

ORDINANCE No. 184659

* Approve the request to grant a 10-year property tax exemption under the Transit Oriented Development limited tax exemption program for an affordable housing project at SE 119 and SE Pine known as Ash Street Apartments. (Ordinance)

The City of Portland ordains:

Section 1. The Council finds that:

1. The Ash Street Apartments LLC applied for a 10-year tax exemption under the City's New Transit Supportive Residential or Mixed-Use Development (TOD) limited tax exemption (LTE) program for the residential portion of The Apartments on December 27th, 2010.
2. The TOD tax exemption program provides a 10-year tax exemption on the improvement value of new multifamily and mixed-use projects located within one-quarter mile of light rail stations or other public transit service facilities. The program's regulations are found in City Code Chapter 3.103.
3. The City Council adopted the TOD program in 1996 to provide support for the City's investment in the MAX light rail system and other investments in public transit outside the Central City by providing an incentive for high-density housing and mixed-use development near transit facilities. The program is authorized by the Oregon Revised Statutes (ORS) 307.600 – 307.637.
4. The property that is the subject of this request is located on 12026 and 12034 SE Ash St. It is bounded by SE Ash and SE 119th and SE 120th. The legal description is tax lots 10-17 and property tax account R293814.
5. The subject property is in an eligible location for the TOD program. It is located within an area shown on Map 3 of Map 3.103-7 Transit Oriented Areas within a quarter mile of the East Gateway light rail transit station.
6. To qualify for the TOD program, all projects over 15 units must include at least 20 percent of its units affordable to households to households below 60 percent of the median family income. For the affordable housing component to qualify as a public benefit the number of affordable units should be at twice the percent of affordable units in the project and reflect the unit mix of the project.
7. The 47 apartments at Ash Street Apartments are rent and income restricted to households with incomes below 60 percent of the median family income due to a long term 60 year affordability agreement.
8. The proposed project will provide three public benefits from the public benefit options list in City Code Chapter 3.103. These benefits include the following; twice the

percentage of required affordable units affordable at 60% MFI; twelve “fully accessible” units and a community room offered to the public.

9. The application was reviewed by a review committee comprised of staff from the Portland Bureau of Transportation, Bureau of Planning and Sustainability, Multnomah County, and Portland Housing Bureau. The role of the review committee is to find whether the project meets the basic threshold criteria of location, affordable housing, financial need and three of the fifteen public benefits including a specific benefit of affordable housing as outlined in City Code Chapter 3.103.
10. The review committee found the project meets the financial criteria of the program and provides three of the fifteen qualifying public benefits outlined in City Code Chapter 3.103. The results of the review were shared with the Portland Housing Bureau Housing Investment Committee for their deliberations.
11. The role of the Portland Housing Bureau Housing Investment Committee is to further evaluate whether the project meets the economic need test. The Portland Housing Bureau Housing Investment Committee found that the tax exemption is necessary to meet the economic need of the project. See the attached financial analysis of Ash Street in exhibit A. The internal rate of return for Ash Street Apartments is -2.97 percent for the 10 years of the tax exemption term. This is below the 10 percent IRR maximum in Chapter 3.103.
12. On February 23rd 2011 the Portland Housing Bureau forwarded a recommendation of approval of the tax exemption request to the Planning and Sustainability Commission after consulting the Portland Housing Bureau Housing Investment Committee.
13. The Planning and Sustainability Commission is responsible for reviewing whether the project meets the public benefits outlined in City Code 3.103 and the public policy purposes for which the TOD program was adopted. The Planning and Sustainability Commission held a hearing on the TOD tax exemption request on April 26th 2011. The Planning and Sustainability Commission voted to recommend approval of the request to the City Council with the condition the three public benefits stated in the application are to be provided.
14. The attached reports from the Planning and Sustainability Commission, Portland Housing Bureau are attached as legislative intent and findings. See the following exhibits:
 - Exhibit A: Portland Housing Bureau Recommendation and Financial Analysis of Ash Street Apartments
 - Exhibit B: Ash Street Apartments LLC Application
 - Exhibit C: Memo to Planning and Sustainability Commission from Portland Housing Bureau regarding the Ash Street Apartments
 - Exhibit D: Memo to City Council from the Planning and Sustainability regarding Ash Street Apartments.

