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191530

Emergency Ordinance

*Approve application under the Multiple-Unit Limited Tax Exemption Program for a five-year extension of the limited property tax exemption for The 41 at Tillamook at 4110 NE Tillamook St

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 limited 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’s ten-year limited property tax exemption serves as an incentive to developments complying with the Inclusionary Housing (“IH”) Program, which requires 99 years of restricted rents since its implementation on February 1, 2017. Prior to IH, the MULTE Program was available to property owners voluntarily restricting at least 20 percent of residential units to households earning no more than 60 or 80 percent of Median Family Income (“MFI”) for a period of ten years in exchange for a ten-year limited property tax exemption.
4. On March 21, 2012, The 41 at Tillamook LLC (“Owner”) applied for a ten-year limited property tax exemption for an apartment building known as The 41 at Tillamook (the “Project”) and located at 4110 NE Tillamook St (the “Property”) under the Transit Oriented Development (“TOD”) Program, which was authorized under ORS 307.600-307.637 and City Code Chapter 3.103. City Council approved the application through Ordinance 185214 on March 21, 2012. The Project, located in

Introduced by

[Commissioner Carmen Rubio](#)

Bureau

[Housing Bureau](#)

Contact

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Development Incentives

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Requested Agenda Type

Consent

Date and Time Information

Requested Council Date

December 6, 2023

the Hollywood neighborhood is a residential only housing project restricting 10 units, which is 20 percent of its 47 housing units, to households earning no more than 60 percent of MFI (the "MULTE Units").

5. In 2012, the TOD Program was combined with the New Multi-Unit Housing Program to become the MULTE Program.
6. On May 10, 2023, City Council approved offering extensions for projects who received property tax exemptions under the MULTE Program, including previous versions, prior to the IH Program, that restrict affordability at 60 percent of MFI. The extension available to these buildings built within the last 15 years are not covered under state tenant protections limiting rent increases.
7. On August 21, 2023, PHB received a request from the Owner for a five-year extension to the limited property tax exemption in effect for the Project under the MULTE Program.
8. 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 for an extension.

NOW, THEREFORE, the Council directs:

- A. The request for a five-year extension of the limited property tax exemption under the MULTE Program is hereby approved for 100 percent of the residential portion of the structural improvements of The 41 at Tillamook, including 100 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 continue to restrict 20 percent of its 47 residential units to households earning no more than 60 percent of MFI for an additional five years beyond the initial ten years. The MULTE Units will reflect the unit-mix in the Project.
 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.
- 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).

Section 2. The Council declares an emergency exists because timely City approval of the application for the MULTE Program is necessary in order to extend the limited property tax exemption for The 41 at Tillamook prior to July 1, 2024, when the exemption expires; 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
December 6, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

The purpose of this legislation is to approve an extension to a current tax exemption that is otherwise due to expire on June 30, 2024, thereby preventing an increase in rents for 10 households earning no more than 60% of area median family income (MFI).

City Council approved a ten-year property tax exemption for The 41 at Tillamook in 2012 through a prior version of the MULTE Program, referred to as the Transit Oriented Development (TOD) Limited Tax Exemption Program.

The 41 at Tillamook's tax exemption started July 1, 2014, after construction completion. Since the building is less than 15 years old, it is exempt from rental protections approved at the state through SB 611, Rent Stabilization.

On May 10, 2023, City Council approved offering five-year extensions to property tax exemptions expiring after 10 years when the restricted units are serving households earning no more than 60% MFI and not part of the Inclusionary Housing program.

On August 21, 2023, the owner of The 41 at Tillamook, The 41 at Tillamook LLC, applied for a five-year extension of the property tax exemption. PHB determined that the project needs a tax exemption in order to maintain restricted rents at 60% MFI, which are below market rents.

Approval of the five-year extension stabilizes 10 households, who will be further protected under state tenant protection laws by the time the exemption expires.

Financial and Budgetary Impacts

The Owner will pay a \$1,000 application fee to PHB.

This ordinance approves an additional five years of a property tax exemption resulting in foregone tax revenue. The most-current annual foregone revenue amount for The 41 at Tillamook from tax year 2021-22 was \$107,731. Over another five years, the additional net present value of the exemption will amount to approximately \$589,117, assuming a four percent discount rate and a three percent annual assessment increase. This five-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 five years is roughly 33 percent of that amount, or \$194,409. 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:	\$589,117
Estimated first year value of the tax exemption:	\$110,963
Estimated annual value of the tax exemption per restricted unit during the exemption period:	\$11,782
Estimated total foregone revenue per restricted unit over five-year restriction term:	\$58,912

Community Impacts and Community Involvement

As the largest taxing jurisdiction affected by the tax exemption programs, Multnomah County has approved the administration of the MULTE program 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 ordinance approves an additional five years of a property tax exemption resulting in foregone tax revenue. Over the five years, the net present value of the exemption will amount to approximately \$589,117, which includes taxes foregone by the City, Multnomah County and other entities which receive property taxes within the County. The reduced amount of property taxes to the City over the five years is roughly 33% of that amount, or \$194,409. The City will still benefit from property taxes

collected on the improved value of the land during the exemption period.
The owner will pay a \$1,000 application fee to PHB.

Agenda Items

1000 Consent Agenda in [December 6, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/12/6)
(<https://www.portland.gov/council/agenda/2023/12/6>)

Passed

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Mayor Ted Wheeler Yea