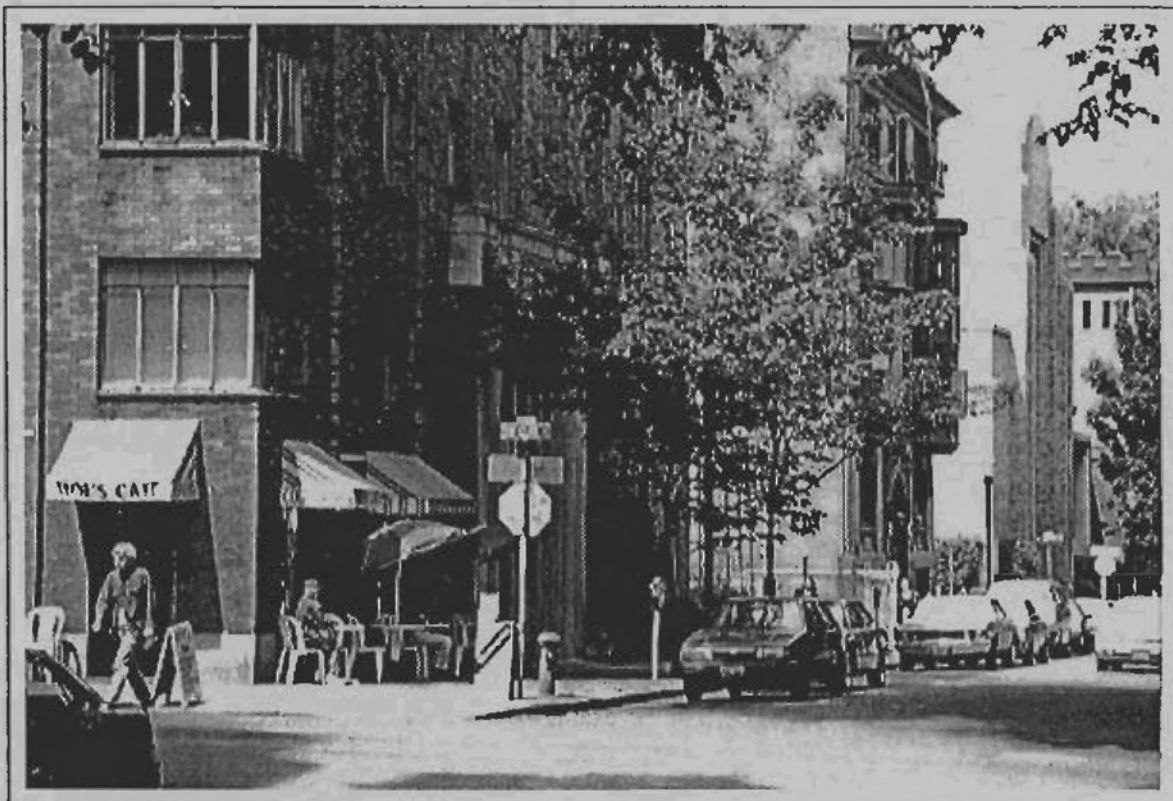


CENTRAL CITY PLAN HOUSING REPORT



July 1994
Bureau of Planning
City of Portland, Oregon



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*Prior to his untimely death, Mr. Siddall prepared this draft report. Mr. Siddall and Mr. Bello also collaborated in preparing the Central City Developers' Handbook.

Central City Plan Housing Report

Introduction

The City of Portland Comprehensive Plan calls for a diversity in the type, density and location of housing within the city at appropriate prices and rent levels. The Central City plan, adopted in 1988¹, calls for 5,000 new housing units by the year 2010 in order to maintain the core as the region's principal high density housing area. Central City housing has been promoted through the use of tax abatement and other financial incentives as well as land use regulations.

Housing is a critical component of a vital urban center. The City of Portland's goal in promoting housing development near downtown jobs is to reduce the auto commute and thereby reduce energy use and urban sprawl. Also, people living within the Central City support a broad range of retail activities. Their presence encourages activities and services to be available beyond the regular working hours. And, the presence of a residential community improves security by providing "eyes on the street" 24 hours a day.

