



Bureau of Planning and Sustainability
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MEMO

DATE: November 9, 2017
TO: Planning and Sustainability Commissioners
FROM: Barry Manning, project manager
CC: Eric Engstrom, Joe Zehnder, Susan Anderson, Steve Kountz, Shannon Buono
SUBJECT: Code Reconciliation Project – Work Session Topics

At the October 24, 2017 Planning and Sustainability Commission (PSC) meeting the Commission held a public hearing on the *Code Reconciliation Project – Proposed Draft*. The following topics have been raised by commissioners as issues of interest for discussion. Some issues arose from the October 10, 2017 briefing, and additional issues were identified arising from public testimony from the October 24 hearing. Further information will be provided on selected topics at the November 14, 2017 work session. An updated set of staff-proposed code amendments will also be presented at the work session.

Topics Identified for Discussion by PSC

Commissioners raised questions or sought more information about several topics, listed below. These topics address the majority of testimony received by PSC. Staff has provided a discussion and initial response and recommendation to each of the issues. Staff requests that Commissioners identify topics they wish to have further discussion on before Tuesday AM, if possible.

1. Applying the CR Zone more broadly

- Consider a mechanism to allow CR zone to be applied through zones changes or Comprehensive Plan amendments.

Discussion: The CR zone was developed to be applied on residentially-zoned properties that have nonconforming commercial uses on them. During Comprehensive Plan deliberations, the issue of applying the zone more broadly to promote walkable service within walking distance of residential area was discussed, but the topic was not furthered due to complexities of the issue. Applying the CR zone to residential properties is not feasible now without a corresponding Comprehensive Plan map amendment to Mixed Use. The plan does not currently identify areas where this would be appropriate. Alternatively, the plan could be amended to make CR an allowed zone under a



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1900 SW 4th Avenue, Suite 7100, Portland, OR 97201 | phone: 503-823-7700 | fax: 503-823-7800 | tty: 503-823-6868

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residential designation, but this is a significant policy issue. Either approach is a policy matter that warrants additional public process. PSC members also asked if a more streamlined or reduced fee Comprehensive Plan and Zoning map amendment might be considered for changes from Residential to CR. The latter may be a feasible solution, but consultation with BDS and additional analysis and process may be needed to determine an appropriate approach.

Staff Recommendation: No change. Do not apply the CR zone or change provisions to allow its application more broadly at this time. Explore fee options with BDS if requested by PSC.

2. Plan District Floor-Area-Ratios

- Identify if any plan districts might be under developing due to FAR limitations.

Discussion: The proposed floor area ratios in plan districts are proposed to provide offsets for IH where appropriate, and generally maintain existing levels of allowed development. The approach taken was to either 1) convert existing bonuses or allowances for housing (such as housing not counted in FAR) to a bonus allowance for IH, and 2) provide an additional increment of bonus FAR for IH in cases where no additional bonus or unconstrained allowance for housing is provided.

While BPS did not do new economic studies of each plan district FAR with respect to inclusionary housing, the FAR bonuses being recommended are comparable to those already adopted for the program. Those bonus increments were the subject of economic analysis in 2016.

Where an additional increment of IH offset is provided, staff looked to existing Multi Dwelling Residential and Commercial/Mixed Use bonus allowances for guidance on the increment to provide. For districts where changes were required, the approach is as follows:

- East Corridor – converts existing bonus
- Gateway – converts existing bonus
- Hayden Island – converts existing bonus
- Hollywood – converts existing bonus and adds bonus increment in some locations
- Kenton – adds bonus increment in some locations
- Macadam – adds bonus increment
- North Interstate – adds bonus increment in some locations
- Northwest – converts existing bonus

Generally, each of the plan districts provide development allowances (height and FAR) that reflect existing allowances and/or exceed those allowed by corresponding base zones. Possible exceptions include:

- Macadam Plan District: This plan district allows a 2:1 FAR for all uses, which is less than the current CS zone as well as the future CM2 base zone. An IH FAR bonus increment of 0.5:1 is proposed. This proposed IH increment is consistent with the approach used in the RH zone, for which a 2:1 FAR is augmented by a 0.5:1 bonus for IH. Height limits in Macadam range vary from less than to more than the base zone.



