



PROSPER
PORTLAND

Building an Equitable Economy

PLANNING AND SUSTAINABILITY COMMISSION
MARCH 27, 2018

BRIEFING ON AFFORDABLE COMMERCIAL SPACE BONUS PROGRAM

Presenters

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AFFORDABLE COMMERCIAL SPACE BONUS PROGRAM



Process Overview

Process Stakeholder Advisory Committee

| | |
|-------------------|--|
| May 2017 | Stakeholder Advisory Committee #1 - Background and Current Code Language |
| July 2017 | Stakeholder Advisory Committee #2 - Model Findings and Critiques |
| Oct 2017 | Stakeholder Advisory Committee #3 - Recommendations |
| Oct 2017 | Planning and Sustainability Commission - SAC Recommendations |
| Nov 2017 | Planning and Sustainability Commission - Outline of Administrative Rules |
| Feb 2018 | BOMA Focus Group on Administrative Rules |
| Feb 2018 | SAC & PSC Members Focus Group on Administrative Rules |
| March 2018 | Coordination with Portland Housing Bureau |
| March 2018 | Planning and Sustainability Commission - Draft Administrative Rules |
| Next Steps | Administrative Rule to Prosper Portland Board |
| Next Steps | Administrative Rule to City Council |



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 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 |

City of Portland Staff

| | |
|-----------------|--|
| 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 |
| Kyra Straussman | Prosper Portland |



Affordable Commercial Framework

1. ACCESS TO SPACE

Public Space & Private Space

- Prosper Portland Master Lease
- Prosper Portland Ownership
- Partnership with City Bureaus
- Leasing Agreements with Private Developers
- **Affordable Commercial Space 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



Affordable Commercial Space Bonus Program

GOALS

- Support businesses led by owners from communities of color and marginalized individuals that have not fully participated in, or benefited from, economic opportunities.
- Increase the square footage of Affordable Commercial spaces available to businesses.
- Reduce barriers of entry to new construction commercial space for those facing greatest disparities in wealth creation.
- Ease the challenge of commercial gentrification and business displacement in the City of Portland's Commercial/Mixed-Use zones areas.
- Advance Prosper Portland goal to build an equitable economy.



Affordable Commercial Space Bonus Program

OVERVIEW

- Not Mandatory.
- Only in Commercial/Mixed-Use Zones.
- Only for projects with 20 or fewer residential units.
- Projects currently have access to FAR bonus via IH voluntary Fee-in-Lieu.
- Qualified business include local business, women-owned, minority-owned, non-profits that serve underserved communities, that meet financial standards.



Affordable Commercial Space Bonus Program

ZONING RULES

- Commercial/Mixed Use zoning bonuses prioritize IH, by providing access to full FAR when participating in the IH program.
- ACS bonus available for up to 50% of the maximum FAR Bonus in each Commercial/Mixed Use zone, as follows:
 - CM1 – 0.5:1
 - CM2 – 0.75:1
 - CM3 – 1:1
 - CE – 0.5:1
 - CX – 1:1
- On-site AC space: two (2) SF of floor area earned for every one (1) SF of qualifying AC space – acts as incentive for on-site space.
- Additional/full FAR available through IH program.



Affordable Commercial Space Bonus Program

ADMINISTRATIVE RULES

- **Affordable Commercial Space Program Options**
 - Provide Affordable Commercial Space on-site Option
 - Fee-in-Lieu Option
 - Combination on-site and Fee-in-Lieu Option
- **Development Requirements**
 - Affordable Commercial Space Landlord Work Standards
- **Leasing Affordable Commercial Space Units**
 - Qualified Businesses
 - Lease Standards
 - Duration and Re-tenanting



On-Site Option

- **Developer provides “Hot Shell” Tenant Improvements**
 - Space is finished to specified standards
 - Dimensions, Demising, Walls and floor; plumbing; restrooms; electrical; HVAC
- **Leasing Requirements**
 - Tenant meets Prosper Portland qualifying criteria.
 - 10-year duration of tenanting to qualified business and required improvements.
 - Lease terms reviewed and evaluated by Prosper Portland.
 - Re-tenant only with approved tenants.
 - Building owner must report annually.
- **Remedies**
 - Pay full fee-in-lieu for non-compliance at any time during required period.



