



MEMORANDUM

DATE: January 7, 2022

TO: Planning and Sustainability Commission

FROM: Eric Engstrom, BPS, Principal Planner
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CC: Andrea Durbin, BPS, Director

SUBJECT: West Portland Town Center January 11 Discussion of Housing Strategy

On January 11 the commission will discuss zoning provisions designed to incentivize preservation of existing unregulated affordable rental housing, and construction of new affordable housing. The purpose of this memo is to provide additional context for this discussion – particularly as it relates to implementation of the adopted SW Corridor Equitable Housing Strategy.

Background

Council adopted the SW Corridor Equitable Housing Strategy in late 2018, after the PSC reviewed and recommended it. The strategy was developed jointly with the City of Tigard. It set affordable housing targets for the corridor in anticipation of the SW Corridor light rail. There were two sets of affordable housing production targets – a base target and a stretch target. The base target assumed existing resources, and the stretch target assumed new funding sources would be required.

- Including both cities, the base target for the corridor was 850 homes, and the stretch target was 2,300 homes.
- For the Portland section of the corridor, the base target was 300 - 350 homes, and the stretch target was 1,050 - 1,400 homes. These targets included affordable units produced through new construction, rehab/preservation, and privately developed Inclusionary Housing.
- The strategy also aimed to have one housing project at each of the ten future MAX stations, included in the stretch targets.



The existing resources assumed in the base target were Tigard’s Urban Renewal District, existing tax credit resources, Portland’s Housing Bond, and private sector resources stemming from the Inclusionary Housing requirement.

The stretch target assumed new resources, including the Metro Housing Bond (which had not yet been adopted at that time), a new Urban Renewal District in Portland, land acquired by TriMet through an agreement we had with them to turn over excess land purchased for the light rail for housing, and a proposal to collaborate with nongovernmental philanthropic funds through the Network for Oregon Affordable Housing. The largest of those potential new sources was Urban Renewal.

The strategy was intended to be implemented over a ten-year period, in parallel with anticipated light rail construction, which had been expected to finish in 2027. The Portland Housing Bureau is the primary implementor, but there are also actions assigned to BPS, Prosper, and Metro. Several actions require further Council action to implement.

January 11 Discussion Framework

In recent work sessions the commission questioned several aspects of the West Portland Town Center proposal that were aimed at incentivizing preservation of unregulated affordable multifamily apartment buildings. The PSC discussion seemed to revolve around three separate questions:

1. Should zoning be used to protect unregulated affordable multifamily apartment buildings?
2. Is the proposal fair to property owners? Are there other ways to do this more effectively than what has been proposed?
3. Are the actions outlined in the adopted SW Corridor Equitable Housing Strategy enough?

Staff suggests that these three questions be the framework for a January 11 discussion of this topic. The SW Corridor Equitable Housing Strategy is an adopted plan, accepted by both the PSC and Council. As such, the third question may be beyond the scope of the WPTC land use plan, but it may be relevant to how the PSC wants to communicate its recommendations to City Council. Staff acknowledges that it should be a relevant factor to the PSC’s consideration of the land use plan. As proposed, the plan implements one of the actions called out in the housing strategy.

Equitable Housing Strategy Progress/Status

To provide context for these questions, below is a description of the actions in the adopted housing strategy, with a summary of what has been done to date. The strategy contains three goals, and each goal has several specific strategies with actions. We are now three years into the ten-year strategy.

Goal 1: Commit early financial resources to address near-term housing crisis and long-term needs.



1. Grow new resources for the long-term

a. Form a SW Portland Urban Renewal Area

Status: In Oregon urban renewal areas (URAs) generate a funding source known as Tax Increment Financing (TIF) which allows a city to issue bonds against future real estate tax collections. Money from the bonds can be used to fund eligible projects within the TIF district which can include things such as land acquisition, housing and commercial development and infrastructure.

As part of the SW Corridor Equitable Housing Strategy Prosper Portland did initial modeling of two TIF district scenarios for the corridor. One was for 932 acres and a second was for 498 acres, with the former generating a net of a bit over \$80M (no further modeling was performed on the smaller district). For many years, the city has used a so-called “TIF set aside” to ensure funds are used for affordable housing within a TIF district. In alignment with recent practice, for the SW Corridor modeling, a 45%-50% “set-aside” assumption was used which generated about \$40M for affordable housing with the remaining allocated between commercial/economic development at 40%-45% of total and 5-15% for transportation.