The City's strategic plan, *Portland Future Focus*, established a goal for the City to capture 20% of the region's projected growth of over 500,000, or up to 50,000 new housing units.

At the time of adoption of the Central City Plan, approximately 23,000 people lived in the Central City and inner-city neighborhoods surrounding the Central City. About 14,000 people lived in the downtown, north of downtown and Goose Hollow areas. There were approximately 15,500 housing

units in this larger area and 9,900 housing units in the smaller area.

From 1970 to 1990, the rate of population growth has exceeded the rate of housing production. This is likely due to the estimated loss of 1,337 low-income units (primarily SROs) in downtown from 1978 to 1988. To counter this loss of low-income units, the City has assisted in the production or rehabilitation of 480 units for low-income households through 1993. An additional 512 units are programmed for construction by 1995. The Downtown Housing Policy (1979) called for a minimum of 5,183 low-income housing units as existed in 1978. In addition, housing production efforts during the last ten years have focused on newly constructed middle-income projects which are more likely to house more than one tenant per unit. The following tables indicate the estimated number of housing units in west side census tracts within the CBD².

¹This report is intended as a status report on the housing policy element of the Central City Plan. While the plan anticipates annual progress reports, it also calls for 5-year reports. At this writing it is now the sixth year since the plan's effective date of July, 1988.

²Figures for census tracts 51, 52, 53, 54, 55, 56 and 57. Census tracts 11.01, 11.02, 21, 22.02, 23.02 and 24.02 are eastside tracts and most of the population resides in eastside residential neighborhoods such as Kerns, Buckman and Hosford-Abernethy, which are not part of the core real estate market.

Table 1

**Estimated Population
Downtown, North Downtown, Goose Hollow
1970, 1980 and 1990**

1970	1980	Change 1970-1980	1990	Change 1980-1990	Change 1970-1990
13,028	12,929	-99 (-7%)	14,301	+1,372	+1,273 (+10%)

Table 2

**Estimated Housing Units
Downtown, North Downtown, Goose Hollow
1970, 1980 and 1990**

1970	1980	Change 1970-1980	1990	Change 1980-1990	Change 1970-1990
9,274	10,766	+1492 (+16%)	9,902	-864	+628 (+6.8%)

Housing within the Planning Context

With the adoption of the Central City Plan in 1988, and the forthcoming Central City Transportation Management Plan, expected this year, the City has put in place land use regulations which are intended to encourage development of additional Central City housing. These include:

- Reserving land zoned RX (Central Residential) and RH (High Density Residential) for high-density housing development;
- Allowing housing as a permitted use in all commercial zones and the Eastside Central Employment zone;
- Allowing housing through the conditional use process in remaining employment and

industrial zones.

