

ORDINANCE No.

*Amend approved application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Nehalem Apartments located at 1645 SE Nehalem St to increase the number of affordable units (Ordinance; amend Ordinance No. 189215)

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. 189215, passed by the Council on October 17, 2018, 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 Nehalem Apartments (the “Project”) and located at 1645 SE Nehalem St (the “Property”). The application proposed nine units, comprised of two studio and seven one-bedroom units, or 15 percent of the Project’s 63 units, affordable to households earning no more than 80 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. The total number of affordable units has increased compared to the initial application. The amended application proposes 11 units, comprised of two studio, eight one-bedroom, and one two-bedroom units, or 15 percent, of the Project’s 75 units would be affordable to households earning no more than 80 percent of MFI at the time of lease-up.

The Project was also selected during the initial application as a receiving building for two other projects’ Inclusionary Housing (“IH”) obligations— 5955 SE Milwaukie Ave (“Sending Building A”) and 1717 SE Tenino St (“Sending Building B”) from which the Project will receive a total of 29 IH Units as further described below..

The Project will receive a total of 11 IH Units from Sending Building A , comprised of three studio, seven one-bedroom, and one two-bedroom units, or 20 percent of Sending Building A's 54 total units, affordable to Households earning no more than 60 percent MFI. The Project will receive an additional 18 IH Units from Sending Building B, comprised of four studio and 14 one-bedroom units, or 20 percent of Sending Building B's 91 total units, affordable to households earning no more than 60 percent MFI. These details remain the same as in the original application.

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 54 percent of the residential portion of the structural improvements of Nehalem Apartments, including 54 percent of residential parking and common areas.
- b. Ordinance No. 189215 is amended as follows:
 1. The Project must restrict 15 percent of its 75 units to households earning no more than 80 percent MFI, and 39 percent of its 75 units to households earning no more than 60 percent MFI (the "Restricted Units"). The 11 Restricted Units to households earning no more than 80% MFI will reflect the unit-mix in the Project and will consist of two studio, eight one-bedroom and one two-bedroom units. The 29 Restricted Units to households earning no more than 60% MFI will reflect the unit-mixes in Sending Building A and Sending Building B and will consist of seven studio, 21 one-bedroom, and one two-bedroom units.
- c. All other portions of Ordinance 189215 will remain the same.

Section 2. The Council declares an emergency exists because timely City approval of the application for the MULTE Program is necessary in order to allow the Project to meet requirements to approve the building permit as outlined by the Bureau of Development Services; therefore, this ordinance shall be in full force and effect from and after its passage by the Council.

Passed by the Council:

Mayor Ted Wheeler
Prepared by: Brett Eisenbrown
Date Prepared: September 18, 2020

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

Agenda No.
ORDINANCE NO.
Title

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<p style="text-align: center;">INTRODUCED BY Commissioner/Auditor: Mayor Wheeler</p>	<p>CLERK USE: DATE FILED <u>October 13, 2020</u></p>
<p style="text-align: center;">COMMISSIONER APPROVAL</p>	<p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p style="text-align: center;">Keelan McClymont Deputy</p> <p>ACTION TAKEN:</p>
<p>Mayor—Finance & Administration - Wheeler <small>Mustafa Washington</small></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;">BUREAU APPROVAL</p>	
<p>Bureau: Housing Bureau Head: <small>DocuSigned by: Shannon Callahan</small> <small>DAB8F65BD4FB4CD</small> Brett Eisenbrown</p>	
<p>Prepared by: Date Prepared: 9/18/2020</p>	
<p>Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p>City Auditor Office Approval: required for Code Ordinances</p>	
<p>City Attorney Approval: <small>Adriann DelCotto</small> required for contract, code, easement, franchise, comp plan, charter <small>Digitally signed by Adriann DelCotto Date: 2020.10.13 10:48:41 -0700</small></p>	
<p>Council Meeting Date 10/21/20</p>	

AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: -</p> <p>Total amount of time needed: - (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: <u>10 mins</u> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
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 Nehalem Apartments located at 1645 SE Nehalem St to increase the number of affordable units (Ordinance, amend Ordinance No. 189215)

Contact name: Cassie Graves

Contact phone: 503-823-5758

Presenter name: Dory Van Bockel

Purpose of proposed legislation and background information:

To ensure Portland has economically inclusive development and neighborhoods, the city requires that new buildings being constructed (*with more than 20 units*) also provide regulated affordable housing units, affordable for 99 years.

In exchange for providing regulated affordable housing units, developers receive some benefits, including a 10-year property tax exemption – typically on all residential units in the Central City, or on only affordable rental units outside the Central City.

On October 17, 2018 the Council passed Ordinance 189215 which authorized a 10-year property tax exemption for Nehalem Apartments. Under Ordinance 189215, the developer selected to provide 15% of the building's 63 units, totaling nine units, affordable to households earning no more than 80% median income for 99 years.

