

ORDINANCE No.

*Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for The 503 located at 2880 SE Stark St (Ordinance)

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. PHB received a request for a 10-year property tax exemption under the MULTE Program for the development known as The 503 (the “Project”) and located at 2880 SE Stark St (the “Property”), in conjunction with the City’s Inclusionary Housing Program. The Project, located in the SUNNYSIDE neighborhood, will be a residential only housing project and will restrict affordability on 15 percent, which is five units, of the Project’s 30 units to households earning no more than 80 percent of Median Family Income (“MFI”) at the time of lease-up. The Owner of record for the property is WILLIAM-ALLEN LLC (“Owner”).
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 application.
6. PHB has the responsibility for reviewing compliance of applications with the minimum MULTE Program requirements and has concluded that the application for the Project does indeed meet the minimum Program requirements.

NOW, THEREFORE, the Council directs:

- a. The request for a 10-year property tax exemption under the MULTE Program is hereby approved for 15 percent of the residential portion of the structural improvements of The 503, including 15 percent of residential parking and common areas.
- b. Approval of the application is provided subject to the Project meeting the following conditions:
 1. The Project must restrict 15 percent of its 30 units to households earning no more than 80 percent MFI (the "Restricted Units"). The Restricted Units will reflect the unit-mix in the Project and will consist of one studio and four one-bedroom units.
 2. The application will comply with the Program requirements established in City Code Chapter 3.103, including the requirement that the Owner sign a Regulatory Agreement and report annually to PHB each tax year that the exemption and affordability restrictions are in effect.
 3. The Restricted Units will be built to meet all minimum Americans with Disabilities Act and Fair Housing Act requirements. The Project will also be built to ensure at least five percent of the Restricted Units, totaling one, be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities.
- c. PHB shall provide a copy of this Ordinance to the Multnomah County Tax Assessor as prescribed by City Code Section 3.103.050 (A).
- d. If, prior to the completion of construction, the Project is changed in any way that would reduce the number, percentage or distribution of the Restricted Units in the Project, or the approved public benefits provided, Owner must provide written notice to PHB. If such changes still conform to the Program requirements, PHB will amend the Regulatory Agreement. Such amendment would not be subject to City Council approval if changes are minor and would result in substantially the same Project.

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: Chris Flanary
Date Prepared: October 7, 2020

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

913
 Agenda No.
ORDINANCE NO.
 Title

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<p align="center">INTRODUCED BY Commissioner/Auditor: Mayor Wheeler</p>	<p>CLERK USE: DATE FILED <u>November 9, 2020</u></p>
<p align="center">COMMISSIONER APPROVAL</p>	<p align="center">Mary Hull Caballero Auditor of the City of Portland</p> <p align="center"><i>Keelan McClymont</i> Deputy</p> <p>ACTION TAKEN:</p>
<p>Mayor—Finance & Administration - Wheeler</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 align="center">BUREAU APPROVAL</p>	
<p>Bureau: Housing Bureau Head: <i>Shannon Callahan</i> <small>DocuSigned by: Shannon Callahan DABBF65BDAE84CD...</small></p>	
<p>Prepared by: <i>Chris Flanary</i> Date Prepared: 10/12/2020</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: <i>Adrienne DeCotto</i> required for contract, code, easement, franchise, comp plan, charter <small>Digitally signed by Adrienne DeCotto Date: 2020.10.26 14:22:25 -0700</small></p>	
<p>Council Meeting Date</p>	

<p align="center">AGENDA</p>
<p>TIME CERTAIN <input type="checkbox"/> Start time: <u> </u> Total amount of time needed: <u> </u> (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/> 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: *Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for The 503 located at 2880 SE Stark St (Ordinance)

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.

For the building associated with this 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	5 Units	N/A	N/A	N/A
Bedrooms at 80% of Median Income	5 Bedrooms	N/A	N/A	N/A
Units at 60% of Median Income	2 Units	6 Units	8 Units	N/A
Bedrooms at 60% of Median Income	2 Bedrooms	N/A	N/A	N/A
Units at 30% of Median Income	N/A	3 Units	5 Units	N/A
No Affordable Units	N/A	N/A	N/A	\$296,647

The developer selected the option to provide 15% of the building’s 30 units, totaling five units, affordable to households earning no more than 80% median income for 99 years.

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

Overview of building and units:

30-unit building at 2880 SE Stark St

- i. Market rate units: 25 units
- ii. Affordable units: 5 units

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	5	25	-	-
Market Rate	4	21	-	-
Affordable at 80% of Median Income	1	4	-	-
Average Square Footage	309	427	-	-
Largest Square Footage	312	500	-	-
Smallest Affordable Unit	302	385	-	-

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

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Market Rate	\$1,352	\$1,467	-	-
Affordable at 80% of Median Income	\$1,290	\$1,382	-	-
Monthly Rent Difference	\$62	\$85	-	-
Annual Rent Difference	\$744	\$1,020	-	-

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 will pay the \$4,250 application activation fee to Multnomah County, should the 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 \$49,802 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 \$16,435. 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:

Estimated total foregone revenue:	\$49,802
Estimated first year value of the tax exemption:	\$5,408
Estimated annual value of the tax exemption per affordable unit during the exemption period:	\$996
Estimated annual foregone revenue per affordable unit over 99-year affordability term:	\$101

Central City Plan District: Yes No

Remaining 5-Year Cap: \$10,608,124

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