



PROPERTY TAX EXEMPTION PROGRAMS

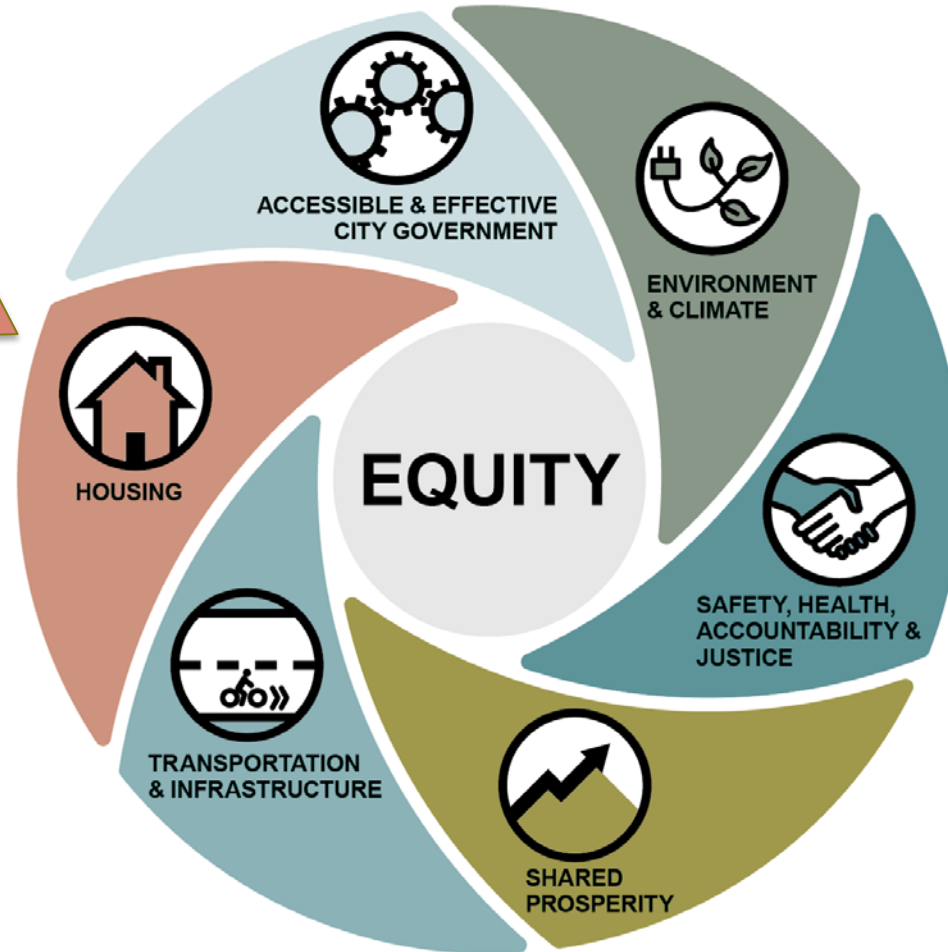
City Council
December 15, 2021



COUNCIL GOALS – HOUSING & PROSPERITY

HOUSING

Pursue Policy Actions to Increase the Supply of Housing as a platform for Equity

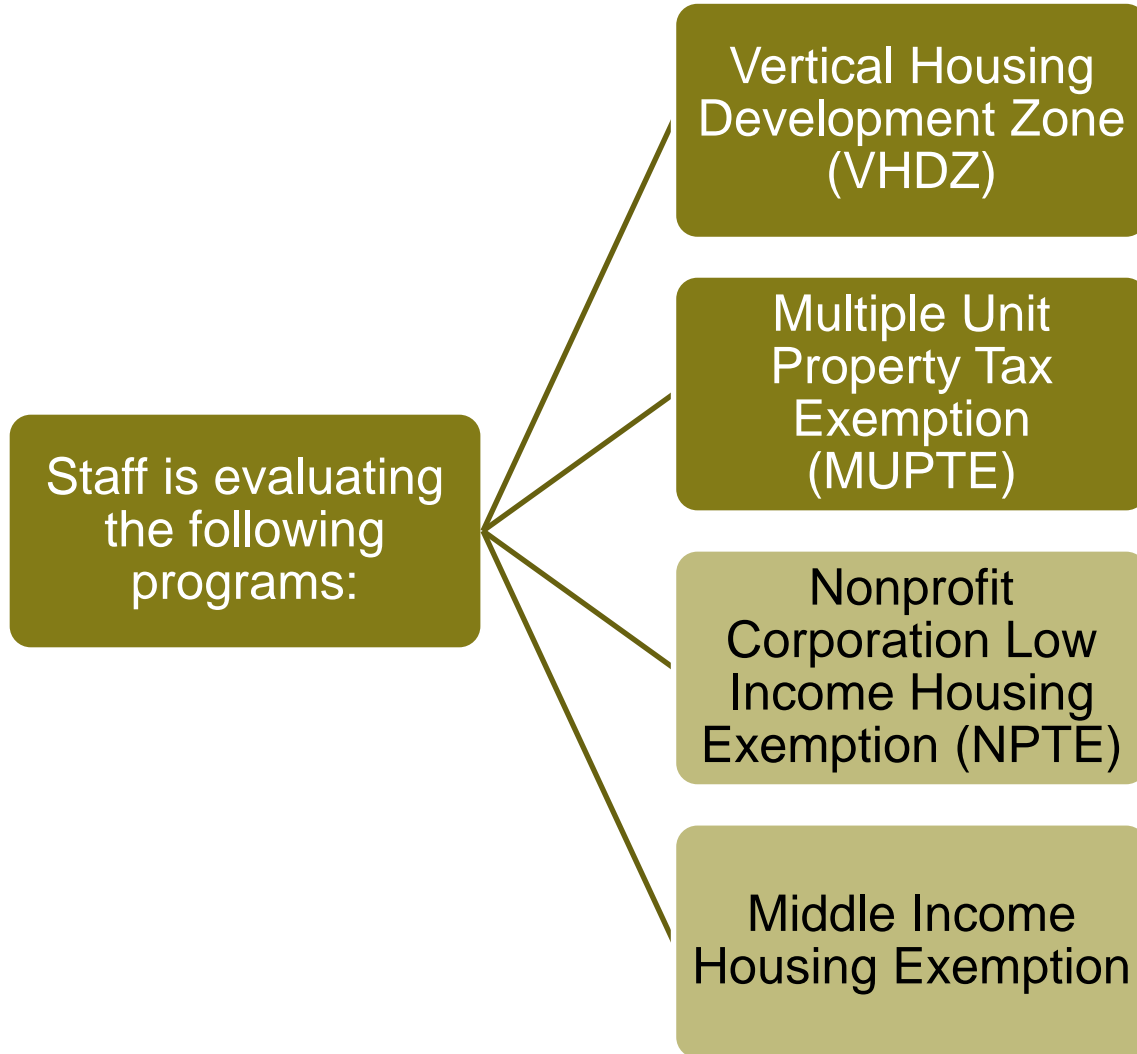


2019-20: Previous Council gave direction for staff to pursue MUPTE

July 2021: Council asked staff to pursue tax exemption programs to support Council Housing Goals

