



Commissioner Nick Fish
City of Portland

TESTIMONY

SENATE FINANCE and REVENUE COMMITTEE

By

CITY OF PORTLAND, COMMISSIONER NICK FISH

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Good afternoon my name is Nick Fish and I serve as the Housing Commissioner for the City of Portland. As Housing Commissioner, I oversee the Portland Housing Bureau which administers all of our residential property tax exemptions programs, and issues annual reports.

Before I begin, I want to thank you for your work in the 2010 session to support this program by passing Senate Bill 1015 A, which clarified the scope of the program for existing exemption holders.

Chair Burdick, Vice Chair Morse, and members of the committee, thank you for the opportunity to testify in support of Senate Bill 322.

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, 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.

I am honored to be here today with my friend and colleague Multnomah County Chair Cogen and Kate Allen, the City's Housing Policy Manager.

You will also hear from the expert point of view of a three knowledgeable stakeholders – Jill Sherman with Gerding Edlen Development a valued member of Portland's development community, who also serves the City as a member of the Planning and Sustainability Commission, and has joined Chair Cogen and me on the Limited Tax Exemption Policy Review Committee; Janet Byrd, with Neighborhood Partnerships, on behalf of the Housing Alliance, a great friend to affordable housing in Portland and around the state; and from Denny Braud, our colleague from Eugene, a community where the multiple unit tax exemption has been used to advance local development goals.

Chair Cogen will highlight some of the work Portland, Multnomah County and our local school districts are undertaking to continue to be good stewards of the property tax exemption programs:

- The City and County continue to work across jurisdictions, and the City/County technical staff working group exemplify this strong collaboration.
- Chairs Cogen and I are co-chairs of the "Big Look" policy committee, a dynamic group of elected officials and community members who are evaluating the current goals and effectiveness of the residential property tax abatement programs in order to guide their future direction.
 - The outcome of this work will consider program changes that balance shared housing goals and the stewardship of property tax revenue.

The extension of the multiple unit housing exemption will enable our county and city partners to continue to refine and develop this work.

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 Centers and Corridors designated by Metro's 2040 Growth Concept.

In 2010-11 the 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 HUD Livability Principles, Portland Plan goals, and the regional 2040 growth strategy.

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 (H&R Block, salons, childcare, RiteAid, café/coffee shop, grocery, local retail). In these locations ground floor commercial is required by local zoning.

For profit and non-profit developers have used this exemption

Other resources that do this?

The exemption leverages private investment in the form of developer equity and conventional financing. Applicants are required to demonstrate that the exemption is necessary for the financial feasibility of the project (developers rate of return test), and assure the provision of the sufficient public benefit, beyond location efficiency.

Current public benefits include affordable housing (required), daycare, neighborhood serving commercial, increased density, green building, on-site recreational or community-use space.

For some developments 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 development community to develop the kind of residential improvements we 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 provision is consistent with the way the program has been run in the past and with the 2010 Legislative action to "grandfather" exempted properties. It "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.

Thank you.

Additional Testimony:

Janet Byrd, Housing Alliance – in support, important tool for development of mixed income, mixed use housing that creates opportunities for affordable housing in improving areas AND can bring important public improvements and a healthy housing mix to underserved areas.

Jill Sherman, Gerding Edlen Development – developers wish to assist the public sector in achieving goals for development of mixed income housing that leverages the local investment in transit and other urban infrastructure and creates vibrant neighborhoods where commercial services, such as groceries, day care and medical offices and present.

Denny Braud – City of Eugene – in support of the program and relating its use in Eugene. Eugene supports the local determination of appropriate public benefits, which may include commercial, on a case by case basis.

