

## Policy Working Group Meeting #1 Notes – Draft (10/14/2014)

Southeast Quadrant Plan

October 7, 2014

*Note: These notes were taken at the time of the meeting and do not represent a transcript of the meeting, but a best approximation of what was said. PWG members are welcome to ask for revisions where they feel their thoughts are misrepresented.*

### **Attendance**

#### Working Group members present:

Kevin Kearns (OMSI), Lori Livingston (Transfer Online), David Lorati (School Specialty Supply), Rick Michaelson (Bosco-Milligan Foundation), Peter Stark (CEIC), Daniel Yates (Portland Spirit)

#### Working Group members absent:

Debbie Kitchin (CEIC), Jonathan Malsin (Beam Development), Carrie Strickland (Works Partnership), Travis Williams (Willamette Riverkeeper)

#### Staff present:

Troy Doss (BPS), Rachael Hoy (BPS), Derek Dauphin (BPS), Grant Morehead (PBOT)

### **Notes**

The meeting started with Troy Doss providing an overview of the policy formation process, goals of the group and staff's idea that there would be relatively few in-person meetings but an online conversation through email to craft policy language. An urban design framework would be proposed at a later date based on input received up to that point. Troy then gave an overview of how the Central City 2035 Concept Plan policy development process went, the results, and how that will shape policy formation for the Southeast Quadrant Plan.

Troy then walked the group through the example policy framework from the N/NE Quadrant Plan for the Lower Albina industrial subarea. Troy mentioned that there is the potential to create two subareas.

Kevin: Wondered about the scale of the subareas in the West Quadrant.

Troy: For the West Quadrant they often divided larger areas into smaller ones. In the N/NE Quadrant they kept large subareas because the goals were similar across them. It's open to discussion for this plan.

Kevin: Wondered if there are rules for creating subareas?

Troy: No. Instead of having subdistricts, we will be making them all districts but then there can be subareas. It can get complicated. Lower Albina subarea was provided because it's the other Central City industrial district. Listed some of the similarities, described some of the issues they faced such as parking if higher density employment was allowed.

Looking at the Central Eastside, a new district goal may be needed as things have changed since 1988. Directed the group to the original district goal from the 1988 plan included in the Primer document.

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- Dan: Pointed out that one of the ideas was to increase freeway access and mostly we have been restricting it since then. Need to add the term “freight” to the goal as a start.
- Rick: Asked what percentage of land in the CES is industrial sanctuary?
- Tory: 70% has industrial zoning, but of that about 49% of the uses would actually fall into an industrial classification due to lots of pre-existing office, retail and residential uses. You can do 3,000 sf of this today per site.
- Peter: Asked if office and retail were originally intended to be accessory to a primary industrial use.
- Troy: The code doesn’t say that. It’s hard to determine the original intent. Although industrial districts are all different, IG1 treats them the same. In the Central Eastside where there are small parcels, you can get a lot of other uses. When you go out to large parcel industrial complexes, it means you get a deli for a very large use.
- Rick: There was this discussion about this when it was created, but IG1 was created for the bigger parcel areas and it was then added to the Central Eastside.
- Peter: I think that makes sense. You might add a showroom in that situation but not the kinds of uses we have. Which relates to the question of whether we should be expanding the EOS at all.
- Troy: Need to point out that we don’t want to create new non-conforming uses. The Central Eastside didn’t become a heavier industrial zone until the 1950s. Before that it was much more mixed use and lacked a predominant land pattern. Trying to create that now is challenging.
- Peter: Industrial Sanctuary policy was created to protect the users there, to keep the district from evaporating.
- Troy: It sought to protect the users there. Our goal is not to parse out what was the intent, but where do you go from here and not create additional non-conforming uses. It’s harder for non-conforming uses like residential to stay in the district because the financing environment is different – mortgages can’t be financed because they’re worried about not being able to rebuild.
- Lori: How big of a problem?
- Troy: We’ve heard of one or two who can’t sell their house. In the past, you could get a zoning confirmation letter, but now the banks won’t accept that.
- David: My experience is that single family houses are being gobbled up by businesses around them. There’s competition for them before they are on the market.
- Troy: Agree, it wouldn’t be hard to imagine the homes being converted.
- Hosford-Abernethy and Kerns neighborhoods are very concerned about the residents who are there and want to stay. We’ve looked at ways to allow them to remain as residential, rebuild, refinance if they want to. If they want to change use, we would not get in the way.
- Dan: What about tearing down and building something new?

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Troy: They could do that but not multi-family housing. City staff are looking into what banks need to be assured that this isn't a financing issue.

Peter: As we move forward with the EOS, we should consider that finding parking in the district is becoming difficult due to EOS. If we expand it, we should limit the amount of pure commercial or retail use.