November 2021: Staff presented to AHAC on four potential tax exemption programs

Today (Dec 2021): Direction & Next Steps



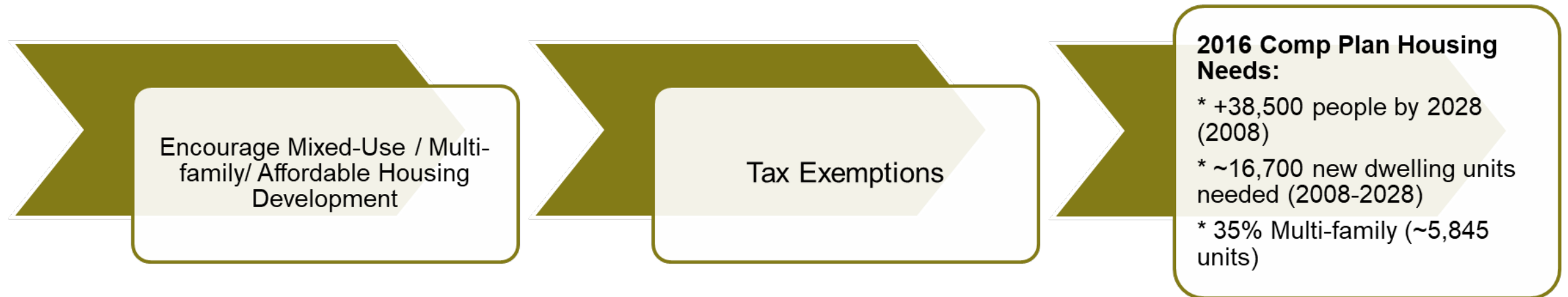
- Overview of all four programs
 - VHDZ
 - MUPTE
 - Non-Profit
 - Middle Income
- Direction:
 - Does Council want to continue evaluating and pursuing all four exemption programs?
 - Outreach Process



WHY TAX EXEMPTIONS?



