

## **ORDINANCE No.**

## **As Amended**

Amend approved application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Marquam Hill Apartments-Building 2 located at 3178 SW 12<sup>th</sup> Ave to increase the number of affordable units (Ordinance; amend Ordinance No. 189645)

The City of Portland Ordains:

Section 1. The Council finds:

1. On behalf of the City of Portland, the Portland Housing Bureau (“PHB”) administers the Multiple-Unit Limited Tax Exemption Program (the “MULTE Program” or “Program”), authorized under ORS 307.600-307.637 and City Code Chapter 3.103.
2. The MULTE Program provides a 10-year property tax exemption on the residential portion of the structural improvements so long as Program requirements are met. During the exemption period, property owners remain responsible for the payment of taxes on the assessed value of the land and any commercial portions of the project, except for those commercial improvements deemed a public benefit and approved for the exemption.
3. The MULTE Program is an incentive provided to developments complying with the City Inclusionary Housing Program, which requires 99 years of affordability.
4. Ordinance No. 189645, passed by the Council on August 7, 2019, authorized a 10-year property tax exemption under the MULTE Program, in conjunction with the City’s Inclusionary Housing Program, for the development known as Marquam Hill Apartments-Building 2 (the “Project”) and located at 3178 SW 12<sup>th</sup> Avenue (the “Property”). The application proposed two units, comprised of one two-bedroom and one three-bedroom, or eight percent, of the Project’s 24 units would be affordable to households earning no more than 60 percent of Median Family Income (“MFI”) at the time of lease-up.

The developers of the Project have requested to amend their approved MULTE application in order to accommodate an increase in the Project’s total units and a change in their unit-type mix. The total number of affordable units has increased compared to the initial application. The amended application proposes four units, comprised of one studio and three one-bedroom, or eight percent, of the Project’s 46 units, would be affordable to households earning no more than 60 percent of MFI at the time of lease-up.

5. The MULTE Program has an annual cap limiting the approval of new property tax exemptions to no more than 15 million dollars of new estimated foregone revenue within a five-year period, defined as any current year and the previous four years.

There is sufficient cap remaining for the 2020 calendar year to include the Project's amended application.

6. PHB has the responsibility for reviewing compliance of approved applications with the minimum MULTE Program requirements and has concluded that the amended application for the Project does indeed meet the minimum Program requirements.

NOW, THEREFORE, the Council directs:

- a. The amended request for a 10-year property tax exemption under the MULTE Program is hereby approved for eight percent of the residential portion of the structural improvements of Marquam Hill Apartments-Building 2, including eight percent of residential parking and common areas.
- b. Ordinance No. 189645 is amended as follows: :
  1. The Project must restrict eight percent of its 46 units to households earning no more than 60 percent MFI (the "Restricted Units"). The Restricted Units will reflect the unit-mix in the Project and will consist of one studio and three one-bedroom units.
- c. All other portions of Ordinance No. 189645 remain the same.

Passed by the Council:

Mayor Ted Wheeler  
Prepared by: Brett Eisenbrown  
Date Prepared: August 13, 2020

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

Deputy

~~780~~ 802

Agenda No.  
ORDINANCE NO.

Title

Amend approved application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Marquam Hill Apartments-Building 2 located at 3178 SW 12th Ave to increase the number of affordable units (Ordinance; amend Ordinance No. 189645)

<p style="text-align: center;"><b>INTRODUCED BY</b> Commissioner/Auditor: Mayor Wheeler</p>	<p>CLERK USE: DATE FILED <u>September 22, 2020</u></p>
<p style="text-align: center;"><b>COMMISSIONER APPROVAL</b></p>	<p>Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <u>Keelan McClymont</u> Deputy</p> <p><b>ACTION TAKEN:</b> <b>September 30, 2020 Passed to Second Reading October 7, 2020 at 9:30 a.m.</b> <b>As Amended</b></p>
<p>Mayor—Finance &amp; Administration - Wheeler <i>MW</i></p>	
<p>Position 1/Utilities - Fritz</p>	
<p>Position 2/Works - Ryan</p>	
<p>Position 3/Affairs - Hardesty</p>	
<p>Position 4/Safety - Eudaly</p>	
<p style="text-align: center;"><b>BUREAU APPROVAL</b></p>	
<p>Bureau: Housing Bureau Head: <i>Shannon Callahan</i> <small>DocuSigned by: DAB8F65BDAFB4CD...</small></p>	
<p>Prepared by: _____ Date Prepared: 8/27/2020</p>	
<p><b>Impact Statement</b> Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p><b>Portland Policy Document</b> If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p><b>City Auditor Office Approval:</b> required for Code Ordinances</p>	
<p><b>City Attorney Approval:</b> required for contract, code, easement, franchise, comp plan, charter</p>	
<p>Council Meeting Date September 30, 2020</p>	

