

Portland's Residential Limited Tax Exemption Programs

Aligning program goals and outcomes

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ECONorthwest

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Project Overview

- *Multnomah County, the City of Portland, and PDC engaged ECONorthwest to evaluate Portland's five residential limited tax exemption (LTE) programs.*
- *The goal is to assist stakeholders in updating and better aligning the portfolio with current goals.*
- *Key questions addressed by ECONorthwest include:*
 - *What are the desired program outcomes?*
 - *What impacts do the programs have on government budgets?*
 - *How well do the programs achieve their stated goals?*
 - *How might stakeholders better align program goals with desired outcomes?*

The Problem

The implementation of the City's LTE policies have evolved away from initial statutory intent.

It is overly-complex and provides program partners an uncertain return on their investment, in part because current housing goals are not well-matched to program eligibility requirements or outcome measures.

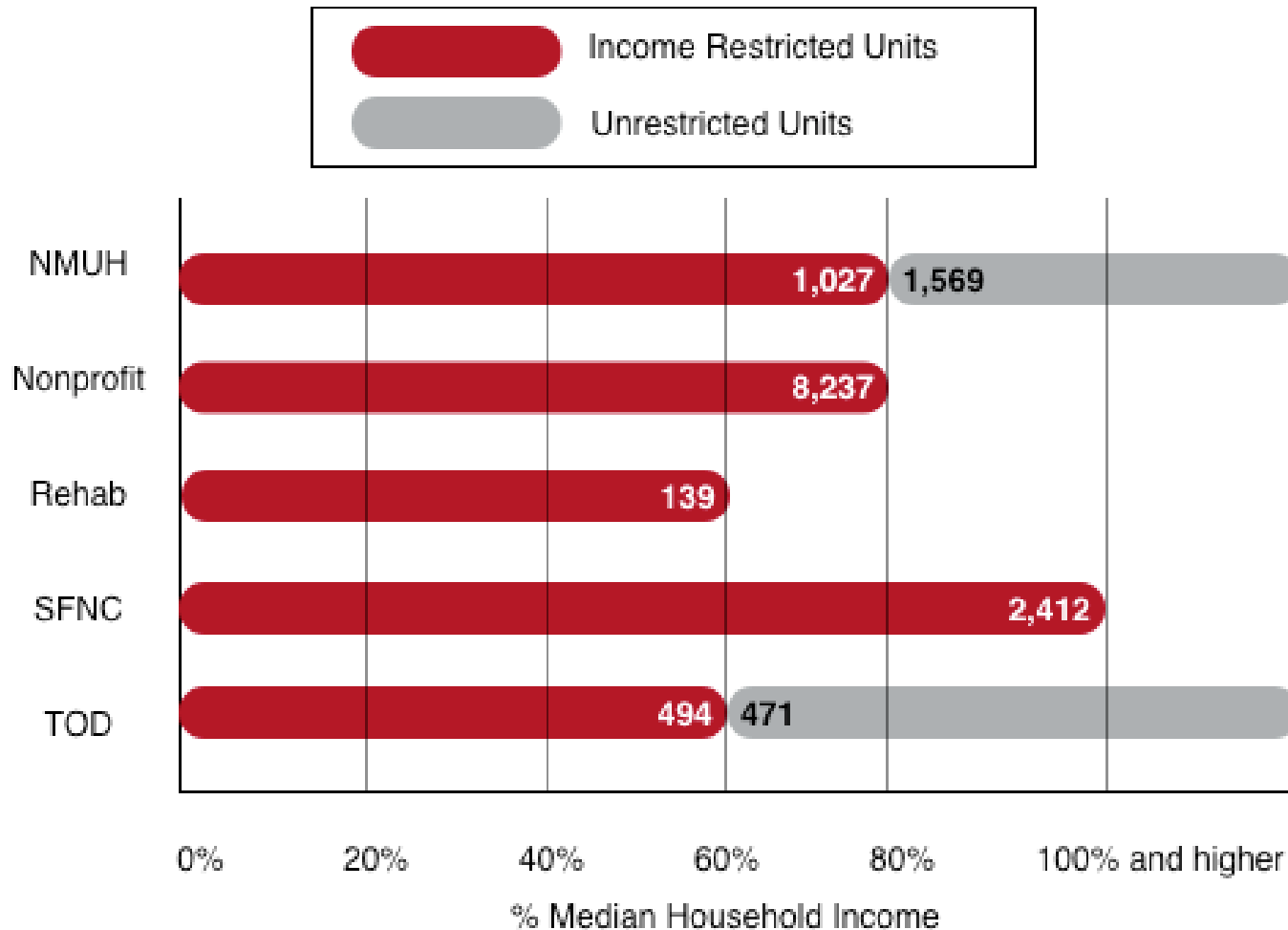
Recommendations

1. Restate goals: long-term affordability and implementation of regional livability goals
2. Simplify and consolidate the portfolio:
 - Allow the Rehab program to sunset
 - Focus SFNC on “anti-gentrification”
 - Open non-profit program to all affordable development
 - Combine TOD and NMUH, precisely target affordability and livability
3. Coordinate LTE programs with other tools used to promote similar goals
4. Develop benchmarks to better measure and communicate success

