



Bureau of Planning and Sustainability  
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## M E M O

To: Planning & Sustainability Commission

From: Uma Krishnan, Management Analyst

Cc: Kim McCarty, Portland Housing Bureau (PHB)  
Dori Van Bockel, Portland Housing Bureau (PHB)

Subject: **Staff Report on request for NMUH Tax Exemption for The Yards at Union Station Phase C**

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The Yards Phase C Limited Partnership represented by GSL Properties, Inc. requests a 10-year tax exemption under the City's New Multiple-Unit Housing (NMUH) program for the proposed *The Yards at Union Station Phase C* rental project. The NMUH is one of the City's two multifamily tax exemption programs and is available in areas covered either by the Central City Plan District boundary or in areas within the boundaries of designated urban renewal areas. This exemption applies to the improvement value including supportive commercial space and other public benefits. The land value remains subject to taxation during the ten-year exemption period. The program regulations are found in City Code Chapter 3.104.

Previously, the same applicant, GSL Properties had applied for and was granted the NMUH exemption in May 2004. However, the nature of the project was different at the time, the proposal being construction of 38 units geared towards middle and moderate income households. That project could not materialize due to several reasons including financing difficulties. Presently, the proposal is coming in as a new application with different proposed unit mix and affordability that matches the City's current affordable housing needs very well.

### I. Project Description and Site and Land Use Review History

#### Project Description

The project known as *The Yards at Union Station Phase C* is a proposed new construction five story wood frame, 80 unit multifamily project on Union Station Lot 5 currently owned by the City of Portland. This project will be located on 615 NW Naito Parkway and represents the final phase of a multi-phase mixed-use development more widely described as Yards at Union Station. The



development of this final phase will constitute an entirely affordable conclusion to the development agreement for this city-owned site.

The project will have 6 studios, 48 one-bedroom and 26 two- bedroom units, with 48 uncovered parking spaces delivering a 0.6:1 parking ratio. All 80 units (100%) are slated to be affordable. Located conveniently to transportation routes and public transit, community amenities will include a community room, lounge and fitness center on the ground floor. Bike storage will be available in the north garage, and each floor will have storage units available, for a fee. Laundry facilities are communally located on the 2<sup>nd</sup> and 3<sup>rd</sup> floors. The surface parking area will be screened from views from the street by the building and from the railyard by the fence and landscaping along that property boundary. The proposed landscaping in the area of this space will help integrate the surface parking area with the adjacent building. Unit density is 78 per acre, exceeding the 3.104 Portland city code density requirements. The building footprint will cover 95% of the lot. The following table details the planned unit mix, affordability level and proposed rents:

**Proposed Unit Mix and Affordability (preliminary)**

Unit Type	Number of Units	% MFI	Pro forma Monthly Gross Rents (including an allowance for utilities)
Studio	6	60%	\$646
One BR	48	60%	\$806
Two BR	26	60%	\$969
<b>Total Units</b>	<b>80</b>		

**Site & Zoning Information**

This final phase of the Yards at Union Station development will be built on a vacant triangular-shaped, flat, gravel-covered lot that is currently used for parking. Three previous phases of the development have been built and the entire development covers over seven acres of land. The earlier phases of the Yards development extend northwest of this site along NW Naito Parkway. This site is separated from the rest of the Yards at Union Station development by NW Ironside Terrace which connects NW Naito Parkway with the access road on the west of the Yards development.

The property address is 615 NW Naito Parkway, Portland and the lot is a 44,302-square foot (1.02 acres) in size. The site is just east of Union Station and Amtrak’s passenger facilities and rail line. To the east across Naito Parkway are the McCormick Pier Condominiums which extend from the Steel to Broadway Bridges. The apartment buildings of the previous phases of the Yards project line SW Naito Avenue northwest of the site. Just south of the site is the west end of the Steel Bridge and NW Glisan Street. The Property Identification is R291745. The lot is zoned Central Commercial with Design Review Overlay (CXd).