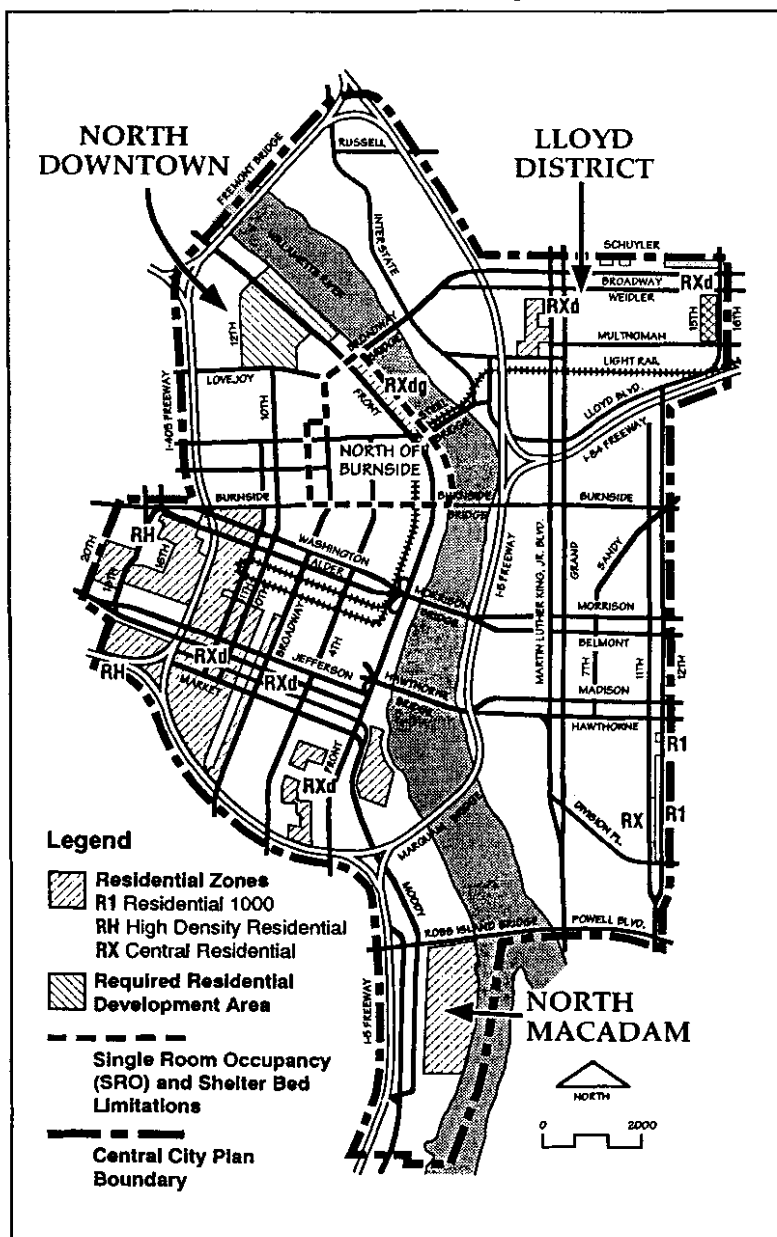
In addition, the City has designated sites as "Required Residential Development Areas." In these areas, new development and major remodeling projects must include housing at a minimum rate of 15 units per acre. The required housing may be in either a single use or in a mixed use building or project. (See Map 1)

As well as requiring minimum housing in these areas, the City grants a floor area bonus in the Central Commercial and Central Employment zones for projects which include housing. For each square foot of floor area developed and committed to housing, a bonus of one square foot of additional floor area is earned up to a total floor area ratio of that permitted in the

district plus an additional 3:1. The additional floor area may be used entirely for housing or up to two-thirds of the additional bonus may be for nonresidential uses.

Certain areas have been designated Residential Bonus Target Areas. In these areas, a Residential Bonus Floor Area Ratio of at least 1.5 to 1 must be earned before the project qualifies for additional floor area on the basis of other amenities provided.

**Map 1
Residential Zones
and Special Housing Regulations**



Incentives

City goals, policies and regulations to encourage Central City housing are not sufficient in themselves to actually build housing. The City has employed a number of strategies to assist in the development of additional Central City housing to achieve project feasibility. Recent financial analyses undertaken for the City indicate that a \$4,000 to \$15,000 public subsidy is required to finance a four-story wood frame building with structured parking¹. These range from actual land acquisition and development of the necessary public infrastructure; to financial assistance to developers in the form of grants, low interest loans, and property tax abatement. Table 3 illustrates the types of assistance which were employed in order to develop several Central City housing projects constructed since the adoption of the Central City Plan. Only one project, the Goose Hollow Apartments, did not benefit from public subsidy. Most projects have benefited from property tax abatement and most projects also benefited from redevelopment agency financing assistance in the form of low interest loans and/or grants. A variety of other public strategies are also employed, as illustrated by Table 4.

Tax increment financing is no longer a viable approach as this funding mechanism falls within the voter-approved Measure 5 property tax limitation passed in 1990.

