

**Limited Tax Exemption BIG LOOK  
Policy Review Committee**

**Monday, October 25, 2010, 3-5pm  
Portland City Hall – Rose Room**

**Meeting Notes**

**Discussion – EcoNW Report & Meeting Notes - Questions, Comments?**

Comm. Fish suggested we read the Stephanie Pollock TOD report. The report contradicts the idea that market rate density at transit stops will reduce the carbon footprint because new housing often brought people with higher incomes that could afford more cars and were more likely to use their cars than take mass transit. The report acknowledged that low income people are often the first to be displaced by transit oriented development and in order to provide more opportunity for low income households, jurisdictions could proactively implement policies that emphasized anti-displacement and inclusion.

**Review Revised Shared Program Goals (final revision attached) – confirm as framework**

Kate Allen asked the committee if they shared the aspiration goal and shared policy goals. There was no disagreement with the framework.

Comm. Fish said we will continue the work started by sustainable communities by blending the plans of PHB with the national livability and agenda, address carbon impacts and the job housing mismatch.

Comm. Fritz suggested targeting development as well as encouraging it. Add school age children and people with disabilities, removal of the “strong schools” qualifier.

**Presentation & Discussion – Mixed Income Model (committee request)  
Urban Housing Development Framework**

**Q:** Do the LTE programs help address livability issues?

**A:** Yes but we need to adapt them to do better. LTE’s can help moderate middle income project funding gaps.

**Issues:**

What is federal assistance programs for teachers and police living in specific areas? Affinity lenders cut fees. Employer assistance, City employee assistance. Is City staff eligible for special assistance?

What is the social value and specific financial value of having housing proximate to jobs, etc.?

**A:** Yes in the form of reduced fees or interest, or eligibility for Loans. Down payment assistance programs for people to buy near their work are used in some locations nationally.

Kafoury: we have not solved 0-30 needs yet. Be cautious about looking at 60-150

Fish: subsidy of service delivery makes building 0-30 difficult

While the programs help moderate income projects the main gap is still 0-30% MFI. Many of the 0-30 MFI projects still need to pay for ongoing operational costs.

**Q:** If we have more money does it go to operations, do exemptions stimulate a new source of revenue after expirations? What happens if the exemption does not go away? How does this change the rate of return on investment? What are the impacts of who owns the building i.e. a for-profit vs. a non-profit.

**A:** A non-profit can keep the project exempt indefinitely. With the LTE, moderate housing is feasible plus a return on revenue. Without the LTE moderate priced homes are not built. The lack of development would result in no increased tax base and nothing to forego.

**Q:** Why are we not getting investments in the Lloyd Center Area?

What is the value or social utility of reducing transportation costs? What is the value of supporting people of moderate incomes in the Central City? What tools do we have to not displace people?

### **Downtown Issues**

- Maximize density
- Type one construction is more expensive
- Equity return is often unattractive
- Construction costs are high
- Fee costs are increasing
- Rents are flat
- Lenders are conservative and are asking for as much as 50% equity
- Even 5 over one construction has a gap
- Lenders ask what happens when the exemption goes away

### **Ways to fill the equity gap**

- Free land
- Tax credits
- Reduced costs of capitol
- Smaller foot print
- No parking

## Examples

Neither the Cyan nor Museum Place would work in today's market. Museum Place was expensive to build because mixed use developments add expensive one of a kind elements. The grocery for example required large spans. The land is more expensive and parking today can be \$50,000 per parking stall.

In the Uwajimaya development the cost of land and parking are driving the price. The density is limited to cover fixed costs.

**Q:** How effective have the projects been in Hawthorne and Belmont? How are they doing it with or without tax exemptions?

**A:** Condos are converting to apartments. Rents were supposed to be \$2,000/month to cover the costs of the higher price point of construction. However, as rentals they cannot get that price so there are deep concessions right now and offering rents of about \$1,200/month. Are these condo conversions surviving as apartments?

N. Williams has been developed mostly as ownership.

**Q:** If prices are falling do we need to build any more workforce housing over the next ten years? What has happened with the 3,00 higher end units that got driven down to the middle income range. Will these condo conversions begin to go upward again?

**A:** Some think that in the next three years the apartments will go to ownership and we will have a deficit. We should learn from the infill and transit corridor projects. Should we try to get moderate income housing goals met on the transit corridors?

Central Eastside is convenient to jobs and the downtown, land is less expensive than downtown but much of the Central Eastside is in the industrial sanctuary.

**Q:** For the land that has mixed zoning what is preventing redevelopment?

**Q:** If we build up asset rich areas, i.e. light rail stops, are we at risk of displacing low income households?

PHB is looking for alignment of these and other tools with Policy Goals.

**Q:** Do we want affordable housing in every neighborhood instead of bringing other neighborhoods up? Do we want to target specific neighborhoods with the abatement projects (at a deeper layer than distressed areas map)

**A:**

- Keep a 20 year perspective.
- Remember this is a narrow tool.
- Can we take transit and housing together to define affordability?
- We want to look at using a new housing /transportation metric

- Make housing more affordable by improving transit

Sherman: cost of construction and materials for middle income housing is difficult

How did higher density wood frame projects get built?

Is there room to build in Hawthorne, Belmont, Hollywood

### **Review Preliminary Recommendations - Discussion**

- What is missing?
- What is the impact (cost?)
- Where do these tools fit?

The rehab program does not assist as intended because of the measure 50 cap. We recommend a formal removal of the program and replacement with a senior or weatherization program. This program is used in other parts of the state.

Combine the NMUH and TOD program and focus the new program on livability

- Consider limited duration exemptions

Let's look at affordability and quantify the value of the public benefits so we get more valuable benefits. How do we provide long term affordability?

Recommend no change to the non-profit program to allow for profit owners.

The tax exemption program can negate the benefit for the developer.

Get the demographic information. Who is served, i.e. Number of kids? Incent housing near existing schools. New schools are unlikely

Note, many permits are in SE. Will zoning have an impact?

What is the proximity considered for the middle income concept? Where does it fit within the policy goals?

Avoid displacement of the areas where we might target middle income

Will this work have us begin to factor rent and transport costs as a bundle.

Look at menu of public benefits. Some have more cost/value than others

Look at use and purpose between nmuh and tod. Are the goals shared well enough.

Who is taking advantage of these projects? Families with kids, dinks? Etc

**Next meeting:**

- Program Performance (2010 LTE Report)
- Foregone revenue (2010 LTE Report)
- Show the other tools (Meeting #4)
- Give an electronic version of the Portland Plan –housing section (Meeting #4)
- Give an MFI chart (Attached)
- Refer issues to the City County workgroup (post Meeting #4)
- Ask Jill for a pro-forma and case study of why LTE programs can help development
  - 1) Sometimes the investment is the only thing that creates the project
  - 2) Sometimes the investment would still happen but we invest for other public benefit reasons, such as activating a location, transit, improved access for low income households to amenity rich areas.

**Updates – Legislative, Reports, Interim Actions**

Legislation: David Barenberg – (City Lobbyist), Nancy Bennett (County Lobbyist)

- Renewal of the Multi-family programs will be filed this December because they expire 2012.