

IMPACT STATEMENT

Legislation title: Approve application to extend the property tax exemption under the Multiple-Unit Limited Tax Exemption Program for Sitka Apartments located at 1230 NW 12th Ave (Ordinance)

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Purpose of proposed legislation and background information:

Portland Housing Bureau (PHB) administers the Multiple-Unit Limited Tax Exemption (MULTE) Program, authorized under ORS 307.600-307.637 and Portland City Code 3.103. The City first codified tax exemption programs in 1985. The City's tax exemption programs provide an incentive for the development and maintenance of affordable housing. The MULTE Program helps ensure the availability of affordable housing units in transit rich areas during the ten-year exemption. During the exemption period, projects in the program must report the unit rents and tenant income annually to PHB, which PHB monitors to ensure compliance of the approved affordability restrictions.

Sitka Apartments was approved for a ten-year New Multi-Unit Housing Limited Tax Exemption in 2004. The project was completed in late 2005 and provides 203 of the project's 209 units at affordable rents with 131 of them restricted for households earning no more than 60% of median family income and 72 further restricted for households earning no more than 50% of median family income.

PHB received a request for an extension of the ten-year property tax exemption for Sitka Apartments. This project is eligible to apply for an extension of the tax exemption because it has financing that places long term restrictions on incomes and rents. The application proposes to continue providing the same affordability and public benefits as was previously approved. Approval of this application means that the tax exemption will continue on the residential portion of the structural improvements which are restricted to low-income households, including associated parking.

ORS 307.621 and City Code Section 3.103.050(A) state that PHB will take applications to City Council for approval in the form of an ordinance and deliver approved applications to Multnomah County within a certain timeframe. This action meets those requirements.

Financial and budgetary impacts:

The applicant submitted \$1,000 application fee and will pay an additional \$16,000 application activation fee should the application move forward; \$9,000 of that will be paid to Multnomah County leaving the balance to support administration of the MULTE Program at PHB.

This Ordinance approves a tax exemption resulting in foregone tax revenue. The estimated first-year value of the extended exemption is \$176,925, which is less than the current exemption amount being provided to the project of \$200,987 for the current tax year. The total estimated amount of the property tax revenue not collected for the ten years of the exemption period based on the application is valued at approximately \$1,547,668 in today's dollars assuming a 5.0 percent discount rate, and a three percent annual assessment increase. This ten-year estimate includes taxes foregone by the City of Portland, Multnomah County and other entities which receive property taxes within Multnomah County. The reduced amount of property taxes to the City over the ten years are roughly 33 percent of that amount, or \$510,730. The City and other jurisdictions will still benefit from property taxes collected on the value of the land, as well as the value of both the commercial space and the market-rate housing units during the exemption period.

Community impacts and community involvement:

Sitka Apartments provides housing that is affordable to low-income households in a high opportunity area of the city. Without the MULTE program, this project would need to receive other resources from the City in order to meet its financial requirements and continue providing the same amount of affordability.

As the largest taxing jurisdiction affected by the tax exemption programs, Multnomah County has approved the administration of the programs in order to meet shared affordable housing goals. County staff reviews the application financial information and PHB write-up of the project. Applications are presented to the Portland Housing Advisory Commission at a public hearing for which notice was provided broadly.

Budgetary Impact Worksheet**Does this action change appropriations?**

- YES:** Please complete the information below.
- NO:** Skip this section