

ANNOTATED MINUTES

Tuesday, October 1, 1996 - 9:30 AM
Multnomah County Courthouse, Room 602
1021 SW Fourth, Portland

BOARD BRIEFING

Chair Beverly Stein convened the meeting at 9:35 a.m., with Vice-Chair Dan Saltzman, Commissioners Sharron Kelley and Gary Hansen present, and Commissioner Tanya Collier excused.

- B-1 Discussion on the Proposed Transit Oriented Development Tax Abatement Program. Presented by Rey España, Mike Saba and Wendy Cherubini.

***REY ESPAÑA, MIKE SABA, MARK CAMPBELL AND
HENRY MARCUS PRESENTATION AND RESPONSE
TO BOARD QUESTIONS AND DISCUSSION.***

The briefing was adjourned at 10:10 a.m. and the regular meeting convened at 10:11 a.m.

Tuesday, October 1, 1996 -10:00 AM
Multnomah County Courthouse, Room 602
1021 SW Fourth, Portland

REGULAR MEETING

CONSENT CALENDAR

***UPON MOTION OF COMMISSIONER KELLEY,
SECONDED BY COMMISSIONER HANSEN, THE
CONSENT CALENDAR (ITEMS C-1 THROUGH C-10)
WAS UNANIMOUSLY APPROVED.***

NON-DEPARTMENTAL

- C-1 Appointments of Jim Robison and Scott Leibenguth to the DEPARTMENT OF SUPPORT SERVICES CITIZEN BUDGET ADVISORY COMMITTEE

- C-2 Appointments of Mark Jones, Muriel Goldman, Martha McMurray, Shane Endicott and Charlotte Cook to the DEPARTMENT OF JUVENILE JUSTICE SERVICES CITIZEN BUDGET ADVISORY COMMITTEE
- C-3 Appointments of Karen Voiss and Keith Stengel to the DEPARTMENT OF ENVIRONMENTAL SERVICES CITIZEN BUDGET ADVISORY COMMITTEE
- C-4 Appointments of Deborah Whitefield and Tracee Larson to the NON-DEPARTMENTAL CITIZEN BUDGET ADVISORY COMMITTEE
- C-5 Appointment of Marion Hansen to the DEPARTMENT OF COMMUNITY AND FAMILY SERVICES CITIZEN BUDGET ADVISORY COMMITTEE

SHERIFF'S OFFICE

- C-6 Intergovernmental Agreement 800357 with the City of Portland to Provide Certain Law Enforcement Services Involving Driving Under the Influence of Intoxicants

DEPARTMENT OF ENVIRONMENTAL SERVICES

- C-7 ORDER Authorizing Execution of Deed D971376 Upon Complete Performance of a Contract to Ronald Engesether, Jr.

ORDER 96-176.

- C-8 FINAL ORDER CU 7-95; HV 17-95 Affirming and Modifying the June 26, 1996 Hearings Officer Decision and Adopting Additional Findings

ORDER 96-177.

DEPARTMENT OF HEALTH

- C-9 Intergovernmental Agreement 200717 with Oregon Health Sciences University for the Provision of Sexual Assault Evidentiary Exams
- C-10 Intergovernmental Revenue Agreement 200787 with the Oregon Department of Human Resources to Fund a Research Analyst for the Students Today Aren't Ready for Sex (STARS) Program

REGULAR AGENDA

PUBLIC COMMENT

- R-1 Opportunity for Public Comment on Non-Agenda Matters. Testimony Limited to Three Minutes Per Person.

NO ONE WISHED TO COMMENT.

NON-DEPARTMENTAL

- R-2 PROCLAMATION Recognizing October, 1996 as DISABILITY AWARENESS MONTH in Multnomah County, Oregon

COMMISSIONER SALTZMAN MOVED AND COMMISSIONER KELLEY SECONDED, APPROVAL OF R-2. JAN CAMPBELL PRESENTATION AND EXPLANATION. PROCLAMATION READ. COMMISSIONER SALTZMAN COMMENTS IN SUPPORT. PROCLAMATION 96-178 UNANIMOUSLY APPROVED.

- R-3 PROCLAMATION Proclaiming the Month of October, 1996 as PUBLIC SAFETY MONTH in Multnomah County, Oregon

COMMISSIONER KELLEY MOVED AND COMMISSIONER HANSEN SECONDED, APPROVAL OF R-3. DARLENE CARLSON EXPLANATION. PROCLAMATION READ. PROCLAMATION 96-179 UNANIMOUSLY APPROVED, AS CORRECTED BY COMMISSIONER KELLEY.

DEPARTMENT OF SUPPORT SERVICES

- R-4 First Reading of an ORDINANCE Amending Ordinance No. 856, in Order to Add, Delete and Revise Exempt Pay Ranges and Titles and Make Special Adjustments

ORDINANCE READ BY TITLE ONLY. COPIES AVAILABLE. COMMISSIONER HANSEN MOVED AND COMMISSIONER KELLEY SECONDED, APPROVAL OF FIRST READING. SUSAN AYERS EXPLANATION. NO ONE WISHED TO TESTIFY. FIRST READING UNANIMOUSLY APPROVED. SECOND READING THURSDAY, OCTOBER 17, 1996.

R-5

Budget Modification DSS 1 Reallocating Funds for Computer Training

**COMMISSIONER HANSEN MOVED AND
COMMISSIONER KELLEY SECONDED, APPROVAL
OF R-5. BEN BERRY AND SHERY STUMP
EXPLANATION AND RESPONSE TO BOARD
QUESTIONS AND COMMENTS. BUDGET
MODIFICATION UNANIMOUSLY APPROVED.**

DEPARTMENT OF ENVIRONMENTAL SERVICES

R-6

RESOLUTION Authorizing an Application for a Loan from the Small
Scale Energy Loan Program

**COMMISSIONER SALTZMAN MOVED AND
COMMISSIONER KELLEY SECONDED, APPROVAL
OF R-6. AMY JOSLIN EXPLANATION AND
RESPONSE TO BOARD QUESTIONS. RESOLUTION
96-180 UNANIMOUSLY APPROVED.**

*There being no further business, the meeting was adjourned at 10:37
a.m.*

OFFICE OF THE BOARD CLERK
FOR MULTNOMAH COUNTY, OREGON

Deborah L. Bogstad

Deborah L. Bogstad



MULTNOMAH COUNTY OREGON

OFFICE OF THE BOARD CLERK
SUITE 1510, PORTLAND BUILDING
1120 SW FIFTH AVENUE
PORTLAND, OREGON 97204
CLERK'S OFFICE • 248-3277 • 248-5222
FAX • (503) 248-5262

BOARD OF COUNTY COMMISSIONERS		
BEVERLY STEIN	CHAIR	•248-3308
DAN SALTZMAN	DISTRICT 1	• 248-5220
GARY HANSEN	DISTRICT 2	•248-5219
TANYA COLLIER	DISTRICT 3	•248-5217
SHARRON KELLEY	DISTRICT 4	•248-5213

AGENDA

MEETINGS OF THE MULTNOMAH COUNTY BOARD OF COMMISSIONERS

FOR THE WEEK OF

SEPTEMBER 30, 1996 - OCTOBER 4, 1996

Tuesday, October 1, 1996 - 9:30 AM - Board BriefingPage 2

Tuesday, October 1, 1996 - 10:00 AM - Regular MeetingPage 2

**PLEASE NOTE - BOARD MEETINGS HAVE BEEN
CANCELLED THURSDAY, OCTOBER 3, TUESDAY,
OCTOBER 8 AND THURSDAY, OCTOBER 10, 1996**

INDIVIDUALS WITH DISABILITIES MAY CALL THE OFFICE OF THE BOARD CLERK AT 248-3277 OR 248-5222, OR MULTNOMAH COUNTY TDD PHONE 248-5040, FOR INFORMATION ON AVAILABLE SERVICES AND ACCESSIBILITY.

