem. **We endorse the overall concept of proposal 8, alternatives to conventional landscaping, but recommend that an eco-roof not be given equal weight as landscaping.** An eco-roof should not replace ground-level landscaping which enhances the pedestrian space near the building. **We endorse proposals 7 (shared outdoor space), 9 (limit impervious areas), 10 (parking), 11 (limits on garages and no parking in front of buildings), 12 (entrance orientation), 13 (front setback), 14 (side setback), 15 (height transitions), 16 (division of large building facades), and the Transportation and Parking Demand Management requirements.**

Confidence in City planning is eroded by regularly changing zoned density in North Westmoreland. Many properties in north Westmoreland were upzoned in the 1980s in anticipation of a light rail station at Harold Street. The Orange Line was built without that station so in 2018 the new Comprehensive Plan map downzoned much of this area yet many properties retained multi-dwelling zoning. Now BHD is effectively upzoning these properties. This yo-yo zoning erodes confidence in the City planning process. **In the future, broad brushed city planning processes should consider and be consistent with past planning decisions at the neighborhood scale.**

This testimony was discussed at public meetings of the SMILE Land Use Committee on September 4, 2019 and the SMILE Board of Directors on September 18, 2019. The SMILE Board of Directors unanimously approved this testimony on September 18, 2019. If you have any questions, please contact David Schoellhamer, Chair of the SMILE Land Use Committee, at land-use-chair@sellwood.org. Thank you for the opportunity to testify.

Sincerely,

Tyler Janzen  
President, Sellwood-Moreland Improvement League