A Tale of Three Condo Developments

or

Why new condos in Portland are priced at $350,000

Do you ever wonder why housing is so expensive in Portland?

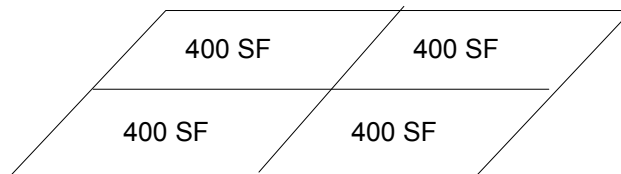Why can't we create workforce housing without subsidies?

Are developers really evil, flesh-eating monsters?

Let's pretend we're a really nice-guy developer, who wants to create affordable condos for normal people with jobs.

And let's say we have a small infill lot with a four story maximum height limit.

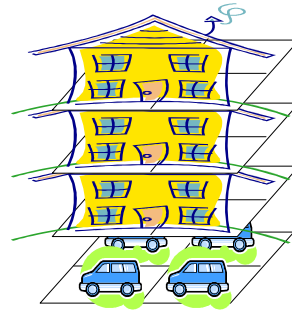| 400 SF | 400 SF |
| 400 SF | 400 SF |

What are our options?

Here are three simplified development options:

**16 small units,
No parking**

**8 small units,
With parking**

**3 large units
With parking**

Option 1: Build four small units without parking.

This would be the obvious choice if our goal is to build inexpensive housing.

If it's downtown, it could be even more affordable because the owner might not need a car.

Option 1: Four Units, No Parking

Land Cost	$150,000
+ Building Cost @ $150/SF	$960,000
+ Parking Cost @ $20,000 each	$0
+ Soft Cost (20% of building cost)	$192,000
Total Cost	$1,302,000
Cost per unit	$81,375

Oops! We forgot profit!

+ 15% profit	$195,300
Price per Unit	$93,581
Price per SF	$234
Annual Tax Revenue	$26,951

- **$93,581 is affordable for a single person making $30,000- the median for a person living alone.**
- **And 40% of all households in Portland are a single adult living alone.**

But, according to city zoning, each new unit has to have at least one parking space!

. . .and asking the city for an exception to the parking rule could cost a lot of money: $10,000-$20,000 in contract zone fees, plus delays that cost interest on equity and increased construction costs.

It might add 5% to the project cost. . .

which would reduce our profit by 33%, and may make lenders not want to finance our projects.

**Original Profit=**   **$195,300**
Revised Profit=   **$130,200**

At worst, neighbors who are worried about losing the free parking in front of their homes may sink the project completely!

Hmm. . . Who wants to fight with the city? Or with mobs of angry people? Why not just build a few parking spaces?

Each parking space consumes about 350-400 SF once you include entrances and exits and room to back up. .
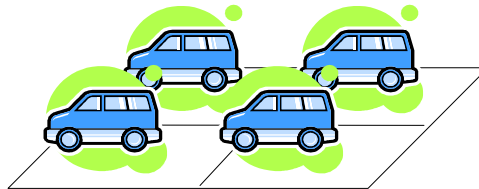
. . . About the same space as a small apartment or condo

If our developer builds a parking space for every unit, we might have 8 small condos with 8 parking spaces.

Option 2: Eight units with parking

Land Cost	$150,000
+ Building Cost @ $150/SF	$480,000
+ Parking Cost @ $20,000 each	$160,000
+ Soft Cost (20% of building+ parking cost)	$128,000
Total Cost	$918,000
Cost per unit	$114,750

And we add profit . . .

| + 15% profit	$137,700
Price per Unit	$131,962
Price per SF	$330
Annual Tax Revenue	$19,002

- The price per square foot is rather high.
- Since these people have cars and more money anyway, they might consider buying a bigger house in the country.

Of course, a house in the country requires a family to have one or more cars.