- Hayden Island: This plan district limits floor area in the Jantzen Beach subdistrict, which is the location of a large-scale retail development. This limited floor area allowance, expressed as a total square foot limit, was developed during planning for Hayden Island in 2007 due to constraints on the transportation system and other factors. The square footage limits are proposed to be expressed as an allowed FAR of 0.75:1. A bonus for IH will allow an additional FAR of 0.75:1 in the subdistrict. Increasing FARs on the island beyond what is proposed is not appropriate without additional transportation analysis.
- Hollywood: In the areas that are currently zoned CS and will become CM2, a maximum FAR of 4:1 is retained, however housing in CS zones could previously be developed in excess of the FAR limits. Most of these CS (CM2) areas allow a maximum height of 65 feet for projects that include significant residential development. An additional bonus FAR of 1:1 is proposed for inclusionary housing in the CM2 areas that now replace CS, providing an overall 5:1 maximum FAR. In some places within the district near Sandy Boulevard, CS (CM2) zoned properties allow height up to 75 feet. In these locations, the added height limit would have potentially allowed a floor area ratio greater than 5:1, as residential was not counted in the limit. However, the proposed 5:1 allowance is consistent with the maximum FAR allowed in the new CM3 zone which also has a 75-foot height limit with bonus.

Staff Recommendation: Approve staff proposals. Approve the proposed FAR scheme and amendments, except in the Gateway Plan District where an additional amendment has been proposed for 33.526. Revisit plan district zoning allowances through future specific area planning processes.

3. Level of Service (LOS) as approval criteria

- Reconsider use of Level of Service (LOS) as an approval criterion in land use reviews.

Discussion: The proposed language found in the code and the proposed amendments was developed during deliberations on the 2035 Comprehensive Plan. The term Level of Service (LOS) is used frequently as a measurement for capacity in state and regional guidelines for transportation planning. Some commission members have raised concern about the current use of this term in the evaluation of transportation conditions, and have suggested to emphasize safety over capacity when considering LOS.

The 2035 Comp Plan states that Portland will move toward more multimodal measures of transportation adequacy. Ultimately, there is an intention to de-emphasize or eliminate LOS as a measure of system adequacy at some point in the future. But it is important to ensure that there is a full suite of implementable multimodal measures in place as a replacement.

Staff from BPS and PBOT met to discuss a near-term approach to code language that was workable to achieve City of Portland as well as other transportation planning objectives of increased safety when LOS is considered.



Staff Recommendation: To be determined. Staff is working with PBOT and may forward a recommendation for amended code language on November 14th. If new language is approved by the Commission, PSC should direct staff to apply the replacement language in Chapter 33.815 and in other Chapters of the zoning code where the language is repeated.

4. Affordable Commercial Bonus

- Provide info on Prosper Portland program parameters and administrative rule development.

Discussion: The proposed zoning code language change is designed to allow flexibility for Prosper Portland (PDC) to design the parameters of an administrative rule to optimize the effectiveness of the bonus. An affordable commercial bonus focus group and economics consultant concluded that a 25% rent reduction, as currently specified in the zoning code, was not always the most effective means of providing a public benefit offset for the bonus floor area. This is particularly true for tenants that may be better served by provision of tenant improvements, by credit enhancements or other means. In addition, an in-lieu fee is being considered as a more practicable means to implement commercial affordability, as development and administration of on-site affordability is challenged due to the complexities of commercial development and leasing. Additional information from Prosper Portland on the Affordable Commercial Bonus is included as an attachment to this memo.

Staff Recommendation: Approve staff proposal. If desired, request Prosper Portland to include PSC members in future administrative rule making and program development, and request Prosper Portland to return to PSC for a briefing on administrative rule development.

5. Title 11, Trees – CS and CM zone exemptions

- Provide more detail on tree code implications for development.

Discussion: Title 11 currently provides exemptions from tree preservation and tree density standards in some zones, including the CS and CM zones which are being eliminated and replaced with new zones in the 2035 Comp Plan. These exemptions are based on 100% allowed building coverage and lack of required landscaping in these zones. Staff considered whether similar commercial/mixed use zone exemptions should be carried forward for the 2035 Comp Plan zones, and explored different options to address the issue. Staff explored three options for tree code changes and shared them with the Urban Forestry Commission in April 2017. The options were:

1. Exempt CM2 and CM3 zones in Inner Neighborhoods.
2. Exempt in Centers Main Street Overlay Zone.
3. Remove CS and CM exemptions.