¹Portland Future Focus, Growth Management Committee, "Transit Oriented Development in the Portland Metropolitan Area," p. 6

Table 3

**Recently Constructed Housing Projects (1988-94):
Central City Plan, and Project Assistance**

PROJECT NAME	Number of Units	Year Complete	Zoning	PUBLIC ASSISTANCE*								
				Land Acquisition/ Land Write-Down	Site Control	Public Infrastructure Investment	Redevelopment Financing Loans/Grants	Equity Partnership	Tax Exempt Bonds	HCD Money/ Other State/Fed. \$	Federal Low-Income Housing Tax Credit	Tax Abatement
Completed Projects Middle and Upper Income												
Gallery Park	31	1988	RX				●	●				●
South Park Square	191	1988	RX				●	●	●			●
Irving Street Lofts	77	1989	EX									●
Everett Station Lofts	47	1989	CX				●			●		●
Goose Hollow Apartments	30	1989	CX									
Honeyman Hardware Lofts	110	1990	CX									●
Riverplace Apartments (Phase II)	108	1991	CX	●		●						●
725 Flanders Street Lofts	25	1991	CX		●		●	●				●
Essex House	156	1992	CX	●			●					●
City Lofts	13	1993	EX									
Hoyt Street Yards	100	Under Const.	EX									
Subtotal	888											
Low-Income and SROs New/Renovation												
Foster	96	1990	CX								●	
Henry Building	153	1990	CX		●		●				●	●
Golden West	76	1991	CX				●				●	●
Alder House	132	1992	RX				●			●	●	●
Shoreline	62	1992	CX		●		●			●	●	●
Sally McCracken	95	1992	CX		●		●			●	●	●
SW 12th Avenue Terraces	118	1994	RX		●		●		(State)	●	●	●
St. James	122	1994	RX				●		●	●	●	●
Morrison Park	60	1994	CX							●	●	●
Swindells (Broadway)	105	1994	CX							●		
Subtotal	1,019											
Total 1988-1992	1,907											

* Funds for several of these forms of assistance came from tax increment financing.

Table 4

Proposed Housing Projects:
Central City Plan, and Project Assistance

PROJECT NAME	Number of Units	Year Complete	Zoning	PUBLIC ASSISTANCE									
				Land Acquisition/ Land Write-Down	Site Control	Public Infrastructure Investment	Redevelopment Financing Loans/Grants	Equity Partnership	Tax Exempt Bonds	HCD Money/ Other State/Fed. \$	Federal Low-Income Housing Tax Credit	Tax Abatement	
Middle Income Projects													
Railway Bldg. (First Ave.)	12	1993	CX				●						
Multnomah Hotel Conversion	280	NA	CX							●			
Park Place Apts.	323	NA	RX				●	●					●
Riverplace (Phase II)	222	NA	CX	●		●	●						●
Riverplace Townhomes (phase III)	182	1995	CX	●	●	●							●
TN Building Conversion	126	NA	CX							●			
Waterfront at John's Landing	337	NA	CX										
Subtotal	1,482												
Low-income and SROs													
Courthouse Replacement #1	90	Start 1994	RX							●	●	●	●
Courthouse Replacement #2	100	NA	NA							●	●	●	●
United Way (Rothchild)	110	NA	CX				●				●	●	●
Pine Street	120	NA	CX								●	●	●
SW 13th and Market	92	Start 1996	RX							●		●	●
Subtotal	512												
Total 1988-1992	1,994												

Notes: 1. Specific assistance packages have not been determined for most of the above projects. The tools listed are those which would most likely to be used on a particular project.

2. The Courthouse Replacement housing (190) units does not represent any increase in housing units as the housing is intended to replace the housing which will be lost with the demolition of the Hamilton Hotel (150 units) and the Lownsdale Hotel (48 units). So the net increase in low-income and SRO units would be 724 units rather than 914 units.

