

**The Oregonian**

## **Portland OKs Developer Tax Break to Spur More Affordable Apartments**

*By Gordon R. Friedman  
March 21, 2018*

The Portland City Council voted 4-0 Wednesday to revive a tax break designed to encourage developers to make 20 percent of apartments they build affordable to low-income renters.

The Multnomah County Commission must also approve the tax break for it to take effect. It is not a forgone conclusion that the panel will do so.

City Commissioner Amanda Fritz pointedly left the room just before Wednesday's vote because she did not approve but did not want a "no" vote to delay the change.

The city, school districts and other property-tax funded jurisdictions could forego up to \$30 million in tax revenue over the next decade if enough developers with apartments in the making sign on. But it's not clear how many would take advantage of the program. City housing officials have estimated the new incentive could result in 100 to 300 discounted units.

Mayor Ted Wheeler pushed the proposal with hopes that developers who submitted project proposals before the city's new mandatory low-cost housing rules took effect this year will voluntarily make some units affordable in exchange for the property tax break. To get the break, developers will have to make at least 20 percent of a housing project's units affordable to households making, at most, 80 percent of the city's median family income.

Portland's rapidly rising rents and shortage of affordable units are directly tied to a lack of supply, particularly in the moderate- and low-rent ranges.

Fritz questioned if Wheeler's plan will be as effective as possible by targeting earners at 80 percent of the median income. She said it might be wiser to require that units be affordable to households at 60 percent of the median income – the level as in the required lost-cost housing rules passed last year.

Rather than tanking Wheeler's plan to have the break take effect immediately, which requires a unanimous vote, Fritz excused herself before voting began, saying she had to "see a man about a dog." She left the council dais and stood in the council chambers doorway as her colleagues explained and then cast their "yes" votes.

Even though the tax cut passed through City Hall, it will also have to be approved by the Multnomah County Commission, which has a tax abatement agreement with the city. It may not pass. In a statement, Deborah Kafoury, chairwoman of the commission, echoed many of Fritz's concerns.

"As someone deeply committed to helping people out of homelessness and into housing, I share the mayor's goal to have more affordable units," Kafoury said. "But it's precisely because of this mission that I really need to understand what this means for thousands of families in this community who don't make 80 percent of the median income, but are surviving on 30 percent."

Kafoury said she will confer with her fellow commissioners before convening a vote in April.

# Portland City Council Forecloses on Three Rundown Homes

*By Gordon R. Friedman  
March 21, 2018*

Portland city commissioners voted unanimously Wednesday to begin foreclosure on three nuisance properties, hoping to collect nearly \$200,000 in overdue liens or seize the land to sell it at auction.

Properties land on the foreclosure program list after repeated code violation fines and liens go unpaid. Many such homes, sometimes called "zombie homes," are boarded up and vacant and may attract squatters. City documents call the homes "magnets for crime" and drug use. Mayor Ted Wheeler said Wednesday that several hundred zombie homes are dotted throughout Portland.

Commissioners stressed that they are reticent to allow the city to seize and sell private property to the highest bidder. But they said they have no other viable choice in some cases, given the ramshackle state of the properties.

Since 2016, the city code enforcement bureau has proposed foreclosing on 65 run-down and dangerous properties. Owners paid off the liens on 37 of those as a result, netting \$1.6 million. Commissioners ultimately voted to seize just 13 of the homes. Commissioner Chloe Eudaly said city-sponsored foreclosure is a measure of last resort.

The three properties commissioners voted to foreclose upon Wednesday lie in different neighborhoods in northeast and southeast Portland: Parkrose, Powellhurst-Gilbert and Sabin. They're subject to a collective 15 liens and \$192,730 in fines. The fact that owners didn't respond to numerous notices was a factor in the decision to foreclose, officials explained.

Deputy City Auditor Sarah Landis testified that the three houses all are frequented by squatters and have required many visits from city cleanup crews and the police. One of the homes has been vacant for 18 years, Landis said.

Eudaly said derelict houses are "creating extraordinary hardship in our neighborhoods" and are "one of the most frustrating things" that the development bureau oversees. Eudaly, who runs the city bureau responsible for code enforcement, said the city ought to be even "more aggressive and move faster" to rid neighborhoods of tumbledown houses.

Even after the city begins a foreclosure sale, homeowners have a chance to get their house back if they pay their fines plus other city costs. If they don't, the city treasurer auctions off the house. Property owners can still reclaim their property up to one year after the auction if they pay the full sale price.

"I know all of us on the council are very reluctant to take peoples' properties," said Commissioner Amanda Fritz. "With property rights comes responsibilities."

## **The Portland Tribune**

# **Developers Encouraged to Build More Affordable Apartments**

*By Jim Redden*

*March 21, 2018*

**City Council votes to give tax break to developers who asked the city to approve projects before the Inclusionary Housing policy took effect.**

Developers were given a new incentive to include affordable units in their new Portland housing projects on Wednesday.