- Which can cost an additional $500 -$700 per month
- Not to mention the commute
- And an unwillingness to drive back to the city at night to shop, or go to a restaurant or see live music
- And the teenagers needing their own car
- But still, it's "*more house for the money*"

Option 3:
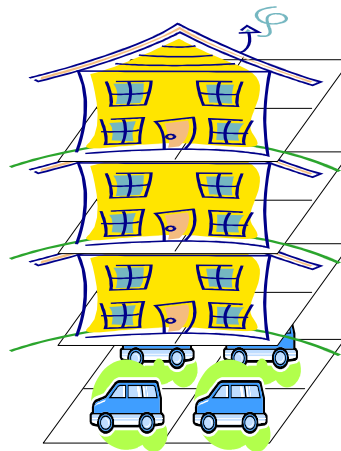
3 large units with parking

Option 3:

| Land Cost	$150,000
+ Building Cost @ $120/SF	$576,000
+ Parking Cost @ $20,000 each	$60,000
+ Soft Cost (20% of hard cost)	$157,200
Total Cost	$943,200
Cost per unit	$314,400
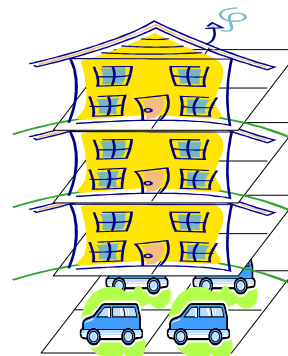
The city's zoning require parking spaces per unit, not per square footage, so we can build as much house as we want, and bury the costs of the parking.

And with profit . . .

+ 15% profit	$141,480
Price per Unit	$361,560
Price per SF	$226
Annual Tax Revenue	$19,524
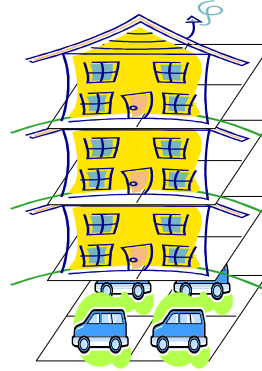
- The square foot cost is more reasonable
- The profit is higher
- And no zoning changes are needed!

Let's compare:

Price per Unit	$93,581	$131,962	$345,000
Price per SF	$234	$330	$226
Total profit	$195,300	$137,700	$141,480
Hassle with City and Neighbors	alot	some	none
Total Tax Revenue	$26,951	$19,002	$19,524

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Hi,

I gave verbal testimony on March 6, and was asked to upload backing materials. I'm happy to return for a workshop and help in any way I can.

I did research in graduate school that included looking at how requiring parking can drive up the costs of housing significantly. I'm attaching a presentation I made to the Portland City Council in 2009, which soon after removed most of their parking requirements. The numbers I'm providing are old, but you can double or triple them, and the argument still holds. It shows how the cost of parking dilutes the value of any piece of real estate, and incentivizes developers to build fewer, larger units, which end up being more expensive and also creates lower tax revenue for municipalities.

I'm also attaching a summary of my other research that was my graduate capstone, I'm happy to provide the full capstone, but it's 50 pages, and most of it is not about parking.

In terms of encouraging sufficient supply of parking: parking has a value and a cost, so it's problematic for people to expect there to be infinite amounts for free. There may have been a time when building housing was so profitable that it was possible to saddle developers with the cost of bulding free parking for everyone, but that is no longer the case. It's now very difficult to build housing and rent it out even at market rates without subsidy. The most obvious way to manage parking is to put a market cost on it, and then subsidize individual users or classes of users that the public deems worthy of subsidy.

I also offer this data below:

"Parking minimums place a heavy financial burden on the housing market. Donald Shoup, a prominent urban planning researcher and author of The High Cost of Free Parking, has extensively studied the economic impact of parking mandates. Shoup found that required off-street parking increases construction costs by an average of 53% for underground parking and 37% for above-ground parking. These significant cost increases make it harder to construct affordable housing, particularly in areas with high land prices. Beyond direct construction costs, excessive parking requirements contribute to a staggering amount of underutilized land. A study on parking inventories in major U.S. cities found that Seattle's parking infrastructure alone is valued at $35.8 billion—roughly $118,000 per household—while Jackson, Mississippi, has a per-household parking cost burden of $192,000. Compared to cities like New York, where parking per household is valued at just $6,570, these figures highlight how some cities have prioritized parking over efficient land use. This dynamic drives up the overall cost of housing, limits the availability of affordable options for residents, and reinforces inefficient urban development patterns that make housing less accessible."

https://reason.org/commentary/why-parking-minimums-are-holding-back-housing/#:~:text=Shoup%20found%20that%20required%20off,areas%20with%20high%20land%20prices.