

**APPLICATION FROM CASCADIAN HOLLADAY, LLC FOR TEN YEAR PROPERTY  
TAX EXEMPTION FOR NEW CONDOMINIUM HOUSING (CHAPTER 3.104)  
KNOWN AS CASCADIAN COURT**

**Planning Commission Report to the City Council**

**I.     FACTS**

**A.     GENERAL INFORMATION**

**Effective Dates:**           Pre-Application Date:           September 12, 2001  
                                  Full Application Date:           October 11, 2001  
                                  P.C. Hearing Date:           November 27, 2001

**Deedholder:**               Cascadian Holladay, LLC  
                                  c/o Enterprise Development Company  
                                  9701 SE Johnson Creek Blvd.  
                                  Portland, OR 97266

**Applicant(s):**             Matt Sloan, President  
                                  Enterprise Development  
                                  9701 SE Johnson Creek Blvd.  
                                  Portland, OR 97266

**Architect:**               Sienna Architecture Company  
                                  411 SW 6th Avenue  
                                  Portland, OR 97204

**Proposal :**                 Application for limited property tax exemption for the  
                                  construction of a nine story, 59 unit condominium project  
                                  containing 900 square feet of retail space and 15 on-site parking  
                                  spaces.

**Location:**                The southeast quarter block bounded by NE Hassalo, 6th,  
                                  Holladay, and Grand Avenue.

**Legal Description:**       State ID 1N1E35BB 3300; R182142

**Quarter Section:**       2931

**Zone(s):**                 CX, Central Commercial Zone  
                                  d, Design Review Overlay (Central City Plan District)

**Description of  
Proposal:**                The applicant has constructed a nine story 59-unit condominium  
                                  which is proposed to be the first phase of a larger project

consisting of a twenty-three story or higher tower. The second phase hinges on the success of this initial phase. Included in Phase 1 (called Cascadian Court) is 900 square feet of ground floor retail space and 15 on-site parking spaces. Additional parking and resident amenities will be provided in Phase 2.

**B. SITE INFORMATION**

**Description:** The quarter-block site is located at NE Holladay Street and NE 6th Avenue in the Lloyd District of the Central City. Several blocks east of the site is the Lloyd Center Mall, an 18-block area which was established about thirty years ago and which has undergone major renovation. Two blocks west of the site is the Oregon Convention Center and a few blocks further west is the Memorial Coliseum whose future depends on as yet undetermined large scale redevelopment of the area. There are several connections to public transit located within a three-block radius, including bus and light rail lines. The building itself fronts on the MAX line between the Convention Center and 7th Avenue stations.

**History:** The project site had been occupied by a church which has since been demolished. Aside from the Design Review of this project, there is no other recent quasi-judicial review on record for this site.

Planning Commission Finding: Because the site has a Design Overlay zone and is located within the Central City Plan District, the applicant has applied for and has received the necessary approval from the Design Commission for the structure. The full two phased project was approved under case number LUR 98-00910 DZ AD with subsequent modifications approved under LUR 99-00644 DZ AD. All of the findings and conditions of approval of these Design Review cases remain in effect and are not modified by any consideration of this tax exemption request.

**C. VICINITY DATA**

**Surrounding Conditions:** As noted above, the project site is located in the Lloyd District of the Central City. It is a rapidly developing mixed use area serving the entire city as a job, retail, and tourist center. Recent planning efforts are attempting to increase the residential base of the district. This is little housing left of the historic neighborhood developed during the turn of the last Century. Two more recent residential developments include the Cornerstone Apartments and the Lloyd Place Apartments which lie to the east of the Lloyd Center Mall.

**D. AGENCIES, NEIGHBORHOOD AND OTHER ASSOCIATIONS NOTIFIED**

All appropriate agencies and associations have been notified in accordance with Title 33 regulations governing the Design Review of this project. The property tax exemption program falls under Title 3, Administration, of the City Code. The public notices of the meeting dates of the Portland Development Commission, the Planning Commission, and the City Council which are printed in area newspapers fulfill the notification requirement of this review.

