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MEMO

DATE: June 5, 2015
TO: Planning and Sustainability Commission
FROM: Troy Doss, Southeast Quadrant Project Manager (503-823-5857)
CC: Susan Anderson, Joe Zehnder and Sallie Edmunds
SUBJECT: 6/9/2015 Central City 2035 Southeast Quadrant Plan Work Session Packet

The Planning and Sustainability Commission held a public hearing on the Proposed Draft Southeast Quadrant Plan on Tuesday, May 26th. At that hearing, the PSC received 36 comments from property owners and other stakeholders in the district including testimony from eight members of the Southeast Quadrant Stakeholder Advisory Committee. At the work session on June 9th, the PSC is expected to process this input and recommend the Southeast Quadrant Plan to City Council including any amendments or other comments the Commissioners would like to include. In response to questions raised by Commissioners, staff produced two documents:

- This memo addresses questions staff think the PSC might want to discuss at the work session, and
- The attached table includes issues staff think could be reviewed and adopted as a consent package. Please notify staff if you would like to discuss and vote separately on any of these items during the work session.

This memo specifically addresses the following questions raised by PSC members:

1. Should the EOS provisions be amended to allow 5,000 sq. ft. of Retail Sales & Services and 5,000 sq. ft. of Traditional Office uses?
2. Should the EOS be expanded to all IG1 zoned properties in the Central Eastside District?
3. Should housing be allowed as a conditional use at the OMSI Station Area?



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4. Will the transportation strategies of the plan support increased employment densities and also maintain freight functions?
5. Can the parking strategies keep pace with demand?
6. Can TIF funds be used to support Central Eastside businesses?
7. Can TIF funds be used to help provide workforce and affordable housing?
8. Can TIF funds be used to provide structured district parking?
9. Should we include an additional policy to emphasize maintaining the 30% affordable unit target?

1. Should the EOS provisions be amended to allow 5,000 sq. ft. of Retail Sales & Services and 5,000 sq. ft. of Traditional Office uses?

Staff Recommendation: Yes, staff recommends that the PSC adopt the use allowances for the EOS as proposed by the Southeast Quadrant Plan.

During the development of the Southeast Quadrant Plan, Stakeholder Advisory Committee (SAC) members had several lively discussions about the amount of Retail Sales and Service and Traditional Office uses that should be allowed in any expanded EOS areas. Some wanted to retain the existing limitation of the IG1 zone (3,000 sq. ft. per site of combined Retail or Traditional Office with a conditional use allowance to go up to 20,000 sq. ft. per site of each use). Others wanted to expand the existing EOS allowances (5,000 sq. ft. of Retail and 5,000 sq. ft. of Traditional Office per site, with the ability to go up to 60,000 sq. ft. of Traditional Office as a conditional use).

In the end, the SAC endorsed allowing a maximum of 5,000 sq. ft. of Retail Sale and Service uses (a 75% reduction from what is possible in the IG1 zone) and maximum of 5,000 sq. ft. of Traditional Office uses (also a 75% reduction from what is possible in the IG1 zone and 92% reduction from what is possible in the EOS today).

2. Should the EOS be expanded to all IG1 zoned properties in the Central Eastside District?

Staff Recommendation: Yes, staff believes there is a rationale and enough support to expand the EOS as proposed to all IG1 properties in the Central Eastside District.

The EOS expansion boundaries of the Southeast Quadrant Plan were initially a compromise developed with the Stakeholder Advisory Committee (SAC). Some SAC members wanted a very limited expansion just along main street corridors, as they felt many of the IG1 zoned areas east of SE 6th were important to preserve as pure IG1 land. Others wanted to expand the EOS district-wide because these areas are not entirely dominated by IG1 uses. They also believed



that traditional industrial uses in the existing EOS area were not being impacted, and so these concerns were not supported by evidence.

Following the release of the Southeast Quadrant Plan, staff heard from numerous owners of properties within the IG1 areas being excluded from the expanded EOS, stating they also wanted the provision. No owners within areas of proposed EOS expansion asked to be excluded. Based on this and the number of additional parties testifying before the PSC requesting EOS expansion, staff recommends that the PSC recommend expansion of EOS to all IG1 properties in the Central Eastside District and the EOS allowance be amended as proposed by the Southeast Quadrant Plan.