Option 1 resulted in an increase in exempted area compared to current, as many areas in Inner Neighborhoods that were previously in zones subject to tree requirements (CG, CN, etc.) have been rezoned to CM2 and CM3. Option 2 focused the exemption only in the overlay zone areas,



which are intended to be the core area of centers, and resulted in a decrease in exempted area. Option 3 would simply remove the zone exemption and not replace them; this resulted in a decrease in exempted area. The UFC expressed support for Option 3, and this is the staff proposal. The proposed change to Title 11 would remove exemptions and thus all new Commercial/Mixed Use zones, except CX, would be subject to Title 11.

While the specific CS and CM zone exemptions would be removed and not replaced, Title 11 would still exempt lots smaller than 5,000 square feet, and developments with existing or proposed building coverage of 85% or more, from tree preservation standards. Tree density requirements in Title 11 would allow lots with high degrees of building coverage to reduce or eliminate the requirement. Tree density applies as follows: Option A requires tree area calculations based on use (Commercial and Mixed Use is 15% of site; Residential is 20% of site); Option B area calculations are based on the amount of building area proposed when over 85% coverage.

In addition to Title 11 requirements, most of the new Commercial/Mixed use zones will require 15% of the site area to be landscaped to the L1 standard, except in Inner Neighborhoods. In inner neighborhoods, the CM2 and CM3 zones allow up to 100% lot coverage, and “urban green” landscape options allow less in-ground landscaping in exchange for other measures such as eco-roofs or large trees. In a conventional in-ground landscaping, the L1 standard requires trees at density/spacing that may be similar to that required by Title 11. These areas may meet both regulations if designed to do so.

PSC received some testimony also requesting removal of the existing Title 11 exemptions for Industrial, EX or CX zones. These zones will be retained in the zoning code and are not a subject of the Code Reconciliation Project. Further analysis of the Title 11 impacts would be needed to consider these more substantial changes, along with outreach to interested parties.

Staff Recommendation: Approve staff proposal. Additional information on urban heat island issues, and landscaping and tree requirements will be available at the work session.

6. Title 32, Sign Code changes

- Provide additional information on changes to existing signs.

Discussion: The proposed changes assign new Commercial/Mixed Use zones to the existing Title 32 sign regulations. For some properties, the changes will result in a reduction in the size/amount of signage allowed. This typically applies to the following types of zoning changes:

- CG to CM1, CM2
- CO2 to CM1, CM2.

In other cases, the changes will result in an increase in the size or amount of signage allowed. This typically applies to the following types of zoning changes:

- CN1&2 to CM2
- CO1 to CM2
- CM to CM2



Other zoning changes retain the existing allowances. These include:

- EX to CM3
- CS to CM2
- CN1&2 to CM1

The Bureau of Development Services intends to update Title 32 soon, which may address some of the issues raised by the reconciliation approach.

In most cases, signs on properties may continue and be changed or improved to some degree, unless they are disused for a period. The following excerpt from Title 32 describes the types of allowed changes to nonconforming signs:

32.36.020 Regulations That Apply to All Nonconforming Signs.

- A. Nonconforming permanent signs may continue to exist if they comply with the regulations of this chapter. Nonconforming signs that do not meet the regulations of this chapter have no legal right to continue and must be removed.*
- B. Signs established during a moratorium.*
- 1. Generally. Signs established in violation of a moratorium must be brought into compliance with the standards of this Title, except as provided in Paragraph B.2, below.*
 - 2. Exception. Painted Wall Signs established during a moratorium, where permits were applied for before the effective date of the moratorium, are considered legal, nonconforming signs, and may remain. The effective date of the moratorium on Painted Wall Signs in the Central City plan district was December 16, 1997. The effective date of the moratorium on Painted Wall Signs outside the Central City plan district was August 12, 1998.*
- C. Sign maintenance, sign repair, and changing of permanent sign faces is allowed so long as structural alterations are not made and the sign is not increased in size.*
- D. Permanent signs and sign structures that are moved, replaced, or structurally altered must be brought into conformance with the sign regulations. However, nonconforming signs required to be moved because of public right of way improvements may be re-established. See paragraph 32.32.030 C.4, Removal of signs.*
- E. Nonconforming temporary signs must be removed.*
- F. Ownership. The status of a nonconforming sign is not affected by changes in ownership.*
- G. Change to a conforming sign. A nonconforming sign may be altered to become or be replaced with a conforming sign by right. Once a sign is altered to conform or is*