<b>AGENDA</b>
<p><b>TIME CERTAIN</b> <input type="checkbox"/> Start time: _____ Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p><b>CONSENT</b> <input type="checkbox"/></p>
<p><b>REGULAR</b> <input checked="" type="checkbox"/> 5 minutes Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
		YEAS
1. Fritz	1. Fritz	
2. Ryan	2. Ryan	
3. Hardesty	3. Hardesty	
4. Eudaly	4. Eudaly	
Wheeler	Wheeler	

**IMPACT STATEMENT**

**Legislation title:** Amend approved application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Marquam Hill Apartments-Building 2 located at 3178 SW 12th Ave to increase the number of affordable units (Ordinance; amend Ordinance No. 189645)

**Contact name:** Cassie Graves

**Contact phone:** 503-823-5758

**Presenter name:** Dory Van Bockel

**Purpose of proposed legislation and background information:**

Portland Housing Bureau (PHB) administers the Multiple-Unit Limited Tax Exemption (MULTE) Program, authorized under ORS 307.600-307.637 and Portland City Code 3.103. The MULTE Program provides a ten-year exemption that is one of the financial incentives made available to projects required to comply with the City’s Inclusionary Housing (IH) Program. On August 7, 2019 the Council passed Ordinance 189645 which authorized a 10-year property tax exemption under the MULTE Program for the affordable units in the project in Marquam Hill Apartments-Building 2 (the “Project”). Under Ordinance 189645, the project was required to provide two units, comprised of one two-bedroom and one three-bedroom, or eight percent of the project’s 24 units, affordable to households earning no more than 60 percent Median Family Income (MFI) for 99 years.

Since the passage of the aforementioned Ordinance, the developers of the project have requested to amend their approved MULTE application in order to accommodate an increase in the Project’s total units as well as a change in the unit type composition. Under the Inclusionary Housing Program, the developer has opted to make four units, comprised of one studio and three one-bedroom, or eight percent of the Project’s 46 units, affordable to households earning no more than 60 percent MFI for 99 years. The tax exemption will continue to apply to the affordable units in the project only.

**Breakdown of Affordable Units Required Under Inclusionary Housing Options Available to Building**

	<b>On-Site Options</b>	<b>New Construction Off-Site Option</b>	<b>Existing Building Off-Site Option</b>	<b>Fee-in-Lieu</b>
<b>Units @ 80% MFI</b>	7 Units	N/A	N/A	N/A
<b>Bedrooms @ 80% MFI</b>	7 Bedrooms	N/A	N/A	N/A
<b>Units @ 60% MFI</b>	4 Units	9 Units	12 Units	N/A

<b>Bedrooms @ 60% MFI</b>	4 Bedrooms	N/A	N/A	N/A
<b>Units @ 30% MFI</b>	N/A	5 Units	7 Units	N/A
<b>No Affordable Units</b>	N/A	N/A	N/A	\$473,043

ORS 307.621 and City Code Section 3.103.060(B) state that PHB will take applications to City Council for approval in the form of an ordinance and deliver approved applications to Multnomah County within a certain timeframe. This action meets those requirements.

**Financial and budgetary impacts:**

The City will pay the additional \$1,700 application activation fee to Multnomah County, should the application move forward. The City paid Multnomah County a \$1,700 application activation fee on October 14, 2019 for the first two approved units, which would bring the total application activation fee to \$3,400.

This Ordinance approves a tax exemption resulting in foregone tax revenue. The total estimated amount of the property tax revenue not collected for the 10 years of the exemption period based on the application is valued at approximately \$35,289 in today's dollars assuming a four percent discount rate, and a three percent annual assessment increase. This 10-year estimate includes taxes foregone by the City of Portland, Multnomah County and other entities which receive property taxes within Multnomah County. The reduced amount of property taxes to the City over the 10 years is roughly 33 percent of that amount, or \$11,646. The City will still benefit from property taxes collected on the improved value of the land during the exemption period.

