

EXHIBIT A**30.01.120 Inclusionary Housing**

A. Purpose Statement. The purposes of the Inclusionary Housing (“IH”) Program are:

1. Increase the number of units available to households earning 80 percent or less of MFI, with an emphasis on households earning 60 percent or less of MFI;
2. Responsibly allocate resources to increase housing opportunities for families and individuals facing the greatest disparities;
3. Create affordable housing options in high opportunity neighborhoods, those with superior access to quality schools, services, amenities and transportation; and
4. Promote a wide range of affordable housing options with regard to size, amenities and location.

B. Administration.

1. PHB will certify whether the applicant’s proposed development meets the standards and any administrative requirements set forth in this Section.
2. PHB may adopt, amend and repeal Administrative Rules and prepare forms for the implementation, administration and compliance monitoring consistent with the provisions of this Section. The Director of PHB, or a designee, has authority to make changes to the Administrative Rules as is necessary to meet current program requirements. PHB Administrative Rules will set forth clear and objective criteria for determining whether a development meets the minimum standard of affordable units (“IH Units”).
3. PHB will review the Inclusionary Housing outcomes periodically in order to determine if the IH Program options and incentives in Subsection 30.01.120C. are consistent with City goals and market conditions.

C. Financial Incentives. The following financial incentives are provided for the respective options of IH Program compliance:

1. When the proposed development will include 20 percent of the units or total number of bedrooms configured into IH Units at or below 80 percent

MFI, or for developments outside of the Central City Plan District, 15 percent of the units or total bedrooms configured into IH units at or below 80 percent MFI for applications filed on or before December 31, 2018:

- a. Ten-year property tax exemption in accordance with City Code Chapter 3.103 for the IH Units. If the development is in the Central City Plan district, as designated in City Code Chapter 33.510, and has maximum base 5:1 FAR or greater, before including density bonus granted through City Code Chapter 33.510, the tax exemption applies to all residential units; and
 - b. Construction Excise Tax exemption for the IH Units in accordance with Subsection 6.08.060A.2.
2. When the proposed development will include 10 percent of the units or total number of bedrooms configured into IH units at or below 60 percent MFI, or for developments outside the Central City Plan District, 8 percent of the units or total number of bedrooms configured into IH units at or below 60 percent MFI for applications filed on or before December 31, 2018:
 - a. Ten-year property tax exemption according to City Code Chapter 3.103 for the IH units. If the development is in the Central City Plan District, as designated in City Code Chapter 33.510, and has maximum base 5:1 FAR or greater, before including density bonus granted through City Code Chapter 33.510, the tax exemption applies to all residential units; and
 - b. Construction Excise Tax exemption for the IH Units in accordance with Subsection 6.08.060A.2.; and
 - c. SDC exemption for the IH Units in accordance with Section 30.01.095.
3. When the proposed development elects to construct IH Units offsite:
 - a. Construction Excise Tax exemption for the Receiving Site's IH Units in accordance with Subsection 6.08.060A.2.; and
 - b. SDC exemption for the Receiving Site's IH Units in accordance with Section 30.01.095.
4. When the applicant elects to dedicate IH Units in an existing development, there are no financial incentives provided under Section 30.01.120.

- 5. When the applicant elects the fee-in-lieu option, there are no financial incentives provided under Section 30.01.120.

D. Standards. Developments providing IH Units must satisfy the following standards:

- 1. The IH Units must meet clear and objective administrative criteria that ensure a reasonable equivalency between the IH Units and the market-rate units in the development;
- 2. The IH Units shall remain affordable for a period of 99 years;
- 3. Owners of property subject to the IH Program are required to sign a Regulatory Agreement to be recorded with the property where the IH Units are located;
- 4. The owner or a representative shall submit annual documentation of tenant income and rents for the IH Units to PHB;
- 5. The City may inspect the IH Units for fire, life and safety hazards and for compliance with IH Program requirements and may inspect files documenting tenant income and rents of the IH Units; and
- 6. Subsequent failure to meet the requirements of the IH Program previously determined at the time the permit is reviewed will result in a penalty equal to the amount of the current fee-in-lieu calculation plus accrued interest, and could result in legal action if unpaid.
- 7. When the IH Units are configured based on a percentage of the total number of bedrooms within the proposed development, the IH Units must be provided in 2 or more bedrooms per unit.

E. To the extent that a financial incentive as set forth in this Section is not available to a development that otherwise complies with City Code Chapter 33.245, the IH Program will not be applicable to the development. If the IH Program is not applicable to the development, PHB will provide a letter certifying that the development is not subject to any IH Program requirements.

F. Fee-In-Lieu. When the applicant elects the fee-in-lieu option, they fee-in-lieu per gross square foot of the proposed development is:

a. For developments in zones outside the Central City Plan District

Zone/FAR	Fee per GSF on or before December 31, 2018

CN1, CO1, CO2, CM, CS, CG, CX plus EG1, EG2, EX and R3, R2, R1, RH and RX zones	\$19.50
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Zone/FAR	Fee per GSF after December 31, 2018
CM1 at Base FAR	\$23.83
CM1 with Bonus FAR	\$25.79
CM2 at Base FAR	\$25.79
CM2 with Bonus FAR	\$26.50
CM3 at Base FAR	\$26.03
CM3 with Bonus FAR	\$28.58

b. For developments in zones within the Central City Plan District

Zone/FAR	Fee per GSF
3:1/4:1 FAR	\$27.39
3:1/4:1 Base with Bonus FAR	\$28.57
5:1/6:1 FAR	\$28.57
5:1/6:1 Base with Bonus FAR	\$28.99
8:1 FAR	\$28.99
8:1 Base with Bonus FAR	\$29.81
9:1 FAR	\$29.81
9:1 Base with Bonus FAR	\$29.42
12:1 FAR	\$29.42
12:1 Base with Bonus FAR	\$29.85
15:1 FAR	\$27.39
15:1 Base with Bonus FAR	\$28.57

c. For Bonus FAR in non-residential developments

<i>Fee Schedule for BONUS FAR for non-residential occupancy/use</i>
\$24 per square foot of Bonus FAR