**E. EXHIBITS**

1. Zoning Map
2. First Floor Plan
3. East Elevation
4. South Elevation
5. Portland Development Commission Recommendation with Project Costs, Funding Sources, and Sales Prices

**F. LEGISLATIVE INTENT/STATUTORY AUTHORITY**

1. Legislative Intent

Consideration for property tax exemption for a ten-year period is authorized by ORS 307.600 through 307.900 and by Title 3, Administration, of the Code of the City of Portland, Oregon.

State law specifies the following intent for the tax exemption provision under ORS 307.600, Legislative Findings:

"307.600. (1) The legislature finds that it is in the public interest to stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon's urban centers, to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work.

"(2) The Legislature also finds that it is in the public interest to promote private investment in transit supportive multiple-unit housing in light rail station areas and transit oriented areas in order to maximize Oregon's transit investment to the fullest extent possible and that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit housing, and commercial and retail property, in areas located within a light rail station area or transit oriented area.

"(3) The legislature further finds that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit

housing in light rail station areas, in transit oriented areas or in city core areas by means of the local property tax exemption authorized under ORS 307.600 to 307.690. The programs shall emphasize the following:

“(a) The development of vacant or under-utilized sites in light rail station areas, transit oriented areas or core areas, rather than sites where sound or rehabilitatable multi-unit housing exists.

“(b) The development of multiple-unit housing, with or without parking, in structures that may include ground level commercial space.

“(c) The development of multiple-unit housing, with or without parking, on sites with existing single-story commercial structures.

“(d) The development of multiple-unit housing, with or without parking, on existing surface parking lots.

“(4) The programs shall result in the construction, addition or conversion of units at rental rates or sale prices accessible to a broad range of the general public.”

Planning Commission Finding: The 1995 State Legislature amended this program to allow the tax exemption incentive to apply to transit supportive development and also added the option of granting the exemption for units that are developed for individual purchase, such as condominiums. The City adopted a separate program for transit supportive development in October 1996 and modified Chapter 3.104 to allow projects developed with housing units available for sale to individuals to qualify for the ten year tax exemption.

## 2. Statutory Authority/Planning Commission Review

Section 3.104.050 of the City Code requires that the Planning Commission review tax exemption applications and determine whether the applicant's proposed development is consistent with the City's Comprehensive Plan and shall recommend to the City Council that the application be approved subject to conditions which the Commission deems appropriate to achieve the purposes of Chapter 3.104.

In order for a limited property tax exemption to be approved, the following determinations must be made:

- a) A determination that the proposed housing development is eligible for limited property tax exemption according to the requirements of City Code Chapter 3.104.
- b) A determination that the proposed development is in conformance with adopted Comprehensive Plan and other adopted plans incorporated by the Comprehensive Plan, such as the Central City Plan.



- c) A determination specifying the scope and nature of public benefit recommended for the proposed project.

Planning Commission Finding: The proposed project is within the boundaries of the Central City Plan District. Chapter 3.104, as amended in March 1990, requires review of all exemption applications by the Portland Development Commission for economic feasibility. Also, because the proposed project is located in the CXd zone, the project must be reviewed by the Design Commission for conformance with applicable design guidelines. The project has received the necessary design review approval for the first phase which has recently completed construction with units now available for purchase.

## **II. ELIGIBILITY DETERMINATION**

Section 3.104.010(3) of the City Code requires that property must meet one of two locational requirements in order to be eligible for tax abatement:

- (a). That it be located within the Central City Plan District boundary as shown on Map 510-1 Portland City Code Chapter 33.510; or
- (b). That it be within the boundaries of any urban renewal or redevelopment area formed pursuant to ORS 457.

Planning Commission Finding: The proposed apartment project on the site identified as 1N1E35BB Tax Lot 3300 (Lots 5 and 6, Block 45, Holladay's Addition) is located within the boundaries of the Central City Plan District and within the Oregon Convention Center Urban Renewal Area. It, therefore, meets the locational criteria for eligibility.

