

Portland Planning and Sustainability Commission

May 22, 2018

3:00 p.m.

Meeting Minutes

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

City Staff Presenting: Arianne Sperry, Bruce Walker, Bill Cunningham, Tom Armstrong, Morgan Tracy, Sandra Wood, Tyler Bump; Denver Igarta, Liz Hormann (PBOT)

Chair Schultz called the meeting to order at 3:01 p.m. and gave an overview of the agenda.

Documents and Presentations for today's meeting

Director's Report

Joe Zehnder

- PSC members who will be working with staff a bit more in-depth on the SW Corridor work are Chris, André, Ben, Andrés. We will have a full commission briefing on the SW Corridor DEIS at the June 12 meeting.
- May 24 at Council! The effective date for the Comprehensive Plan at 1 p.m. Code packages to implement the plan at 2 p.m. (Map Refinement and Code Reconciliation). 2:30 is CC2035 Plan for the last amendments and proposed adoption of the as-amended plan (second reading in June). TSP as well.
- As PSC members know of course, today is the 3rd meeting this month. We also have 3 meetings in June: 7th (second RIP work session); 12th (at PCC SE Campus); 26th (regular meeting). Julie will send out reminders and details about each meeting in early June.

Consent Agenda

Consideration of Minutes from May 8 and 15, 2018 PSC meetings.

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

The Consent Agenda was approved with an aye vote.

(Y10 – Bachrach, Baugh, Bortolazzo, Houck, Larsell, Rudd, Smith, Schultz, Spevak, St Martin)

Solid Waste and Recycling Franchise Review

Briefing: Arianne Sperry, Bruce Walker

Arianne introduced the topic. We're not looking for further action from the PSC today. She walked through the Franchise Review Discussion Document.

City Council launched the mid-term franchise review on August 3, 2017 and adopted guiding principles for the review, including new principles to increase workforce diversity and reduce barriers to economic opportunity for Minority/Women Business Enterprises (M/WBEs)

BPS held stakeholder interviews, conducted a workforce demographic survey, drafted an Equity Options Report, and convened two stakeholder group meetings in the fall of 2017.

Staff reported back to City Council in late January 2018 with findings that the franchise system is serving Portland well on most counts, yet more research was needed to assess options for reducing barriers to new entrants in the franchise system and other economic opportunities.

BPS posted a Request for Information (RFI) in March to assess interest and capabilities of potential new entrants to the franchise system.

BPS received three RFI responses. Two were from certified MBEs and one was from a company too big to qualify for certification from Business Oregon's Certification Office for Business Inclusion and Diversity (COBID). The responses from the small, local companies lacked sufficient detail, both on the operations and financial sections. The results indicated a need to focus first on creating opportunities for prospective new entrants to build capacity.

Arianne provided information about current franchisees and next steps in terms of near-term actions to work towards a more diverse workforce, reduce barriers to economic opportunities, and create economic opportunity outside of the residential franchise.

Lack of market information is a limiting factor. Lack of opportunity is another factor due to consolidation of franchises over time.

Only 20 percent of materials is from the residential sector. So BPS has also been studying our multi-family program, which is a program that is behind. We plan to explore ways to provide equitable service in the near future. Additional regulatory tools can help us.

We also recognize the City has control of our City properties and trashcans in the right-of-way. Looking at contracts where we are the customer is a good starting point. We've been talking to small businesses and MWESB firms to make more opportunities and to build capacity.

Start-up costs in the franchise system are high. Residential rates are set to cover average costs, not the start-up costs, so it's difficult for new businesses to incur the costs to get started, particularly if they are small businesses.

In the next months, we'll be meeting with stakeholders; drafting new language for the franchise agreement as well as scoping a new body of work. We'll publish the proposed agreement in early August; Council in late August; scope multi-family process this fall. Lots of new work coming out of this review.

Commissioner Baugh: On the workforce question, I hope you explore the ability to use zip codes as part of the franchise agreement to require individuals be from those zip codes (like we have done for construction contracts). These are mostly in East Portland zip codes. I'm also interested in the City facilities work.

- Arianne: For City facilities, we are a market participant, so we could take the benefits of what's in the franchise and try to apply it in a contract situation.

Commissioner Baugh: For multi-family, is there opportunity to partner with the Housing Authority and contracting to collect their garbage and see what works before we roll it out?

- Arianne: We are starting conversations with them.

Better Housing by Design

Briefing: Tom Armstrong, Bill Cunningham; Denver Igarra (PBOT)

Disclosures

- *Commissioner Bortolazzo* noted that Otak worked on code modeling prototypes for the Better Housing by Design project; I worked on this project as Otak's project manager.
- *Commissioner Spevak*: I own three properties with zoning covered by this update: (1) An R2 property with construction on new homes nearing completion, (2) A R3 property in the check sheet stage of permitting, and a 50x100 property zoned RH, which is under contract for sale. Development of the first two properties is vested under current zoning. New zoning on the property under contract for sale would only be relevant should the sale fall through.
- *Commissioner Smith*: RI is my principle resident, but I don't have special consideration.
- *Commissioner Bachrach*: My house and 2 other properties I own are zoned R1, but all are built-out, so I also have no conflict.

