

IMPACT STATEMENT

Legislation title: Amend the Comprehensive Plan, Comprehensive Plan Map, Zoning Map, Title 33-Planning and Zoning, Title 18-Noise Control, Title 30-Affordable Housing, Title 32-Signs and Related Regulations to revise the Multi-Dwelling Residential designations and base zones. (Ordinance; amend Code Title 33, and Code Title 18 and 32)

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Purpose of proposed legislation and background information:

The Better Housing by Design (BHD) Recommended Draft is revising Zoning Code development standards in Portland's multi-dwelling zones (Chapter 33.120) and associated regulations in other Zoning Code chapters, Title 30, and Titles 18 and 32 (amendments to the latter two titles are updates to multi-dwelling zone names). The amendments also make related changes to the Zoning Map and the Comprehensive Plan and Map. The amendments are intended to better implement Comprehensive Plan policies that call for:

- Housing opportunities in and around centers and corridors;
- Housing diversity, including affordable and accessible housing;
- Design that supports residents' health and active living;
- Pedestrian-oriented street environments and convenient street and pedestrian connections;
- Design that respects neighborhood context and the distinct characteristics of different parts of Portland;
- Nature and green infrastructure that are integrated into the urban environment; and
- Low-impact development that helps limit urban heat island effects.

The amendments include Zoning Code regulations that will be administered by the Bureau of Development Services and development bonuses for affordable housing that will be administered by the Housing Bureau. The Better Housing by Design project was funded in part by a Community Planning and Development Grant from Metro in the amount of \$310,500 accepted by the City of Portland in March 2016 (Ordinance 187642).

Financial and budgetary impacts:

Direct budget impacts: This ordinance does not amend the budget or create new ongoing programs. It does not change the City's financial obligations and appropriations, but it will have some impact on staff time costs. The Bureau of Development Services (BDS) and the Housing Bureau will be impacted by increased staff time costs associated with implementing the amended Zoning Code regulations. BDS indicates there will be an increase in review time, but that this is not substantial enough to require fee increases at this point. The Housing Bureau will need additional funding to compensate for the bureau's role in administering the new affordable housing bonus provisions. The Housing Bureau estimates the fiscal impact of administering the new affordable housing bonuses, in combination with costs for administering previously-adopted inclusionary housing bonuses,

at \$254,414 in ongoing staff costs and \$14,000 in onetime costs for workspace and equipment.

Long term impacts for the City: The Zoning Code amendments provide allowances for increased numbers of residential units on properties in the multi-dwelling zones (particularly in the new RM1 and RM2 zones, which represent the majority of Portland multi-dwelling zoned land) and expand development bonuses for projects that include affordable units. An economic feasibility analysis (see Appendix C of the Recommended Draft) indicated that these changes increase the economic feasibility of multi-dwelling development in Portland's predominant multi-dwelling zones (new RM1 and RM2), which suggests that the code amendments could increase the amount of development in the multi-dwelling zones over the long term.

Impacts on the Bureau of Development Services

Because this ordinance changes aspects of the Zoning Code, it impacts BDS in terms of staff time spent working with permit applicants, reviewing submittals and inspecting development. The changes will impact the Bureau of Development Services in the following ways:

A. Increase in one-time costs:

- Staff training - Learning about the new regulations will initially take staff time. Training is developed and provided prior to implementation. Also, follow up discussions at team meetings to ensure consistency and answer questions about how to apply the new regulations to specific situations will need to take place.
- Staff time will be needed to develop new brochures and/or website content to explain the new standards and application submittal requirements.

B. Increase in on-going costs:

The Zoning Code amendments will have differing impacts on the time needed for BDS review of permit applications in the multi-dwelling zones. New types of regulations will require new development standards to be implemented and sometimes require more staff time for plan reviews. Other changes that modify existing regulations will have less of an impact on plan reviews, while changes that discontinue existing regulations will simplify plan reviews and reduce staff time.

An estimate of review times associated with the Zoning Code amendments projects a net increase of 20 hours of total review time per year. BDS indicates that this increase in review time is not substantial enough to require fee increases at this point. BDS will track the accuracy of workload projections associated with the code changes and make amendments to the fees at a later date if necessary.

The following list groups the major amendments in relation to their potential impact on BDS staff review times:

Reduced Regulations – reducing review times

- Replace the current gradient of setbacks based on size of building wall plane with a standardized 5' side/rear setback.
- Exempt small sites (up to 10,000 SF) from minimum parking requirements.
- Simplify the maximum building setback standards with reduced number of standards.
- Eliminate the current array of nine amenity bonuses.

Modifications to Existing Regulations – some additional review time

- Changes to affordable housing bonuses.
- Require residential outdoor areas in the RM3 and RM4 zones.
- Require common areas for sites larger than 20,000 square feet.
- Additional limits on front parking/vehicle areas.

