

# Update Affordable Multifamily Property Tax Incentives

## ***Amendment to ORS 307.600-637 makes commercial to residential conversion feasible and speeds up affordable housing development***

The Multiple Unit Property Tax Exemption programs authorized by ORS 307.600-637 are existing programs used to build more accessible housing in urban communities across Oregon. Often referred to as MULTE or MUPTe, local governments may adopt an ordinance to authorize the program to incentivize workforce, moderate-income and affordable housing. As cities develop their housing production strategies, updating this tool will make it even more useful.

### **Unfortunately, the authorizing statute limits the effectiveness of these property tax incentives by:**

- Requiring a city to pass an ordinance or resolution to approve *each* property tax exemption *application*, even though a city has already approved the use of the local option property tax exemption *program*—this can delay the housing project approval by more than a month.
- Limiting the amount of property tax exemption applicable for converted housing units to the increase in assessed value of the conversion—limiting the value of this tool for commercial office to residential conversions.

### **An amendment to ORS 307.600 can cut statutory red tape and costs for affordable housing local option property tax exemption projects that use MULTE and MUPTe.**

The amendment will:

- Allow cities to *administratively* approve tax exemptions for individual affordable housing projects once the governing bodies have approved these local option programs (amending 307.621(2) and 307.624(3)).
- Allow local governments to provide the MULTE or MUPTe exemption for the full value of an office-to-residential conversion, a key tool for project feasibility (amending ORS 307.612 (3)).



## ***Background on Existing MUPTE/MULTE Program***

Currently, the MUPTE and MULTE program authorized by ORS 307.600 to 307.637 is designed to incentivize diverse multifamily housing options in urban centers lacking choices for workforce or moderate-income levels. Multi-unit residential projects of three units or more can receive up to a ten-year property tax exemption on the structural improvements as long as the program requirements are met. If a project consists of low income/affordable housing, the exemption may last as long as the predetermined termination date of the affordability contract.

Individual local jurisdictions have the ability to set program and eligibility requirements (e.g., applicable geography, application process and fees, criteria, program cap) and approve projects on a case-by-case basis.

The exemption may also include parking and commercial uses, so long as the parking is constructed as part of the multi-unit building, and the commercial use is a requirement of the design and/or development code standards or is a required “public benefit” established by the tax exemption ordinance.

### ***Eligible Areas***

State law specifies that to designate an area eligible for the property tax exemption, the area must meet the definition of a Core area, a Light rail station area, or a Transit-oriented area. A jurisdiction can elect to designate the entire jurisdictional limits if the tax exemption program is subject and eligible to low income/affordable housing.

### ***Eligibility Requirements***

As part of the adopting ordinance, the jurisdiction is required to establish standards, guidelines, and eligible program requirements to be utilized for application consideration and determination. State law provides an example of suggested standards and guidelines, but specifies a jurisdiction is not limited to these specifically. They include:

- Justification of the elimination of any existing housing on project site (if applicable).
- Design elements.
- Rental rates or sales prices.
- Extensions of public benefits from the project beyond the period of exemption.
- Minimum number of units.
- Low income/affordable housing unit requirement.

### ***Approved MUPTE Jurisdictions***

The MUPTE program tends to be utilized by jurisdictions with larger populations in the State of Oregon. As of 2020, Salem, Eugene, Newport, Cottage Grove and Portland have adopted a program.

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