- Basic idea: offer property tax exemptions for a limited time period in order to enable higher density developments or certain aspects of development (ie. Affordable & low-income housing, childcare, etc.) that would not otherwise "pencil"
- Not a new idea



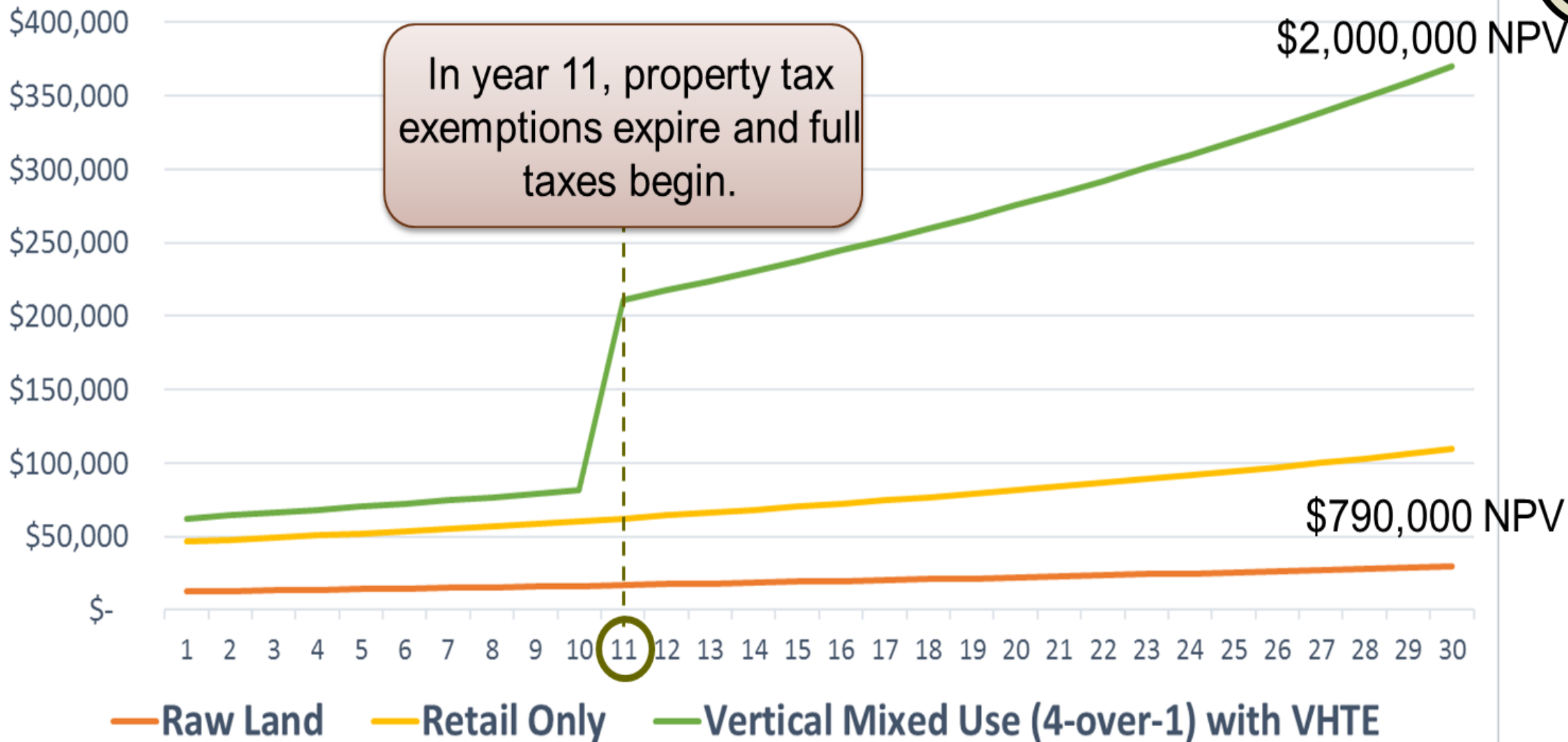


Tax Exemption Programs:

- Could require some additional staff capacity to administer programs
- Are a direct subsidy to development and therefore should be evaluated by return on investment & public benefit provided
- If adopted, could have near-term impacts to City and other taxing district revenue
- Should be considered carefully in Urban Renewal/Tax Increment Finance (TIF) areas

