



**PROSPER  
PORTLAND**  
Building an Equitable Economy

**DATE:** June 21, 2018

**TO:** Mayor Ted Wheeler  
Commissioner Chloe Eudaly  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Dan Saltzman

**FROM:** Alison Wicks, Prosper Portland Project Coordinator II  
Kyra Straussman, Prosper Portland Director of Development and Investment  
Kimberly Branam, Prosper Portland Executive Director

**SUBJECT:** Affordable Commercial Space Bonus Administrative Rules

#### **BRIEF DESCRIPTION**

On June 21, 2018, Prosper Portland will brief Portland City Council and provide an update on the Administrative Rules for the Affordable Commercial Space Bonus (ACS Bonus) within Title 33. The ACS Bonus was approved by Portland City Council on June 6, 2018 as a part of the 2035 Comprehensive Plan Code Reconciliation Project. As described in Portland City Code Section 33.130.212.D, the ACS Bonus allows development proposals in certain commercial zones to access a floor area ratio (FAR) and height bonus if they provide on-site affordable commercial space or pay into the Affordable Commercial Space Fund. The code revisions task Prosper Portland with the development these Administrative Rules the determination of whether applicants meet the guidelines. On June 13, 2018, the Prosper Portland Board of Commissioners approved the Administrative Rules for the ACS Bonus that Prosper Portland staff will present to City Council.

#### **BACKGROUND AND CONTEXT**

As part of the City's recent economic recovery, Portland businesses have experienced and been impacted by increases in retail rents and a decreases in vacancy rates and available small-scale retail locations, which has particularly impacted Portland's neighborhood business districts. In response to these affordability and market pressures, Prosper Portland initiated the development of an Affordable Commercial Framework to provide and maintain affordable space for small businesses; offer small business coaching and technical assistance; and make available direct financial support as available with a particular focus on long time community businesses and businesses owned by women and/or people of color. On November 8, 2017 staff briefed the Portland City Council on the proposed Affordable Commercial Framework and provided an update on the status of four Prosper Portland owned- and sponsored-development projects that are providing long-term affordable commercial space. The ACS

Bonus is an important tool for Prosper Portland to implement the Affordable Commercial Framework along key mixed-use commercial corridors within the city.

### **AFFORDABLE COMMERCIAL SPACE BONUS**

Over the past year, Prosper Portland staff has been working with the City of Portland (City) Bureau of Planning and Sustainability (BPS), the Planning and Sustainability Commission (PSC), and a Stakeholder Advisory Committee (SAC) to explore the feasibility of and to define administrative rules for an affordable commercial space floor area ratio (FAR) and height bonus as a part of the City of Portland's Title 33 Zoning Code. The ACS Bonus will allow development projects proposing 20 or fewer new residential units within Commercial Mixed Use Zones to access the bonus either by providing affordable commercial space on-site or paying into an affordable commercial fund. The eligible zones include CM1, CM2, CM3, and CE zones and the CX zone out of the Central City and Gateway plan districts. Sites located within Historic or Conversation districts are not eligible to use bonus options. The ACS Bonus is an incentive that allows developers to build additional floor area in development projects by providing a community benefit. The additional floor area adds square footage and height to buildings, allowing developers to add additional space for residential units or commercial office space.

The ACS Bonus concept was presented to the PSC in October and November 2017 as part of its consideration of the Code Reconciliation Project. The PSC was supportive of the ACS Bonus as an innovative concept that could help provide or preserve much needed affordable commercial space in areas experiencing significant development and change. However, the PSC cautioned that it is a model that does not have precedent in other cities and may be challenging to implement.

The Title 33 Zoning Code language provides significant discretion to Prosper Portland for administration of the program. As part of its recommendation to City Council, PSC requested that Prosper Portland staff work with BPS and the SAC to more fully develop the ACS Bonus administrative rules and return to PSC with an update. On March 27, 2018, staff presented the proposed rule-making progress to PSC. PSC indicated support for an administrative framework that focuses on a high level of tenant improvements; local tenants; leasing parameters; and, a payment option. On April 11, 2018, City Council reviewed and discussed the Code Reconciliation Project, including amendments to City Code Section 33.130.212.D that codified the ACS, Bonus and delegated the role of creating administrative rules for qualifying affordable commercial space to Prosper Portland. On June 6, 2018 the ACS Bonus was approved by Portland City Council, as a part of the 2035 Comprehensive Plan Code Reconciliation Project.

