



ECONOMIC
DEVELOPMENT

M E M O R A N D U M

To: Bend City Council

From: Matt Stuart, Urban Renewal Manager

Re: Property Tax Exemption Programs – Multifamily

Date: 2/25/2020

This memo is intended to provide an overview of two (2) multifamily property tax exemption programs, as enabled by the State of Oregon (ORS 307), for the City of Bend to implement – at its discretion. City Council identified the need to *implement tax exemption programs that promote housing goals* as part of the Economic Vitality goal for 2019-21¹. Each program described below is intended to serve as a tool aimed at both encouraging multistory multifamily housing development as well as increasing their financial feasibility (by lowering annual operating costs).

VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ) (ORS 307.841 to 307.867)

Overview

The VHDZ is designed to incentivize mixed-use, multistory, commercial/residential developments through a partial property tax exemption for ten (10) years within a designated zone².

In order to be eligible for a partial property tax exemption, state law includes the following requirements:

¹ 2019-2021 Bend City Council Goals. <https://www.bendoregon.gov/home/showdocument?id=41411>

² Not a “zone” for the purpose of land use and development standards. It is designated location providing a financial incentive.

- The project must be entirely located in an established VHDZ.
- The project must be a multistory building including a mix of non-residential uses (e.g., commercial) and residential housing.
- At least fifty (50) percent of the building's ground floor that fronts on the primary public street must be committed to non-residential uses.
- Construction or rehabilitation must have started on each building included on the project prior to exemption approval.

The partial property tax exemption varies based on the number residential floors within a mixed-use project. Each floor of residential units above the ground floor of commercial use is eligible to receive a twenty (20) percent partial property tax exemption on the value of the structural improvements. No more than eighty (80) percent of the structural improvement property tax is eligible to be exempted for any single project. The exemption does not include the value of the land, unless the project includes a floor or more of low income/affordable housing³; in which case the property tax of the land is also eligible to receive a twenty (20) percent partial tax exemption (per each floor).

Taxing Districts

State law requires the jurisdiction to notify, via a mailed notice, all applicable taxing districts of the adopting jurisdictions intent to designate a VHDZ. Each taxing district has the right to elect not to participate in the partial property tax exemption. Taxing districts who choose not to participate must notify the jurisdiction within thirty (30) to forty-five (45) days of the adopting jurisdiction's notification of intent to designate, via an adopted resolution or other official instrument. Taxing districts that do not communicate their intent not to participate are deemed to be participatory in the partial tax exemption program.

Approved VHDZ Jurisdictions

³ Defined as at or below 60% Area Median Income (AMI) for rental and at or below 80% AMI for ownership units.

Approximately twenty (20) jurisdictions within the State of Oregon have an approved VHDZ. Below is a list of jurisdictions with an approved VHDZ of similar population size to the City of Bend:

- Tigard
- Springfield
- Medford
- Beaverton
- Hillsboro
- Gresham

MULTIPLE-UNIT PROPERTY TAX EXEMPTION (MUPTE) (ORS 307.600 to 307.637)

Overview

The MUPTE 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 (3) units or more can receive up to a ten (10) 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.

While enabled by the State of Oregon, individual 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 area⁴. 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 specifically⁵. 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. A list of applicable jurisdictions is below, and a table is provided in Appendix C comparing the programs:

- Salem
- Eugene
- Newport
- Cottage Grove (approved January 2020)
- Portland (MULTE)⁶

⁴ An area defined in regional or local transportation plans to be within one-quarter mile of a fixed route transit service (ORS 307.603(6))

⁵ ORS 307.606(4)

⁶ Not included in Comparison Table

APPENDIX

The below list of appendices is intended to provide further detailed information in regard to the tax exemption programs. Any opinions expressed are that of City of Bend staff, and is based on research and publicly available data.

