

**PROSPER**  
PORTLAND

**Building an Equitable Economy**

**PORTLAND CITY COUNCIL**  
**JUNE 21, 2018**

**BRIEFING ON THE AFFORDABLE COMMERCIAL SPACE BONUS PROGRAM**

# Presenters

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**PORTLAND CITY COUNCIL**  
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# AFFORDABLE COMMERCIAL SPACE BONUS PROGRAM

# Affordable Commercial Framework

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## 1. ACCESS TO PUBLIC & PRIVATE SPACE

- Prosper Portland master lease/ownership
- Partnership with City Bureaus
- Lease agreements with private developers
- **Affordable Commercial Bonus Program**

## 2. BUSINESS COACHING & TECHNICAL ASSISTANCE

- Inclusive Business Resource Network (IBRN)
- Mercatus PDX
- Retail workshops and financial review

## 3. FINANCIAL SUPPORT

- Prosperity Improvement Program (PIP) Grants
- Tenant Improvement Loans

# PILOT PROJECTS

● ALBERTA COMMONS

● 10TH & YAMHILL GARAGE

● LENTS COMMONS

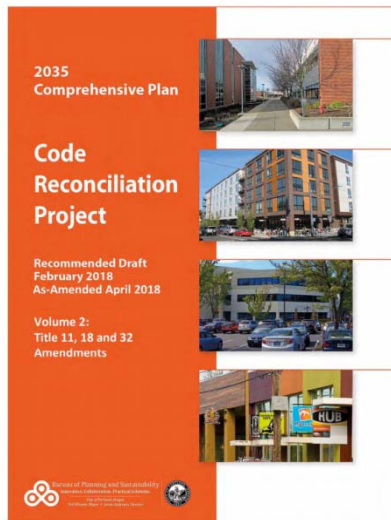
● OLIVER STATION



# Pilot Project Summary

	Alberta Commons	10TH & Yamhill	Lents Commons	Oliver Station	ACS Bonus
ACCESS TO SPACE	5,100 SQFT	21,000 SQFT	3,725 SQFT	4,000 SQFT	Est. Up To 40,000 SQFT
	Master Lease from Private Partner	Master Lease from Public Partner	Prosper Portland Ownership	Consent to Let from Private Partner	Covenant with Developer
TECHNICAL ASSISTANCE	✓	✓	✓	✓	✓
FINANCIAL SUPPORT	✓	✓	✓	✓	✓

