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190920

Emergency Ordinance

**\*Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for 31st and Hawthorne Apartments located at 3031 SE Hawthorne Blvd**

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. On behalf of the City of Portland, the Portland Housing Bureau (“PHB”) administers the Multiple-Unit Limited Tax Exemption Program (the “MULTE Program” or “Program”), authorized under ORS 307.600-307.637 and City Code Chapter 3.103.
2. The MULTE Program provides a 10-year property tax exemption on the residential portion of the structural improvements so long as Program requirements are met. During the exemption period, property owners remain responsible for the payment of taxes on the assessed value of the land and any commercial portions of the project, except for those commercial improvements deemed a public benefit and approved for the exemption.
3. The MULTE Program is an incentive provided to developments complying with the City Inclusionary Housing (“IH”) Program, which requires 99 years of restricted rents of a percentage of units within the building.
4. PHB received a request for a 10-year property tax exemption under the MULTE Program for the development known as 31<sup>st</sup> and Hawthorne Apartments (the “Project”) and located at 3031 SE Hawthorne Blvd (the “Property”), in conjunction with the City’s Inclusionary Housing Program. The Project, located in the Sunnyside neighborhood, will be a residential only housing project and will restrict 15 percent, which is nine units of the Project’s 62 units to households earning no more than 80 percent of Median Family Income (“MFI”) at the time of lease-up (the “IH Units”). The Owner of record for the property is UDG 31<sup>st</sup> and Hawthorne LLC (“Owner”).

**Introduced by**

[Commissioner Dan Ryan](#)

**Bureau**

[Housing Bureau](#)

**Contact**

**Cassie Graves**

Program Coordinator

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**Requested Agenda Type**

Consent

**Date and Time Information**

**Requested Council Date**

July 13, 2022

5. The MULTE Program has an annual cap limiting the approval of new property tax exemptions to no more than 15 million dollars of new estimated foregone revenue within a five-year period, defined as any current year and the previous four years. There is sufficient cap remaining for the 2022 calendar year to include the Project's application.
6. PHB has the responsibility for reviewing compliance of applications with the minimum MULTE Program requirements and has concluded that the application for the Project does indeed meet the minimum Program requirements.

NOW, THEREFORE, the Council directs:

- A. The request for a 10-year property tax exemption under the MULTE Program is hereby approved for 15 percent of the residential portion of the structural improvements of 31<sup>st</sup> and Hawthorne Apartments, including 15 percent of residential parking and common areas.
- B. Approval of the application is provided subject to the Project meeting the following conditions:
  1. The Project must restrict 15 percent of its 62 units to households earning no more than 80 percent MFI (the "Restricted Units"). The Restricted Units will reflect the unit-mix in the Project and will consist of one studio and eight one-bedroom units.
  2. The application will comply with the Program requirements established in City Code Chapter 3.103, including the requirement that the Owner sign a Regulatory Agreement and report annually to PHB each tax year that the exemption and restrictions are in effect.
  3. The Restricted Units will be built to meet all minimum Americans with Disabilities Act and Fair Housing Act requirements. The Project will also be built to ensure at least five percent of the Restricted Units, totaling one, be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities.
- C. PHB shall provide a copy of this Ordinance to the Multnomah County Tax Assessor as prescribed by City Code Section 3.103.050 (A).
- D. If, prior to the completion of construction, the Project is changed in any way that would reduce the number, percentage or distribution of the Restricted Units in the Project, or the approved public

benefits provided, Owner must provide written notice to PHB. If such changes still conform to the Program requirements, PHB will amend the Regulatory Agreement. Such amendment would not be subject to City Council approval if changes are minor and would result in substantially the same Project.

Section 2. The Council declares an emergency exists because timely City approval of the application for the MULTE Program is necessary in order to allow the Project to meet requirements to approve the building permit as outlined by the Bureau of Development Services; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council  
July 13, 2022

Auditor of the City of Portland  
Mary Hull Caballero

## Impact Statement

### 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.

IH Program Options	On-Site Units	New Off-Site Units	Existing Off-Site Units	Fee-in-Lieu
<b>Units at 80% of Median Income</b>	<b>9 Units</b>	N/A	N/A	N/A
<b>Bedrooms at 80% of Median Income</b>	9 Bedrooms	N/A	N/A	N/A
<b>Units at 60% of Median Income</b>	5 Units	12 Units	16 Units	N/A

IH Program Options	On-Site Units	New Off-Site Units	Existing Off-Site Units	Fee-in-Lieu
<b>Bedrooms at 60% of Median Income</b>	5 Bedrooms	N/A	N/A	N/A
<b>Units at 30% of Median Income</b>	N/A	6 Units	9 Units	N/A
<b>No IH Units</b>	N/A	N/A	N/A	\$920,437

The developer selected the option to provide 15% of the building’s 62 units, totaling nine 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:*

62-unit building at 3031 SE Hawthorne Blvd

- 1. Market rate units: 53 units
- 2. IH Units: 9 units

Building Unit Summary	Studio	One Bedroom	Two Bedroom	Three Bedroom
<b>Total</b>	5	57	-	-
<b>Market Rate</b>	4	49	-	-
<b>Restricted at 80% of Median Income</b>	1	8	-	-
<b>Average Square Footage</b>	371	443	-	-
<b>Largest Square Footage</b>	413	499	-	-
<b>Smallest IH Unit</b>	356	478	-	-

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

Building Rent Summary	Studio	One Bedroom	Two Bedroom	Three Bedroom
<b>Market Rate</b>	\$1,353	\$1,630	-	-

Building Rent Summary	Studio	One Bedroom	Two Bedroom	Three Bedroom
<b>Restricted at 80% of Median Income</b>	\$1,492	\$1,598	-	-
<b>Monthly Rent Difference</b>	\$(139)	\$32	-	-
<b>Annual Rent Difference</b>	\$(1,668)	\$384	-	-

While the building currently has a negative rent differential for studio apartments, the Housing Bureau recommends approval because the total rent discount across all IH Units provide more public benefit than is being given up in public off-sets. In addition, over the 99 years of required rent restriction, market rents will only 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 \$7,650 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 \$120,806 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 \$39,866 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:	\$120,806
Estimated first year value of the tax exemption:	\$13,117

Estimated annual value of the tax exemption per IH Unit during the exemption period:	\$1,342
Estimated annual foregone revenue per IH Unit over 99-year restriction term:	\$136

Central City Plan District:    Yes    No

Remaining 5-Year Cap:    \$12,242,051

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.

## Budget Office Financial Impact Analysis

This action would result in estimated foregone property tax revenues to the City totaling \$39,866 over ten years for 9 units affordable at or below 80% MFI. Total cost to all jurisdictions forgoing revenue is estimated at \$120,806. The estimated value of the tax exemption for the first year is \$13,117 (all jurisdictions), which equals approximately \$1,342 per affordable unit per year during the exemption period. The City will still benefit from property taxes collected on the improved value of the land during the exemption period. The City will pay Multnomah County the \$7,650 application activation fee if the application moves forward.

## Agenda Items

### 620 Consent Agenda in July 13, 2022 Council Agenda

Passed

Commissioner Jo Ann Hardesty Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Mayor Ted Wheeler Yea