EXHIBIT B**Chapter 3.103****PROPERTY TAX EXEMPTION FOR
MULTIPLE-UNIT HOUSING DEVELOPMENT**

(Chapter amended by Ordinance No., effective February 1, 2017)

Sections:

- 3.103.010 Purpose.
- 3.103.020 Definitions.
- 3.103.030 Benefit of the Exemption; Annual Maximum Exemption Amount.
- 3.103.040 Program Requirements.
- 3.103.050 Application Review.
- 3.103.060 Application Approval.
- 3.103.070 Rental Project Compliance.
- 3.103.080 For-Sale Unit Compliance.
- ~~3.103.090 Extension of the Exemption for Low Income Housing Projects.~~
- 3.103.100 Termination of the Exemption.
- 3.103.110 Implementation.

3.103.010 Purpose.

- A.** The City of Portland adopts the provisions of Oregon Revised Statutes 307.600 through 307.637, and administers a property tax exemption program for multiple-unit housing development authorized under those provisions.
- B.** In addition to meeting the legislative goals set forth in ORS 307.600, the program also seeks to accomplish the following additional core goals:
 1. Stimulate the inclusion of affordable housing where it may not otherwise be made available.
 2. Leverage market activities to advance housing and economic prosperity goals by aligning those activities with the goals of the Portland Plan and the Portland Housing Bureau's Strategic Plan.
 3. Provide transparent and accountable stewardship of public investments.

3.103.020 Definitions.

As used in this Chapter:

- A.** **"Administrative Rules"** means the tax exemption program administrative rules developed by the Portland Housing Bureau and approved through City Council which set forth the program requirements, processes, and procedures.

- B. **“Applicant”** means the individual or entity who is either the owner or a representative of the owner who is submitting an application for the tax exemption program.
- C. **“~~Extended Use~~ Regulatory Agreement”** means a low-income housing assistance contract recorded agreement between the owner and the Portland Housing Bureau stating the approval and compliance criteria of a project’s tax exemption.
- D. **“Multiple-unit housing”** has the meaning set forth in ORS 307.603(5).
- E. **“Owner”** means the individual or entity holding title to the exempt project and is legally bound to the terms and conditions of an approved tax exemption, including but not limited to any ~~extended use~~ Regulatory aAgreement and any compliance requirements under this Chapter.
- F. **“Project”** means property on which any multiple-unit housing is located, and all buildings, structures, fixtures, equipment and other improvements now or hereafter constructed or located upon the property.

3.103.030 Benefit of the Exemption; Annual Maximum Exemption Amount.

- A. Multiple-unit housing that qualifies for an exemption under this Chapter is exempt from property taxes to the extent provided under ORS 307.612 and the Administrative Rules.
- B. However, the maximum amount of estimated foregone tax revenue provided as a benefit of the exemption under this Chapter may not exceed the amount approved by Council.

3.103.040 Program Requirements.

In order to be considered for an exemption under this Chapter, an applicant must verify by oath or affirmation in the application that the project meets the following program requirements as further described in the program Administrative Rules:

- A. Financial need for the exemption
 1. Rental projects. The project would not include low to moderate-income units because it would not ~~otherwise~~ be financially feasible without the benefit provided by the property tax exemption.
 2. For-sale projects. The units receiving tax exemption will be sold to buyers meeting the affordability requirements contained in this Section.
- B. Property eligibility

1. ~~Projects must be located within identified Designated Plan Areas/Metro 2040 Centers, within a half mile radius of Max Station Areas, or within a quarter mile from either Metro 2040 Corridors with Frequent Transit Service or Metro 2040 Main Streets with Transit Service within the City of Portland.~~ the taxing jurisdictions of the City of Portland and Multnomah County.
2. Projects must conform to City of Portland's zoning and density requirements.
3. Projects must include 20 or more units.

C. Affordability

1. For rental projects, for applications received on or before December 31, 2018, during the term of the exemption, a minimum of 15 percent of the number of units or bedrooms must be affordable to households earning 80 percent or less of the area median family income, or a minimum of 8 percent of the number of units or bedrooms must be affordable to households earning 60 percent or less of the area median family income. For applications received after December 31, 2018, during the term of the exemption, a minimum of 20 percent of the number of units or bedrooms must be affordable to households earning 80 percent or less of the area median family income, or a minimum of 10 percent of the number of units or bedrooms must be affordable to households earning 60 percent or less of the area median family income based on the market for similar units in the same geographic area. The units meeting the affordability requirements must match the unit mix in the project as a whole in terms of number of bedrooms.
2. For projects containing for-sale units, those units receiving the exemption must not exceed the maximum price established under City Code Section 3.102.040 at initial sale and must sell to an initial homebuyer who income qualifies and occupies the unit as established under City Code Section 3.102.040. During the term of the exemption, the unit must be occupied by a homebuyer as established under City Code Section 3.102.040.