3. The above proposed projects do not include:
 a) Possible housing in the PDI plan for the Lloyd District. Up to 1,150 new housing units.
 b) New housing in the "River District." The vision for this district mentions 10,000 possible new housing units. Plans for the Union Station Redevelopment Area alone call for 500 to 1,000 new housing units.
 c) Possible housing in the North Macadam area, other than the 337 unit Waterfront at John's Landing Project.

Currently Proposed Projects

Table 4 lists housing projects which may be built in the next five years. These projects range from developments which are actually under construction to projects which have yet to receive specific approvals. If all currently proposed Central City housing projects were constructed, the City could expect an estimated 1,200 new middle and upper income units and some 400 low-income units. As 190 of the low-income units would replace units lost to the federal courthouse being built on the Hamilton Hotel site, the new potential increase totals 710 units.

In addition to these specific projects, large areas of the city appear ripe for redevelopment:

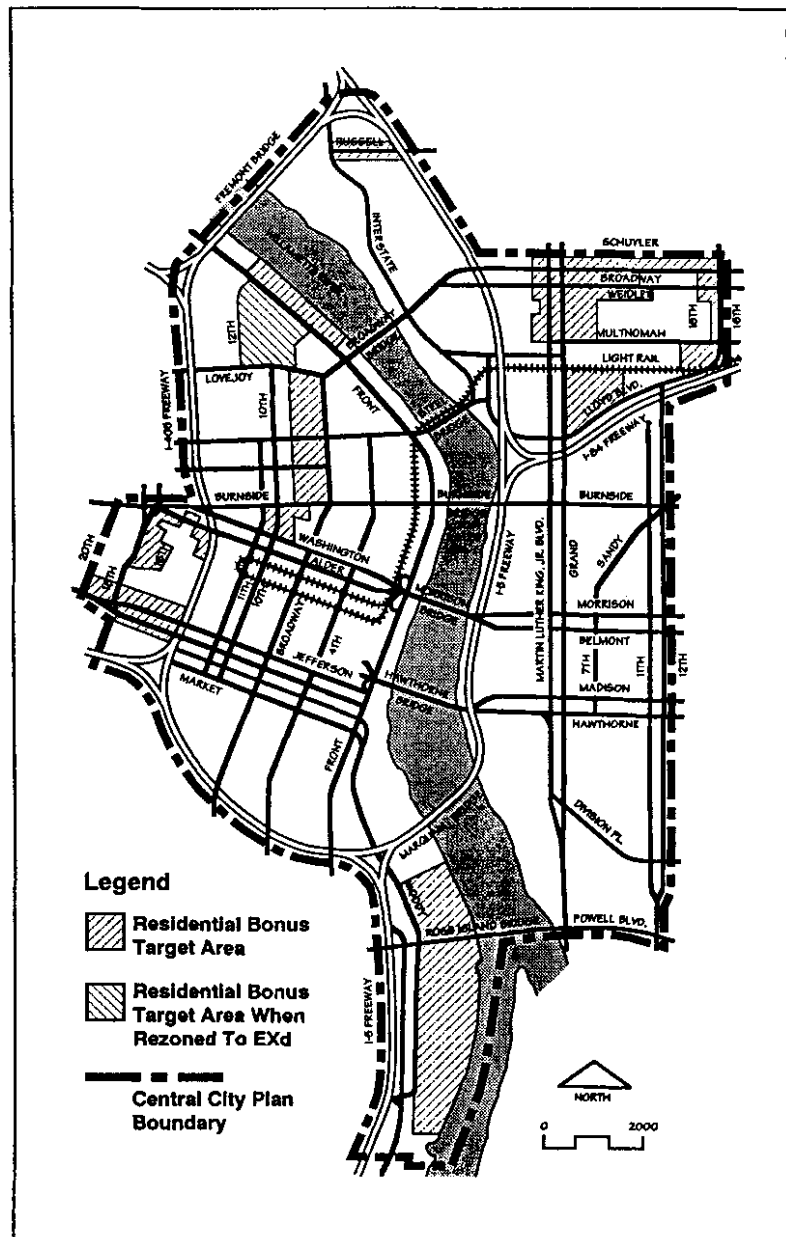
1. The Council has recently adopted a development strategy for the River District in North Downtown, an extensive redevelopment of unused railyards in North Downtown. The Port of Portland and the City of Portland (the Union Station Redevelopment Area) own part of the site. A goal of 5,500 units has been programmed for the project, including 600 units for the Union Station area. Private parties are now constructing the first 27 of the approximately 125 units approved by the City. Large-scale redevelopment of the area requires major public investment, most notably, "daylighting" Tanner Creek (the creek would no longer flow underground through a culvert) and removing a part of the NW Broadway viaduct.