This tax lot has been the site of several land review cases. The most recent and relevant case is:

- **LU 07-146735 DZM:** Approval of minor building material changes and minor building design revisions to the approved Design Review plans for 07-146735 DZM, Lot 5, Union Station Yards in the River sub-District of the Central City Plan District;



City records indicate that prior land use reviews include:

- **LUR 96-013161 MP** (Reference File Number 96-00274): Minor Partition approval.
- **LUR 96-013282 DZ, AD** (Reference File Number 96-00395): Design Review approval for Phase A1 of the Union Station Housing Project for 158 units of rental housing.
- **LUR 96-012919 DZ, AD** (Reference File Number 96-00032): Design Review approval for Phases B1 through B3 of the Union Station Housing Project for 337 units, 54 townhouse units, and community and retail spaces.
- **LUR 96-013607 PR** (Reference File Number 96-00720): Central City Parking Review approval of a 74-space surface parking lot underneath the Broadway Bridge.
- **LU 03-173753 DZ**: 2003 Design Review approval for a new 37-unit residential development with individual unit garages. (Proposal was not constructed).
- **LU 05-104493 DZM**: Design Review approval of landscaping and fencing proposal, including specific approval for a Modification to required perimeter landscaping.
- **LU 07-146735 DZM**: Design Review approval for an 80-unit multifamily housing development incorporating 49 ground floor parking spaces; including Modification approval for Stacked parking, Parking/Loading area perimeter landscaping, and size of Loading Space.

The entire seven acre site was purchased by the City's Development Commission as a possible site for the Oregon Convention Center. An underutilized rail yard was removed from the site and its eventual use as housing was determined as part of the long term *River District Development Plan*.

## II. The NMUH Tax Exemption Program Review Process and Program Requirements

The Portland City Code, Chapter 3.104, permits the granting of a limited ten year property tax exemption for newly constructed multi-family projects within the Central City Plan District or designated urban renewal areas. This exemption applies to the improvement value including supportive commercial space and other public benefits. The land value remains subject to taxation during the ten-year exemption period. The program is authorized by the State statute ORS 307.600 with the legislative intent of stimulate the construction of "transit-oriented" for-sale as well as rental residential and mixed-use developments. Since its inception in 1975, the NMUH has undergone several significant revisions. The most recent changes to this program include addition of an affordability requirement to the eligibility criteria and an updated public benefits list.

The review process has also changed. Since 2008, the Portland Housing Bureau is responsible for initial receipt and review of applications that includes evaluating whether the basic eligibility criteria around location and affordability is being met and also to analyze the financial feasibility of the project in terms of its need for the tax exemption.

The Planning & Sustainability Commission (PSC)'s role is to determine the project's compliance with relevant city plans and policies as well as find that the level of public benefit provided by the applicant is sufficient to carry out the purposes of this property tax incentive. After a public hearing the PSC makes recommendations to the City Council. The final determination to approve or deny the application is made by the City Council at another public hearing.

A summary of the eligibility criteria for NMUH rental projects includes:



**Location Eligibility:** The project should be located either in the Central City Plan District boundary or within the boundaries of any urban renewal or redevelopment area formed pursuant to ORS Chapter 457;

**Affordability Requirement for Rental Units:** The affordability requirement for rental projects is that the applicant provides at least 15 percent of the units affordable to and reserved for households at or below 80 percent MFI;

**Public Benefits:** Additionally, the project must provide at least one of following benefits:

1. Open spaces available to the general public;
2. Day care facilities;
3. Permanent dedications for public use
4. LEED Silver certification from the US Green Building Council;
5. 20 Percent of the rental units have 3 or more bedrooms;
6. A total of 25 percent of the rental units are affordable to households at 80 percent MFI; or
7. Other public benefits approved by the Planning Commission and the City Council.