~~D.~~ Equity

1. ~~Applicants must consult with Portland Housing Bureau staff and a third party technical assistance provider prior to opening up bidding for the construction and prior to application. The application must include a description of strategies identified in coordination with the technical assistance provider that will be employed to promote Minority, Women, and Emerging Small Businesses (MWESB) in construction contracting in~~

~~compliance with City policies. The contractor must work with the City of Portland's Procurement Services Compliance Specialist to track results.~~

- ~~2. Applicants must consult with Portland Housing Bureau staff to identify an intended population for lease-up or sale of the units in the project. Applicants must commit to using Portland Housing Bureau's prescribed lease-up strategy.~~

~~D.E.~~ Accessibility. At least 5 percent of the affordable units in the project must be built to be adaptable to become fully ADA accessible Type A as defined in the Oregon Structural Specialty Code.

3.103.050 Application Review.

- A. The Portland Housing Bureau will review and approve or deny applications consistent with ORS 307.621.
- B. Applications for tax exemption must be submitted and approved prior to issuance of the project's building permit.
- C. Applications must include an application processing fee, to be established annually by the Portland Housing Bureau, including the fee to be paid to Multnomah County.

3.103.060 Application Approval.

- ~~A. The Portland Housing Bureau Investment Committee will review each application's eligibility~~
- ~~B. Portland Housing Bureau will present the eligible applications to the Portland Housing Advisory Commission at a public hearing, for which notice will be given and public testimony will be heard.~~
- A. Applications will be considered based on the Inclusionary Housing Program requirements as per City Code Section 30.01.120.
- ~~C.B.~~ Portland Housing Bureau will take applications to City Council for approval in the form of an ordinance and deliver a list of the approved applications to Multnomah County within the timeframe set forth in ORS 307.621.
- ~~D.C.~~ If construction of an approved project is not completed or an application for exemption is not received within the timeframe described in ORS 307.637, Portland Housing Bureau may extend the deadline consistent with ORS 307.634.

3.103.070 Rental Project Compliance.

- A. The owner of a rental project approved for exemption will be required to sign an ~~Extended Use~~ Regulatory Agreement to be recorded on the title to the property.

- B. During the exemption period, the owner or a representative shall submit annual documentation of tenant income and rents for the affordable units in the project to the Portland Housing Bureau.

3.103.080 For-Sale Unit Compliance.

- A. Approved applicants must execute a document to be recorded on title of the project requiring Portland Housing Bureau verification of homebuyer affordability and owner-occupancy qualification prior to the sale of each for-sale unit to an initial homebuyer.
- B. For-sale units which sell to homebuyers who do not meet the affordability or owner occupancy qualifications at initial sale will have the tax exemption removed as of the next tax year.
- C. For-sale units which sell over the established sale price at initial sale will have the tax exemption terminated according to Section 3.103.100 and require the owner to repay any exempted taxes consistent with ORS 307.631.

~~3.103.090 — Extension of the Exemption for Low Income Housing Projects.~~

~~Projects subject to a low income housing assistance contract may be eligible for extension pursuant to ORS 307.612.~~

3.103.100 Termination of the Exemption.

If the Portland Housing Bureau determines that the project fails to meet any of the provisions of ORS 307.600 to 307.637 or this Chapter, the Portland Housing Bureau will terminate the exemption consistent with ORS 307.627.

3.103.110 Implementation.

Portland Housing Bureau may adopt, amend and repeal the Administrative Rules, and establish procedures, and prepare forms for the implementation, administration and compliance monitoring consistent with the provisions of this Chapter.

EXHIBIT C**Inclusionary Housing Program***Administrative Rules*

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I. Definition of Administrative Rules

These Administrative Rules are authorized by City Code Section [30.01.120](#) in order to define the policies, processes, and procedures of implementation of the Inclusionary Housing Program (the “IH Program”).

II. Program Goals

The City of Portland (the “City”) has identified the need for a minimum of 23,000 additional housing units to serve low and moderate income households. The City has implemented the IH Program to help meet this need.

Through the IH Program, the Portland Housing Bureau (“PHB”) will review all qualifying residential development projects (“developments”). Depending on the inclusion option selected by an applicant, PHB staff may participate in the various phases of the development, including permitting, closing, construction, lease-up and operations.

By implementing the IH Program, the City has the following goals:

- A.** Increase the number of units available to households earning 80 percent or less of area median family income (“AMI”), with an emphasis on households earning 60 percent MFI or less;
- B.** Responsibly allocate resources to increase housing opportunities for families and individuals facing the greatest disparities;
- C.** Create affordable housing options in high opportunity neighborhoods, those with superior access to quality schools, services, amenities and transportation; and
- D.** Promote a wide range of affordable housing options with regard to size, amenities and location.

III. Definitions

Applicant: A person who applies for a land use review or building permit. An applicant can be the owner of the property or someone who is representing the owner, such as a builder, developer, optional purchaser, consultant, or architect.

Combined Opportunity Map Score: Score calculated for individual properties based on a number of data including access to schools, transportation and services such as medical facilities. Scores are available online at PortlandMaps.com, in the Zoning and Districts tab within the Permits and Zoning Section.

Compliance Period: the time during which the Regulatory Agreement applies to a development.

Conversion: One or more IH Units that have been determined to be out of compliance with their applicable Regulatory Agreement for six (6) or more consecutive months.