AN EQUAL OPPORTUNITY EMPLOYER

*Tuesday, October 1, 1996 - 9:30 AM
Multnomah County Courthouse, Room 602
1021 SW Fourth, Portland*

BOARD BRIEFINGS

- B-1 Discussion on the Proposed Transit Oriented Development Tax Abatement Program. Presented by Rey España, Mike Saba and Wendy Cherubini. 30 MINUTES REQUESTED.*
-

*Tuesday, October 1, 1996 -10:00 AM
Multnomah County Courthouse, Room 602
1021 SW Fourth, Portland*

REGULAR MEETING

CONSENT CALENDAR

NON-DEPARTMENTAL

- C-1 Appointments of Jim Robison and Scott Leibenguth to the DEPARTMENT OF SUPPORT SERVICES CITIZEN BUDGET ADVISORY COMMITTEE*
- C-2 Appointments of Mark Jones, Muriel Goldman, Martha McMurray, Shane Endicott and Charlotte Cook to the DEPARTMENT OF JUVENILE JUSTICE SERVICES CITIZEN BUDGET ADVISORY COMMITTEE*
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- C-5 Appointment of Marion Hansen to the DEPARTMENT OF COMMUNITY AND FAMILY SERVICES CITIZEN BUDGET ADVISORY COMMITTEE*

SHERIFF'S OFFICE

- C-6 *Intergovernmental Agreement 800357 with the City of Portland to Provide Certain Law Enforcement Services Involving Driving Under the Influence of Intoxicants*

DEPARTMENT OF ENVIRONMENTAL SERVICES

- C-7 *ORDER Authorizing Execution of Deed D971376 Upon Complete Performance of a Contract to Ronald Engesether, Jr.*
- C-8 *FINAL ORDER CU 7-95; HV 17-95 Affirming and Modifying the June 26, 1996 Hearings Officer Decision and Adopting Additional Findings*

DEPARTMENT OF HEALTH

- C-9 *Intergovernmental Agreement 200717 with Oregon Health Sciences University for the Provision of Sexual Assault Evidentiary Exams*
- C-10 *Intergovernmental Revenue Agreement 200787 with the Oregon Department of Human Resources to Fund a Research Analyst for the Students Today Aren't Ready for Sex (STARS) Program*

REGULAR AGENDA

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- R-1 *Opportunity for Public Comment on Non-Agenda Matters. Testimony Limited to Three Minutes Per Person.*

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- R-2 *PROCLAMATION Recognizing October, 1996 as DISABILITY AWARENESS MONTH in Multnomah County, Oregon*
- R-3 *PROCLAMATION Proclaiming the Month of October, 1996 as PUBLIC SAFETY MONTH in Multnomah County, Oregon*

DEPARTMENT OF SUPPORT SERVICES

- R-4 *First Reading of an ORDINANCE Amending Ordinance No. 856, in Order to Add, Delete and Revise Exempt Pay Ranges and Titles and Make Special Adjustments*
- R-5 *Budget Modification DSS 1 Reallocating Funds for Computer Training*

DEPARTMENT OF ENVIRONMENTAL SERVICES

*R-6 RESOLUTION Authorizing an Application for a Loan from the Small
Scale Energy Loan Program*

TANYA COLLIER
Multnomah County Commissioner
District 3



1120 SW Fifth St., Suite 1500
Portland, OR 97204
(503) 248-5217

MEMORANDUM

TO: Office of the Board Clerk
Board of County Commissioners

FROM: Michele Fuchs

DATE: July 22, 1996

SUBJECT: Commissioner Collier's absence from Board meetings

Commissioner Collier will be out of town from September 26th through October 4th and should be excused from any scheduled Board meetings during that time.

BOARD OF
COUNTY COMMISSIONERS
96 JUL 22 PM 1:45
MULTNOMAH COUNTY
OREGON

MEETING DATE: OCT 1 1996

AGENDA #: B-1

ESTIMATED START TIME: 9:30

(Above Space for Board Clerk's Use ONLY)

AGENDA PLACEMENT FORM

SUBJECT: Proposed Transit-Oriented Development Tax Abatement Program

BOARD BRIEFING: DATE REQUESTED: October 1, 1996

REQUESTED BY: Rey España

AMOUNT OF TIME NEEDED: 30 minutes

REGULAR MEETING:

DATE REQUESTED: _____

AMOUNT OF TIME NEEDED: _____

DEPARTMENT: Comm. & Family Svcs. DIVISION: OCAD

CONTACT: Rey España

TELEPHONE #: x2701

BLDG/ROOM #: 166/500

PERSON(S) MAKING PRESENTATION: Rey España, Mike Saba, Wendy Cherubini

ACTION REQUESTED:

☒ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☐ APPROVAL ☐ OTHER

SUGGESTED AGENDA TITLE:

Proposed Transit-Oriented Development Tax Abatement Program

SIGNATURES REQUIRED:

ELECTED
OFFICIAL: _____

(OR)

DEPARTMENT

MANAGER: _____

Lorenzo Poe ms

BOARD OF
COUNTY COMMISSIONERS
96 SEP 26 AM 11:41
MULTNOMAH COUNTY
OREGON

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions: Call the Office of the Board Clerk 248-3277 or 248-5222



MULTNOMAH COUNTY OREGON

DEPARTMENT OF COMMUNITY & FAMILY SERVICES
COMMUNITY ACTION PROGRAM OFFICE (503) 248-3999
421 SW Sixth Avenue, Suite 500
PORTLAND, OREGON 97204-1620
fax # (503) 248-3332

BOARD OF COUNTY COMMISSIONERS
BEVERLY STEIN • CHAIR OF THE BOARD
DAN SALTZMAN • DISTRICT 1 COMMISSIONER
GARY HANSEN • DISTRICT 2 COMMISSIONER
TANYA COLLIER • DISTRICT 3 COMMISSIONER
SHARRON KELLEY • DISTRICT 4 COMMISSIONER

MEMORANDUM

TO: Board of County Commissioners

VIA: Lorenzo Poe, Director *Lorenzo Poe ms*
Department of Community and Family Services

FROM: Rey España, Manager *Rey*
DCFS Office for Community Action and Development

SUBJECT: Attached Materials on Proposed Transit-Oriented Development Tax Abatement Program

DATE: September 25, 1996

Attached are updated materials on the proposed Transit-Oriented Development tax abatement program. Since our initial briefing to the Board of County Commissioners on August 13, the proposal has been reviewed by the City of Portland's Planning Commission and by the Housing and Community Development Commission. Portland's City Council is scheduled to review the proposal and recommendations on Wednesday, October 23.

For your review I have enclosed the most recent proposal language with corrections dated September 17, 1996, an analysis of fiscal impact prepared by County staff, a letter from the Housing and Community Development Commission, and information on median family income, housing affordability indices and transportation. On October 1st I will be joined by Mike Saba from the City's Planning Bureau and Wendy Cherubini from the Housing and Community Development Commission to address your issues and questions on the proposal.

Recommended Ordinance

Chapter 3.103

PROPERTY TAX EXEMPTION FOR NEW TRANSIT SUPPORTIVE RESIDENTIAL OR MIXED USE DEVELOPMENT

Sections:

- 3.103.005 Purpose
- 3.103.010 Definitions
- 3.103.020 Eligible Projects and Sites.
- 3.103.025 Pre-application Procedure.
- 3.103.030 Application Procedure.
- 3.103.040 Public Benefits
- 3.103.045 Approval Criteria
- 3.103.050 Review of Application
- 3.103.060 Exemption
- 3.103.070 Termination
- 3.103.080 Extension of Deadline.
- 3.103.090 Implementation.

3.103.005 Purpose.

The purposes of this property tax exemption are to encourage the development of high density housing and mixed use projects affordable to a broad range of the general public on vacant or underutilized sites within walking distance of light rail or fixed route transit service, and to enhance the effectiveness of the light rail or fixed route transit system.

