

ORDINANCE No.

Direct the City not to accept new applications for the New Multiple-Unit Housing (NMUH) Property Tax Exemption Program except for 100 percent low-income housing projects until December 31, 2007. (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The Portland City Council adopted Chapter 3.104, Property Tax Exemption for New Multiple-Unit Housing, Title 3, of the Municipal Code of the City of Portland in 1975.
2. Chapter 3.104 establishes program criteria, a process for reviewing applications, and guidelines for program review and evaluation.
3. The City Council adopted Ordinance No.179693 on October 19, 2005, directing city staff not to accept new applications for the NMUH Property Tax Exemption Program for 180 days and to review policy goals and fiscal impacts of the program and return to Council with recommendations within 180 days.
4. City Council directed staff to provide stakeholders, including but not limited to the Planning Commission, the Housing and Community Development Commission, and the Portland Development Commission, the opportunity to review and comment on recommended program guidelines prior to presenting to City Council for formal action. They also directed Office of Management and Finance to assess the fiscal impacts of this and other tax exemption programs.
5. City Council adopted Ordinance No.179993 on March 15, 2006, extending the moratorium on the New Multiple-Unit Housing program until July 30, 2006, to provide staff more time to conduct public outreach on concepts drafted after a discussion of the tax exemption programs by City Council and the Portland Development Commission at their joint work session on January 11, 2006.
6. Concepts for program changes drafted in February 2006 included changes to the Transit Supportive Residential and Mixed-Use (TOD) tax exemption program, since the NMUH and TOD programs are similar and the boundaries of the two programs overlap in places outside the Central City. Chapter 3.103 establishes program criteria, a process for reviewing applications, and guidelines for program review and evaluation for the TOD program. The NMUH and TOD programs are authorized by the same State statutes. These statutes allow local governments to adopt a limited 10-year tax exemption to provide an incentive for new multifamily and mixed-use development in urban core areas and light rail station areas and other transit-oriented areas outside urban core areas.
7. City staff briefed the Planning Commission on March 14, 2006, and the Portland Development Commission on March 26, 2006, on the concepts for changes to the City's NMUH and TOD programs that attempt to address the concerns expressed by City Council and the two commissions about them.

8. City staff held meetings with both the development community and other community stakeholders in April and May of 2006 on these concepts. These meetings included a Developer's Roundtable held on April 18, 2006, a Community Stakeholders Forum on April 20, 2006, and meetings with the Housing and Community Development Commission and the League of Women Voters on May 3, 2006.
9. The advice provided by the development community and other community stakeholders was that there should be separate tax exemption programs for the Central City and for designated areas outside the Central City because of the difference in housing market conditions.
10. Additional advice from the development community and other community stakeholders was that changes to the program for the Central City should not be brought forward for Council action until there was agreement on the goals that the City intends to pursue through the use of the program and additional outreach to the public about the accomplishments of the NMUH program.
11. City staff then drafted a proposal to expand the TOD program to cover areas outside the Central City that would benefit from the program and to update the public benefit requirements to reflect current City housing priorities. Staff also proposed to extend the moratorium on the NMUH program until the goals of that program could be considered in conjunction with other upcoming Central City planning processes.
12. City staff briefed the Planning Commission on this proposal on May 9, 2006, and the Commission agreed with the overall concept for changes to the TOD program and extending the moratorium on the NMUH program.
13. Plans to review goals for the NMUH program correspond to an upcoming reassessment of the *Central City Plan* and a study related to several downtown urban renewal districts. City Council originally adopted the NMUH tax exemption program in 1975 to carry out the Housing and Downtown Neighborhood Policy of the *Downtown Plan* of 1972, which called for increasing the number of residential accommodations in the Downtown area for a mix of age and income groups. The *Central City Plan* adopted in 1988 expanded the program boundaries to the entire Central City to carry out the plan's housing objectives, which continued and expanded those of the *Downtown Plan*.
14. Two urban renewal areas, the Downtown Waterfront in 1974 and the South Park Blocks in 1985, have been created since adoption of the *Downtown Plan*. One urban renewal area, the River District in the western portion of the Central City, was adopted in 1998, since the adoption of the *Central City Plan*. All of these areas have urban renewal plans with objectives calling for increasing and improving housing in their respective areas. The Downtown Waterfront and South Park Blocks urban renewal areas are set to expire in 2008, and the River District urban renewal area is set to expire in 2020.
15. A Westside Central City Study commenced in March 2006 to assess the progress made and , remaining critical issues to be addressed in western Central City. Urban renewal investments and options for ending or amending the urban renewal districts will be reviewed. This process will result in recommendations to City Council by December 2007 or early 2008.

16. An assessment of Central City issues commenced in May 2006 and will inform the study of the Westside urban renewal districts and an update of the *Central City Plan* scheduled for 2008 through 2009.
17. Since the NMUH program has primarily assisted development of new housing units in the Central City, which number about 5,000 since the program's adoption, the changes to the NMUH program could be considered in tandem with these other Central City processes. A review of the NMUH program with these other Central City planning processes may help clarify the objectives that the City wants to accomplish through the use of this program and inform the changes to it.
18. The City Council recognizes that predictability in implementation of City policies and programs is essential to maintaining a positive business environment and attracting new investment to the City, and it may be beneficial to continue the current moratorium on accepting new applications under this program until the program's goals have been clarified.
19. At the July 12, 2006 City Council hearing on the ordinance extending the moratorium, there was testimony that low-income housing projects built by private owners could not receive an exemption under the NMUH tax exemption program until December 2007.
20. The City of Portland's *Housing Action Plan* identifies the development and preservation of low-income housing for households with incomes 60 percent of median family income (MFI) as priorities for use of City resources.

NOW, THEREFORE, the Council directs:

- a. Provisions of City Code Chapter 3.104 that require the city to accept and process new applications for the New Multiple Unit housing tax exemption program are hereby suspended until December 31, 2007.
- b. The City shall not accept new applications for the New Multiple-Unit housing tax exemption program until December 31, 2007, except for projects that are 100 percent affordable to households with incomes below 60 percent MFI and have long term affordability agreements with the City or other public agencies.
- c. The Bureau of Planning shall return to City Council with recommendations for changes to the TOD program's boundaries and regulations that are found in City Code Chapter 3.103 prior to November 1, 2006.

Passed by the Council:

Mayor Potter/Commissioner Erik Sten
Prepared by: Barbara Sack
June 29, 2006

GARY BLACKMER

Auditor of the City of Portland
By

Deputy