Fee-in-Lieu Factor: The factor used to calculate the fee-in-lieu which may not exceed the maximum justifiable cap determined annually by PHB based on the difference in the capitalized market value between market-rate buildings and buildings with 20 percent of the units affordable to households earning 80 percent or less of the area AMI as determined annually by HUD.

IH Unit: A housing unit documented in a development's Regulatory Agreement as required in order to comply with the IH Program requirements in place at the time of execution of the Regulatory Agreement. When calculating the required percentage of IH Units in a development, any fractional result between .1 and .4 will be rounded down to the number immediately preceding it numerically, and any fractional result between .5 and .9 will be rounded up to the next consecutive whole number. However, the total IH Unit percentage cannot exceed 20 percent of the total units in the development. For example, if a minimum number of IH Units is calculated to be 1.67, it is rounded up to 2 IH Units. See also Bedroom Distribution and Unit Count below.

Market Rate Unit: All residential units within a development that are not subject to a Regulatory Agreement with regard to tenant incomes or unit rents.

Owner: The owner of the title to real property or the contract purchaser of real property of record, as shown on the latest assessment records in the Office of the County Assessor. Owner also includes a deed holder or contract purchaser whose name does not appear in the latest assessment records, but who presents to the City a copy of a deed or contract of sale showing date, book, and page of recording.

Regulatory Agreement: A recorded agreement between the owner and PHB that sets forth the approval and compliance criteria of the IH Program.

Total Development Cost: All costs associated with the development including, but not limited to:

- Land and related land acquisition costs
- Construction costs including labor, materials and all subcontracts and subcontractors
- Soft costs, such as architecture, engineering, and other consultants
- Permitting fees and costs
- Financing fees and costs

IV. Permit Application and Program Options

For both new and renovation developments proposing 20 or more new units, the permit application must include an IH Program option selection. PHB staff will be available at the Bureau of Development Services ("BDS") Permit Center to assist applicants throughout the permitting intake and application process to explain and clarify IH Program requirements.

A. Inclusionary Housing options. IH Program requirements will depend on the applicant's selection from the following options:

- 1. 20% of units affordable at 80% MFI option – or 15% for applications filed through December 31, 2018 for properties outside the [Central City Plan District](#):**
 - a.** PHB staff calculate the minimum number of required IH Units; and

subject to the IH Program requirements (Sending Site). The following criteria apply:

- a.** PHB staff calculate the minimum number of required IH Units under two available scenarios. The applicant can elect to provide:
 - i.** At least 20 percent of the total number of residential units in the Sending Site affordable at 60 percent AMI in a newly constructed Receiving Site; or
 - ii.** At least 10 percent of the total number of residential units in the Sending Site affordable at 30 percent of AMI in a newly constructed Receiving Site.
- b.** The Sending Site will retain any floor area ratio bonus;
- c.** The IH Units built on the Receiving Site must be reasonably equivalent to the Market Rate Units in the Sending Site;
- d.** The Receiving Site IH Units benefit from the Construction Excise Tax exemption in accordance with Section 6.08.060(A)(2) and the SDC exemption in accordance with Section 30.01.095;
- e.** The Receiving Site remains subject to any additional IH Program requirements;
- f.** The Receiving Site must be identified and approved by PHB prior to building permit issuance for the Sending Site, specifying the following information:
 - i.** Location;
 - ii.** Number of IH Units and total units proposed; and
 - iii.** Development schedule
- g.** The Receiving Site must be within a one-half mile radius of the Sending Site, unless the Receiving Site is in an area with an equal or higher Combined Opportunity Map Score;
- h.** The Receiving Site cannot be supported by any additional subsidy from PHB;
- i.** The Receiving Site must receive a Certificate of Occupancy within three years of the Sending Site's building permit issuance or be subject to financial penalties;
- j.** A penalty to the Sending Site will be due to PHB if the IH Units are not made available as set forth in the Regulatory Agreement. See Remedies section below; and
- k.** The applicant shall cause its general contractor for the Receiving Site to enter into an agreement with a third-party technical assistance provider approved by PHB prior to opening up bidding for the construction. The agreement must include the development of a plan to

meet the City's goal of 20 percent or higher participation by Minority, Women, and Emerging Small Businesses (MWESB) firms in construction contracting. Prior to building permit issuance, the general contractor must provide a copy of the signed agreement. The general contractor must work with the City of Portland's Procurement Services Compliance Specialist to report results during bidding and construction. The third-party technical assistance provider must provide a written report summarizing the outcomes of the efforts made to reach the goal, including successes, barriers and any areas of improvement.

- 4. Designate existing units (DEU) option.** Applicants elect to designate the IH Units in an existing building (Receiving Site) separate from the new multifamily development that is subject to the IH Program requirements (Sending Site). The following criteria apply:
- a.** PHB staff calculate the minimum number of required IH Units under two available scenarios. The applicant can elect to provide:
 - i.** At least 25 percent of the total number of residential units in the Sending Site affordable at 60 percent AMI in a newly constructed Receiving Site; or
 - ii.** At least 15 percent of the total number of residential units in the Sending Site affordable at 30 percent of AMI in a newly constructed Receiving Site.
 - b.** The Sending Site will retain any floor area ratio bonus;
 - c.** The IH Units built on the Receiving Site must be reasonably equivalent in size, quality and bedroom count to the units on the Sending Site;
 - d.** The Receiving Site must be identified and approved by PHB prior to building permit issuance for the Sending Site, specifying the following information:
 - i.** Location;
 - ii.** Number of affordable and total units proposed; and
 - iii.** Leasing schedule
 - b.** The Receiving Site must be no more than one-half mile from the Sending Site, unless the Sending Site is in an area with an equal or better Combined Opportunity Map Score;
 - c.** The Receiving Site cannot be supported by any additional subsidy from PHB;
 - d.** PHB staff determines whether the proposed existing multifamily residential building is compatible with IH Program requirements.

