

Portland Planning and Sustainability Commission

March 27, 2018

5:00 p.m.

Meeting Minutes

Commissioners Present: Jeff Bachrach, André Baugh, Ben Bortolazzo, Mike Houck, Andrés Oswill (arrived at 5:11), Michelle Rudd, Katherine Schultz, Chris Smith, Katie Larsell, Eli Spevak, Teresa St Martin

Commissioners Absent:

City Staff Presenting: Bruce Walker, Barry Manning, Allison Wicks (Prosper Portland), Kyra Straussman (Prosper Portland), Shoshana Cohen (PBOT), Judith Gray (ODOT)

Chair Schultz called the meeting to order at 5:05 p.m. and gave an overview of the agenda.

Documents and Presentations for today's meeting

Items of Interest from Commissioners

- *Commissioner Smith* reported that he presented the PSC's recommendation on the Transportation System Plan Stage 3 to City Council. Council discussed recommendations, and Commissioner Fritz picked up on the idea of city leading by example and encouraging employees to telecommute. There was engaging discussion generally, including how to navigate our way with autonomous vehicles.

Director's Report

Susan Anderson

- Susan introduced Love Jonson, who will be taking notes and standing in for Julie Ocken at some meetings.
- We received applications for the youth and will be conducting interviews in the next few weeks with someone from the Commission (talk with Kat). The youth position will join as full voting member after Residential Infill Project has gone through the PSC (July; maybe earlier).
- Susan reminded commissioners to respond to Julie's request for when they want to get training on the Map App.
- Central City 2035 continues at Council; it's 99.9% done and awaiting a couple more amendments. It should wrap up in one or two more meetings.

Consent Agenda

- Consideration of Minutes from the February 27, 2018 meeting

Commissioner Smith moved to approve the Consent Agenda. *Commissioner Baugh* seconded.

The Consent Agenda was approved with an aye vote.

(Y11 – Bachrach, Baugh, Bartolazzo, Houck, Oswill, Rudd, Schultz, Smith, Larsell, Spevak, St Martin)

Solid Waste & Recycling Rates

Briefing: Bruce Walker

Susan gave an overview of the process of asking the PSC to recommend rates to City Council. It's happening earlier this year due to significant changes to recycling markets internationally that are affecting costs.

Bruce provided a presentation about the expedited rate review process and proposed residential rate changes for FY18-19. The City does not set rates for multi-family or commercial properties. BPS regulates a dozen franchise companies that serve single-family houses up to fourplexes. Each year, BPS analyzes costs to providing services in contract with an independent CPA who reviews companies' financial records.

Since 2011, rates have stayed relatively steady with two years of decreases. Typically upgrades like new trucks are gradual and can be built into rate increases. New rates are aimed to be in place by May 1st due to significant changes.

Why are recycling markets affecting the costs of doing business in Portland's recycling system? Recyclables are a commodity; when used to make new products, there are environmental benefits. Commodities are experiencing severely depressed market prices in addition to increased processing costs.

Local recyclers send cardboard to paper mills in Oregon, glass to a plant near the airport to make new glass bottles, and metals to other U.S. manufacturers. Unsorted paper and plastic are primarily sent to China, which adopted broad policies to reduce environmental impact and notified recycling companies around the world that it will only import materials that meet very high standards. Requires recycling facilities to slow sorting lines and successfully market to manufacturers, which have significantly increased operating costs. Beginning late fall, dropping fees reached record high levels, which was unanticipated and unprecedented.

Cities around the U.S. and Europe are looking for new markets. BPS is working with Oregon DEQ, Metro, recycling facilities and garbage and recycling companies toward a long-term solution.

Predicted impacts on rates: other factors are putting upward pressure on rates – inflation, labor and fuel costs, disposal fees increased by Metro, etc., but recycling is main reason. Since December 2017, it costs more to take recycling to a recycling facility than to dispose in landfill. Garbage and recycling companies have paid these costs for months without being paid a higher rate. Has affected Gresham, Washington County, Clackamas County, and others.

To adjust rate model, we're looking at a 10% increase, which is \$3 per household per month. \$2 is due to recycling market conditions. This is a significant increase relative to mostly stable rates thus far, but still below where rates would be had we adjusted for inflation.

We know Portlanders feel any rate increase in pocketbooks, and our office has worked to keep rates as low as possible.