Bill noted this project is an update to the zoning code in multi-dwelling zones. BPS partnered with PBOT to come up with new approaches to street connectivity with lots of focus on East Portland. PSC's role will be on considering the zoning code amendments.

Bill provided a [presentation](#) and shared how this project, focusing on multi-dwelling zones, overlaps with other current and recent zoning projects. He noted the different multi-dwelling zones (R3, R2, R1, RH) and where they are each most prominent throughout the city.

We have existing goals and policies that give us direction about how our zoning should perform. We are particularly focusing on the 2035 Comprehensive Plan, which was developed using past analysis and community input. Comp Plan policies direct us to shape our regulations to accomplish all of these things, and we know that Portlanders want them, based on past community input.

We know that our existing rules don't do enough to get us to these goals and policies, and this project is intended to make our rules better. A number of projects have provided background and input, along with community discussions, about how we want our multi-dwelling zones to function.

Bill walked through the major topics of the proposal:

- Diverse housing options and affordability
- Outdoor spaces and green elements
- Building design and scale
- East Portland standards and street conditions

Diverse housing options and affordability proposal: Regulate by building scale instead of unity density.

In R2, more flexibility within the scale, including 1:1 FAR, 35 feet building height (instead of 40 feet), which exceeds what we currently allow in R2. In R1, 1.5:1 FAR, and keep 45-foot building height.

We are also proposing a requirement for visitable units: 20 percent of the units.

Commissioner Smith: We had testimony about visitable standard are part of RIP. What is this a standard instead of Universal Design (UD)? We are trying to let people age in place, so how do we pick a standard?

- *Bill*: UD is an approach to making features usable. Visitability is a lower-level accessibility to allow for more options for the units; not fully ADA-accessible. UD is harder to nail down a set of standards.

Visitability is a minimum level that works for a broader range of housing types. Interplay between what's required in the building code.

- *Chair Schultz*: UD would apply to multiple levels, and this says at least the ground floor is accessible.

Commissioner Bachrach: I'm curious about visitability as a criterion. Why in RIP is this not part of State code versus here it is?

- Bill: RIP is for a voluntary bonus, not mandatory. For multi-dwelling, it is mandatory beyond a certain density.

Commissioner Spevak: In multi-family structures, building code has ADA requirements that aren't present for 1-2-unit dwellings. I would like to better understand what ADA requires for these multi-family projects.

- Bill: This only applies to units that don't already need to comply to ADA regulations.

Chair Schultz: Building codes can be more restrictive in smaller jurisdictions (city level versus state). Is this particular issue a Portland thing or more broadly applicable throughout Oregon?

- Bill: We can't require more than the state building code unless we do it as an exception.

We are updating to rename zones in parallel to how we've renamed the mixed-use zone names (slide 23). We are also proposing bonus FAR options (slides 24-25).

Commissioner Spevak: Current rules for FAR transfer are that you can transfer from any abutting site. What is the geographic area for this update?

- Bill: Existing code says you can transfer density to another site for the giving site. We are proposing to prioritize preservation outcomes. Currently the transfer radius for historic is 2 miles. We're proposing to go citywide aside from the Central City. Voluntary transfers won't be available for historic districts.

We are starting with a lower base intentionally so we create an economically-attractive option.

We are also merging R2 and R3 because we don't have much R3 zoning. When modeling development allowances, both scales are similar.

Another proposed change would be to have, along neighborhood and civic corridors, to have limited amounts of small-scale commercial uses.

Commissioner St Martin: On the FAR transfers, I assume PHB will monitor the affordable units. Who does the tree patrol?

- Bill: It depends on the situation; sometimes the Urban Forester, but if giving site has some development happening, BDS gets involved in the review. We have been working with both.

Commissioner St Martin: If someone gets FAR transfer, could that make their building over the 20-unit limit? Then do they not have to do anything?

- Bill: If you hit the 20-unit threshold, you hit the IZ threshold. The majority of multi-dwelling zone properties are mostly small, so this is different from the mixed-use zones.

Commissioner Baugh: IZ is 80 percent MFI. So what's the reason for 100 percent here?

- Bill: This came from affordable housing providers. Even 100 percent MFI has not been met in some areas, so this gets to an average income level. The 3-bedroom has a shorter term of affordability (just a 10-year affordability term as opposed to 99 years).

Commissioner Baugh: If a unit is affordable today and they transfer it, how long does the transfer of affordability last?

