



[Home](#) / [Council Documents](#)

191202

Emergency Ordinance

*Amend System Development Charge Exemptions Code to waive system development charges for office-to-residential conversion projects performing seismic upgrades (amend Code Section 17.14.070)

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. Since 2015, Portland has faced a housing emergency and needs over 20,000 affordable housing units to meet the current demand. This shortage of all types of housing contributes to our homelessness crisis and the accessibility and livability of the city for all residents.
2. As of January 2023, Portland had committed all the Portland Housing Bond funds, and other City funding for new affordable rental housing is limited.
3. The limited number of housing units in Portland's central city is a contributing factor to Portland's weak downtown recovery from the pandemic. According to a study conducted by UC Berkeley, downtown Portland's recovery ranked #60 out of 62 U.S. cities' downtowns.
4. Through the fourth quarter of 2022, the office vacancy rate in Portland's Central Business District is 25.8% and widely expected to continue to rise as tenants exit leases and down-size their need for physical workplaces in the central city. This vacancy rate is significantly higher than in peer cities like Salt Lake City, Austin, and Nashville.
5. Given post-pandemic hybrid and remote work trends, local office leasing agents predict a continued decline in demand for office space. This reduced demand is especially true of Class B and C office spaces as a continued flight to quality occurs in U.S. city markets including Portland.
6. Many of Portland's fully or partially vacant office buildings were constructed before 1994 and would be required to undergo extremely costly seismic upgrade retrofits to change their use to residential according to the City's building code.

Introduced by

[Mayor Ted Wheeler;](#)

[Commissioner Carmen Rubio](#)

Bureau

[Development Services \(BDS\)](#)

Contact

Andrew Fitzpatrick

Director of Economic

Development - Office of Mayor

Wheeler

✉ andrew.fitzpatrick@portlandoregon

Requested Agenda Type

Time Certain

Date and Time Information

Requested Council Date

March 15, 2023

Requested Start Time

10:35 am

Time Requested

25 minutes (1 of 2)

Changes City Code

7. In the absence of significant financial incentives, office buildings that are otherwise structurally feasible to be converted are unlikely to be changed into residential units, because of the costs of undergoing conversions, especially the seismic upgrade necessary. Without these adaptive reuses of space, office buildings will generally not offer any additional housing and may remain substantially empty without the ability to attract investment for any other use.
8. Other cities across North America, including Calgary, Alberta; Chicago, Illinois; and Washington, D.C., offer public subsidies, tax increment finance district investments, tax incentives, and other types of special permitting or zoning programs to encourage office to residential conversion projects.
9. System development charges are one-time fees that the City of Portland's infrastructure-related bureaus charge for a proposed new use or increase in use of a property that will increase impacts to City infrastructure. Existing office buildings are generally already connected to city infrastructure.
10. Seismic retrofits for buildings will increase their ability to perform in the case of an earthquake, which improves safety for the surrounding neighborhood and rights of way.
11. Converting vacant offices to residential units can contribute to greater vibrancy and livability in the central city and is a more sustainable way of re-purposing old buildings to create needed housing than relying exclusively on new construction.

NOW, THEREFORE, the Council directs:

- A. City Code Section 17.14.070 is amended by adding a new subsection as shown in Exhibit A.

Section 2. The Council declares that an emergency exists because Portland is in critical need of additional housing units and Portland's central city is in critical need of investment into mixed use buildings that address office vacancies and drive vibrancy and revitalization; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

Documents and Exhibits

 [Exhibit A](#) 105.17 KB

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
March 15, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

This legislation is intended to grant system development charge exemptions to qualifying conversion projects as an incentive to undertake financially and structurally challenging projects that can repurpose vacant office spaces and create new housing and mixed-use vibrancy in the central city. This incentive, along with others like it, will drive new investment into vacant and underused offices, create more density in the central city, and contribute to the recovery and revitalization of downtown neighborhoods, small businesses, and public spaces.

Financial and Budgetary Impacts

This exemption is capped at \$3 million per project in exempted amount, and expires in July 2027. It is expected that the average amount of SDC's to be exempted per building will be significantly under the \$3 million cap and that less than 20 buildings total would be financially and structurally feasible to undergo conversions and thus be eligible for this exemption before July 2027.

Community Impacts and Community Involvement

The Mayor's office led a several-months-long consultative process with downtown stakeholders, including neighborhood associations, building owners, multi-family developers, construction and architectural firms, and others. The Mayor's office also worked with Prosper Portland, ECONorthwest and others to analyze the opportunity and the incentives needed to benefit from building conversions.

100% Renewable Goal

Adaptively reusing office spaces is a much less carbon intensive undertaking compared to new construction. Further, adding additional residents to the central city will increase density, better connect people to mass transit, and reduce commuting needs.

Agenda Items

212 Time Certain in [March 15, 2023 Council Agenda](#)

Passed

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Yea