Troy: The policy doesn't really get to that level of detail, but let's talk about that. If we want to expand it, we might want to make it a zone that embodies what we want to preserve about IG but addresses new industrial office component. For these new EOS areas, we could keep 3,000 sf of retail and commercial office already allowed by IG1 zoning.

Dan: Retail concerns me. Creating allowances by sites is the problem. Instead, could we say that for every 40,000 sf there is 3,000 sf of retail? If you have an 8,000 sf parcel you're allowed 1/5 of that?

Peter: That would create non-conforming uses in the smaller buildings.

Dan: Concerned about the potential to cobble together different parcels, tearing down the buildings on each and building one giant building with the allowances of the separate parcels.

Troy: Sites are defined by ownership, not buildings. So they would be creating a single site and end up with the same allowance as any one of the original parcels.

Peter: Not if they use multiple LLCs.

Dan: If the point is to save land for industrial lands, we need to be ratcheting down.

Peter: Can we discuss ratcheting down the retail in the existing EOS?

Troy: I want to be cautious about creating non-conforming uses. You will have significant push back.

Dan: I don't want to see the district gobbled up by non-job creating opportunities that we aren't looking for.

Troy: I would caution that you have a fairly urban, highly parcelized district that has always allowed these kinds of activities. There will be a lot of pushback if you try to change that.

Peter: I think the door has been opened and can't be closed on this.

Troy: And there are a lot of areas where we are not talking about EOS and you can still get 3,000 sf retail. It's the IG1 zoning that's allowing this.

Dan: This gets into definition of what is retail. I don't want everyone to have a coffee shop. We can't do that because that's prime job space for industrial. Don't know how to solve this.

David: Speaking for myself, I love some of the things EOS allows and find them complementary. Some of the density is good, we all can get behind some of the existing things people love about what's happening in the district up to a point. We don't know what that point is and how to create policy. I've brought up the idea of how to phase in EOS so we can evaluate a little bit at a time. Some liberalization in some areas makes sense, but what I see happening is advocacy for why not

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the whole thing and you are fighting that. Don't want to see speculation on zoning. We can only liberalize through zoning. You can't go backwards and tighten. If we over-speculate it tells businesses they should leave. That's what I want to avoid.

Kevin: We're not going to craft any policy unless we say what we want to achieve instead of looking back and protecting what it was. What are we trying to do?

Dan: Our goal is to create 11,000 jobs.

Kevin: What do we like and want to create more of?

Rick: 11,000 jobs of the right type. A dozen high-rises would create this, but that's not the right type.

Peter: Says EOS was created so that taller historic buildings with seismic and safety issues could be rehabbed and is working. Some is good and some is bad. Applying it elsewhere where there aren't these buildings doesn't make sense.

Rick: What if someone proposes building a new 6-story building like what is in NW (referring to the New York Building)? Would you like that?

Peter: If that was the intent of the EOS, then yes.

Lori: This is not about what the intent was in the past, it's about what is the intent today. A lot of the conversations we're having don't apply to MLK/Grand because we focus on industrial office and EOS. MLK/Grand already allows it and has had it encouraged there. We don't focus on that.

David: That's what planners in the past said. We don't need changes elsewhere because MLK/Grand haven't developed their capacity.

Lori: It's not developing because it's not an island to what's around it. Surrounding uses aren't supporting it. It's limited right now

David: Not disagreeing, but you could look at it the opposite as it being to support the areas around it. That's what it says in the code.

Lori: It's an area we don't focus on on its own.

Peter: There was lots of talk at charrette about maintaining the sanctuary to focus development in the EX areas. Do you need housing in other areas given the capacity there? Retail is the same thing. Reduce allowances in the rest of the district and focus it there.

Dan: With the bonus you're proposing for IG1 with industrial office above traditional industrial, can we still lose half the ground floor to retail from the existing 3,000 sf retail allowance?

Troy: That's not what's proposed with the bonus. We're not going to allow retail on the ground floor with the bonus if you want to do upper floors of industrial office in a new development. It would have to be a full ground floor of industrial to get the industrial office above. The traditional EOS approach where you get retail on the ground floor. You've raised some issues that we hope the draft policy framework covers.

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Troy walked them through the draft policy goal on page 10 of the primer and highlighted that “flexible” in this context is not “EX” but allowing for future industries that aren’t necessarily in the district today.

Peter: Asked if retail in the EX corridor is intended to support emerging industries. The wording about having “uses not appropriate for industrial lands” in the EX corridor in the draft goal should change to uses that support industrial uses in surrounding lands.

Rick: We want the mixed use areas to thrive, but they don’t need to grow if they compete with the industrial uses for parking and other resources.