To implement the ACS Bonus program following City Council's passage of the Code Reconciliation Project, in June 2018, the Prosper Portland Board adopted the administrative rules to implement and manage the program. The administrative rules stipulate that Prosper Portland will work with developers applying for the ACS Bonus to either, make a payment into the Affordable Commercial Fund, or enter into a regulatory agreement to provide a high level of tenant improvements, to use a form lease, and to lease the spaces to qualified businesses for a period of ten years. The spaces will be leased in a manner that provides a community benefit to businesses that are:

- Local businesses or non-profit organizations.

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- Women-owned businesses, and/or businesses owned by people of color, or other businesses primarily owned by individuals who are members of historically underserved populations; or non-profit organizations which serve historically underserved communities, including communities of color.
- Participating entities must pass a Prosper Portland financial evaluation.

Payments into the Affordable Commercial Fund create a resource to support Affordable Commercial projects citywide, in particular projects outside of Urban Renewal Area. In addition, revenue received by Prosper Portland could be used to offset significant staff time required for initial review, certification of qualified applicants in coordination with the City's permitting process, tenant referral and financial review; and ongoing monitoring throughout the life of the ten-year requirements outlined in the administrative rules for on-site affordable space.

#### **NEXT STEPS**

In 2018 and going forward Prosper Portland will:

- Continue to work with BPS and the Bureau of Development Services to coordinate the implementation of the ACS Bonus.
- Report on the progress of and learnings from the ACS Bonus to the Prosper Portland Board, the Planning and Sustainability Commission, and Portland City Council.
- Convene Affordable Commercial Advisory Committee to guide the development and refinement of Prosper Portland's broader Affordable Commercial Framework.
- Conduct market analysis and outreach to small businesses and business districts to refine framework and approaches.
- Continue to explore new resources to fund new tools, including securing resources to launch broader technical assistance.

Agenda No.  
**REPORT**  
 Title

Update on  
 Affordable Commercial Space Bonus Administrative Rules (Report)

<b>INTRODUCED BY</b> Commissioner/Auditor: <b>Mayor Wheeler</b>	CLERK USE: DATE FILED <u>JUN 12 2018</u>
<b>COMMISSIONER APPROVAL</b> Mayor—Finance & Administration - Wheeler <i>10/11</i> Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Eudaly	Mary Hull Caballero Auditor of the City of Portland  By: <i>[Signature]</i> Deputy
<b>BUREAU APPROVAL</b> Bureau: Prosper Portland Bureau Head: Kimberly Branam	<b>ACTION TAKEN:</b> JUN 21 2018 <b>ACCEPTED</b>
Prepared by: Alison Wicks Date Prepared: 06/08/2018	
<b>Impact Statement</b> Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>	
<b>City Auditor Office Approval:</b> required for Code Ordinances	
<b>City Attorney Approval:</b> required for contract, code, easement, franchise, charter, Comp Plan	
Council Meeting Date <b>6/21/2018</b>	

AGENDA	FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
<b>TIME CERTAIN</b> <input checked="" type="checkbox"/> <b>Start time: 2:00 PM</b>  <b>Total amount of time needed: 30 mins</b> (for presentation, testimony and discussion)		YEAS	NAYS
<b>CONSENT</b> <input type="checkbox"/>	1. Fritz	1. Fritz	<input checked="" type="checkbox"/>
<b>REGULAR</b> <b>Total amount of time needed: ___ mins</b> (for presentation, testimony and discussion)	2. Fish	2. Fish	<input type="checkbox"/>
	3. Saltzman	3. Saltzman	<input type="checkbox"/>
	4. Eudaly	4. Eudaly	<input checked="" type="checkbox"/>
	Wheeler	Wheeler	<input checked="" type="checkbox"/>