3.103.010 Definitions. As used in this Chapter:

- A. "Full funding agreement" means an agreement executed by the Federal Transit Administration or other U.S. governmental agency which contains the terms and conditions applicable to the approval of a light rail project and the grant of federal funds for that project which includes construction of planned stations and other light rail facilities.
- B. "Light rail station area" means an area defined, for the purposes of this Chapter, to be within a one-quarter mile radius of an existing or planned light rail station. A planned light rail station shall be defined as one that has achieved a full funding agreement.
- C. "Multiple-unit housing" means newly constructed structures, stories, or other additions to existing structures and structures converted in whole or in part from other uses to dwelling units that meet the following criteria:

1. The structures must have eight or more dwelling units.
2. The structures must not be designed or used as transient accommodation, including but not limited to hotels and motels.
3. The structures must contain design elements benefiting the general public as specified in Section 3.103.040.
4. The structures must:
 - a. Provide pedestrian connection to a light rail line or mass transportation system; and
 - b. Contain housing units with rental rates or purchase prices which are accessible to a broad income range of the general public; and/or
 - c. Provide alternative public benefits and design features which further the purposes of this Chapter as demonstrated by compliance with the provisions of Section 3.103.040.

D. "Pedestrian connection" means a continuous, unobstructed, reasonably direct route between two points that is intended and suitable for pedestrian use. Pedestrian connections include but are not limited to sidewalks, walkways, stairways and pedestrian bridges. On developed parcels, pedestrian connections are generally hard surfaced. In parks and natural areas, pedestrian connections may be soft-surfaced pathways. On undeveloped parcels and parcels intended for redevelopment, pedestrian connection may also include rights-of-way or easements for future pedestrian improvements.

E. "Transit oriented area" means an area defined in a local transportation, community, neighborhood or other local or regional plan to be within one-quarter mile of a fixed route transit service including bus lines.

3.103.020 Eligible Projects and Sites.

- A. The property tax exemption permitted by this Chapter is intended to benefit projects that emphasize:
1. The development of vacant or underutilized sites rather than sites where sound or rehabilitable multiple-unit housing exists;
 2. The development of multiple-unit housing, with or without parking, in structures that may include groundlevel commercial space;

3. The development of multiple-unit housing, with or without parking, on sites with existing single-story commercial structures;
 4. The development of multiple-unit housing, with or without parking, on existing surface parking lots; and
 5. The development of units at rental rates or purchase prices which are accessible to a broad income range of the general public.
- B. Eligible projects shall be constructed or converted after the date of adoption of this program, and completed on or before July 1, 2006.
- C. For the purposes of this Chapter, eligible sites must be located within the following areas:
1. Light rail station areas within a one-quarter mile radius of an existing light rail station or a light rail station under construction on or before January 1, 1999, except that the site must be located outside the boundaries of the Central City Plan District as shown on Map 510-1 of Chapter 33.510 of the Portland Zoning Code. The distance from an eligible light rail station shall be measured from the center line of the right-of-way on which the station is located or from the center point of the intersection of one or more rights-of-way, as appropriate. If a portion of the project site falls within the one quarter mile distance, the entire site shall qualify as a property eligible to apply for this exemption; and
 2. Transit oriented areas within the Gateway Plan District as delineated on Map 526-1 of Chapter 526 of Title 33, Planning and Zoning, and shown at the end of this Chapter; and
 3. Transit oriented areas within the Lents Town Center as delineated on Map 11 of the adopted Outer Southeast Community Plan and shown at the end of this Chapter.
- D. In addition to the eligible areas noted above, the following criteria apply to individual projects:
1. Projects located on sites zoned R5, R7, R10, R20, or RF Single Dwelling Zones, as defined by Title 33, Planning and Zoning, are not eligible for the property tax exemption permitted by this Chapter.
 2. Multiple unit projects, which do not include ground floor commercial space, must contain at least 30 housing units per net acre of site area to be eligible for the property tax exemption permitted by this Chapter.

3. Mixed use projects containing ground floor commercial space must incorporate at least two times the amount of residential floor area to non-residential floor area and contain at least 20 housing units per net acre of site area.
 4. For the purposes of this Chapter, a rowhouse or townhouse development containing for sale or rental units is eligible so long as all other eligibility criteria of this Chapter are met.
- E. All eligible projects shall demonstrate that property tax exemption is necessary to achieve economic feasibility for the residential use taking into account the additional costs incurred by the design features, public benefits, or minimum densities required in return for the incentives allowed by this Chapter.
- F. The City shall periodically review the areas eligible for the exemption granted to transit supportive development in response to transportation and/or community planning and policy initiatives which indicate the need to encourage desired development in other light rail station areas or transit oriented areas as defined in this Chapter. The basis for considering the inclusion of new light rail station areas shall be the establishment of a full funding agreement.

3.103.025 Pre-application Procedure.

- A. A pre-application meeting will be required with the Portland Development Commission staff prior to submitting a complete application. On forms provided by staff, the prospective applicant shall include the following:
1. A schematic drawing, showing the site plan, including major features and dimensions of the proposed development;
 2. A statement describing the location of the proposed development; the number, size, and type of individual dwelling units; a preliminary pro forma showing expected rents or purchase prices of the dwelling units; the dimensions of the multiple unit structure(s); the approximate amount of floor area dedicated to the types of uses envisioned; public and private access; parking and circulation plans; a description of the public benefits proposed; and any additional information that would demonstrate the eligibility of the project for the property tax exemption including its physical and functional connection to the nearest transit service. However, certain items of information may be waived for projects under design or if applicants request guidance in order to submit material sufficient for a complete application.
- B. Prior to the meeting, the staff shall review the information supplied and contact, for purposes of facilitating the application process, those bureaus, bodies, or other

governmental agencies which may be affected by, or have an interest, in the proposed development.

- C. The applicant shall meet with staff and discuss the proposed development. Thereafter, the Development Commission staff shall provide the applicant with a summary of the meeting, including recommendations designed to assist the applicant in the preparation of the exemption application. Staff guidance shall be provided indicating the minimum requirements for meeting the provisions of Section 3.103.040 of this Chapter.

3.103.030 Application Procedure.

- A. A person seeking an exemption under the terms of this Chapter shall apply to the Portland Development Commission not later than September 1 of the calendar year immediately prior to the first assessment year for which the exemption is requested. The application for the exemption shall be on forms prescribed by the Commission staff and include the following information:
1. The applicant's name, address, and telephone number;
 2. A legal description of the property and property account number;
 3. A detailed description of the project including the number, size, and type of dwelling units; dimensions of the multiple-unit structure(s), parcel size, proposed lot coverage of building, and amount of open space; type of construction; expected rents or purchase prices of the dwelling units; public and private access; parking and circulation plan; number of residential and commercial off-street parking spaces; the source of water and proposed method of sewage disposal; other utilities requirement; landscaping; proposed amount of floor area dedicated to residential and nonresidential uses; a description of the public benefit(s) prescribed in 3.103.040 included in the project; and economic feasibility studies or market analysis, when appropriate. In addition, the application shall contain a detailed construction and operating cost analysis to demonstrate the applicant's economic need for the tax exemption. Evidence of cost comparisons may be required when appropriate;
 4. A description of the existing use of the property, including if appropriate a justification for the elimination of existing sound and habitable housing;
 5. A site plan and supporting maps, drawn to a minimum scale of one inch equal to 16 feet, showing the development plan of the entire project including streets, driveways, sidewalks, pedestrian ways, off street parking, loading areas, location, design, and dimension of structures, use of land and structure(s), major

landscaping features, existing and proposed utility systems, including sanitary and storm sewers, water, electric, gas and telephone lines; and

6. Such other information required by state or local law or otherwise which is reasonably necessary to effectuate the purposes of this Chapter including a demonstration of the project's physical and functional connection to the nearest transit service.

- B. Concurrent with the submission of the application, an application fee as established by the Portland Development Commission shall be required.