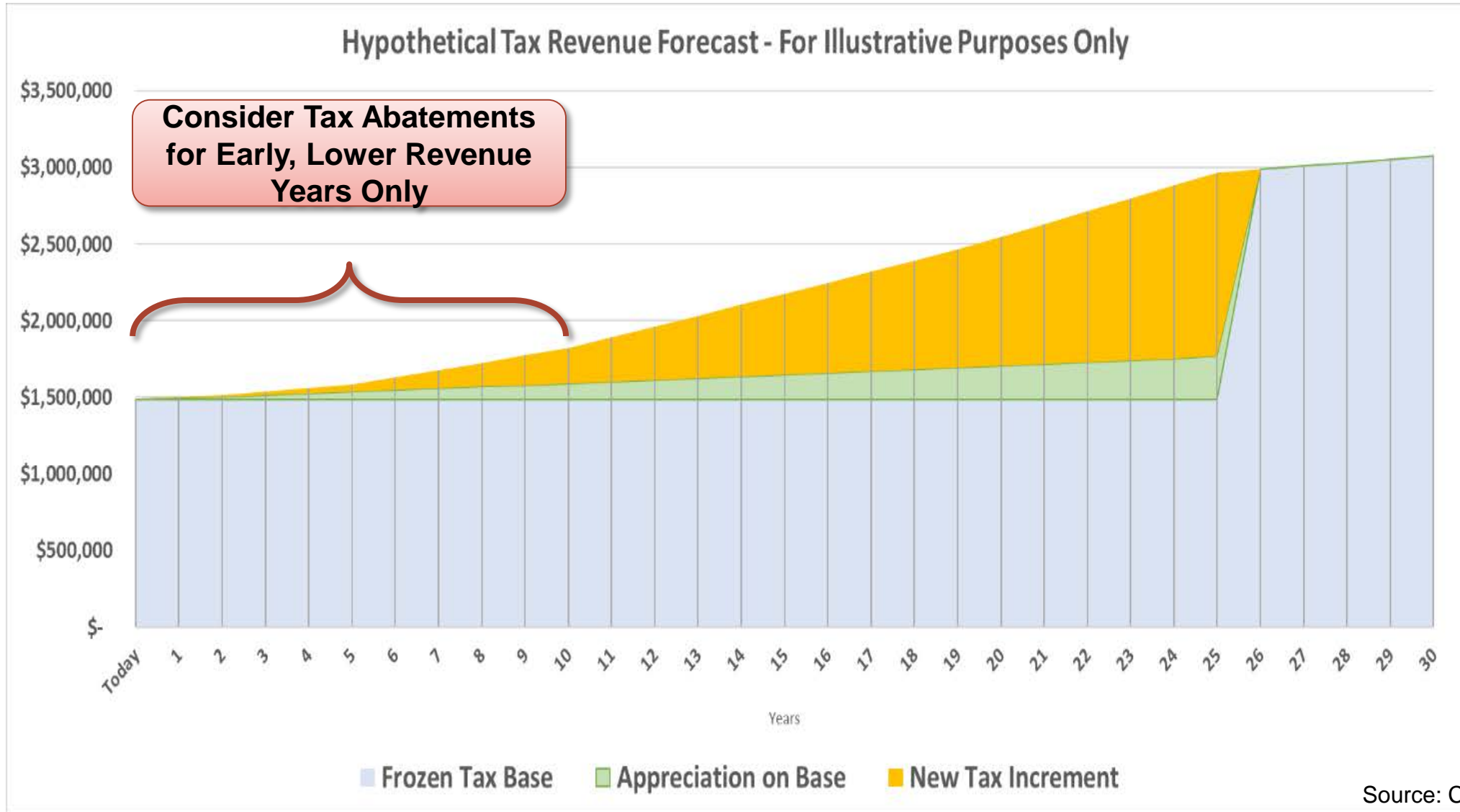


30 Year Annual Tax Revenue



Source: Cascadia Partners

CONSIDERATIONS FOR TIF AREAS



Source: Cascadia Partners

VERTICAL HOUSING DEVELOPMENT ZONE



VHDZ

VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ)



Program Requirements

- Program adopted by Ordinance
- Each project approved by Resolution
- Anywhere in the City: create a designated zone

