

**IMPACT STATEMENT**

**Legislation title:** \*Approve application under the Multiple-Unit Limited Tax Exemption Program for 18<sup>th</sup> Avenue Apartments located at 5205 SE 18<sup>th</sup> Avenue (Ordinance)

**Contact name:** Cassie Graves

**Contact phone:** 503-823-5758

**Presenter name:** Dory Van Bockel

**Purpose of proposed legislation and background information:**

Portland Housing Bureau (PHB) administers the Multiple-Unit Limited Tax Exemption (MULTE) Program, authorized under ORS 307.600-307.637 and Portland City Code 3.103. The City first codified tax exemption programs in 1985. The MULTE Program, since its adoption in 2012, has been used to encourage developers to include affordable housing units in otherwise market-rate developments in exchange for a 10-year property tax exemption. On February 1, 2017 the MULTE Program was amended and became a central component of the Inclusionary Housing Program, leaving the program unavailable to developments that were neither subject to Inclusionary Housing nor had an active application prior to the program changes. In December 2018, City Council and Multnomah County approved the interim use of the MULTE Program, referred to as the "Incenting the Pipeline" MULTE Program, that provided a program for projects vested prior to Inclusionary Housing that had not applied for the MULTE Program prior to the program changes. During the 10-year exemption period, projects in the "Incenting the Pipeline" program must restrict their rents to be affordable to households earning no more than 60% of area median family income (MFI) and report the unit rents and tenant income annually to PHB, which PHB monitors to ensure compliance of the approved affordability restrictions. The tax exemption will apply to the entire residential portion of the project.

PHB received this application for the MULTE Program on August 19, 2019, which if approved will make possible the inclusion of six family-sized housing units to be rented to low-to moderate- income households in a new 59-unit residential only housing development in the Sellwood-Mooreland Improvement League neighborhood. 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 Multnomah County within a certain timeframe. This action meets those requirements.

**Financial and budgetary impacts:**

The applicant submitted the \$1,000 application fee and will pay an additional \$16,000 application activation fee should the application move forward; \$9,000 of that application activation fee will be paid to Multnomah County.

This Ordinance approves a tax exemption resulting in foregone tax revenue. The total estimated amount of the property tax revenue not collected for the ten years of the exemption period based on the application is valued at approximately \$793,165 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 over the 10 years is roughly 33 percent of that amount, or \$261,744. The City will still benefit from property taxes collected on the improved value of the land during the exemption period.

**Project Overview:**

Total Units: 59

No. at or below 60% MFI: 6 units

No. at Market Rate: 53 units

Foregone Revenue: \$86,122 estimated first year value of the tax exemption (all jurisdictions); \$14,354 per affordable unit annually

Bedroom Mix:

Unit Size	Count	Income Restriction (MFI)
Studio	19	Market
One-Bedroom	20	Market
Two-Bedroom	1	60%
Two-Bedroom	14	Market
Three-Bedroom	5	60%
<b>TOTAL</b>	59	

**Community impacts and community involvement:**

The MULTE program encourages the inclusion of affordable units in new developments which otherwise may not be available to potential tenants living in the area where these projects are getting built. MULTE applicants participate in a neighborhood contact process involving outreach to neighborhood associations about the developments. Applicants also contract with a third-party technical assistance provider in order to be more successful connecting to MWESB contractors in the construction of the project. As the largest taxing jurisdiction affected by the tax exemption programs, Multnomah County has approved the administration of the MULTE Program, including this interim use, in order to meet shared affordable housing goals. The application was presented at

a public hearing to the Portland Housing Advisory Commission on October 1, 2019 for which notice was provided broadly.

**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