2. The Pacific Development Corpo-

ration, Inc. (PDI) controls extensive properties in the Lloyd District. The rerouting of NE 15/16th Avenue south of NE Broadway creates an opportunity for high-rise housing adjacent to Lloyd Center. PDI's framework plan calls for up to 1,150 new residential units by the year 2000.

3. Much of the North Macadam District consists of under-utilized properties pres-

Map 2
Bonuses in CX, RX, and
EX Zones



ently used for industrial and storage uses. The Central City Plan calls for the development of this district as a *"mixed-use neighborhood with significant residential development along the river bank..."* Central City Plan District zoning designates over 40 acres as Required Residential and much of the remainder of the area is designated as Residential Bonus Target Area.

In 1992, the City Council adopted Special Design Guidelines for the North Macadam District including district policies, goals and objectives. Currently, eleven of the major property owners in the area have formed an organization named the North Macadam Development Council. The Council has recently sponsored the preparation of a work program for a major development plan for the area. Preparation of the plan is expected to be financed by a similar public/private partnership to that used in the planning work in the River District.

Redevelopment within the area will likely require major public investment in new infrastructure—water, sewer, streets and street lighting, parks and open space. Difficult access limitations to the area will also require highway and transit improvements. At this time, the region is considering potential routes for the Portland to Milwaukie light rail line. North Macadam could possibly be served by a route on the west bank.

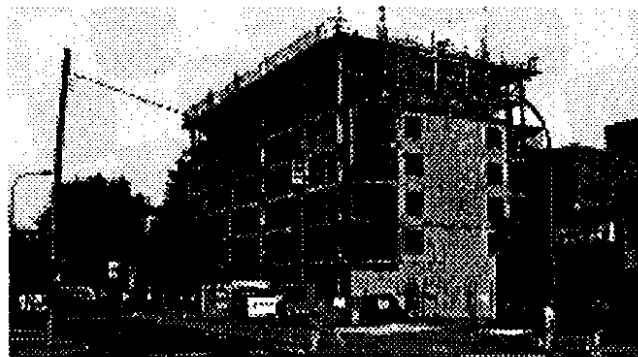
While there are no plans identifying a specific level of housing for the area, the Bureau of Transportation has estimated that the district might accommodate 1,500 new housing units.

Summary

The City now employs several strategies to preserve existing Central City housing and promote new housing construction. These include:

- Downtown Housing Preservation Program, a program to rehab and/or build new low-income housing downtown.
- Specific policies to encourage housing, including the Central City Plan, the Central City Transportation Management Plan, and the proposed Livable City Housing Initiative;
- Land Use controls to encourage housing including residential zoning, required housing in other zones, and floor area bonuses for housing;
- Land acquisition, site control and public infrastructure investment; and
- Financing assistance including equity partnership, direct loans and grants, federal tax credits and property tax abatement.

The rate of new Central City housing construction which these strategies helped produce is on target with the Central City Plan goal of 5,000 new housing units by the year 2010. However, new and more ambitious public goals are now suggested to fulfill the need to create more housing in a compact, transit supportive, and lively urban core.



Appendix 1

City Assistance Programs to Help Provide Central City Housing

The following discussion relates to the headings used in Tables 3 and 4 which list the various types of assistance programs for the construction and rehabilitation of Central City housing. Table 3 also shows which recent projects have utilized what of public assistance.