## **III. DETERMINATION OF COMPLIANCE WITH ADOPTED PLAN POLICIES**

### **A. COMPREHENSIVE PLAN CONSIDERATIONS**

Chapter 197 of the Oregon Revised Statutes requires all cities and counties to develop a Comprehensive Plan for land use and development, in accordance with the requirements of the State Land Conservation and Development Commission (LCDC). The City of Portland's Plan was adopted by City Council on October 16, 1980 and became effective on January 1, 1981. The plan was acknowledged by LCDC on May 1, 1981.

The Plan establishes a set of goals and policies to guide future development of the City. Housing is addressed under Goal No. 4 which states:

“Enhance Portland’s vitality as a community at the center of the region’s housing market by providing housing of different types, tenures, density, sizes, costs, and locations that accommodate the needs, preferences, and financial capabilities of current and future households.”

The Cascadian Court development supports several of the policies of the Housing Goal including the following:

**4.1: Housing Availability**

Ensure that an adequate supply of housing is available to meet the needs, preferences, and financial capabilities of Portland's households now and in the future.

**4.3: Sustainable Housing**

Encourage housing that supports sustainable development patterns by promoting the efficient use of land, conservation of natural resources, easy access to public transit and other efficient modes of transportation, easy access to services and parks, resource efficient design and construction, and the use of renewable energy resources.

**4.7: Balanced Communities**

Strive for livable mixed-income neighborhoods throughout Portland that collectively reflect the diversity of housing types, tenures (rental and ownership) and income levels of the region.

**4.8: Regional Housing Opportunities**

Ensure opportunities for economic and racial integration throughout the region by advocating for the development of a range of housing options affordable to all income levels throughout the region.

**4.10: Housing Diversity**

Promote creation of a range of housing types, prices, and rents to 1) create culturally and economically diverse neighborhoods; and 2) allow those whose housing needs change to find housing that meets their needs within their existing community.

**4.11: Housing Affordability**

Promote the development and preservation of quality housing that is affordable across the full spectrum of household incomes.

#### **4.14: Neighborhood Stability**

Stabilize neighborhoods by promoting: 1) a variety of homeownership and rental housing options; 2) security of housing tenure; and 3) opportunities for community interaction.

Planning Commission Finding: This project complies with Comprehensive Plan policies related to housing by providing 59 units of moderate-income and market rate housing on a site designated for commercial and residential mixed-use development.

### **B. ZONING CONSIDERATIONS**

1. The CXd Zone and Central City Plan District. As of March 24, 1988, the Central City Plan was adopted for the inner city along the west and east sides of the Willamette River. Much of the Inner East Side was incorporated within the Central City Plan boundary. Public review of projects in the Central City Plan District is now regulated by Central City Plan District requirements which supersede some CX regulations.

The Zoning Code regulations which apply to the subject site include the following:

- Zone and Plan Designation: CX, Central Commercial
- Permitted Uses: A wide range of commercial and institutional uses as well as high density residential.
- Permitted Floor Area Ratio (FAR): 12:1
- Permitted Building Height: 250 feet with height bonuses available

Planning Commission Finding: The site is located within an area eligible for the limited property tax exemption. The proposed use of this site conforms with the permitted uses and the scale of development falls well within the dimensional standards of the Zoning Code.

### **C. DETERMINATION OF COMPLIANCE WITH THE CENTRAL CITY PLAN**

The Central City Plan was adopted by the City Council on March 24, 1988. Relevant district and functional policies to be considered are the following:

"Policy 3: HOUSING. Maintain the Central City's status as Oregon's principal high density housing area by keeping housing production in pace with new job creation.