3.103.040 Public Benefits.

- A. Purpose. The purpose of this Section is to achieve the type of higher density transit oriented development desired by the adoption of this Chapter in addition to furthering other public policy goals of the City and the County. Therefore, a number of options are presented to the applicant in order to achieve one or more public benefits.
- B. Except for the provisions of Section 3.103.040.D, below, all rental projects containing more than fifteen units applying for the exemption under the terms of this Chapter must include within the project and for the term of the exemption at least 20 percent of the units for rent at rates which are affordable to households earning 60 percent or less of the area median income.
 1. For the units affordable to households earning 60 percent or less of the area median income under the terms of this Chapter, the units must be rented to households whose incomes do not exceed 60 percent of the area median income upon initial occupancy of the unit by that household. Subsequent monitoring of the incomes of these households is not required until the affordable unit again becomes available for rent, at which time it must be rented to an income qualified household earning 60 percent of the area median income for the term of the property tax exemption, unless another unit has subsequently been rented at an equivalent affordable rate to a qualified household so that the project continues to comply with all provisions of this Section.
 2. Measurement of household income shall be determined using the U.S. Department of Housing and Urban Development's, or its successor agency's, annual household income for the Portland Metropolitan Area for a family of one person (for a studio apartment), two persons (for a one bedroom apartment), three persons (for a two bedroom apartment), or four persons (for a three bedroom apartment). Affordability shall be defined as a rental rate which does not exceed 30 percent of the monthly gross income for a family earning 60 percent or less of the area median income.

- C. All projects containing housing units available for individual purchase shall receive the property tax exemption only for those for-sale units which are affordable to households earning 100 percent or less of the area median income. Affordability shall be defined as a purchase price which does not exceed two and one half times the annual gross income for a family of four earning 100 percent or less of the area median income.
1. In order to qualify for this exemption, such units must be owner-occupied during the term of the exemption. Should any unit become available for sale during the term of the exemption, it must be sold to a household earning no more than 100 percent of the area median income as established by the U.S. Department of Housing and Urban Development, or its successor agency, during the year of sale in order to retain its property tax exempt status.
- D. As an alternative to the provisions of Section 3.103.040 B, above, the project may instead provide one or more of the following public benefits, except that projects containing 15 or fewer units are exempt from the provisions of Section 3.103.040 B, above, and need include only one of the following public benefits:
1. At least ten percent of the rental units must be affordable to households earning 30 percent or less of the area median income according to the equivalent formulas for determining affordable rent and household size as described in Sections 3.103.040 B. 1 and 2, above; or
 2. At least 20 percent of the rental units must be dedicated during the term of the exemption by covenant to households which include persons with special needs such as the mentally or physically disabled or other categories of persons as defined by the Federal Fair Housing Amendments Act of 1988; or
 3. At least 20 percent of the rental units must include three or more bedrooms; or
 4. The project must provide child care on-site or support child care through a service provider with a facility located within 1200 feet of a light rail station or within 400 feet of a transit stop at 25 percent of the annual value of the property tax exemption for each year of the term of the exemption, such in lieu support being dedicated to project residents or other households earning 60 percent or less of the area median income; or
 5. The project must provide a residential unit per acre density equivalent to at least 80 percent of the applicable maximum base zone as established by Title 33, Portland Zoning Code.

- E. In addition to the applicable provisions of Sections 3.103.040 A through D, above, the project must include at least one of the following:
1. Ground floor service or commercial use which is permitted and serves project residents, neighboring residents, and transit riders; or
 2. Office space or meeting room for community organizations; or
 3. Publicly accessible open space such as a landscaped plaza; or
 4. Family oriented recreational facilities for the children of project residents; or
 5. Transit amenities and transit or pedestrian design elements such as benches, bus shelters, directional signs, or an off-site sidewalk connecting the project to the nearest transit service.
- F. Staff from the Portland Development Commission shall confer, at a minimum, with the staffs of the Planning Bureau and the Office of Transportation for advice and confirmation regarding compliance with the relevant public benefits, plan policies, and transit oriented design features applicable to the project. Other bureaus or agencies indicating interest shall also be invited to comment. Written comments received from staff shall be entered into the record of the adopting report and recommendation presented before the City Council.
- G. The City Council shall specify the public benefits and transit oriented design features which are to be included in the proposed project. If the applicant fails to agree to include the public benefits as specified by the Council, the application shall be denied.

3.103.045 Approval Criteria. An application may be recommended for approval if the Development Commission staff establishes conditions which ensure that:

- A. The project contains one or more of the public benefits described in Section 3.103.040.
- B. The project containing these public benefits, affordable units, and /or transit oriented design features would not otherwise be financially feasible without the benefit provided by the property tax exemption.
- C. The construction project will at the time of completion, conform with the applicable provisions of Titles 17, 24, 32, 33, 34; and
- D. The applicant has complied with 3.103.010, 3.103.020, 3.103.030, and 3.103.040.

3.103.050 Review of Application.

- A. Within 80 days of receipt of a complete application, the staff of the Portland Development Commission shall recommend to the Portland City Council that the application be denied or approved subject to conditions. Portland Development Commission staff may require modifications to the project design in order to further the public goals of this Chapter.
- B. If the recommendation is for approval, the report and recommendation shall contain a resolution stating the terms and conditions of approval which shall be made available to the applicant, the City Council, and any interested agencies or individuals at least 14 days prior to consideration of the recommendation at a hearing conducted before the City Council.
- C. The City Council shall review the application and deny or approve it subject to conditions. Final action upon the application shall be in the form of a resolution that shall include; the owner's name and address; a description of the multiple-unit housing; the legal description of the property and the Assessor's property account number; and all conditions imposed and upon which approval of the application is based. An application not acted upon within 180 days from the date of application shall be deemed approved.
- D. If the application is denied, a notice of denial shall be sent to the applicant within 10 days following the denial. The notice shall state the reasons for denial.
- E. If the application is approved, the Portland Development Commission staff shall file with the Assessor a copy of the resolution approving the application.

3.103.060 Exemption.

- A. Except as provided for under subsection B., multiple-unit housing for which an exemption has been approved under the terms of this Chapter shall be exempt from ad valorem taxation for up to 10 successive years beginning July 1 of the year immediately following the calendar year in which construction is completed, determined by that stage in the construction process when, pursuant to ORS 307.330, the improvement would have gone on the tax rolls in the absence of the exemption. The exemption shall not include the land upon which the project is located, nor any improvement not part of the multiple-unit housing except for those improvements deemed a public benefit as specified in 3.103.040. The exemption provided in this section shall be in addition to any other exemption provided by law.
- B. In the case of a structure converted in whole or in part from other uses to multiple family, only the increase in value attributed to the conversion shall be eligible for the exemption.

- C. In either case, the value of the exemption shall not exceed 100 percent of its real market value.

3.103.070 Termination. If, after an application has been approved under this Chapter, the City finds that the work was not completed on or before July 1 2006; that any provision of this Chapter has not been complied with; or that any agreement by the owner or requirement imposed is not being satisfied, the Portland Development Commission staff shall send a notice of proposed termination of the exemption to the owner's last known address.

- A. The notice shall state the reasons for the proposed termination, and shall require the owner to appear before the City Council at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.
- B. If the owner fails to show cause why the exemption should not be terminated, the City Council shall adopt a resolution terminating the exemption. A copy of the resolution shall be filed with the County Assessor and a copy sent to the owner at his last known address within 10 days after its adoption.
- C. If the owner does not seek review of the termination of an exemption pursuant to ORS 34.010 to 34.100, upon final adjudication, the county officials having possession of the assessment and tax rolls shall correct the rolls in the manner provided for omitted property under ORS 311.207 to 311.213, to provide for the assessment and taxation of any property for which exemption was terminated by the City or by a court, in accordance with the finding of the City or the court as to the assessment year in which the exemption is first to be terminated. The County Assessor shall make such valuation of the property as shall be necessary to permit such correction of the rolls. The owner may appeal any such valuation in the same manner as provided for appeals under ORS 311.207 to 311.213. Where there has been a failure to comply with ORS 307.670, the property shall become taxable beginning July 1 of the calendar year in which the noncompliance first occurred. Any additional taxes becoming due shall be payable without interest if paid in the period prior to the 16th of the month next following the month of correction. If not paid within such period, the additional taxes shall be delinquent on the date they would normally have become delinquent if timely extended on the roll or rolls in the year or years for which the correction was made.

3.103.080 Extension of Deadline. Notwithstanding the provision of 3.104.070, if the City finds that construction of the multiple-unit housing was not completed by July 1, 2006, due to circumstances beyond the control of the owner, and that the owner has been acting and could reasonable be expected to act in good faith and with due

diligence, the City may extend the deadline for completion of construction for a period not to exceed 12 consecutive months.

3.103.090 Implementation. The Portland Development Commission shall establish procedures and prepare forms for implementation, administration, and monitoring for compliance with the provisions of this Chapter.