In addition, Nehalem Apartments was selected as the receiving building for 5955 SE Milwaukie and 1717 SE Tenino. 5995 SE Milwaukie sent 20% of the building's 54 units, totaling 11 units, and 1717 SE Tenino sent 20% of the building's 91 units, totaling 18 units, to Nehalem Apartments. The combined 29 units from both sending buildings will be affordable to households earning no more than 60% median income for 99 years. With the affordable units from the sending buildings, 61% of Nehalem Apartments' 63 units, totaling 38 units, were eligible for the 10-year property tax exemption under Ordinance 189215.

Since the passage of the aforementioned Ordinance, the developers of the building have requested to amend their approved 10-year property tax exemption application in order to accommodate an increase in the Project's total units from 63 to 75 total units. For the building associated with this amended ordinance, below are the options available to the developer in city code. The option selected by the developer is in bold and highlighted.

	On-Site Units	New Off-Site Units	Existing Off-Site Units	Fee-in-Lieu
Units at 80% of Median Income	11 Units	N/A	N/A	N/A
Bedrooms at 80% of Median Income	12 Bedrooms	N/A	N/A	N/A
Units at 60% of Median Income	6 Units	15 Units	19 Units	N/A
Bedrooms at 60% of Median Income	6 Bedrooms	N/A	N/A	N/A
Units at 30% of Median Income	N/A	8 Units	11 Units	N/A
No Affordable Units	N/A	N/A	N/A	\$736,611

The developer selected the option to provide 15% of the building’s 75 units, totaling 11 units, affordable to households earning no more than 80% median income for 99 years. Nehalem Apartments will remain a receiving building for 5955 SE Milwaukie and 1717 SE Tenino and will provide an additional combined 29 units affordable to households earning no more than 60% median income for 99 years. In total, 40 units, or 54% of the building’s 75 units, will be authorized for a 10-year property tax exemption under the amended ordinance. The developer also opted to restrict an additional five units at 80% median income for 99 years under the Inclusionary Housing Program to access additional parking exemptions available under Zoning Code. These five units do not meet the threshold of program eligibility for the Multiple-Unit Limited Tax Exemption Program.

Because this building is outside the Central City Plan District, the tax exemption will apply to the exemptible affordable units.

Overview of building and units for Ordinance No. 189215:

63-unit building at 1645 SE Nehalem St

- i. Market rate units: 25 units
- ii. Affordable units: 38 units

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	14	47	2	-

Market Rate	5	19	1	-
Affordable at 60% of Median Income	7	21	1	-
Affordable at 80% of Median Income	2	7	-	-
Average Square Footage	361	425	764	-
Largest Square Footage	438	480	769	-
Smallest Affordable Unit	331	402	758	-

Overview of building and units for Amended Application:

75-unit building at 1645 SE Nehalem St

- i. Market rate units: 35 units
- ii. Affordable units: 45 units
- iii. Exemptible affordable units: 40

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	16	56	3	-
Market Rate	7	22	1	-
Affordable at 60% of Median Income	7	21	1	-
Affordable at 80% of Median Income (Exemptible)	2	8	1	-
Affordable at 80% of Median Income (Not-Exemptible)	-	5	-	-
Average Square Footage	358	427	766	-
Largest Square Footage	438	480	780	-
Smallest Affordable Unit	331	402	758	-

Regulated affordable rents compared to new construction market rate rents in the same neighborhood:

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Market Rate	\$1,320	\$1,561	\$2,144	-
Affordable at 60% of Median Income	\$967	\$1,036	\$1,243	-
Monthly Rent Difference	\$353	\$525	\$901	-
Annual Rent Difference	\$4,236	\$6,300	\$10,812	-

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Market Rate	\$1,320	\$1,561	\$2,144	-
Affordable at 80% of Median Income	\$1,290	\$1,382	\$1,658	-
Monthly Rent Difference	\$30	\$179	\$486	-
Annual Rent Difference	\$360	\$2,148	\$5,832	-

Over the 99 years of required affordability, market rents will only continue to increase at a faster rate compared to regulated affordable rents.

If this ordinance is not approved by City Council, the development will proceed with no regulated affordable housing units.

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 the Multnomah County Tax Assessor. This action meets those requirements.

Financial and budgetary impacts:

The City paid Multnomah County a \$9,000 application activation fee on January 2, 2019 for the first approved application and no further fees are due to Multnomah County should the amended application move forward.

This Ordinance approves a property 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 is valued at approximately \$433,244 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 of Portland over the 10 years is roughly 33 percent of that amount, or \$142,964. The City will still benefit from property taxes collected on the improved value of the land during the exemption period.

Property Tax exemption value and foregone revenue for Ordinance 189215:

Estimated total foregone revenue:	\$334,829
Estimated first year value of the tax exemption:	\$36,362
Estimated annual value of the tax exemption per affordable unit during the exemption period:	\$882
Estimated annual foregone revenue per affordable unit over 99-year affordability term:	\$89

Property tax exemption value and foregone revenue for amended application:

Estimated total foregone revenue:	\$433,224
Estimated first year value of the tax exemption:	\$47,040
Estimated annual value of the tax exemption per affordable unit during the exemption period:	\$1,084
Estimated annual foregone revenue per affordable unit over 99-year affordability term:	\$110

Central City Plan District: Yes No

Remaining 5-Year Cap: \$10,607,134

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