

ORDINANCE No.

*Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Willis Apartments located at 1575 N Willis Blvd (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 (“IH”) Program, which requires 99 years of restricted rents of a percentage of units within the building.
4. PHB received a request for a 10-year property tax exemption under the MULTE Program for the development known as Willis Apartments (the “Project”) and located at 1575 N Willis Blvd (the “Property”), in conjunction with the City’s Inclusionary Housing Program. The Project, located in the KENTON neighborhood and the Interstate Corridor Urban Renewal Area, will be a residential only housing project and will restrict 100 percent, which is 44 units, to households earning no more than 60 percent of Median Family Income (“MFI”) at the time of lease-up (the “IH Units”). The Owner of record for the property is Willis Apartments 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. Projects that are in an Urban Renewal Area are not subject to the annual cap and must be approved by Prosper Portland. This Project was approved for the Interstate Corridor URA prior to the Council date.
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 100 percent of the residential portion of the structural improvements of Willis Apartments, including 100 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 100 percent of its 44 units to households earning no more than 60 percent MFI (the "Restricted 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 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 three units, 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:

Commissioner Dan Ryan
Prepared by: Chris Flanary
Date Prepared: November 13, 2020

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

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Agenda No.
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<p style="text-align: center;">INTRODUCED BY Commissioner/Auditor: Commissioner Ryan</p>	<p>CLERK USE: DATE FILED <u>January 5, 2021</u></p>
<p style="text-align: center;">COMMISSIONER APPROVAL</p> <p>Mayor—Finance & Administration - Wheeler</p> <p>Position 1/Utilities - Rubio</p> <p>Position 2/Works - Ryan <i>Ryan</i></p> <p>Position 3/Affairs - Hardesty</p> <p>Position 4/Safety - Mapps</p>	<p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <u><i>Keelan McClymont</i></u> Deputy</p>
<p style="text-align: center;">BUREAU APPROVAL</p> <p>Bureau: Housing</p> <p>Bureau Head: <i>Shannon Callahan</i> <small>DocuSigned by: Shannon Callahan</small></p> <p>Prepared by: <u>Cassie Graves</u> Date Prepared: <u>11/16/2020</u></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: required for contract, code, easement, franchise, comp plan, charter <small>Adrian DelCotto</small></p>	<p>ACTION TAKEN:</p>
<p>Council Meeting Date <u>01/13/2021</u></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: _____ 10 mins (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Rubio	1. Rubio		
2. Ryan	2. Ryan		
3. Hardesty	3. Hardesty		
4. Mapps	4. Mapps		
Wheeler	Wheeler		

IMPACT STATEMENT

Legislation title: *Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Willis Apartments located at 1575 N Willis Blvd (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 Inclusionary Housing units (“IH Units”), restricted for 99 years under the Inclusionary Housing (“IH”) Program.

In exchange for providing IH Units, developers receive some benefits, including a 10-year property tax exemption – typically on all residential units in the Central City, or on only eligible rental units restricted under the IH Program outside the Central City.

For the building associated with this ordinance, below are the IH Program 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	7 Units	N/A	N/A	N/A
Bedrooms at 80% of Median Income	9 Bedrooms	N/A	N/A	N/A
Units at 60% of Median Income	4 Units	9 Units	11 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	4 Units	7 Units	N/A
No IH Units	N/A	N/A	N/A	\$3,600,272

The developer selected the option to provide 8% of the building's 44 units, totaling four units, restricted to households earning no more than 60% median income for 99 years. In addition, the Project has voluntarily opted to provide the remaining 40 units in the building as IH Units affordable to households earning no more than 60 percent MFI for 99 years. The tax exemption will apply to the entire residential portion of the project since all 44 of the units will be restricted under Inclusionary Housing.

Overview of building and units:

44-unit building at 1575 N Willis Blvd

- i. Market rate units: 0 units
- ii. IH Units: 44 units

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	39	-	-	5
Market Rate	0	-	-	0
Restricted at 60% of Median Income	39	-	-	5
Average Square Footage	268	-	-	741
Largest Square Footage	306	-	-	741
Smallest IH Unit	233	-	-	741

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

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Market Rate	\$1,269	-	-	\$3,139
Restricted at 60% of Median Income	\$967	-	-	\$1,437
Monthly Rent Difference	\$302	-	-	\$1,702
Annual Rent Difference	\$3,624	-	-	\$20,424

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

If this ordinance is not approved by City Council, the development will proceed without any IH 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 \$9,000 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 \$291,958 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 \$96,346. 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:	\$291,958
Estimated first year value of the tax exemption:	\$31,701
Estimated annual value of the tax exemption per IH Unit during the exemption period:	\$664
Estimated annual foregone revenue per IH Unit over 99-year restriction term:	\$67

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