Maps showing the following areas to be attached:

- Goose Hollow LRT stations where light rail station areas exist outside the boundaries of the Central City Plan District.
- Eastside LRT station areas including 42nd/Hollywood, 60th, 82nd, and Gateway.
- LRT station areas and transit oriented areas within the Gateway Plan District and the Lents Town Center boundaries.



MULTNOMAH COUNTY, OREGON

BOARD OF COUNTY COMMISSIONERS

BEVERLY STEIN
DAN SALTZMAN
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BUDGET & QUALITY OFFICE

PORTLAND BUILDING
1120 S.W. FIFTH - ROOM 1400
P. O. BOX 14700
PORTLAND, OR 97214
PHONE (503) 248-3883

TO: Barry Crook, Budget & Quality Manager
FROM: J. Mark Campbell, Revenue Analyst *mk*
DATE: September 23, 1996
SUBJECT: Proposal to Grant Tax Exemptions for Transit Oriented Development

MULTNOMAH COUNTY
OREGON
SEP 24 PM 1:09
BOARD OF
COUNTY COMMISSIONERS

You have asked me to provide a brief analysis of the City of Portland's proposal to grant property tax exemptions for commercial development which occurs along transit corridors. I have organized this analysis into two sections - a discussion of tax exemptions in general and an analysis of the specific projects which may qualify for inclusion in the proposed program. Also, for purposes of this document, I am using the terms *exemption* and *abatement* interchangeably.

Impacts of Property Tax Exemptions

Oregon law provides local governments the ability to grant property tax exemptions in order to promote certain economic development goals. The Enterprise Zone Program, for example, grants a five year tax exemption for development which takes place within a designated enterprise zone and where the company seeking the exemption agrees to hire a certain percentage of employees from within the zone.

The theory behind most tax abatement programs I am familiar with is that local governments can use their tax structure as a lever for accomplishing desired economic development and social goals. In 1995, the Oregon legislature passed HB 3133 which provided cities and counties with the ability to grant a ten year tax exemption to developments which "*stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon's urban centers.*" The legislation states the goal of promoting private investment surrounding "light rail stations and transit oriented areas" in order to maximize the state's investment in transit programs.

My analysis does not attempt to address the merits of the objectives stated for this, or any other, tax abatement program. Rather, I will touch upon the fiscal impacts of such programs in general, with emphasis on the projects (see attached memo) targeted for inclusion in the Transit Oriented Development program.

As you may recall from our discussion of the Strategic Investment Program (SIP) the impact of granting a tax exemption will vary depending on the following conditions:

- ☞ Is the affected property in a levy code which is in M5 compression?
- ☞ Is the affected property in a levy code which is not in M5 compression?

To review, if a property is located in an area which is not under Measure 5 tax rate compression, the effect of granting a tax exemption is to shift the burden for paying the exempted taxes on to other taxpayers within the affected district(s). For the most part, the rapid growth in property values which has occurred over the past few years has lifted most taxing districts (excluding schools) in Multnomah County out of compression. If, however, a property is located in an area which is under tax rate compression, the effect of granting a tax exemption is a *net revenue loss* for all impacted taxing districts.

As you know, the equation by which property tax rates are calculated in Oregon is as follows:

$$(\text{Levy Authority} / \text{Assessed Valuation}) \times 1,000 = \text{Tax Rate}$$

Assuming the projects are not currently completed and on the tax rolls we would not expect local governments to experience any revenue loss. If there are qualifying properties currently on the tax roll their combined values would have to be significant enough to push the tax rate to more than \$10/\$1,000 before local governments would be impacted.

The situation is somewhat different for schools and educational service districts (ESDs). Because Measure 5 capped the tax rate for education at \$5/\$1,000 most schools and ESDs throughout the state have experienced tax rate compression. However, it is difficult to gauge the amount of revenue lost by any given district because the State of Oregon has been charged with "equalizing" school financing to compensate for the effects of Measure 5. And, in theory, any revenue lost to school districts because of tax exemptions granted by local governments would be made up by the state - although this does not necessarily imply a direct dollar for dollar replacement.

Transit Oriented Development Exemptions

The attached memorandum from Mike Saba outlines five projects which are ". . . likely candidates for initial eligibility. ." All of these projects lie within the City of Portland, thus impacting the City, County and the school districts noted in the memo. I have attached a spreadsheet which highlights the impact of exempting taxes for these five properties. As explained above, there will be no direct fiscal impact to either Multnomah County or the City of Portland. School districts will lose property tax revenue if these exemptions are granted.

For purposes of this analysis, I have assumed that each school district is at the statutorily limited tax rate of \$5/\$1,000. I have also made the assumption (perhaps erroneously) that the projects would be developed regardless of the offer of a tax exemption. And, although no revenue loss is anticipated for local governments, I have attempted to highlight the dollar value of the tax shift which would occur under this program.

I understand that the Board of County Commissioners will be briefed on this issue at their October 1st meeting. The analysis provided in this memo is intended to address the financial impact of granting tax abatements/exemptions and should not be read as advocating a position on the subject.

This analysis is somewhat cursory, but at this point there appears to be no negative fiscal impact for any of the local governments involved. In addition, the impact on school districts may, or may not, be mitigated by the State of Oregon. This analysis also does not address the possible passage of Measure 47 in the November general election.

Please let me know if you have additional questions regarding this issue and I will be prepared to respond on the 1st.



CITY OF
PORTLAND, OREGON
BUREAU OF PLANNING

Charlie Hales, Commissioner
David C. Knowles, Director
1120 S.W. 5th, Room 1002
Portland, Oregon 97204-1966
Telephone: (503) 823-7700
FAX (503) 823-7800

September 9, 1996

MEMORANDUM

TO: ✓ Barry Crook, Budget and Quality Manager
Multnomah County Finance Division

Randy Webster, Budget Analyst
Office of Finance and Administration

FROM: Mike Saba, Senior Planner
Planning Bureau

SUBJECT: Requested Information on the Upcoming Projects Likely to be Eligible for
the Proposed TOD Property Tax Exemption Program

As requested, I have obtained from PDC the five likely candidates for initial eligibility for the program the City is considering for adoption. I believe these would provide a good estimate of the first year impact of the program although it is not unusual for one or two to fall by the wayside or face delays of some sort. Interestingly, all of the locations fall outside the boundaries of the Portland School District. The estimated improvement value is taken from construction estimates and may overstate the ultimate assessed value, but this is the best estimate at this stage of pre-development. Remember also, that increased land value will be subject to taxes during the ten year exemption.

Project Location	School District	# of Units	Est. Improvement Value
NE 122nd/Glisan	David Douglas	119	\$9,650,000
SE 106th/Cherry Blossom	David Douglas	51	\$3,200,000
102nd/E Burnside	David Douglas	200	\$12,800,000
106th/E Burnside	David Douglas	88	\$3,900,000
131-149 SE 151st	Reynolds	68	\$2,400,000
Totals		526	\$31,950,000

I will be happy to meet with both of you again once you have developed your initial findings. Thanks again for your help.

cc: Bob Clay, Planning Bureau
Rey España, Community and Family Services Department

BOARD OF
COUNTY COMMISSIONERS
MULTNOMAH COUNTY
OREGON
96 SEP 24 PM 1:09

Transit Oriented Development Tax Exemption Program
\$ Impact Based on FY 95-96 Tax Rates

	Estimated Value	City @ \$6.14/\$1,000	County @ \$3.69/\$1,000	School District @ \$5.00/\$1,000
Property # 1	\$9,650,000	\$59,251	\$35,609	\$48,250
Property # 2	3,200,000	19,648	11,808	16,000
Property # 3	12,800,000	78,592	47,232	64,000
Property # 4	3,900,000	23,946	14,391	19,500
Property # 5	2,400,000	14,736	8,856	12,000
Totals	\$31,950,000	\$196,173	\$117,896	\$159,750

Notes:

1. The impact shown for the City and County is the amount of "tax shifting" which occurs if an exemption is granted for these particular properties. Because we do not anticipate any future tax rate compression there will be no revenue loss to either the City or County.
2. The impact shown for School Districts highlights the maximum revenue loss which we would expect. The actual property tax revenue lost by any given district will be a function of how close its tax rate is to the statutory limits set by Measure 5.