FURTHER:

1. Promote the construction of at least 15,000 new housing units in the Central City by the year 2010.
2. Preserve and encourage rehabilitation of existing housing.
3. Encourage the development of housing to meet diverse needs by encouraging a range of housing types, prices, and rent levels. Avoid isolating higher, middle, moderate, low and very low income households.
4. Foster housing development as a key component of a viable urban environment. Encourage a mix of rental and owner-occupied housing that accommodates the variety of households and families attracted to a Central City lifestyle. Include affordable housing in this mix..
5. Secure greater regional participation in addressing the housing needs of the homeless, low-income and other special needs populations.
6. Where residential development is required, assure that when development of the housing is deferred to the future, the housing site is designated and zoned residential.
7. House at least 15 percent of PSU students in university housing. Locate university housing within the District or within walking or bicycling distance of the District, or at a location with a direct transit connection to the District
8. Facilitate housing ownership in order to foster a vested interest and 'stewardship' in the Central City by residents."

Planning Commission Finding: The proposal complies with the overall policy statement and particularly with the elaborations addressed by the above statements 1, 3, 4, and 8.

"Policy 19: LLOYD CENTER-COLISEUM. Reinforce the Lloyd Center as the eastern anchor of Central City retailing and locate the highest density new development in areas served by light rail.

FURTHER:

- A. Recognize the Lloyd Center-Coliseum District's role as a major entrance to the Central City.
- B. Improve the environment for pedestrians throughout the district and create a regional civic facilities campus which brings together the Convention Center and Coliseum.
- C. Promote and encourage the development of uses supporting the Convention Center and Coliseum.

Planning Commission Finding: The proposal contributes to the overall district policy by contributing to the moderate and middle-income residential base in this area of the Central City designated for commercial, residential, and mixed use development. The project location introduces new residential development in this section of the Central City which has heretofore seen little new residential development in past years.

**D. DETERMINATION OF COMPLIANCE WITH THE LIVABLE CITY HOUSING GOALS.**

On March 11, 1992, the City Council adopted Resolution No. 34970, which proposed to increase the housing production goals for the Central City from 5000 new units during the next twenty years to 15,000 new units over that time period. These new housing goals were adopted as part of the Central City Plan.

Planning Commission Finding: Phase 1 of this project supports these amended goals by the production of 59 new housing units for purchase in the Central City Plan District.

**E. DETERMINATION OF COMPLIANCE WITH THE DOWNTOWN PLAN**

Planning Commission Finding: This site is not located in an area subject to the policies of the Downtown Plan.

**F. DETERMINATION OF COMPLIANCE WITH ANY RELEVANT URBAN RENEWAL PLANS OR POLICIES**

In December 1988, the City Council adopted Resolution No. 34497 creating the Oregon Convention Center Area Policies and Procedures Guide .

The project is specifically supportive of OCC Plan Goal 6, which states:

"Ensure that urban renewal activities work to stabilize adjacent neighborhoods; mitigating adverse impacts and striving to strengthen neighborhood values."

The project is also supportive of Sub-Goal 6.2, which states:

"Foster middle income residential and mixed-use development in the Convention Center area as mutually supportive of retail opportunities and the maintenance of neighborhood values."

The project is supportive of the OCC Urban Design and Land Use Policy which states:

"The vision for the built environment in the Convention Center area includes a more urban character, overall district identity emphasizing both the area's unique neighborhood qualities and its new central city role, and land uses supportive of the convention center environment.

"Provide an enjoyable and active pedestrian environment.

"Promote design continuity and a distinctive character within the Convention Center area. Development of sub-areas within the Area Development Strategy study area should encourage unique, yet complementary design character.

"Encourage complementary and diverse land use activities in the Convention Center area."

