



**Bureau of
Development
Services**
FROM CONCEPT
TO CONSTRUCTION

PDC | PORTLAND
DEVELOPMENT
COMMISSION
www.pdc.us



Summary Minutes

September 8, 2016 Public Meeting

Unreinforced Masonry Building Proposed Mandatory Retrofit Policy

Exchange Ballroom, 123 NE 3rd Ave. | 6 – 8 PM

Policy Committee members present: Dennis Andersen, Margaret Mahoney, Jonathan Malsin, Walt McMonies, Tom Sjostrom, Jen Sohm.

Staff: Amit Kumar, Jonna Papaefthimiou, Carmen Merlo, Felicia Heaton.

Public: please see sign-in sheets.

Welcome, Introductions, and review of program

Policy committee members introduced themselves. Commissioner Steve Novick thanked the Policy Committee members for their work and said that the time has come to address the issues of URM's, as the recent Italy earthquake illustrated, with tragic consequences.

Policy Committee chair Margaret Mahoney stated that she would make a short presentation on the issue and that the majority of time would be spent on hearing from the public.

Presentation: policy proposal

Margaret presented the risks of URM buildings; the City's inventory of URM buildings; parallels between Portland and Christchurch, New Zealand, which had very damaging earthquakes some years ago. She also presented the group's research on best practices in other US cities.

She stated that three bureaus worked at the direction of Council to examine the risk posed by URM buildings and develop recommendations to mitigate the risk. She outlined the work of the three committees (Retrofit Standards, Seismic Support, and Policy). She described the existing City policies and the number of buildings that had been upgraded as a result of them (13%). She further stated that the committee determined that mandatory upgrades were needed, and this was supported by experiences in other cities.

Margaret described the proposed performance standards for each building class, and she described the proposed financial support mechanisms that the Support Committee considered.

[Refer to PowerPoint presentation for presentation details and graphics.]

Public Comments

Angie Ever: Some people might not know that this is a public comment meeting. I thought it was just to get info. Fortunately, I did some of my own research. I own a commercial building from 1940s that's

been tagged as a URM. I understand the safety concerns. This increases liability for a property owner. Building owners like me who invested in the 1990s in a historic neighborhood will have to sell to a developer. I want to keep property ownership local. I am taken aback that this is the public comment period. I thought there would be more information first. I will say I am so disappointed that there will be a punitive phase for people who cannot afford to do the upgrades. This will force us to sell or demolish. I would build new if I could afford to do the retrofit. I noted that in LA that apartment owners could recoup \$38 from renters each month to pay them back for seismic upgrades. There is a domino effect and I don't think it's being considered. Will the City tell the public that if we use LA as a model, that LA has a problem with high rents? A lot of small businesses own their own buildings, from the 1940s and 1950s and 1960s. I talked to someone who said many small businesses went out of business in LA because of this. I think we are in the rubber stamp stage and perhaps this won't make a difference but this mandate will change lives and not for the better.

Margaret noted this is not a final report and there are concerns about all the effects from the Policy Committee.

Alex Roth: Thanks to the Committee for their work and for bringing the issue forward. Reviewing the draft page 14, it is noted that with the three committees, the first committee proposed that the owners need to notify tenants and buyers and put placards on the committees. Why was this done?

Nick Savona: This Committee has worked very hard. But, I still have some reservations. There was no mention in the presentation of the penalties you are proposing for buildings that are late. I did convey earlier that there was no representation of small owners like me. There was more thinking about punishment and we will fine you \$5,000/month. I believe we need incentives. A tax credit would apply to a big company, not a small person like me. My tax bill is already peanuts. I was encouraged by your presentation, if the rules around density are relaxed then that could generate income, an offset or an incentive. Also, you mention exceptions. I do not believe there should be exceptions. The value of lives in all buildings are the same. Also, at any expense, we are talking about gentrification. Any building that is retrofitted will no longer be affordable. But I believe that is an exception affordable housing will no longer be covered by this mandate.