HOUSING & COMMUNITY DEVELOPMENT COMMISSION



808 SW Third Avenue
Room 600
Portland, Oregon 97204-1966

September 20, 1996

Mayor Katz and Members of the City Council
Portland City Hall
1400 SW Fifth Avenue
Portland, OR 97204

**RE: *The Proposed Property Tax Exemption Program for Transit Oriented Development-
Recommendation of the Housing and Community Development Commission for
Inclusion of 20 Percent of Rental Units Affordable to Households at 60 Percent of
Median Income***

Dear Mayor Katz and Members of the City Council:

HCDC members have been following with great interest the progress of the proposed program that will offer limited property tax exemption for transit oriented development. At our June 5, 1996 meeting, we heard a briefing from members of the staff work group charged with drafting the ordinance.

Emphasized in the staff briefing was the issue of affordability and how the directive of the state enabling legislation should be carried out. The statute specifies that the program is to "attract new development of multiple-unit housing in light rail station areas [and] in transit oriented areas..." Further, this development "shall result in the construction, addition or conversion of units at rental rates or sale prices accessible to a broad range of the general public."

At our briefing HCDC members strongly encouraged the staff to incorporate a meaningful setaside of rental units in each qualifying project that would be affordable to lower income households. We believed, and continue to believe, that a specific number of units must be affordable to households earning 60 percent or less of the area median income.

At a subsequent public hearing before the City Planning Commission held on August 27, Planning Commission members agreed that an affordability standard at 60 percent of median income is an appropriate public benefit for the ten year property tax exemption. *We wish to join the Planning Commission and urge your adoption of this threshold affordability standard as included in the Recommended Draft of the ordinance.*

Rationale

We wish to more fully explain our reasoning and establish the policy context for this recommendation.

The City of Portland Code defines HCDC's mission as one "to increase the effectiveness of the public housing delivery system by providing coordination among diverse public agencies which implement housing programs and by serving as a centralized liaison between those agencies and the governing bodies of the jurisdictions on issues regarding housing policy, goals, programs, and related allocation of public funds." Because the tax exemption programs are, in

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City of Portland



Multnomah County



City of Gresham

Mayor Katz and Members of the City Council
September 20, 1996
Page 2

effect, public housing subsidies we are obligated to comment upon the components of the program as they effect low and moderate income households.

The City has several property tax exemption programs, each designed to promote a specific type of housing construction, rehabilitation, or preservation activity. Except for the program available for newly constructed apartments in the Central City, each of these programs targets low and moderate income households. Like the exemption provided by the Central City program, the transit oriented program is not directed solely at low or moderate income households but speaks more broadly to the full range of incomes.

For the sake of consistency with our previously adopted recommendations regarding the allocation of the City's Housing Investment Fund, we believe a clear policy directive should speak to the needs of lower income households that can benefit most directly from increased housing production that is both affordable and convenient to transit service.

Further, we believe that this setaside would ensure the development of truly mixed income communities rather than continue the practice of developing projects marketed at a more narrowly focused income segment.

We understand that the transit oriented program establishes the goal of producing a type of higher density housing we have not yet seen near the light rail stations or in the town center areas of East Portland. This program may become a good tool to use as an incentive for desired high density residential and mixed use development along light rail and in transit/town centers as appropriate. Unfortunately it is not enough by itself, at this point in time. Currently market rents are not high enough, even with tax abatement, to stimulate the desired housing. Additional subsidy from the Housing Investment Fund or Low Income Housing Tax Credits appears necessary to spur the kind of transit oriented development desired.

This situation may not last, however. Assuming that the City and the region continue to grow during the next ten to twenty years, it is likely that population pressures alone will cause the rental market to inflate far beyond the capacities of low income households without the assurance of affordable unit production of the type possible through this program. By establishing a dedicated setaside now, we can in a small way establish the importance of ongoing affordable housing production.

A large portion of the rental population now earns less than sixty percent of the area median family income (\$26,640 for a family of four). The Livable City Goals have established a rate of production of which 41 percent of new rental units are to be affordable to households earning 50 percent or less of the median income. We would suggest that the exemption ordinance be consistent with other adopted housing policy.

In terms of transit use, while moderate and upper income families utilize transit to a higher degree when it is in close proximity and convenient to their homes, lower income families are more dependent on transit and have less alternative modes available to them.

Mayor Katz and Members of the City Council
September 20, 1996
Page 3

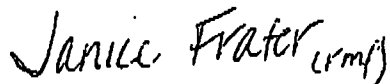
Desired transit oriented development is not just high density or mixed use and pedestrian/transit oriented, but also mixed income - creating affordable units along transit for lower income families who are more dependent on transit and for whom affordable housing is becoming scarcer.

HCDC recognizes that market forces are at work with land and development costs rising faster than market rents. Even so, we should not lose sight of the City's housing goals for lower income residents. We need to increase the amount of rental housing affordable to lower income households. Given the need for affordable housing, it would be unwise to establish a financial incentive program that does not include a component which continues to increase our stock of affordable rental housing.

At the same time HCDC is concerned about the length of affordability linked to the tax abatement and the need to create long term affordable units. To create stable mixed income communities we need to explore other tools, such as region wide inclusionary zoning, which can be crafted to ensure that units remain affordable for the useful life of the property.

Balancing the need for affordable housing with the need for high density development and making policy for the future should guide the development of this new abatement program.

Sincerely,

Handwritten signature of Janice Frater in cursive script.

Janice Frater, Chair
Housing and Community Development Commission

cc: Chair Beverly Stein and Members of the Multnomah County Board of Commissioners
Mayor Gussie McRobert and Members of the Gresham City Council



MULTNOMAH COUNTY

Department of Community & Family Services
Office for Community Action & Development

■ ■ ■ ■ ■ ■

HUD Median Family Income Percentages: Portland Statistical Area

(Revised 1/10/96)

Household Size	30%	50%	80%	100%	110%	135%
1	\$9,330	\$15,550	\$24,880	\$31,100	\$34,210	\$41,985
2	\$10,650	\$17,750	\$28,400	\$35,500	\$39,050	\$47,925
3	\$12,000	\$20,000	\$32,000	\$40,000	\$44,000	\$54,000
4	\$13,320	\$22,200	\$35,520	\$44,400	\$48,840	\$59,940
5	\$14,400	\$24,000	\$38,400	\$48,000	\$52,800	\$64,800
6	\$15,450	\$25,750	\$41,200	\$51,500	\$56,650	\$69,525
7	\$16,530	\$27,550	\$44,080	\$55,100	\$60,610	\$74,385
8+	\$17,580	\$29,300	\$46,880	\$58,600	\$64,460	\$79,110

(Based on the HUD Area Median Income: Portland Metropolitan Statistical Area as of January 10, 1996: \$44,000 for a family of four)

These guidelines should be used to determine program eligibility and to track beneficiaries. These guidelines apply to programs funded by CDBG, HOME and ESG.

NOTE: "very low income" is considered to be the 50% rate; "low income" is the 80% rate.

Table 23: Affordable Housing by Wage Levels, 1993

Single Person			2-Person Household			3-Person Household		
Annual Income	Hourly Wage	Afford. Hsg	Annual Income	Hourly Wage	Afford. Hsg	Annual Income	Hourly Wage	Afford. Hsg.
\$8,970 (30% MFI)	\$4.31	\$224	\$10,245 (30% MFI)	\$4.93	\$256	\$11,535 (30% MFI)	\$5.55	\$288
Three-fourths-time fast food worker, child monitor or service station attendant			Full-time fast-food worker, child monitor or service station attendant w/child			Full-time parking attendant officer, housekeeper, or taxi driver with two children		
\$14,950 (50% MFI)	\$7.19	\$374	\$17,075 (50% MFI)	\$8.21	\$427	\$19,200 (50% MFI)	\$9.23	\$480
Full-time data enterer, home health aide, nurse's aide, hairdresser, receptionist, forest conservation worker			Full-time teacher's aide, bank teller, cook, legal secretary, assembler, food server, or messenger with a child			Full-time medical assistant, bus driver, elementary school teacher, or bookkeeper with two children		

Source: City of Portland, 1994 Fact Sheet "What Housing is Affordable to Whom?"⁵³

For example, a single parent working full-time as a fast food worker earned about \$10,245 in 1993. Affordable rents for such a family would have to be \$256 or less per month.