Cities across the U.S. and Europe are working to resolve interruption, and we need to keep recycling – it reduces need for more energy-intensive and environmentally impactful practices such as mining and drilling, and the vast majority of our materials will continue to be recycled. We have one of the best recycling levels in the nation, and we don't want to interrupt this daily habit. Portlanders should always reduce and reuse first and continue great their job recycling and composting by following the approved recycling list. There's always an urge to wishfully recycle.

What's next? BPS started review of hauler financial records and other system costs in March. Will share findings at April 10 PSC meeting and request that the PSC forward the recommendations to City Council. We're on the City Council agenda for April 18 and will allow rates to change by May 1.

Susan noted that for past 30 years, customers' bill has been \$1-2 less than if we had not recycling because we have been able to sell materials to the market. Since there are nonrecyclables in recycling, Chinese markets are saying they won't take it anymore; we must do a better job. In Portland, we do a really good job, but all our stuff merges with stuff from West Coast and elsewhere. We want people to keep recycling; it used to pay us considerably; we need to correct for now. I don't see this going on for months and months; we'll change rates again.

Commissioner Bachrach: What is the recommended rate increase?

- Bruce: It's draft now, but 10%, or \$3 per household per month.

Commissioner Smith read in the paper that Metro's disposal rates are being challenged over mixing wet and dry – will that affect us?

- Bruce: If Metro chose to charge a bifurcated rate – higher for dry and lower for wet, what residential waste is treated as – It would affect residential rates in a small manner. It could potentially lower rates but is being discussed and current staff rec. at Metro is to keep level rates for all waste disposed at their facilities.
- *Commissioner Smith* confirmed with Bruce that such a change would not likely affect this year anyway.

Commissioner Smith asked what changes we have planned to address the gap between the Chinese campaign National Sword's 0.5% contamination rate and our current 5% contamination rate, given that we're magnitudes away.

- Bruce: Current sorting facilities are needing to do additional sorting now to meet standards in China and elsewhere. As they get cleaner materials they can market more readily and are actively looking at other markets not just in China but in North America and other parts of the world. There is much discussion about how to develop more markets in the U.S.
- *Commissioner Smith:* Are we looking at programs to help address the problem at curbside?
- Bruce: We will send out additional info in June to reinforce message of stop wishful recycling and try clean it up at curb.

Commissioner Smith: Any progress on the side guard program?

- Bruce: We installed side guards on vehicles for safety to protect from collisions from the side with cyclists and pedestrians. We worked with Portland haulers to install on 15 companies' trucks and another small batch to bring in as part of pilot project. Installation has taken more time than anticipated; it's been a learning process for equipment firms that are manufacturing and installing them. We'll report back after getting feedback later spring.

Commissioner Baugh confirmed with Bruce that without the plastic/markets problem, there would be only a \$1 increase.

Commissioner Baugh: Are we putting more tonnage to the landfill?

- Bruce: Not necessarily; some of the additional costs are to sort out and get to different market rather than China. Not going to landfill but there are high costs due to additional sorting and severe depression of price due to oversupply from China not taking it.

Commissioner Baugh: Are there initiatives we could join to get rid of plastic – solve this world problem, as Europe is dedicating money to? Could we take a small amount of money as the City and put it toward an effort so we're no longer using the material to begin with? Because this change is temporary, can we bifurcate the charge like a fuel surcharge when fuel is high, with freight charge and fuel surcharge? So when we solve the problem, the surcharge disappears and we go back to the regular rate? If there's one way to help people identify it as a true problem it's to put a surcharge and make it visible.

- Susan: If we had a separate charge like a "recycling fee," people would misinterpret that and be discouraged from recycling. A surcharge is not really true because it's a part of the recycling fee like all the other components. We don't think it's a good idea but we do think it's a great idea to use less plastic, use new products, reduce and reuse, etc.
- *Commissioner Baugh:* Perhaps it would be conceived as plastic surcharge so people can identify it as a problem. He would like to see us be more aggressive around joining or leading other initiatives.
- Bruce: We are working closely – Oregon DEQ is trying to identify the problems with other West Coast states. Early next month Portland is hosting the National Recycling Coalition forum on market development ideas to establish manufacturing opportunities, including plastic, in the U.S. and be less dependent on other countries. It's a challenging issue that won't be solved overnight.

Commissioner Spevak: Reduce, reuse, recycle needs more focus as a priority. Is the commercial market (outside of franchises) also tracking a 10% increase in costs?