**Original Project Overview Summary for Ordinance 189645:**

Units:

Total Units: 24  
 No. at or below 60% MFI: 2 units  
 No. at Market Rate: 22 units

**By Unit Type**

Unit Size	Restricted Units (60% MFI)	Market Rate Units	Average Square Footage (SF)	Minimum SF Required for an IH Unit	Actual Smallest Reasonably Equivalent Unit SF	Largest Unit SF
One-Bedroom	0	2	746	672	746	746

Two-Bedroom	1	13	900	810	844	980
Three-Bedroom	1	7	1,072	965	1,023	1,121

Foregone Revenue:

Estimated total foregone revenue:	\$34,263
Estimated first year value of the tax exemption:	\$3,721
Estimated annual value of the tax exemption per affordable unit during the exemption period:	\$1,714
Estimated annual foregone revenue per affordable unit over 99-year affordability term:	\$173

**Amended Project Overview Summary:**

Units:

Total Units:	46
No. at or below 60% MFI:	4 units
No. at Market Rate:	42 units

**By Unit Type**

Unit Size	Restricted Units (60% MFI)	Market Rate Units	Average Square Footage (SF)	Minimum SF Required for an IH Unit	Actual Smallest Reasonably Equivalent Unit SF	Largest Unit SF
Studio	1	13	352	317	352	352
One-Bedroom	3	29	553	497	575	746

Rent Differential:

**Monthly Differential Per Unit**

Unit Type	Estimated Monthly Market Rent	Maximum Monthly 60% MFI Restricted Rent	Difference
Studio	\$1,395	\$967	\$428
One-Bedroom	\$1,771	\$1,036	\$735
<b>AVERAGE</b>	\$1,583	\$1,002	\$581

**Annual Differential Per Unit**

Unit Type	Estimated Annual Market Rent	Maximum Annual 60% MFI Restricted Rent	Difference
Studio	\$16,740	\$11,604	\$5,136
One-Bedroom	\$21,525	\$12,432	\$9,093
<b>AVERAGE</b>	\$18,996	\$12,018	\$6,978

Foregone Revenue:

Estimated total foregone revenue:	\$35,289
Estimated first year value of the tax exemption:	\$3,832
Estimated annual value of the tax exemption per affordable unit during the exemption period:	\$883
Estimated annual foregone revenue per affordable unit over 99-year affordability term:	\$90

Central City Plan District:  Yes  No

Remaining 5-Year Cap: \$10,654,174

Property Management: Not selected yet

**Community impacts and community involvement:**

As the largest taxing jurisdiction affected by the tax exemption programs, Multnomah County has approved the administration of the programs in order to meet shared affordable housing goals.

**100% Renewable Goal:**

Approval of the MULTE does not impact the City's total or renewable energy use.

**Budgetary Impact Worksheet**

**Does this action change appropriations?**

- YES:** Please complete the information below.  
 **NO:** Skip this section



# Portland Housing Bureau

Mayor Ted Wheeler • Director Shannon Callahan

# Tax Exemption Applications under Inclusionary Housing

Marquam Hill Apartments- Building 2  
(Amendment) & Koz on N Interstate

Dory Van Bockel, Program Manager  
September 30, 2020



# Inclusionary Housing Options

---

- Buildings with 20+ new residential units are subject
- 5 options to choose from
- Inclusion rate varies by location (for on-site options)

## Provide Affordable Units On-Site

### 80% MFI

In buildings with 20 or more units, 15% of the units must be affordable at **80% MFI**, except within the Central City and Gateway Plan Districts, where 20% of the units must be affordable.

### 60% MFI

Applicants can elect to make 10% of units affordable at **60% MFI** in buildings within the Central City and Gateway Plan Districts, or 8% of units for buildings in all other areas.

## Reconfiguration

Within Options 1 and 2, applicants can provide an alternative mix of affordable units based on the total number of bedrooms. Redistributing bedrooms into affordable units of two bedrooms or more results in a building with a smaller overall number of affordable units that are greater in size.

## Affordable Units Off-Site

### Build Off-Site

Applicants can elect to build affordable units off-site in another new development (receiving building), separate from the multifamily development that is subject to the program requirements (sending building).

