



Limited Tax Exemption BIG LOOK Policy Review Committee

Wednesday, October 19, 2011, 1:30-3:30

Portland City Hall, Rose Room

Portland Housing Bureau

AGENDA

- 1. Welcome & Introductions**
- 2. Review Aug. 1 Meeting Summary– questions, comments?**
- 3. Report: Requested follow up from 8/1/11 discussion of Summary of Draft Recommendations**
 - Program caps description, Target caps**
 - Competitive Process description**
 - Financial need test – IRR analysis & Alternative**
 - Process to address citywide distribution**
 - Affordability thresholds MFI Modeling – using Jill Sherman model**
 - Public Benefits, Links to Portland Plan**
 - New threshold requirements – location, green bldg., contracting equity**
 - Analysis of benefits used**
 - Public benefit short list, priorities**
- 4. Discussion – Ready to Move Recommendations to Policy Change?**
- 5. Next Steps, Process Conclusion**

Portland Housing Bureau

Administrative Process - Program Caps

UNITS	07-08	+/-	08-09	+/-	09-10	+/-	10-11
Non-Profit	7,790	447	8,237	342	8,579	-57	8,522
NMUH	2,856	-260	2,596	-255	2,341	-263	2,078
TOD	972	-7	965	-70	895	130	1,025
SFNC	2,056	356	2,412	-182	2,230	-64	2,166
Rehab	150	-11	139	-6	133	-73	60
# Units	13,824	525	14,349	-171	14,178	-327	13,851
INVESTMENT OF REVENUE		+/-		+/-		+/-	
Non-Profit	6,810,009	73,942	6,883,951	-30,885	6,853,066	783,583	7,636,649
NMUH	4,598,890	-595,938	4,002,952	-1,122,455	2,880,497	182,698	3,063,195
TOD	1,376,988	-157,611	1,219,377	-315,440	903,937	9,226	913,163
SFNC	3,748,236	-573,969	3,174,267	135,054	3,309,321	160,355	3,469,676
Rehab	199,112	-54,130	144,982	2,207	147,189	-105,746	41,443
\$ FG Rev ALL	16,733,235	-1,307,706	15,425,529	-1,331,519	14,094,010	1,030,116	15,124,126

Recommendation

Multi Unit (NMUH +TOD) Annual Investment of Revenue \$1,000,000

- “Typical” 100-150 unit development = \$200,000-300,000 annual revenue
- Allows 3-4 approvals per year
- Assess after 2 years in this market

Single Family New Construction Annual Unit Volume 100 Applications

- New location priorities may reduce activity
- Assess after 2 years in this market

Portland Housing Bureau

Administrative Process – Recommendations

Multi-Unit Competitive Process

- PHB Administers Notice of Funding Availability (NOFA) 1-2 times per year
- Annual Program Cap Volume Available
- Complete Application reviewed and ranked
- Reviewed by PHB Housing Investment Committee + Additional Stakeholder Members
- Recommendation of Committee and PHB Director to City Council
- Data monitoring for outcomes – improvements *and unintended consequences*

Financial Need Test *(Handout)*

- Complete Application - Staff will determine appropriate return test – IRR or 10 Year Cash on Cash, based on complexity of project and ownership structure
- Developer Return not to exceed 10%
- Extended Use Agreement executed at project closing requires developer to submit annual reports for return analysis, subject to recapture of excess return

Single Family New Construction Application Review

- New Program Guidelines implemented at contractor application stage
- Monitoring of contractor progress to assure results
- Data monitoring for outcomes – improvements *and unintended consequences*

Portland Housing Bureau

Citywide Distribution – Options for Analysis to Determine:

1. Where can LTE's be used to incent residential development that creates or retains housing options in areas with low or declining access to affordable housing
2. What areas have high concentrations of tax exempt property and/or existing low-cost housing

ISSUE	APPROACH	POSITIVE/OPPORTUNITIES	NEGATIVE/CHALLENGES
Unequal citywide distribution of tax exempt properties and affordable housing access	Limit to “opportunity areas” where high frequency transit, walkable amenities, access to employment, high quality/ low enrollment schools make access to affordable housing desirable	Addresses concerns about gentrification/displacement	May limit ability to use programs in areas where low cost land is located and to assist households already in those neighborhoods
Unequal citywide access to “family sized” housing	Large Unit Limitation – disallow large unit public benefit where school capacity is limited; promote large unit production in family housing deficient areas	Addresses concerns about increasing enrollment AND declining tax revenue base impact of LTE's; improve housing access for families where access is limited	Access to affordable housing for large families is a Fair Housing concern citywide
Unequal & unpredictable impact on taxing districts	Geographic Cap – for each taxing district limit # of LTE units approved to a % of units built the previous year	Predictable impact for taxing jurisdictions	In current recessionary environment this is particularly limiting, might have the impact of limiting use of LTE to get the housing market moving

