



Land Use Housing Strategies Project: Phase I

Housing Strategy O-4a: Affordable Housing Density Bonuses

Consider providing a tiered density bonus for inclusion of affordable housing

Clackamas County, like many other regions in the United States, is in the midst of a housing crisis; housing in the county is rapidly becoming less affordable and the amount of land available for housing development is decreasing. To address this crisis and try to meet the range of housing needs in the county, the county needs to deploy several strategies through:

1. Implementation of programs administered by the Department of Health, Housing & Human Services (H3S) and non-profit organizations; and
2. Changes to the land use regulations implemented by the Department of Transportation and Development (DTD) through the Planning & Zoning Division.

The Planning & Zoning Division compiled information and data for a three-phased plan to ensure that the county’s Comprehensive Plan and Zoning & Development Ordinance (ZDO) will help facilitate development of more housing and a more affordable variety of housing (*link to Issues Paper #2020-1*). Phase 1 contains four strategies. This paper investigates one of those strategies: **affordable housing density bonuses**.

Current Status

The development of affordable housing units must be financially feasible, which often means a need for extra density, or additional units, which may be achieved through an affordable housing bonus program. If a developer chooses to participate in such a program, that developer can build more units or a larger building in exchange for setting aside a portion of the units as affordable.

ZDO Section 1012 provides for a very limited density bonus if a development includes affordable housing for low-income households. A housing project can get 1 unit (market rate or affordable) beyond the base density for each affordable unit developed, up to 8% of base density (Table 1012-1); therefore, if the allowable density is 100 units and a project proposes to make at least 8 of those affordable, they may add an additional 8 units, for a total of 108.

Table 1012-1: Bonus Density

Bonus Category	Maximum Increase in the HR and Urban Low Density Residential Districts	Maximum Increase in the HDR, MR-1, MR-2, MRR, and PMD Districts
Affordable Housing: Dwelling units qualifying and approved for housing for low-income families or for the elderly under a federal, state, or local program will be provided in the development.	One dwelling unit per affordable dwelling unit up to 5 percent of the base density	One dwelling unit per affordable dwelling unit up to 8 percent of the base density

This bonus is rarely used and, even when used, it does not result in a significant number of additional affordable units.

The Need

- **More affordable housing units are needed in the urban unincorporated area.** In general, for housing to be “affordable” to a household, it needs to cost less than 30% of that household’s income. When households are “cost burdened”, it means they are spending more than 30% of their income on housing.

- Approximately 36% of all households and 47% of renter households in the urban unincorporated area are cost burdened and in need of housing that is more affordable (Figure 1).ⁱ
- According to the county’s Housing Needs Analysis, minorities will make up a larger share of young households and constitute a significant source of demand for more affordable owner-occupied and rental housing units nationwide over the coming decades.
- “Affordable housing,” as related to density bonuses, means housing that is deemed affordable to those at or below the area’s median family income (MFI), as defined by the US Department of Housing and Urban Development (HUD). Building affordable housing for low-income households generally requires subsidies to offset construction costs and to ensure the housing units retain their level of affordability in the future. Currently, there is a substantial lack of housing in urban Clackamas County that is affordable to low-income households earning at or below 50% MFI (Figure 2).

Housing Cost Burden by Tenure, Urban Unincorporated Clackamas County, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Tables B25091 and B25070.

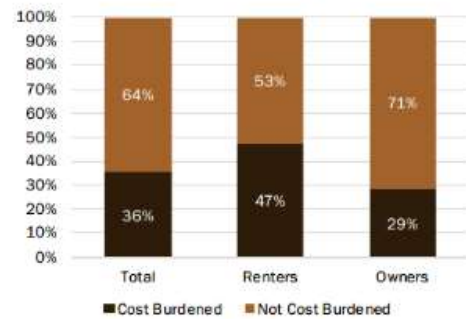


Figure 1: Exhibit 57 Clackamas County Housing Needs Analysis. 2019

Affordable Housing Costs and Units by Income Level, Urban Unincorporated Clackamas County 2018

Source: U.S. Census Bureau, 2013-2017 ACS. Note: MFI is Median Family Income, determined by HUD for Clackamas County.



Figure 2: Exhibit 68 Clackamas County Housing Needs Analysis 2019

Meeting the Need

To make a bonus program attractive to a developer, it must be calibrated so that the cost of providing the affordable units is offset by the increased revenue the developer can make from the additional market-rate units that are able to be built through the bonus. (In general, affordable units rent for less than they cost to finance and operate, and must be sold/rented for less than they cost to build.) If providing the affordable units would cost more than just building a market-rate development without a bonus, a developer will probably not participate in the bonus program.

- Other cities and counties in Oregon allow for up to a 50% density bonus for affordable housing.
- Additional tools may be made available to developers to provide incentives for the development of affordable units. Some local jurisdictions couple affordable housing density bonuses with flexibility with other development standards like setbacks, parking, or maximum building height. Other tools could include reductions on taxes and/or certain development fees (which would be beyond the scope of zoning code amendments, but could be considered by other departments).

Below are options to consider and present for public feedback. As input is gathered, the draft code amendments will be developed and refined to reflect public and stakeholder concerns.

Consider and discuss draft code amendments that include:

1. Increasing the density bonus to developers for including affordable housing units. This could be done for any residential development or it could be targeted to:
 - Allow a greater density bonus if units are more deeply affordable, such as at or below 50% MFI or 30% MFI)
 - Vary the density bonus by zoning district or location, such as near parks, commercial nodes, or transit
2. Options for flexibility to other development standards in conjunction with providing affordable housing units in a development.

¹Clackamas County Housing Needs Analysis. 2019

<https://dochub.clackamas.us/documents/drupal/c1526329-f9c4-4281-af84-1c58d8a5e15f>