- Bill: PHB is still working on the Administrative Rules. It would be a minimum of 30 years for preservation of affordable housing.

Commissioner Baugh: Is there a reason we don't go below the 20 units for affordable?

- Bill: 20 units is where mandatory kicks in. But you can voluntarily choose to do more affordable units.
- Tom: For smaller projects, they would choose between voluntary IZ or a transfer on the market, and they would weigh those costs to set the market for what the costs would be.

Commissioner Spevak: This seems like these zones would be a total magnet for low-income housing projects. I think we should have zones like this in the city. With such a limited amount of multi-dwelling zoning in Portland, there's a potential for concentration of affordable housing in large structures in these zones (due to the 100% FAR bonus) that raises the possibility of, stigmatizing of affordable housing.

Commissioner Bachrach: I have the opposite concern based on what we heard in RIP testimony. How do we know this works?

- Bill: Places are maxing out the density, but that's because it's a unit-density approach right now. We worked on an **economic feasibility report, which will be available within the next week**. Bonus is economically feasible in most zones, particularly the lower-scale zones where most of our multi-family is.
- Tom: The other risk of raising the base FAR is that you wind up with 19-unit, luxury units. You still face the fact that anything over 20 units has to comply with IZ.

Commissioner Bortolazzo: Looks like you kept consistent expect from RM1 going from 40 to 35 feet. I think that might skew construction to flatter (or flat) roof. What was the rationale for that?

- Bill: We went to 35 feet because R2 is intended for 2-3 story buildings. R3 had a 35-foot height limit, so part of merging the zones, we took the R3 standard. This is consistent with what we did in the mixed-use project. The scale is intended to be the smallest-scale zone, so this is a good starting point.

Chair Schultz: I would like to have follow-up on what is appearing to be a robust and complex transfer system (who's responsible for what, etc). I want to have some thoughts about how we'll bring it all together. Also would like to ask about (RM1 and RM2) FAR. This is complex for the average person. Was there any thought about using a building height and coverage concept instead of FAR? We spent a lot of time looking at how our mixed-use buildings should step-down next to our R zones. I'm curious about RM3 and RM4 being right up against mixed-use zones, and if a step-down approach is appropriate here.

- Bill: RH, in contrast to mixed-use zoning, is often more of a district-type zoning. So it's less of a narrow corridor for the most part than in mixed-use zones.

Outdoor Spaces and Green Elements

Components include:

- Require residential outdoor areas in high-density zones
- Require shared common areas for large sites
- Allow alternatives to conventional landscaping
- Limit large surface parking lots and asphalt paving
- Reduce parking requirements, especially on small sites
- Require Transportation and Parking Demand Management (TDM) in the multi-dwelling zones

Commissioner Baugh: For the TMD plans, how did you arrive at 10 units? It seems like we're going down. TriMet is implementing low-income fares, so a potential resident would be getting paid more than they're eligible for... how does that work?

- Liz: As far as the 10 units, that came through the mixed-use zone project. For the mixed-use zone, we're proposing for market-rate units only. So units that are affordable up to 80 percent MFI are exempt. If there were 40 units (10 IZ), those 10 wouldn't be charged, but the 30 would be charged the \$1100 for the TriMet annual pass.

Commissioner Rudd: To clarify, does the person get handed the TriMet pass, or get the actual \$1100 from property management?

- Liz: In the form of a pass, not actual money.

Commissioner Houck: I'm generally supportive of this section. One thing to think about in east county, where we have park deficiencies, the ecoroof doesn't fully convey what could be done; ecoroofs can be designed more like a small park. So that is a great direction to go to increase surface area that can be used on the site.

Building Design and Scale

Components include:

- Limit front garages and parking along street frontages
- Require building entrances to be oriented to streets or to courtyards
- Require front setbacks that reflect neighborhood patterns and limit privacy impacts
- Simplify side setback regulations and reduce barriers to development on small sites
- Require building height transitions to single-dwelling zones
- Require large building facades to be divided into smaller components

East Portland Standards and Street Conditions

Components include:

- Continue East Portland mid-block areas through requirements for deep rear setbacks
- Require street frontages wide enough for quality site design and to provide space for street connections
- Calculate development allowances prior to street dedication to facilitate street connections

Bill highlighted the differences in many East Portland block sizes, standards and street connectivity compared to the rest of the city. We want to do something to take advantage of their large blocks where we can, so we are proposing ideas to keep the center of the blocks more open through requirements for deep rear setbacks.

Commissioner Spevak: In east county, I like the proposal about counting FAR pre-dedication, but even if you do that, you still lose site area, and developers often flee sites that they have to put streets through on. We won't replicate the close-in neighborhoods in east county. So can we achieve connectivity through narrower, less-expensive ways that may just work for bikes and pedestrians as an alternate approach?

- Denver: We'll get to this, particularly around our desire to make these areas bike- and pedestrian-oriented. This is a good topic to discuss.