New Regulations –increasing review times

- In the new RM1 and RM2 zones, regulate by maximum FAR instead of maximum unit density.
- Visitable units bonus.
- Limitations on size of surface parking lots and asphalt paving.
- Eastern Portland standards for deep rear setbacks and minimum street frontage.

For context, BDS handles more than 10,000 permits annually (new residential or commercial buildings, and remodels, excluding mechanical, electrical and plumbing permits). The average number of new construction permits issued by year in the multi-dwelling zones affected by the BHD amendments is 237 permits, broken down by zone as follows (figures do not include the larger number of permits for additions and alterations):

Average number of multi-dwelling zone new construction permits issued by year (based on permits issued 2006-2016):

R3 & R2 zones: 156 permits (92% were residential code projects [SFR, duplexes, townhouses])

R1 zone: 69 permits (82% were residential code projects)

RH zone: 12 permits (54% were residential code projects)

Total R3-RH zones: 237 permits

Note: residential code permits are each for one or two units (a project with eight attached houses has eight separate permits), while commercial code permits can be for buildings with three to 100 or more units. It is likely that the BHD amendments will bring an increase in commercial code permits, due to allowances for greater numbers of units on multi-dwelling zone sites.

Impacts on the Portland Housing Bureau

This ordinance impacts the Housing Bureau because it will involve Housing Bureau staff in administering and monitoring four provisions that involve requirements for affordable housing. Housing Bureau (PHB) staff will also be responsible for the writing administrative rules needed for implementation. The provisions and their associated impacts on PHB staffing include:

1. **Inclusionary housing bonus.** Increases the inclusionary housing bonus to provide a 50 percent increase to base FAR (instead of current 25 percent bonus).

Impact: this change will not have a substantial impact on the Housing Bureau staffing as it does not involve any change to administration of the existing inclusionary housing (IH) bonus. It only changes the Zoning Code bonus percentage.

2. **Deeper housing affordability bonus.** This is a new bonus that provides a greater amount of FAR bonus (100 percent) for projects in which at least half of units on the site are affordable to households earning no more than 60 percent of area median family income (AMI).

Impact: This bonus is based on the existing inclusionary bonus, but requires a greater percentage of units to meet the 60 percent AMI affordability level and requires the affordable units to be located on site. This bonus will have minimal impact on Housing Bureau staffing, as it will apply to projects that would otherwise be subject to the existing IH bonus and, since it will share many administrative rules with the existing IH bonus, will require a moderate amount of staff time for creating the administrative rules specific to this bonus.

3. **Moderate-income family housing bonus for three-bedroom units.** This bonus provides 25 percent additional FAR for projects in which at least half of units have three bedrooms and are affordable to households earning no more than 100 percent of AMI.

Impact: This new bonus will require additional Housing Bureau staff time for creating the administrative rules for the bonus and in administering and monitoring use of the bonus. Separate administrative rules will be required for ownership and rental units. For administering the bonus, staff time will be needed to review and certify compliance with the administrative rules, as well as monitoring conformance over time. The specific amount of staff hours is uncertain, since it is not known how many projects will use this bonus (12 projects over the past 10 years have used an existing three-bedroom units bonus that does not have an affordability requirement).

4. **FAR transfer for affordable housing preservation.** This new provision allows for unutilized FAR to be transferred to other properties from sites where existing housing is being preserved at an affordability level of at least 60 percent of AMI.

Impact: This new FAR transfer allowance will require Housing Bureau staff time for creating administrative rules and in administering and monitoring to verify the continued affordability of units on the giving site. New administrative rules will be required to be

drafted by staff for this provision. For administering the bonus, staff time will be needed to review and certify compliance with the administrative rules, as well as monitoring conformance over time. The specific amount of staff hours is uncertain, since it is not known how many projects will use this provision.

Administering these programs will increase the workload for the PHB Development Incentives permitting staff, the PHB Risk Analysis and Compliance staff, City Attorney document drafting and review, and internal administrative costs. While the increased workload is difficult to assess, as it is unclear what the utilization of the bonuses will be in the future, the total bonuses effectively yield eight programs to administer (one homeownership program and one rental program for each non-IH bonus). In combination with costs associated with administering previously-adopted inclusionary housing provisions, PHB estimates the fiscal impact at \$254,414 in ongoing costs for 2.0 FTE program specialists (1.0 FTE for program and 1.0 FTE for compliance) and \$14,000 in onetime costs for workspace, computers, equipment, etc.

