



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

Nick Fish, Commissioner
Traci Manning, Director
421 SW 6th Avenue, Suite 500
Portland OR 97204
(503) 823-2375
Fax (503) 823-2387
www.portlandoregon.gov/PHB

Limited Term Exemption (LTE) Programs

The City of Portland Housing Bureau (PHB) administers tax exemption programs that encourage the construction of affordable housing by leveraging private housing development, to advance the City's housing and economic prosperity goals. The programs discussed below are administered consistent with the statutory authority described in ORS 307.600 & 307.651. A separate LTE program exists for affordable housing owned and operated by non-profit developers.

A review of the programs was recently completed by a Policy Review Committee that included public and private sector members knowledgeable about the programs. The Committee recommended program changes that are being reviewed by a wide diversity of stakeholders before being finalized and implemented in July 2012.

The Revised LTE Pilot Program will be in place for three years. Adjustments to the program will be considered based on a review of the approved projects and the Comprehensive Plan Update.

Summary of Draft Recommendations

Changes to the programs include instituting an annual cap on the total number of units or foregone revenue approved annually, and the creation of a competitive evaluation process for the Multi-Unit program. The following updates, when adopted, will be monitored and evaluated during a three-year pilot period.

Home Ownership New Construction

Eligible properties receive a 10-year tax exemption on the structural improvements (house) as long as the property owner remains eligible.

Program requirements:

- Property must be located within a Homebuyer Opportunity Area, as defined in statute (see maps)
- Property must sell for less than 100% of the annual median sale price for Portland – currently \$246,000 and adjusted annually
- Homeowner must earn no more than 100% median family income – currently \$73,000 for a family of four
- Property must be owner occupied and may not be rented at any time
- The home must have at least three bedrooms, unless built within a frequent transit service corridor in which case two bedroom homes are allowed
- Proposed homes must be built to LEED (silver), Earth Advantage (silver) standards
- Builder must address PHB's business equity goals for participation of Minority Women and Emerging Small Businesses (MWESB) in professional services and construction contracting
- Cap of 100 applications per year

Multi-Unit and Transit-Oriented Development

This program combines the Multi-Unit and Transit-Oriented Development programs into a single program. Eligible properties receive a 10-year tax exemption on the residential portion of the structural improvements, in some cases the commercial portion of mixed-use project may qualify for exemption. The housing units can be for rental or for homeownership but cannot be designed or used as transient accommodation, including but not limited to hotels/motels/temporary shelters.

Program requirements:

- Cap of \$1 million in additional foregone revenue per year (3-4 project per year)
- Annual competitive process – projects that meet minimum eligibility requirements will be scored based on public benefits proposed
- Financial analysis of the projects must demonstrate the need for the tax exemption to achieve economic feasibility with the affordable units.
- Projects must have at least ten units with a minimum density of 20 units per acre (mixed use) or 35 units per acre (residential only)
- Affordability - 20% of residential units affordable at 60% MFI, with allowance for units affordable up to 80% MFI in high cost market areas
- Projects must be built to LEED (silver), or Earth Advantage (silver) standards
- To be considered for exemption the commercial portion of a mixed use development must:
 - Meet a community identified need for goods or services not currently available within ¼-mile walking distance
 - Not compete with a similar established business within ¼-mile walking distance
 - Advance PDC's Neighborhood Economic Development goals
- Provide a plan to meet PHB's business equity goals for participation of Minority Women and Emerging Small Businesses (MWESB) in professional services and construction contracting.

Projects will be scored in a competitive process based on the Public Benefits presented by the developer with priority given to:

- Affordability in addition to threshold requirement
- Accessible units in addition to ADA and Fair Housing requirements. Units to be "accessible" or "accessibility ready", set aside during exemption term for households/persons with special needs
- Family sized units (2+ bedrooms) in areas lacking family housing units, with appropriate family friendly amenities (secure on-site play area, on-site garden area, etc.)
- Access to grocery stores, schools, day care, etc. within ¼-mile
- Quality gathering space available to the community at large
- A portion of units dedicated for residents served by a social service provider (i.e. youth transitioning out of foster care, survivors of domestic violence, military veterans)

Multi-Unit Transit Oriented Limited Term Exemption (LTE) Eligible Areas

Eligible Areas for the program are designated as required by statute, based on areas that allow for mixed use and higher density developments. Proposed changes to the Multi-Unit LTE Program map are based on designations in the Metro 2040 Growth Plan, Conceptual Station Area Planning for Portland-Milwaukie Light Rail Project, and the Portland Plan:

- Areas in URAs that are outside Metro 2040 designated Centers, Main Streets or Station Areas have been removed (map legend "Ineligible Urban Renewal Areas")
- Designated station areas with potential for redevelopment in the Portland-Milwaukie Light Rail line (map legend "Proposed Additions")
- Inclusion of Metro 2040 main streets with high walkability scores (a proxy for access to services and amenities) from the "20 -Minute Neighborhood Analysis Area" to reflect the Portland Plan guiding policy to encourage new affordable and accessible housing in close proximity to places with services and transit (map legend "Proposed Additions")

For More Information and to Provide Feedback: See LTE Policy Review Documents and link to provide comments on the PHB website: <http://www.portlandonline.com/phb/index.cfm?c=57699>

Contact: Kate Allen, Sr. Policy Advisor at kate.allen@portlandoregon.gov; 503.823.3606

Public Hearing: May 1, 2012 Portland Housing Advisory Commission (PHAC)
Portland Housing Bureau, 421 SW 6th Ave., Ste 500