



City of Portland, Oregon
Bureau of Development Services
Office of the Director
FROM CONCEPT TO CONSTRUCTION

Dan Saltzman, Commissioner
Paul L. Scarlett, Director
Phone: (503) 823-7308
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www.portlandoregon.gov/bds

Memorandum

185394

Date: May 17, 2012

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman

From: Paul L. Scarlett, Director
Bureau of Development Services

PLS

RE: Ordinance to remove the Business License Exemption for residential units

The Revenue Bureau has prepared an ordinance that will amend the City Business License Code to eliminate the residential rental exemption for 9 or less units. This ordinance would take effect for tax years beginning in January 2012.

Background

- The City Council created the QRHW in July 2007 to explore issues of substandard housing, habitability concerns and environmental health hazards in Portland' rental housing. QRHW members included landlord and tenant groups, public health advocates and community organizations including representatives from: Community Alliance of Tenants, Oregon Rental Housing Association, Multnomah County Health Department, Oregon Environmental Council, Housing Authority of Portland, Metro Multifamily Housing, Josiah Hill Clinic, Rental Housing Association of Greater Portland, Oregon Law Center, Innovative Housing Inc, and Housing and Community Development Commission.
- The Workgroup built consensus around a package of recommendations over a 14-month period and the final recommendations of the QRHW were approved unanimously in September 2008. The City Council heard and accepted the recommendations from the QRHW in November 2008 and asked the Bureau of Housing and Community Development (BHCD) to report back to Council with an implementation plan for the recommendations. An implementation plan was reported back to Council in March 2009. Elimination of the business license exemption for 9 or less residential units was to be revisited by March 15, 2010.
- The Neighborhood Inspections Stakeholder Advisory Committee (NITSAC) whose members include the Community Alliance of Tenants, Metro Multifamily Housing,

Rental Housing Association of Greater Portland, Oregon Law Center, Housing Development Center, East Portland Action Plan and Multnomah County Health, discussed at its December 1, 2011 meeting that the City move forward to eliminate the residential rental exemption. Commissioner Fish and Saltzman sent a Memo to City Council dated February 2, 2012 regarding the Status of Quality Rental Housing Workgroup Recommendations and noted that BDS is currently working with the Revenue Bureau to eliminate the business license residential rental exemption which will provide additional general fund revenue from residential license fees to help fund and support the QRHW recommendations, including continued funding for Housing Inspector positions.

- The Multnomah County Healthy Homes Coalition voted to support the elimination of the residential rental exemption on November 23, 2011.
- Landlord partner groups, specifically the Rental Housing Association of Greater Portland, have recently publicized the elimination of the residential rental exemption through their February 2012 Update Newsletter.
- The removal of the exemption will require all owners of residential rentals to file for a business license. Many of these taxpayers will still be exempt from the business license tax based on gross receipts of \$50,000 or less.
- Many of the rental units inspected by BDS are located in properties and of owners of 9 or fewer units.
- The Mayor's Proposed Budget for FY 12-13 includes the estimated revenue from this proposed code change of \$198,000 to help continue one time general fund funding of Rental Housing Inspectors in the Neighborhood Inspections Program to address issues of substandard housing, lack of habitability, and environmental health hazards. Additional housing inspections will focus on the health and safety of Portland renters by ensuring that minimum standards are met which helps contribute to healthy neighborhoods.



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City Council
Agenda Item
Staff Supplemental Report

TO: Commissioner Dan Saltzman
FROM: Paul L. Scarlett, BDS Director
DATE: May 17, 2012
RE: Ordinance to remove the Business License Exemption for residential rentals

Requested Council Hearing Date: Wednesday, May 30, 2012, regular agenda

I. RECOMMENDATION

The Revenue Bureau has prepared an ordinance that will amend the City Business License Code to eliminate the residential rental exemption for 9 or less units. This ordinance would take effect for tax years beginning in January 2012.

II. BACKGROUND

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- The Mayor's Proposed Budget for FY 12-13 includes the estimated revenue from this proposed code change of \$198,000 to help continue one time general fund funding of Rental Housing Inspectors in the Neighborhood Inspections Program to address issues of substandard housing, lack of habitability, and environmental health hazards. Additional housing inspections will focus on the health and safety of Portland renters by ensuring that minimum standards are met which helps contribute to healthy neighborhoods.

III. FINANCIAL IMPACT

The Revenue Bureau estimates that approximately \$198,000 annually will be generated from this change effective for tax years beginning on January 1, 2012.

IV. LEGAL ISSUES

No legal issues have been identified or have arisen regarding this ordinance.