**IV. ELIGIBILITY, PLAN, AND POLICY CONFORMANCE: CONCLUSIONS**

- A. The proposed project is eligible for limited property tax exemption in accordance with City Code and statutory requirements referenced in Section II.
- B. According to statutory intent and applicable City Code, the proposed project is consistent with and supportive of the purposes for which this authority was created. The legislative intent strongly encourages the development of new multiple-unit rental for-sale housing in the State's largest urban core areas and recognizes the need to provide a financial incentive in areas where higher than average land costs exist due to a number of factors.
- C. The foregoing references in Section III indicate that the proposed housing development is consistent with and supportive of adopted Comprehensive Plan policies and objectives including, specifically, the Central City Plan, the Livable City Housing Initiative, the Oregon Convention Center Urban Renewal Plan, and the governing development regulations of Title 33, particularly the CXd zone.
- D. The proposal carries out the specific goals and objectives of the limited property tax exemption as approved by the Portland Development Commission based on an analysis of the market feasibility of the project based on the incentive for individual purchase of the units by moderate income households.
- E. The property tax exemption has been in existence since 1975. Beginning during the last half of the 1980s, several successful apartment projects were built on the west side of the Central City which have taken advantage of the limited property tax exemption program. This activity in large part was made possible by the incentives of the tax exemption in conjunction with additional loan assistance. Currently the City's attention has been directed to increasing the residential base within the Lloyd District and dedicating additional tax increment resources for new housing. This project has also received a one million dollar construction loan from PDC.
- F. The site under consideration was occupied by a church. No existing housing was removed by this project.

## **V. DETERMINATION OF PUBLIC BENEFIT**

### **A. Examples of Public Benefit**

Section 3.104.040, Public Benefits, specifies that the proposed project "must include a public benefit which may consist of, but is not limited to one or more of the following: (1) dwelling units at rental rates or sale prices which are accessible to a broad income range of the general public, (2) recreation facilities or space, (3) open spaces, (4) public meeting rooms, (5) day care facilities, (6) facilities supportive of the arts, (7) facilities for the handicapped, (8) service or commercial use which is permitted and needed at project, but not available for economic reasons, (9) dedications for public use, (10) other public benefits approved by the Planning Commission or City Council."

### **B. Proposal's Relationship to Public Benefits**

The applicant notes the following public benefits to be incorporated into the project:

"Cascadian Court provides public benefits and strives to promote common public goals in Portland. The development provides home ownership in the central city to a very diverse income consumer group. The high density residential along light rail coincides with Portland's targeted transportation developments. The increase in residential in the predominantly business and retail Lloyd district will further the goal of creating a 24-hour livable city. The project has been artfully designed to enhance the pedestrian experience through large ground floor windows with displays, art wall, street trees, awning, lighting, and building materials. The ground floor commercial space will be service oriented to enhance the livability of the building owners and the neighborhood.

"The community's goal of getting people out of their vehicles and into public transportation has been one of the basic elements in the concept of this project. The project location provides for walking distance to just about all of someone's needs. That coupled with the light rail adjacent to the property and a potential shared car program all but eliminates someone's need to own a vehicle. Only 15 parking stalls on-site demonstrate the reliance to make this concept work."

Planning Commission Finding: In establishing the review authority for tax exemption, the Portland Development Commission is given primary authority to recommend to the Planning Commission approval, denial, or approval with conditions [Section 3.104.050 (2)]. PDC's recommendation will be determined by a finding that the property tax exemption is necessary in order to make the development economically feasible. Because this is a condominium project rather than a rental development, the tax exemption benefits go to individual purchases of qualifying units based on initial sales price and the income of the purchasing household. The financial feasibility test becomes one of promoting the marketing and sale of the units rather than

promoting the feasibility of the construction itself. The construction of the project was assisted by a development loan from PDC. The consideration of the need for property tax exemption is influenced more by the need to promote the accessibility of the homebuying opportunity to a broader range of household incomes within an increasingly uncertain economic environment. This use of the property tax incentive falls within the purposes of this program as defined by State Statute and local City Code.

The Planning Commission's role is to “review the application to determine whether the proposed development is consistent with the City’s Comprehensive Plan. A recommendation shall thereafter be forwarded to the City Council that the application be approved subject to those conditions necessary to achieve the purposes of this Chapter. The Planning Commission shall specify in its recommendation to the Council the scope and nature of public benefit recommended for the proposed project.”