Commissioner Oswill: For the rear set-backs, will they be connected spaces, or will they have fences? I think there is an appeal to having the spaces connect.

- Bill: Many times they are separated by fences, but sometimes people have combined. Even if they're not all combined, the effect of the unbuilt space is helpful.

Commissioner Baugh: Does this proposal encourage people to vacate streets first then come back for the dedication? This is a reverse strategy that what we have.

Commissioner Larsell: People like the mid-block open area, but the fencing is an issue. They are also worried about safety taking up residence in these areas.

- Bill: We haven't tried this yet, so we'd have to see. There isn't a requirement for the set-back be publicly owned, and it would still be associated with the housing.

Commissioner Houck: It's unbelievable what a different experience you have in many European cities where you have the open space mid-block. If we can promote this here, I think it's a well-spent effort because it's an incredibly positive impact on the neighborhood.

Biggest hot-button issues we are likely to hear about at the June 12 hearing include:

- Development scale & density
 - Allow greater scale
 - Limit numbers of small units
- Parking
 - Eliminate all minimum requirements
 - Don't allow for reduced parking

Denver provided an overview of PBOT's work on connectivity (slides 63-73) and coordination with this project. These are the tools to complement things we're putting into the zoning code. We're focused on centers, particularly in East Portland where we see lots of multi-family zoning. We've recently published the revised Connected Centers Street Plan.

We are looking at street connections first (before path connections) because with a full public street, we can provide some relief to traffic on arterials, some security (as an overtly public connection), access all hours of the day. With these options, we can phase a street improvement to ultimately get access for all users. One of the most important things for us is to not have barriers getting built. The phasing shows how we can build based on two back-to-back sites (slide 71).

We also are thinking about connections between centers... safe routes to centers connectivity.

Title 33 changes in BHD specific to street connections include:

- BHD Section 33.120.310
 - Reference Title 17.88.040, Connectivity Requirement.
- BHD Proposal 18 & 19 (Section 33.930.025)
 - Calculation of development allowance prior to dedication
 - Establish minimum frontage length (Map 120-2)

Commissioner Spevak: I am still interested in the narrower version instead of a full street build out.

Commissioner Oswill: I would be curious about hearing more about the need for more roads in East Portland. It seems to be in a bit of opposition to the larger block comments earlier.

Commissioner Baugh: Who is making the decision about the process? How does that process work, and how do you prevent someone from gaming the system? I'm also interested in how BES is looking at managing street trees and stormwater in Southwest Portland.

Commissioner Houck: Is there any connection with the BES work on Streets 2035?

- Denver: Yes, we're beginning a process to work through this over the next couple of years with our partners.

Commissioner Larsell: Are you trying to anticipate particular places, and are you letting people know about this? You'll be relying on private property owners.

- Denver: We aren't proposing any changes to current requirements. We're focusing this work in centers. This is in the report.

Commissioner Smith: I'd like to see where the expense related to stormwater fits. With a 52' street, you have the full infrastructure. How do you make this happen as development happens over time (e.g. with 2 adjacent property owners doing two different components)?

Chair Schultz: Intersection between R2.5 and low-end R zones and where these are happening versus R2.5 so I can see the sense in that difference.

Commissioner Spevak: Some of Denver's work actually seems more applicable to RIP than BHBD. So I'm not sure of the interplay between PBOT's project and these 2 zoning updates. I think there may be more opportunity with RIP since there are more areas in East Portland that are zoned single-dwelling residential than multi-dwelling residential.

- Denver: As we're putting the package together, this could be something we look at to apply in other places.

Residential Infill Project

Work Session: Morgan Tracy, Sandra Wood, Tyler Bump

Chair Schultz: At each of the PSC meetings on the RIP proposed draft, we have addressed the potential for PSC Commissioners to have conflicts of interest related to the proposed code changes.

In general, the changes proposed with the Residential Infill Project affect such a broad class of property owners in single-family zones we do not believe they create a potential conflict of interest for PSC members. Still, in the interest of transparency, we have also made the following declarations:

- Commissioners *Oswill, Smith, Baugh* and *Bachrach* do not own properties in single-family zones in Portland.
- All other PSC Commissioners own between 1 and 3 properties that are in single-family zones.

Tonight, I want to add that *Commissioner Spevak* will recuse himself from participation in the deliberations and voting any changes to provisions related to cottage cluster development in the Residential Infill Project. PSC will organize its discussion so all cottage cluster elements will be discussed separately.

Commissioner Spevak has no active projects that would be affected by new cottage cluster provisions, but he has developed this type of project in the past. Again, in the interest of transparency and clear division of interests, he has agreed to recuse himself on this specific part of RIP.

Commissioner Oswill: I recently put in an offer on a home in an R5 zone, so I may be an owner of an R5-zoned property in the near future.