List of Appendices

- A. VHDZ and MUPTE Comparison Table
- B. Tigard VHDZ Program Overview
- C. MUPTE Case Study Comparison Table
- D. Eugene MUPTE Program Overview
- E. Cottage Grove Ordinance No. 3117 – establishing MUPTE
- F. Core Area Plan Report – Chapter 6, Section 3: Create Development Incentive Programs – January 14th, 2020
- G. VHDZ – ORS 307.841 to 307.867
- H. MUPTE – ORS 307.600 to 307.637

APPENDIX A: VHDZ and MUPTE COMPARISON TABLE

	Vertical Housing Development Zones (VHDZ) (ORS 307.841-867)	Multiple-Unit Property Tax Exemptions (MUPTE) (ORS 307.600-637)
Process/ Designation	City designates via ordinance or resolution. Notice to overlapping taxing districts.	City designates via ordinance or resolution. No formal notice to overlapping taxing districts.
Eligible Areas	Anywhere in a City. Designate a Zone/Area.	Core Areas, Light Rail Transit Areas or Transit Oriented Areas (with ¼ mile). Whole City if limited to Affordable Housing.
Eligible Projects	Must include at least one “equalized floor” of residential above a non-residential floor; at least 50% of the street-facing ground floor area must be committed to non-residential use. Can be new construction or rehabilitation. City can add other criteria.	Housing that meets City established criteria (number of units, affordable and/or workforce housing, design, etc.) benefitting the public. May be new construction, addition of units, or conversion of an existing building to residential use. Must show that the exemption is necessary for project to “pencil.”
Tax Exemption	Improvements exempt based on number of “equalized floors” of residential use: 20% for 1 floor, 40% for 2 floors, 60% for 3 floors, 80% for 4 floors. Land partially exempt for low-income housing (up to 80% AMI) – same % per floor as above. Exemption good for 10 years.	Improvements exempt. Commercial may be included if required by development code or as a public benefit element. Parking may be included if within development structure. Exemption good for up to 10 years, but for low-income/affordable housing, exemption can be extended for as long as the housing is subject to the public assistance contract.
Taxing District Participation	Can elect not to participate within 30-45 days from City notice.	None, unless districts representing at least 51% of combined levy agree by board resolution to participate, in which case all districts are included.
Timing Considerations	Construction or rehabilitation must have been started prior to application/qualification.	Property owner can apply by the February before first assessment year of requested exemption.

<p>PROS</p>	<ul style="list-style-type: none"> • Specifically targets and incentivizes multistory, mixed-use development • Incentivizes higher density developments • Incentives apply to market rate and mixed income, with additional incentives provided for affordable housing • Taxing Districts must elect to “opt-out” 	<ul style="list-style-type: none"> • City establishes eligibility criteria • City controls application process and selection (project by project basis) • Can be used to incentivize private development to include affordable housing units and/or higher density • Can be applied to any zones that support multifamily development (as long as eligible area criteria is met) • Applicants required to demonstrate project would not be feasible without exemption • Exemptions can benefit developer by saving on operational costs over 10 year period • Does not require non-residential (commercial) ground floor use
<p>CONS</p>	<ul style="list-style-type: none"> • Requires non-residential (commercial) use on the ground floor • Needs to be applied to zones or special planning areas that allow for taller developments (5 stories+) to realize full exemption benefits • Developer cannot qualify until project is under construction (may create uncertainty with underwriting and financing) • Incentive/Exemption may not be enough to create affordability 	<ul style="list-style-type: none"> • Must receive support from Taxing Districts (51% of levy) • Discretionary and timely application process can create uncertainty for developers • City and other Taxing Districts forego property tax revenue on improvements for up to 10 years • Depending on criteria, could be highly competitive or not applicable (balance) • Incentive/Exemption may not be enough to create affordability
<p>Notes or Issues</p>	<ul style="list-style-type: none"> • Best applied to areas where mixed-use, multistory developments that include ground floor commercial is essential to the areas vision • Almost exclusively used within Urban Renewal/TIF Districts as an additional incentive tool • If even a few Taxing Districts “opt-out,” incentive/exemption may not be beneficial or significant to “pencil” a project. 	<ul style="list-style-type: none"> • Best applied to strategic areas or zones throughout the City to promote housing options • City can establish and tailor criteria specific to identified needs and goals from previous planning work (e.g. Climate Action Plan, Housing Needs Analysis, etc.) • Requires up-front coordinating with Taxing Districts to determine if 51% levy agreement can be realized

APPENDIX B: TIGARD VHDZ PROGRAM OVERVIEW

Vertical Housing Development Zone




RESIDENTIAL HOUSING



COMMERCIAL DEVELOPMENT



PUBLIC TRANSPORTATION



PROXIMITY TO TOWN CENTER



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Economic Development Coordinator
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dylanb@tigard-or.gov

