



Bureau of Planning and Sustainability
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September 19, 2011

M E M O

To: Planning & Sustainability Commission

From: Kate Allen, Housing Policy Manager, PHB
Uma Krishnan, Management Analyst, BPS

Subject: Discussion on Recommended Changes to Limited Tax Exemption (LTE) Programs

Thank you for the opportunity to hold a Planning and Sustainability Commission work session on September 27, 2011 on the recommended program changes to the City's Limited Tax Exemption (LTE) programs. The recommendations have largely emerged from year-long deliberations of the Big Look Committee that is comprised of elected officials from the City, Multnomah County, representatives from School Districts and other stakeholders. The purpose of this memorandum is to help guide the Commission's discussion and clarify staff's specific requests.

The views of the Commission on recommended program and process changes including a deliberation on public benefits will be helpful in efforts to better align this implementation tool with the City's housing goals, equity initiative and neighborhood economic development strategy. Further, it will be helpful in striking a responsible balance between the benefits of the development the LTE's incent and their cost to all taxing jurisdictions in foregone revenue. Reaching this understanding, and grounding the programs in deliberative City processes, such as the Portland Plan, create a strong basis for reaching agreement with Multnomah County and other taxing jurisdictions. These agreements are necessary for continued authorization of the programs needed prior to the end of the year (December 2011).

To shape this discussion, following are a set of questions along with staff response and recommendations for the Commission's kind consideration:

1. In what ways can the LTE programs advance the City's long term planning goals and strategies, as laid out in the Portland Plan and the Comprehensive Plan? For example, how can the LTE programs be used to create a Healthy Connected City or to use the Single Family Program to address involuntary displacement?



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1900 SW 4th Avenue, Suite 7100, Portland, OR 97201 | phone: 503-823-7700 | fax: 503-823-7800 | tty: 503-823-6868

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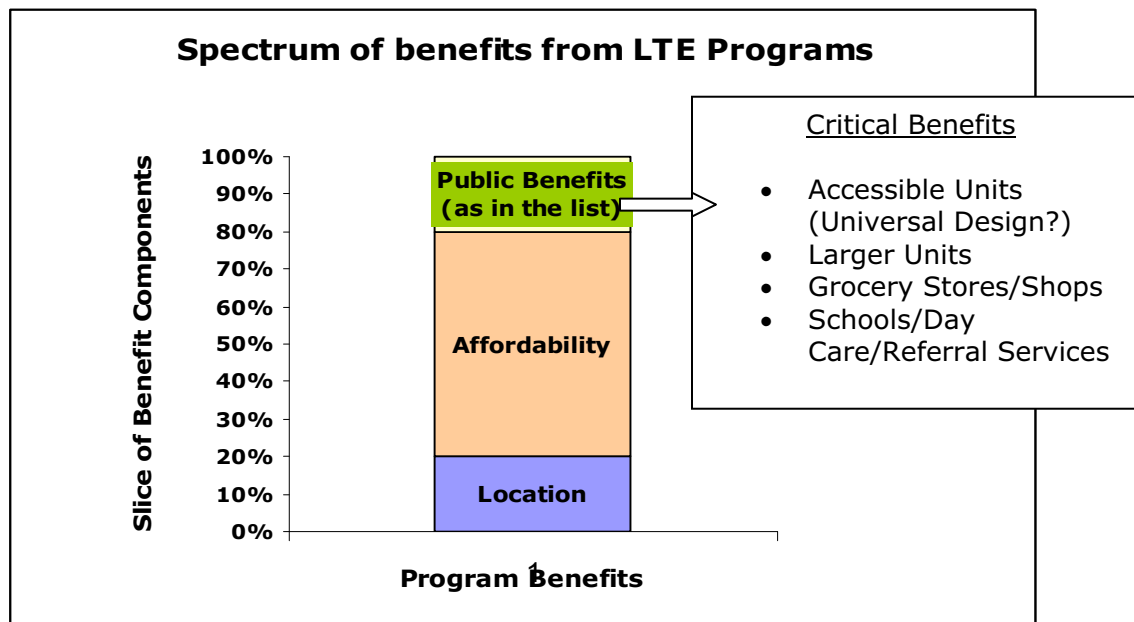
Staff Response

While the Portland Plan is still in its final draft stages, the long term planning strategies envision a Portland characterized by:

- Making Equity Real
- Thriving Educated Youth (TEY)
- Economic Prosperity & Affordability (EPA)
- Healthy Connected City (HCC)

The relevant housing goals include creation of neighborhoods and communities that support youth, improving access to housing and housing near transit and job training, promotion of vibrant neighborhood hubs, and addressing racial/ethnic disparities etc.