Presentation

Sandra noted we have about 2 hours in this first work session. Thank you for your time for hearing and reading all the public testimony. Today we have a summary of the testimony we received; what the work session topics and schedule is; goals for the project; provide a single-dwelling / multi-dwelling zone comparison; and some time for the economic questions you've asked.

In total, 1,086 pieces of written testimony were received. An additional 139 people testified in person at the PSC hearing on May 8 and May 15, 2018.

The next work sessions are organized as follows (they align nicely with the topics in the proposal):

- June 7: Scale of Houses.
- June 26: Housing Choice.
- July 10: Narrow Lots.

Staff will compile comments and provide a work sheet with options on how to proceed with each topic.

Morgan shared the list of goals PSC members have provided (slide 8). We know these need to nest within the Comprehensive Plan, and we will see some tension between PSC members' goals and possible changes and emphases of the proposal. We want to double-check that this list is complete... is there anything we left out? Things we should elevate? Prioritization we should be mindful of? Is this going to be helpful as a tool to come back to this list during our upcoming sessions?

Commissioner Smith: I am going back to the Portland Plan and the equity umbrella, which is our guiding light for us. I'm trying to figure out where the benefits and the burdens go. People who own property in single-family zones are already at the top of the income strata. Giving more development rights might make those properties more valuable. Displacement is a big risk. The big benefit for RIP is in the middle of the income range.

Commissioner Bachrach: I think Chris' perspective is extremely helpful. If the concept works, it doesn't directly address all of the desirable goals. I know we can't do everything, but if the focus is about middle income, it will create more housing opportunities and options. I think that is a desirable outcome, but it won't be easily achieved. I think to achieve this, I would caution not trying to do everything on the goals list; we'll over-burden the core concept of expanding density and housing opportunities. By creating more housing, even if it doesn't address people at low MFI, do we ultimately help everyone? It's the classic supply and demand concept. I think this is true, but it's sometimes hard to believe.

Commissioner Houck: Globally, I think the goals are all interconnected. I have one specific thing: I hope when we have conversations about lower SDCs, particularly in East County, I hope we understand that we need parks and other infrastructure to go with the housing. Simply providing housing with no access parks is problematic. When talk about waiving SDCs which provide parks we need to know what the implications are.

Commissioner Bortolazzo: I agree it would be good to have a discussion about our core things we want to achieve and then we can narrow it down. Providing more diversity in housing choice is key. Even a small change that works can have a major impact. Some of the things we're talking about were possible until zoning established what we can and can't do. Some of these housing types were legal and encouraged widely in most neighborhoods across the city. We heard lots of arguments about character, but some of the diversity that is there are part of that character. We're not totally trying to reinvent the wheel.

Commissioner Rudd: I agree with the goal of increasing access and making amenity-rich areas more accessible. But I'm also aware of what people in those neighborhoods have said, and we are asking them to accept a lot of changes, so I want to make this work for everyone to the greatest extent. I'm also concerned

about displacement and the a-overlay. People who rent in these areas, sharing and more efficiently using space (e.g. shared kitchens) are things we need to keep in mind as well.

It is true that families were larger in the past, so in some ways, when you had two adults and three kids in a house, you had more people in these areas than you do now. There is opportunity for internal conversions as well as ADUs (or the like) on these lots.

Commissioner Baugh: What we're doing is change, and it is inevitable. Neighborhoods will change with or without this project. We need to use this project with care and dignity; we'll change in a way that respects people's values. Equity in the Portland Plan was a difficult conversation because it was about including people who hadn't had the opportunity to participate in Portland's prosperity before. Today with RIP we have a project that isn't going to serve people of color. Starting teachers in Portland don't make above 60 percent MFI; new firefighters don't either. We're saying these people can't participate in this today. Volume for volume sake isn't affordable. This is like a trickle-down theory of housing. My concern is about how long... and does it even happen when we start in on a new Comprehensive Plan in 2035?

Commissioner Oswill: I was encouraged by the list of goals. If I could make a generalization, we agree with the notion behind the plan, but we have different ideas about what should be tweaked. I think everything is interconnected. Recognizing that new construction won't be affordable, but what can we do to reduce costs and address displacement? What's being torn down to be replaced and why is a big question. Recently we've seen an uptick in how we can incentivize preservation. What can we do to build more units while maintaining the original structure? I'm excited to dig into this. Another component to emphasize is that success isn't just about increasing the number of kitchens and bathrooms... without fundamentally changing the housing stock

Commissioner Spevak: I do think housing does trickle down. Many people who testified about beloved, smaller homes, are describing homes that have become more affordable as they've aged. People getting 'good deals' on rental housing in single family neighborhoods are typically either renting in small plexes, internally-converted homes, or shared "group houses". Plexes and internally-divided houses haven't been allowed to be created in most residential neighborhoods for ~80 years. We do have homes that are housing groups of people, which is great; but they need to have protections like relocation benefits if these houses are taken down. An opportunity is to create a wide range of housing options. Regulated, affordable housing won't have a big role in single-family zones, but less expensive housing can have a bigger role than before.