Fee-In-Lieu Option

- **Developer pays “Fee-In-Lieu” for bonus FAR**
 - Option available for non-residential buildings and mixed use buildings with fewer than 20 dwelling units.
 - Fees mirror the Inclusionary Housing Fee-In-Lieu.
 - Fee-In-Lieu is \$ per SQFT of FAR
 - Per zoning code, only 50% of maximum FAR bonus is available through ACS bonus program.
 - Additional FAR up to available maximums available through IH program.
 - Fee-In-Lieu proceeds support Prosper Portland Affordable Commercial framework.



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 Fee-in-Lieu Funds?

- 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.





Affordable Commercial Space Bonus Program

CM2 Commercial Building Example:

| | | |
|-----------------------|---|--|
| VALUE OF FAR : | Approx. \$20 per SQFT | 5,000 SQFT is a approx. \$100,000 value |
| FEE-IN-LIEU: | \$24 per SQFT | 5,000 SQFT is a \$120,000 |
| ON-SITE: | Approx. \$40 per SQFT in Tenant Improvements | 2,500 SQFT is an approx. \$100,000 value |

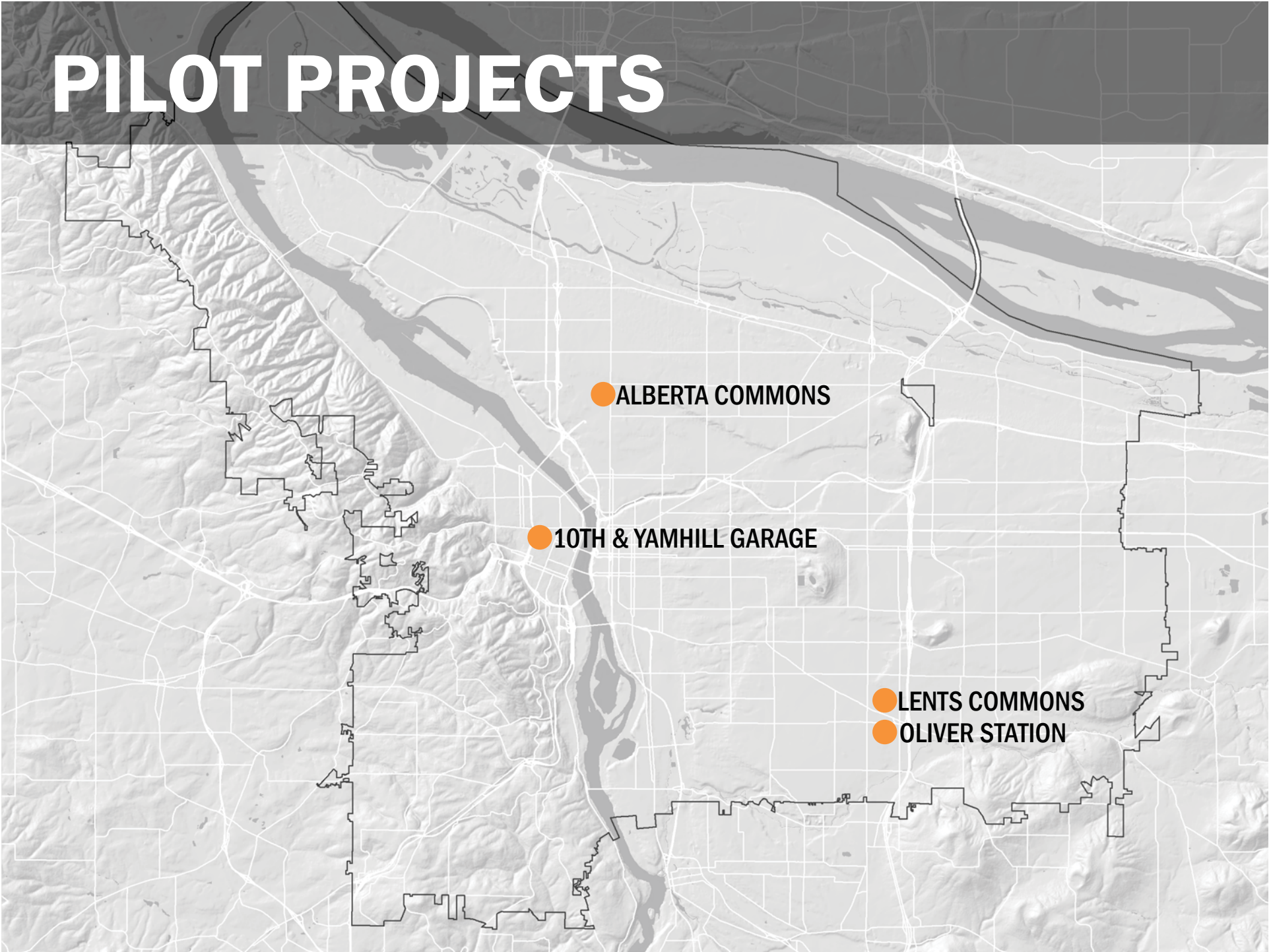


CRP - Zoning Code

- D. **Affordable commercial space bonus.** Proposals that provide affordable commercial space may increase maximum height and FAR if all of the following are met. Floor area may be increased by 2 square feet for each square foot of affordable commercial space provided, up to the maximum stated in Table 130-3:
- ~~1. A long term leasing agreement with Portland Development Commission must be executed. The leasing agreement must ensure that the commercial space will be rented for 25 percent less than prevailing market rates to qualified businesses that meet program requirements, including locally owned, minority or woman owned businesses;~~