Although not reflected in the table, affordable rents for a person currently on fixed income would need to be extremely low. The current maximum Supplemental Security Income (SSI) benefit for a household of one is \$470 per month, or \$5,640 per year. Affordable rents for someone with this income would be about \$141 per month. A widow earning an average of \$634 per month would need housing that costs only \$190 per month.

Inadequate Housing

Low income renters are more likely than others to live in housing with problems.⁵⁴ In 1990 the Census Bureau counted 1,437 households in the county lacking complete plumbing facilities and 2,014 households lacking complete kitchen facilities.

Transportation

► **Low-income people are more likely than higher-income people to be reliant upon public transportation.**

A lack of convenient and affordable transportation for low-income people can make it difficult for them to obtain and keep employment or access services.

Table 28 shows that the overwhelming percentage of the 286,600 workers in the county in 1989 used a car or motorcycle to get to work. Public transportation was used by only 10% of all workers, while 5% walked to work.

**Table 28: Means of Transportation of Multnomah County
Workers 16 Years and Over in 1989 (1990 Census)**

Means of Transportation	Percent of Workers
Car or Motorcycle	81%
Public Transportation	10%
Bicycle	1%
Walked	5%
Other Means	1%
Worked at Home	3%

Source: 1990 Census

Low-income people are more likely than higher-income people to be reliant upon public transportation. In November 1995, Tri-Met conducted a random survey of 1,007 adults over age 16 in the Tri-County area. The results show that survey participants who earned less than \$10,000 (N=33) tended to ride Tri-Met more frequently than those in higher income categories, suggesting that they rely on Tri-Met for their main source of transportation. For example, about 56% of survey participants earning less than \$10,000 rode Tri-Met at least seven times in the month prior to the survey, whereas only 16% of those earning \$30,000 to \$40,000 reported that many trips

Thus, the **Portland area is clearly in the midst of an apartment construction boom**. As usual, Washington County is leading the way, and has accounted for over half of the units. Within Washington County, permits were issued for 1,850 units in Hillsboro and 550 units in Beaverton since January 1995. More limited apartment construction activity is taking place in Clackamas and Multnomah Counties. Clark County was even slower, with permits for around 900 units.

Apartments are being built by two general categories of developers. These include merchant builders and developers of major 100 to 300 unit projects, including Trammel Crow Residential, The Robert Randall Company, Security Capital, Great Northwest Development, and GSL. However, there is a whole host of smaller developers who are not as visible in the marketplace, but have been active in building units. Among these developers are Joe Westerman, Carl Spitznagel, Phil McHugh, Ed Lilly, Ruben Menashe, David Abrams, Sam Slausen, Don Pollock, Mack Williams, Blaine Hoggard, Mark Rockwell, Steve Jossi and others.

Apartment values continue to rise. Many observers thought that 1995 would be a period for some cooling off of the rapid appreciation in apartment values. However, this clearly was not the case, as values have continued to accelerate in virtually all segments of the Portland area apartment market. There is a whole host of reasons for this. However, I attribute this rapid runup in values to the following:

- **Affordable Interest Rates**
- **The Impact of the Urban Growth Boundary**
- **Neighborhood Revitalization in Portland's East Side**
- **Strong Local Economy**
- **Property Tax Limitation Measure**

The biggest increase in values has occurred in older projects, **which are up approximately 12 percent per year for the last two years**. However, the increase has been less dramatic in newer apartments over the last two years. Typical value indicators for apartments in the Portland area are summarized as follows:

Area	Physical Value Indicators		Income Value Indicators		Annual Expenses		
	Per Unit	Per Sq. Ft.	GIM	Cap Rate	Per Unit	Per Sq. Ft.	% of EGI
Multnomah County							
Newer Garden Apt. (Post 1985)	\$42,000-\$55,000	\$50-\$65	6.2-6.5	8.5%-9.5%	\$2,500-\$3,000	\$2.70-\$3.25	35%-38%
Typical Garden Apt. (1965-1980)	\$30,000-\$38,000	\$40-\$50	5.5-6.5	9.0%-9.9%	\$1,800-\$2,650	\$2.60-\$3.00	36%-42%
Urban Garden Court (1925-1950)	\$38,000-\$45,000	\$55-\$70	7.0-8.0	7.8%-9.0%	\$1,800-\$2,200	\$2.70-\$3.80	37%-42%
Urban Brick Walkup (1909-1930)	\$30,000-\$38,000	\$50-\$58	5.8-6.8	8.0%-9.5%	\$2,000-\$2,800	\$2.60-\$3.25	38%-45%
Washington County							
Newer Garden Apt. (Post 1985)	\$45,000-\$55,000	\$50-\$65	6.0-6.5	8.5%-9.4%	\$2,500-\$3,200	\$3.00-\$3.50	35%-40%
Typical Garden Apt. (1965-1980)	\$32,000-\$44,000	\$40-\$50	5.6-6.4	8.5%-9.3%	\$2,200-\$3,000	\$2.75-\$3.50	38%-46%
Clackamas County							
Newer Garden Apt. (Post 1985)	\$43,000-\$55,000	\$50-\$65	6.0-6.6	8.5%-9.4%	\$2,500-\$3,200	\$3.00-\$3.50	35%-40%
Typical Garden Apt. (1965-1980)	\$32,000-\$39,000	\$38-\$50	5.6-6.3	9.0%-9.5%	\$2,100-\$2,800	\$2.75-\$3.10	38%-45%
Clark County							
Newer Garden Apt. (Post 1985)	\$42,000-\$55,000	\$48-\$65	6.3-6.7	8.5%-9.5%	\$2,500-\$3,000	\$2.75-\$3.00	35%-40%
Typical Garden Apt. (1965-1980)	\$33,000-\$40,000	\$40-\$50	5.5-6.1	9.0%-10.0%	\$1,900-\$2,500	\$2.50-\$3.00	36%-42%

So what can we expect over the next year?

- **Employment:** When we talk about where the apartment market is going, we need to look closely at what is happening with the economy, and the apartment market will generally follow. The forecasts I see show **job growth in the range of 25,000 to 30,000 jobs per year over the next two years**. While job growth has been strong, high housing prices and a shortage of labor could result in a lower rate of job growth.
- **Population Growth and Apartment Demand:** The forecasts I see show population growth in the range of **30,000 to 40,000 per year**. My figures show annual apartment demand for around 5,000 to 6,000 units.
- **Apartment Construction:** While there were permits for almost 7,000 units in 1995, the volume of apartment construction clearly accelerated in the second half of the year. Surveys prepared by the Grubb & Ellis research department show that around 9,500 units are planned! Many of these will not get built, or will be part of a phased development. Other projects will, in all likelihood, get built. **The apartment construction boom will continue, and I anticipate an annual volume of 6,000 to 7,000 units over the next two years.**
- **Apartment Vacancies:** I anticipate that **the supply of new units over the two years will exceed demand by around 1,000 per year**. With a low current apartment vacancy rate, **this should result in slight increases in the vacancy rates to the range of 4.25 to 4.75 percent.**
- **Assessments:** Even though the local assessors have been aggressive in raising apartment assessments over the last few years, **apartment values have moved rapidly and continue to be above the assessed values in most submarkets**. Our analysis of extensive apartment sales which have occurred since the 1995-96 assessments have been released show that **the average assessment is around 80 to 85 percent of the sales price of an apartment project, though some neighborhoods are overassessed**. The assessors are far more detailed and meticulous in their ratio studies for different submarkets within their respective counties, and have available to them all the same information available to me. **I would expect increases in assessments averaging 10 to 15 percent for the 1996-97 tax year.**
- **Apartment Values:** Sales for the first half of 1996 show continued strong demand, and continued upward movement on values. In the past, this was attributable to the favorable impact of the property tax limitation measure. In late 1994, we saw how vulnerable we were to increasing interest rates, and the impact on apartment sales activity. However, the millage rate will no longer continue to decline due to the property tax limitation measure. **The next year should see some stabilization in values.** I think this will be more dramatic toward the fourth quarter of the year, as investors anticipate changes in the assessments and higher property taxes. **I expect that it will take substantially greater rental increases to offset normal increases in the property taxes and expenses, and produce a higher net income.**



MULTNOMAH COUNTY, OREGON

BOARD OF COUNTY COMMISSIONERS
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BUDGET & QUALITY OFFICE
PORTLAND BUILDING
1120 S.W. FIFTH, ROOM 1400
PORTLAND, OR 97214
PHONE (503) 248-3883

TO: Barry Crook, Budget & Quality Manager
FROM: J. Mark Campbell, Revenue Analyst
DATE: September 27, 1996
SUBJECT: Transit Oriented Development - Additional Information

96 SEP 30 PM 3:48
MULTNOMAH COUNTY
OREGON
BOARD OF
COUNTY COMMISSIONERS

In my previous memo, I stated the impact of tax exemption programs generally and highlighted the impact of the tax shift which would occur if an exemption were granted for the five projects outlined in Mike Saba's memo.