If the proposed development is determined to be incompatible, the applicant must choose one of the remaining IH Program options.

- e. A penalty to the Sending Site will be due to PHB if the IH Units are not made available as agreed upon in the Regulatory Agreement. See Remedies section below;
- f. The Receiving Site development will also be subject to a Regulatory Agreement.

5. Fee-in-Lieu option. Applicants may choose to use the fee-in-lieu option rather than including IH Units in a development or building or designating IH Units off-site.

- a. PHB staff calculate the fee-in-lieu amount due by multiplying the gross square feet of the new development by the Fee-in-Lieu Factor (See Appendix A);
- b. The fee-in-lieu amount is payable prior to issuance of the building permit; and
- c. Upon payment of the fee-in-lieu amount, the applicant has no additional IH Program requirements relative to the proposed development.

B. Application requirements. PHB staff will input into TRACs and process the necessary documentation based on the option selected. At permit intake for options one through four above, PHB staff will provide estimates only of the various IH Program requirements and incentives. Building permits will be conditioned on (i.e., they will not be issued unless), PHB making final determination of IH Program requirements and incentives and, where applicable, ensuring the collection of required fees and/or bonds. Applying clear and objective criteria, PHB will evaluate whether a proposed development meets the numerical requirements for inclusionary housing set forth in the Zoning Code. PHB will provide land use applicants with a letter certifying that any proposed development meets the numerical standard set out in Title 33.

C. Tax Exemption. If a tax exemption will be included as an incentive based on the option selected, a Multiple-Unit Limited Tax Exemption (MULTE) Program Application Form must be completed and PHB will complete the required MULTE process for approval including tracking of the available cap on foregone revenue approved and City Council for applications on a monthly basis. A development may also qualify for the Non-Profit Limited Tax Exemption (NPLTE) Program authorized under City Code Chapter 3.101, in which case the NPLTE Program will be used in lieu of or in addition to the MULTE Program to provide an incentive to a development.

D. Articles of Incorporation. Applicants must provide legal articles of the entity with site control identifying signature authority (Articles of Incorporation, Corporate Resolutions, etc.) in order to enter into the Inclusionary Housing Regulatory Agreement.

E. Agreement. A Regulatory Agreement will be prepared by PHB staff and must be signed by the owner of the property on which the development is located prior to permit issuance. The Regulatory Agreement is a legally binding document that governs the long-term operation and performance of IH units and is recorded on the title to the property.

V. Development Requirements

A. Reasonable Equivalency. Applicants are expected to make IH Units “reasonably equivalent” to Market Rate Units. PHB will assess reasonable equivalency using the following criteria:

- 1. Bedroom Distribution and Unit Count.** IH Units must be provided at the same ratio within the development as Market Rate Units. Example of 20 percent IH Units: total units = 100; Market Rate Units = 80; IH Units = 20; Market Rate Unit bedroom distribution = 20 studios (25%), 40 one-bedrooms (50%), 20 two-bedrooms (25%); the IH Unit distribution would be: 5 studios, 10 one-bedrooms and 5 two-bedrooms. Any calculations resulting in less than a whole number shall be rounded up from .5 and above or down from .4 or below, but the total number of IH Units must still equal the designated percentage for the IH Program option selected.
- 2. Unit Sizes.** IH Units must be at least 90 percent the size of the average of the total units with the same bedroom count, as measured in square feet.
- 3. Unit Distribution.** No more than 25 percent of the total units on any floor shall be designated as IH Units, excluding the top floor of a development.
- 4. Unit Amenities.** IH Units must have like or equal performing finishes and appliances as far as durability and sustainability to the Market Rate Units, which will be certified by a development’s architect prior to receiving its final certificate of occupancy.

B. Inapplicable Policies. Policies PHB applies to developments receiving direct funding from PHB or the city will not be required for IH Program developments. These include:

1. Minority Women and Emerging Small Business (MWESB) contracting procedures and goals (except for off-site and cash incentive options);
2. Workforce Training and Hiring procedures and goals;
3. Prevailing wage;
4. Green Building; and
5. Accessibility.

However, PHB encourages all development teams to voluntarily comply with the above policies and procedures. PHB staff can provide assistance where development teams choose to comply.

- C. Excluded Developments.** The IH program does not apply to developments with fewer than 20 dwelling units.

VI. Final Permit Approval

Prior to or at permit issuance, PHB will assign a Construction Coordinator to the development. Construction Coordinators will make contact with appropriate members of the applicant's development team to coordinate participation during the construction phase. However, for the prescriptive, build off-site and designate off-site options, Construction Coordinator participation will be limited.

Construction Coordinators will monitor construction progress. Applicants are required to report progress to Construction Coordinators quarterly. After a development receives sign-off from the City cover inspector, or one month prior to pre-leasing, whichever comes first, the property manager must contact PHB's Asset Management (AM) staff to set up compliance mechanisms including lease-up, compliance and reporting requirements. Among other things, PHB staff will require that the property manager certify that they have read and understood IH compliance requirements. BDS will not issue a certificate of occupancy until such certification has been received and signed-off by PHB staff.

The owner must notify the PHB AM Department if the property manager information submitted at the time of application changes.