The City Council approved a proposal by Ted Wheeler to give developers a property tax break for including affordable units in developments that were submitted to the city for approval before the mandatory Inclusionary Housing policy took effect.

Although that policy requires projects over 20 units to include affordable ones, projects totally over 19,000 units were submitted before it took effect. Relative few projects have been submitted for approval since then.

"Those units are going to come online at market rates unless we do something to incentive them to include affordability. This is the only way to reach back into the pipeline and do that," said Wheeler.

The Multiple-Unit Limited Tax Exemption approved by the council is expected to provide a 10-year tax abatement of around \$100,000 for each affordable unit. No project will receive a tax abatement greater than \$500,000, and the total abatement is capped at \$3 million a year.

According to a letter Wheeler sent to the rest of the council on March 16, the abatement will allow a developer to rent a \$2,000 a month unit to a lower-income family for \$1,000 a month, making it affordable to a household earning 80 percent of the areas's median family income.

"As elected leaders, we have declared a housing emergency and we must take aggressive action to address the current crisis. We must make use of every available tool to ensure that housing remains accessible and affordable," Wheeler wrote.

The vote was unanimous with Commissioner Amanda Fritz, who did not support the proposal, leaving the room before the vote so that it could effect immediately. Fritz preferred taxing the new developments at full rates and using the money for other rent subsidy programs. But she understood the rest of the council supported the proposal and did not want to delay it from taking effect.

Commissioners Chloe Eudaly, Nick Fish and Dan Saltzman all agreed the proposal was not perfect, but said it was better than doing nothing, given the affordable housing crisis.

Officials with the Portland Housing Bureau predicted the abatement will produce 300 affordable units over the next two years, when it will expire. Wheeler thought the total will be higher.

# The Daily Journal of Commerce

## Portland Extends MULTE Eligibility to Woo Developers

*By Chuck Slothower*

*March 21, 2018*

The Portland City Council on Wednesday voted to make property-tax breaks available in exchange for affordable housing units from developers who beat the 2017 inclusionary housing deadline.

At Mayor Ted Wheeler's urging, commissioners voted 4-0 to make the Multiple-Unit Limited Tax Exemption (MULTE) program available to development projects that vested before the Feb. 1, 2017 – the effective date of inclusionary housing requirements.

An enormous wave of applications beat the deadline, meaning those projects are not required to provide affordable housing. Without extending the MULTE program, up to 19,000 market-rate housing units could be built as developments with no affordable units included, Wheeler said.

"MULTE is a proven tool that we can use to get affordable units in the pipeline in the near term," Wheeler said. "We're in a housing crisis – as you're all aware – and the need is immediate."

Commissioner Amanda Fritz expressed serious reservations about extending the MULTE program after hearing testimony from Housing Bureau officials that the subsidy amounts to about \$900 per unit per month.

"I am concerned about a \$900-a-unit subsidy for new construction," she said. "When I was a low-wage earner, I didn't expect to be able to live in new construction."

Fritz declined to vote on the matter, stepping out of council chambers to allow the rest of the council to approve the ordinance in her absence. As an emergency ordinance, the MULTE extension required unanimous support for passage. After the four remaining commissioners approved the measure, Fritz returned to her seat.

Commissioner Nick Fish said offering the MULTE program to developers is better than doing nothing.

"The mayor has proposed a tool, and it's an imperfect tool and it's not even my favorite tool, but it does offer the promise of getting some affordable units, and I think in a crisis we should be opportunistic," Fish said. "I've heard some criticism around the margins, but I haven't heard something that convinces me that we shouldn't try. I'm persuaded that this is worth trying."

The ordinance takes immediate effect. It allows developers to opt in to the MULTE program, providing a 10-year property-tax exemption to the residential portion of a development. In exchange, the developer must provide 20 percent of bedrooms in a given project at rates affordable to renters at 80 percent of the Portland area's median family income or less.

Only developments with 20 or more housing units are eligible. The program has a \$3 million cap on a rolling five-year basis due to an agreement with Multnomah County that limits how much tax revenue the city of Portland can forgo.

The program can support only about 300 affordable units in any five-year period, interim Housing Bureau Director Shannon Callahan said.

Brad Malsin, whose firm Beam Development has played a major role in redeveloping the Central Eastside, said he supported extending the MULTE program as a way to buttress the housing market. A downturn is coming, he warned.

“The development cycle takes three to four years between concept and delivering to market,” he said. “So we’re reaching that point where things will change. We’ll hit a cliff, and I believe residential development will fall significantly unless we take some action.”

Applications for the program will be accepted through June 30, 2020.