Steve Rose: I own and manage about 35 pre-WWII apartment buildings in Portland. I was a member of the Support Committee and sat in on many of the Retrofit Standards Committee meetings as well. There are a lot of details that would take a long time to vet out. I have voiced opposition to the timelines and to other elements in the past. This is eating an apple in one large bite. It can only work with significant incentive or support to owners. As they were vetted in the Support Committee, it seemed like few of those would come to fruition. The Cascadia event, if it were to occur, none of these policies would ensure the safety of the people it is intended to protect. The costs for retrofitting are also astronomical. In the next 30 days we will see some cost estimates. In 2005 it cost us about \$75/sf; that was a single-level building more than ten years ago. A similar policy has stalled in Seattle because of the financial impact. I am also concerned about the impact on our historic buildings. They contribute greatly to our quality of life. Many of these buildings will have to be demolished. Shopping districts like Hawthorne, MLK, Grand, NW 23, historic churches, a lot of these will be impacted. Many URMs are owned by non-profits. They will have huge challenges if these mandates are adopted. If Portland City Hall were privately owned and this were enacted, my guess is that it would be torn down. It would not be economically feasible to be retrofitted. I believe there is a lesser standard that should be revisited.

The current proposal would cost more than a billion dollars, I bet. It would add no value to owners. It would be bad policy.

Margaret asks if Mr. Rose has a policy to address this with smaller bites. He indicates that buildings in Class 3 and 4 should have lower standards.

Jay Raskin: I am an architect; I am the vice-chair of OSSPAC. I want to voice my support for the work of the Committee. An earthquake is inevitable and we have limited time. We have to balance costs now with costs later. I would like to respond to what Mr. Rose stated; this is primarily geared towards life safety, except for schools and hospitals. I think that we should aim higher, so that we can use our buildings after an earthquake. We want them to be safe enough to stay and avoid a refugee problem and population loss. I think these are minimum standards and our goal should be a resilient City, not just survival. The economic impacts for destruction like what occurred in Christchurch are tremendous.

Leonor Volkman: I was born in Portland, and I lived through the 1960s and 1970s and saw a lot of buildings torn down. If we look at the list of buildings on this list, it is a list of what's fabulous and makes Portland fabulous. People would be forced to make a choice that's untenable. I speak as a small property owner and someone who saw their building as an investment for their future and their families' future. I also have a concern about due process. This could eliminate people's livelihood and wealth, and I don't think doing so by means of a mandate without any say by the people who would be affected is appropriate at all. This would really change Portland. This would be the earthquake. I would urge a more judicious and measured approach to this. We should not rush headlong into something like this.

Jeff Reingold: I am the President of Income Property Management. We manage market and affordable rental units, mostly downtown and in northwest Portland. I thank you for your work. This is an existential question for some of the people we represent. There are some reasonable and affordable steps that can be taken. In Christchurch, more than half the deaths were from parapets and things that could be fixed more affordably. If we insist on the full meal deal, we have to provide some financial support. Over time, without financial support from government, you will lose many of the moderately priced buildings. I also share concerns about the loss of historic housing. The specific steps I support are: balance between what's desirable and financially feasible. I think that a measured pace, expedited permits, expanded exemptions, dollar incentives for early and less intrusive work, I support them all. I would also add that the costs for making buildings survivable and useful after an earthquake, that cost is extremely high and that is not realistic. If money were no object it would be great but I don't think it works otherwise.

Carl Kloos: I live in Portland and I am a practicing PE in California and I support this work.

John DiLorenzo: I am an attorney and I own three vintage buildings downtown, which are managed by Mr. Rheingold. I share the views of Mr. Rheingold, Mr. Rose, and others. I have three questions, the first one: page 25: you propose exemptions from the full retrofit rules provided that the owner agrees to control rents. Why would you tolerate an unsafe condition for affordable housing? My second question is whether you have conducted a study to know how this will impact tenants when owners need to move tenants in order to do the retrofits. What will happen to the rental rates? My third question is also market-related. There are obviously a limited number of contractors available to do this work.

Have you considered the impact on prices? Have you considered any precautions against price-gouging by contractors?

Margaret responded that the Committee has discussed the issues raised, although not the issue of price-gouging. She stated that the Committee discussed the housing crunch, the allowance for an owner to commit to being affordable, but the Committee also is not entirely comfortable with the proposal as it stands.

John DiLorenzo: stated that he still rejects the premise that that full retrofits are necessary for anyone and the proposal is not fully baked.

Kim Appleberry: I didn't see anything where you provide grants rather than financing. Something like where you have to find some money and you get sidewalks and other improvements. Perhaps we need to take this issue to the state. Perhaps more of the projects would pencil with this financing.

Margaret said that some variation of a LID might work. Other finance options were investigated by the Support Committee but they encountered various difficulties.