Community impacts and community involvement:

The BHD amendments affect development in the multi-dwelling zones citywide (primarily outside the Central City) and therefore impact a broad range of community members in different parts of the city. The community involvement program conducted in support of BHD amendments engaged a broad range of stakeholders, including people who live in multi-family housing and those involved in the development of housing. A series of Stakeholder Working Group (SWG) meetings were held that involved participants with a broad range of perspectives and experience, including community group representatives, development professionals, tenant advocates, neighborhood residents, affordable housing providers and age-friendly advocates. The amendments were also informed early in the process by roundtable discussions with development professionals, including affordable housing providers, designers, and developers. Project staff worked closely with the Jade District/APANO and the Rosewood Initiative to seek involvement by a diversity of East Portland residents, as the project included a focus on improving development outcomes in East Portland.

Among the many issues raised by community members during the initial concept development phase of the BHD project and that shaped the BHD amendments were:

- Participants in SWG meetings emphasized the need to address Portland's housing challenges by prioritizing affordable housing and expanding housing opportunities. Other important priorities were having development contribute to pedestrian-friendly streets and usable outdoor space for residents. Points of contention in these meetings and other community meetings included differing perspectives on off-street parking and compatibility with neighborhood characteristics.
- East Portland community members emphasized the importance of including areas for play and gathering as part of multi-dwelling development, especially given the many families living in apartments in the area and the lack of parks. They also emphasized the need for designing pedestrian connections for safety.

- Development professionals emphasized the need for predictable regulations and allowing development flexibility. Some indicated that development and density standards in the multi-dwelling zones complicated development; that it was easier to do multi-dwelling development in commercial zones than in the multi-dwelling zones. Many also indicated that it was important to reduce the cost of creating new streets because providing street connections affected the feasibility of projects and housing affordability.

The BHD amendments address a number of issues that had been identified as particular burdens for low-income populations and communities of color, including housing affordability, the lack of outdoor space in multi-family housing, and inadequate pedestrian connections in East Portland. Larger proportions of people of color and low-income households live in multi-family housing than the city as a whole, with half of African-American and Hispanic families with children living in multi-family housing. The amendments address these issues through new or expanded development bonuses for projects that include affordable housing, and expanded requirements for outdoor spaces, including requirements for common areas on large sites to provide opportunities for play areas, gathering, and growing food.

The *Discussion Draft*, published on January 22, 2018, served as the first opportunity for the public to review and comment on draft zoning code regulations, which were developed by staff based on ideas for code improvements in the project's *Concept Report*. The public review period for the *Discussion Draft* was from January 22 through March 19, 2018. During this period, staff used a variety of approaches for community members to learn about the *Discussion Draft* proposals and provide comments, including public open house events, an SWG meeting, and East Portland workshop, and presentations and discussion in 20 meetings with community groups. More than 350 attendees participated in public events and meetings where the *Discussion Draft* proposals were presented and discussed.

Comments received during the *Discussion Draft* public review period informed the *Proposed Draft*, which served as staff's proposal to the Planning and Sustainability Commission (PSC). The *Proposed Draft* was posted on the project website on May 11, 2018—32 days before the PSC's public hearing on June 12, 2018. The PSC received 270 pieces of testimony on the *Proposed Draft* from individuals, organizations, and neighborhood associations through the Map App, mail, email, and verbally. Over 30 people testified in person during public hearing held on June 12, 2018. After the Planning and Sustainability Commission considered public testimony, they held a series of seven work sessions from September 2018 through April 2019 to consider changes to the *Proposed Draft*. The PSC concluded its deliberations on April 30, 2019, and voted unanimously on its recommendations to City Council. The PSC's *Recommended Draft* continues most of the major proposals of the *Proposed Draft*, but includes amendments based on public testimony and PSC deliberations.

People and organizations who have been interested in the project throughout are likely to testify at the City Council hearing. These include housing advocates, neighborhood association representatives, aging and disabilities advocates, historic preservationists, homeowners, apartment residents, tenants' rights representatives, developers, designers, and affordable housing providers. Organizations who have testified previously and will likely provide testimony to City Council include Portland for Everyone, the Architectural Heritage

Center, Oregon Locus, Disability Rights Oregon, and a number of neighborhood associations. Testimony will likely be similar to that heard by the PSC and will call on Council to decide how to balance competing goals and policies around housing density, affordability, building scale and neighborhood compatibility, parking requirements, affordability, and impacts on development costs.

100% Renewable Goal:

This ordinance does not directly affect the City's 100% Renewable Goal, but BHD amendments that encourage higher-density compact development and allow more housing in locations close to services and transit will contribute to development that is more energy efficient and will allow more people to live in locations that facilitate transit use, walking, and bicycling, helping to reduce the use of fossil fuels associated with private automobiles.

Budgetary Impact Worksheet**Does this action change appropriations?**

- ☐ **YES:** Please complete the information below.
☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount