



# Portland Housing Bureau

Mayor Ted Wheeler • Interim Director Shannon Callahan

Portland Housing Advisory Commission

June 5, 2018

3:00 – 5:00 p.m.

Portland Housing Bureau, Suite 500

421 SW 6th Ave.

Portland, OR 97204

- ✓ = PHAC member action item
- ▶ = PHB staff member action item

## June 5, 2018 Meeting Minutes (Approved)

**Note:** Meeting minutes are intended as a meeting summary that records the members present, all motions, resolutions, votes taken, and the general substance of any discussion. If a more detailed record is necessary, full audio recordings of all PHAC meetings are available upon request.

**Members Present:** Amy Anderson, Maxine Fitzpatrick, Cameron Herrington, Hannah Holloway, Diane Linn, Nate McCoy, Ed McNamara, Shannon Singleton, Ramsay Weit, Sarah Zahn

**Members Excused:** Dike Dame, Betty Dominguez

**Staff Present:** Shannon Callahan, Matthew Tschabold, Jessica Conner, Stacy Jeffries

**Guests Present:** Morgan Tracy, Bill Cunningham, and Tom Armstrong

As always, all PHAC meeting materials are archived on the website at <http://www.portlandoregon.gov/phb/phac> (see “Meeting Schedule & Materials” in the gray block on the left side of the page).

Agenda Item	Discussion Highlights	Outcomes / Next Steps
<b>Call to Order, Roll Call, Minutes</b>	<b>Sarah Zahn</b> called the meeting to order. Quorum was reached, and the May meeting minutes were unanimously approved.	
<b>Director’s Update</b>	<b>1:26 – 7:25</b> <b>Shannon Callahan</b> , Interim Director of the Portland Housing Bureau, delivered her <a href="#">director’s update</a> , leading with the news that PHB had announced the purchase of a vacant, newly-constructed 51-unit apartment building with Housing Bond funds earlier today. Pending Council approval, the timeline would allow 160+ residents to start moving in in July (2018). The property includes 18 units in the 0 – 30% AMI range, 9 of which are dedicated to permanent supportive housing. Permanent supportive housing services will be provided, and PHB is planning to have a resident service provider for the building. With this purchase, the Ellington Apartments (purchased in 2017) and the 30 <sup>th</sup> and Powell site, 514 units are either being planned or have already been acquired with Bond dollars.	

<p><b>Rent Increase Policy</b></p>	<p><b>7:30 – 18:32</b></p> <p><b>Stella Martinez</b>, who manages PHB’s Risk Analysis and Compliance Team, presented a <a href="#">draft rent increase policy</a>. There was a significant increase in the AMI tables released by HUD this year; with that, there was concern that PHB’s borrowers and non-profits would raise rents to meet that limit. PHB felt it was necessary to put something in place to limit rent increases for regulatory housing to 5%. (This would include Bond purchases, as well as anything with a 60- or 99-year regulatory agreement.) Rents could still be raised at turnover; the goal is to make sure rent hikes don’t impact current tenants. For rent increases above 5%, owners are required to submit a request to PHB explaining why.</p> <p><b>Shannon Callahan</b> added that the recent 8.9% increase in median income is unprecedented, and reflects a growing median family income that is definitely not being experienced equally by all renters. <b>Diane Linn</b> reiterated this point, stating that the people in these regulated units are not the ones experiencing this type of income growth.</p> <p><b>Ed McNamara</b> feels PHB’s borrowers wouldn’t raise the rent more than 5% anyway. He says part of the problem is that there are people in downtown buildings who are over-income, and he said his policy had always been to raise rent on those folks as much as he could. He’s concerned that PHB is creating a policy with a lot of paperwork (for things like rent increases above 5% on over-income folks) to address a spike in AMIs that happens “once in a generation.”</p> <p><b>Amy Anderson</b> asked if it would be reasonable to put a percentage calculator into play on a per-building basis (look at what building is bringing in, what tenants are earning), instead of instituting a flat rate of 5%.</p> <p><b>Shannon Callahan</b> expressed the need to create a buffer policy to reach the high end of the AMI increase, agreeing with Ed that a majority of PHB’s providers would not raise rents as much as the AMI numbers allow. She stressed that the recent increase—while unprecedented—might not be just a one-time blip, and that it’s appropriate to have more definitive policies around how we expect to deal with this issue.</p> <p><b>Shannon Singleton</b> urged the Commission to be mindful of unintended consequences; for example, if the rent can be increased more on turnover, does that create an incentive for folks to be displaced? She also requested that we clarify what circumstances would make it appropriate to raise rent more than 5%, or at least provide</p>	
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	<p>a list of what would be a definite “no,” so that we don’t waste time/increase back-and-forth paperwork.</p> <p><b>Sarah Zahn</b> echoed Shannon’s concerns about unintended consequences, citing the example of owners who’ve owned their properties for a long time and are facing issues of deferred maintenance or operating expenses that put them in danger of defaulting on their loans. She stressed balancing the need to pay expenses and maintain these properties with the ability to increase rent.</p> <p><b>Cameron Herrington</b> sees this policy as an important way for PHB to lead by example for other landlords, saying that a 9% rent increase is not sustainable for working families. He asked if this was something that had to have Council approval, or if PHB could pass it as an internal policy. <b>Shannon Callahan</b> responded that it was an internal policy that the Bureau can adopt on its own.</p>	
<p><b>DPAL recommendation</b></p>	<p><b><u>18:50 – 29:40</u></b></p> <p><b>Dana Ingram</b> from PHB was in attendance to answer a question from the May PHAC meeting regarding how many People of Color outside of N/NE took advantage of DPAL. The answer is that 60% of homebuyers citywide outside of N/NE took advantage of the down payment assistance loan in 2016 – 2017.</p> <p><b>Sarah Zahn</b> asked if Dana had been present at the N/NE Oversight Committee meeting, and what their feedback was regarding DPAL.</p> <p><b>Dana Ingram</b> replied that the N/NE Oversight Committee agreed strongly with the loan forgiveness portion, especially if PHB’s goal with this policy is wealth creation.</p> <p><b>Hannah Holloway</b> asked if the N/NE Oversight Committee agreed specifically with the terms of loan forgiveness.</p> <p><b>Shannon Callahan</b> said that the N/NE Oversight Committee was able to review the structure, and that they went through the proposal, which entails forgiveness starting at year 15, and then ending at year 30, so that there’s an incremental forgiveness each year. PHB is bringing this policy back to the Commission as requested, and it is something that would need to go to Council to be changed.</p>	

	<p><b>Hannah Holloway</b> asked where the funds go when the loan is repaid; does it go into a fund that others can access? <b>Shannon Callahan</b> clarified that it usually goes into PHB’s general housing investment fund.</p> <p><b>Maxine Fitzpatrick</b> stressed the importance of having these loans be forgivable so that people can transfer that equity on to the next generation, and we can build the middle class. She’s happy to see this proposal back on the table, and urged the Commission to think long-term to address issues like generational poverty.</p>	
<p><b>Residential Infill Project</b></p>	<p><b>30:12 – 58:17</b></p> <p><i>*In light of some of the land-use policies the Commission is about to hear, as well as any potential actions Commissioners might like to take regarding those policies, <b>Jessica Conner</b> gave a brief statement regarding potential conflict of interest: As it has been reported to her, no Commissioners own a manufactured dwelling park; <b>Commissioner Dame</b> owns personal property in a multi-dwelling zone; and <b>Commissioners McCoy, Linn, Weit, Zahn, and Anderson</b> own personal property in a single-family zone.</i></p> <p><b>Morgan Tracy</b>, Project Manager for the Residential Infill Project at the Bureau of Development Services, gave a <a href="#">presentation on the Residential Infill Project</a>, which updates the city’s single-dwelling zones. They are working with the Planning and Sustainability Commission and had public hearings on May 8<sup>th</sup> and 15<sup>th</sup> and the first work session on May 22<sup>nd</sup>. The second work session is scheduled for this Thursday (June 7<sup>th</sup>), and work session #3—which will cover the housing opportunity topic—will be held June 26<sup>th</sup>. The hope is that this work will culminate with a recommendation on July 24<sup>th</sup> and go to City Council by fall 2018.</p> <p><b>Diane Linn</b> cited two major areas of concern: (1) The anti-displacement policy application to East Portland, Cully, and North Portland. She said there is concern that the residential infill project will prevent the construction of more affordable units and middle housing in places that are vulnerable. (2) The objection to narrow lots, which she feels have to be considered, and she hopes the topic comes up again. She feels people object to narrow lots because they don’t like the look of them, and went on to state that Portland is at a precipice; the city is either going to protect certain types of single-family homes, and only certain people will be able to afford them, or it will have to figure out creative ways to fit more homes in. She would like to see opportunity for more duplexes, triplexes, and fourplexes, and not just on corner lots, but in the interior of blocks. She urged stakeholders to tease out how much of the concern over the quality and integrity</p>	

of Portland neighborhoods is cloaked in the protection of SF homes for wealthier white people.

**Cameron Herrington** asked how BDS got from the discussion draft, which had a proposal to allow more units on all lots (if they were all affordable), to the decision to remove the option for the bonus from the interior lots, which he sees as counter-productive.

**Morgan Tracy** indicated that the bottom line was tension between the compatibility/scale part of the proposal and the housing affordability/variety/choice part of the proposal. Ultimately there was still a lot of interest in four-plex model, and Morgan thinks there's the chance to demonstrate that it can be done appropriately, but they just haven't had chance to investigate that. He indicated that the conversation will continue.

**Ramsay Weit** asked how the community could know if the housing will be affordable, and what Morgan's confidence level was in our ability to make some of these units affordable.

**Morgan** said that they're talking about a variety of housing types and a variety of pricepoints that suit a variety of people across the spectrum. He acknowledged that 80% AMI is a bit of a reach, and that they definitely weren't talking about anything below that. He gave the example of an \$800K single-family house—not affordable to many—as opposed to a \$440K half of a house—affordable to more.

**Ramsay** asked if we were learning anything from other jurisdictions who have tried this infill strategy (mentioning Mr. Kelly in Vancouver).

**Morgan** mentioned Seattle's housing affordability/livability agenda, and Vancouver is also taking a many-pronged approach to attacking the problem. He said there is a problem with people looking at residential infill as *the* solution to affordable housing, when it's part of a larger effort. Other cities have looked at fees, taxes, and other measures outside of zoning.

**Diane Linn** used the example of taking a mega-home and making it a four-plex, which would drive prices down even further. She also acknowledged that nobody she works with sees residential infill as the only solution to affordable housing, but that it provides opportunities for things like cottage clusters and ADUs, which she sees as something we shouldn't pass up. She expressed concern over Portland becoming an exclusive city.

<p><b>Better Housing by Design</b></p>	<p><b>58:18 – 1:30:00</b></p> <p><b>Bill Cunningham</b> gave <a href="#">a presentation on Better Housing by Design</a>—updating zoning code regulations for multi-dwelling zones (multi-family). He expects half of the growth over the next 25 years to take place in mixed-use centers and corridors where we have transit and other amenities. Zoning in these areas is evenly split between commercial zones and multi-family zones.</p> <p>At the end of his presentation, he reminded the Commissioners that the written testimony period was open through June 25<sup>th</sup> if they would like to provide any input.</p> <p>He expected the proposal to go to City Council in fall of 2018 (at the earliest).</p> <p><b>Ed McNamara</b> asked Bill to explain the thinking behind not having a minimum based on floor-to-area ratio (FAR) instead of units.</p> <p><b>Bill Cunningham</b> confirmed that minimum density requirements are still based on units; they don't want just a minimum size of building, but a minimum number of units in zones that are intended to have a greater amount of housing opportunity.</p> <p><b>Sarah Zahn</b> commented on the staff proposal to allow a Transfer of Density Rights (TDR), expressing concern that a new market was being created for the buying and selling of those rights; for example, nonprofits and others who own currently regulated housing could approach developers and sell undeveloped space allowed by the zoning code to another site.</p> <p><b>Bill</b> acknowledged that yes, that could potentially happen—that housing that's kept affordable and regulated, and is a smaller scale than what's allowed, would allow owners of that housing to transfer the unused FAR. He said some housing advocates suggest starting the base FAR at a higher level, rather than keeping it smaller-scale and only bonusing to that additional scale. He said if it gets us to greater scale, and preserves some existing affordable housing, he sees it as something they'd like to help achieve.</p> <p><b>Sarah</b> said she sees clear examples of multi-family in these zones that haven't built to their full FAR; the fact that that housing is already regulated is challenging, and creates a new market. She said an additional issue was the conundrum between demolishing existing housing and building greater density. She cited the opportunity for folks to demolish existing duplexes to bring in new smaller units. She asked what the balance was in that situation.</p>	
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	<p><b>Bill</b> replied that there was a balance, and that they do expect some transition from lower-scale dwellings like houses and duplexes to higher density. They performed a displacement risk analysis to determine how zone changes allowing for more units would affect redevelopment, and their estimates revealed 65 units of multi-family housing that could be vulnerable to redevelopment. He expects redevelopment is more likely to affect existing single-family than existing multi-family units.</p> <p><b>Diane Linn</b> said trying to track how all of these issues intersect and interact was a lot of work, and that the last thing we can afford is to make bad policy decisions now. She added that she was there to promote 99-year permanent affordability, and that 10 years was not enough, stressing that this is a public benefit that should benefit communities for as long as possible.</p> <p><b>Bill</b> mentioned that the PSC work sessions would be going on through late July and August, and that there would be opportunities to engage the Housing Bureau in discussing how these approaches work with inclusionary housing.</p> <p><b>Ramsay Weit</b> would like a road map of how Morgan’s work, Bill’s work, and inclusionary housing are melded together. He said it wasn’t clear how they’re all inter-related, describing it as “a lot of weeds” for policy wonks like him. He said it would be useful for policy people to understand the inter-relation between these various initiatives, and how these strategies get us to our goals. He urged others to consider a “101 document.”</p>	
<p><b>Mobile Home Park Zoning</b></p>	<p><u><b>1:30:10 – 1:54:10</b></u></p> <p><b>Tom Armstrong</b> gave a <a href="#">presentation on manufactured dwelling parks</a>. The plan is to rezone all 56 manufactured dwelling parks identified in the city of Portland to create a separate base zone. The thinking behind this proposal is to consolidate mobile home parks and put them into one zone with a clear set of standards that apply.</p> <p>There is a PSC hearing scheduled the week of June 11<sup>th</sup>, and Tom hopes to get the project to City Council later this summer.</p> <p><b>Ramsay Weit</b> expressed enthusiastic approval for the policy.</p> <p><b>Cameron Herrington</b> asked if the transfer of development rights is something that could go to a multi-dwelling property to give them the density bonus Bill Cunningham described.</p>	

**Tom** said that would be one of the ways you could get more FAR for a project; you could do the affordable housing bonus, the family unit bonus, or the transfer (from a historic property, tree preservation, or a manufactured dwelling park).

**Ed McNamara** asked for clarification on the definition of a manufactured home, since it was defined two different ways in the documentation provided: is it anything manufactured off-site, or is it anything with a chassis that can be wheeled there?

**Tom** said he would have to look at the code and get back to the Commission on the specifics; some of it is embedded in state law, some of it in the building code, and some in the zoning code.

**Maxine Fitzpatrick** asked if these parks were typically in less desirable areas of the city, noting that the one she knows about appears to be in a flood zone.

**Tom** confirmed that 4-5 parks were in a flood zone, but that they come in “all shapes and sizes.” He said Cameron’s program through Living Cully had done a lot to improve the units through weatherization and repair. He added that some parks were nice and looked like mini subdivisions, while some are tightly-packed like RV parks.

**Ed** asked about affordability, saying he didn’t see anything that required affordable rents or income limits, which was confirmed. He then asked if the lease for the land was subject to landlord/tenant law.

**Cameron’s** understanding was that yes, it is subject to landlord/tenant law, including mandatory rental relocation assistance. There are also additional state protections that apply only to owners of manufactured dwellings: If you own your home and rent the space, no-cause evictions are not allowed. Landlords also can’t raise rent more than 10% without being responsible for relocation assistance.

**Cameron** motioned that a letter he drafted from PHAC be sent to the planning commission in advance of their meeting next Tuesday, when they will vote about creating the new base zone for manufactured dwelling parks. The letter urges PSC to recommend the zone change to City Council.

**Ramsay Weit** seconded the motion.

**Diane Linn** voiced her support and felt it was highly appropriate for PHAC to weigh in.

**Ed McNamara** agreed that protecting the people who live in manufactured dwelling parks was important, but felt this particular zoning policy missed the mark and would



protect the buildings instead, which he described as “not that great.” He mentioned issues with the buildings not being weatherized, not being ADA-accessible, and having asbestos. He felt that this plan would reduce overall housing development, citing the potential to put a lot of housing on the average 5-acre site that would accommodate 55 mobile homes. The IH bonus would allow 130 units, and the Better Housing by Design would ramp that up further; if you assumed an 800-sq-ft unit average, you could put 522 units on a 5-acre site. He said the current proposal would be protecting bad low-density housing, instead of producing new housing that’s better.

**Cameron Herrington** replied that residents of manufactured dwelling parks faced two principal threats: (1) that rent will go up and they’ll be priced out of their homes, and (2) that the park will close and they’ll lose their homes. He said the current zoning proposal addressed the second threat, and that local jurisdictions can’t address the first. He said the goal was to provide some baseline stability for the 3,000 households who live in this deeply-affordable housing. In response to comments about decreased capacity for potential development, he reminded the Commission that 43% of the city’s land area is taken up by single-dwelling zoning, and that we’re currently engaged in a major debate about whether or not to allow more ADUs in these zones. He thinks it would be a bad precedent to say we can’t protect the homes of 3,000 low-income people over concerns about limiting density, while at the same time continuing to protect 43% of the city’s land area currently taken up by the *lowest* density housing. He added that the proposed zone change will also allow for more density than some of the parks currently have.

**Sarah Zahn** called for an up-or-down, yea-or-nay vote on Cameron’s motion. The Commissioners voted as follows:

- Amy Anderson—abstain
- Maxine Fitzpatrick—nay
- Cameron Herrington— **yea**
- Hannah Holloway— **yea**
- Diane Linn— **yea**
- Nate McCoy—abstain
- Ed McNamara—nay
- Ramsay Weit— **yea**
- Sarah Zahn— **yea**

<b>Public testimony</b>	Veronica provided public testimony on a number of topics unrelated to the Commission's discussion today.	
<b>Good of the Order</b>	PHB will reach out to Commissioners regarding the next meeting, which is scheduled for July 3 <sup>rd</sup> . <b>Sarah Zahn</b> adjourned the meeting.	