You have asked me to provide some additional information for the Board of County Commissioners to consider as they deliberate over this issue. Specifically, you wanted to know:

- ⇒ *What is the impact on the property tax system if a project is not developed because an exemption is not granted?*
- ⇒ *What impact is Measure 47 likely to have on this exemption program?*

As I noted before, granting an exemption for the five projects identified by the City of Portland does not impact the revenue stream of either the city or the county. The exemptions would shift the tax burden onto all other taxpayers in the county - although the net impact would be roughly \$.50 for each taxpayer.

The amount of the tax shift that would occur is nearly negligible because the total value of the projects is less than one-tenth of one percent of the total assessed value in Multnomah County. At some point the continued use of this tax exemption program could produce a significant shifting of the tax burden (assuming that overall value growth is sufficient to keep local governments out of compression). To put this in context, however, it would take roughly 50 projects with an average value of \$10 million apiece to begin to approach the magnitude of the tax shift which resulted from granting an SIP abatement to Fujitsu.

If, on the other hand, the projects were not developed the properties would remain on the tax roll at their present value. There would be no impact on the property tax revenue stream. Assuming the value is relatively negligible, and assuming that no other development occurred to increase the value, property taxes would continue to be based on the entire assessed value. If the value of the property were to increase, either through some type of alternative development or simple appreciation, the effect would be a reduction in the overall tax rate - if you conservatively assume the value of the land is about 10% of the value of the entire project and you assume 7% value growth, the reduction would amount to about five cents per taxpayer.

*Transit Oriented Development
Tax Analysis - Multnomah County Budget & Quality
September 27, 1996*

The second question is a little more problematic, given the many uncertainties surrounding the "Cut and Cap" initiative. The short answer is that the initial financial impact is the same as if there were no additional property tax limitation. It is my opinion, based on an interpretation of the provisions of Measure 47, that tax exemption programs would be upheld as contractual obligations entered into by local governments.

If a tax exemption is not granted, I believe that any new development of the type defined in the City of Portland's proposed program would be considered as new construction and, thus, would be taxed based on the incremental value of the improvements. This would help to mitigate the revenue loss forecast to occur under Measure 47 - although the overall relief provided would be very minimal.

If a tax exemption is granted, it is my understanding that HB 3133 contained a provision that allows for the taxation of the property value not attributable to the development. In other words, if the original value of the land were \$5 million and it increased to \$6 million the one million dollar increment would be taxable. Under Measure 47, the actual taxes collected would be based on the tax paid in FY 94-95 or 90% of the FY 95-96 amount. I hereafter, the tax collected could only increase by 3% per year. This again would ameliorate some of the impacts of the measure but, for the most part, it is negligible.

The major uncertainty I see from granting a property tax exemption under the auspices of this measure is - "How would the property be treated once the exemption expired?" I would offer the conjecture that it would be considered as new construction and the tax would be based on the assessed value at the time the exemption was granted, allowing for a 3% annual increase in the tax levied on the property. I only offer this as one interpretation of how this might be addressed; it is virtually impossible to know how this would, in fact, be implemented.

To summarize, the fiscal impacts of the decision to grant property tax exemptions for targeted development in transit corridors are negligible for local governments and minimal for school districts. Measure 47 does not appear to directly impact the program, although the question of how property would be taxed when an exemption expired is one that we can only speculate about. The impact to individual taxpayers, based on the five projects outlined by the City of Portland, would be a tax shift of approximately fifty cents.

Please let me know if I can provide additional information.



TRI-MET
MEMORANDUM

DATE: September 25, 1996

TO: Board of Directors

FROM: Tom Walsh *Tom Walsh*

SUBJECT: RESOLUTION 96-09-81 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON (TRI-MET) SUPPORTING
ADOPTION OF "CHAPTER 3.103, PROPERTY TAX EXEMPTION FOR
NEW TRANSIT SUPPORTIVE RESIDENTIAL OR MIXED USE
DEVELOPMENT" BY THE CITY OF PORTLAND

The attached resolution supports the City of Portland's proposed tax abatement ordinance for transit supportive multiple family and mixed use projects not already covered by abatement legislation, primarily eastside light rail station areas.

The City's proposed ordinance has been approved by the Portland Development Commission and the Portland Planning Commission. The revised Ordinance will be presented to City Council in October 1996.

After adoption of the City's ordinance, the Board will be requested to endorse the adopted ordinance so that 100% abatement can be offered. To offer a 100% abatement on improvements, state law requires that taxing districts representing 51% of the tax rate endorse the ordinance after its adoption.

In 1995, HB 3133 amended state enabling legislation to expand the existing tax abatement program to include areas served by light rail and fixed route transit (bus) to support transit oriented development. It allows cities and counties to adopt an ordinance providing for a property tax exemption on eligible improvements for up to ten years for new multiple-unit housing or mixed use developments located near light rail stations or transit routes.

Eugene, Gresham, Portland and Salem already have tax abatement ordinance for the "core areas" of their cities which were adopted under a prior state law. Every major residential project in downtown Portland since the late 1970's has used the abatement program as well as other financial incentives.

Tax abatement is an important tool for cities and counties to support transit oriented development, and helps implement Tri-Met's Strategic Plan Land Use Goal. The Portland ordinance will set a precedent for other local jurisdictions.

RESOLUTION 96-09-81

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRI-MET) SUPPORTING ADOPTION OF "CHAPTER 3.103, PROPERTY TAX EXEMPTION FOR NEW TRANSIT SUPPORTIVE RESIDENTIAL OR MIXED USE DEVELOPMENT" BY THE CITY OF PORTLAND

WHEREAS, the Oregon legislature passed HB 3133 (Chapter 596, Oregon Laws 1995) which allows cities and counties to abate property taxes of transit supportive development; and

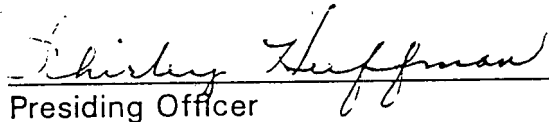
WHEREAS, the Portland City Council is considering adoption of an ordinance implementing HB 3133; and

WHEREAS, encouraging public/private partnerships for transit supportive development supports Tri-Met's Strategic Plan Land Use Goal.

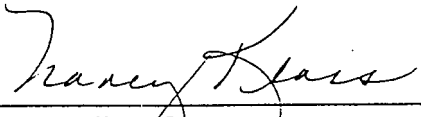
NOW, THEREFORE, BE IT RESOLVED:

1. The Tri-Met Board of Directors supports adoption of an ordinance by the Portland City Council to provide property tax abatement for transit supportive development.
2. The Tri-Met Board of Directors encourages other local property taxing districts to support adoption of the City's proposed ordinance.

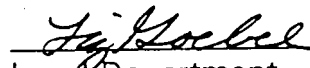
Dated: September 25, 1996


Presiding Officer

Attest:


Recording Secretary

Approved as to Legal Sufficiency:


Legal Department