Portland Housing Bureau

Affordability Analysis – Using Jill Sherman’s Model

PROGRAM ASSUMPTIONS	
Apartments:	
# Units	115
Total Rentable Square Feet (RSF)	65,313
Average Unit Size	568
Retail:	
Total RSF	8,935
Parking:	
# Stalls	34
Stalls per Unit	0.30

REVENUE ASSUMPTIONS	
Apartments:	
Average Unit Rent	\$1,204
Average Rent per RSF	\$2.12
Retail:	
Annual Rent per RSF (NNN)	\$16.00
Parking:	
Rent per Stall per Month	\$75.00

Market rents differ in sub-markets (100-120% in Central City – East & West of river; 60-80% in East Portland neighborhoods

OPERATING ASSUMPTIONS (3% inflation)	PER UNIT	TOTAL
Operating Expenses per Unit per Year	\$3,400	\$391,000
Property Taxes per Unit per Year	\$1,800	\$207,000
Vacancy	5%	

2010 HUD INCOME LIMITS			
HOUSEHOLD SIZE	1	2	3
100% MFI	49,900	57,000	64,100
80% MFI	39,920	45,600	51,280
60% MFI	29,940	34,200	38,460

2010 HUD Rents Income	Studio (1 person)	est. discount	1 BR (1.5 person)	est. discount	2 BR (3 person)	est. discount
100% MFI	1,248		1,336		1,602	
80% MFI	998	-250	1,069	-267	1,282	-320
60% MFI	748	-500	801	-535	961	-641

Portland Housing Bureau

Affordability Analysis – Using Jill Sherman’s Model

- Developer’s return not to exceed 10%
- Development can secure conventional financing

		Cash on Cash Return Analysis									
Affordability	Abatement	10 Yr	30 Yr	DCR	Annual Taxes	10 YR TOTAL	11	12	13	14	15
100% MFI	NO	4.2%	6.7%	1.25	207,000	2,438,004	286,536	295,133	303,986	313,106	322,499
20% @ 80% MFI	NO	2.7%	4.9%	1.14	207,000	2,438,004	286,536	295,133	303,986	313,106	322,499
	YES	4.8%	7.9%	1.29	70,000	824,446	286,536	295,133	303,986	313,106	322,499
Annual Investment					137,000	1,613,558					
20% @ 60% MFI	NO	1.7%	3.6%	1.07	207,000	2,438,004	286,536	295,133	303,986	313,106	322,499
	YES	3.9%	6.6%	1.22	70,000	824,446	286,536	295,133	303,986	313,106	322,499
Annual Investment					137,000	1,613,558					

Recommendation

- Application threshold: 20% of Units at 80% MFI rental; 100% MFI homeownership
- Competitive incentive for increased affordability