Commissioner St Martin: This is a great list of goals, and I don't disagree with anything. But it's about sweeping (or not) everything into the pot, so we have to take caution with how this is coming out. Benefits and burdens is a good way for me to process this question. We'll touch all property owners in Portland and asking them to do things some agree with and some don't. So we have to be respectful about how much we put into the pot and how we educate the public. It's real; we're talking about where people live and what they own. I'm very interested in the economics, and I think we're having a difficult time getting to affordable housing in this project. I think concentrating on adapting current structures has lots of value for us. I'm concerned about infrastructure in terms of wanting density without the infrastructure (e.g. streets) to support it. These average homeowners need to be able to take advantage of these opportunities, not just developers. We need to help current homeowners in the smaller houses to stay.

Commissioner Houck: I have lived in a mid-block 4-plex for the past forty years, and that has accommodated a number of people who just got out of college who are now homeowners. To the extent that we can, we need to think about space and not needing larger units for everyone. Our units for example are only 625 square feet which has accommodated couples and singles.

Commissioner Larsell: I'm not sure where I stand yet. I need to be confident that the economics that I accept are the things that drive things. I'm very interested in keeping this a local opportunity... so if people who are redeveloping lots are people who are intending to live and stay there.

Chair Schultz: I absolutely agree this is a middle-housing strategy and creating more housing diversity. I'm still thinking about how to solve for all these different components. Based on some testimony, I want to better understand our co-op rules as a way to save homes... encourage preservation, discourage displacement. Perhaps this is a way/place to encourage people to use larger homes and convert them. I know internal conversions are really complicated based on building codes. Is there any way to make internal conversions affordable? I also am struggling that we haven't addressed encouraging the smaller homes to get built. In other cities, there seems to be a flood of these being built; I'm wondering if it's how and where we've placed our zoning (e.g. R2.5). There's lots of opportunity to use the structure we have (e.g. in East Portland) to create more of this housing stock whereas inner areas are already very built out.

Sandra noted the livability and dignity issues commissioners have brought up. We can add those as part of code simplicity and context on the list, but I think everything else is listed here.

Commissioner Smith: There is the elephant in the room... parking. All these housing types were allowable before 1959, and neighborhoods had more people in them at that time. We've become less dense, and the rate of auto ownership per person has gone way up. We will need to grapple with this, because we won't get all these small units with that opposition about cars. We need to align the small units and less auto reliance... which won't be easy to do.

Commissioner Bortolazzo: This is an opportunity to reflect where society is going. Households are getting smaller, so what worked in the early 20th century is being reversed. So it seems logical to allow for that flexibility for smaller households.

Chair Schultz: Yes, but the one thing to keep in mind is that one person seems to take up more space today than in the past. We can't just go back to the past.

Commissioner Baugh: There is a cost issue here about how we look at costs from a code standpoint. It would be helpful to separate out costs from code standpoint and where that might hurt us somewhere else.

Commissioner St Martin: In Japan, you have to prove you have a parking space before you purchase a car. People do things when they want to park.

Commissioner Spevak: An opportunity to preserve homes is thinking about building more homes on the same lot. This code doesn't quite get us there, and I think that deserves some attention.

Morgan noted the conversation about internal conversions. As part of the Discussion Draft, we did an internal conversion study, and we can send this to the PSC. It does get very complicated with building code requirements, but there are some innovative ideas for dividing up a space.

As we were talking about the BHD project today, Sandra walked through a comparison of single-family and multi-family zoning regulations.

As you are talking about R2.5 in particular, we can use the chart as a tool to see if we have it correct here. Should all the differences be removed? So far we're proposed to retain R2.5 because it's single-dwelling as a townhouse or row house zone. It actually has lots of opportunity for home ownership because lot sizes are

smaller. R2.5 is mapped as a transition from mixed-use and multi-dwelling from a higher single-dwelling to a lower one. In R2.5, the max FAR is 1.0, which is the same as RM1 base, so there is alignment there.

Commissioner Spevak: Thank you for this chart. It makes the case that middle housing takes place between R2.5 and RM1, so that could be an argument to merge them. This is also a good argument to lump all these zones into one code chapter, since there are so many similarities between the zones. Putting them together would provide more flexibility to shift the rules for what's allowed in what zone, without having to default to the break between code chapters at R2.5 – R2/3.

Sandra noted we could add many more rows to this chart, but we tried to pick out the items that are most comparable and important for the housing types we are discussing.

Chair Schultz: It seems like things are not as cleanly aligned any more. So it causes confusion and a tension. Perhaps not calling it a single-family zone might help people to adjust to know that there could be options and variety within these zones.