Ron Maize: I own a 2-story, 4,000sf antique store on Sandy. All my rents would have to double for me to do this. Or I would have to sell it. But the new owner would still have to do it, so my tenants would be kicked out anyway. I put money into the building to try and make it nice for my tenants, and keep their rents as low as possible. I can see doing the lower-cost improvements but I can't see the very expensive upgrades, and it sounds like in a big earthquake the building wouldn't last anyway.

William Eastman: I own a couple of antique buildings. I've been involved with the City for a few years, worked with PDC, trying to get the building paid off so I can use it for retirement. I thought I was getting to that age. I got a postcard saying the city might do this and I replied that it wasn't a URM, but I got invited to this meeting again anyway. Another project I looked at triggered the seismic requirements, and I spent \$15,000 to learn that it would cost \$275,000 to retrofit a 1,500 sf building. I could see that this was way over-engineered. I happen to have studied engineering, and I was shocked. And this is completely unaffordable. I sense that your mind is made up on this, we will have to do something. I think you should consider the 20-80 rule. We get 80% of the benefit for the first 20% of the cost. How about expedited engineering at a low cost? How about a cooperative effort? Property owners' interests were not well represented. I have to raise the rents if I spend money on the building. I thank you for any help you can give me.

Wayne Glasnap: Back when we were both kids and you were working downtown, and the head engineer for the City went down to San Francisco and looked at these buildings. He never reported back about this trip. Why? Was it because some URMs were undamaged?

Margaret: Many URMs were damaged and some were not.

[Female presenter did not state name]: I'm a homeowner, not an investor, engineer, or geologist. I lived in San Francisco during the Loma Prieta earthquake. For me, this is something I think should be done, but it should be collaborative, and not mandatory. I'm a home owner, I am barely hanging on to my house, and I cannot possibly afford this. If I were to disclose this, I would lose value in the property, which is just starting to come back.

Margaret clarifies that no single family building owners should be on the list.

John Nicholas: My wife and I own several buildings, two are URM. I started out painting apartments when I was 7. I know a little bit about apartments. This would cost over a million dollars for each of my apartments. I wasn't planning on this. The incentives are weak. I think there should be zero permit fees. I would also like to see low-interest loans. My mortgage lender cannot accept a \$2 million debt on a \$1.5 million building. I cannot retire. This would be a hardship and money just not well spent.

Mark Santos: I own a 5,000sf URM building downtown, it was built in 1910. I have had several bids to retrofit it to City standards. \$250,000 - \$500,000 I need more time and low-interest financing to do something like this.

Walt McMonies: I care most of all about my tenants dying. I also care about losing the buildings. My buildings are beautiful and historic; I care very much about them. We are trying our damndest to get some incentives. A state historic tax credit would bring 25%. A subduction zone earthquake is going to happen. It's going to have an amazing effect here in Portland. Not as bad as the coast, but bad. I have done upgrades on a 46,000 sf and spent \$750,000. In the end it will cost me a little over a million bucks. We did it incrementally, we did tie-ins of floor joists, then we did the canopies and the roof parapet wall and roof diaphragms. We had very old floors with tight grain wood, we didn't have to do those. It's going to cost us \$25-\$35 sf for this property. This is affordable. Our insurance has come down. The lenders will make it hard to get favorable loans on these properties in the future. Insurance companies are going to follow along. It's not just the City that's on to this.

Dennis Andersen: Churches provide an enormous number of community services. What happens to food banks, assistance programs when many close or relocate at once? Half of the URM church buildings are on the east side and serve ethnic minority communities. We don't have any solutions for churches. The tax incentives don't apply to us; we don't pay taxes. We don't know the extent of services that would be lost.

Tom Sjostrom: I have been in the property management business for a long time, I have done retrofits on many buildings you would recognize. This report is not a unanimous document. There was not agreement on affordable housing and some other buildings. This document is a work in progress. These discussions will continue.

Jen Sohm: Thanks to everyone for coming and those who spoke. It is useful for us all to hear. This is a difficult, difficult topic for PPS. We have old, old buildings, fire life safety, environmental health, accessibility, technology, roof replacements, deferred maintenance are all issues. I'm also concerned about increasing construction costs, these projects are going to get more expensive. I'm also concerned for the professional service capacity. And for a large property owner for the clock to start on 20 buildings at once would be tremendously difficult. Summer break is only 60 days. Incremental work has value but relocating a school for a full upgrade has cost and inconvenience for families and the school district.

Margaret thanks everyone for attending and indicates that there will be at least one more public meeting and meetings of the policy committee, and clearly more work to do.