# Process Overview



## MAY 2017 – JUNE 2018

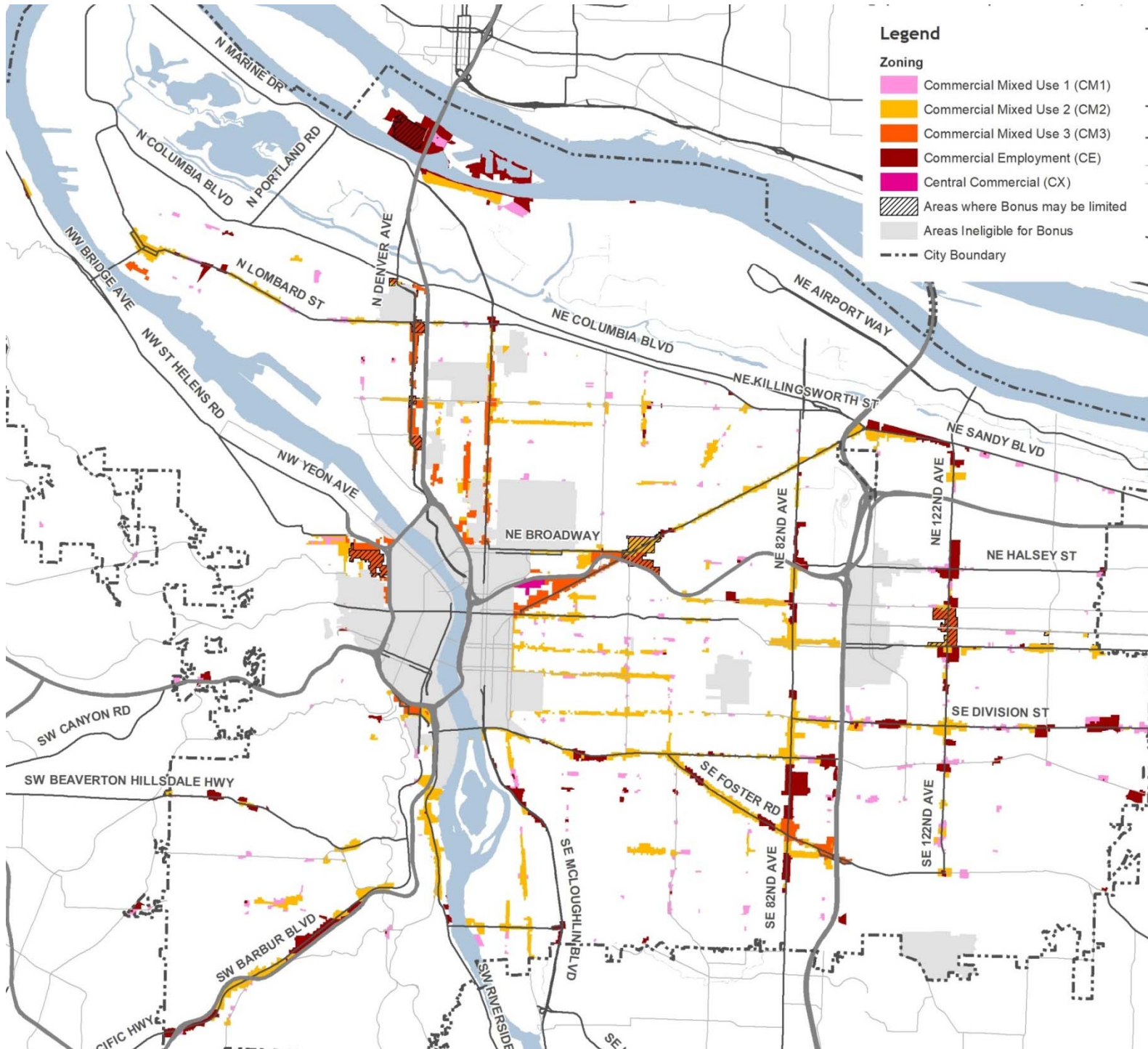
- Coordination with Bureau of Planning & Sustainability, Bureau of Development Services and Portland Housing Bureau
- Stakeholder Advisory Committee discussions & recommendation
- Planning and Sustainability Commission review
- Approval of Zoning Code by Portland City Council (May 2018)
- Approval of Administrative Rules by Prosper Portland Board (June 2018)

# Affordable Commercial Floor Area and Height Bonus Program

## GOALS

- Help to provide and stabilize commercial space along mixed –use commercial corridors
- Ease the challenge of commercial gentrification and business displacement
- Support businesses led by owners from communities of color and marginalized individuals
- Increase availability of affordable commercial space
- Reduce barriers of entry to new construction commercial space





## Legend

### Zoning

- Commercial Mixed Use 1 (CM1)
- Commercial Mixed Use 2 (CM2)
- Commercial Mixed Use 3 (CM3)
- Commercial Employment (CE)
- Central Commercial (CX)
- Areas where Bonus may be limited
- Areas Ineligible for Bonus
- City Boundary

June 11, 2018

City of Portland, Oregon ||  
Bureau of Planning and Sustainability ||  
Geographic Information Systems

# Affordable Commercial Space Bonus Eligible Areas



0 0.75 1.5  
Miles

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City of Portland, Oregon  
Ted Wheeler, Mayor • Susan Anderson, Director

# Affordable Commercial Floor Area and Height Bonus Program

## OVERVIEW

- Not mandatory
- Only for projects with 20 or fewer residential units
- On-Site Option and Affordable Commercial Fund Option
- Projects currently have access to FAR bonus via Inclusionary Housing voluntary fee-in-lieu
- Qualified businesses
  - Long-time local businesses
  - Women-owned, minority-owned, non-profits that serve underserved communities
  - Meet financial standards

# Affordable Commercial Floor Area and Height Bonus Program

## ADMINISTRATIVE RULES

- Affordable Commercial Space Program Options
  - On-Site Option
  - Affordable Commercial Fund Option
  - Combination Option
- Development Requirements
  - Landlord Work Standards
- Leasing Affordable Commercial Space Units
  - Qualified Businesses
  - Lease Standards
  - Duration and Re-tenanting

