



Limited Tax Exemption BIG LOOK Policy Review Committee

Tuesday, September 14, 2010, 3-5pm
Portland City Hall – Lovejoy Room

Meeting Notes

Attendees:

Committee Members

Chair Jeff Cogen	Commissioner Nick Fish
Commissioner Amanda Fritz	Commissioner Deborah Kafoury
Cathey Briggs	Bill McCrae
Amelia Porterfield	Joseph Portillo
Jill Sherman	David Wynde (absent)

Observers

Megan Gibb	Doug Obletz
David Williams (for D. Wynde)	

Staff

Marissa Madrigal	Margaret Van Vliet
Andy Miller	Keith Witcosky
David Barenberg	Daniel Ledezma
Uma Krishnan	Kate Allen
Kim McCarty	Andrea Matthiessen
Marilyn Hurtley	Dory Van Bockel
Beckie Lee	

Welcome & Introductions

Chair Cogen, Commissioner Fish

Chair Cogen Welcomed the Committee and asked all to introduce themselves, and thanked them for their willingness to bring their perspective and expertise. He framed the work of the committee:

- I see a primary policy outcome for this effort:
 - Use residential tax abatements in the most surgical and strategic manner possible.

- This means, using the tool to get housing built which the public sector finds important, and which the market is not providing on its own.
- From a monetary perspective, abatements have both a cost and financial benefit.
- We realize these are not permanently foregone revenues, because typically after 10 years the improvement value becomes taxed and the piece of land that generated \$5,000 before the abatement, now generates \$50,000 or \$100,000.
- This is still a large sum of foregone money, particularly if we are collectively unable to connect the public benefit with our individual missions.
- Abatements have been around for decades, and some, such as the non-profit and low income abatement, will likely go on in perpetuity because of the ongoing community need.
- However, others can and should be used with more precision and intent regarding their lifespan.
- I think we would like to see a future environment where some abatement programs are available on a limited term: Whether it is to induce the development of grocery stores in food deserts, amenities which attract families near schools, or more middle income or student housing.
 - Once that particular niche is filled, the program terminates which could allow for another strategic program to be considered.
- This manner of strategic thinking across the jurisdictions at the elected level has not occurred for at least a decade.
- Unlike many of our other efforts to get construction workers active again and cranes in the air; this initiative is not going to be about getting a “shovel ready” project moving forward. That is partially what has led to recent issues with the abatement programs where single family homes were built with any kind of cap on the program, and where demand drove our ever increasing revenues which were “invested” in tax abatement programs.
- Demand should not necessarily dictate the program, need and innovative public policy thinking should.

Commissioner Fish followed Chair Cogen’s welcome and expressed thanks to the Chair and the committee for their participation.

Commissioner Fish stated that his approach to the Big Look project is driven by the values of transparency and accountability. Further, he commented that all in the room are development partners and acknowledged that it takes collaboration between all of the stakeholders represented to make projects “sing.” He encouraged the committee to take the opportunity to think strategically and advise the City on aligning LTE policy with clearly established goals and priorities to continue to make our community a vital place to live.

Commissioner Fish reiterated Chair Cogen’s challenge to the committee to act boldly and consider policy changes that reflect the current needs in our community that the market may not address.

Charge to Committee

Kate Allen

Evaluate the goals & effectiveness of the use of residential tax exemptions in order to guide the future direction of these programs & policies by:

- Review current programs (EcoNW report, Annual LTE reports, staff reports)
- Review & approve shared program goals
- Discuss and develop recommendations for program changes

Outcome of your work will inform potential program changes or new programs that balance shared housing goals and the stewardship of property tax revenue.

Presentation by Eco NW of Report Summary and Recommendations

(PDF of presentation attached)

Discussion

Cathey Briggs indicated that units in the Nonprofit exemption program were serving 100% 0-60% AMI residents, and in most cases <50% AMI. (Need to provide clarification on maximum incomes on nonprofit units, and the procedure for maintaining the abatement) Ms. Briggs expressed concern about Nonprofit program changes and emphasized an need to evaluate the public benefit of using the exemption on higher income units, when data shows that the greatest rent burden is much lower than the 60% maximum income currently allowed under the program. Ms. Briggs also pointed out that extension of the 2014 sunset of the nonprofit exemption state statute is a priority for the Housing Alliance in the 2011 legislative session.

Joseph Portillo indicated that clients Umpqua Bank serves do benefit from the SFNC exemption, allowing them to access “more home” than they would have without the exemption. He also pointed out that the new homeowners helped to stabilize fragile neighborhoods in eligible areas. Mr. Portillo also acknowledged that the program was not well utilized by minority homebuyers, and that better outreach to communities of color about the program was needed.