The substance of the Planning Commission's hearing on this proposal includes a determination whether the suggested public benefits are sufficient to meet the purpose of the tax exemption program in the context of wider city policy.

**VI. PLANNING COMMISSION RECOMMENDATION BASED ON ELIGIBILITY, PLAN, AND POLICY CONFORMANCE FINDINGS AND CONCLUSIONS**

The project has been developed as the first phase of a larger condominium development. Although it can be a stand alone project, its success will determine the feasibility of the larger Phase 2 tower. In addition, common amenities, such as a swimming pool, exercise room, and sundeck available to residents will be included in the second phase. The first phase amenities include an outdoor courtyard on the second story and a small commercial space.

This level of public benefit proposed by the applicant, coupled with the level of homeownership affordability, compares well with that of previously approved developments receiving limited property tax exemption. According to the price schedule for the project, 41 of the 59 units would qualify according to the maximum allowable sales price of \$166,962.

The Planning Commission recommends approval of the limited property tax exemption application by Cascadian Holladay, LLC for the project identified as Cascadian Court, located on Lots 5 and 6; Block 45; Holladay's Addition, based on the eligibility, plan, and policy conformance findings and conclusions of Section IV., and subject to the condition that the public benefits and assurances recommended in Section VII. be provided by the applicant.



## **VII. PUBLIC BENEFIT RECOMMENDATION**

A. The Planning Commission recommends that the Portland City Council approve the limited property tax exemption for the Cascadian Court Condominiums subject to the following conditions:

1. The condominium units qualifying for the limited ten year property tax exemption must comply with the price and household income limits as follows:

All projects containing housing units available for individual purchase shall receive the property tax exemption only for those for-sale units which are available at an initial purchase price which does not exceed 95 percent of the median purchase price for a condominium unit in Multnomah County as established by the U.S. Department of Housing and Urban Development for the purpose of determining FHA loan qualification (\$166,962 during the year 2001). The studio and one bedroom units must be sold to a household earning no more than 100 percent of the area median income for a household of two (or \$44,700 for the year 2001) as established by the U.S. Department of Housing and Urban Development, or its successor agency, during the year of sale in order to retain its property tax exempt status. The qualifying two bedroom units must be sold to a household earning no more than 100 percent of the area median income for a household of three (or \$50,300 for the year 2001).

In order to qualify for this exemption, such units must be owner-occupied during the term of the exemption. Should any unit become available for sale during the term of the exemption, it must be sold to a household earning no more than 100 percent of the area median income for a household of two for the studio and one bedroom units and no more than 100 percent of the area median income for a household of three for the two bedroom units as established by the U.S. Department of Housing and Urban Development, or its successor agency, during the year of sale in order to retain its property tax exempt status.

2. A copy of this ordinance and the conditions contained herein must be recorded with the deed of the individual unit qualifying for this exemption.
3. Should any of the qualifying units not be sold during the initial sale period, the developers or owners may make the unit or units available for rent to households earning at or below eighty percent of the area median family income for a household of two. Presently, eighty percent of the area median for a household of two is \$35,800 for the year 2001 resulting in a rent cap of \$895 per month, including utilities ( $\$35,800 \div 12 \times .3 = \$895$ ). Should the owners determine that this arrangement is not economically feasible, they

may forego the property tax exemption after conferring with staff from the Portland Development Commission. The owners may retain the option of selling the unit and re-establishing the ten year property tax exemption for the number of years remaining in the initial ten year exemption period within five years from the date of the issuance of occupancy permits and upon a demonstration of compliance with the provisions of Condition Number 1 noted above.

4. The public benefits as described by the applicant be provided in accordance with agreements reached by the relevant review bodies and agencies, including but not limited to the Planning Bureau, the Portland Development Commission, and the Design Review Commission.
5. The project comply with all applicable standards of Title 33, Planning and Zoning, as well as all conditions of approval of LUR 98-00910 and LUR 99-00644 DZ AD.

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