Land Acquisition

Land acquisition involves outright ownership of the site by the Portland Development Commission (PDC). Acquisition is reserved mainly for large projects because it is costly. It is necessary for large projects, however, to ensure assembly of all the necessary properties when they are in multiple ownership. Outright acquisition also facilitates proper planning and the provision of adequate infrastructure (transportation, utilities, parks, etc.) for large projects.

Direct acquisition was used originally in the South Auditorium Renewal Area and has been used in the South Waterfront (Riverplace) and Union Station Redevelopment Areas. It was also used in the case of the two and one-half block Olympia and York mixed-use project which includes the Essex House apartments.

Land Write-Down

When Central City land is used for housing, its re-use value will likely be less than its fair market value. As a result, when PDC acquires property, land write-down usually takes place with the transfer of ownership.

Site Control

PDC may negotiate a sales agreement and/or obtain an option to purchase and then assign the actual acquisition rights to the developer, which may be either a private developer, as in the case of the South Park Square Project, or a nonprofit as in the case of the Henry Building.

The advantage of obtaining site control, as opposed to outright ownership, is that it involves less public money and development controls can still be placed on the site. The selected developer takes ownership of the site with the development controls in place.

Public Infrastructure Investment

When there is a large project and a site where there is currently a lack of adequate infrastructure, then public capital improvements to the site are necessary to encourage investment and redevelopment.

The Water Bureau, the Bureau of Environmental Services, Parks and Transportation, as well as PDC, may provide site and off-site improvements. The South Waterfront Redevelopment Area (Riverplace) has required extensive public infrastructure investment and additional investments will be necessary to complete the South Waterfront development. In addition, extensive public improvements will be necessary for the development of the River City project, north of Downtown, and the North Macadam area south of downtown. In the case of these two large projects, local improvement districts may help finance needed improvements.

Redevelopment Financing

PDC makes direct loans or grants to housing projects to encourage housing construction in renewal districts. Typically in such housing projects, PDC will make a below market rate loan of up to 30 years. The rate will vary depending on the loan program. In the case of nonprofit housing projects, the loan might be as low as zero percent. In a few cases, PDC has made outright grants to projects due to unusual circumstances; however, this is not a typical approach to financing.

All of the Central City low-income housing projects built in the last five years, as well as most of the middle income housing, have been financed partly by PDC loans and grants. Such assistance is also planned for a number of proposed projects, but future funding is dependent on maintaining existing budgets.

Equity Partnership

Low interest loan rates reduce the risk for the private developer and, in the case of middle income housing projects, the loans include a provision for equity partnership.

When market rate housing projects receive redevelopment financing, the terms and conditions specify that the City receive a share of the net cash flow and sale proceeds of the project. When the projects are particularly successful, the City then receives additional income on its investment.

Tax Exempt Bonds

The City has the authority to issue Industrial Revenue Bonds for rental housing. The City is the conduit agency, not the actual bond issuer. The bonds are backed by the revenue stream for the project plus any revenue enhancements or guarantees re-

quired by the bond purchasers.

Such bonds can be used for both low and mixed income housing projects, but in the case of mixed income projects, a minimum 20 percent of the units must be dedicated to low-income households.

Tax exempt bonds have not been used extensively in financing Central City housing projects because:

- 1) The issuance costs for the bonds are expensive. It is usually not feasible to use the tax exempt bond financing unless the project is at least a \$3 million project.
- 2) In 1986, these bonds became subject to additional legal restrictions.

South Park Square is the sole example of use of these bonds in the Central City. However, several currently proposed low-income housing projects anticipate using tax exempt bonds.

Housing and Community Development (HCD) Funds

Each year the City receives Community Development Block Grant funds from the federal government for a broad range of purposes. The bulk of the funds is used for housing loans. The City has historically tried to use these funds outside of urban renewal areas and to use tax increment funds to finance housing projects within renewal areas. As a result, HCD funds have been rarely used in the Central City.

