



Bureau of Planning and Sustainability

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March 23, 2011

M E M O

To: Planning & Sustainability Commission

From: Uma Krishnan, Management Analyst

Cc: Kim McCarty, Portland Housing Bureau (PHB)

Subject: **Staff Report on TOD Tax Exemption Request for the Ash Street Apartments**

Ash Street LLC, represented by Saj Jivanjee requests a 10-year tax exemption under the City's New Transit Supportive Residential or Mixed Use (TOD) program for the proposed Ash Street Apartments rental project. The TOD program is one of the City's two multifamily tax exemption programs and is available in designated areas outside the Central City where the City has planned for transit-oriented development. The TOD program regulations are found in City Code Chapter 3.103.

This is the first request for a TOD tax exemption to come before this Planning & Sustainability Commission for a hearing and recommendation. On November 8, 2006, City Council approved Ordinance No. 180572, which changed the TOD program's regulations, boundaries, and review process. The Planning Commission was designated to hear TOD tax exemption requests before they are forwarded to City Council. Formerly, the Portland Development Commission heard these requests and the Planning Commission did not review them.

I. Project Description and Site and Land Use Review History

Project Description

The project known as *Ash Street Apartments* is a two storey, 47-unit affordable rental housing development located one and a half blocks (0.1 miles) from the Blue MAX Light Rail Station and close to bus routes. Constructed at 12026 SE Ash Street, the development is located between SE 119th and SE 122nd. The project has 12 ground floor units designed to meet ADA requirements for accessibility and fully accessible kitchens and bathrooms. The entire outside ground floor area is wheelchair accessible. Parking is off-site, with spaces reserved for disabled parking and use of "smart" cars. The unit mix includes one and two bedrooms apartments. The project includes a 385 square foot community room open to use by the apartment residents and the neighborhood community.



Housing Affordability

All of the units in this project is affordable to households at or below 60% of Median Family Income (MFI). The affordability will be in place for 60 years because all of the units are in a 60 year affordability agreement due to granted SDC exemptions (See PHB Investment Committee Report attached to this memo for more information on unit and affordability mix.)

Proposed Public Benefits

The project provides a number of public benefits. The housing units are located in close proximity to mass transit (bus and light rail line) and all 47 units will remain affordable to households earning 60% or less of the area Median Family Income (MFI). This far exceeds the mandatory minimum requirement of 20% of units being affordable. Also, the project brings density as desired by the zoning designation by replacing two single-family residences by 47 housing units in roughly a half acre lot, in an important transit-oriented site with good connectivity.

The changes to the TOD program adopted in November 2006 require that three public benefits be provided by a project in addition to meeting the affordability requirement. The three additional public benefits that will be provided by this project are:

1. This project has doubled the number of affordable units below 60 percent MFI above the minimum threshold of 20% and therefore the project can use affordability as one of the public benefits.
2. Twelve units or (25.5%) are fully accessible which exceeds the threshold of at least 20 percent of the rental units dedicated and fully accessible during the term of the exemption.
3. The 385 square foot community room will be offered to residents and to the public.

Site and Zoning Information

This project is located at 12026 SE Ash Street between SE 119th and SE 122nd. The cross street to the south side is SE Pine St. The State ID number is 1N2E34DD 8100. The site is approximately 19, 900 square feet with a building square footage of 29,597. The legal description is Lots 10-17, Block 30, Ventura Park. The apartment complex is part of the Hazelwood neighborhood. Across from the street is another newly constructed multi-family complex called the Ash Court Condominiums that offers ownership units. The neighborhood consists of mostly single-family residences and most are single-story structures.

The entire site is zoned High Density Residential with a design overlay (RHd) and is located in the East Corridor Plan district (See attached Zoning Map, Site Plan and Architect's renderings). During the permitting process, the project met Community Design Standards and was not subjected to the design review process.



II. The TOD Tax Exemption Program Review Process and Public Benefit Requirements

TOD Program Description

The TOD program provides a 10-year tax exemption on the improvement value of new multifamily and mixed-use projects located within a quarter mile of light stations or other public transit service. The program is authorized by the same State statutes that authorize the City's New Multiple-Unit Housing (NMUH) program available in the Central City and Urban Renewal Areas (ORS 307.600 - 307.65). The City Council adopted the TOD program in 1996 to provide support for the City's investment in the MAX light rail system and other investments in public transit outside the Central City by providing an incentive for high-density housing near transit facilities. As of November 2006, the TOD program has been applied to at least a quarter mile radius of all MAX light rail stations with appropriate zoning.

Review Process

City Council adopted a new review process along with other TOD program changes in November 2006 that is summarized below.

Portland Housing Bureau Review

Requests for TOD tax exemptions are now required to be reviewed by the Portland Housing Bureau (PHB) staff for financial necessity of the tax exemption to the economic feasibility of the project and conformance with the requirements of City Code Chapter 3.103.

PHB staff sent a recommendation of approval of Ash Street Apartments to the Bureau of Planning & Sustainability after reviewing the application for financial necessity of the tax exemption and program requirements with PHB's Investment Committee. PHB staff found, and Investment Committee concurred, that the tax exemption was necessary to the financial feasibility of the project. The estimated Internal Rate of Return (IRR) is estimated to be -2.97% with the tax exemption; -4.23% without the tax exemption. The exemption will benefit all forty-seven low-income renters occupying these units by keeping rents affordable at levels not exceeding 30 percent of the households monthly gross income.

