



Chair Pham, Vice-Chair Anderson, and members of the committee,

Sightline Institute is an independent, nonpartisan think tank for the Pacific Northwest. I work on our housing team, focusing on ways to give more Oregonians the option to live closer to each other if they want to. I'm writing in support of SB 1521, modernizing the state's inclusionary zoning statute.

The goal of this legislation is to incorporate lessons learned from the first 10 years of inclusionary zoning in Oregon, which was legalized in 2016 by SB 1533. It also reflects a compromise between parties with a variety of perspectives on inclusionary zoning. It's back for the short session after a significant round of modifications over the last year.

Maybe most notably, all of this bill's substantive changes now apply only to the 5-county Portland metro area. Outside those counties, the status quo would remain in place.

Within those counties, the following things would change:

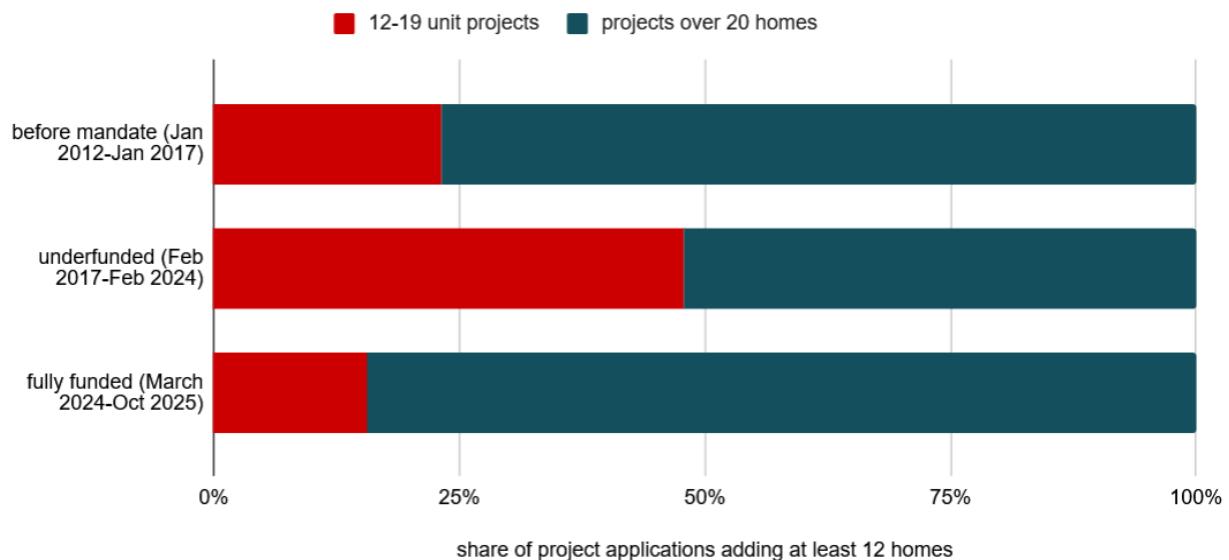
- Any cities that use inclusionary zoning mandates would be required to check in on them, at least once every six years, to ensure that the costs and benefits to a prototypical building roughly balance. Waivers and discounts of previously existing taxes and fees would count, as would direct payments if a city wishes. (The bill now explicitly says that this does not require assessment of each *individual* building, only a good-faith analysis of one or more hypothetical buildings.)
- Cities would get additional flexibility in the design of their programs. For example, they could require a mix of incomes within a building (without price-regulating more than 20% of the building, total) and set price targets other than exactly 80% of area median income. Outside the City of Portland, cities could apply IZ mandates to smaller buildings if they wish to, though not smaller than 10 homes.

These changes are informed by both the failures and the successes of the state's first inclusionary zoning program, in Portland. From 2017 to 2023, that city's largely underfunded program greatly underperformed expectations, in part because so many projects deliberately underbuilt their zoning to avoid the out-of-balance program. During that period, the share of projects that were slightly smaller than the program's 20-unit threshold doubled to almost 50 percent of all projects citywide. Then, after a

round of changes in 2024 fully funded the program in most of the city, this ratio returned to its pre-2017 level—a sign that mixed-income buildings were no longer a cost to be avoided or a net barrier to development.

The share of projects just below 20 homes fell sharply after Portland fully funded its inclusionary zoning program.

The affordability mandate applies to buildings adding 20 homes or more.



This is not to say that inclusionary zoning, even when fully funded, is a great idea for every city—only that it is a high-stakes tool that can backfire, and therefore deserves to be used carefully. The revised language of SB 1521 goes out of its way to defer to cities on the conduct of their required study, essentially just requiring them to show their work publicly without requiring unduly complicated analysis or exposing them to meaningful liability.

The provisions in SB 1521 offer multiple paths for the City of Portland to extend its program with minimal policy changes. I and other advocates for this legislation have spent months working with the city, other stakeholders, and one another to find a compromise that all parties seem to be able to live with and that a diverse array of parties agree is an improvement over the status quo.

I hope the legislature can find the time in this busy season to advance this carefully crafted, painstakingly negotiated improvement to governance in Oregon.

Michael Andersen
director, cities + towns