V. CONTROVERSIAL ISSUES

Owners of 9 or less residential rental units will no longer be exempt from filing for a city business license and those grossing \$50,000 or more in gross receipts will pay the business license tax.

VI. LINK TO CURRENT CITY POLICIES
PCC Section 7.02.400

185394

VII. CITIZEN PARTICIPATION

- The City Council created the QRHW in July 2007 to explore issues of substandard housing, habitability concerns and environmental health hazards in Portland' rental housing. QRHW members included landlord and tenant groups, public health advocates and community organizations including representatives from: Community Alliance of Tenants, Oregon Rental Housing Association, Multnomah County Health Department, Oregon Environmental Council, Housing Authority of Portland, Metro Multifamily Housing, Josiah Hill Clinic, Rental Housing Association of Greater Portland, Oregon Law Center, Innovative Housing Inc, and Housing and Community Development Commission.
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VIII. OTHER GOVERNMENT PARTICIPATION

Not applicable. Work on this ordinance proposal has been limited to representatives of Development Services and Revenue Bureau.

IX. FINANCIAL IMPACT ON LOCAL ECONOMY

IF APPLICABLE, PROVIDE INFORMATION ON ESTIMATED NUMBER OF JOBS CREATED BY THIS ACTION

The bureaus do not anticipate the addition of new jobs as a result of this proposal.

M/W/ESB participation on this contract is N/A

- X. IF THIS IS A CONTRACT, DOES CONTRACTOR HAVE A CURRENT BUSINESS LICENSE? N/A WHAT IS THEIR BUSINESS LICENSE NUMBER? N/A IS THEIR ACCOUNT WITH THE CITY CURRENT? N/A IF NOT, HOW MUCH IS OWING? N/A

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Denise Kleim	2. Telephone No. 503-823-7338	3. Bureau/Office/Dept. BDS/299/5000
4a. To be filed (date): May 30, 2012	4b. Calendar (Check One) Regular Consent 4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to Commissioner's office and FPD Budget Analyst:
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed	6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

Amend the Business License Law to eliminate the exemption for residential rentals (Ordinance; amend Code Section 7.02.400)

2) Purpose of the Proposed Legislation:

This amendment to PCC 7.02.400 eliminates the exemption for individuals whose only business activity is renting or leasing nine or fewer residential rentals (dwelling units). Many of these taxpayers will still be exempt from the business license tax based on gross receipts. However, eliminating this exemption will assist in creating quality rental housing within the City of Portland and has been requested and supported by many stakeholders.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |
| <input type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

City general fund revenue is expected to increase as a result of this code change. It is difficult to know exactly how many taxpayers will become liable as a result. The Revenue Bureau has estimated that approximately \$198,000 annually will be generated from this change. Since this change is effective for tax years that begin on or after 01/01/2012, the first revenues will be collected in April 2013.

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in

future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the **level of confidence**.)

Any costs associated with this change for the Revenue Bureau can be absorbed within the budget appropriation.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** (If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)

NO

- **Will positions be created or eliminated in future years as a result of this legislation?**

NO

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- YES:** Please proceed to Question #9.
 NO: Please, explain why below; and proceed to Question #10.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

Increased Revenue from removing the exemption will allow funding for additional housing inspectors to address issues of substandard housing, lack of habitability, and environmental health hazards. Additional housing inspections will focus on the health and safety of Portland renters by ensuring that minimum standards are met which helps contribute to healthy neighborhoods. While the exemption will require all owners of residential rentals to file a business license, many of owners of rental properties will continue to qualify for the business license tax exemption. The proposed exemption also supports the recommendations of the Quality Rental Housing Workgroup (QRHW) Recommendations.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

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Landlord partner groups, specifically the Rental Housing Association of Greater Portland, have recently publicized the elimination of the residential rental exemption through their February 2012 Update Newsletter.

c) How did public involvement shape the outcome of this Council item?

A consensus recommendation by the QRHW in September 2008

d) Who designed and implemented the public involvement related to this Council item?

QRHW, NITSAC, Multnomah County Healthy Homes Coalition

e) Primary contact for more information on this public involvement process (name, title, phone, email):

Ed Marihart, Sr. Management Analyst at BDS, 3-7373, ed.marihart@portlandoregon.gov
 Andrea Matthiessen, Housing Program Coordinator at PHB, 3-2379,
andrea.matthiessen@portlandoregon.gov

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

NO



Paul L. Scarlett, Bureau of Development Service Director

BUREAU DIRECTOR (Typed name and signature)