VII. Compliance and Reporting Requirements

A. Leasing Rental Developments

The following requirements apply to the leasing of IH Units:

1. **"Static Data, Unit Composition and Rent Schedule"**. This form is required both prior to lease up and ongoing annually that includes: total units, bedroom size, unit location within the development, and square footage. See an example in Appendix B.

- 2. Tenant incomes and rent determination.** Key to IH Program compliance is the correct implementation of income restrictions relative to unit size and household composition. Measurement of household income is determined using the HUD's annually published area [median family income and rent chart](#) (MFI and Rent Chart) for the Portland Metropolitan Area.
- 3. Utility Allowances.** IH Units are subject to a Utility Allowance (UA). Owners and their property managers have two methods for calculating UAs that can be found [here](#). To the extent, IH Unit tenants pay their own utilities directly or are billed back for reimbursement of utilities by the property manager, owners or their property managers are required to deduct that amount from the maximum allowable rent charged to the tenant. Example: a one-person household earning 80% AFI occupies a studio IH Unit. The maximum monthly rent for that unit is \$1,027, and the UA is \$84. The maximum an owner/property manager could collect from this household is $\$1,027 - \$84 = \$943$. No UA is required for utilities paid by the owner and not reimbursed by the tenant. Utility allowances are passed along to the tenant in the form of reduced rent for those utilities which are paid for by the tenant.
- 4. Tenant screening.** Details on how to apply the MFI and Rent chart can be found in PHB's [Asset Management Guidelines](#). In summary, when owners or property managers are assessing a tenant for occupancy of an IH Unit, they should:

 - a. Determine the income restriction contained in the Regulatory Agreement for the particular unit.
 - b. Determine the size of the household (how many people) that will be living in the unit (see "Occupancy Standard" below).
 - c. In the then current MFI and Rent Chart, look up the maximum income the household can have to qualify.
 - d. Through the application process, determine the household's income. Gross income from all sources must be considered for any adults living in an IH Unit.
 - e. If the household's income is equal to or less than the income restriction for the IH Unit, then the unit may be rented to that household (assuming all other qualifications have been satisfied).
 - f. Households making more than the income restriction for a given IH Unit may not be offered that unit – though they may be offered a non-IH Unit in the same development. Leasing an IH Unit to an ineligible household may constitute a default under the Regulatory Agreement and/or these Administrative Rules.

- 5. Occupancy standard.** As affordable units generally and IH Units specifically are a limited resource, PHB applies an occupancy standard to ensure that neither too many, nor too few people reside in IH Units. The occupancy standard is: the number of bedrooms multiplied by two, plus one. For example, for a two-bedroom unit, the maximum number of people that may reside in the unit is five ($2 \times 2 + 1 = 5$). To qualify for an IH Unit, there must be at least one person for each bedroom.
- 6. Incomes rising in place.** PHB's Incomes Rising-in-Place policy is meant to allow households that have initially qualified for an IH Unit to remain in that unit and not be subject to market rate rents until their incomes reach or exceed the income limits contained in the policy. After qualifying at lease-up, a tenant's income may increase above the affordability restrictions of a development and still have the unit fulfill the development's IH requirements, based on the following schedule:
- a. Tenants in units restricted at 30% of AMI levels, may have income increase up to 80% of AMI;
 - b. Tenants in units restricted at 50 or 60% of AMI levels, may have income increase up to 100% of AMI; and
 - c. Tenants in units restricted at 80% of AMI levels, may have income increase up to 120% of AMI.

The owner or property manager may revise the expiring leases with tenants who, upon recertification, no longer meet the income requirements and the Income Rising-in-Place policy, to allow tenants to continue living in a unit at market rent. The rent level must be comparable to reasonably equivalent units within the development, or a comparable development. Tenants must not be required to submit additional deposits or fees. Another unit must be designated as an IH Unit in order to maintain the affordability requirements as described in the Vacancy section below.

- 7. Vacancies.** Development owners and property managers will regularly face questions about what to do when a tenant's income rises above the regulated amount for the unit they are living in as well as how to fill vacant units. PHB expects that at any given time the number and distribution of IH Units will match those specified in the Regulatory Agreement. To help ensure the orderly and predictable leasing of such units, owners and property managers will be required to treat IH Units as "floating", meaning that an IH Unit can be located anywhere in a development and is not "fixed" by unit number. The concept of a "floating" unit comes into play especially when a tenant's income rises above the income allowable for the IH Unit. The following rules apply when, through the annual Tenant Income Certification (TIC) reporting cycle, a tenant's income is above that allowable for the IH Unit:

- a. Owner or their property manager checks the reported income against that allowed by the incomes rising in place policy.
 - b. When a tenant income is at or below the incomes rising in place policy, there is no action required by the owner or their property manager, though the owner or their property manager at their discretion may raise tenant rent up to the maximum allowed for the tenant's household according to the current MFI and Rent Chart and IH Unit taking into account the deduction for any utility allowance and any applicable laws, rules, or policies regarding rent increases.
 - c. When a tenant's income is above the incomes rising in place policy, the owner or their property manager is obligated to make the next available Reasonably Equivalent unit available to a new income-qualified tenant. (See tenant screening). In this situation, the owner or their property manager may raise rent on the existing tenant's unit at the owner or their property manager's discretion, again taking into account any applicable laws, rules, or policies regarding rent increases.
 - d. In the case that a tenant no longer income qualifies for a IH unit, the owner or their property manager must give at least 240 days' written notice to PHB and at least 180 days' written notice to the tenant prior to an increase in the unit's rent. This information must be included in the lease or lease addendum for each IH Unit and an executed copy provided to PHB as the development is leased up and at unit turnover.
- 8. Marketing.** Development owners or their property managers are encouraged to use the same systems for attracting potential tenants and leasing up IH Units as are used for Mart Rate Units. However, PHB sponsors the [NoAppFee](#) software system. NoAppFee allows people searching for rental housing to submit a single application for all designated affordable units in the City of Portland. PHB requires that owners and property managers utilize the NoAppFee system for leasing up IH Units. Other than the N/NE Preference Policy (below), the IH program has no rules or guidelines about the method owners or their property managers should use to determine the order in which tenants are offered IH Units. Owners or their property managers may use "first come, first served," a development-specific waiting list, a portfolio-wide waiting list or any other legally permissible system. All IH Units located within the boundaries of the [N/NE Neighborhood Housing Strategy study area](#) must also comply with the [N/NE Preference Policy](#).
- 9. Additional policies.** PHB has developed a rider that contains additional policies that must be included in all IH Unit leases. Additional policies

contained in the rider include that owners or their property managers are required to agree to abide by the Fair Housing Act and its amendments otherwise known as Title VIII of the Civil Rights Act of 1968.

B. For-sale units

For developments that will sell IH Units as condominiums for homeownership opportunities, the following restrictions apply:

- 1. Sale price cap.** For-sale IH Units must sell for less than the sale price cap established annually by PHB, both at the initial sale and for any subsequent sales during the affordability period set forth in the Regulatory Agreement. Condominium units must be sold at no more than the higher of the annually calculated amount affordable to a household earning 80 percent of AMI or 50 percent of the market price of other units, as supporting by a market comparison study.
- 2. First right of refusal.** The Regulatory Agreement will provide that PHB has a right of first refusal (or an equivalent right) to purchase the IH Units.
- 3. Homebuyer income verification.** All homeownership IH Units will be sold to buyers meeting the affordability requirements. Homebuyers (who will be both on title to the property and occupying the home) must earn no more than 80 percent of AMI. Measurement of income is determined using the U.S. Department of Housing and Urban Development's, or its successor agency's annually published Median Family Income and Rent chart for the Portland Metropolitan Area.
 - a.** Homebuyers must submit a verification form and supporting documentation at least 10 business days prior to closing on the home purchase and must not close without PHB review and response. The verification form must be signed by all homebuyers; income documentation should be submitted for all homebuyers who will both be on title to the property and living in the home.
 - b.** Supporting income documentation includes the last two years of W2s, the most current month's-worth of paystubs, and documentation of any additional income received such as social security, child support, alimony, or unemployment; self-employed homebuyers must submit two years of filed federal tax returns with all schedules and a current year-to-date profit and loss statement. PHB may require additional documentation in order to fully verify current income of the homebuyers including letters of explanation or affidavits.
- 4. Owner occupancy.** Homebuyers must occupy the IH Unit as their primary residence. After initial sale, the IH Unit must be owner occupied (or listed for

sale and vacant) throughout the affordability period. Homeownership IH Units may not be rented at any time (both prior to initial sale and after initial homebuyer qualification); IH Units which are rented are subject to a penalty as described under Remedies below, and removal of any incentives.

- 5. Verification of closing.** Homebuyers must send PHB documentation of the final sale price and title holders within 30 days of closing by submitting a copy of the recorded Warranty Deed or the Final HUD-1 Settlement Statement.

C. Annual Reporting and Review

Developments with rental units will be subject to PHB annual reporting requirements as set forth in the Regulatory Agreement. Owners or their property managers on an annual basis will submit information to PHB on IH Units and the tenants living in such units through an online platform called the [Web Compliance Monitoring System \(WCMS\)](#). PHB staff will test this information against the contents of the Regulatory Agreement and issue written results to each development. In cases of non-compliance, PHB staff may collaborate with owners or their property managers on remedies, however, PHB also has the authority to enforce the provisions of the Regulatory Agreement without the owner's consent.

Other than default provisions, remedies and exit provisions, IH compliance and reporting requirements will be the same as those for PHB's non-IH Program developments for tenant compliance and physical evaluation sections only. These requirements are contained in the [Asset Management Guidelines](#). Important aspects of PHB's compliance and reporting process include:

- 1. WCMS.** On an annual basis, owners and/or property managers are required to submit information about all tenants living in IH units to PHB through WCMS. It's advisable to keep the information current and update the system for all move-out's and move-in's.
- 2. Tenant income certification.** Information on tenants is gathered through the [Tenant Income Compliance \(TIC\) form](#) which must be submitted to PHB through WCMS.
- 3. Inspections.** PHB reserves the right to physically inspect developments containing IH units at least once every three years. Inspections will also include audit of IH related files such as the TICs and information submitted through WCMS. Developments that are determined to be out of compliance may be inspected more frequently or until they are brought back into compliance.

D. Transfers

The Regulatory Agreement runs with the land for the length of the Compliance Period. It must be recorded in first position. PHB will not subordinate its Regulatory Agreement. In cases of foreclosure, PHB may, but will not be required to, consider modifications to the Regulatory Agreement to facilitate resolution of foreclosure proceedings.

Upon sale or other transfer of the development during the compliance period, the provisions of the IH Program must transfer with the property. PHB needs to receive updated property manager information, and legal documentation about the new entity in order to prepare a Consent to Transfer and Assignment and Assumption Agreement to be executed and recorded on title.