Margaret Van Vliet acknowledged that the EcoNW recommendations regarding the SFNC program were “key” to PHB’s strategic discussion about Homeownership program priorities.

Doug Oblatz was invited by the Chairs to provide the developers perspective on the TOD exemption program. He described how he’d used the program successfully in 3 projects (Belmont Dairy, Hollywood Library mixed use (Bookmark Apartments) & Museum Place). Mr. Oblatz related that in each case the exemption was critical to securing financing for development and for continued operation of the properties. Mr. Oblatz encouraged the Committee to consider other public benefits (density, location, services (library)/retail (downtown Safeway)), in addition to affordable housing, when considering program impacts. Mr. Oblatz also commented on the impact of the slow economy on wages (flat), which constrain developers from increasing rents as they have been pro forma-ed against fixed development costs.

Commissioner Fish and *Keith Witcosky* acknowledged the importance of a range of perspectives when seeking the appropriate balance between development goals and the range of public benefits.

Cathey Briggs commented on the value of the SFNC exemption as an anti-displacement tool benefitting communities of color as used by Oregon Opportunity Network (OON) members. She indicated that she would get more information from OON members to provide at future meeting.

Commissioner Fritz asked if more programs or program changes were needed to incent affordable *and* sustainable development, emphasizing the importance of rehabbing existing housing stock in neighborhoods for new homebuyers. Further, she asserted that we must avoid creating incentives for demolition and replacement of serviceable housing stock.

Kate Allen pointed out that no exemption program currently is available for acquisition and rehab of an existing home. (currently new construction only)

Commissioner Fish spoke about the importance of good design for the units built under the SFNC program and cited Pardee Commons, a project of Proud Ground in the Lents area, as an example of how good design and construction advances the program goals of neighborhood revitalization. He contrasted that project with nearby development that did not add value to the area.

Amelia Porterfield asked, regarding the EcoNW recommendation about allowing the Residential Rehab exemption to expire, whether having the exemption in place *required* jurisdictions to use it? Ms. Porterfield indicated that while the RR exemption may be ineffective in the Portland metro region due to the effect of Measure 50, it is still an effective tool in other areas of the state.

Kate Allen asserted that any significant LTE program changes identified through this process would be teed up for the 2013 legislative session, and that the current statutes provide ample latitude for enactment by the local jurisdictions of how the programs are used in alignment with other tools.

Keith Witcosky, responded to Ms. Porterfield's question by indicating that statutory authority *does not* require a jurisdiction to utilize a program, that local adoption of the program is optional. He referenced the moratorium on the NMUH program adopted by the Portland City Council in 2006(?), which precluded any project other than one providing 100% affordable units from using the project. That moratorium was allowed to expire in December 2009.

Cathey Briggs mentioned, with regard to statewide implications of Portland programs, that Portland/Multnomah County is the biggest user of the Nonprofit exemption in the state, and that the program *has not* been adopted locally in most other areas.

Doug Oblatz mentioned a Multnomah County program of abatement under a special assessment category and suggested that the Committee get more information about the program.

City/County Work Group – Purpose & Accomplishments **Keith Witcosky**

Established by leadership as a forum for shared problem solving of issues that arise in the implementation and administration of Limited Tax Exemption (LTE) programs and policies set forth by elected officials.

Membership is executive & program staff from County & City.

4 meetings between March & May to work through a jointly developed list of program issues

- Agreed on approaches to several administrative challenges, and implemented procedural changes
- Kept track of policy issues for consideration by Policy Review Committee
- Established a respectful, solution orientation dialogue among key staff

Key accomplishments:

- Agreed on construction completion definition for SFNC exemption, provided notice to builders
- Established “rolling” process for SFNC approvals to County
- Consolidated Non-profit program in PHB, conformed to statutory timeframe for certification to County
- SFNC HOA maps under revision – on track for Oct. completion
- City Atty. developed list of “code cleanup” issues currently under review – on track for Oct. completion

As Policy Review committee develops policy recommendations, Work group will complete analysis of impacts, develop implementation strategies.

Members of the committee present from PHB & BPS were acknowledged.

DRAFT Shared Policy Goals – Introduction/Discussion **Kate Allen**
(revised draft goals attached)

The draft working principles were developed by lead project staff for City & County as framing for Big Look Policy Recommendations. They are proposed in the context that LTE programs are *one* resource tool we have that should be considered in relation to range of other resources (federal, TIF, general fund, other) and plans (HUD principles, Portland Plan, Metro 2040) to implement the City’s housing goals.

Committee was asked to provide initial reactions to Goals in this context, and to comment on what was missing or didn’t belong.

Commissioner Fish commented on the use of “investment” in place of abatement, and observed that strategic use of the tool would be consistent with that language.