- Bruce: We don't regulate those rates, but we understood from businesses that called us and discussions with haulers that as charges ramped up quickly last fall and winter that surcharges and additional costs were passed along to commercial customers. Some of those increases are therefore already in place for commercial customers.

Commissioner Rudd: How do people listening influence their monthly bill – shift to less frequent pickup and smaller receptacles? What is the delay to change those?

- Bruce: You've identified the first thing they need to do – ask if they need as large a cart. Could call hauler today and get reduced level of service.

Commissioner Baugh: Lots of cities around the world have done something symbolic; are we going to? Cities are banning plastic straws, for example.

- Susan: We're looking at lots of those opportunities; the interest has come not from the waste perspective as much as what plastic is doing in the ocean. All movements start somewhere; if PSC is interested we can talk about it. Interest by several environmental groups that have had conversations with City Hall.
- *Commissioner Larsell:* What are their interests?
- Susan: Straws and plastic lids as well as plastic bags. We've gotten grief from people asking what the City's business is doing telling us not to buy stuff. More backing from PSC would be good to support nonprofits and other groups to look at how we use things, not just what we buy.

Commissioner Oswill: The mayor likes to talk about data-informed decisions; straws and plastic bags could be easy policy interventions, but what are the largest sources of plastic waste?

- Susan: We banned Styrofoam and went for ubiquitous plastics when we started recycling plastic.
- Bruce: We banned single-use plastic takeout bags. We see many less compared to rest of region and state. These actions have made a difference; looking at other items is a reasonable policy discussion.

Commissioner Rudd: Can I recycle it (plastic) if there's a triangle?

- Bruce: There's not necessarily a market; the symbol indicates the type of plastic but it can be very confusing to describe types of containers. We need to do a better job on education.

Chair Schultz: More pictures would be helpful for education.

Commissioner Spevak expressed frustration that rules change regularly; his aspiration is that rules remain as stable as possible so there's not a perpetual learning curve to recycle properly.

- Bruce: It's not our goal to keep changing but to be clearer as new products enter marketplace.

Chair Schultz: Do recycling centers have more options for what can be recycled or do they have the exact same limits as curbside?

- Bruce: Depots have cut back significantly; they are essentially under the same situation (can no longer take miscellaneous plastics). Grocery stores have stopped programs as well.

Chair Schultz: \$1 of the \$3 increase is not related to recycling directly, so how did we miss that last dollar in our last rate increase?

- Bruce: Our annual rate review makes necessary adjustments as we go; it wasn't a miss. It's primarily inflation pressures, which particularly affect labor and fuel for hauler operations.
- Susan: Every year we look at all costs and all savings to come up with the rate. When we first got the big roller carts we increased recycling so much that even though costs increased, the increased volume made it up.

Chair Schultz: What about money for education in this rate increase? Has there been talk about dedicating a small percentage?

- Bruce: Yes, that's planned and ongoing. We intend to send a notice of the rate increase to all customers when approved. In June will be back with more detailed information along the lines of what you're talking about – mailing every household in Portland info about how to recycle. We also have extensive outreach through Master Recycling program as well as website, blog, and other channels.

Commissioner Houck appreciates getting a notice when garbage and recycling should go out; would be a straightforward way to include more info on a bi-weekly basis.

Commissioner Houck: China has made it known that in the future they won't be taking anyone's recycling, correct?

- Bruce: That is their desire, though they don't have fully developed domestic programs. There is speculation that they're going to need to receive more paper, particularly.

Commissioner Schultz reminded the PSC will have a hearing on April 10 and take public testimony.

Affordable Commercial Bonus

Briefing: Barry Manning, Allison Wicks (Prosper Portland), Kyra Straussman (Prosper Portland)

Barry introduced the project. The Mixed Use Zones Project first introduced the affordable commercial space bonus, so we're here to follow up. City Council maintained the bonus linked to the administrative rules that Prosper Portland is developing. This is an update on those rules.

Kyra noted that PSC feedback has influenced the project to this point. We've been at the forefront in the U.S. in looking at commercial affordability as something government should get involved in, including this program as well as other efforts. The issues between commercial and housing affordability are quite different. Kyra gave an outline of the [presentation](#).