replaced with a conforming sign, the nonconforming rights for that sign are lost and a nonconforming sign may not be re-established. Unless prohibited, proposed changes that are not in conformance are subject to the adjustment process.

H. Loss of nonconforming sign status.

1. **Discontinuance.** If there is no sign in place on a sign structure or building wall for 6 continuous months, the nonconforming rights are lost and a nonconforming sign may not be re-established. If the sign structure is unused for less than 6 continuous months, a nonconforming sign may be re-established.

2. **Destruction.** When a sign or sign structure is removed or intentionally destroyed, replacement signs and sign structures must comply with the current standards. However:

a. **Repair and maintenance.** A nonconforming sign or sign structure may be removed temporarily to perform sign maintenance or sign repair. In order to preserve the nonconforming sign status, the person removing the sign must inform the Director, in writing, before the sign is removed. If the responsible party fails to inform the Director, any re-erected sign will be considered a new sign.

b. **Unintentional destruction.** When a sign or sign structure that has nonconforming elements is partially or totally damaged by fire or other causes beyond the control of the owner, the sign and sign structure may be rebuilt to the same size and height using the same materials. An adjustment is required to allow the replacement sign to be more out of compliance with the standards than the previous sign.

GGG. Structural alteration. Modification of a sign, sign structure or awning that affects size, shape, height, or sign location; changes in structural materials; or replacement of electrical components with other than comparable materials. The replacement of wood parts with metal parts, the replacement of incandescent bulbs with light emitting diodes (LED), or the addition of electronic elements to a non-electrified sign would all be structural alterations. Structural alteration does not include ordinary maintenance or repair, repainting an existing sign surface, including changes of message or image, exchanging painted and pasted or glued materials on painted wall signs, or exchanging display panels of a sign through release and closing of clips or other brackets.

Staff Recommendation: Approve staff proposal. Review and revise sign standards for zones in a more comprehensive relook at Title 32 at a later date.



7. Self-Service Storage Uses

- PSC received testimony from several sources requesting changes in the allowances for, or the design and components of, Self-service Storage land uses.

Discussion: Over the past few years, the city has seen over 15 proposals for Self-Service Storage uses, with over 1,500,000 square feet of storage space proposed. Some of these uses are in the development and design phase, some are under construction, and some are complete. The facilities range in size from 74,000 to over 150,000 square feet, with an average of 108,600 SF. Demand for storage space is closely linked to the presence of new residential units, particularly multitenant units, which have increased substantially during the same period.

Moving forward, self-service storage uses are proposed to be allowed in the CM3 and CE commercial mixed use zones, as they correlate most closely to the existing EX and CG zones that currently allow the use. All employment and Industrial zones allow the use, but it will be prohibited in the new Prime Industrial overlay zone as part of the 2035 Comp Plan. The total acreage where such uses are currently allowed is approximately 16,000; this will be reduced to roughly 4,000 acres with implementation of the 2035 Comp Plan. Of the recent proposals noted above, four are in C/MU zones which would not allow such uses in the future and five are in IG zones that may limit the use.

As noted in Chapter 22.284, Self-Service Storage uses are similar to commercial uses in that they provide a service to residential and business uses, but the character of their development is often more similar to industrial buildings and their low activity level does not add to the vitality of a commercial area. Testimony suggested several different approaches to mitigating the impact of such uses, ranging from outright prohibition in commercial/mixed use zones to creating development standards that will require active ground floor uses when the use is on a transit street. Given the size and location of recent uses, regulations that encourage a better relationship with centers and corridors may be warranted.