Existing EOS

SE Quadrant Plan Proposal

Expansion to all IG1 Properties



3. Should housing be allowed at the OMSI Station Area?

Staff Recommendation: No, staff believes the analysis conducted as part of the Southeast Quadrant Plan supports not carrying forward the EG zone’s conditional use potential for housing at the OMSI Station Area, and that the higher density and diversity of uses allowed by the proposed EX zoning will allow OMSI to create a successful development pattern. If the PSC would choose to recommend housing be allowed, staff recommends doing so as a conditional use. The criteria should be included as a part of the Master Plan provision proposed in the Southeast Quadrant



Plan and similar to the conditional use criteria for residential uses in EG zones today. Hotels and other lodging facilities will be allowed in this area.

Allowing residential development at the OMSI Station Area was the focus of more discussion than any other issue during the planning process. Those on the SAC representing industrial interests felt that housing did not fit the industrial district in which OMSI sits and isn't consistent with OMSI's role as a museum focusing on furthering education on science and industry. It is also true that considerable existing policies and projects such as the Portland-Milwaukie Light Rail Line have been undertaken with the express purpose of developing the OMSI Station Area for employment purposes. Staff recognize that priorities can and do change and sought to analyze the possible development options to understand what was feasible from a market perspective. In the section below staff have summarized Metro funded research that informed the Southeast Quadrant Plan's proposal for EXd - No Housing. Staff have also provided more details on conditional use criteria for PSC's reference.

Metro Employment Transit Oriented Development / CET Grant

In 2010, BPS was awarded a \$485,000 grant to study the feasibility of developing and implementing a new transit oriented development (TOD) prototype - Employment Transit Oriented Development (ETOD), for the OMSI, Clinton, Rhine and Holgate Station Areas of the new Portland Milwaukie Light Rail project. The OMSI and Clinton Stations were focused on as part of the Southeast Quadrant Plan consistent with this grant.

Unlike traditional TOD, ETOD does not rely on housing to be a driver in the success of a station area, but rather promotes a mix of commercial, office, institutional, and entertainment uses with an intentional urban form that emphasizes ground floor programming to activate and frame the public realm, as the basis for creating a successful station area.

During the development of the Southeast Quadrant Plan transportation and market analyses were conducted evaluating traditional TOD and ETOD approaches. This analysis found the following about housing at the OMSI Station Area:

- **Employment versus Residential Land.** While there is a finite amount of land reserved for industrial and employment purposes in the Central City, there is nearly a 100-year capacity of land zoned to accommodate mixed-use residential development.
- **Transportation Impacts.** Transportation analysis of residential versus commercial office development on the OMSI properties found that residential development would generate approximately 800 more daily trips than commercial office would.
- **Condo Development.** Market analysis determined that the inability to create a critical mass of housing units (2,000 to 3,000 units) within the station area, would likely discourage neighborhood serving retail sales and service uses from locating in the area and would discourage the development of condos whose investors see these conditions as risky.
- **Rental Housing.** Although the market analysis found that rental apartments were potentially viable at the time of the study, this was only possible due to the fact that Capitalization Rates (CAP Rates, which are the rate of return on a real estate



investment property based on the expected income that the property will generate) were at the time at historic lows and even a modest upward shift toward historic levels would make the financial feasibility of apartments unlikely within a year.

- **Compatibility.** The question of land use compatibility will influence the decision to build housing or live in housing close to uses or conditions that appear to be incompatible. As the OMSI Station Area is not contiguous with other residential areas, is partly under I-5 or adjacent to OR-99, and is surrounded by industrial and employment zoned lands and the potential impacts that come with being within an industrial district, it would be difficult to establish housing or a neighborhood setting that is not impacted by these conditions. This is why industrial uses are typically prohibited within areas zoned primarily for residential development.

