

From: Ted Grund [mailto:grund@mca-architects.com]
Sent: Wednesday, March 23, 2016 4:28 PM
To: Planning and Sustainability Commission <psc@portlandoregon.gov>
Subject: Mixed Use Zones Proposed Draft Testimony

To Whom It May Concern,

On cursory review, the proposed Mixed Use Zones Project is laudable, though the devil is always in the details. In general, I am highly supportive of fewer, well defined but more flexible zones, so that is a definite plus (this thinking should also carry over to commercial zoning, which has far too many sub-variations). The concept of incentives for affordable housing and commercial space is also, in general, laudable if implemented properly. I would make the following two points and strongly encourage the incorporation of these concepts into the project:

- Condominiumized Commercial Space – With respect to affordability of commercial space (office and retail) for small businesses, there can be no better alternative than the potential for ownership. Commercial leases roll over regularly and rates, with rare exception, cycle upward – sometimes precipitously – with the market. This alone, as it is generally a large share if not the lion’s share of a small business’ operating cost, can introduce a difficult degree of uncertainty in the cost of starting/running a small business. With little prospect of the lease doing anything but go up, space leases can exert great pressure on small businesses and adversely affect failure rates – bad for small businesses, bad for the City.

Conversely, the opportunity for a small business to purchase space in a commercially viable part of the City generally has the opposite effect, affording the small business owner predictable, fixed space costs, with the promise of dramatically curtailed cost upon complete payment of any associated financing. Ownership provides the simultaneous benefits of increased profitability and the accrual of real assets for small businesses. These conditions tend to reduce financial pressure on small businesses and thus help to reduce failure rates – good for small businesses and good for the City. Incentive programs for space ownership thus have great potential for enhancing the stability and success of small businesses in the City, while increasing the local tax base, improving its stability and ensuring a greater sense of “investment” in the City for these businesses.

It is difficult to encourage and maintain the small increment of real estate that once existed in the City and do so much to facilitate space ownership for small businesses (although this too should be incentivized); the general trend is consolidation of real estate, both in terms of tax lots and their ownership. The next best thing is for the City to give developers meaningful incentives to offer modestly sized, affordable, business condominium space (both ground floor retail and office space). This could prove to be an attractive model for those developers wishing to “cash out” rather than hold, maintain and manage properties. Some version of this type of incentive, along with other compatible strategies such as enhanced transit service, district parking, small business incubation support, etc. would greatly enhance the small business environment.

- With respect to affordable housing, the same holds true; ownership is, in the long term, is the best path to affordability and stability (as an aside, the potential for Condominiumized ADUs is a worthy consideration in this regard). But specifically with respect to affordable rental housing, apart from better matching supply with demand, qualitative issues are crucial but rarely discussed or articulated/codified in the context of City code. When I first moved into the City in 1988, I was able to find a very suitable large one-bedroom apartment at the margin between Irvington

and the Lloyd District for \$300/month. It just happened to be in a solid, well designed and built brick 3-story that was built in the 20s and was likely paid for 50years prior (this building, incidentally, at NE 14th & Schuyler, like many of its kind around the City, is still in service). That was a great example of affordable rental housing!

When there is, as we currently have, a great shortage of affordable housing, there is a compellingly seductive incentive to build as much purpose-built affordable housing as possible, as cheaply as possible. The City should resist the temptation and focus instead on how to build as much really good quality housing as possible. It is informative to ask how much of the housing stock we are building now will be around for 70, 100 or more years, providing all the while good affordable places to live for successive new generations moving into the City. If we are not building that kind of housing now (as I do not think we are), then we should be looking at every possible way to incentivize that endeavor because, as I found out, some of the best affordable/low income housing is actually very good quality middle income housing that has just been around for a long time.

Respectfully,

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