

RESOLUTION No. 37145 As Amended

Update the FAR bonus and transfer provisions of the Portland Zoning Code for the Central City to prioritize affordable housing development and support other targeted public benefits (Resolution)

WHEREAS, the Central City is projected to gain 30,000 new households by 2035 with more than 8,300 of these households earning below 80% of the median household income (MFI) for family size; and

WHEREAS, City of Portland policy relating to the creation and preservation of affordable rental housing targets affordability to households below 80% MFI subject to a 60-year affordability requirement (PCC 30.01.090); and

WHEREAS, the City of Portland is updating its Comprehensive Plan and the Central City Plan, which are 20-year plans setting the framework for the physical development of the City, and through these updates changes will be made to the zoning code to reflect current City goals and priorities; and

WHEREAS, on March 5, 2015 through the "West Quadrant Plan," City Council set the policy direction that thirty percent of all residential units in the Central City be affordable to households earning no more than 80% MFI.

WHEREAS, the need for affordable housing in Portland, including the Central City, is well established, the City has goals for ensuring that housing is affordable to households at all income levels, the private real estate market is not producing housing affordable to households earning less than 80% MFI in the Central City, and additional tools are required to meet these goals; and

WHEREAS, the need for affordable housing up to 80% MFI in the Central City and other locations in Portland was documented in the State of Housing Report released by the Portland Housing Bureau in April of 2015, this need exists across a variety of households including communities of color; and

WHEREAS, the zoning code allows for additional density above base entitlements (characterized as "Floor Area Ratio" or "FAR") to be obtained in the Central City through the provision of one or more community benefits selected from a "menu" of eighteen different options; and

WHEREAS, zoning code allows, with restrictions, for the transfer of FAR from one site to another through a market transaction in which a property owner can purchase FAR entitlement from another site with a corresponding FAR reduction on the "selling" site; and

WHEREAS, the current menu of FAR bonus and transfer options may not produce adequate public benefits in exchange for the density bonus received, and the public benefit options do not reflect current City priorities; and

WHEREAS, at the direction of Council in Resolution No. 37070 passed May 7, 2014, the City commissioned a report by OTAK and Economic & Planning Systems, Inc. to look at incentive zoning practices that support affordable housing in six municipalities, and to

develop an economic model for analyzing the results of potential FAR bonus policy choices for the Central City; and

WHEREAS, input was solicited from the private real estate development community and from the Portland Development Commission and other city bureaus in preparing the report; and

WHEREAS, the report, the "*City of Portland Central City Density Bonus and Entitlement Transfer Mechanism Update*", released on June 23, 2015, confirmed that current market conditions allow for a density bonus system in the Central City which would produce affordable housing;

NOW, THEREFORE, BE IT RESOLVED THAT the City Council directs the Bureau of Planning and Sustainability to work with the Portland Housing Bureau, the Bureau of Development Services and other city bureaus to prepare proposed legislative changes in the city zoning code for the Central City for the Planning & Sustainability Commission to consider including but not limited to the following guiding principles:

- a. Redesign FAR bonus system to prioritize affordable housing as the primary community benefit option available for obtaining floor area entitlement above base entitlements.
- b. Allow developers the option to provide the affordable housing community benefit by building affordable units on-site and/or paying into an affordable housing fund.
- c. Structure the affordable housing option so that there is a financial incentive for developers to provide affordable units on-site instead of paying the fee.
- d. Target affordable housing built on-site to households earning below 80% MFI and target housing produced citywide with the affordable housing fund at 0 – 60% MFI.
- e. Retain the current cap of 3:1 FAR as maximum allowable bonus FAR on a site.
- f. Ensure that the City obtains the maximum reasonable community benefit for affordable housing while maintaining adequate financial incentives for developers to use a FAR bonus when a developer chooses to provide the affordable housing on-site.
- g. Support historic preservation and the development of privately-owned public open space through the FAR transfer provisions of the zoning code, FAR bonuses or other support mechanisms.
- h. Explore changes in the zoning code that might support seismic improvements for unreinforced masonry structures.
- i. Analyze the merits of other current bonuses that should or should not be continued or made mandatory, as part of the comprehensive plan.

BE IT FURTHER RESOLVED, the Portland Housing Bureau will prepare proposed guidelines for how payment in lieu funds will be allocated.

BE IT FURTHER RESOLVED THAT the City Council directs the Bureau of Planning and Sustainability to bring proposed changes to the zoning code reflecting these principles to City Council as part of the adoption of the Central City 2035, which is expected in July of 2016.

Adopted by the Council: JUL 09 2015

Commissioner Dan Saltzman  
Prepared by: Barbara Shaw  
Date Prepared: June 29, 2015

**Mary Hull Caballero**  
Auditor of the City of Portland

By



Deputy