



Limited Tax Exemption BIG LOOK Policy Review Committee

Wednesday, December 7, 2011, 1:00-3:00 pm
Portland City Hall, Rose Room

County Chair Jeff Cogen
City Commissioner Nick Fish
Andre Baugh, Chair of the Planning & Sustainability
Committee
Beckie Lee, County Commissioner Deborah Kafoury
John Miller, Oregon Opportunity Network
Uma Krishna, Bureau of Planning & Sustainability
Andrea Matthiessen, Portland Housing Bureau
Kate Allen, Portland Housing Bureau
Annette Mattson, David Douglas School District
Meghan Gibb, Metro

County Commissioner Deborah Kafoury
City Commissioner Amanda Fritz
Traci Manning, Direct of the Portland Housing
Bureau
Marissa Madrigal, Chief of Staff of County Chair Jeff
Cogen
Steve Dotterrer, Bureau of Planning & Sustainability
Dory Van Bockel, Portland Housing Bureau
Connor McDonnell, Portland Housing Bureau
Meganne Steele, Metro

MINUTES ARE IN BOLD

AGENDA

I. Welcome & Introductions

This morning the City Council passed an ordinance which has cleaned up the LTE code sections and extended the sunset dates for the Non-profit and Multi-Unit programs.

Nick Fish states that the Editorial Board of Oregonian is now on board in understanding that the policy goals of the City is to focus on 0-30% MFI and 30%-60% MFI.

Kate Allen expects that today the Committee may be able to approve the recommended changes of the Single Family Unit Program and that one more meeting will be necessary to finalize the Committee's recommended changes to the New Multi Unit Housing and the Transition Oriented Development programs. Once the Committee concurs on the changes, Nick Fish will brief the other City Commissioners on the proposed changes, concurrently, Jeff Cogen and Deborah Kafoury will brief the other County Commissioners and City council will direct PHB to initiate a process to include review of the recommended changes by (1) a workgroup of developers and members of the Planning and Sustainability Commission for input, (2) Portland Housing Advisory Council, (3) the public. This process should be complete in early Spring, and implementation legislation to be adopted by both elected bodies completed shortly thereafter.

II. Review 10/19/11 Meeting Summary– questions, comments?

No comments

III. Review & Discuss Updates to Draft Recommendations

Single Family New Construction (SFNC)

- Proposed Administrative Changes
- Map

Upon recommendation of Planning and Sustainability staff, and follow up discussions with several committee members, staff **DO NOT** recommend making changes to the homebuyer opportunities areas (HOA). The HOA as they currently exist are aligned with PHB's goal of closing the minority homeowner gap and the Portland Plan Economic Prosperity and Affordability goals.

Administrative changes to better align the program with the PHB's primary homeownership goal of closing the minority homeownership gap are better defined:

New programs requirements:

- (1) reduce the medium sales price to 100% MFI from 120%
- (2) Builder must demonstrate:
 - affirmative marketing and/or partnership with organizations advancing minority homeownership
 - compliance with PHB Green Building for home construction
 - adherence to PHB Minority, Women , Economic, and Business Equity (MWESB) contracting goals
 - adherence to quality design standards; i.e. sidewalks, skinny lots
- (3) require 3+ bedrooms, allow 2 BR in townhomes or condos in TOD areas
- (4) Cap annual total applications at 100 per year (reduced from 180 in 2011)

Comments from Committee:

1. John Miller raised some questions concerning previous considerations: (1) creation of a competitive process, (2) expand homeownership areas, and (3) having small contractors comply with MWESB could be difficult to implement
 - Input came from Dory Van Bockel and Andrea Matthiessen that due to program volume, a competitive process would be overly burdensome on staff and that program goals could be met with new application requirements.
 - The homeownership areas may still be expanded to include non-distressed areas, however, only the Oregon Legislature can amend. PHB would like to prioritize this change during the next Legislative session
2. Amanda Fritz has two concerns: (1) why has the application cap been lowered to 100 and not capped based on a total amount of foregone revenue (2) she would like the MFI to be

further lowered to 80% MFI. (She states that Habitat for Humanity was able to serve homeowners at the 37% MFI)

- John Miller states that Habitat for Humanity has a limited capacity to serve families at the 37% MFI level and is accomplished by low overhead (volunteer labor, donated supplies); the small contractors that commit to developing these programs are not non-profit orgs
 - In 2010, 75.7% of the 70 approved homebuyers were at or below 80% MFI.
3. Nick Fish would like for there to be a mechanism to allow for more than 100 applications, if a unique opportunity to create homeownership arises. This would need approval from the County. Jeff Cogen agrees to this concept. Input would be welcomed from other taxing jurisdiction such as from David Douglas. Deborah Kafoury concurs and would like there to be a review of the application cap of 100 as part of the 2-year review.

The Committee agrees to the proposed changes to the SFNC program. As stated above, the proposed changes will be reviewed and take input from stakeholder groups, the public, PHAC, Planning & Sustainability Commission, and County and City Commissioners.

Multi-Unit/TOD

- Proposed Administrative Changes
- Map

Recommendations:

Program cap: Annual allotment of \$1 million in estimated foregone revenue (3-4 typical projects) that will include extensions of affordable units.