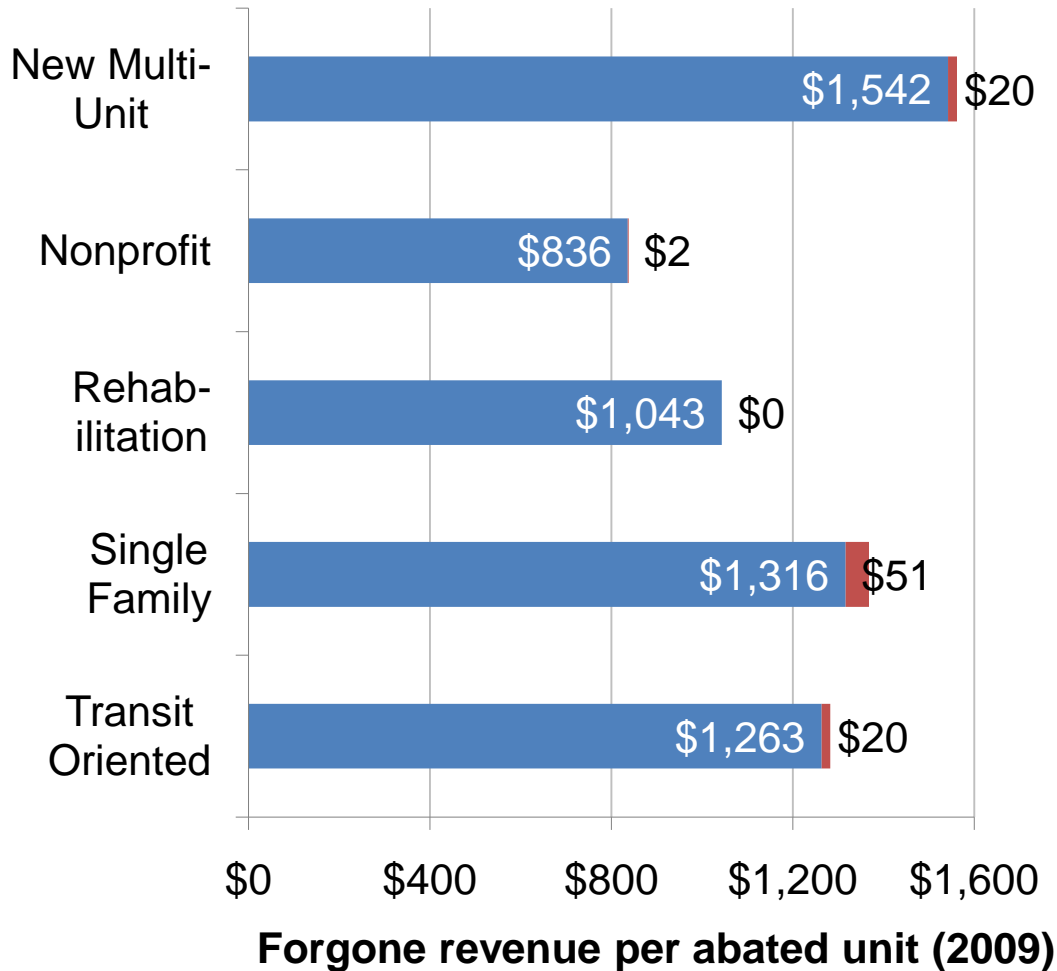
Program Overview

Abatement Program	Forgone Revenue	Abated Units	Low-Income Units	Annual Forgone Revenue/Abated Unit	Estimated total Annual Admin Costs
New Multi-Unit Housing	\$4.0 mil	2,596	40%	\$1,542	\$50,944
Nonprofit Low-Income Housing	\$6.9 mil	8,237	100%	\$836	\$13,949
Residential Rehabilitation	\$0.2 mil	139	100%	\$1,043	-
Single-Family New Construction	\$3.2 mil	2,412	100%	\$1,316	\$124,136
Transit-Oriented Development	\$1.2 mil	965	51%	\$1,263	\$18,937