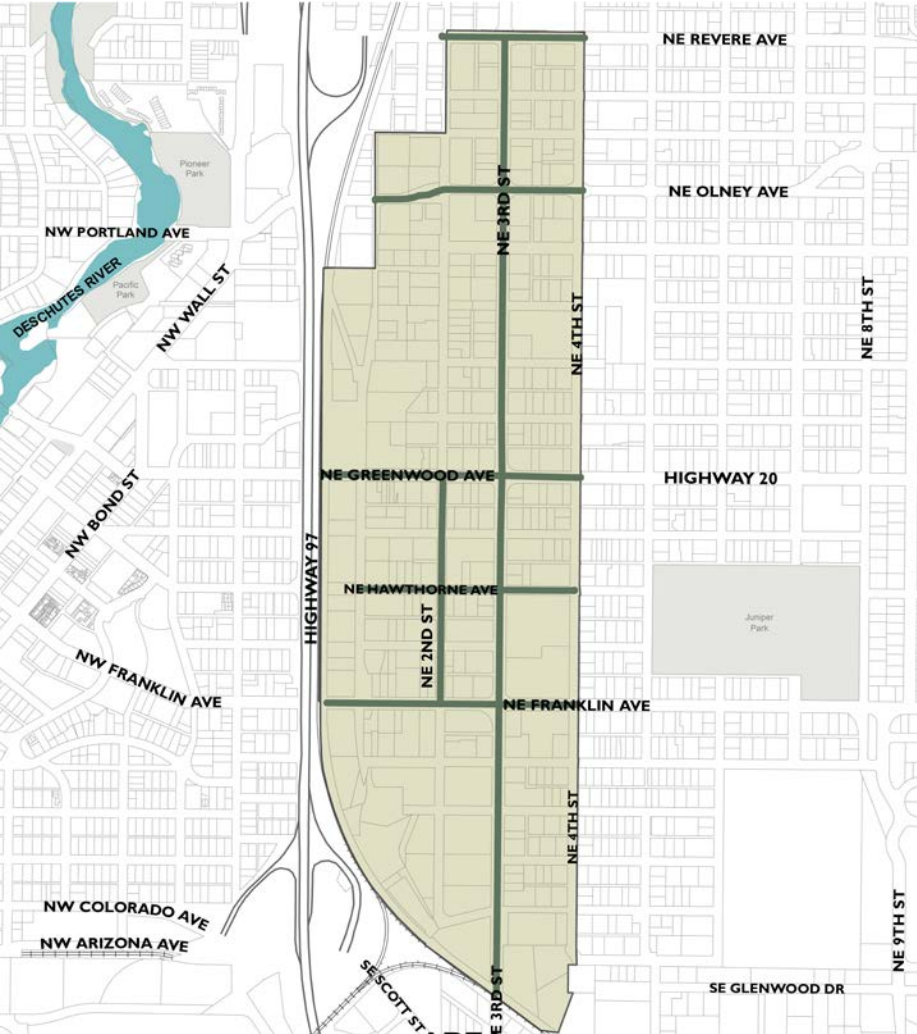


- Improvements exempt (not land*) for 10 years
- Exemption based on # of “equalized floors”: 20% per floor up to 80% for 4 floors
- 50% of ground floor area must be committed to non-residential use(s).

**Land can be partially exempted for Affordable/Low-Income housing (up to 80% AMI)*

- Taxing Districts automatically included to participate
- Taxing Districts can individually elect not to participate within 30-45 days of City notice
- Project must already be under construction to apply

VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ)



PROS

- Incentivizes higher density, multistory, mixed-use development
- Incentives apply to market-rate & mixed income, w/ additional incentives for affordable housing

CONS

- Taxing Districts may elect to “opt-out”
- Requires commercial use on ground floor
- Requires project to be under construction to qualify

NOTES

- Frequently used in conjunction with TIF/Urban Renewal
- Used in Tigard, Springfield, Medford, Beaverton, Hillsboro

MULTIPLE UNIT PROPERTY TAX EXEMPTION



MUPTTE

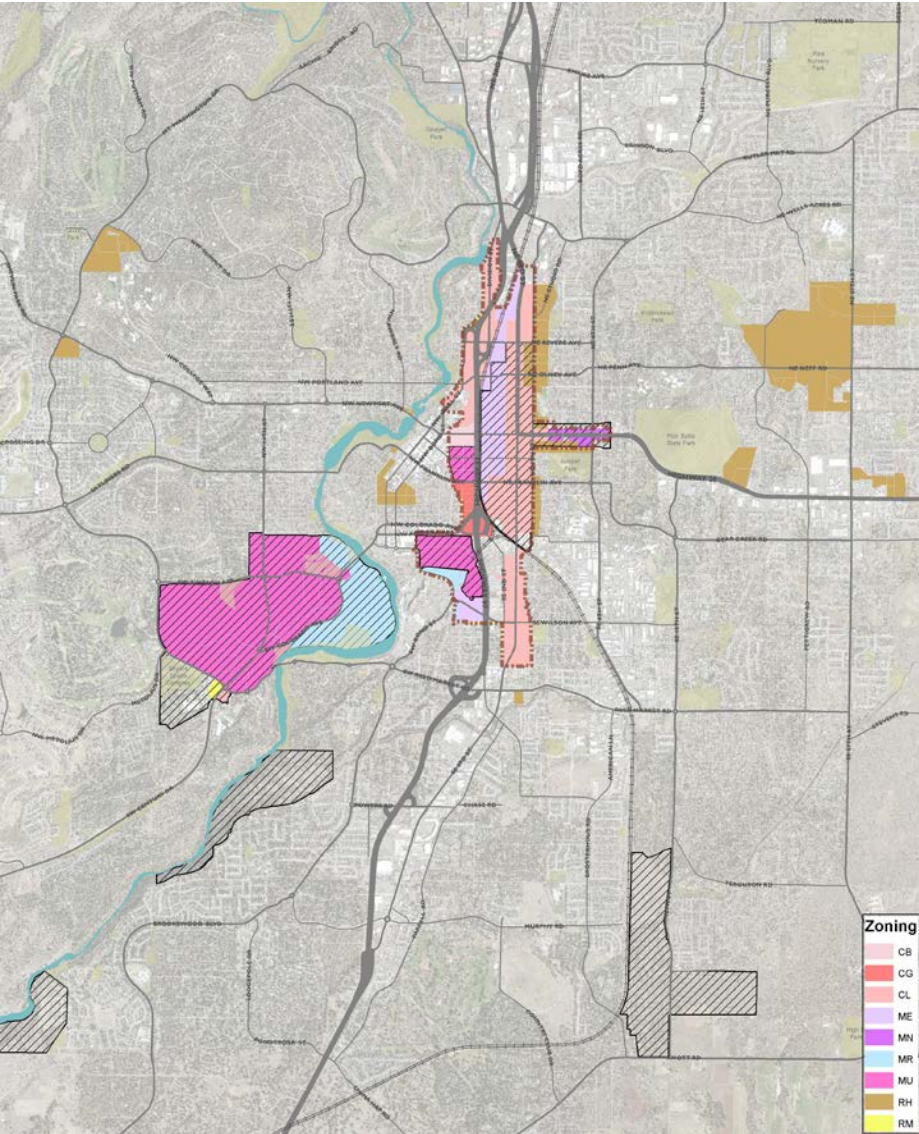
MULTI-UNIT PROPERTY TAX EXEMPTION (MUPTTE)