The LTE Programs can be used for delivering the following spectrum of public benefits:



Clearly, well aligned LTE programs that require a significant affordability component, an opportune location and additional public benefits can help us in our efforts to reach long term housing goals. Further, the weights on the individual components can be varied to address concerns of equitable geographic distribution of tax exempted developments.

Staff recommends that the current list of public benefits be replaced by the shorter 'critical benefits' list in the box above. This list based on analysis of historic trends, not only furthers housing goals, but is in greater alignment with the goals in the Portland Plan, which will give policy direction to the Comprehensive Plan.



2. What is the PSC’s role in the LTE programs? Is there a desire to hear individual projects or does the Commission wish to guide program changes only?

Staff Response

Along with program changes, some process changes are being evaluated. The intent behind these considerations is to enhance transparency, accountability and efficiency. These changes are currently at the staff level. Potential changes include creating a competitive process for project selection, rather than approving projects that meet basic standards, and capping the abatements awarded based on forgone revenue, rather than imposing project cost limits.

Another concept being considered has to do with the role of the Commission. Currently, the PSC has purview over both the program design and individual projects (for NMUH & TOD) as applicants submit applications for tax abatements. The Commission has seen several of these recently.

Staff recommends that the PSC's involvement of the tax exemptions be focused on program design and evaluation of the policy impacts. This can best be accomplished through annual evaluations, reviews and recommendations of program elements, rather than through review of individual cases. Individual cases would be reviewed administratively and the final decision would be made by City Council, as it is today.

3. Does the PSC agree with the general direction of the recommended changes to the LTE programs under consideration by the Big Look Committee?

Staff Response

The general direction of all recommended changes are intended to better align the LTE tool with the City’s housing goals that include addressing affordable housing needs, advancing equity, building adequate housing supply near transit rich locations and to achieve neighborhoods economic development. Following is a recap of the recommendations under consideration. Because these recommendations are at a conceptual stage, we are providing an overview of the changes, rather than specific code language.

Staff recommends that the PSC write a letter supporting the Big Look Committee’s general recommendations and include any additional changes/ideas/concerns that arise at the PSC worksession.

(Please see next page for a summary of the recommendations.)



LTE Program	Recommended Change	Connection to Planning Goals/Efforts/Priorities
Single Family New Construction (SFNC)	Establish new criteria for drawing Home Buyer Opportunity Area (HOA) that can be used as a tool to mitigate involuntary displacements that occur in service rich desirable neighborhoods and also used the program to close the minority homeownership gaps.	This shift in the program objective addresses equity goals through access to housing and disparity reduction.
New Multiple Unit Housing (NMUH)/Transit- Oriented Development (TOD) (Program Changes)	Combining the two programs for better alignment with City’s housing goals, equity and neighborhood economic development strategy. Consequently, an optimal level of affordability will have to be determined and the list of public benefits need to be revised. Combining the program will also further efficiency in program administration and enhance transparency and accountability.	The program and process changes can further the Portland Plan goals of creating vibrant neighborhood hubs and advancing equity. The conditional location and density imposed by the program can help further the City’s sustainability goals.
Process changes to SFNC, NMUH/TOD	Make the application process competitive through an RFP/NOFA process that is available annually or bi-annually. Also, establishing a program cap (either through \$ or # applications)	The process changes under consideration can increase efficiency, accountability and transparency. The competitive process can also help address the concerns of inequitable geographic distribution of tax exempted units as all potential projects can be evaluated simultaneously.