Jill Sherman referred to the use of “affordable housing” in the first General Goal bullet, asked for clarification of what was “affordable”.

Commissioner Fish replied that the PHB was using “housing that the market doesn’t provide” as a working definition for affordable housing development.

Keith Witcosky added that the definition could include *locations* where low-income families couldn’t choose (afford) to live.

Jill Sherman advised that there is value in trying to incentivize middle income and workforce housing in certain locations.

Cathey Briggs commented that it’s important to incorporate a mix of incomes at certain locations to create communities of opportunity.

Commissioner Fish reiterated that while the most critical need for housing was 0-30%MFI, there may be opportunities to work with the development community to on models for economic development projects that meet livability goals and include units that are affordable at higher incomes.

Doug Oblatz pointed out that there are “small site” development opportunities that increase density and are “location efficient” that could be assisted by tax abatements.

Commissioner Fish requested that examples of this type of project, including budgets, be provided to the Committee at a future meeting.

Commissioner Kafoury pointed out the connection between this discussion and urban renewal, and emphasized the importance of the need to balance foregone revenue (from exemptions) w/ the needs of taxing jurisdictions. Further, Commissioner Kafoury pointed out the role of voter input (none) w/ this vs. other revenue impacting tools.

Commissioner Fritz directed that (proximity to) schools be added to the list of amenities where development should be encouraged to increase social equity, and to add EQUITY in homeownership to reduce disparities experienced by communities of color.

Joseph Portillo recommended that overall the City invest in outreach to communities of color to increase program usage to advance minority homeownership goals.

Commissioner Fish pointed out the importance of planning for the “graying” of the population and the inclusion of amenities for an older population such as accessibility AND affordability in development that is incented.

Doug Obletz reinforced the importance of reviewing other tools (than abatement) in assessing the need for new tax exemption programs.

Bob McCrae also cautioned about the danger of “thinning the soup” by trying to accomplish too much with the abatement tool, thereby reducing its strategic effectiveness.

Commissioner Fritz requested that clarification about how the TOD/NMUH programs are used differently in other areas of the state.

Overview of 2011 Legislative Agenda

David Barenberg

David Barenberg described the Legislative attention in the 2011 session to the State’s tax credit programs, which will be systematically reviewed and analyzed with regard to cost and benefit.

David also flagged that the Legislature will take up a similar review of all of the State’s tax exemption programs next session. He concluded that the work of this committee was very timely and similarly aimed.

David described 3 primary legislative actions currently in discussion:

- Extension of the NMUH statute that sunsets in 2012 – with Multnomah Co.
- Clarifying language allowing local (taxing jurisdictions) choice regarding commercial development in residential mixed use developments – with Multnomah Co.
- Extension of the Nonprofit statute that sunsets in 2012 – with Housing Alliance

Conclusion & Thanks!

NEXT MEETINGS:

Meeting #2

Oct. 25, 2010 3-5pm

Location TBD

Agenda Review/Finalize Shared Policy Goals
 Review Issues/Recommendations Matrix – by program
 Review pending policy actions

Meeting #3

Nov. 29, 2010 3-5pm

Location TBD

Agenda Continue/Complete Review of Issues/Recommendations Matrix
 Refer Items to Work Group to develop Implementation Strategies
 Preview LTE Annual Report

Meeting #4

Jan. XX

Location TBD

Agenda Report from City/County work group on implementation strategies
 Legislative Agenda – both 2011 update, and tee up for 2013

Draft Shared Policy Goals

OPERATIONAL:

- Fiscally sustainable (administrative costs) programs with accountability and monitoring
- Cooperative relationship among administrative staff across the jurisdictions
- Fiscal awareness (by program) with cost controls of abatement “investments”
- Annual report of programs *against benchmarks*
 - foregone revenues,
 - housing goals advanced, and
 - forecasted growth in taxes as abatements expire
- Predictability for developers so they can plan future projects
- Nimble programs responsive to current conditions, adaptable for future needs
- Limit use of LTE programs when other development tools can be used

GENERAL/ASPIRATIONAL (aligned w/ HUD Livability Principles)

- Strategically incent production of the quality, quantity and ~~distribution location~~ of affordable housing that the market may not otherwise provide
- Influence and manage growth, density and land uses
- Encourage development which increases social equity by improving access to amenities (transit, jobs, strong schools, healthy food, parks/recreation, services, etc.) and increases opportunities –for affordable homeownership to reduce disparities experienced by communities of color.
- Increase housing with amenities for families with school-age children and for an aging population (affordable accessible design for low-income seniors).
- Encourage development of uses in residential buildings services essential to livable/walkable communities residential (such as grocery stores in recognized “food deserts”)

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