Current practice is to pursue a new TIF district only when there is both strong support from city council and the community. Those conditions have come together in the Cully neighborhood and in concert with the community Prosper is pursuing a potential TIF district there now. Prosper would consider pursuing other districts if the right combination of conditions came together. That said, state law limits the total area of TIF districts within a City to 15%. This means Prosper must be very deliberate about how that allowance is used. In the absence of a transformative light rail line (or some other significant pre-condition), there is less pressure to pursue a TIF district in the southwest corridor right away. Even so, Prosper is open to continuing conversations with the community about one.

In addition to any possible longer term TIF related work, pending funding, Prosper is prepared to participate in and/or lead research efforts on community development related activities such as a business and real estate survey in the corridor.

b. Capitalize an affordable housing acquisition fund

Status: In 2020 the Housing Bureau asked City Council to fund a proposal to add City resources to an acquisition fund managed by the Network for Oregon Affordable Housing. Council declined that funding request.

c. Recommend an appropriate portion of a Metro regional housing bond toward the SW Corridor

Status: Regional voters adopted a housing bond in the fall of 2018, after the housing strategy was drafted. The Housing Bureau administers the Portland Housing Bond and the local share of the Metro regional Housing Bond, releasing funds for affordable housing through periodic requests



for proposals. Nonprofit and private-sector housing organizations submit affordable housing project proposals in response. Opportunities are advertised through Notices of Funding Availability (NOFA) or Requests for Proposals (RFP), subject to available resources, and PHB aims to achieve a geographic balance in project awards across the city with particular focus on areas with little or no existing affordable housing. There have been several rounds of funding opportunities released by the Portland Housing Bureau since then. Several projects in the corridor have been submitted through that process but not funded.

PHB has recently announced a limited Bond Opportunity Solicitation with a focus on awarding affordable housing financing to: 1) supportive housing proposals and 2) projects located in SW Portland. The purpose of this solicitation, which is only open to recent applicants to PHB's 2020 and 2021 funding rounds, is to commit the City's remaining Portland Housing Bond while allowing development teams to only update those areas of their project that have changed since their last submission of application materials. Through this solicitation, PHB will invite two previous project submissions from SW Portland, and anticipates awarding funds to one of the two SW projects in January 2022.

2. Prioritize existing resources early on.

a. Prioritize competitive resources for the SW Corridor

Status: PHB has encouraged applications from SW Portland in previous Bond Opportunity Solicitations, and as noted above, PHB has recently announced a limited funding opportunity targeting SW Portland.

b. Promote existing incentives available to all multi-family development

Status: There are several existing incentives available to multifamily development, including voluntary inclusionary housing, the non-profit limited tax exemption program, and various other zoning bonuses. The primary barrier to implementing incentives is the relatively low level of private housing investment in recent years, during the COVID economic crisis. Even in a normal economy, housing development occurs in cycles. The last peaks were in 2007 and 2018.

3. Strengthen partners to steward the strategy

a. Form a community-centered organizational structure to champion and implement the strategy

Status: Metro and the City have collaborated with private funding sources to support formation of the Southwest Equity Coalition (SWEC). City and Metro funding has allowed the coalition to hire an executive director and maintain several active working groups to track and advance implementation of equity goals in the corridor.



Goal 2: Prevent residential and cultural displacement.

1. Preserve existing unregulated affordable rental housing

a. Acquire and convert up to ten unregulated affordable multifamily apartment buildings into income/rent restricted buildings

Status: The Housing Bureau plans to convert a City-owned market-rate apartment complex very near the town center to regulated affordable housing in the coming years, with existing resources, yielding 100 newly-affordable units.

2. Strengthen tenant protections and anti-displacement services

a. Fund an anti-displacement and fair-housing services package

Status: The Housing Bureau funds several programs and services with the goals of anti-displacement and stabilization for renters, as well as Fair Housing (examples include Fair Housing education, legal assistance, and enforcement services; landlord-tenant education and legal assistance services; habitability and relocation services; etc.). For the most part, these services are available citywide and not targeted at a specific neighborhood. In 2020 and 2021 PHB distributed more than \$67M in COVID emergency rent assistance. PHB is starting work now on a citywide fair housing assessment.

b. Strengthen tenant protections

Status: Since 2018, City Council and the state legislature have passed several new tenant protections, including reform of the rental screening process, adoption of relocation fees, and statewide limit on rent increases. Under current law annual rent increases are limited to 7% plus inflation, notices for “no fault” evictions must have 90 days of notice, and the landlord must pay the tenant a state and/or local relocation assistance fee under certain circumstances. In addition, in response to the COVID crisis, there have been eviction moratoriums and rent arrears repayment grace periods in place throughout much of 2020 and 2021.