Program Requirements

- Program adopted by Ordinance
 - Each project approved by Resolution
 - Core Areas, Transit Oriented Areas
-
- Improvements exempt (not land) for up to 10 years
 - Affordable/Low Income exemption can be extended beyond 10 years
 - Exemptions can include associated parking and/or ground floor commercial space if required as part of development
-
- Taxing District participation not required
 - If 51% of combined levy Taxing Districts agree by Board resolution to participate, all districts are included.
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MULTI-UNIT PROPERTY TAX EXEMPTION (MUPTTE)



PROS

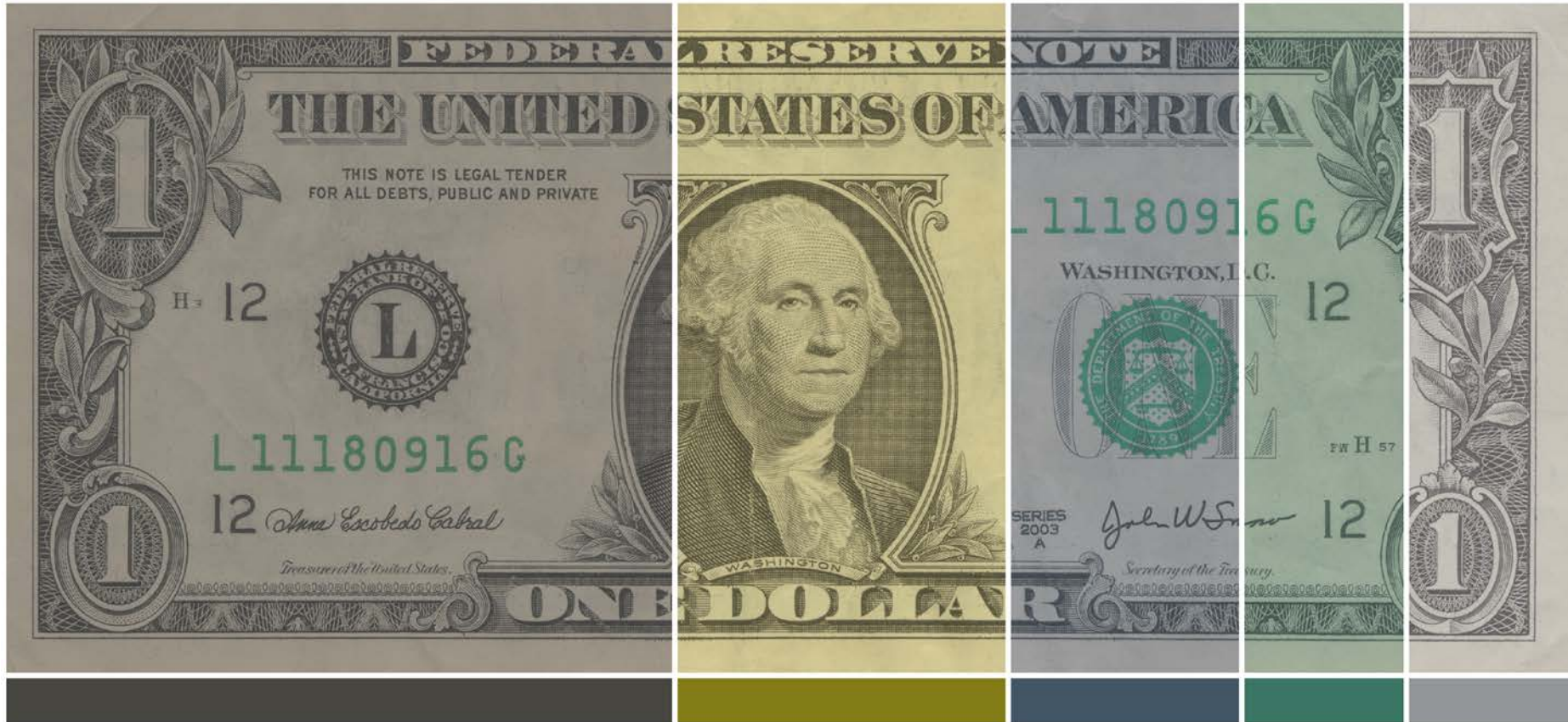
- City establishes eligibility criteria
- Applicants can be required to demonstrate project feasibility
- Can be applied to any zone that supports multi-unit housing
- Does not require commercial ground floor use