Existing and Proposed Residential Use Allowances in the EG Zones

Several commissioners asked for more information about conditional use criteria currently in the Zoning Code. As a reminder, the current zoning at the area is a mix of EG1, EG2, and IG1 zoning and has a Comprehensive Plan designation of EG1 and EG2. Housing is a conditional use in the EG zones applicable to the following criteria (Section 33.815.130 of the Zoning Code):

- A. The proposed use will not have a significant adverse effect on truck and freight movement.
- B. The transportation system is capable of supporting the proposed use in addition to the existing uses in the area. Evaluation factors include street designations and capacity, level of service or other performance measures; access to arterials; connectivity; transit availability; on-street parking impacts; access restrictions; neighborhood impacts; impacts on pedestrian, bicycle, and transit circulation; and safety for all modes;
- C. City-designated scenic resources are preserved; and
- D. The proposal is for houseboats or houseboat moorages which will not interfere with industrial use of the waterway or with adjacent industrial uses; or
- E. The proposal is for new development where:
 1. The proposal can be designed and developed so that housing is buffered from potential nuisance impacts from uses allowed by right in the zone; and
 2. The proposal includes a design, landscape, and transportation plan which will limit conflicts between residential, employment, and industrial uses.

Although there is the ability to pursue housing currently in the EG zones, the recent Economic Opportunities Analysis (EOA) adopted by the Planning and Sustainability Commission proposed to amend the use allowances of these zones as follows:

Reduce retail and remove residential use allowances in General Employment (EG) zones.

Concept options:

- **Prohibit residential uses in General Employment (EG) zones.** *The Southeast Quadrant proposal is consistent with this proposal.*



- **Reduce retail allowances from 60,000 to 20,000 square feet per site in EG zones.** *The Southeast Quadrant proposal would limit Retail Sales and Service Uses to 40,000 sq. ft. per site to limit large format (“big box”) retail; however, the approach of the Southeast Quadrant is similar to this direction.*
- **Change offices from a limited/conditional use to an allowed use in EG zones.** *In the Southeast Quadrant proposal, all office development is an allowed use at the OMSI station.*

4. Will the transportation strategies of the plan support increased employment densities and also maintain freight functions?

Staff Recommendation: Yes. The plan recommends a number of infrastructure improvements that will specifically enhance freight mobility, while increasing off-street parking supply and decreasing conflicts between freight and other modes that are also used by district employees.

By 2035, the proposed land use changes are projected to add 2,180 new peak-hour vehicle trips throughout the district over what is projected to occur if today’s zoning continued. This relatively modest 14% traffic increase due to the proposed zoning is not expected to result in significantly more congestion. Thus, known or anticipated problem spots, such as the southern end of the MLK/Grand couplet, Powell Blvd, and the Morrison Bridge ramps, are not projected to become significantly more congested under the proposed land use changes. The total length of streets experiencing peak-hour congestion as a result of EOS expansion is expected to increase by about 1%. The primary explanation for this is that portal routes into and through the district such as MLK and Grand are regional systems, and congestion on these routes today and in the future is largely due to growth that is occurring throughout the region more than growth within the Central Eastside itself.

The travel demand model used to project traffic demand shows a combined auto mode split for commute trips (drive alone and carpool) of 78% in the 2010 base year, with a projected reduction to 48% in 2035. The biggest shift comes from commuters switching from drive alone trips to transit and bicycle trips. While this is an aggressive target, major infrastructure investments (Milwaukie light rail, the streetcar loop, Tilikum Crossing and associated bicycle routes) will greatly enhance bike and transit access to the southern end of the district, where the most job growth is projected.

The Plan focuses on two main concepts: 1) improving freight movement on key routes and at known congestion points, and 2) improving existing bicycle routes that will attract cyclists, provide more predictability for all users and thereby reduce conflict points with freight.

Freight Movement

There are several areas within the district that see traffic congestion during peak travel times. In particular, crossing MLK/Grand can be problematic for trucks, automobiles, cyclists, and pedestrians alike. One primary cause is the conflict between “through traffic”, vehicles



passing straight through an intersection, and those vehicles trying to make a left turn. In some cases, only one vehicle can make a left turn during a signal cycle due to the number of vehicles heading through the intersection in the opposite direction.

Exacerbating the problem is the Central Eastside's relatively small block size, which provides minimal storage space for left turning vehicles. This frequently happens both at Clay St and Stark St. Traffic from the west has limited options to cross MLK/Grand, as there are only three traffic signals (the third is at Taylor). The freight system proposals will provide more options for traffic to cross the couplet and improve operations at existing signalized intersections. Additional signalization at Water Ave at I-5 and at Powell and Milwaukie will improve access into the district from the regional system.