Staff Recommendation: Amend the proposal. Staff recommends amendments that will require a ground floor active use associated with this use, when buildings are on transit streets and over 100 feet in length. Staff will present an amendment and options for PSC to consider on November 14.

8. Buffer overlay zone

- Provide information on how development area is impacted by proposed changes.
- Demonstrate effect of buffer overlay removal on areas that were the subject of testimony.

Discussion: The proposed code and map amendments follow the direction set in the Mixed-Use Zones project, which replaced the Buffer overlay zone with setback, landscaping and outdoor activity standards that apply to commercial-residential zone interfaces more consistently. The proposal is to extend these updated residential buffering standards and approach to the industrial and general employment zones.

The proposed code amendments will apply to many more sites than are currently affected by the Buffer Overlay. A map of these affected areas and a calculation of the difference in the lineal area affected will be available at the work session. Also, the industrial and general employment



zones have a relatively tight 20-year land supply relative to the commercial zones. However, the proposed code changes are not expected to reduce the overall development area or development capacity in the affected zones:

- In the EG1 and IG1 zones, the current minimum building setback abutting residentially zoned lots varies by building height from 8 to 14 feet for buildings higher than 16 feet. The proposed setback would be simplified to 10 feet, consistent with the approach adopted in the commercial zones. The code change would provide a slight gain in developable area for property owners who choose to maximize building height.
- In the IG2 and IH zones, the proposed draft would require a 25-foot setback and L3 landscaping (vertical screen) for exterior work activities abutting residentially zoned lots, deleting the current option for a 10-foot setback and L4 landscaping (6-foot high masonry wall). Again, this change is consistent with the approach adopted in the commercial zones. The allowable work area would not affect allowable building density nor overall development capacity. In IG2 zones, the setback of outdoor work area can typically be met within the required 15% landscaped area of the site. In IH zones, no existing lots were found to abut residentially zoned lots, so the proposed code change would not reduce the allowable outdoor work area in IH zones.

The Commission received testimony on the topic of the Buffer overlay zone as it applies to a few specific sites, including NW St. Helens Road, as part of both the Code Reconciliation and Map Refinement projects. Staff will bring additional information that describes the effect of the proposed changes on the NW St. Helens site at the work session.

Staff Recommendation: Approve staff proposal. Additional information will be available at the work session.

9. Marquam Hill Plan District

- PSC received testimony from several sources concerned about zone changes and potential allowances for commercial parking in areas on Marquam Hill.

Discussion: PSC received testimony about the application of CM2 zoning in the area around Marquam Hill, and concerns about the CM2 zone allowances for Commercial Parking uses. As part of the Code Reconciliation Project, staff proposed to expand the Marquam Hill Plan District to include the areas proposed for CM2 as part of the Map Refinement Project and extend the plan district's prohibitions on Commercial Parking uses to these sites.

Staff Recommendation: Approve staff proposal. Staff believes that the changes to the Marquam Hill Plan District address the parking-related concerns expressed in testimony if the area in question is rezoned from CM1 to CM2. If the area is not rezoned as part of the Map Refinement Project, the proposed amendments to the Marquam Hill Plan district should be deleted.



Additional Topics from Testimony

Most of the testimony received by PSC is covered within the topics identified above for further discussion by PSC. The following topics are CRP testimony that are otherwise not addressed in the topics above. The issue is summarized below, and accompanied by a staff recommendation.

| Topic | Testifier | Issue/Comment | Discussion and Staff Recommendation |
|-------|------------------------------|--|---|
| 10 | Burns, Jeff | Amend selected sections of code regarding retaining walls (33.110.257); landscaping (33.248.020) and fences (33.248.020) to address livability concerns. | This request proposes minor changes to several code sections that affect landscaping or retaining walls. These issues have not been considered in CRP, and would be more appropriate in a RICAP or project focused in updates to landscape standards. Staff Recommendation: No change. |
| 11 | Merrick, Rod, (Eastmoreland) | Objects to proposed application of transitional sites zoning standards for Residential properties adjacent to Campus Institutional zones (33.110.240.H). | Campus Institutional Zones were included in the list of zones where the provisions of 33.110.240 H Transitional Sites would apply. This section currently allows one additional unit of density where a single family zoned lot's side yard abuts a commercial, employment or industrial zone. After reviewing the public testimony objecting to this inclusion, staff notes that 1) the circumstances where a single family residential lot's side yard abuts a campus institutional zone is extremely limited across the city and 2) where this does occur, the comparative difference between the buildings and activities on the campus institutional property and the single dwelling residential property does not warrant the additional density. Staff Recommendation: Amend the proposal. Remove the CI zones from this provision. |
| 12 | Rosen, Steve | Do not downzone anything. | The Code Reconciliation project does not propose significant changes to zoning development allowances, except in plan districts as noted in Topic 2, above. Issues of possible zone changes are the subject of the Map Refinement Project. Staff Recommendation: No change. |



