Agenda No. 266

ORDINANCE No.

Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Analog PDX located at 1871 N Flint Ave (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 Analog PDX (the “Project”) and located at 1871 N Flint Ave (the “Property”), in
conjunction with the City’s Inclusionary Housing Program. The Project, located in
the ELIOT neighborhood and the Interstate Corridor Urban Renewal Area, will be
a residential only housing project and will restrict 10 percent of the total
bedrooms in the Project to households earning no more than 60 percent of the
median family income (“MFI”) at the time of lease-up. Using the reconfiguration
option, five three-bedroom units, which is four percent of the project’s total 134
units, will be restricted to households earning no more than 60 percent MFI. The
Owner of record for the property is ANALOG PDX 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 Analog PDX, 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 four percent of its 134 units to households earning no
more than 60 percent MFI (the “Restricted Units”). The Restricted Units, through
reconfiguration, will consist of five three-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
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 unit, 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.

Passed by Council:  

MARY HULL CABALLERO  
Auditor of the City of Portland  
By  

Deputy  

Action taken:  

Commissioners voted as follows (Yea or Nay)  

Rubio -  
Ryan -  
Hardesty -  
Mapps -  
Wheeler -
IMPACT STATEMENT

Legislation title: Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Analog PDX located at 1871 N Flint Ave (Ordinance)

Contact name: Cassie Graves

Contact phone: 503-823-5758

Presenter names: Dory Van Bockel, Matthew Tschabold, Cassie Graves

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.

<table>
<thead>
<tr>
<th></th>
<th>On-Site Units</th>
<th>New Off-Site Units</th>
<th>Existing Off-Site Units</th>
<th>Fee-in-Lieu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units at 80% of Median Income</td>
<td>26 Units</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bedrooms at 80% of Median Income</td>
<td>30 Bedrooms</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Units at 60% of Median Income</td>
<td>13 Units</td>
<td>26 Units</td>
<td>34 Units</td>
<td>N/A</td>
</tr>
<tr>
<td>Bedrooms at 60% of Median Income</td>
<td>15 Bedrooms</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Units at 30% of Median Income</td>
<td>N/A</td>
<td>13 Units</td>
<td>20 Units</td>
<td>N/A</td>
</tr>
<tr>
<td>No IH Units</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>$2,407,860</td>
</tr>
</tbody>
</table>
The developer selected the option to provide 10% of the building’s 134 total units, totaling 13 units, restricted to households earning no more than 60% median income for 99 years.

Using the option to reconfigure the building’s IH obligation into larger type units, the building's original requirement of 11 studio and two two-bedroom units will be provided in five three-bedroom units, which is four percent of the project’s total 134 units, and will be restricted to households earning no more than 60 percent median income for 99 years.

<table>
<thead>
<tr>
<th>Original IH Unit Requirements (13 IH Units)</th>
<th>Total Bedrooms in Original IH Unit Requirements</th>
<th>IH Obligation utilizing Reconfiguration (5 IH Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(11) Studio (2) Two-bedroom</td>
<td>15 bedrooms</td>
<td>(5) Three-bedroom</td>
</tr>
</tbody>
</table>

Because this building is inside the Central City Plan District the tax exemption will apply to all the residential units.

**Overview of building and units:**
134-unit building at 1871 N Flint Ave
i. Market rate units: 129 units
ii. IH Units: 5 units

<table>
<thead>
<tr>
<th>Studio</th>
<th>One Bedroom</th>
<th>Two Bedroom</th>
<th>Three Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>106</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Market Rate</td>
<td>106</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Restricted at 60% of Median Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

| Average Square Footage | 356 | 810 | 809 | 772 |
| Largest Square Footage | 472 | 962 | 1030 | 775 |
| Smallest IH Unit | - | - | - | 762 |
Impact Statement for Requested Council Action

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

<table>
<thead>
<tr>
<th></th>
<th>Studio</th>
<th>One Bedroom</th>
<th>Two Bedroom</th>
<th>Three Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rate</td>
<td>$1,437</td>
<td>$1,819</td>
<td>$2,890</td>
<td>$3,808</td>
</tr>
<tr>
<td>Restricted at 60% of Median Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,437</td>
</tr>
<tr>
<td>Monthly Rent Difference</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$2,371</td>
</tr>
<tr>
<td>Annual Rent Difference</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$28,452</td>
</tr>
</tbody>
</table>

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 $1,768,721 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 $583,678. 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: $1,768,721
- Estimated first year value of the tax exemption: $176,872
- Estimated annual value of the tax exemption per IH Unit during the exemption period: $35,374
- Estimated annual foregone revenue per IH Unit over 99-year restriction term: $3,573
Central City Plan District:  ☑ Yes  ☐ No

Remaining 5-Year Cap:  $12,743,809

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