Planning and Sustainability Commission Review

Planning Commission is required to review tax exemption requests for consistency with the public benefit review requirements of Chapter 3.103 within 60 days of receipt of a recommendation for approval of a tax exemption request from PHB staff. The Commission is not required to review TOD tax exemption requests for consistency with City plans and policies as they are for tax exemption requests under the NMUH program. The reason is that the more prescriptive requirements related to residential density and location near public transit in Chapter 3.103 ensure consistency with city plans and policies are met by this program.

After their review of the public benefit requirements at a public hearing, the Commission shall make a recommendation to deny or approve the application subject to conditions and instruct staff to forward an ordinance with their recommendation to City Council within 30 days.



City Council Review

City Council is required to review the application and approve or deny by ordinance within 30 days of receiving the application.

Affordability Requirement for Rental Units: The affordability requirement for rental projects is that the applicant provides at least 20 percent of the units or 20 percent of building square footage dedicated to units, affordable to and reserved for households at or below 60 percent MFI. As an alternative, the applicant can provide at least 10 percent of the units or 10 percent of building square footage dedicated to units, affordable to and reserved for households at or below 30 percent MFI.

Public Benefit Requirements

City Council approved changes to the TOD program in November 2006 that included changes to the public benefit requirements. Projects for which a tax exemption is requested are required to meet the aforementioned affordability requirement and provide three other benefits. The requirements are summarized below. More detailed language is included in City Code Section 3.103.040, Public Benefits.

Public Benefit Options: Provide three additional public benefits from the following list:

1. 20 percent of units dedicated to persons with special needs and are designed for full accessibility.
2. 10 percent of rental units include 3 or more bedrooms.
3. Provide childcare on-site or support child care facility.
4. Provide residential unit-per-acre density equivalent to at least 80 percent of maximum density.
5. Permitted ground floor service or commercial use.
6. Office space or meeting room for community.
7. Permanent dedications for public use including open space, community gardens, or pedestrian and bicycle connections to public trails and adjoining neighborhood areas.
8. Family oriented recreational facilities.
9. A dedicated car-share space(s).
10. Structured parking.
11. LEED Silver certification from the US Green Building Council.
12. Twice the percentage of affordable units, or percentage of residential building square footage for affordable units, than is required by the affordability requirement.
13. Other benefits as proposed by the developer and approved by the Planning Commission.



14. Transportation improvements above those required by development standards approved by the Portland Office of Transportation and the Planning Commission.
15. An agreement to sell off-street parking spaces separate from condominium units so that a unit can be purchased without a parking space.

III. Proposal’s Conformance with Public Benefit Requirements & Staff Recommendation

Planning and Sustainability Bureau staff has reviewed the PHB staff’s Report to their Investment Committee and finds that the application is consistent with the program’s public benefit requirements.

Affordability Requirement

The affordability requirement is met because all 47 the units will be affordable to, and reserved for, households at or below 60 percent MFI. The following table provides details on unit mix and the specified MFI levels for potential renters:

| Unit Type | % MFI | # of Units | Average Unit Size (square feet) | Rent |
|--------------|------------|------------|---------------------------------|--------------|
| One Bedroom | 48% | 16 | 518 | \$645 |
| One Bedroom | 49% | 4 | 540 | \$655 |
| One Bedroom | 50% | 3 | 608 | \$665 |
| Two bedroom | 47% | 16 | 665 | \$745 |
| Two bedroom | 47% | 4 | 687 | \$ 755 |
| Two bedroom | 48% | 4 | 793 | \$765 |
| Total | | 47 | | \$701 |

Public Benefit Options

The applicant has stated that they will include three of the following public benefit options that are included on the list above: **#1, #6 and #12.**



Staff Discussion on Proposed Public Benefits

This project provides 47 units of affordable housing that can serve small low-income households who need to use mass transit (either light rail or bus) to commute to work or for other essential trips. While at the present time rents for these units are comparable to market rent in the area, the units are under affordability terms that require these to stay affordable for the next 60 years. So, these units are part of the housing stock that provide rather long term affordability and shelter from market fluctuations for low-income households. Additionally, it includes 12 units that have fully accessible kitchens and bathrooms meant to serve households with special needs. While no current data exists on required units for special needs households, the following County level data (2009) provides a proxy for the housing situation faced by households with special needs:

| Housing Situation of the Disabled, Multnomah County, 2005-2007 | | | |
|---|-------------------------|--|--|
| | Total Households | Households living in housing units with problem | Proportion living in housing units with problem |
| All Households | 286,955 | 122,020 | 42.5% |
| Households with Disability Status | 25,725 | 13,945 | 54.2% |
| Owners (All Households) | 167,115 | 59,025 | 35.3% |
| Owners (Disabled Households) | 12,835 | 5,995 | 46.7% |
| Renters (All Households) | 119,840 | 62,995 | 52.6% |
| Renters (Disabled Households) | 12,890 | 7,950 | 61.7% |

Source: CHAS 2009

It is clear that good quality, affordable units are needed in the City/County to serve households with special needs and the 12 fully accessible units will render a much needed housing stock.

The applicants also include a ground floor 325 square foot community room for the project and neighborhood residents. This facility can be used as a gathering place by the renters and also as a venue for various social events for the residents and also the neighborhood. The neighborhood has many single family residences and so this community room has potential for use by the neighborhood at large as well.

Staff Recommendation

Approve the request for the 10-year TOD tax exemption with the condition that the proposed three public benefits be provided.



Attachments

Zoning Map

Architect's renderings and Site Plan

Photo of Ash Street Apartments

PHB Staff Report

PHB Financial Evaluation

