

IMPACT STATEMENT

Legislation title: Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Pepsi Blocks-Phase 1A, Building A located at 827 NE 27th 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 MULTE Program provides a ten-year exemption that is one of the financial incentives made available to projects required to comply with the City's Inclusionary Housing (IH) Program. Under the IH program, the developer has opted to make eight percent of the total bedrooms in the project affordable to households earning no more than 60 percent of median family income ("MFI"). Using the option to reconfigure the building's IH obligation into larger type units, the building's original requirement of six studio, seven one-bedroom, four two-bedroom and one three-bedroom units, which is eight percent of the project's total 219 units, will be provided in two studio, four one-bedroom, three two-bedroom and four three-bedroom units, which is six percent of the project's total 219 units, and will be affordable to 60 percent MFI households for 99 years.

Original IH Unit Requirements (18 IH Units)	Total Bedrooms in Original IH Unit Requirements	IH Obligation utilizing Reconfiguration (13 IH Units)
(6) Studio (7) One-bedroom (4) Two-bedroom (1) Three-bedroom	24 bedrooms	(2) Studio (4) One-bedroom (3) Two-bedroom (4) Three-bedroom

In addition, the Project is vested under a Planned Development, 2019-183735 LU, in which there is the potential for a total of five buildings to be constructed on the Site. The developer has elected to utilize On-Site Consolidation which allows for the IH requirements of each building within a site to be transferred to another building on the same site. Pepsi Blocks-Phase 1A, Building A has been selected as the consolidated building, in which the other buildings on the site will apply to transfer their IH obligation when they come in for building permit. Pepsi Blocks-Phase 1A, Building A will be the first building constructed for the Planned Development and the developers have elected to restrict an additional 31 units under Inclusionary Housing, comprising of five studio,

nine one-bedroom, nine two-bedroom and 8 three-bedroom units in the Project as IH units affordable to households earning no more than 60 percent of MFI for 99 years. As each subsequent building within the Planned Development applies for building permits, PHB will review each building for its own IH obligations and determine if Pepsi-Blocks-Phase 1A, Building A can absorb the transferred IH unit obligations.

In total, the building will restrict affordability on 44 of the 219 units, or 20% of the residential units. The tax exemption will apply to the affordable units in the project only.

**Breakdown of Affordable Units Required Under Inclusionary Housing
Options Available to Building**

	On-Site Options	New Construction Off-Site Option	Existing Building Off- Site Option	Fee-in-Lieu
Units @ 80% MFI	33 Units	N/A	N/A	N/A
Bedrooms @ 80% MFI	45 Bedrooms	N/A	N/A	N/A
Units @ 60% MFI	18 Units	44 Units	55 Units	N/A
Bedrooms @ 60% MFI	24 Bedrooms	N/A	N/A	N/A
Units @ 30% MFI	N/A	22 Units	45 Units	N/A
No Affordable Units	N/A	N/A	N/A	\$4,208,500

ORS 307.621 and City Code Section 3.103.060(B) 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 City will pay the \$9,000 application activation fee to Multnomah County, should the application move forward.

This Ordinance approves a tax exemption resulting in foregone tax revenue. The total estimated amount of the property tax revenue not collected for the 10 years of the exemption period based on the application is valued at approximately \$549,333 in today's dollars assuming a four percent discount rate, and a three percent annual assessment increase. This 10-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 10 years

is roughly 33 percent of that amount, or \$181,280. The City will still benefit from property taxes collected on the improved value of the land during the exemption period.

Project Overview Summary:

Units:

Total Units: 219
 No. at or below 60% MFI: 44 units
 No. at Market Rate: 175 units

By Unit Type

Unit Size	Count	Minimum Square Feet (IH Units)	Income Restriction (MFI)
Studio	7	513	60%
Studio	61		Market
One-Bedroom	13	658	60%
One-Bedroom	72		Market
Two-Bedroom	12	1,030	60%
Two-Bedroom	42		Market
Three-Bedroom	12	1,166	60%
TOTAL	219	--	--

Rent Differential:

Monthly Differential Per Unit

Unit Type	Estimated Monthly Market Rent	Monthly 60% MFI Restricted Rent	Difference
Studio	\$1,695	\$967	\$728
One-Bedroom	\$2,121	\$1,036	\$1,085
Two-Bedroom	\$3,148	\$1,243	\$1,905
Three-Bedroom	\$3,575	\$1,437	\$2,138
AVERAGE	\$2,635	\$1,171	\$1,464

Annual Differential Per Unit

Unit Type	Estimated Annual Market Rent	Annual 80% MFI Restricted Rent	Difference
Studio	\$20,340	\$11,604	\$8,736
One-Bedroom	\$25,452	\$12,432	\$13,020
Two-Bedroom	\$37,776	\$14,916	\$22,860
Three-Bedroom	\$42,900	\$17,244	25,656
AVERAGE	31,617	14,049	17,568

Foregone Revenue:

Estimated total foregone revenue: \$549,333

Estimated first year value of the tax exemption: \$59,647

Estimated annual value of the tax exemption per affordable unit during the exemption period: \$1,249

Estimated annual foregone revenue per affordable unit over 99-year affordability term: \$127

Central City Plan District: Yes No

Remaining 5-Year Cap: \$10,631,619

Property Management: Not selected yet

Community impacts and community involvement:

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.

100% Renewable Goal:

Approval of the MULTE does not impact the City's total or renewable energy use.

Budgetary Impact Worksheet

Does this action change appropriations?

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