Bicycle Routes

SE Salmon St is a key bikeway from Mt. Tabor to the Eastbank Esplanade, but there are no traffic signals at the busy MLK and Grand intersections. As a result, cyclists tend to use Taylor, which has signals, to cross the couplet. Providing this key infrastructure on Salmon will de-emphasize Taylor and thereby reduce conflicts, particularly in the vicinity of 10th Ave (a property owner testified at the hearing about this location). A similar situation occurs on Ankeny, where we are proposing a new signal at MLK. This will allow cyclists to easily continue on Ankeny and use 3rd Ave to access the bridge westbound, in contrast to the current situation, where cyclists must meander to Couch St and ride in mixed traffic to get on the bridge.

Loading

Loading is a separate but related issue. Staff heard throughout the process that potential conflicts between loading and bicycles are a concern. The proposals in the plan are intended to improve existing bicycle routes and thereby de-emphasize other streets, such as SE Taylor, as routes for non-local bicycle traffic. In addition, PBOT is beginning a study to look comprehensively at loading needs throughout the district and recommend policy and programmatic changes. This study, scheduled to begin in fall 2015, is a direct result of feedback from SAC members.

5. Can the parking strategies keep pace with demand?

Staff Recommendation: Yes. The Southeast Quadrant Plan will open up thousands of additional spaces in the near term and calls for new off-street spaces to be provided at pace with new development.

The mode shift away from auto to more transit and bike use is an important element of the overall parking management strategy. Assuming the overall parking system is managed to 85% occupancy, projected employment growth under the expanded EOS will produce a parking deficit of about 1,100 spaces at current mode splits. A 30% reduction in auto commute trips results in a surplus of approximately 4,000 parking spaces. However, this analysis has three main limitations: 1) it only accounts for employment growth; 2) it does not account for



redevelopment of surface parking lots and the resulting reduction in parking supply, and 3) it assumes regulatory barriers that inhibit the most efficient management of the parking system (85% overall occupancy at peak times) are removed.

To ensure that there is adequate parking in the district now and into the future, staff propose a series of immediate, near- and long-term actions. The overall goal is to maximize use of existing on and off-street supply in near term, incent development of off-street structured parking in mid-term, support development of district parking facilities as densities and economics of such parking become feasible.

Immediate Steps

1. Adopt a 2-year shared parking pilot program that allows monthly parking contracts between owners of legal off-street parking and employees, business, and residents of the district. The program would be established by PBOT and sunset upon new shared parking regulations adopted into Title 33 as part of Central City 2035, based on lessons learned from pilot study.
2. Adopt a 2-year off-street district parking study on ODOT Blocks. Parking would be managed by PDC and would determine demand and utilization rates for permanent district parking facility that could be developed as part of redevelopment of ODOT blocks by PDC.

Explanation: There are approximately 460 parcels with some off-street parking throughout the district, ranging from only a few stalls to over 400, with a median value of 20. Most of this parking is limited to accessory use under the Zoning Code. As a result, a property owner with excess parking is prohibited from allowing an adjacent business to use the parking. The 2012 *Central Eastside Parking Management Plan* conducted an occupancy survey, which found only 60% off-street occupancy during the peak hour (noon - 1 PM). This represents over 3,300 unused stalls. This restriction results in an over-reliance on on-street parking for employee use, and in many parts of the district, on-street parking is at capacity during peak hours. Throughout the District, 3,833 on-street spaces are signed for use by permit holders (permit holders may exceed the posted time limit; anyone may park up to the posted time limit, which is 2 or 3 hours). However, in the current permit year, which began on April 1, 2015, approximately 6,600 employee permits have been issued to district employees (96% of all permits issued so far have been to employees; the remainder were issued to residents and guests). Since the total supply of on-street parking is mostly constant, using off-street parking more efficiently is essential. *Ordinances are currently being drafted for these two project and will be included along with the Recommended Southeast Quadrant Plan in the materials for City Council to consider.*

Near-Term Steps

1. TR1 - Amend the Zoning Code to allow for shared use of off-street parking facilities for employees and residents of the Central Eastside District. Investigate potential for parking for customers.
2. TR2 - Explore tools that developers can use to pay for the construction of centralized structured parking where projects cannot feasibly provide on-site parking.