- Sandra: Yes, this is why I added the density row on the chart. It underscores the fundamental notion that having just a single house on whatever size lot is okay, whereas in multi-dwelling zones, minimum densities prevent this and they have no maximum densities.

Commissioner Baugh: This appears that single-family is evolving to more of a multi-family. But that is a psychological change for homeowners. I don't know if this is the right time to have the conversation with the public about their land. That's a difficult and long conversation.

- Joe: This discussion capsulizes it pretty well. We're moving into liberalizing the single-family options, and the tools are aligning with the ones that are multi-family. We are defining the zoning tools here. If we can define them properly, that will only help. There may be moves down the road that use these tools later (e.g. rezoning).

Tyler provided an overview about what we've talked about and testimony we've heard. About 2 months ago, we provided an overview of the feasibility report on RIP. From the report, FAR is the driver not the allowable density. In general, ownership prototypes did better than rental prototypes. Ownership is driving development because of unit size with the exception of ADUs. We found a lower rate of demolitions overall based on the FAR proposal. When development occurs, more likely to be duplexes or triplexes. Relationship between FAR and unit allowances create a lower price point. What this means is that the price bins that perform best are \$362-\$400,000 per unit within a duplex or triplex. R2.5 saw the highest utilization because of the proposed FAR. The other part about R2.5 is a lower risk for developers because they don't have to do a condo model. Buyers like this because they own their land as well.

Commissioner Smith: What's my economic calculation in terms of building an ADU versus redeveloping the property. On the home equity angle, I'm curious about how much there is out there. Will people be motivated to turn their property into having an ADU to gain wealth? How can we make this happen more frequently?

- Tyler: The 2000 square foot house will likely stay that way because it's likely worth more as an existing house than as a demolition. In terms of ADUs, access to financial resources is a key component. Without financing, you can't build. It's hard to say how much home equity there is. Getting a return is subject to where you're located to achieve rent to pay for your ADU or line of credit. This isn't everywhere, but it certainly is in inner neighborhoods and in parts of East Portland. ADUs have been hard to get a handle on. Recently, the City of Seattle published a report about ADUs on residual values and the impact on demolitions; 2 ADUs make more sense than a demolition. [We will provide a link to this report.](#)

Commissioner Bachrach: The Johnson report says 1250 sf duplex is relatively affordable. But no one really builds a duplex to sell both units, do they? It would be desirable outcome, but if the only way to do this is a duplex, will it really happen?

- Tyler: They mostly happen on R5 on historic narrow lots or through a condo conversion. We see a number of these, particularly on N Bryant between Interstate and Greeley.
- Sandra: Note that two units that share a single lot are a duplex. If each of those units is sitting on a separate lot, while it may look like a duplex, these are called “attached houses”. The proposal is that for historically narrow lots, the units must be attached.

Commissioner Spevak: On the economic analysis, timeline often drives what people build. I studied corner duplexes, where Portland allows builders to either drop a property line in the middle, or you can leave it as one lot and do it as a condo. Until recently, nearly all corner duplexes were created by confirming historic property lines, and sometimes rotating the line by 90 degrees with a PLA. These processes are fast (1-3 months). Homebuilders largely passed on the opportunity to create corner duplexes where there aren't historic property lines available to 'confirm', since they don't want to wait as long as it would take for a minor lot partition (9+ months). More recently, homebuilders are overcoming their reluctance to deal with condo ownership because they want to create corner duplexes but are too impatient to wait out the partition process. So the timeline is one of the drivers. Builders would like to not do condos. I know we can't deal with the partition process, but the influence of timing has a pretty big impact on what gets built. What a builder cares about is how long it will be before they can submit their building permit.

Chair Schultz: Form in East Portland is tied to this question of lot division and making it easier to have smaller lots. It would be interesting to understand how to have that conversation. If we created more R2.5 because we thought that would help create opportunities, that would be a discussion.

- Sandra: In 2002, the land division code rewritten entirely after a 7-year project. Decoupled lot size from density. [The intro to this work could be helpful for you to review](#). The land division process is what *Commissioner Spevak* is referring to. Our proposal about converting some R2.5 is because we're concerned about the rate of change where this platting exists.
- Joe: Another way to get at the lot size question is to change the map.

Commissioner St Martin: Can you refresh us on rental cost stats?

- Tyler: The analysis did pull rents down because unit sizes shrunk proportionally. We are currently seeing a decrease in rents due to lots of construction; it's happening citywide.

Commissioner Baugh: If you're a homeowner, what's the avenue to build 2 ADUs? That bank product, if you don't have the equity... is that to refinance? Are the banks buying in?