## **State Commission Backs Comprehensive Plan**

*By Chuck Slothower*

*March 21, 2018*

Portland’s 2035 Comprehensive Plan is one step closer to taking effect after a favorable ruling last week from the Oregon Land Conservation and Development Commission.

The state commission turned down appeals from the Multnomah Neighborhood Association objecting to the city’s “middle housing” policy and other rules intended to increase density.

“We’re pleased with the decision,” Eric Engstrom, principal planner at the Portland Bureau of Planning and Sustainability, stated in an email message.

“Among other things, it brings new mixed-use zoning to transit corridors and centers outside the Central City. This new zoning will facilitate private investment in needed housing,” Engstrom stated.

The Comprehensive Plan is the city’s wide-ranging document that will govern development within city limits as Portland grows to incorporate more than 100,000 new residents that are expected by 2035. The Comprehensive Plan is set to go into effect on May 24.

An appeal to the Oregon Court of Appeals is likely, Multnomah Neighborhood Association Chairwoman Martie Sucec said.

“That’s our plan,” she said.

Neighborhoods such as Multnomah Village have adapted uneasily to developers building apartments near single-family homes, often with little or no new parking.

In Multnomah Village, Urban Asset Advisors has constructed Multnomah Village Apartments and is planning a second mixed-use building, Multnomah Station, along Southwest Capitol Highway. The buildings have similar designs, with three stories of apartments over ground-floor retail space.

The neighborhood association has fought the developments.

“It’s going to be like a canyon on Capitol Highway,” Sucec said.

Other objections from the Multnomah Neighborhood Association centered on designating Multnomah Village a “neighborhood center” rather than a “neighborhood corridor,” which allows for building up to four stories. The neighborhood association has advocated for a three-story height limit.

“It’s not that we object to density,” Sucec said. “We object to having no role, no assurance, in where those things go.”

A written order will follow the commission's March 15 decision. If the neighborhood association does not appeal, the comprehensive plan will be considered "acknowledged" by the state, clearing the way for implementation.

## **The Portland Business Journal**

### **Council Gives the Go-Ahead to Tax Breaks for Affordable Housing Development**

*By Jon Bell*

*March 21, 2018*

The Portland City Council on Wednesday gave the thumbs-up to expanding a program that offers tax breaks to developers who include affordable housing units in their developments.

The council voted 4-0 to expand the Multiple-Unit Limited Tax Exemption program, which offers developers a 10-year property tax exemption if they make at least 20 percent of the units affordable to households earning either 60 percent or 80 percent less than the median family income. The revised program eliminated geographic limitations on projects and also made it available to hundreds of housing projects — totaling some 19,000 units — that were grandfathered in prior to the implementation of the city's Inclusionary Housing program.

Only Commissioner Amanda Fritz opposed the expansion of the program, excusing herself from the vote to make way for the unanimous vote required to pass the emergency ordinance.

Fritz suggested that the average monthly tax exemption on a unit under the MULTE program, estimated to be about \$833 per month, would essentially enable someone to live in a brand new, close-in apartment for less than \$1,200 a month. Such apartments currently rent for an average of \$2,000 a month, according to PHB's interim director Shannon Callahan.

"When I was a low-income wage earner, I did not expect to live in new construction," Fritz said, adding that a subsidy of that amount, if the city had it on hand, could be better spent on rent assistance in existing units.

Fritz also noted that once the 10-year tax exemption through the MULTE program expires, rents in the covered units would jump up by at least the \$833 per month.

The other commissioners, though aware of its shortcomings, were more supportive of extending the program.

"When there is a market miss-match, it is incumbent on government to remedy that," Commissioner Nick Fish said. "The market is not great for lower-income people, so it is our job to take some action."

According to several sources, Japanese retailer Muji has signed on for 15,000 square feet of retail space in the former Meier & Frank Building in downtown Portland.

Though public testimony concluded last week, the council made an exception to let developer Brad Malsin of Beam Development speak before the vote. He said he was there to support the MULTE program, but he also said developers are concerned about rising construction and land costs and the impact that Inclusionary Housing could have on development.

"There's a lot of fear and hesitation and challenge to keep our development cycle going," he said. "People are fearful that with Inclusionary Zoning we can't make projects work."

Commissioner Chloe Eudaly, however, took issue with Malsin's comments.

"I'm concerned (Inclusionary Zoning) is going to be used as a scapegoat for a downturn in development, which I think we knew was coming before the passage of this policy," she said.

Commissioner Dan Saltzman also pushed back against the anti-IH sentiment, saying that the policy will be one of the foundations of Portland's housing development moving forward.

"It's a bedrock," he said. "It's not going to change and it has to be accepted by the development community, as much as compliance with fire code or building code is. These are things that are not debatable. That's what Inclusionary Housing must become. When it becomes that . . . it will be accepted and it will no longer be a discussion point."