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| 13 | Scott, Joshua | Concerned about zoning changes at NE Sandy and NE 47 th that reduce development entitlements. | <p>The subject property is currently zoned CG, and is proposed to become CE as a result of the 2035 Comprehensive Plan approach to zone conversions. Currently, this property and the proximate area has a Main Street Corridor overlay zone that allows additional height (65') for residential uses. On some parts of inner NE Sandy, provisions of this overlay zone were replaced through a rezoning to CM3, which has similar development allowances for height (65'/75') and FAR (3:1/5:1). However, the CM3 zoning was not proposed to be applied to this area, and the CE zoning was adopted by City Council in 2016.</p> <p>Staff Recommendation: No change. Consider zoning options for this site as part of Map Refinement Project.</p> |
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Prosper Portland is in the process of developing administrative rules which will provide guidance for implementing the Affordable Commercial Space Bonus as provided in the Portland Zoning Code Commercial/Mixed Use zones.

Prosper Portland Affordable Commercial Initiatives

Prosper Portland is exploring a set of initiatives, that are intended to create and maintain commercial affordability for business owned by people underrepresented within the community of commercial tenants in Portland and long-time business owners. Underrepresented populations include people of color, women, and those from low-income communities. Prosper Portland anticipates offering support to businesses in the form of access to publicly and privately managed commercial space, access to technical assistance and financial resources, and through pursuing regulatory steps. The Mixed Use Zones Affordable Commercial Bonus is one such tool that Prosper Portland is exploring.

Mixed Use Zones Affordable Commercial Bonus Stakeholder Advisory Group

A 16 member advisory group, including representatives from the Planning and Sustainability Commission, developers, brokers, and business district managers, met in Spring-Fall 2017 to consider the type of program components that would be effective in meeting the intent of the zoning regulation, and the needs of the those who would likely be the users of such space. The advisory group was informed by the work of Johnson Economics, which was charged with assessing the viability of the program and helping shape the economic parameters for the program.

Key Stakeholder Advisory Group Findings

- **Geographic variation of bonus value.** The FAR Bonus is more valuable in inner neighbors. In the short-term developers that would utilize the bonus would likely be for projects in inner neighborhoods. In the longer-term, as the value of the additional FAR could increase in outer neighborhoods, and the bonus would already be in place to be used in new developments.
 - *Prosper Portland leadership sees the value in putting the FAR bonus in place now, with the understanding that the bonus is likely be used in inner-neighborhoods in the short-term and outer-neighborhoods in the longer-term. The Stakeholder Advisory Group emphasized the need for a tool that supported areas seeing increased market pressures.*
- **The trouble with “Market Rates”.** The Stakeholder Advisory Committee emphasized that determining “prevailing market rates”, and 25% discount for a project will be difficult. Many variables impact rent rates and rent rates for different bays within the same building will vary. In addition the project rents will impact loan terms and valuations.
 - *The Stakeholder Advisory Committee and Prosper Portland agreed on the need to remove the reference to a 25% rent reduction from the zoning code.*
- **Tenant pipeline.** The Stakeholder Advisory Committee emphasized the need for easy access to tenants that meet the program criteria. This was an important point that could increase the desirability of the program for developers.
 - *Prosper Portland has developed an Affordable Commercial application process to qualify potential tenants. The application process is currently being piloted to tenant Affordable Commercial spaces in Lents (Lents Commons, Oliver Station) and in NE Portland (Alberta Commons). This application process could be further refined in partnership with the Small Business Technical Assistance Partnership (SBTAP), including APANO, Hacienda CDC, Hispanic Metropolitan Chamber, IRCO, NAYA, Oregon Native American Chamber, Portland Incubator Experiment, Portland State University Business Outreach Program, Tie Oregon, and Xxcelerate Fund.*