Affordable Commercial Space Program	
Administrative Rule	
TABLE OF CONTENTS	
I.	Definition of Administrative Rules
II.	Program Goals
III.	Program Options
A.	Affordable Commercial Space Program Options
1.	Provide Affordable Commercial Space on-site
2.	Affordable Commercial Fund
3.	Combination on-site and Affordable Commercial Fund
B.	Application requirements
C.	Articles of Incorporation
D.	Agreement
E.	Affordable Commercial Fund
IV.	Development Requirements
A.	Affordable Commercial Space and Hot Shell Landlord Work Standards
B.	Inapplicable Policies
V.	Issuance of Certification Letter
VI.	Compliance and Reporting Requirements
A.	Leasing Affordable Commercial Space Units
1.	Qualified Businesses
2.	Lease Standards
3.	Duration and Re-tenanting
B.	Annual Reporting and Review
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D.	Default and Conversion
E.	Remedies
1.	Affordable Commercial Fund payment
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Appendices	
Appendix A - Affordable Commercial Fund Factor Schedule	
Appendix B - Affordable Commercial Space and Hot Shell Landlord Work Standards	

# On-Site Option

- FAR bonus of 2 sq. ft. for each 1 sq. ft. of on-site affordable commercial space provided
- Developer provides “Hot Shell” Tenant Improvements
- Leasing Requirements
  - Tenants meet qualifying criteria
  - 10-year duration
  - Lease terms reviewed
  - Re-Tenant only with approved tenants
  - Annual reporting
- Remedies
  - Full payment into Affordable Commercial Fund

# Affordable Commercial Fund Option

- FAR bonus of 1 sq. ft. for each 1 sq. ft. paid into Affordable Commercial Fund
- Calculated on Bonus FAR
- Mirrors Inclusionary Housing Fee-In-Lieu
- Per zoning code, only 50% of maximum FAR bonus is available
- Payment proceeds support Prosper Portland Affordable Commercial Framework

# Proposed Timeline & Next Steps

2018

- Coordinate with Bureau of Planning on Sustainability and Bureau of Development Services on implementation of the Affordable Commercial Space Bonus
- Ongoing evaluation of pilot projects & lessons learned through marketing, tenanting, tenant improvements, and operations
- Conduct market analysis and outreach to small businesses/business districts to refine approach.
- Convene an Commercial Affordability Advisory Committee

2019

- Continue to explore new resources to fund new tools, including securing resources to launch broader technical assistance
- Report back to Planning and Sustainability Commission





# Affordable Commercial Space Bonus Program

## Why 10 years?

- Equivalency between the On-Site Option and the Fee-in-Lieu.
- Anti-displacement tool – Local, women-owned, minority-owned, financially qualified business can access space while neighborhood is experiencing gentrification pressures.
- Longer duration makes on-site option less attractive.

## Why tenant improvements instead of reduced rent rate?

- New construction space is the most expensive space to buildout.
- Reduced rent rate would still leave barriers for tenants to access the space.

## Uses of the Affordable Commercial Fund?

- Support Prosper Portland Affordable Commercial framework outside of URAs.
- Prosperity Improvement Program grants for tenant improvements in existing buildings.
- Tenant Improvement loans.
- Small business technical assistance including business planning and leasing assistance.



# Stakeholder Advisory Committee

## Stakeholder Advisory Committee

Teresa St Martin	Planning and Sustainability Commission, Windermere / EcoBroker
Andre Baugh	Planning and Sustainability Commission, Consultant, Groups AGB Ltd
Chris Smith	Planning and Sustainability Commission, Interactive Marketing, Xerox
Eric Cress	Urban Development Partners
Sara Daley	Kidder Matthews
Michael DeMarco	Our 42 <sup>nd</sup> Avenue
Lauren Golden Jones	Capstone Partners
Charlotte Larson	Urban Works Real Estate
Jessy Ledesma	Beam Development
Mingus Maps	Historic Parkrose
Heather Hoell	Venture Portland
Michael Burch	Equitable Contracting & Purchasing Commission / Northwest Regional Council of Carpenters
Khanh Le	The Main Street Alliance of Oregon
Sam Brooks	Oregon Association of Minority Entrepreneurs

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