Kyra gave an overview of the process of the project up to this point, which started a year ago. They were asked to look at code language to decide if we wanted to implement the bonus. They convened a stakeholder advisory committee (SAC) with folks from development, community-based and main street organizations, and City of Portland (BPS, BDS, Prosper) staff that reviewed program options and made recommendations and have continued to work with the SAC through the draft administrative rules. Administrative rules guide the bonus program. They are looking for acknowledgement from PSC to move the administrative rules to City Council.

Kyra discussed how the bonus fits into larger affordable commercial framework. The bonus supports access to space, with other prongs of business coaching and technical assistance, and financial support. Prosper has development projects that have created space for tenants – we sponsor the lease, own the space, and make it available to target clients. We work with other bureaus that own space as well. Also developing leasing agreement with private developers.

Regarding businesses coaching and technical assistance, addressing this problem requires technical assistance for running a successful business without eating up cash on space. We're working with Mercatus PDX and the Inclusive Business Resource Network and putting on retail workshops and financial review for first-time or expanding businesses to look at Prosper or other properties.

Regarding financial support, Prosper offers loans for tenant improvements.

Kyra went over the five goals and key components of the bonus program.

Barry gave a refresher of what MUZ included: FAR bonus with height in some places; still prioritizes inclusionary housing (IH, which is mandatory at 20 units) by offering a lesser bonus only available up to 50% of the maximum floor area in C/MU zones. On-site spaces get 2 square feet of floor area per 1 square foot of affordable space to incentivize on-site space.

Commissioner Bachrach: If I'm a mixed use project under 20 units, what are my bonus opportunities? Any bonus besides IH and this?

- Barry: There may be a different array in the Central City Plan District, but this is outside Central City. There's IH and historic FAR transfer, which offers up to half of maximum FAR. Could marry historic and affordable commercial to gain full FAR. We discussed bonuses for energy efficiency, etc. but we reduced the options to these two.

Chair Schultz asked if there was an ecoroof bonus. Barry said no, but outside the Central City you can substitute ecoroofs for landscaping requirements.

Chair Schultz pointed to the fee-in-lieu factor schedule in the handout – she was confused about the bullet that says additional FAR can be achieved through IH. Kyra confirmed that you have to use the affordable commercial bonus FAR first and then go to IH.

Commissioner Bachrach: What were the parameters in the MUZ code section that inform these admin rules?

- Barry: Code language was pretty open-ended; initial code language specified a 25% rent reduction from market rates for 20 years, but SAC determined those parameters infeasible. Parameters sent to Council said to look to the administrative rules for requirements.

Commissioner Bachrach: What did we say about the interplay between affordable commercial and IH?

- Barry: Silent except for bonus table that specifies how much FAR you can gain from each.

Commissioner Spevak: To summarize, since the Zoning Code is silent on the order of bonuses you can earn, did Prosper talk to PHB to determine that IH is prioritized over affordable housing in mixed-use situations?

- Allison: Yes, the fees in lieu are set the same as IH and the bonuses sit next to each other (20 unit threshold), and we decided to first look at earning 50% of total FAR available through affordable commercial and then if they wanted additional FAR they could look at IH.
- Barry: Regarding on-site bonus, it's up to the developer to choose whether to do housing or commercial on site.

Allison noted the administrative rules are a 90% draft. They define on-site option, fee in lieu option, and flexibility to combine options. On-site includes high level of tenant improvements – hot shell – above and beyond what a landlord would typically build out, which is the affordability component that lowers the barrier to entry for new space. Hot shell landlord work standards include walls, electrical, HVAC, ceiling finish, restrooms, flooring, signage. Adding a single restroom can cost \$30,000.

Chair Schultz: Please clarify “dimensions” – does the developer have to meet certain dimensions?

- Allison: Yes – and the 600 sf threshold was chosen to allow for a combination of on-site and fee-in-lieu options.

Allison talked about the leasing requirements according to Prosper’s criteria – local, women, minority-owned, and nonprofit organizations serving underserved communities that pass financial evaluation by Prosper. Currently an underwriter looks at business plans, tax returns, profit and loss projections, etc. to determine potential for success and level of need. Prosper provides a form lease and reviews to make sure costs are not passed on to tenant. 10-year affordability requirement; if out of compliance, they owe entirety of fee-in-lieu. Only 50% of maximum FAR is available through affordable commercial bonus; PHB is comfortable with how these fees in lieu work together.