- **Challenges with providing an On-Site Option.** The Stakeholder Advisory Committee emphasized the administrative difficulties with providing an On-Site Option within the Administrative Rules and challenges with managing for numerous variables. Any reductions in rent can impact valuations, tenant improvements standards are challenging to define, and landlord tenant improvements are challenging to monitor. On-Site spaces may be in substandard locations within a business district or substandard locations within a building. New construction has the highest market rents and is the most expensive space. Affordable Commercial space in a new construction project is only relatively affordable to other new construction, but likely less affordable than existing space.
 - *The Stakeholder Advisory Committee recommended consulting a focus group of brokers to determine to unpack the challenges of an On-Site Option and better understand if there is an On-Site Option that is both feasible to administer and will provide benefit to potential tenants. The Stakeholder Advisory Committee also discussed providing only a Fee-In-Lieu option maybe a more effective means to further program goals.*

Zoning Code Issues

The Bureau of Planning and Sustainability is proposing amendments to the zoning code to respond to findings of the group. The reference to a 25% rent reduction is proposed to be removed, and reliance on administrative rule is emphasized. See *Code Reconciliation Project - Staff Proposed Amendments*.

Affordable Commercial Space Program

Prosper Portland will continue to develop program parameters and administrative rules to implement the bonus. An outline of draft concepts being considered follows.

Program Option Concepts

- A. On Site.** The following implementation options are being considered individually and/or together to implement the On Site Program Option.
 - **Tenant Improvements.** Developer follows specified buildout requirements for shell of Affordable Commercial (AC) Units.
 - **Tenant Improvements.** Developer offers specified \$/SQFT in Tenant Improvements.
 - **Reduced Rent.** Developer offers rents at X% below market rate, with rate set at the time of application by Prosper Portland, using a vetted methodology.
 - **Controlled Rent Escalations.** Developer offers rent escalations limited to X% per year.
 - **System Development Charges Reduction or Waiver.** System Development Charges triggered by Affordable Commercial tenant use are reduced or waived.
 - **Credit Enhancement.** Portland Development Commission of offer credit enhancement to Qualified Tenants, which builds down over X year period.
- B. Rent Capture / Annual Fee.** Development is assessed an annual fee.
 - **Rent Capture.** Developer / Property Owner is assessed an annual fee based on X% of ground floor retail rental incomes.
 - **Local Improvement Districts Fee.** Developer / Property owner is assessed an annual fee for 10 years with an X% increase per year.



C. Fee-In-Lieu. Applicants may choose to use a fee-in-lieu option rather than including AC Units in a development or building.

- Portland Development Commission staff calculates the fee-in-lieu amount due by multiplying the gross square feet of the new development of by Fee-in-Lieu Factor. Fee-in-Lieu Factor to be determined.

Development Requirements Concepts - “Reasonable Equivalency”. Applicants are expected to make AC Units “reasonably equivalent” to Market Rate Units. Portland Development Commission with assess reasonable equivalency using the following criteria

- **Unit Amenities.** AC Units must be provided with an equivalent level of developer investment in tenant improvements.
- **Unit Sizes.** If over X,XXX SQFT of Affordable Commercial space is provided in a development, spaces must have options for devising into smaller units.
- **Unit Locations.** Units must be distributed evenly within a development, not clustered in rear-facing or other substandard locations.

SAC Membership

| | |
|---------------------|--|
| 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 nd 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 |

Staff Support

| | |
|-----------------|--|
| Robert Fraley | City of Portland Bureau of Development Services |
| Kristin Cooper | City of Portland Bureau of Development Services |
| Barry Manning | City of Portland Bureau of Planning & Sustainability |
| Tyler Bump | City of Portland Bureau of Planning & Sustainability |
| Justin Douglas | Prosper Portland |
| Geraldene Moyle | Prosper Portland |
| Alison Wicks | Prosper Portland |