Kevin: Hard to say who gets to grow and who doesn’t. We’re one of those groups who want to grow and thrive, but who are currently a conditional use because we don’t belong there by code.

Dan: The goal of creating 11,000 jobs should be the headline of the goal. Why isn’t that part of the goal? Does the City not want to list measurable goals?

Troy: Could potentially put it as an action item or policy statement, but not as a goal. You want a goal to be clear about direction but you don’t want it to be bound up by a single outcome. There should be multiple ways to accomplish what it is. Individual policies could do this. Could be a policy that sets a job target. The Central City Concept Plan does have metrics, not afraid of them, but has less because the group that put it together didn’t necessarily want them. We can do it either way. The numbers can also be a reason not to do things, to only do what gets you to the numbers and nothing more.

David: Real estate projects don’t grow businesses, it’s the opposite. What you want to be careful of is losing companies/business owners at the expense of real estate. If I’m at a fearful posture it’s because of the risk of business people saying they’re not going to invest here. We should be using language that describes business investment.

Dan: How do you do that? Number one thing they want is certainty.

Rick: Manage growth in the district so it’s comfortable for businesses to operate.

David: I appreciate that, but it’s not inspiring enough. I want to encourage industrial businesses to invest here. Not just industrial businesses, all businesses. It needs to be a mix.

Kevin: Can Rick rephrase what he said? I think it makes sense. [Rick repeats his statement above.] My point is that to do that, 11,000 jobs doesn’t all come from the same type of business. Needs to encourage a mix.

Troy: To recap, on the goal, the “not appropriate for industrial lands” phrase is a negative statement and we’ll re-word that. We’ll make sure we draft a policy about encouraging investment. That’s a good point.

Peter: David’s on the right track. Want to attract new businesses. Inspired by the statement from the man from the biotech company at the October SAC meeting. We ought to be talking to them to find out what they need to come to this area. I would encourage OMSI to look at the

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Development Opportunity Study project and what it says about OMSI's development activity in this area – it would be a strategic fit.

Kevin: We are meeting with them. We want to encourage it, but the numbers must work out.

David: What we're learning is that businesses aren't comfortable with the products (buildings) being built. They don't like the buildings being built. Ask the biotech people what they want. I'll bet you if you built a bunch of empty shells that withstand an earthquake and made them somewhat attractive and flexible, businesses would gobble them up. Flexibility is attractive here. Office demand is changing, they want flexibility and shells at the costs of the Central Eastside.

Rick: Isn't that what industrial folks see as a threat?

David: I don't see it that way. I want all buildings to be used.

Dan: Tradeoffs are hard to do. Referred to advertising agency moving. Liked Troy's idea about industrial ground floor to have machine shops and people who make things.

Lori: Need to make new people coming in comfortable as much as we do existing. It's getting harder to tell which is which. Manufactures have retail and office. Harder to carve out. Need to be inclusive and not talk about old and new, who wants to raise prices, etc. Size of city is getting bigger and there are a lot of people to put in places.

David: I agree.

Troy: We're finding the cost of real estate in and outside the EOS is the same. Has to do with being real estate in the central part of the region close to where a lot of people live and play. There's a high demand for such a central location.

David: Referred to a public comment from a man at the September SAC meeting. Thinks he's a realtor who bought IG1 zoned properties and wants EOS because is speculating on land.

Rick: The more uses you let in the faster the property values will rise.

Troy: That's one of the reasons we want to be cautious about it. Don't want to see entitlement blight.

David: That alone won't kill industrial businesses here.

Peter: But it will create a competing market to other parts of the city if you change zoning.

Troy: There are a lot of factors that are shifting costs, but we always overlook the centrality of the location. People are discovering the Central Eastside the same way they are discovering the Lloyd.

David: Would you say that central location attraction is the same regardless of the industry you're in? That applies to everybody. We need to say that's an attraction to everybody.

Rick: If you want to fight to keep it industrial you have to use the zoning to push back to maintain the possibility of industrial jobs here. If it's all about getting as many jobs in here, that's different.

David: You could build capacity by allowing other uses but you can't build jobs.

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Troy: If you talk to developers, they don't want everything allowed because it kills the industrial office environment. The limitations serve a purpose. It's more nuanced and harder to regulate, but we need to make sure we allow for new industries. If we'd kept things the same as decades ago, we'd be focusing on rendering plants.

David: I agree, but keep in mind that some of those cross-over uses could be in the Pearl District, Lloyd District, or South Waterfront where industrial can't be. It's not that it doesn't belong here, but there are other areas where they can go. This is the only area for industrial.

Dan: We need to put in an iron clad protection for industries to make as much noise as they want.