Portland Housing Bureau

Analysis of Public Benefits Options Used 2000-2010

NMUH Public Benefit Frequency Analysis

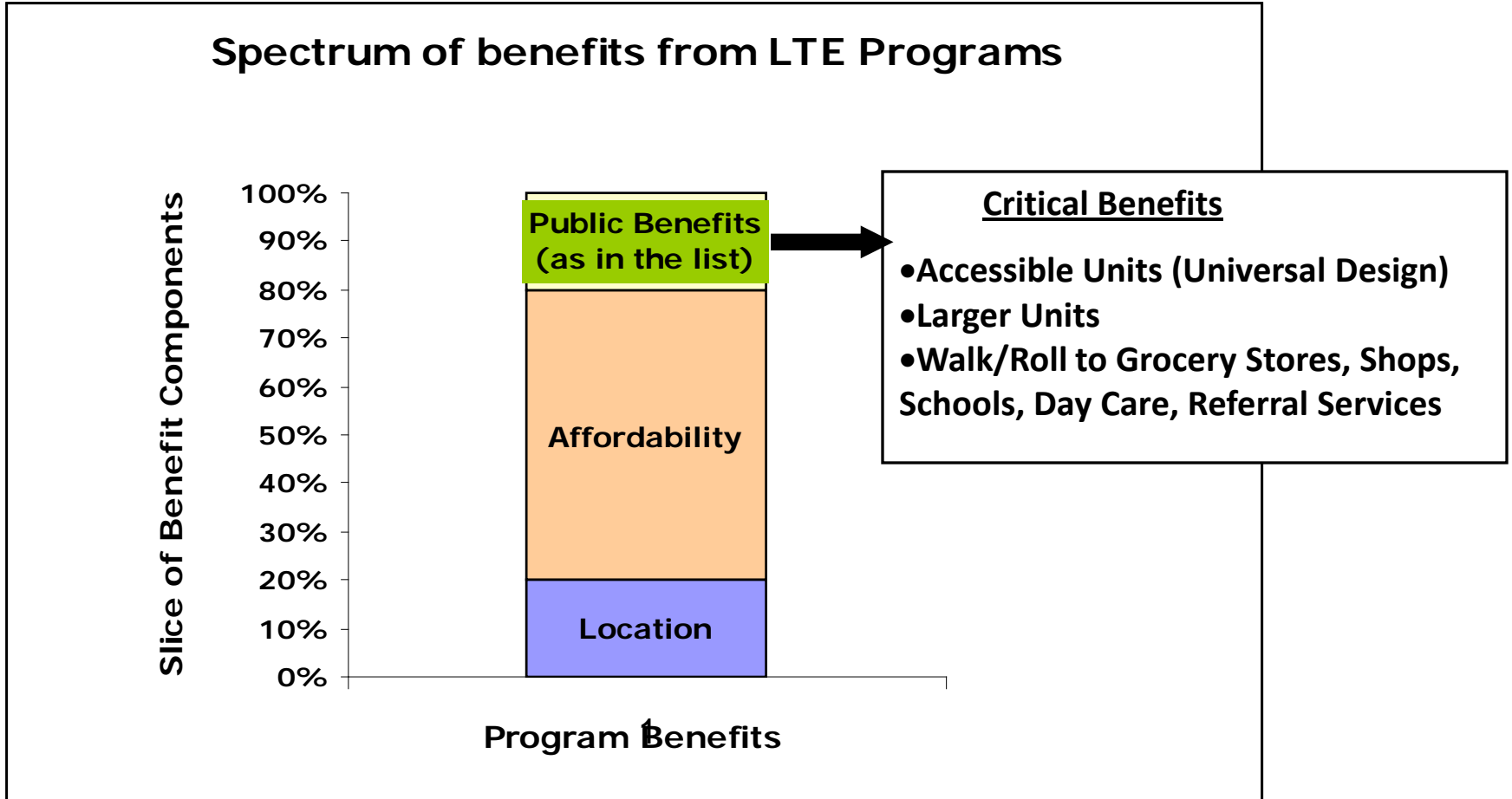
Public Benefit	Frequency of Use
Units at rental rates or sales prices accessible to a broad income range	12
>=25% of rental units affordable to HHs at 60% MFI	5

TOD PUBLIC BENEFIT FREQUENCY ANALYSIS

Public Benefits	Frequency of Use
>= 20% Accessible Units for Special Needs HHs	1
On-site Child Care/Support Child Care Services	2
Residential Unit/Acre Density >=80% Max Allowable	5
Permitted Ground Floor Commercial	6
Office Space/Meetings Room	4
Permanent Dedications for Public Use	4
Family Oriented Recreational Facilities	5
Dedicated Car-Share Space	1
Structured Parking	1
LEED Silver Certification	2
Twice the % of Affordable Units	6
Agreement to Sell Off-Street parking Spaces	1

Portland Housing Bureau

Public Benefits



Portland Housing Bureau

Multi-Unit/ Transit Oriented Development Limited Tax Exemption Program Proposed Changes to Current Program

Goal	Current Practice	Proposed Changes
<p><u>Streamline:</u> Ensure the programs are easy to understand and administer</p>	<p>The TOD and NMUH programs are administered with different guidelines, requirements, goals and processes</p>	<ul style="list-style-type: none"> ▪ Combine the TOD Program and the NMUH program to clarify the purpose of the programs, align them with the City’s housing and development priorities and create administrative efficiencies ▪ Implement a competitive application and review process ▪ Cap annual program capacity measured by foregone revenue
<p><u>Location:</u> Align location of Multi-unit LTE projects with transit service and neighborhood hubs, as detailed in the Portland Plan</p>	<p>LTE are approved if they are within program boundaries as periodically updated by BPS</p>	<ul style="list-style-type: none"> ▪ Demonstrated walkability to schools, transit, fresh healthy food and other services that allow more people to meet needs locally ▪ Restrict LTE in neighborhoods east of I-205
<p><u>Affordability:</u> Assure that the programs help create and retain affordability citywide , especially where redevelopment creates the risk of displacement</p>	<p>The TOD and NMUH programs have differing affordability requirements.</p>	<ul style="list-style-type: none"> ▪ Require that 20% of units are affordable at or below 80% mfi, with consideration of market rents citywide; 100% mfi for ownership ▪ Competitive incentive for increased affordability

Portland Housing Bureau

Multi-Unit/ Transit Oriented Development Limited Tax Exemption Program Proposed Changes to Current Program