State Loans and Grants for Housing

There are number of State housing loan and grants programs offered on a competitive basis. The programs change over time and they have not been very significant as far as Central City housing except in the case of

housing for the elderly and disabled. State funds have used to assist several such projects.

More significant has been the Oregon lender Tax Credit Program which is a subsidized interest rate program giving private lenders a State tax credit based on a reduction of the interest rate.

Federal Programs

The most significant federal program is the Section 8 rent certificate for low-income rental housing program. The rent certificates are provided through special HUD grants. Although HUD may also directly help finance projects, this has not occurred.

Tax Abatement

Within the Central City Area, the City administers these programs which facilitate housing production through limited tax abatements.

New Construction of Multi-dwelling Housing in the Central City

This program provides limited ten year exemption on the value of newly constructed apartment structures. The value of the land on which the new multiple-unit structure sits and the value of improvements which are not part of the new structure and do not provide a public benefit are taxable. Projects must have ten or more units. There are no income or rent restrictions per se, but one or more of the required public benefits may be a reduced rent.

The **Rental Housing Rehabilitation** program was created in 1975. It offers a property tax exemption on the additional value of rehabilitation improvements to rental housing that are made to meet City housing

codes. Upon application and successful completion of the rehabilitation work, the tax assessment is based on the value of the year previous to rehabilitation. Historically, the program has been used primarily for low-and moderate-income housing rehabilitation, but there are no income restrictions. (However, in return for the exemption the annual rate of return from rental income is limited to 10 percent.)

The **Tax Abatement Program for Eligible Historic Landmark Structures** grants a 15-year tax value freeze for rehabilitated landmark structures. The special assessment is granted by the State Historic Preservation Office (SHPO). This program has aided the construction of the Honeyman Hardware lofts, the Henry building, the Sally McCracken residential hotel and the Golden West residential hotel. The tax abatement program for eligible landmarks is currently suspended pending reauthorization by the 1995 legislature.



Appendix 2

In addition to housing production, the Central City Plan Housing Action Chart called for ten nonbinding proposals for action. The following chart indicates the status of each proposal action.

No.	PROPOSALS FOR ACTION	POSSIBLE IMPLEMENTING AGENCY	STATUS
H1	Study and make recommendations on building code amendments needed to allow safe/cost-effective creation of loft housing.	Planning/ BOB	No Action
H2	Expand eligibility for property tax abatement for housing, in targeted areas, to include the entire Central City.	State Legislature/ Planning	Completed
H3	Provide year-round shelter for the homeless.	HRB/Multnomah Co.	The SRO/shelter bed cap is deleted from the zoning code. The shelter reconfigure study is complete.
PROGRAMS			
H4	Use urban renewal and tax increment financing programs to foster the development and preservation of housing in urban renewal districts (particularly preservation of SRO housing).	PDC	DHPP extended to South Park Blocks.
H5	Establish a city housing trust fund for replacement of lost housing, construction of new housing and preservation of existing housing.	Planning/PDC/HAP/ Multnomah County	To be considered by BHCD in FY 94-95.
H6	Extend the Urban Homestead program to include conversion of obsolete and unused commercial and industrial buildings to housing.	PDC	No Action
H7	Encourage the State Board of Higher Education to build student housing on the Portland State University Campus.	State Legislature	Underway in conjunction with PSU University District Plan.
H8	Establish an awards program for low, moderate and middle income housing construction and rehabilitation.	Planning	The AIA Portland Chapter sponsored a successful design competition in spring, 1994 in conjunction with BOP City Life Project.
H9	Involve the Crime Prevention Office when reviewing the plans of major construction or redevelopment of housing projects.	Planning/BOB/PPD	Ongoing
H10	Aggressively explore, develop and take action to create housing incentives, particularly taking quick action on those potential incentives identified during the plan development process.	Planning/PDC/ State Legislature/ Pvt.	Ongoing