



[Home](#) / [Council Documents](#)

191410

Emergency Ordinance

*Approve application under the Multiple-Unit Limited Tax Exemption Program under the Inclusionary Housing Program for 1010 Gibbs located at 1010 SW Gibbs St

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. On behalf of the City of Portland, the Portland Housing Bureau ("PHB") administers the Multiple-Unit Limited Tax Exemption Program (the "MULTE Program" or "Program"), authorized under ORS 307.600-307.637 and City Code Chapter 3.103.
2. The MULTE Program provides a 10-year property tax exemption on the residential portion of the structural improvements so long as Program requirements are met. During the exemption period, property owners remain responsible for the payment of taxes on the assessed value of the land and any commercial portions of the project, except for those commercial improvements deemed a public benefit and approved for the exemption.
3. The MULTE Program is an incentive provided to developments complying with the City Inclusionary Housing ("IH") Program, which requires 99 years of restricted rents of a percentage of units within the building.
4. PHB received a request for a 10-year property tax exemption under the MULTE Program for the development known as 1010 Gibbs (the "Project") and located at 1010 SW Gibbs St (the "Property"), in conjunction with the City's Inclusionary Housing Program. The Project, located in the Homestead neighborhood, will be a mixed-use housing project and will restrict 20 percent, which is nine units, of the Project's 46 units to households earning no more than 80 percent of Median Family Income ("MFI") at the time of lease-up (the "IH Units"). The Owner of record for the property is SWS 1010 GIBBS, LLC ("Owner").

Introduced by

[Commissioner Carmen Rubio](#)

Bureau

[Housing Bureau](#)

Contact

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Requested Agenda Type

Consent

Date and Time Information

Requested Council Date

August 16, 2023

5. The MULTE Program has an annual cap limiting the approval of new property tax exemptions to no more than 15 million dollars of new estimated foregone revenue within a five-year period, defined as any current year and the previous four years. There is sufficient cap remaining for the 2023 calendar year to include the Project's application.
6. PHB has the responsibility for reviewing compliance of applications with the minimum MULTE Program requirements and has concluded that the application for the Project does indeed meet the minimum Program requirements.

NOW, THEREFORE, the Council directs:

- A. The request for a 10-year property tax exemption under the MULTE Program is hereby approved for 20 percent of the residential portion of the structural improvements of 1010 Gibbs, including 20 percent of residential parking and common areas.
- B. Approval of the application is provided subject to the Project meeting the following conditions:
 1. The Project must restrict 20 percent of its 46 units to households earning no more than 80 percent MFI (the "Restricted Units"). The Restricted Units will reflect the unit-mix in the Project and will consist of one studio and seven one-bedroom units.
 2. The application will comply with the Program requirements established in City Code Chapter 3.103, including the requirement that the Owner sign a Regulatory Agreement and report annually to PHB each tax year that the exemption and restrictions are in effect.
 3. The Restricted Units will be built to meet all minimum Americans with Disabilities Act and Fair Housing Act requirements. The Project will also be built to ensure at least five percent of the Restricted Units, totaling one, be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities.
- C. PHB shall provide a copy of this Ordinance to the Multnomah County Tax Assessor as prescribed by City Code Section 3.103.050 (A).
- D. If, prior to the completion of construction, the Project is changed in any way that would reduce the number, percentage or distribution of the Restricted Units in the Project, or the approved public benefits provided, Owner must provide written notice to PHB. If such changes still conform to the Program requirements, PHB will amend the Regulatory Agreement. Such amendment would not be subject to City

Council approval if changes are minor and would result in substantially the same Project.

Section 2. The Council declares an emergency exists because timely City approval of the application for the MULTE Program is necessary in order to allow the Project to meet requirements to approve the building permit as outlined by the Bureau of Development Services; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
August 16, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

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**.

| On-Site Units | New Off-Site Units | Existing Off-Site Units | Fee-in- Lieu | |
|---|-----------------------------------|--|-------------------------|-----|
| Units at 80% of Median Income | 9 Units | N/A | N/A | N/A |
| Bedrooms at 80% of Median Income | 9 Bedrooms | N/A | N/A | N/A |
| Units at 60% of Median Income | 5 Units | 9 Units | 12 Units | N/A |

| | | | | |
|---|------------|---------|---------|-----------|
| Bedrooms at 60% of Median Income | 5 Bedrooms | N/A | N/A | N/A |
| Units at 30% of Median Income | N/A | 5 Units | 7 Units | N/A |
| No IH Units | N/A | N/A | N/A | \$732,550 |

The developer selected the option to provide 20% of the building's 46 total units, totaling nine units, restricted to households earning no more than 80% median income for 99 years.

Because this building is outside the Central City Plan District, the tax exemption will apply to the IH Units.

Overview of building and units:

46-unit building at 1010 SW Gibbs St

- 1. Market rate units: 37 units
- 2. IH Units: 9 units

| Building Unit Summary | Studio | One Bedroom | Two Bedroom | Three Bedroom |
|---|---------------|--------------------|--------------------|----------------------|
| Total | 7 | 35 | 4 | - |
| Market Rate | 6 | 27 | 4 | - |
| Restricted at 80% of Median Income | 1 | 8 | 0 | - |
| Average Square Footage | 401 | 602 | 999 | - |
| Largest Square Footage | 560 | 785 | 1062 | - |
| Smallest IH Unit | 381 | 572 | - | - |

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

| Building Rent Summary | Studio | One Bedroom | Two Bedroom | Three Bedroom |
|------------------------------|---------------|--------------------|--------------------|----------------------|
| Market Rate | \$1,433 | \$1,986 | \$2,919 | - |

| | | | | |
|---|-----------|---------|---|---|
| Restricted at 80% of Median Income | \$1,580 | \$1,693 | - | - |
| Monthly Rent Difference | (\$137) | \$293 | - | - |
| Annual Rent Difference | (\$1,644) | \$3,516 | - | - |

While the building currently has a negative rent differential between market rents and regulated rent caps for studio apartments, the Housing Bureau recommends approval because the total rent discount across all IH Units provide more public benefit than is being given up in public off-sets. In addition, 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 Owner will pay the \$7,650 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 \$96,354 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 \$31,797 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: | \$96,354 |
| Estimated first year value of the tax exemption: | \$10,462 |
| Estimated annual value of the tax exemption per IH Unit during the exemption period: | \$1,071 |

Estimated annual foregone revenue per IH Unit over 99-year restriction term: \$108

Central City Plan District: Yes No

Remaining 5-Year Cap: \$12,256,659

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.

Budget Office Financial Impact Analysis

This action would result in estimated foregone property tax revenues to the City totaling \$31,797 over ten years for 9 units affordable at or below 80% MFI. Total cost to all jurisdictions forgoing revenue is estimated at \$96,354. The estimated value of the tax exemption for the first year is \$10,462 (all jurisdictions), which equals approximately \$1,071 per affordable unit per year of affordability. The City will still benefit from property taxes collected on the improved value of the land during the exemption period. The owner will pay Multnomah County the \$7,650 application activation fee if the application moves forward.

Agenda Items

675 Consent Agenda in [August 16, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/8/16) (<https://www.portland.gov/council/agenda/2023/8/16>)

Passed

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Mayor Ted Wheeler Yea