Goal	Current Practice	Proposed Changes
<p><u>Public Benefits:</u> Require certain public benefits in all projects; reward developer innovation in providing amenities that add significant value to neighborhoods</p>	<p>The TOD and NMUH programs have long lists of public benefits and requirements differ for each program, many have become common practice</p>	<ul style="list-style-type: none"> ▪ Contracting equity and green building demonstrated in all projects (detail below) ▪ Weighted value in competitive process for : <ul style="list-style-type: none"> ○ Deeper Affordability ○ Family sized units in some locations (detail below) ○ Increased accessible units (detail below) ○ Neighborhood serving commercial (detail below) ○ Employer initiated housing
<p><u>Equity:</u> Increase alignment with the City’s Equity Initiatives, as detailed in the PHB Strategic Plan, Portland Plan and PDC Neighborhood Economic Development Strategy</p>	<p>Impact of programs in creating/retaining housing opportunities for historically disadvantaged communities in gentrifying areas and creating contracting opportunities for MWESB firms, is not currently measured</p>	<ul style="list-style-type: none"> ▪ Continued PHB partnerships with organizations serving households of color ▪ Developer demonstrate community process/engagement that meet Portland Plan Anti-Displacement requirements ▪ Implement PHB Equity in contracting goals

Portland Housing Bureau

Multi-Unit/ Transit Oriented Development Limited Tax Exemption Program Proposed Changes to Current Program

Goal	Current Practice	Proposed Changes
<p><u>Green Building:</u> Enhanced Green building standards in all projects</p>	<p>Builders can offer LEED Silver Certification as a public benefit but it is not required.</p>	<ul style="list-style-type: none"> ▪ Require all applicants to meet PHB Green Building standard
<p><u>Unit Size and Accessibility:</u> Calibrate unit size to the needs of the area.</p>	<p>Majority of units are one and two bedroom.</p>	<ul style="list-style-type: none"> ▪ Encourage 3+ bedroom units in developments west of I-205. Do not encourage 3 bedroom units east of I-205. ▪ Incentives for accessible (universal design) units
<p><u>Commercial Improvements:</u> Exemption of commercial portion of building supports/improves neighborhood economic development and access to fresh healthy food and other services</p>	<p>2011 Legislature approved local definition of allowed commercial use eligible for exemption</p>	<ul style="list-style-type: none"> ▪ Commercial exemption approved for provision of access to fresh healthy food; services w/ demonstrated market based need ▪ Commercial exemption approved for demonstrated connection to PDC Neighborhood Economic Development Strategy in Priority Neighborhood ▪ Commercial exemption denied for use that competes w/ established successful local business

Portland Housing Bureau

Single Family New Construction (SFNC) Limited Tax Exemption Program Proposed Changes to Current Program

Goal	Current Practice	Proposed Changes
<p><u>Location:</u> Align location of SFNC LTE homes with transit service and neighborhood hubs, as detailed in the Portland Plan (within adopted HOA's)</p>	<p>SFNC LTEs are approved if they are within program boundaries established in the "homebuyer opportunity area (HOA)" map.</p>	<ul style="list-style-type: none"> ▪ Demonstrated walkability to schools, transit, fresh healthy food and other services that allow more people to meet needs locally ▪ Restrict LTE in neighborhoods east of I-205 ▪ Develop 2012 legislation to increase alignment of program with opportunity areas
<p><u>Equity:</u> Increase alignment of SFNC LTE with City goal to increase number of minority homebuyers</p>	<p>Currently, 49% of SFNC LTE are utilized by households of color</p>	<ul style="list-style-type: none"> ▪ Continued PHB partnerships with organizations serving households of color. ▪ Approval of affirmative builder marketing plans ▪ Implement PHB MWESB contracting goals
<p><u>Affordability:</u> Assure that the programs help create and retain affordability citywide , especially where redevelopment creates the risk of displacement</p>	<p>Allow a sale price up to 120% of median sales (\$275,000 in 2011).</p>	<ul style="list-style-type: none"> ▪ Adjust sales price limit annually to reflect 100% of median sale price (\$246,000 in 2011)

Portland Housing Bureau

Single Family New Construction (SFNC) Limited Tax Exemption Program Proposed Changes to Current Program

Goal	Current Practice	Proposed Changes
<p><u>Unit Size:</u> Increase development of affordable family size housing in Portland to support school stability.</p>	<p>No restrictions, majority of units are 3+ bedrooms, with a few exceptions</p>	<ul style="list-style-type: none"> ▪ Require 3+ bedroom units ▪ Require “residential permits” (no condos)
<p><u>Green Building:</u> Enhanced green building and energy efficiency in all properties.</p>	<p>Builders are not required to utilize green building practices</p>	<ul style="list-style-type: none"> ▪ Require all applicants to meet PHB Green Building standard

Discussion – Ready to Move Recommendations to Policy Change?

Next Steps, Process Conclusion