Kyra went over how the project team responded to questions PSC posed previously:

- Why 10 year affordability? Needed to strike balance – fee-in-lieu is set slightly higher than value of FAR. Increase in duration would further drive developers to fee-in-lieu, and FAR bonus will only be used when it has value – when a neighborhood feels gentrification and redevelopment pressures.
- Why tenant improvements instead of the reduced rental rate originally proposed? New construction is still the most expensive to build out. Reduced rate would still leave barriers for tenants to access space.
- How will fee in lieu funds be used? Support Prosper’s other programs.

Allison gave an example of CM2 commercial building (no housing) examined by Johnson Economics – approximate value is \$20/sf, so 5,000 sf bonus is a \$100,000 value. Fee in lieu is \$24/sf, so \$120,000 cost. On site costs \$40/sf in tenant improvements, so building out 50% (2500 sf) means a \$100,000 value.

Commissioner Spevak: How much utilization do you expect?

- Kyra: Johnson Economics figures that given the bonus is restricted to MU zones, it would yield 14,000 sf.
- Allison: Looked at projects that fell into this category in last five years, and some years would have seen five projects, some 10 or 20, that could consider the bonus – not all would want extra FAR but some may.

Commissioner Spevak: Why is there a fee-in-lieu option on a voluntary program? Creating extra FAR in a neighborhood has impacts; we could instead put more money into parks, trees, housing, TDM, etc. If people are writing checks to get this bonus without any commercial space created on or off site, why should Prosper receive that money? Who gets the deposit slip?

- Allison: The mechanism exists for housing so there's no additional FAR on the table for affordable commercial. The program doesn't necessarily have to have a fee in lieu, though we heard from SAC that it's difficult to provide an on-site option.

Commissioner Spevak understands screening tenants is hard; criteria is hard to write; easy to have loopholes; would Salt and Straw qualify, Columbia, franchise of national chain qualify?

- Kyra: Point well taken; must thread the needle. Targeting underserved communities and clearly supporting anti-displacement strategy – if you're able to access this space financially we'll discover that in our financial analysis. Franchises and businesses not allowing minors are not eligible for Prosper programs.

Commissioner Spevak understands why it's set at 10 years and not longer, but compared to 99-year IH, doesn't feel like much as a long-term anti-gentrification strategy.

- Barry: There was discussion from SAC that beyond 10 years was a difficult time frame.
- *Chair Schultz*: Is there empirical evidence about the period of time it takes a neighborhood to go through gentrification/change?
- Kyra: Typically, housing is a precursor to what goes on in the retail environment, perhaps by five to 10 years.
- Susan: Tyler Bump and team have updated vulnerability study; we were surprised that changes in places that once took six to seven years are now happening much quicker in other places.
- *Chair Schultz*: If that neighborhood is in transition for 15 to 20 years, are we protecting that?
- Susan: We could run the numbers to see what's happened in different parts of the city over a 10-year period.

Commissioner Spevak: If \$24/sf is a proxy for value, 14,000 sf is \$336,000. Does this send Prosper into the hole due to staff time spent on administrative costs for a small program?

- Kyra: We'll be using existing staff for this and doing things we customarily do; will not require a big administrative lift – the big lift was getting rules in place and committing to program.

Commissioner Baugh expressed concern about the 10-year length – if commercial lags behind housing, it may be that the true benefit may come after the 10 years, so do the targets really get the full benefit?

- Allison: Since you're not pegging the rent at below market-rate, they won't see a huge rent increase after 10 years, so businesses can still be there after 10 years.
- Kyra: The sunk costs that go into the tenant improvement can support the business over a longer interval. Form lease also supports longevity of the business – will condition rent escalation, suggest option terms, etc.

Commissioner Baugh expressed concern about how to discern tenants that have great credit that we actually want – how not to shut them out.

- Kyra: All of our underwriting guidelines and programs fit into the "but for" category – if we're looking at a business plan and financial statement that can well afford to make their way, they're not our customer and never have been.
- Allison: Financial evaluation will get at that concern – it's both a floor and a ceiling of who would qualify – both ready to succeed but also in need.

Commissioner Baugh: Could a business also be part of a grant program? Meyer Memorial Trust has a grant program to create African American business as a wealth-generation project. Would they still be eligible?

- Kyra: Yes, we're open to that – our criteria include nonprofit organizations. Recognize retail as a cultural amenity, so that's who we're looking for – tend to be culturally specific and reflect character of community.
- Allison: MESO is one of the 12 culturally specific organizations in IBRN.

