



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

Nick Fish, Commissioner
Traci Manning, Director
421 SW 6th Avenue, Suite 500
Portland OR 97204
(503) 823-2375
Fax (503) 823-2387
www.portlandoregon.gov/PHB

Limited Term Exemption (LTE) Programs

The City of Portland Housing Bureau (PHB) administers tax exemption programs that encourage the construction of affordable housing by leveraging private housing development, to advance the City's housing and economic prosperity goals. The programs discussed below are administered consistent with the statutory authority described in ORS 307.600 & 307.651. A separate LTE program exists for affordable housing owned and operated by non-profit developers.

A review of the programs was recently completed by a Policy Review Committee that included public and private sector members knowledgeable about the programs. The Committee recommended program changes that are being reviewed by a wide diversity of stakeholders before being finalized and implemented in July 2012.

The Revised LTE Pilot Program will be in place for three years. Adjustments to the program will be considered based on a review of the approved projects and the Comprehensive Plan Update.

Summary of Draft Recommendations

Changes to the programs include instituting an annual cap on the total number of units or foregone revenue approved annually, and the creation of a competitive evaluation process for the Multi-Unit program. The following updates, when adopted, will be monitored and evaluated during a three-year pilot period.

Home Ownership New Construction

Eligible properties receive a 10-year tax exemption on the structural improvements (house) as long as the property owner remains eligible.

Eligible areas are designated by statute as "distressed" areas, determined by census tracts that fare worse than the city overall on the following measures: vacancy rates; foreclosed properties; property crime; median home sale prices; number of vacant lots; homeownership rates. Through a review of these factors PHB proposes to remove 757 acres in previously eligible areas and add 1117 acres in census tracts that now qualify. These changes are detailed on the [Proposed Homebuyer Opportunity Areas Update Map](#).

Program requirements:

- Property must be located within a Homebuyer Opportunity Area, as defined in statute (see maps)
- Property must sell for less than 100% of the annual median sale price for Portland – currently \$246,000 and adjusted annually
- Homeowner must earn no more than 100% median family income – currently \$73,000 for a family of four
- Property must be owner occupied and may not be rented at any time
- The home must have at least three bedrooms, unless built within a frequent transit service corridor in which case two bedroom homes are allowed
- Proposed homes must be built to LEED (silver), Earth Advantage (silver) standards
- Builder must address PHB's business equity goals for participation of Minority Women and Emerging Small Businesses (MWESB) in professional services and construction contracting
- Cap of 100 applications per year

Multi-Unit and Transit-Oriented Development

This program combines the Multi-Unit and Transit-Oriented Development programs into a single program. Eligible properties receive a 10-year tax exemption on the residential portion of the structural improvements, in some cases the commercial portion of mixed-use project may qualify for exemption. The housing units can be for rental or for homeownership but cannot be designed or used as transient accommodation, including but not limited to hotels/motels/temporary shelters.

Program requirements:

- Cap of \$1 million in additional foregone revenue per year (4-6 projects per year)
- Annual competitive process – projects that meet minimum eligibility requirements will be scored based on public benefits proposed
- Financial analysis of the projects must demonstrate the need for the tax exemption to achieve economic feasibility with the affordable units.
- Projects must have at least ten units with a minimum density of 20 units per acre (mixed use) or 35 units per acre (residential only)
- Affordability - 20% of residential units affordable at 60% MFI, with allowance for units affordable up to 80% MFI in high cost market areas
- Projects must be built to LEED (silver), or Earth Advantage (silver) standards
- To be considered for exemption the commercial portion of a mixed use development must:
 - Meet a community identified need for goods or services not currently available within ¼-mile walking distance
 - Not compete with a similar established business within ¼-mile walking distance
 - Advance PDC's Neighborhood Economic Development goals
- Provide a plan to meet PHB's business equity goals for participation of Minority Women and Emerging Small Businesses (MWESB) in professional services and construction contracting.

Projects will be scored in a competitive process based on the Public Benefits presented by the developer with priority given to:

- Affordability in addition to threshold requirement
- Accessible units in addition to ADA and Fair Housing requirements. Units to be "accessible" or "accessibility ready", set aside during exemption term for households/persons with special needs
- Family sized units (2+ bedrooms) in areas lacking family housing units, with appropriate family friendly amenities (secure on-site play area, on-site garden area, etc.)
- Access to grocery stores, schools, day care, etc. within ¼-mile
- Quality gathering space available to the community at large
- A portion of units dedicated for residents served by a social service provider (i.e. youth transitioning out of foster care, survivors of domestic violence, military veterans)

Multi-Unit Transit Oriented Limited Term Exemption (LTE) Eligible Areas

Eligible Areas for the program are designated as required by statute, based on areas that allow for mixed use and higher density developments. Proposed changes to the [Multi-Unit LTE Program Map](#) are based on two criteria:

1. Metro 2040 designated centers, main streets, and station areas with transit service; and
2. Metro 2040 designated corridors with frequent transit service.

There are two exceptions to the criteria. First, the North Vancouver/Williams corridor is included even though it is not a designated Metro 2040 main street or corridor because it has multi-dwelling/mixed use zoning with transit service and is currently part of the program as part of the Interstate Corridor URA. In response to expressed concerns about the impact of tax-exempt development on David Douglas School District, potentially eligible areas with multi-dwelling residential zoning along SE 122nd Ave, south of Powell Boulevard, have not been included.

For More Information and to Provide Feedback: See LTE Policy Review Documents and link to provide comments on the PHB website: <http://www.portlandonline.com/phb/index.cfm?c=57699>

Contact: Kate Allen, Sr. Policy Advisor at kate.allen@portlandoregon.gov; 503.823.3606

Review Process:

- May 1 Portland Housing Advisory Committee (PHAC) meeting: Discussion of programmatic changes only, not the draft map. Public Testimony on Program changes
- 3:00 to 5:00 PM
Portland Housing Bureau,
421 SW 6th Avenue, Ste 500
- May 3 Planning and Sustainability Commission (PSC) Hearing on Homebuyer Opportunity program map. BPS staff will brief the PSC on the proposed changes to the multi-dwelling/transit-oriented development map but no public testimony will be taken on that map.
- 1:00 to 3:00 PM
Portland Housing Bureau,
421 SW 6th Ave, Suite 500
- May 22 Public Comments due on revised multi-dwelling/transit-oriented development map
- May 31 BPS staff report to Planning and Sustainability Commission with proposed changes to map
- June 12 PSC Hearing on multi-dwelling/transit-oriented development map.
- 12:30 to 3:30 PM
1900 SW 4th Ave, 2500A
- Late June Portland City Council hearing and vote on proposed changes
- July Multnomah County Commission hearing and vote on proposed changes (final decision)