



## Limited Tax Exemption BIG LOOK Policy Review Committee

**Monday, August 1, 2011, 3:30-5:00pm**  
**Multnomah County Bldg, Room 635**

### MEETING SUMMARY AND NOTES

1. Welcome & Introductions (5 min)  
Nick Fish: City Commissioner  
Jeff Cogen: County Chair  
Deborah Kafoury: County Commissioner  
Annette Mattson: David Douglas School District  
David Williams: Portland Public Schools  
John Miller: Executive Dir. of Oregon  
Opportunity Network  
Nancy Bennett: Lobbyist for Mult. County  
Carly Riter: Portland Business Alliance  
Meghan Steele: Metro  
Liz Smith Currie: Policy Adviser, Deborah  
Kafoury  
Jacob Fox: Deputy Dir. Portland Housing Bureau  
Daniel Ledezma: Housing Policy- Fish's Office  
Marissa Madrigal: Chief of Staff for Cogen  
Uma Krishnan: Bureau of Planning &  
Sustainability  
Kate Allen: Housing Policy for Portland Housing  
Bureau  
Jill Sherman: Gerding Edlen  
Tom Bizeau: Chief of Staff for Commissioner  
Fritz  
Beth Slovic: Reporter for The Oregonian  
Connor McDonnell (Minutes): Intern for  
Portland Housing Bureau  
Total count: 19
2. Recap 5/6 meeting – questions, comments? (5 min)  
No comments-
3. Review Process to Date – Brief Recap of Meetings 1-4 (5 min)
4. Summary of Draft Recommendations – (60 min)  
***Please Review Attached prior to meeting***
5. Legislative Recap, Interim Actions (10 min)  
Nancy Bennett. Multnomah county Government Relations  
2011 Session,
  - passage of HB 2354, Nonprofit exemption extend sunset to 7/1/27
  - passage of SB 322, NMUH/TOD extend sunset to 1/1/22

In 2012, 30-35 days (short session)- will be difficult to get any big policy changes made.
6. Next Steps, Process Conclusion (5 min)

**Goals of this group:**

- 1. Review current abatement programs including preliminary recommendations by ECO NW and other changes raised by the Committee. Recommend potential changes to taxing jurisdictions. Local legislation needs to be approved by City Council, Multnomah County and other taxing jurisdictions by ~~Summer~~ Fall 2011.**
- 2. If any statutory changes are recommended, work on potential draft legislation for 2012 or 2013 legislative session. Legislative proposals need to be drafted by Fall 2011.**

# Limited Tax Exemption BIG LOOK

## Policy Review Committee

### Summary of Draft Recommendations

#### GOAL OF PROGRAM CHANGES:

- Better align exemption programs with current and future housing needs shared by the partners.
- Strategically invest exemptions *and foregone revenue* to advance the City's equity, housing access, and neighborhood development goals that the market will not otherwise meet.
- Improve efficiency, transparency and accountability of all programs

#### SUMMARY OF RECOMMENDED CHANGES – FOR DISCUSSION:

##### HOMEOWNERSHP TOOLS

###### Single Family New Construction (SFNC)

City code change to existing program – SHORT TERM 3-6 mos. [Looking to close Homeownership gap for minorities and provide home ownership in areas that are developing \(rising property taxes\) or at risk of becoming unaffordable.](#)

1. PHB to establish a capped amount of capacity (by \$ or # of applications) available on an annual or bi-annual basis, and establish a regular competitive process for available capacity (RFP or other method) –
  - [what does the Cap solve?- solves for the administrative challenges and expense of an 'open' door program. Cap would give certainty to the amount of foregone revenue invested in this program.](#)
  - [John Miller said- should have a 'use-or-lose' it b/c of the likelihood that developments do not move forward- .](#)
  - [How do we decide what the Cap is? We are not ready to make this number.](#)
  - [Comm. Kafoury was concerned with the Cap due to the great need of constituents.](#)

Multi-jurisdictional staff work for 2012 or 2013 legislative session – LONG TERM 12-18 mos.

2. PHB staff to work with County, School Districts, Bureau of Planning and Sustainability, Developers and other stakeholders to establish *new* criteria for establishing home buyer opportunity areas (HOA) that advance goals of increasing homeownership in high asset

areas, especially to advance its primary goal of Closing the Minority Homeownership Gap.

- Clarification on high asset= places that have already faced gentrification.
- Get homeownership in developing areas with rising property taxes.
- Ongoing concerns about geographic distribution of tax exempt property, need method to assure that programs are “citywide”, not concentrated

### Acquisition of Existing Homes

Multi-jurisdictional staff work for 2012 or 2013 legislation – LONG TERM 12-18 mos.

1. PHB to complete research on models
2. PHB staff to establish a working group to review and advise on models, *especially potential effectiveness for anti-displacement*; develop program guidelines that advance goals of increasing homeownership in high asset areas, especially to advance its primary goal of Closing the Minority Homeownership Gap.

Committee responded with head-nods that this is the right direction.

### **MULTI-FAMILY HOUSING TOOLS**

#### New Multiple Unit Housing (NMUH)/Transit Oriented Development (TOD)

City code change to consolidate programs; transit proximity aligned with Bureau of Planning and Sustainability Healthy Connected Neighborhoods definition - SHORT TERM 3-6 mos.

