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# 191448

Emergency Ordinance

## **\*Amend approved application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Graham Apartments located at 325 W/ NE Graham St to increase the number of restricted units (amend Ordinance 191180)**

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. 191180, passed by the Council on February 22, 2023, 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 Graham Apartments (the "Project") and located at 325 W/ NE Graham St (the "Property"). The application proposed three units, comprised of three studio units, or 10 percent, of the Project's 29 units would be restricted to households earning no more than 60 percent of Median Family Income ("MFI") at the time of

Introduced by

[Commissioner Carmen Rubio](#)

Bureau

[Housing Bureau](#)

Contact

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Requested Agenda Type

Consent

Date and Time Information

Requested Council Date

September 13, 2023

lease-up (the "IH Units").

5. The developers of the Project have requested to amend their approved MULTE application in order to accommodate to extend the rent-restriction to additional units in the Project for 99 years. The total number of IH Units has increased compared to the initial application. The amended application proposes seven units, comprised of seven studio units, or 24 percent, of the Project's 29 units would be restricted to households earning no more than 60 percent of MFI at the time of lease-up.
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. Projects that are in an Urban Renewal Area are not subject to the annual cap and must be approved by Prosper Portland. This Project's amended application was approved for the Interstate Corridor URA prior to the Council date.
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 24 percent of the residential portion of the structural improvements of Graham Apartments, including 24 percent of residential parking and common areas.
- B. Ordinance No. 191180 is amended as follows:
  1. The Project must restrict 24 percent of its 29 units to households earning no more than 60 percent MFI (the "Restricted Units"). The Restricted Units will consist of seven studio units.
- C. All other portions of Ordinance 191180 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  
September 13, 2023

Auditor of the City of Portland  
Simone Rede

## 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 February 22, 2023, the Council passed Ordinance 191180 which authorized a 10-year property tax exemption for Graham Apartments. Under Ordinance 191180, the developer selected to provide 10% of the building's 29 units, totaling three units, restricted to households earning no more than 60% 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 Project's restricted units from three to seven total units. 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.

<b>On-Site Units</b>	<b>New Off-Site Units</b>	<b>Existing Off-Site Units</b>	<b>Fee-in- Lieu</b>	
<b>Units at 80% of Median Income</b>	6 Units	N/A	N/A	N/A
<b>Bedrooms at 80% of Median Income</b>	6 Bedrooms	N/A	N/A	N/A
<b>Units at 60% of Median Income</b>	<b>3 Units</b>	6 Units	7 Units	N/A
<b>Bedrooms at 60% of Median Income</b>	3 Bedrooms	N/A	N/A	N/A

<b>Units at 30% of Median Income</b>	N/A	3 Units	4 Units	N/A
<b>No Inclusionary Units</b>	N/A	N/A	N/A	\$307,533

The developer selected the option to provide 10% of the building's 29 units, totaling three units, restricted to households earning no more than 60% median income for 99 years. Additionally, the project elected to restrict an additional four units in the building to households earning no more than 60% median family income for 99 years under the IH Program. In total, seven units, or 24% of the building's units, will be authorized for a 10-year property tax exemption under the amended 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. 191180:***

29-unit building at 325 W/ NE Graham St

1. Market rate units: 26 units
2. IH Units: 3 units

<b>Studio</b>	<b>One Bedroom</b>	<b>Two Bedroom</b>	<b>Three Bedroom</b>	
<b>Total</b>	25	4	-	-
<b>Market Rate</b>	22	4	-	-
<b>Restricted to 60% of Median Income</b>	3	-	-	-
<b>Average Square Footage</b>	360	495	-	-
<b>Largest Square Footage</b>	416	514	-	-
<b>Smallest IH Unit</b>	352	-	-	-

***Overview of building and units for Amended Application:***

29-unit building at 325 W/ NE Graham St

1. Market rate units: 22 units
2. IH Units: 7 units

Studio	One	Two	Three	
	Bedroom	Bedroom	Bedroom	
<b>Total</b>	25	4	-	-
<b>Market Rate</b>	18	4	-	-
<b>Restricted to 60% of Median Income</b>	7	-	-	-
<b>Average Square Footage</b>	360	495	-	-
<b>Largest Square Footage</b>	416	514	-	-
<b>Smallest IH Unit</b>	352	-	-	-

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

Studio	One	Two	Three	
	Bedroom	Bedroom	Bedroom	
<b>Market Rate</b>	\$1,459	\$1,937	-	-
<b>Restricted to 60% of Median Income</b>	\$1,119	-	-	-
<b>Monthly Rent Difference</b>	\$340	-	-	-
<b>Annual Rent Difference</b>	\$4,080	-	-	-

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 \$5,950 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 \$71,760 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 \$23,681. 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 191180:*

Estimated total foregone revenue:	\$31,859
Estimated first year value of the tax exemption:	\$3,459
Estimated annual value of the tax exemption per inclusionary unit during the exemption period:	\$1,062
Estimated annual foregone revenue per inclusionary unit over 99-year restriction term:	\$107

### *Property tax exemption value and foregone revenue for amended application:*

Estimated total foregone revenue:	\$71,760
Estimated first year value of the tax exemption:	\$7,792
Estimated annual value of the tax exemption per inclusionary unit during the exemption period:	\$1,025
Estimated annual foregone revenue per inclusionary unit over 99-year restriction term:	\$104

Central City Plan District:    Yes    No

Remaining 5-Year Cap:    \$12,256,659

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 \$23,681 over ten years for 7 units affordable at or below 60% MFI. Total cost to all jurisdictions forgoing revenue is estimated at \$71,760. The estimated value of the tax exemption for the first year is \$7,792 (all jurisdictions), which equals approximately \$1,025 per affordable unit per year of affordability. 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 \$5,950 application activation fee if the application moves forward.

## Agenda Items

774 Consent Agenda in [September 13-14, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/9/13) (<https://www.portland.gov/council/agenda/2023/9/13>)

Passed

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Mayor Ted Wheeler Yea