

IMPACT STATEMENT

Legislation title: *Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Killingsworth Apartments located at 1341 N Killingsworth St (Ordinance)

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Purpose of proposed legislation and background information:

To ensure Portland has economically inclusive development and neighborhoods, the city requires that new buildings being constructed (*with more than 20 units*) also provide Inclusionary Housing units (“IH Units”), restricted for 99 years under the Inclusionary Housing (“IH”) Program.

In exchange for providing IH Units, developers receive some benefits, including a 10-year property tax exemption – typically on all residential units in the Central City, or on only eligible rental units restricted under the IH Program outside the Central City.

For the building associated with this ordinance, below are the IH Program options available to the developer in city code. The option selected by the developer is in bold and highlighted.

	On-Site Units	New Off-Site Units	Existing Off-Site Units	Fee-in-Lieu
Units at 80% of Median Income	10 Units	N/A	N/A	N/A
Bedrooms at 80% of Median Income	10 Bedrooms	N/A	N/A	N/A
Units at 60% of Median Income	6 Units	14 Units	17 Units	N/A
Bedrooms at 60% of Median Income	6 Bedrooms	N/A	N/A	N/A
Units at 30% of Median Income	N/A	10 Units	7 Units	N/A
No IH Units	N/A	N/A	N/A	\$762,795

The developer selected the option to provide 15% of the building's 69 units, totaling 10 units, restricted to households earning no more than 80% median income for 99 years.

Because this building is outside the Central City Plan District, the tax exemption will apply to the IH Units.

Overview of building and units:

69-unit building at 1341 N Killingsworth St

- i. Market rate units: 59 units
- ii. IH Units: 10 units

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	56	13	-	-
Market Rate	47	12	-	-
Restricted at 80% of Median Income	9	1	-	-
Average Square Footage	370	444	-	-
Largest Square Footage	451	452	-	-
Smallest IH Unit	352	433	-	-

Regulated restricted rents compared to new construction market rate rents in the same neighborhood:

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Market Rate	\$1,214	\$1,423	-	-
Restricted at 80% of Median Income	\$1,353	\$1,450	-	-
Monthly Rent Difference	\$(139)	\$(27)	-	-
Annual Rent Difference	\$(1,668)	\$(324)	-	-

Compared to current market data in the Interstate Corridor analysis area, restricted rents at 80% of median income are higher than what is being charged in other buildings. While the data shows that the building has a negative rent differential for all unit types, the Housing Bureau recommends approval because the project is meeting the requirements set forth by the IH Program and the market will only sustain rents lower than the restricted rents, so the project is unlikely to charge more for the restricted units

than market rate. Furthermore, over the 99 years of required rent restriction, market rents will likely continue to increase at a faster rate compared to regulated rents.

If this ordinance is not approved by City Council, the development will proceed without any IH Units.

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 the Multnomah County Tax Assessor. This action meets those requirements.

Financial and budgetary impacts:

The City will pay the \$8,500 application activation fee to Multnomah County, should the application move forward.

This Ordinance approves a property tax exemption resulting in foregone tax revenue. The total estimated amount of the property tax revenue not collected for the 10 years of the exemption period is valued at approximately \$81,529 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 of Portland over the 10 years is roughly 33 percent of that amount, or \$26,905. The City will still benefit from property taxes collected on the improved value of the land during the exemption period.

Property tax exemption value and foregone revenue:

Estimated total foregone revenue:	\$81,529
Estimated first year value of the tax exemption:	\$8,852
Estimated annual value of the tax exemption per IH Unit during the exemption period:	\$815
Estimated annual foregone revenue per IH Unit over 99-year restriction term:	\$82

Central City Plan District: Yes No

Remaining 5-Year Cap: \$12,659,381

Property Management: Not selected yet

Community impacts and community involvement:

As the largest taxing jurisdiction affected by the tax exemption programs, Multnomah County has approved the administration of the programs in order to meet shared affordable housing goals.

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