E. Default and Conversion

Specific default provisions are contained in the Regulatory Agreement. In general, there are two types of default: minor and major. Minor defaults include:

1. Non-reporting;
2. Non-reporting by due date; and
3. Insufficient reporting:
 - a. Tenant Income Certifications (TIC);
 - b. Unit rent;
 - c. Utility allowances;
 - d. Demographics;
 - e. Updating static data sheet when units float due to incomes rising in place; and
 - f. Corrections following a site inspection.

Major defaults occur in cases of deliberate non-compliance such as:

1. No tenant income screening performed;
2. Residents are deliberately not income qualified;
3. Not abiding by incomes rising in place policy and insufficient notices to either PHB or the tenant as required by the policy;
4. Not abiding by the N/NE preference policy;
5. Developments have uncorrected health or safety issues;
6. Violating Fair Housing Rules;
7. Designating IH Units which are not reasonably equivalent; and

8. Rent and utility allowance determination incorrect.

Depending on their nature and the circumstances surrounding them, major defaults may also be categorized as Conversions. Remedies for both Conversions and default are outlined below in Remedies.

In addition, if minor defaults, become chronic, i.e. they last for more than one reporting cycle, they will be deemed “major” and the corresponding remedies may be applied.

F. Remedies

The dependable supply of IH Units is a critical aspect of the IH Program. As such, the City views the potential Conversion of IH Units to Market Rate Units (excepting normal unit turnover outlined in “Vacancies” above) as a serious threat to the attainment of affordable housing goals and outcomes. In general, the Remedies for program non-compliance are meant to discourage such Conversions. The following provides guidance in situations where Conversions are occurring or have occurred. Prior to taking any action which would have the effect of converting an IH Unit to a Market Rate Unit, owners or their property managers are encouraged to contact PHB staff. PHB staff are authorized to discuss the full range of options including, but not limited to: amending/changing the Regulatory Agreement requirements, addition or increase of PHB subsidy financing, and other financial restructuring options.

Prior to allowing a Conversion, PHB may choose to negotiate with owners on ways to keep IH Units affordable and retain them in the IH Program. PHB is under no obligation to allow Conversions and such requests will be assessed against, among other things, the negative effects on the supply of affordable housing units

Should unauthorized Conversions occur, financial penalties will be due and payable to PHB as follows:

1. **Fee-in-lieu due.** A fee-in-lieu equal to multiplying the gross square feet of the development by the current Fee-in-Lieu Factor (See Appendix A); and
2. **Interest.** Interest will be due on the entire unpaid fee-in-lieu amount, assessed at the rate of .833 percent simple interest per month or fraction thereof (10 percent per annum), computed from the date of Conversion.

PHB may also pursue the following remedies if the financial penalties are not paid in the timeframe prescribed by PHB:

1. Foreclosure; and
2. Court injunction or receivership.

Appendix A – Fee-in-Lieu Factor Schedule*Zones outside the Central City Plan District Fee-in-Lieu Factor Schedule*

Zone/FAR	Fee per GSF on or before December 31, 2018
CN1, CO1, CO2, CM, CS, CG, CX plus EG1, EG2, EX and R3, R2, R1, RH and RX zones	\$19.50

Zone/FAR	Fee per GSF after December 31, 2018
CM1 at Base FAR	\$23.83
CM1 with Bonus FAR	\$25.79
CM2 at Base FAR	\$25.79
CM2 with Bonus FAR	\$26.50
CM3 at Base FAR	\$26.03
CM3 with Bonus FAR	\$28.58

Zones within the Central City Plan District Fee-in-Lieu Factor Schedule

Zone/FAR	Fee per GSF
3:1/4:1 FAR	\$27.39
3:1/4:1 Base with Bonus FAR	\$28.57
5:1/6:1 FAR	\$28.57
5:1/6:1 Base with Bonus FAR	\$28.99
8:1 FAR	\$28.99
8:1 Base with Bonus FAR	\$29.81
9:1 FAR	\$29.81
9:1 Base with Bonus FAR	\$29.42
12:1 FAR	\$29.42
12:1 Base with Bonus FAR	\$29.85
15:1 FAR	\$27.39
15:1 Base with Bonus FAR	\$28.57

Fee Schedule for BONUS FAR for non-residential occupancy/use

\$24 per square foot of Bonus FAR

GSF = Gross Square Feet

Appendix B – Static Data Sheet Example

STATIC DATA, UNIT COMPOSITION AND RENT SCHEDULE

DEVELOPMENT: **ABC APARTMENTS**
 ADDRESS: **12345 S MAIN STREET; PORTLAND, OREGON 97204**
 DATE: _____
 SUBMITTED BY: **JOHN DOE;
 XYZ
 MANAGEMENT**

The subject property has a total of _____ rental units.
 According to the executed Regulatory Agreement _____ units must be kept affordable for a period of 99 years.

In the schedule below please fill out for all Inclusionary Housing units in the development.

UNIT NUMBER	BDRM COUNT	Sqare Footage	INCOME AND RENT MFI % LEVEL as outlined in Regulatory Agreement	HUD FAIR MARKET RENT (FMR) (\$)	PROPOSED TENANT RENT (\$) (incl UA)	UTILITY ALLOWANCE (UA)	MAXIMUM ALLOWABLE RENT TO TENANT = Proposed Rent minus UA
101	2	850	80%	\$1,320	\$1,320	\$149	\$1,171
102	1	600	80%	\$1,100	\$1,000	\$126	\$874