Commissioner Baugh: Please come back in a year or year and a half and report on businesses served, why chosen, details, etc. We can change administrative rules based on success and what we hear from businesses.

- Kyra supports coming back in a year and a half after seeing how market responds.

Commissioner Rudd: Please confirm if rent will be market rate or approved by Prosper as affordable for tenants.

- Kyra anticipates that folks will start at reasonable market rate, but financial fixes, tenant improvements, assurance that leases net out utilities properly, and inspection standards will help. We also want to make sure the building has a reasonable capital asset replacement program, so we want to make sure developer is getting enough rent to keep the building to a good standard.

Commissioner St Martin: For noncompliance, they would have to pay the fee in lieu but there's no penalty, which is kind of like a no interest loan – please add a fee even if nominal and maybe dedicate directly to IH.

- Allison: There is interest.

Commissioner Bachrach: Does the developer get to capture value granted from the TI they're required to do in the lease rate – i.e., does the value of the TI raise the lease rate?

- Allison: We would not want to see that increase the lease rate.

Commissioner Bachrach: One of the criteria for participation is local ownership. It's written in a way that locally owned doesn't qualify a business unless it's also a target business – intended?

- Allison: Yes.

Commissioner Bachrach wants to make it clear that it's possible to mix and match all options between affordable commercial and IH.

- Allison: The affordable commercial bonus would have to be used first for fee-in-lieu, but only for units less than 20 units.

Commissioner Bachrach would be satisfied with any bonus whether housing or commercial, particularly if the bonus is going to be hard to use.

- Barry: Would only be a prioritization (of commercial over housing) for fee-in-lieu, not on-site.

Commissioner Bachrach: We don't want to undermine our desire that smaller developers can create affordable housing, especially if this program only anticipates \$336,000. We need to make sure this program works if we're going to prioritize the fee in lieu for it over housing.

- Allison: Some developers do not see tenanting as a strong suit and would want to use our program.
- Kyra: It is difficult to tenant these spaces. Putting underwriting standards is way better than what any broker will do for you, as well as the form lease – these are stabilizing factors.
- Barry: If you're doing a straight residential development, your only option is in IH. Confirms that can choose to provide affordable housing units on site.

Commissioner Smith: Can you tell us which parts of Prosper's framework is citywide and which operates only in Urban Renewal Areas (URAs)?

- Allison: Access to space is only in URAs; this program would expand that outside URAs. Business coaching and technical assistance is citywide, and financial tools are tied to TIF so only available in URAs.

Chair Schultz asked Commissioners whether they generally support the proposal and could write letter of support, don't support and want the team to come back and could perhaps change your opinion, or could not support the program.

- *Commissioner Rudd*: Generally good, not as clear as needs to be, but unsure if we could get there before has to go to Council. Rule needs to be refined for clarity.
- *Commissioner Spevak*: Not on board with proposal. If I'm a lone voice, I would drop the in-lieu option because it sets a poor precedent. There's a saying in the Community Land Trust world that the best time to plant a tree was 20 years ago, and the second best time is today. But in this case, looking ahead 20 years, we likely won't be able to tell that this program existed because the affordability does not stick.
- *Commissioner Houck*: Happy to let it go forward and wants to see them come back and report.
- *Commissioner Baugh*: Willing to go forward with two concerns: Fee in lieu and 10-year duration. Wants them to come back and report. Agrees with Commissioner Spevak but sees this as a big move for Prosper and we should get something on the table.
- *Commissioner Bortolazzo*: Generally in favor; shares some concerns with Jeff – if value of FAR is close or equal to TI cost, it may not be enough of an incentive to work. FAR has different value in different parts of town – in some areas it may be easier to do fee-in-lieu.
- *Commissioner Smith*: Programs that work outside TIF districts are hard to fund so even if uptake is low, supports.
- *Commissioner Larsell* supports.
- *Commissioner Oswill* appreciates staff work and thoughtful proposal; would rather see what happens in a year than spend a year talking about it. Consider working with groups that work with ex-offenders.
- *Commissioner St Martin*: 23 entrepreneurs could get a chance; you could get 2.875 successful businesses – 3 businesses is a successful product. Supports.
 - *Kyra*: Underwriting will support a higher success rate.
- *Commissioner Bachrach*: Supports.
- *Chair Schultz*: Supports. Noted the PSC has enough consensus to forward a letter of support with four concerns:
 - Fee-in-lieu
 - Duration
 - Request reporting back annually
 - Whether the FAR value incentive is calculated correctly

