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HOUSE REVENUE COMMITTEE
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SUBMITTED BY: KATE ALLEN

Commissioner Nick Fish
City of Portland

SB 322A TESTIMONY

HOUSE REVENUE COMMITTEE

KATE ALLEN CITY OF PORTLAND

on behalf of

CITY COMMISSIONER NICK FISH

May 11, 2011

Good morning Co-Chairs Barnhart and Berger, Vice Co-Chairs Bailey and Eyre-Brewer, and members of the committee. My name is Kate Allen; I serve as the Housing Policy Manager for the City of Portland Housing Bureau under the leadership of Portland City Commissioner Nick Fish. Thank you for the opportunity to testify today in support of Senate Bill 322, as amended.

Commissioner Fish regrets that a previously scheduled meeting in Portland with HUD Deputy Secretary Ron Sims keeps him from being here this morning. As the Housing Commissioner for the City of Portland, Commissioner Fish oversees the Portland Housing Bureau's administration of the residential property tax exemption programs and is pleased to Co-Chair, with his colleague Chair Cogen, a review committee that includes representatives from the impacted taxing jurisdictions and private sector finance providers and developers.

SB 322 extends the sunset date of the multiple unit housing exemption program to 2022, and includes language that clarifies that the "commercial portion" of the housing structure can be exempt, so long as it provides a clear public benefit, specified by the City and County.

This bill completes the administrative clean up of this statute by establishing the authority of local governments to design and implement programs that strategically meet local housing and community development goals.

The exemption program provides a strategic, limited term investment by local governments. It leverages private equity and conventional debt. At a time of declining public resources, it is an important tool in our tool kit to address the unmet housing needs of our citizens.

What is this exemption for?

The **New Multiple Unit Housing and Transit Oriented Development** programs that Portland operates under the statutory authority of ORS 307.600 to 307.637, relating to multiple unit housing, provide an incentive for the construction of new higher-density, mixed-income housing near transit facilities such as the MAX light rail system and in designated Centers and Corridors, by exempting the taxes on the value of the improvement for the period of the exemption. The underlying land remains taxable.

In 2010-11 the NMUH and TOD exemptions benefit a total of 3,103 units citywide and represent an investment by all taxing jurisdictions (foregone revenue) of $3,976,358.

The current authority sunsets in 2012, extension of the multi-unit housing exemption for 10 years signals to the finance & development community that the jurisdictions are supportive of certain types of higher density, transit proximate, mixed income housing to increase housing opportunities in locations consistent with our development goals.

Who is served?

2,943 units of rental housing and 160 owned units for a total of 3,103 in 2010-11. 1,214 <60% ($42,720/4); 109 restricted to <80% ($56,960/4); 1,649 units unrestricted.

Commercial improvements exempted include neighborhood-serving businesses (childcare, pharmacy, café/coffee shop, grocery, local retail). In these locations local zoning requires ground floor commercial.

For profit and non-profit developers have used this exemption.

In Portland's NE Hollywood district the Bookmark Apartments development is a good example. The 2002 development includes 47 apartments, 19 affordable at 60%mfi, over ground floor commercial uses that include the Hollywood branch of the public library, and a coffee shop. The affordable apartments allow lower income residents including seniors, to remain in this comfortable, walkable neighborhood with access to amenities such as grocery, high frequency bus service and good connections to services.

How are the programs administered/monitored?

The City of Portland has adopts ordinances authorizing the use of the statutory authority to advance local planning, development and housing goals. Taxing jurisdictions representing at least 51% of the underlying value must approve the programs. For these programs that means we work with our local government partners to ensure that the programs advance shared goals.

Programs are available with restrictions (moratorium on mixed use in Portland in 2005 ?) by application made and reviewed by a city/county staff committee for compliance with code and program goals. Housing Finance staff provides analysis of the developer's development pro forma to assess the financial need for the exemption. By code definition, the internal rate of return (IRR) for exemption period must not exceed 10%. That analysis is reviewed by PHB's Housing Investment Committee and the Planning Commission reviews the project for compliance with local district plans, and those recommendations are passed on to City Council for final action. If approved, developer executes a regulatory agreement and provides annual reports on project performance. If actual performance exceeds IRR cap, jurisdiction has a "claw back" provision under which developer will repay excess.

Other resources that do this?

The exemption leverages private investment in the form of developer equity and conventional financing.

Current public benefits include affordable housing (required), inclusion of large family apartment units, daycare, neighborhood serving commercial, increased density, healthy building, on-site recreational or community-use space.

For some developments that include deeply affordable housing, additional public subsidy is required, such as tax increment financing.

Who doesn't get served if it sunsets?

The exemption is an incentive for the private market to develop the kind of residential improvements local governments want (unit mix, affordability), where we want them and leverages private investment.

Without the incentive, these developments may not happen, or may not include affordability or other public benefits that are financially feasible because the exemption is used.

Commercial use as a public benefit.

The commercial space language is consistent with the way the program has been run in the past and with the 2010 Legislative action to "grandfather" exempted properties. The language recommended by the Department of Revenue "clears the cloud" created by a 2009 letter from the Attorney General's office, so that *local goals* can be considered in determining the qualifying types of public benefits to be included in residential developments.

The legislation gives local decision makers (through the Big Look process) clear statutory authority to design the program together to meet joint goals. The public benefits that qualify for exemption will be determined by the jurisdiction partners out of the Big Look process.

Please consider carefully the balanced approach being taken collaboratively among local governments, and with the private sector, and allow us to use this tool, which has created well located, mixed-income, mixed-use developments which are home to over 3,000 area residents, to preserve and enhance our ability to leverage investment in transportation and other urban infrastructure and, achieve local housing and development goals.