Explanation: The concept that emerged through this process would allow owners of existing parking lots to sell monthly permits to employees and residents of the district. Hourly and daily parking would be prohibited. This would be modeled after a similar provision in the Northwest Plan District, where operators of off-street commercial parking are required to demonstrate that they are complying with the terms of the Code. Further, by placing reasonable restrictions on commercial parking allowances, we will prevent parking lots from becoming an industry itself in this district. The Southeast Quadrant proposes the parameters by which this program would be run. Specific code language will be developed as part of PBOT's Central City Parking Policy Update. The PSC will have the opportunity to weigh in on code language once it has been developed.

Long-Term Steps

1. New Action: T26 - Develop a district parking facility at ODOT Blocks, if demand and financial support for project exists. See "Can TIF Funds be used to provide structured district parking?" below for more details.

6. Can TIF Funds be used to support Central Eastside businesses?

Staff Recommendation: Yes, TIF is currently used in this way in the Central Eastside Urban Renewal Area.

At the May 26th hearing, commissioners asked a number of questions related to the use of tax increment financing (TIF) in the district and opportunities to utilize TIF for a number of different purposes. Staff from the Portland Development Commission (PDC) have provided the following responses on TIF use in the Central Eastside Urban Renewal Area. While PDC has not done a formal displacement risk analysis, with inquiries for our financial assistance, we take long-time property ownership and equity benefits into consideration for PDC dollars.

The Central Eastside URA includes funding for the following programs that would support and help retain district businesses:

- For small businesses we offer Storefront Improvement Grants that assist businesses and property owners with storefront improvements for their commercial and industrial spaces.
- For expanding businesses, we offer loans that can be used for primarily for tenant improvements and Economic Development Administration (EDA) funds for working capital and equipment.
- For businesses and property owners, we offer programs that assist in redevelopment opportunities. Development Opportunity Study (DOS) grants assist property owners with evaluating development options for underutilized sites and Commercial Property Redevelopment Loans for the acquisition of property as well as tenant improvements
- PDC's Strategic Sites efforts, (e.g., ODOT Blocks and other sites), focuses on redevelopment that includes bringing to market commercial and industrial space that



meets the intention of the Southeast Quadrant planning process such as ground floor industrial with industrial office above.

7. Can TIF Funds be used to help provide workforce and affordable housing?

Staff Recommendation: Yes, TIF is currently used in this way in the Central Eastside Urban Renewal Area.

The proposed re-zone of the Clinton Triangle area to EXd provides potential for housing at that location. PDC funds are being used for PHB affordable housing projects in the Central Eastside including the St. Francis project which will soon begin construction. In addition to the Clinton Station Area, workforce housing projects may be developed in EX areas along MLK/Grand and adjacent to transit opportunities.

8. Can TIF Funds be used to provide structured district parking?

Staff Recommendation: Yes, TIF is already budgeted for use to provide structured parking as part of the redevelopment of the ODOT Blocks.

PDC has had conversations with PBOT and district stakeholders about meters and parking fees in the district. We are aware that the market dynamics need to change both for on-street and structured parking. The Central Eastside URA includes budget for District Parking (i.e., public parking structures). PDC intends to include district parking as a component of the anticipated redevelopment of the ODOT Blocks, currently under acquisition by PDC from ODOT.

9. Should we include an additional policy to emphasize maintaining the 30% affordable unit target?

Staff Recommendation: No, we believe that the Central City-wide policies recently adopted by the West Quadrant Plan combined with new policies specific to the Southeast Quadrant should ensure this issue is addressed.

The Planning and Sustainability Commission and staff worked to establish strong and meaningful affordable housing targets for the Central City as part of the West Quadrant Plan process. This work has already been incorporated into the West Quadrant Plan and as policies in “Chapter IV - Central City Policies and Actions” of the Southeast Quadrant Plan. Staff therefore feel that the topic is adequately addressed and further policies and actions would not further the goals of this work at this time.