Congestion Pricing

Briefing: Shoshana Cohen (PBOT), Judith Gray (ODOT), Mauricio Leclerc (PBOT, available for questions)

Shoshana provided a [presentation](#) and set the stage for why the City is interested in congestion pricing. Note: City is calling it congestion pricing and ODOT is using value pricing. Region is growing by 500,000 new residents by 2040, increasing congestion, which has costs – economic, health, climate, and equity. She gave an overview of current strategies for congestion relief (alternatives to single-occupancy vehicles [SOVs], land use/housing strategies, transportation demand management [TDM], Intelligent Transportation Systems/signal synchronization). We need additional strategies – the region is updating the Regional Transportation Plan; by 2027 one-third of the regions roads are expected to be congested or severely congested; truck vehicle hours of delay are expected to grow by 120%.

Shoshana defined congestion pricing as charging a fee for a road based on demand. Fees encourage people to make different choices and reduce discretionary trips in SOVs. Revenue can supplement other choices or add capacity. Similar to peak pricing but designed to reduce congestion, not profit from it.

The Council resolution directed PBOT to work with ODOT on requirements for congestion pricing on I-5 and I-205 for demand management, climate and equity impacts, use of revenue, and impact on local streets. As PBOT and ODOT evaluate options, they are examining equity, safety, and climate impacts.

Process started in November; advisory committee working through June 2018 for preliminary recommendations. We would like a recommendation from PSC to move forward to a NEPA process over the next few years to continue to study the full option – tolling on all lanes on I-5 and I-205 throughout the full study area.

Currently developing principles for moving process forward – safety (solution cannot make streets less safe), equity (must make system more equitable), and climate (most overall benefit environment). Revenue use must contribute to alternatives and make system safer. Transit and other robust alternatives will be key to making it work. There are limits in the Oregon Constitution on use of the highway fund toward transit operations, but this is an emerging topic.

Judith provided an overview of her presentation. The problem is timing of travel – travel time is incredibly variable during peak travel periods, e.g., 40 minutes to 1 hour 40 minutes from Beaverton to airport.

Judith went over the legislative context – HB 2017 resulted in large investments in transportation across modes and identified new funding sources like increasing gas taxes and title registration fees and identified policy issues like accountability, transparency, improvement requirements, and value pricing. This discussion is occurring in a very broad transportation context.

HB 2017 directs Oregon Transportation Commission (OTC) to seek approval from Federal Highway Administration (FHWA) to implement value pricing by end of 2018, and if approved, implement it. Priority locations are I-5 and I-205; could be done in segments; does not preclude other areas.

OTC convened policy advisory committee with members from business, transportation, equity, government, etc. Committee will advise the OTC to identify best location, type of value pricing, and mitigation strategies for environmental justice communities and surrounding neighborhoods. Have had three out of six meetings. Next Meeting, April 11, to start talking about mitigation strategies. Currently doing technical analysis but now is the time to identify values.

Judith discussed equity considerations. In addition to out-of-pocket costs, must improve mobility, allow environmental justice communities to have input, share benefits, and more. Transportation inequities exist already – auto-dependent system, housing/jobs balance, traditional funding sources are regressive, infrastructure impacts.

Judith noted that other states have taken actions to address some of these issues, e.g., special programs to ensure people without bank accounts have access and enhancing multi-modal investments. We don't have to limit discussion about improving transit operations to using revenue from congestion pricing; could consider other forms of revenue.

Judith gave an overview of the public outreach completed – open houses, online, questionnaires, email, voicemail. Common themes heard:

- Negative effects of congestion – time, stress, anxiety, frustration, unpredictable travel time, adjusting route to avoid congestion
- Concerns about congestion pricing – impacts on low-income, diversion, how revenue should be used

Project approach: Start with representative concepts for tolling the two freeways and understand the range of effects – screening. Discuss with stakeholders and public. Then came up with five concepts to refine performance evaluation, equity considerations, mitigation strategies – March through May.

Baseline is 2027 Regional Transportation Plan population and employment growth with no pricing.

Two basic tools: Price entire road and price lanes (convert existing lane or add fourth lane and price).