 12. The applicant must submit with the development application a letter from the Portland Development Commission certifying that the development is participating in the Affordable Commercial bonus program~~commercial leasing agreements are in place to meet the standards of this subsection~~, and that any applicable leasing agreements, standards, program and administrative requirements have been met; and
 23. The property owner must execute a covenant with the City that complies with the requirements of Section 33.700.060. The covenant must ensure that floor area built as a result of this bonus will meet the leasing and reporting requirements of the Portland Development Commission or qualified administrator.



PILOT PROJECTS



The map shows the city of Eugene, Oregon, with the Willamette River flowing through it. Four pilot project locations are marked with orange dots: Alberta Commons, 10th & Yamhill Garage, Lents Commons, and Oliver Station. The map includes a street grid and a topographic background.

● ALBERTA COMMONS

● 10TH & YAMHILL GARAGE

● LENTS COMMONS

● OLIVER STATION

Pilot Project Summary

| | Alberta Commons | 10TH & Yamhill | Lents Commons | Oliver Station | Mixed Use Zones 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 | Affordable Commercial Space Program |
| TECHNICAL ASSISTANCE | ✓ | ✓ | ✓ | ✓ | ✓ |
| FINANCIAL SUPPORT | ✓ | ✓ | ✓ | ✓ | ✓ |



Pilot Projects



**Alberta
Commons**

**5,100 SQFT (3-4 Tenants)
10-Year Master Lease from Private
Developer**



**10TH /
Yamhill**

**21,000 SQFT
10-Year Master Lease with
Portland Bureau of Transportation**



**Lents
Commons**

**3,725 SQFT (2 tenants)
Prosper Portland ownership**



Oliver Station

**4,000 SQFT (2-3 tenants)
Consent to Let from Private
Developer**