1. Committee recommendation on required level of affordability:
  - Homeownership 100% MFI family of four (no change) + sales price cap (Carly Riter suggested that this could rise to 120% in specific areas- as this population (workforce) has also been hurt during the recession)
  - At or below 60% MFI for 20% of units or at or below 30% for 10% of units (TOD) (Carly- should consider raising the MFI to 80%)
  - At or below 80% MFI for 15% of units (NMUH) *Current moratorium on all but 100% of units @ 60% MFI*; Jeff Cogen- the people we serve are lower than both 60% and 80% and would like that some of these numbers will serve very poor people (30% or lower). Deborah Kafoury agrees.

Program change can be implemented at the local level and would not need state legislature. Thus it could be looked at on a yearly basis.

Overall this is a tool used to encourage development. At some point we will need to find the sweet spot with the Affordable MFI % and the % of units.

How do we determine these numbers? What is the sweet spot and how much revenue would be forgone. Jeff would like there to be a discussion between County and City before the next Big Look meeting to examine the 'sweet spot'- This could be a next step(?)

Committee reflected on the presentation by Jill Sherman at meeting #3, which outlined LTE finance structuring 101. Jill used that example with 20% of units affordable at 80% of median, to illustrate what housing goals (location, density, mixed-income) could be accomplished by developers using *only* the LTE. In that example, additional subsidy resources could be included to meet goals for deeper affordability.

Currently, 70% of Portland Housing Bureau budget benefits housing needs at 0-30% mfi, as a priority population target shared with the County. LTE may be a tool to address broader citywide housing needs and address future housing needs as the City's transit oriented and neighborhood hubs grow more dense.

2. Committee recommendation on Public Benefits: (see list attached)

- Affordability + 3 public benefits (TOD)- (this is how it exists right now- and there was no mention of changing this criteria) The application for LTE is going to be a more competitive process for developers.
- What public benefits are being used in the application (some public benefits are easier to X off than others? Is LEED certification a public benefit- shouldn't this have a larger benefit?)
- Commercial (if exempt) must:
  - meet definition of neighborhood serving good or service as defined in Healthy Connected Neighborhood – provide market survey and defined community process to support
  - demonstrate that commercial use will not compete with existing successful use within XX blocks (PDC NED Strategy support)

3. PHB Finance staff to review and recommend replacement Rate of Return test for use at initial application and on annual financial review. Annual return exceeding established maximum subject to "claw back". **PHB to prepare an approach for review by committee at 10/7 meeting.**

4. PHB to establish a capped amount of capacity (by \$ or # of applications) available on an annual or bi-annual basis, and establish a regular competitive process for available capacity (RFP or other method). PHB to prepare an approach for review by committee at 10/7 meeting.

#### Major Take-Away's:

- 1) Finding the 'sweet spot': work with PHB development team to establish the pros and cons of different MFI Rent/Incomes; perhaps draft scenarios with different MFI's  
Using Jill Sherman model, analyze different MFI scenarios for review at 10/7 meeting
- 2) Examine Public Benefits
  - a) Could Bureau of Planning (Uma) look at the last 10 yrs. of development applicants, tallying which one's developers have written into proposals and for accepted projects which public benefits have been used. for review at 10/7 meeting
  - b) Categorize the existing public benefits into 3 categories (Environment, Special Needs, 20 Minute Neighborhoods/Walkability) and send to BPS ATTACHED
  - c) Have BPS look at how the existing Public benefits align with Portland Plan- (are there benefits that could be added?) Can BPS prioritize public benefits City Wide and also specify which public benefits are needed in certain neighborhoods? Can BPS or BDS give rough estimates on the cost of public benefits to developer? Does BPS have input on how to quantify the public benefits? for review at 10/7 meeting

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### PUBLIC BENEFITS LIST

#### Discussion:

How do we quantify a public benefit and determine what we are getting back? The public benefits should be driven by the particular community/neighborhood? They cannot be overly prescriptive. This list was populated initially by the Bureau of Planning.

Perhaps look at [METRO's growth models](#) and the [Portland Plan](#) and how these fit? The public benefits could be grouped into 3 or 4 categories and perhaps one public benefit in each category would be necessary.

Could Bureau of Planning look at last 10 years of applications to see what public benefits developers are using? Which public benefits are no longer a stretch for developers? Which are true benefit to public that developers should be "incented" to include? Could a cost-benefit analysis be done for each public benefits

### **TOD and NMUH Public Benefits**

*Special Needs, 20-Minute Neighborhoods, Environment*

#### **From TOD:**

*Special Needs:*

1. 20 percent of units dedicated to persons with special needs.
2. 10 percent of rental units include 3 or more bedrooms.
3. Twice the percentage of affordable units, or percentage of residential building square footage for affordable units, than is required by the affordability requirement.

*20-Minute Neighborhoods*

1. Provide childcare on-site or support child care facility.
2. Provide residential unit-per-acre density equivalent to at least 80 percent of maximum density
3. Permitted ground floor service or commercial use.
4. Office space or meeting room for community.
5. Permanent dedications for public
6. Family oriented recreational facilities.
7. A dedicated car-share space(s).
8. Structured parking.
9. An agreement to sell off-street parking spaces separate from condominium units.

*Environment:*

1. LEED Silver certification from the US GBC
2. Transportation improvements above those required

**From NMUH:**

*Special Needs:*

1. 20 Percent of the rental units have 3 or more bedrooms;
2. A total of 25 percent of the rental units are affordable to households at 80 percent MFI; or

*20-Minute Neighborhoods:*

3. Open spaces available to the general public;
4. Day care facilities;
5. Permanent dedications for public use

*Environment:*

1. LEED Silver certification from the US Green Building Council