David: That's what the existing guys want.

Dan: Gets to the certainty issue. You should be able to run three shifts and not have to send people home because residential showed up across the street.

Troy: We're working on that. I'm hearing the same position contradicting the same position over and over. We're trying to use zoning to suppress land values enough to maintain industrial uses. There are many reasons people stay, leave or move to the district. It's a central location and people want to be here for clients, employees, etc. Zoning in and of itself is not the tool. We can get a little more restrictive, but reversing the tide on what's currently allowed is tough. Entitlement and building potential is where you maintain comfort level. Refers to example of Weiden+Kennedy who could be in the EOS based on zoning but it's not big enough for them. When companies like that grow big, they have to leave due to entitlement limits. 3:1 FAR is not going to allow the really big uses to stay in the district, they'll look for 9:1 FAR.

Rick: If you want to really keep industrial businesses you need to reduce it further to 1.5:1 FAR and 30 ft height.

Troy: Height is less an issue than FAR. We've modeled the ability to get to 9,000 jobs based on 3:1 FAR over 20 years. Not going to happen tomorrow. There's not enough demand for that. Trying to create entitlements that work for new and old industry. Part of our thinking is that people will pay for the industrial office right now and we can use that to create more traditional industrial space through the bonus.

Dan: Have you analyzed that model?

Troy: Gerry Johnson has looked at it, there are some of these buildings already in Hood River that we've looked at as well as other case studies. We're doing our best and taking a conservative approach.

To recap on the goal, we will retool goal so that it talks about investment. Need comments on the rest of it if possible tonight, but if we run out of time, send them by email.

Kevin: What's not there is the Innovation Quadrant and OMSI's role in that. We see OMSI as the place where the public engages with the Innovation Quadrant and where industry engages with higher education. We don't necessarily want to be the biotech place, but want to be the clearinghouse for that. Already have a heavy industry lab to connect to local industries. Mainly for Boeing and big industries. Would like to have more ambitious goal about social space as it relates to OMSI station area. That's the role we feel we can play.

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- Troy: West Quadrant has done a lot of work on Innovation Quadrant but we can include it as well. We've spoken to OTRADI (Oregon Translational Research and Development Institute) and they want to be moving into lots of places. They raised an interesting idea that when the \$1 billion comes (Phil Knight Cancer Challenge), they will need to have people making the stuff the researchers use, services etc. that can go in the Central Eastside.
- David: That's the one reason we've been advocating over so many years not to divide the district up. The Whole district fits that model. Involves businesses throughout the district. Don't want to discourage OMSI, PCC or anyone, but I'm adverse to the idea of a separate name for OMSI's part of the district because there is room for a strategic fit with the rest of the district. It creates doubt about OMSI's intent.
- Kevin: Maybe there's a disconnect between what we think we're doing and your feeling.
- David: I've been feeling this for a long time. The OMSI District has been sold as a completely separate district about innovation, R&D, etc. and I think that's what the whole district is about. The industrial people are the most innovative.
- Troy: The City has to own that the Innovation Quadrant came out of City policy to help grow OHSU, PSU, etc. based on connecting these areas. Troy described the history of the Innovation Quadrant concept and what is finally starting to happen after much planning. Everyone has a role to play in the Innovation Quadrant moving forward. Blame us for this branding and separation, but it's not our intention and we don't want to approach it that way in terms of regulation even if it helps from a policy standpoint.
- Dan: In 1988 plan it says improving freeway because freight is important. The proposed policies are sacrificing this.
- Troy: We're only looking at land use right now. We'll be presenting transportation at the next SAC meeting to improve freight movement. Mentions the role of mode splits (share of people using bikes vs. carpooling vs. transit, etc. to get to their destinations) and how more people bicycling, taking transit, etc. will improve freight movement through the district by reducing the number of cars.
- Rick: Think more broadly than couplets. We may not need to have identical streets going opposite districts. More capacity may be needed in one way, don't need to be the same level of flow. Let's talk about one-way streets and not couplets.
- Troy: Discusses how this is part of a larger strategy that includes putting green streets and other improvements on non-freight streets.
- Lori: How do we move forward?
- Troy: Need to have more face-to-face meetings and then update the documents afterwards. The meetings should come after the SAC meetings so that input can be used. Want to have at least 2-3 more working group meetings one of which would be beefy and go through a draft of the goal and all policies.
- David: Can we shape the conversation by email beforehand and then sort them out at the meeting?

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Rick: How about everyone sends their vision for the district if things happen that we want to happen.

Troy: We can send out a form for everyone to submit this. We're creating a draft of the plan, but we want to make sure that we hear from the larger group and the Policy Working Group before we have something to share.

Meeting adjourned at 7:04 p.m.