CONS

- 51% of Taxing District Levy must support
- Timely application/process

NOTES

- City can tailor eligibility criteria to meet needs & goals
- Used in Salem, Eugene, Cottage Grove, and Newport.



42.6%
Bend-La Pine
Schools

21.2%
City of
Bend

14.8%
Deschutes
County

10.3%
Park
& Rec

11.1%
Other*

*COCC 4.7%, Library 3.5%,
911 2.3%, High Desert ESD 0.6%

EXAMPLE ELIGIBILITY CRITERIA



- Location
- # of dwelling units
- Public Benefit provided:
 - Units at sales price or rental rates that are accessible to broad income range
 - Childcare facilities
 - Facilities supportive of the arts
 - Extra costs associated with infill or redevelopment projects such as land assembly, environmental clean-up, demolition, and infrastructure replacement/expansion
 - Energy efficiency buildings (net zero)
 - Mobility hub amenities or programs supportive of use of transit



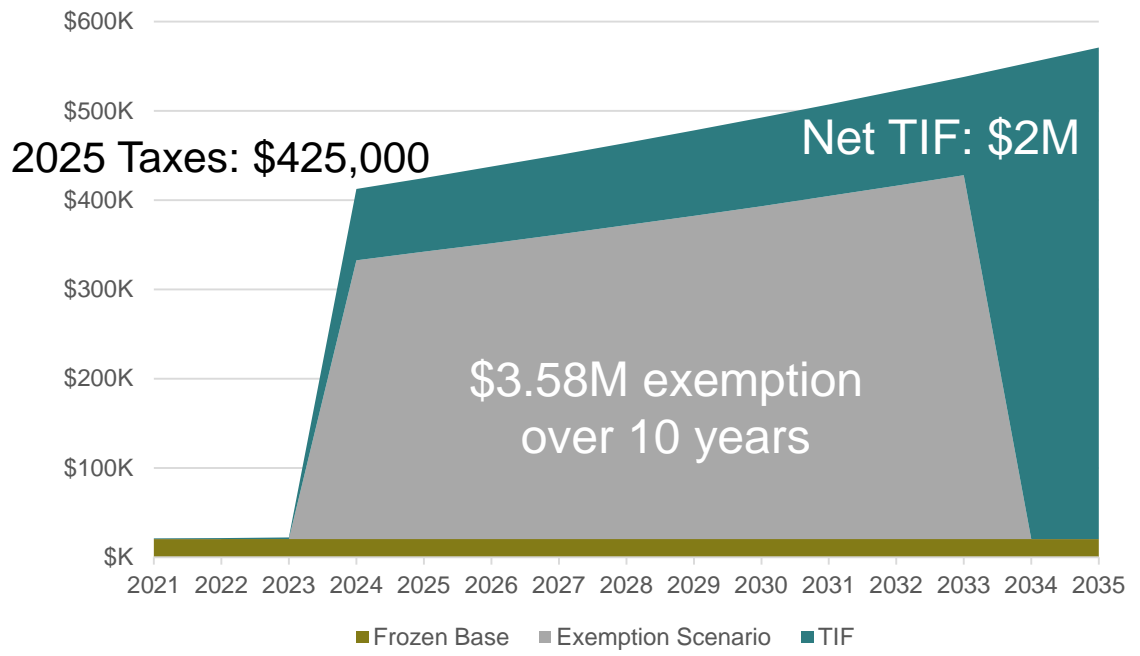
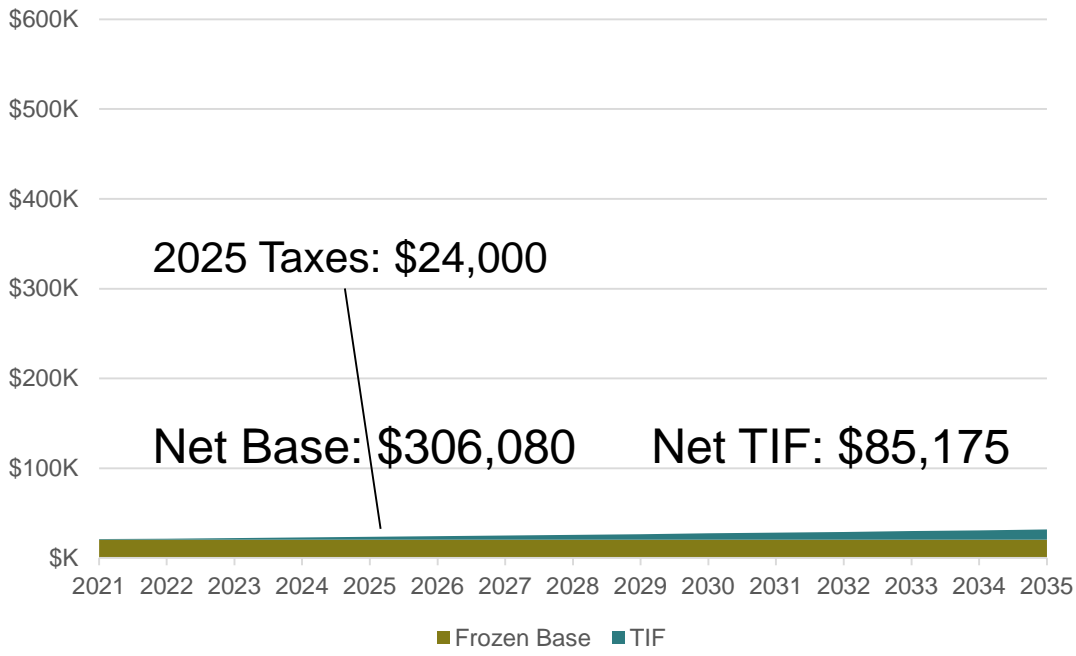
EXAMPLE PROJECT- INDUSTRIAL USE TO 5 STORY MIXED USE IN BCD