### III. Proposal's Conformance with NMUH Program Eligibility Requirements

#### Portland Housing Bureau Review

Requests for NMUH tax exemptions are now required to be reviewed by the PHB staff for financial necessity of the tax exemption and conformance with standard requirements of City Code Chapter 3.104.

PHB staff review has determined that the project meets all basic eligibility requirements. Further, the staff analysis finds that that the tax exemption is critical for the financial feasibility of the project. The 10-year income projections derived from the pro formae show:

- Scenario 1 - the financial performance of the Project with the tax abatement, and
- Scenario 2 - the financial performance of the Project without the tax abatement.
- Scenario 3 - the financial performance of the Project with the rents necessary to achieve feasibility without the tax abatement, setting the return equal to that of the financial performance with the tax abatement.

In none of the scenarios does the return exceed the 10% threshold.

The PHB Investment Committee concurred with the staff findings during their case review meeting on Thursday, October 13<sup>th</sup>, 2011 and recommended approval of 10-year tax abatement to The Yards Phase C project.

The PHB staff evaluation also notes that all 80 units in the project are affordable to families at or below 60% MFI. Additionally, the project plans to include the following public benefits.



Zip Car space: The project will offer two spaces for Zip Cars.

Permanent dedications for public use: The project will be connected to pedestrian paths and create a walkway to an existing pedestrian bridge.

Open spaces available to the general public: A community room will be available to both residents of the project and the general public upon request.

(See PHB Investment Committee Report attached to this memo for more information on financial feasibility analysis, project costs and recommendation.)

## **Planning and Sustainability Commission Review**

Planning Commission is required to review NMUH tax exemption requests for consistency with City plans and policies and also to evaluate the overall public benefits brought forth by the project.

### **Determination of Compliance with Comprehensive Plan and Area Plans**

#### **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 requirements of the State Land Conservation and Development Commission (LCD). Portland's *Comprehensive Plan* was acknowledged by LCD on May 1, 1981. An update of the City's Housing Goal 4 was completed and adopted by Ordinance No. 172954 on December 16, 1998.

The *Comprehensive 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 Yards at Union Station Phase C 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.

**Staff Finding:** The Yards at Union Station housing project, with the completion of this last phase, will provide much needed rental housing for low-income households. Phase C provides housing for households that are making at or below 60% MFI with rent restrictions. That will vastly relieve cost burden for the renter households. The rents in the Central City has climbed steeply in the last several years and so addition of 80 new units will greatly help to meet the housing demands of low-income households. A range of low, moderate and middle-income housing has been included in earlier phases of the Yards project.

## B. DETERMINATION OF COMPLIANCE WITH *CENTRAL CITY PLAN* POLICIES

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 (*as amended with the adoption of the University and River District Plans in July 1995*):

"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.

**Staff Finding:** The proposal complies with the overall policy statement and particularly with the objectives addressed by the above Further statements 1, 3, and 4.



"Policy 17: RIVER DISTRICT. Extend downtown development throughout the River District that is highly urban in character and which creates a unique community because of its diversity; its existing and emerging neighborhoods housing a substantial resident population, providing jobs, services and recreation; and most important, its embrace of the Willamette River.

FURTHER, to become the kind of place where people would like to live, work, and play:

- A. Pursue implementation of the River District urban design and development plans through public/private projects (proposals for action) as described in each of the four action areas of the River District Development Plan:  
(1) Union Station/Old Town, (2) Terminal One, (3) Pearl District, and (4) Tanner Basin/Waterfront.
- B. Preserve and enhance the River District's history, architectural heritage, and international character.
- C. Integrate social service facilities in a manner that is visually and functionally compatible with the River District and consistent with the City of Portland and Multnomah County's coordinated social service plan.
- D. Accommodate housing needs for diverse family structures.
- E. Provide neighborhood amenities that support River District residents who work and use the services provided by the Central City. Amenities include commercial, educational, medical, recreational, transportation, entertainment, emergency and social services.
- F. Accommodate industrial growth in industrial zoned areas.
- G. Pursue implementation and completion of the Chinatown Development Plan.
- H. Foster the development of artist residential/work space and gallery facilities.
- I. Incorporate strategic public investments in infrastructure that will stimulate private sector redevelopment. The River District needs increased transit services, improved streets, and open space.
- J. In coordination with the Combined Sewer Overflow (CSO) Tanner Creek Basin Project, daylight Tanner Creek through the center of the District and construct a large focal point basin connecting Tanner Creek with the Willamette River to provide a tangible amenity that distinguishes the River District.
- K. Contribute to the efficiency of urban living with development density, diversity of land use, and quality of design that will result in significant savings in the infrastructure costs of transportation, water, sewer, electricity, communications and natural gas."

**Staff Finding:** This project supports the objectives detailed in further statements A, D, and K. The Yards at Union Station project has been constructed through a public-private partnership on a former brownfield site in the Union Station/Old Town area. The Portland Development Commission assembled the land and selected GSL Properties to develop the entire Yards at Union Station project, which was to have 573 units with the completion of this last phase. With the additional 80 new units, the Yards project is bringing in a 615 units to this area. This project is also convenient to the transit mall as well as to Union Station and the bus terminal.

## C. DETERMINATION OF COMPLIANCE WITH THE *DOWNTOWN PLAN*

According to District Policy 14, *DOWNTOWN*, of the *Central City Plan*, the *Downtown Plan* is intended to remain as an active implementation tool in guiding City decisions on planning activities within the



Central City. The adopted document, Planning Guidelines/Portland Downtown Plan, constitutes the City's basic land use policy directive to guide development in the Downtown area, and therefore, continues to be a component of Portland's *Comprehensive Plan* and development strategy.

*The Downtown Plan* was originally adopted by City Council in 1972 and updated in 1980 as the *Goals and Guidelines of the Portland Downtown Plan*.

Specific goals and guidelines, which are relevant to the proposed project, include:

#### **Housing and Downtown Neighborhoods**

"To give high priority to increasing the number of residential accommodations in the Downtown area for a mix of age and income groups, taking into consideration differing life styles; and to provide a 'quality' environment in which people can live recognizing that residents of Downtown and adjacent areas are essential to the growth, stability and general health of a metropolitan city."

[One specific goal is to coordinate and better organize the efforts of all agencies that are involved in the provision of housing (both public and private, including the Portland City Planning Commission, the Portland Development Commission and the Housing Authority of Portland). Specifically]:

"Develop economic or other incentives to reduce the slippage rate of existing housing units from the market in the Downtown area and encourage the building of additional housing units."

"Encourage the fullest use of public and private programs to ensure that future Downtown housing accommodates a mix of low, moderate and high-income people."

**Staff Finding:** The proposed project supports these objectives.

#### **D. DETERMINATION OF COMPLIANCE WITH THE RIVER DISTRICT DEVELOPMENT PLAN**

On May 11, 1994, the Portland City Council adopted Resolution No. 35274 endorsing the *River District Development Plan* and charging several City bureaus to undertake activities to achieve this twenty-year plan. Relevant components of this resolution speak to the goal of producing 5,555 new housing units in the River District and committing the City to assist in the realization of the River District vision of a diverse, mixed-use, mixed-income, transit supportive, inner city showplace neighborhood. Included in this commitment is the use of property tax abatements and other public subsidies available to assure the production of the desired housing.

**Staff Finding:** The *River District Development Plan* called for PDC to facilitate development of 600 housing units in the Union Station area. The rental housing provided by this final phase of the Yards project will add 80 units to the site and will bring the total units on this seven acre former railyard to 615 units- surpassing the goal set forth in the Plan.