Programs Target Different Income Levels



Program Costs Vary Dramatically



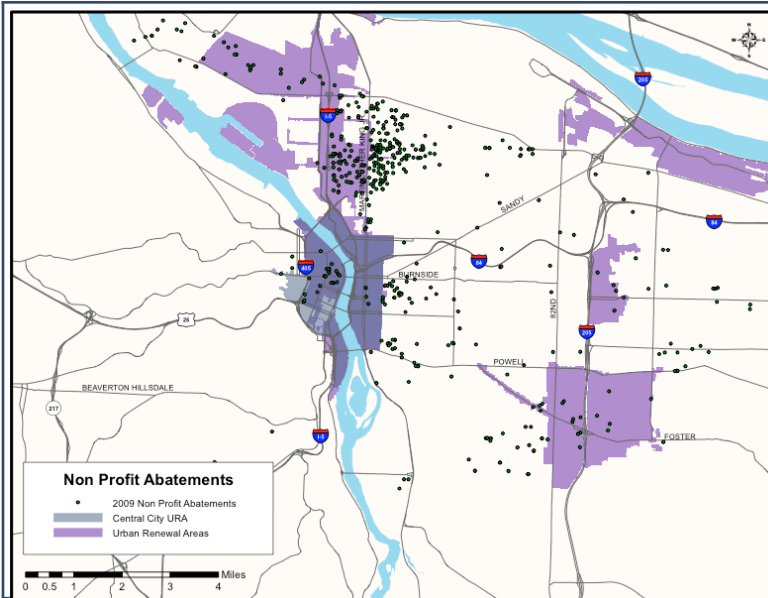
- Both forgone revenue and administrative costs vary dramatically across programs

- Other considerations are important when evaluating LTE program costs:

- LTEs are only one of many tools available to finance affordable housing

- LTEs' stated goals extend beyond the provision of affordable housing

Analysis: Nonprofit Low-Income Housing



Key findings:

Forgone revenue per unit abated: \$836

Only low-income units receive abatement.

Developers/Managers must be certified Nonprofit organizations

Development often requires interest-free PDC gap loan for economic feasibility

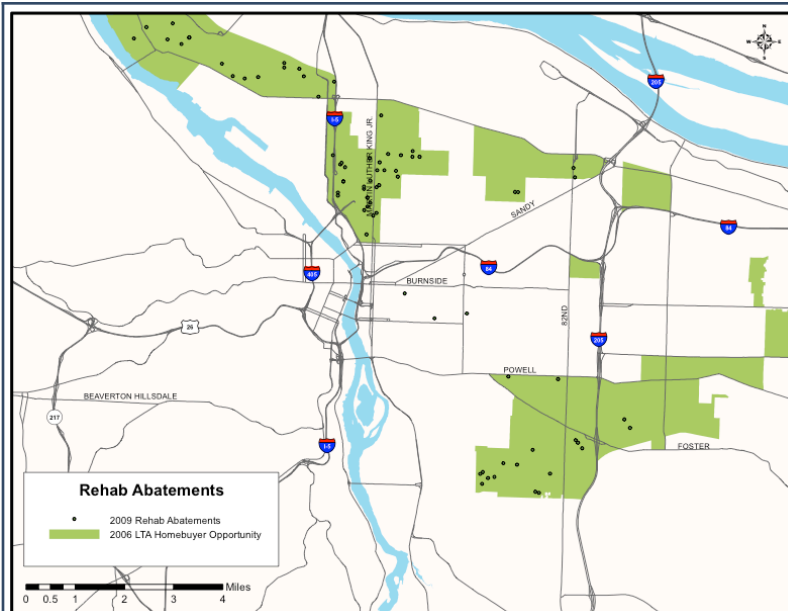
Conclusions:

The abatement writes down operating costs and reduces need for City gap loan

Of all LTE programs, this program's goals are most clearly aligned with provision of affordable housing

Program should be available to any developer making a commitment to long term (60 year) affordability regardless of nonprofit status

Analysis: Residential Rehabilitation



Key findings:

Forgone revenue per unit abated: \$1,043

The abatement applies to increases in property taxes due to major rehabilitation projects

Measure 50 caps property tax increases associated with small rehabilitation projects