No Build Scenario



Build with Exemption Scenario





NON-PROFIT TAX EXEMPTION FOR AFFORDABLE HOUSING DEVELOPMENT

NON PROFIT TAX EXEMPTION



Program Requirements

Adopted by Ordinance

Annual application required for review and approval by local government

Exemption length is determined by City and can be for the length of affordability

Must be leased or owned by a 501(c) (3) or (4) charitable corporation, including tax credit partnerships

Allowed anywhere in City, can be partial, and there is no unit minimum

Limited to persons at 60% AMI or less: local governments may choose to allow eligible income to rise to 80% after first year of occupancy

100% exemption if approved by jurisdictions representing at least 51% of tax rate (usually city plus school district)



NON-PROFIT TAX EXEMPTION



- ORS 307.540 - 307.548
- Created in 1985 by the Oregon Legislature, this tax exemption is intended to benefit low-income renters by alleviating property tax burden on those agencies that provide this housing opportunity.



PROS

- Local government can add additional criteria if not inconsistent with the other criteria for the exemption
- Can be existing housing or new development; includes land held for development
- No limit on length of exemption if criteria are met

CONS

- Current sunset is 7/1/2027
- Limited to persons at 60 percent AMI or less (year 1)
- Annual application and review required

NOTES

- Currently used by Portland, Beaverton, Forest Grove, Cornelius, Tigard, Wilsonville and others



**MIDDLE INCOME TAX EXEMPTION
(NEWLY REHABILITATED OR CONSTRUCTED
MULTIUNIT RENTAL HOUSING)**

MIDDLE INCOME TAX EXEMPTION



Program Requirements

Local option, 100% of taxes exempted if 51% of taxing districts agree

Income ranges of future tenants can be defined by local agency, likely up to 120% AMI (currently \$96,480 for 4 person household)

Available for newly constructed or rehabilitated housing only

Can only qualify for the exemption based on rehabilitation once

Length of exemption is tied to a formula created by the local government based on number of middle-income units, up to 10 years

Compiled as notes following ORS 307.867, exemption for newly rehabilitated or constructed multiunit rental housing

MIDDLE INCOME TAX EXEMPTION



PROS

- Incentivizing housing that will be restricted to middle income
- City establishes formula for length of exemption

CONS

- Possibility of disincentivizing Affordable Housing
- 51% of Taxing District Levy must support
- Must be for rent

NOTES

- Currently used by Tillamook, OR & under consideration by Redmond, OR

DIRECTION & NEXT STEPS



- Today: Does Council want to continue evaluating and pursuing all four exemption programs? If so, do you approve of following process:
 - Set up "working group" (BEDAB, AHAC, NLA, CAAB) to provide recommendations regarding:
 - Prioritization of programs
 - Applicable area/zones
 - Program requirements / Eligibility criteria
 - Outreach to overlapping taxing districts (need Council volunteers)
 - Review recommendations with Community Building subcommittee (Feb) before bringing back to Council