### Designate Existing Units

Applicants can elect to designate affordable units in an existing building (receiving building), separate from the multifamily development subject to the program requirements (sending building).

## Fee Out of Requirement

### Fee-in-Lieu

Applicants may pay a fee-in-lieu of providing affordable units. PHB staff calculate the fee amount due by multiplying the residential and residential related gross square feet of the new development by the Fee-in-Lieu Factor.

# MULTE Applications at Council Today

- **Marquam Hill Apartments- Building 2 (Amendment)**
- **Koz on N Interstate**

# Marquam Hill Apartments- Building 2

## Project Overview

*3178 SW 12<sup>th</sup> Ave*

### Approved Ordinance 189645

#### **Building description:**

- 5 stories
- Residential Only
- 24-unit apartment building

#### **Unit Composition:**

- (2) One-bedroom (Average SF: 746)
- (14) Two-bedroom (Average SF: 900)
- (8) Three-bedroom (Average SF: 1,072)

#### **Market Rate Units: 22**

(2) One-BR, (13) Two-BR, (1) Three-BR

#### **Affordable Units: 2 @ 60% MFI**

(1) Two-bedroom, (1) Three-bedroom

### Amended Application

#### **Building description:**

- 5 stories
- Residential Only
- 46-unit apartment building

#### **Unit Composition:**

- (14) Studio (Average SF: 352)
- (32) One-bedroom (Average SF: 553)

#### **Market Rate Units: 42**

(13) Studio, (29) One-bedroom

#### **Affordable Units: 4 @ 60% MFI**

(1) Studio, (3) One-bedroom

# Marquam Hill Apartments- Building 2

## Tax Benefit

TAX BENEFIT UNDER ORDINANCE 189645			
	Per Year for 10 Years	Total After 10 Years	Per Year for 99 Years of Affordability
Tax Exemption per Affordable Unit	\$1,714	\$17,132	\$173
Tax Exemption for Total Building	\$3,427	\$34,263	\$347

TAX BENEFIT UNDER AMENDED APPLICATION			
	Per Year for 10 Years	Total After 10 Years	Per Year for 99 Years of Affordability
Tax Exemption per Affordable Unit	\$883	\$8,823	\$90
Tax Exemption for Total Building	\$3,529	\$35,289	\$357

# Marquam Hill Apartments- Building 2

## Rent Discount

RENT DISCOUNT		
	Monthly	Annually
Studio Market Rate Rents	\$1,395	\$16,740
Studio Affordable Rents	\$967	\$11,604
One-bedroom Market Rate Rents	\$1,771	\$21,525
One-bedroom Affordable Rents	\$1,036	\$12,432
<b>Average Rent Discount</b>	<b>\$581</b>	<b>\$6,978</b>

# Koz on N Interstate

## Project Overview

*5460 N Interstate Ave*

### **Building description:**

- 6 stories
- Mixed-Use
- 154-unit apartment building

### **Unit Composition:**

(100) Studio (Average SF: 354)

(44) One-bedroom (Average SF: 458-580)

(10) Two-bedroom (Average SF: 548)

### **Market Rate Units: 131**

(85) Studio, (37) One-bedroom, (9) Two-bedroom

### **Affordable Units: 23 @ 80% MFI**

(15) Studio, (7) One-bedroom, (1) Two-bedroom

# Koz on N Interstate

## Tax Benefit

TAX BENEFIT			
	Per Year for 10 Years	Total After 10 Years	Per Year for 99 Years of Affordability
Tax Exemption per Affordable Unit	\$1,032	\$10,320	\$104
Tax Exemption for Total Building	\$23,735	\$237,345	\$2,398

# Koz on N Interstate

## Rent Discount

RENT DISCOUNT		
	Monthly	Annually
Studio Market Rate Rents	\$1,269	\$15,228
Studio Affordable Rents	\$1,290	\$15,480
One-bedroom Market Rate Rents	\$1,662	\$19,944
One-bedroom Affordable Rents	\$1,382	\$16,584
Two-bedroom Market Rate Rents	\$2,243	\$26,916
Two-bedroom Affordable Rents	\$1,658	\$19,896
<b>Average Rent Discount</b>	<b>\$281</b>	<b>\$3,376</b>



# Questions?