NOW, THEREFORE, the Council directs:

- a. The request for a 10-year tax exemption provided by Chapter 3.103 of the Municipal Code of the City of Portland, Oregon, and ORS 307.600-637 is hereby approved for the residential portion of following property: Ash Street Apartments.
- b. The application described in paragraph "a" above is approved subject to the following conditions:
 1. One hundred percent of the units in the project will remain affordable to, and reserved for, households at or below 60 percent of area median family income as established annually by the U.S. Department of Housing and Urban Development. The units affordable to and reserved for low income households will reflect the unit-mix in the project.
 2. The project will provide three public benefits described in paragraph 8 of Section 1 of this ordinance. These are 47 affordable housing units, twelve fully accessible units, and a community room available to the neighborhood.
 3. The project complies with all applicable standards of Title 33, Planning and Zoning, as well as all conditions of approval of LU 09-101831 DZM, the Design Review with modifications for The Ash Street Apartments LLC.
 4. Ash Street LLC will comply with all provisions of City of Portland Code Chapter section 3.103.055, Internal Rate of Return. This section requires the owner to provide financial data on an annual basis to the Portland Housing Bureau for each tax year that the exemption is in effect as part of an Extended Use Agreement (EUA). It states that "The financial data shall be provided to the Portland Housing Bureau no later than 120 days from the close of the owner's fiscal year. The financial data shall include, but is not limited to, full project-based financial statements, Internal Revenue Service tax information, a ten-year operating cash flow statement showing actual cash flow for all prior years and the current year and shall include a to-date calculation of the internal rate of return for the project, and any other information deemed necessary by the Portland Housing Bureau to calculate or otherwise evaluate the owner's internal rate of return for the project."
- c. The Portland Housing Bureau shall provide copies of this Ordinance to the Multnomah County Tax Assessor as prescribed by Section 3.103.050 (G) of the Code of the City of Portland.

Section 2. The Council declares an emergency exists because this property tax exemption is an essential element for the timely assurance to funders participating in this project; therefore, this ordinance shall be in full force and effect from and after its passage by the Council.

Passed by the Council: JUN 08 2011

Commissioner Nick Fish
Prepared by: Kim McCarty
Date Prepared May 25, 2011

LaVonne Griffin-Valade
Auditor of the City of Portland
By


Deputy

020181

Agenda No.
ORDINANCE NO.

184659

Title

* Approve the request to grant a 10-year property tax exemption under the Transit Oriented Development limited tax exemption program for an affordable housing project at SE 119 and SE Pine known as Ash Street Apartments. (Ordinance)

INTRODUCED BY Commissioner/Auditor: Commissioner Nick Fish	CLERK USE: DATE FILED <u>JUN 03 2011</u>
COMMISSIONER APPROVAL Mayor—Finance and Administration - Adams Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Leonard	LaVonne Griffin-Valade Auditor of the City of Portland By: <u>[Signature]</u> Deputy
BUREAU APPROVAL Bureau: Portland Housing Bureau Bureau Head: Margaret Van Vliet Prepared by: Kim McCarty Date Prepared: 05/25/2011 Financial Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Not Required <input type="checkbox"/> Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Council Meeting Date June 8, 2011 City Attorney Approval	ACTION TAKEN:

AGENDA TIME CERTAIN <input checked="" type="checkbox"/> Start time: 2:30 PM Total amount of time needed: 30 mins (for presentation, testimony and discussion) CONSENT <input type="checkbox"/> REGULAR <input type="checkbox"/> Total amount of time needed: _____ (for presentation, testimony and discussion)
--

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	<input checked="" type="checkbox"/>	
2. Fish	<input checked="" type="checkbox"/>	
3. Saltzman	<input checked="" type="checkbox"/>	
4. Leonard	<input checked="" type="checkbox"/>	
Adams	<input checked="" type="checkbox"/>	