#### **E. DETERMINATION OF COMPLIANCE WITH THE RIVER DISTRICT HOUSING IMPLEMENTATION STRATEGY**





On December 21, 1994 the Portland City Council adopted Resolution No. 35350 which, among other things, adopted a *River District Housing Implementation Strategy*. This strategy set a range of goals, expressed as percentages of eventual build-out of the new housing, to assure a broad income range of housing available to households representing the income diversity of the City. These goals are to create 15 to 25 percent of the units to be affordable to low and very low income households; 20 to 30 percent of the units to be affordable to moderate income households; and 50 to 65 percent of the units to be affordable to middle and upper income households. These goals were later modified by adding additional income categories in the *1999 River District Housing Implementation Strategy Update*.

**Staff Finding:** As proposed, this phase of the Yards at Union Station will provide 80 rental units that are estimated to be affordable to households earning at or below 60 percent of area median family income (MFI). This provides a significant contribution to the low income goals of the implementation strategy.

Below is a chart showing the number of units in previous phases of the Yards. Phase A is managed by the Housing Authority of Portland and contains units affordable to households at or below 60 percent MFI. The Phase B and S received tax exemptions under this program and contain requirements for some provision of low and moderate-income housing. Forty percent of the units in Phase B-1 were required to be affordable to households at or below 60 percent MFI by Ordinance 170139. Ten units of Phase S were required to be affordable to households at or below 80 percent MFI by Ordinance 175502. The completion of this final phase of the project helps contribute to the provision of moderate and middle income housing by the project so that it provides housing opportunities for a range of households at varying income levels.

**Yards at Union Station (Phases A, B, S and C)**

Phase	Units
A	158
B	321
S	56
C	80
<b>Total</b>	<b>615</b>

**F. DETERMINATION OF COMPLIANCE WITH THE DOWNTOWN WATERFRONT URBAN RENEWAL PLAN**

As noted above, the project site lies within the boundaries of the Downtown Waterfront Urban Renewal Area. The urban renewal area was originally adopted in April 1974 and amended several times. The property acquisition policies permitted the purchase of several sites within the urban renewal boundaries including the purchase of the Union Station site. The official statement of goals for this plan note that “emphasis shall be on conservation and rehabilitation of existing structures and on the provision of public improvements and assistance which will stimulate investment by the private sector.”

**Staff Finding:** Although the *Downtown Waterfront Urban Renewal Plan* was not the primary policy vehicle for the *River District Development Plan*, the goals and vision of the River District are compatible with the urban renewal goals and objectives. The provision of housing on the site of former railyards is meant to stimulate private investment in housing and commercial businesses that support residential uses in the River District.



### III. 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 detailed in chapter 3.104;
- 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 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. This final phase of the project will provide 80 new housing units that will all be affordable to households making at or below 60% MFI. These units will help meet the significant unmet needs of low-income households in an expensive rental market area that is a transit and jobs rich location.
- D. The foregoing references in the previous section 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 *Downtown Plan*, the most recent refinements to the *Central City Plan* including the *River District Policy*. This development has also been found to be consistent with the *River District Development Plan* and *Housing Implementation Strategy*, and the *Downtown Waterfront Urban Renewal Plan*.
- E. The project will provide the following additional benefits:

Zip Car space: The project will offer two spaces for Zip Cars.

Permanent dedications for public use: The project will be connected to pedestrian paths and create a walkway to an existing pedestrian bridge.

Open spaces available to the general public: A community room will be available to both residents of the project and the general public upon request.

Increased affordability: The minimum affordability is met, but because more than 25% of the units will be at rents at or below 60% MFI, the project qualifies for the additional public benefit due to affordability.

#### Staff Recommendation

*Approve the request for the 10-year NMUH tax exemption for **The Yards at Union Station Phase C** project with the condition that all the proposed public benefits be provided.*

#### Attachments

- Zoning and Site Map
- PHB Investment Committee Report (without enclosures)