Goal 3: Increase choices for new homes for all household types and incomes.

1. Secure and develop opportunity sites for new construction of equitable transit-oriented development.

a. Develop TOD-scale (100+ homes) affordable multifamily buildings in each of the ten station areas in Portland and Tigard.

Status: Portland has 7 station areas (Gibbs, Hamilton, Burlingame/13th, 19th, 30th, Barbur TC, and 53rd). There are five TOD planning efforts in the Portland portion of the corridor at four station areas:



- Gibbs: The City and ODOT are in the process of negotiating a memorandum of understanding regarding redevelopment of land that would be available should the existing Ross Island Bridge highway ramps be removed and replaced with a grid of surface streets, including reconstruction of SW Naito. Concept plans and economic studies were developed in 2019 and 2020. This project is dependent on funding for the related transportation improvements. Funding had been part of the failed regional funding measure in 2020. PBOT completed a conceptual design report in 2021, and BPS will release a draft land use plan for this area in early 2022.
- SW 30th: Prosper Portland owns the Headwaters Apartment at SW 30th, and intends to convert it to affordable housing in the future.
- WP Town Center: The City, TriMet and ODOT are in the process of negotiating a memorandum of understanding outlining future goals for the Barbur Transit Center. Concept plans and economic studies were developed in 2019 and 2020. Transit center functions would be retained, but the surface parking would be replaced with structured parking, affordable housing, and some commercial development.
- WP Town Center: Metro and the Joint Office of Homeless Services also purchased the Barbur Value Inn behind Markum Elementary in 2021. It is operating as a homeless shelter in the short term but will be redeveloped into affordable housing in the future.
- SW 53rd: PCC continues planning for a potential affordable housing project at the Sylvania campus which may be submitted for consideration in future bond funding rounds. A PCC project at NE 42/Killingsworth was funded by PHB in 2021.

b. Execute an interagency affordable housing memorandum of understanding

Status: This MOU with TriMet was signed in 2018. As part of the light rail project, TriMet anticipated purchasing a significant amount of land, to widen SW Barbur, and also for construction staging. The MOU was a framework agreement through which they would convey excess land to the City and other entities for affordable housing development. The agreement has not been implemented as planned, because they have not moved forward with the light rail project.

c. Inclusionary zoning receiving sites agreement

Status: This action has not been implemented yet.

2. Regulate land use and zoning to create affordable and market rate housing

a. Incentivize equitable TOD through zoning

Status: This action is being implemented through the proposed West Portland Town Center Plan District before the PSC. There are three specific elements of the proposed plan that address this:



- The plan provides a broader area of multi-dwelling zoning, converting several areas of single-dwelling zoning within walking distance of the transit center to a higher density. This provides more land for future market rate multi-dwelling development. Because the city has inclusionary zoning requirements, this will also create some privately funded regulated affordable housing. The current market-rate rents in this area do not yet make redevelopment likely in the near-term, but we expect this zoning to be utilized in future market cycles (within a 20-year horizon).
- Subdistrict D regulations in 33.595.210 and 33.595.220.C.2 are intended to incentivize retention of existing apartments and encourage regulated affordable housing development should these sites redevelop. The current inventory of low-cost apartments included in Subdistrict D totals 762 units on 26 sites. The incentive operates in three ways: reducing allowed FAR to reduce redevelopment pressure, requiring deeper affordability with bonuses that could be used with on-site redevelopment, and allowing for a more lucrative transfer of FAR to other sites. The incentive does not guarantee the units will remain affordable.
- In the mixed-use zones, the bonus provisions in 33.595.220 and .230, with the limitation on re-zoning in 33.595.040 (Zoning Map Amendments) provide an incentive for developers to consider deeper affordability or incorporate other community benefits in larger development projects. This is accomplished by allowing a three-tiered bonus structure which allows a development to achieve CM3-scale development in the CM2 zone (without a Zone Change) by providing deeper affordability, incorporating affordable commercial space, incorporating community service uses or daycare, incorporating green features and outdoor space, and by contributing toward the preservation of existing low-cost apartments in Subdistrict D.

b. Incentivize equitable TOD through development agreements

Status: A development agreement is a mechanism for memorializing a private-public partnership, through which public resources are leveraged in exchange for certain public benefits. This tool is usually used in tandem with an urban renewal district. Because there is no urban renewal district yet, this action has not been taken.