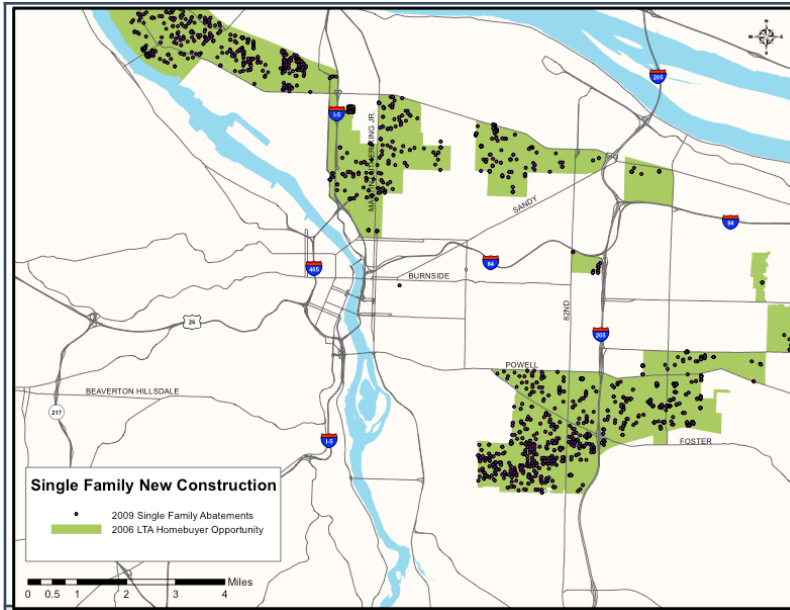
Reassessment due to maintenance and code compliance rehabilitation can be appealed

Conclusions:

Provisions of Measure 50 provide essentially the same benefits state-wide, and meet the intent of the program's goals

The rehab program should be allowed to sunset

Analysis: Single-Family New Construction



Key findings:

Forgone revenue per unit abated: \$1,316

In the statutorily defined targeted areas, households with income as low as 70% MFI can afford housing available on the market without abatement. Many households at 60% MFI cannot afford to buy even with an abatement.

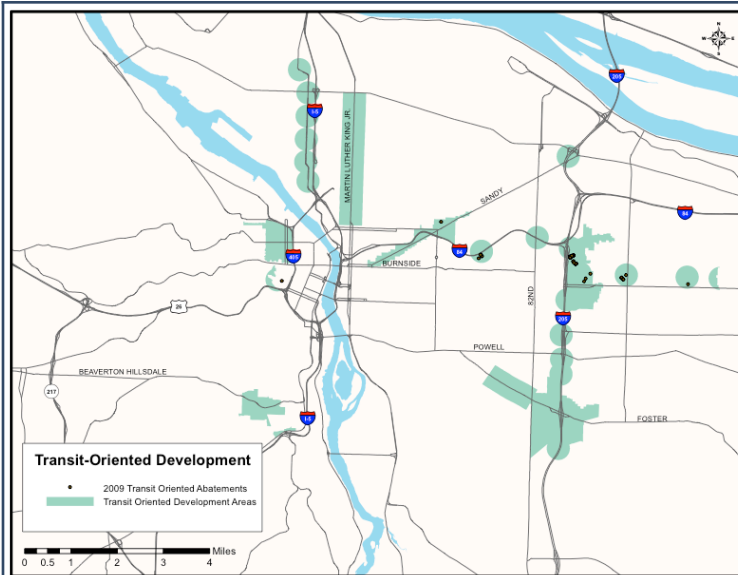
Abatement assists a relatively small segment of the population that could otherwise not afford a home in the targeted area

Conclusions:

Initial program goals related to reversing declining property values, not affordability. Program boundaries encompass areas where the market is already providing affordable product.

Program boundaries and goals should be refocused on providing new, affordable, single-family housing in areas where home prices are rising rapidly. This will help overcome gentrification effects and increase access to housing.

Analysis: Transit-Oriented Development; NMUH



Key Findings:

Forgone revenue per unit abated: \$1,542 (NMUH), \$1,263 (TOD)

All units receive abatement, but in most projects only a subset of units are offered to low-income households

Developments typically require additional interest-free funds

Some developments providing affordable housing become infeasible without the abatement

Conclusions:

TOD and NMUH Programs are substantially similar and should be combined.

Refocus program goals and boundaries to provide units at a mix of price points that includes affordable units AND implement regional location-efficiency goals.

Consider using Metro's Centers and Corridors boundaries, TOD boundaries, or others that come out of the Portland Plan update

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Portland's LTE Portfolio

Abatement Program	Program Objective	Operated Since	Sunset Year
New Multi-Unit Housing	Support living close to work, provide a Central City residential community, accommodate population growth	1975	2012
Nonprofit Low-Income Housing	Support an adequate supply of low-income housing and prevention of homelessness	1985	2014
Residential Rehabilitation	Preserve Portland's housing stock and improve its safety and quality	1975/1990	2015
Single-Family New Construction	Increase homeownership opportunities in neighborhoods targeted for revitalization	1990	2015
Transit-Oriented Development	Support public investment in transit and to accommodate for population growth	1996	2012

New Multi-Unit Housing