Those options were combined in “bookends.” Key findings:

- Priced roadway: Highest level of congestion relief and helps freight (which is not allowed to use priced lanes); equity tradeoffs in that there’s no unpriced lane but could function well with lower price and shared benefits.
- Priced lane (convert existing lane): In order to have priced lane work, must have two unpriced lanes – so places with two through lanes are not viable.
- Priced lane (construct 4th lane): Most expensive and impactful but benefits are short-lived.

Concepts:

- Northern I-5 priced lanes
- Toll all lanes on I-5 – recommended by consultant to consider
- Toll all lanes on I-5 and I-205 – many people have said it’s the most equitable option. Phased implementation likely. Generates a lot of revenue.
- New priced lane on I-205 – capacity is more effective than toll itself
- Toll both directions on Abernethy Bridge

Next steps: spring engagement. Struggling to reach different communities – equity focused discussion group, four in-person and online open houses, presentations and briefings, translations, website, social media, email, voicemail. Judith shared upcoming open house dates. OTC will hold meeting in Portland to present recommendation on July 12.

Commissioner St Martin: Do you have a fee range?

- Judith: No, can start with base value of time data in Metro model as beginning, but pricing will be set at a later stage, not by July. Federal policy requires that prices be adjusted to maintain a certain level of performance.

Commissioner Oswill: Focus on equity and ensuring other options is important, as is TriMet’s low-income fare. With this program, it will be important to have something that goes further than the threshold for the low-income fare, given historic displacement of Black community and recent displacement of other low-income communities and communities of color outside Portland to the region. It’s important to value their ability to continue living their lives as best they can, given that displaced folks still drive their kids to school, go to church, etc. in Portland.

Commissioner Smith suggested the name “decongestion pricing.” Congratulated Judith on composition of committee – quantity and quality of environmental justice and equity representation. This is a different lens than the RTP; this is about how the system can perform. We’ll have hyper-congestion even if we build all projects in RTP. We also have arterial congestion – buses cannot cross bridges in the morning and cyclists see cut-through traffic on bikeways, so we must design to avoid diversion. Today our rationing mechanism is people’s time; pricing is much more rational. I echo *Commissioner Oswill’s* comments; we must not worsen inequity for displaced folks. Means-test pricing – need a tiered tolling structure for different income brackets.

Commissioner Bortolazzo agrees with *Commissioners Smith* and *Oswill* about equity concerns. Encourages to think bigger, given prospect of AVs and different ways of pricing. Founder of Zipcar Robin Chase suggested pricings based on the amount of square footage you're taking up – according to size of car, the more you carpool, etc. Think more broadly beyond tolling.

Commissioner Baugh asked about diversion impacts – maintenance (given our current backlog) and corridors targeted for growth, especially in East, that could become congested with through traffic instead of commercial traffic. Do we get the development capacity that we would if it was commercial traffic? If not, the City loses money. Seattle's uptake on low-income fares has only been three to five percent. We must not rely solely on the low-income fare to ensure equity. Mentioned unintended impacts on housing – cost of value price becomes a house price; tradeoff between cost of congestion pricing and more expensive house. How do schools, health care handle value pricing? Concerned that City is moving ahead without having an idea about how City schools TriMet, etc. will get money from it given constitutional restrictions.

Commissioner Houck has an issue with Lyft, Uber, and local congestion – must consider with diversion impacts.

Commissioner Spevak supports *Commissioner Bortolazzo's* idea of thinking bigger and the recognition that status quo also causes such externalities. Will any of these decisions come through PSC?

- Judith: Some policy advisory committee members have suggested moving to other freeways as well.
- Shoshana: Trying to make some formal recommendation that the policy advisory committee process continues beyond June. City wants to continue to have a voice.
- Susan: Perhaps there's an opportunity to convene a smaller group of PSC members with Commissioner Saltzman and chief of staff Brendan, and when putting together official City of Portland comments to ODOT, we can allow this group to review those comments.

Commissioner Schultz: Once you have a proposal, can we have another briefing? We'd love to write a letter to Council, the State, or whoever.

- Judith: Would be appropriate to write letter to OTC or have someone go on July 12 to comment directly.
- *Commissioner Schultz* requests a briefing before that meeting. We will work through options at an upcoming officers' briefing.

Adjourn

Chair Shultz adjourned the meeting at 8:21 p.m.