- Tyler: Most frequently it's a home equity line of credit. You'd have to know you'd have the rent to pay back the loan when you get the loan. We want to do outreach and education about accessing a loan and the whole process, and we need to have lots of programmatic support to do this. Banks will loan as they would for anything else. This doesn't mean it's financially a good investment.
- *Commissioner Spevak:* Commissioner Eudaly's office has been working on some loan products with Craft3 and PSU about ADUs. [Staff can get information for PSC members about this](#).

Commissioner Oswill: How did the cost of a land division versus the condo process factor into the economic report?

- Tyler: We looked at insurance policies based on housing types. It's a part of the financial pro forma.

Commissioner Larsell: I'm interested in the question of if it makes sense to exclude the areas of East Portland that weren't included in the a-overlay. We heard pushback from some neighborhoods. St Johns was also making this pitch. Also, in East Portland lots of the time the economics does something else compared to

what we see in inner neighborhoods. Is there anything around the fundamentals that is different for East Portland?

- Tyler: We don't look at it at a small scale. In East Portland, sales and rent prices will support new construction at a higher rate than they have before. Supportable sales price versus land value is what the balance is. There are opportunities around ADUs and internal conversions for sure in the near- to mid-term.

We've heard the question about what it will take to increase production of this housing type. The simple answer is to increase FAR. You can go from .5 to .75 and see more uptake of multiple ADUs and triplexes, but unit sizes also get bigger. In terms of the affordability bonus, right now, you get more utilization of FAR but the attractiveness of the bonus decreases. The bonus is marginal; it is mission-driven, mostly for non-profit who want to provide affordable units. It's about a 10 percent increase in the residual land value right now. Affordable housing providers want to provide more units in these zones as well. We haven't seen a level of bonus that will motivate a developer to add an affordable unit as part of this in RIP. The scale of the available bonus in these zones is limited, and that's a difficulty we've had at the staff level.

Commissioner Spevak: Absorption rates... what percentage of new homes are actually being built with ADUs?

- Sandra: **We will get that to you for next time.**

Commissioner Oswill: Can you help us thread the needle to increase FAR (higher uptick) but that causes the cost to increase accordingly. Are there models where you could reduce initial FAR then scale up? Like an initial size allowance would be smaller, and then you'd scale up for each additional unit?

- Sandra: We are proposing an overall decrease. We can add this to the list for the next work session.
- Joe: Affordable housing developer are mission-driven. But we're talking about a single unit. If an affordable housing developer came in to build a number of units, their financing package covers the affordability. But if you're not coming with that type of financing, it's hard to see how that would happen.
- *Chair Schultz:* Yes, so why don't we just allow 2 ADUs as a possibility?

Commissioner Baugh: It seems that the affordable bonus is not driven by creating affordability. It's about a mission to build affordable units, and if you have it, that's what you come to the table with in the first place. The margin is limited. Is there a better model around FAR or something else that gets us more units by right (not necessarily affordable)? If someone wants to build additional ADUs, then great.

Morgan: One of the comments we heard from affordable providers was about looking for a competitive advantage for the same piece of land as a traditional developer. The notion of the additional unit does create a bit of a bonus.

Commissioner Rudd: In terms of financing, I heard about a company that would build the ADU on someone's and rent it. They would then have the option to keep it (buy it and have it remain on the property) or have the company take it away. Does this help get more people have more units like this?

- *Commissioner Spevak:* This hasn't taken off yet anywhere.
- *Commissioner Bachrach:* ADUs are expensive to build, but perhaps over time and with the help of deregulation it may get there as a viable option for creating much more housing.

Commissioner Bortolazzo: Scaling the bonus. How realistic is it to model out some of these scenarios what the uptick and consequences would be? Can we tweak the FAR model to work with different scenarios?

- Tyler: We have a pretty good picture. With multiple units, we have to make assumptions, and that impacts things. But overall to get a high-level picture, we can get that. The geography question affects things as do market change too. The more minute details are difficult to look at, but we can.

Commissioner Smith: One way to get more units is to increase FAR, but this leads to increased price. But what about just more unit? That goes to the mid-block tri and quadplexes. Does that get us more production while keeping prices in the same range? Also, can we score the choices for what the impact on price and production would be?

- Tyler: You can increase units, but that only creates a slight increase in what gets built.
- Morgan: We will provide some responses and highlight impacts at the next work session but not a model analysis on-the-fly.

Chair Schultz: I would love to understand thinking about lot coverage and height instead of just FAR as “the solution” at the next meeting.

Chair Schultz: We can continue to collect responses and questions. Please send those to Julie. Staff will get information out to PSC members prior to the June 7 work session to prepare for that discussion.

Commissioner Larsell: I would love to see something about examples with ranch-style homes as opposed the four-square models.

- Sandra: We do have an **internal conversion example of a ranch home that we'll send before the next meeting.**

Adjourn

Chair Schultz adjourned the meeting at 7:34 p.m.