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191036

Emergency Ordinance

***Amend approved application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Burnside Apartments located at 11005 E Burnside St to increase the number of restricted units (amend Ordinance No. 190325)**

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 designated percentage of units within the building.
4. Ordinance No. 190325, passed by the Council on March 17, 2021, authorized a 10-year property tax exemption under the MULTE Program, in conjunction with the City’s Inclusionary Housing Program for the development known as Burnside Apartments (the “Project”) and located at 11005 E Burnside St (the “Property”). The application proposed four studio units, or 15 percent, of the Project’s 29 units would be restricted to households earning no more than 80 percent of Median Family Income (“MFI”) at the time of lease-up (the “IH

Introduced by

[Commissioner Dan Ryan](#)

Bureau

[Housing Bureau](#)

Contact

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Program Coordinator

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Requested Agenda Type

Consent

Date and Time Information

Requested Council Date

October 19, 2022

Units”).

5. The developers of the Project have requested to amend their approved MULTE application in order to extend the rent restriction to additional units in the Project for 99 years. The amended application proposes to restrict the remaining 25 studio units to households earning no more than 60 percent of MFI, in addition to the four studio units included in the initial application which will be restricted to households earning no more than 80 percent of MFI. This would restrict 100 percent of the Project’s 29 units under the IH Program.
6. 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 amended application.
7. PHB has the responsibility for reviewing compliance of approved applications with the minimum MULTE Program requirements and has concluded that the amended application for the Project does indeed meet the minimum Program requirements.

NOW, THEREFORE, the Council directs:

A. The amended request for a 10-year property tax exemption under the MULTE Program is hereby approved for 100 percent of the residential portion of the structural improvements of Burnside Apartments, including 100 percent of residential parking and common areas.

B. Ordinance No. 190325 is amended as follows:

1. The Project must restrict 15 percent of its 29 units, totaling four units, to households earning no more than 80 percent MFI and 85 percent of its 29 units, totaling 25 units, to households earning no more than 60 percent MFI. (the “Restricted Units”). The Restricted Units will reflect the unit-mix in the Project and will consist of 29 studio units.

C. All other portions of Ordinance 190325 will remain the same.

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
October 19, 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.

On March 17, 2021, the Council passed Ordinance 190325 which authorized a 10-year property tax exemption for Burnside Apartments. Under Ordinance 190325, the developer selected to provide 15% of the building’s 29 units, totaling four units, restricted to households earning no more than 80% median income for 99 years.

Since the passage of the aforementioned Ordinance, the developers of the building have requested to amend their approved 10-year property tax exemption application in order to accommodate an increase in the number of IH Units by voluntarily restricting the remaining 25 units under the IH Program at 60%median income for 99 years. For the building associated with this amended ordinance, below are the 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	4 Units	N/A	N/A	N/A
Bedrooms at 80% of Median Income	4 Bedrooms	N/A	N/A	N/A

On-Site Units	New Off-Site Units	Existing Off-Site Units	Fee-in- Lieu	
Units at 60% of Median Income	25 Units	6 Units	7 Units	N/A
Bedrooms at 60% of Median Income	25 Bedrooms	N/A	N/A	N/A
Units at 30% of Median Income	N/A	3 Units	4 Units	N/A
No Inclusionary Units	N/A	N/A	N/A	\$326,186

The developer selected the option to provide 15% of the building's 29 units, totaling four units, restricted to households earning no more than 80% median income for 99 years. Additionally, the project elected to restrict the remaining 25 units in the building to households earning no more than 60% median family income for 99 years under the IH Program. In total, 29 units, or 100% of the building's units, will be authorized for a 10-year property tax exemption under the ordinance should it be adopted.

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

Overview of building and units for Ordinance No. 190325:

29-unit building at 11005 E Burnside St

1. Market rate units: 25 units
2. IH Units: 4 units

Building Unit Summary	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	29	-	-	-
Market Rate	25	-	-	-
Restricted to 80% of Median Income	4	-	-	-
Average Square Footage	407	-	-	-
Largest Square Footage	473	-	-	-
Smallest IH Unit	380	-	-	-

Overview of building and units for Amended Application:

29-unit building at 11005 E Burnside St

- 1. Market rate units: 0 units
- 2. IH Units: 29 units

Building Unit Summary	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	29	-	-	-
Market Rate	0	-	-	-
Restricted to 60% of Median Income	25	-	-	-
Restricted to 80% of Median Income	4	-	-	-
Average Square Footage	407	-	-	-
Largest Square Footage	473	-	-	-
Smallest IH Unit	380	-	-	-

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

Building Rent Summary	Studio	Studio	One Bedroom	Two Bedroom
Market Rate	\$1,211	\$1,211	-	-
Restricted to 60% of Median Income	\$967	-	-	-
Restricted to 80% of Median Income	\$1,290			
Monthly Rent Difference	\$244	(\$79)	-	-
Annual Rent Difference	\$2,928	(\$948)	-	-

While the building currently has a negative rent differential for studio apartments restricted at 80% of Median Income, 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 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 paid Multnomah County a \$3,400 application activation fee on July 1, 2022 for the first approved application and will pay the \$5,600 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 \$221,943 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 \$73,241. 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 for Ordinance 190325:

Estimated total foregone revenue:	\$36,939
Estimated first year value of the tax exemption:	\$4,011
Estimated annual value of the tax exemption per inclusionary unit during the exemption period:	\$923
Estimated annual foregone revenue per inclusionary unit over 99-year restriction term:	\$93

Property tax exemption value and foregone revenue for amended application:

Estimated total foregone revenue:	\$221,943
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Estimated first year value of the tax exemption:	\$24,099
Estimated annual value of the tax exemption per inclusionary unit during the exemption period:	\$765
Estimated annual foregone revenue per inclusionary unit over 99-year restriction term:	\$77

Central City Plan District: Yes No

Remaining 5-Year Cap: \$12,225,777

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 \$73,241 over ten years for 25 units affordable at or below 60% MFI and 4 units affordable at or below 80% MFI. Total cost to all jurisdictions forgoing revenue is estimated at \$221,943. The estimated value of the tax exemption for the first year is \$24,099 (all jurisdictions), which equals approximately \$765 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 \$5,600 application activation fee if the application moves forward.

Agenda Items

869 Consent Agenda in October 19, 2022 Council Agenda

Passed

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Jo Ann Hardesty Yea

Mayor Ted Wheeler Yea