

IMPACT STATEMENT

Legislation title: Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for Modera Morrison Apartments located at 1130 SE Morrison St (Ordinance)

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Purpose of proposed legislation and background information:

To ensure Portland has economically inclusive development and neighborhoods, the city requires that new buildings being constructed (*with more than 20 units*) also provide Inclusionary Housing units (“IH Units”), restricted for 99 years under the Inclusionary Housing (“IH”) Program.

In exchange for providing IH Units, developers receive some benefits, including a 10-year property tax exemption – typically on all residential units in the Central City, or on only eligible rental units restricted under the IH Program outside the Central City.

For the building associated with this ordinance, below are the IH Program options available to the developer in city code. The option selected by the developer is in bold and highlighted.

	On-Site Units	New Off-Site Units	Existing Off-Site Units	Fee-in-Lieu
Units at 80% of Median Income	49 Units	N/A	N/A	N/A
Bedrooms at 80% of Median Income	60 Bedrooms	N/A	N/A	N/A
Units at 60% of Median Income	25 Units	49 Units	62 Units	N/A
Bedrooms at 60% of Median Income	31 Bedrooms	N/A	N/A	N/A
Units at 30% of Median Income	N/A	25 Units	37 Units	N/A
No IH Units	N/A	N/A	N/A	\$6,882,165

The developer selected the option to provide 10% of the building's 247 units, totaling 25 units, restricted to households earning no more than 60% median income for 99 years. Using the option to reconfigure the building's IH obligation into larger type units, the building's original requirement of 11 studio, nine one-bedroom, four two-bedroom and one three-bedroom units, will be provided in one studio and 10 three-bedroom units, which is four percent of the project's total 247 units, and will be restricted to households earning no more than 60 percent median income for 99 years.

Original IH Unit Requirements (25 IH Units)	Total Bedrooms in Original IH Unit Requirements	IH Obligation utilizing Reconfiguration (11 IH Units)
(11) Studio (9) One-bedroom (4) Two-bedroom (1) Three-bedroom	31 bedrooms	(1) Studio (10) Three-bedroom

Because this building is inside the Central City Plan District, the tax exemption will apply to all the residential units.

Overview of building and units:

247-unit building at 1130 SE Morrison Street

- i. Market rate units: 236 units
- ii. IH Units: 11 units

	Studio	One Bedroom	Two Bedroom	Three Bedroom
Total	114	87	36	10
Market Rate	113	87	36	-
Restricted at 60% of Median Income	1	-	-	10
Average Square Footage	530	614	915	1108
Largest Square Footage	805	713	973	1108
Smallest IH Unit	484	-	-	1106

Regulated restricted rents compared to new construction market rate rents in the same neighborhood:

	Studio	One Bedroom	Two Bedroom	Three Bedroom

Market Rate	\$1,472	\$1,859	\$2,934	\$3,857
Restricted at 60% of Median Income	\$1,015	-	-	\$1,509
Monthly Rent Difference	\$457	-	-	\$2,348
Annual Rent Difference	\$5,484	-	-	\$28,176

Over the 99 years of required rent restriction, market rents will only continue to increase at a faster rate compared to regulated rents.

If this ordinance is not approved by City Council, the development will proceed without any IH Units.

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 the Multnomah County Tax Assessor. 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 property 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 is valued at approximately \$4,449,083 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 of Portland over the 10 years is roughly 33 percent of that amount, or \$1,468,198. The City will still benefit from property taxes collected on the improved value of the land during the exemption period.

Property tax exemption value and foregone revenue:

Estimated total foregone revenue:	\$4,449,083
Estimated first year value of the tax exemption:	\$483,080
Estimated annual value of the tax exemption per IH Unit during the exemption period:	\$40,446
Estimated annual foregone revenue per IH Unit over 99-year restriction term:	\$4,085

Central City Plan District: Yes No

Remaining 5-Year Cap: \$12,724,829

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