Competitive Process: There will be a competitive "Notice of Capacity Availability" process several times a year, to assure quality of projects, and geographic distribution

1. The Committee brainstorms the extension process and whether it would be prioritized or would compete with new applicants. Committee agrees that the extensions would be taken off the top and would not need to meet the revised criterion that qualifies projects for the exemption.
2. Jeff Cogen lays out a scenario; for Year 1: \$300,000 is abated, does the remaining 700,000 get added to Year 2. It is agreed that the 700,000 would not be added to year 2; thus year 2 would not increase to \$1.7 million. Committee agrees that the \$1,000,000 million cap is the maximum and that the cap is based on when the project is awarded, not when it is built. If a project is awarded in Year 1 for \$200,000 but is not built until year 2, it is accounted against the \$1,000,000 allotment in Year 1, not Year 2
3. Nick Fish articulates that this program will stimulate development for both small and large developers. He does not want there to be an advantage for the larger developers to receive the tax abatement. We will continue to look at this aspect of the program.
4. The Committee would like to see a projected out estimate of the foregone revenue over the next 10 years that factors in existing projects that phase out.

Maps: Draft program maps reflect the Portland Plan Health Connected Neighborhoods; reduce eligible areas in current URAs to only hub, transit corridor. Steve Dotterer reviews the proposed changes both additions and reductions to the Transit Oriented Development (TOD) project areas

1. Amanda Fritz has concerns over: the expansion on N. Vancouver Ave. as she states that the 44 bus line is unreliable
 - Reasoning for this slight expansion is due to: interest demonstrated by the development community and a need to retain affordability in this area, PDC owns land along this corridor, and it is a bicycle accessible road
2. Jeff Cogen asks about whether there could be a tool utilized to relocate or incent residents to stay & asks about tool for relocating residents where single family persons were living there.
 - Kate Allen states that the competitive process of rewarding tax exemption would only allow the best projects that align with the City's goals and could weed out projects where developers will purchase land that is currently being occupied. Development in this program will occur on zoned high-density land.
3. Amanda Fritz would like to expand NMUH/TOD areas on Powell Blvd., Barbur Blvd., Sellwood, and maximize areas around Max lines.
 - Steve Dotterer states that these could be further examined and Bureau of Planning & Sustainability will review and respond to Comm. Fritz.

Affordability: 20% of units will need to meet the Affordability requirements. Requirement is to provide units affordable at 60% MFI, with possible allowance through the competitive process for having units up to 80% MFI, based on the market for similar units in the same geographic area (i.e. Central City developments have higher costs, higher market rates, and applicant could ask for a 80% MFI exception) For owner occupied units, current requirements of 100% MFI remain.

1. Kate adds that for a project to get a 80% MFI exception developer would need provide a market study that demonstrates the market in the neighborhood. Kate reiterates that this program is buying affordability in neighborhoods and developments that would not otherwise.
2. Deborah is comfortable with the 60% MFI number as long as this number is revisited in two years. She mentions she met with PSU concerning the poverty in Multnomah County. 50% of single women with children are living below the poverty line. She does not believe this program aligns with goals to serve the lowest income.

The Committee agrees with the 20% of units at 60% MFI and that an exception could be made at 20% of 80% MFI if they can demonstrate the market.

Public Benefits: A short list of public benefit options would improve the competitive score of proposal

- Affordability above the 20% of 60% threshold
- More accessible ADA units than is required

- *Family sized units in family housing deficient areas with family friendly amenities (secure on-site play area, on-site garden area, other(s)?)*
 - *Walk/roll score (20 Minute Neighborhoods) with close locality to grocery, school, daycare*
1. Kate Allen states that Green building, bike racks, etc. will no longer improve an applicant's competitive score. There still needs to more research on the requirements of the accessible ADA requirements
 2. Amanda Fritz is concerned about walk/roll score as there are neighborhoods in lower income areas such as Lents that would have poor walk/roll scores. She would like a requirement for common space for interior and exterior spaces for residents
 - Considerations of the neighborhood will be weighed during the competitive process. Andre Baugh states that the Portland Plan focus is for residents to live close to services.

Commercial Space:

- *Project may be eligible if it provides access to fresh healthy food; services w/demonstrated market based need; connection to PDC Neighborhood Economic Development Strategy in Priority Areas*
 - *Project would not be eligible if it competes with local business*
 - *The commercial space must be constructed and occupied rather than be for an existing business*
1. Nick Fish is concerned with how to determine how a commercial space would be competitive with a local business. There are difficulties in qualifying whether a business is local.
 2. The Commission agrees that there needs to be more detail provided for when a commercial business will qualify for an exemption.

IV. Next Steps, Process Conclusion

Single Family Program: The Committee agrees to the proposed changes program. It is now ready to be brought to outside stakeholders for review. The County and City Commissioners in attendance will brief their respective colleagues on the proposed changes.

The NMUH/TOD programs need to be examined during the next Big Look Committee meeting.

1. Kate Allen identifies three follow up deliverables:
 - (1) The mapping need to be reviewed to address Committee questions;
 - (2) Analysis of the impact of \$1,000,000 cap per year
 - (3) Specific language on public benefits

The Tax Exemption annual report is being drafted and will be sent to Committee members before the next meeting. We will review the report at the next meeting.

Kate Allen asks that County and City Commissioner debrief their respective colleagues as to the progress of the Big Look. It is agreed that there will be a final, wrap up meeting of this Policy

Review Committee before a report and the recommendations go to City Council and County Commission, expert work group of developers, members of the Planning and Sustainability Commission, the Portland Housing Advisory Council, and the public.

Kate Allen anticipates that City and County legislation to implement program changes could be heard in the early Spring and move to implementation in July 2012, if not earlier.