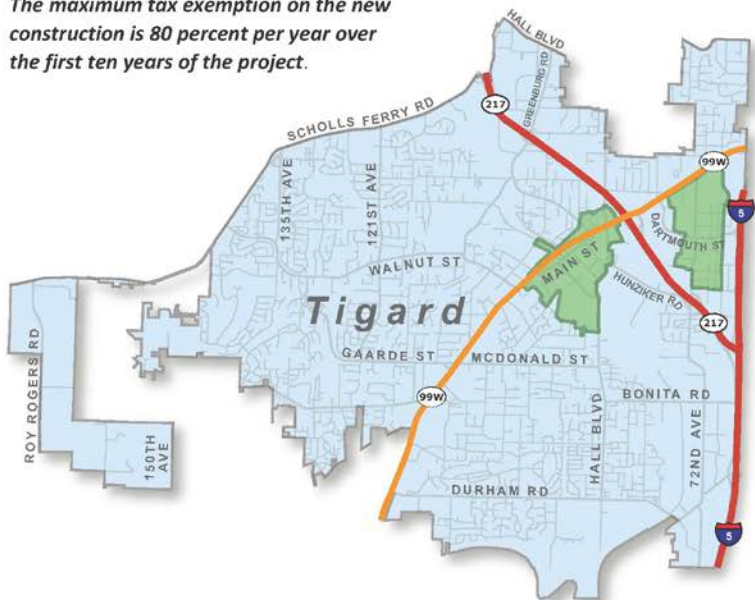
City of Tigard
Community Development Department
13125 SW Hall Blvd., Tigard, OR 97223
www.tigard-or.gov

TIGARD'S VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ)

Developers with experience in mixed-use multi-story projects may be interested in a new City of Tigard program that provides a **partial property tax exemption of 20 percent per floor of residential housing**. A developer can earn the partial property tax exemption by locating a qualified project in the City of Tigard's Vertical Housing Development Zone

Tigard's VHDZ includes two areas within the city that are well positioned for mixed-use multi-story development. Tigard's downtown and the majority of the area within the Tigard Triangle are eligible for a vertical housing tax exemption. The partial property tax exemption applies to new construction on the first four floors of residential development built above a non-residential ground floor.

The maximum tax exemption on the new construction is 80 percent per year over the first ten years of the project.



Tigard's VHDZ is shown above in green.

Vertical Housing Development Zone

Tigard's Vertical Housing Development Zone will:

- Encourage new mixed-use development (residential and commercial).
- Stimulate more commercial growth in the area, increasing the value of surrounding properties.
- Enhance opportunities for a live/work community.
- Support commercial development by increasing the number of residents (aka consumers).
- Create long-term community wealth through larger, mixed-use buildings that will be fully taxed after the partial abatement expires.
- Encourage more walkable neighborhoods by locating goods and services near residents.



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13125 SW Hall Blvd., Tigard, OR 97223
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BENEFITS

Financial modeling shows that a vertical housing based tax exemption moves some multi-story mixed-use projects from the red to the black. This tool helps close the gap for developers who are willing to take a risk in an untested market.

Tigard's VHDZ encourages private sector development that combines first floor commercial activity with residential capacity on upper floors. This mix of activity improves property values, the viability of local businesses and the quality of life for residents. It also diversifies local housing options giving residents a wider range of housing solutions. This partial property tax exemption is not limited to low-income housing, though low income projects do receive an additional property tax exemption. ***In addition to the exemption for the residential portion of a mixed-use building, the land would also be eligible for a partial tax exemption of 20 percent for each floor dedicated to low-income residential housing (maximum exemption is 80 percent).***

ELIGIBILITY

In order for a project to qualify, it must meet the following criteria:

1. *Project must be entirely located within a vertical housing development zone.*
2. *Project must be a multi-story building used for residential and non-residential uses.*
3. *At least 50 percent of the project's ground floor that fronts the primary public street must be committed to non-residential use. For the project's ground floor to be considered committed to non-residential use, all ground floor interior spaces that front on the primary public street must be constructed to building code standards for commercial use or planned for commercial use upon completion.*

CERTIFICATION PROCESS

1. **Eligibility Determination:** Applicant contacts Economic Development staff to determine if project is entirely located within the vertical housing development zone.
2. **Application:** Applicant completes and submits Application for Certification.
3. **Precertification:** Staff review Application for Certification and supporting documents to confirm project meets VHDZ threshold criteria.
4. **Conditional Confirmation:** If staff determine project meets threshold criteria, a conditional confirmation letter will be issued detailing the potential property tax exemption and next steps.
5. **Construction:** Applicant proceeds with construction of their project as planned.
6. **Final Certification:** Following completion of project construction, applicant submits an updated Application for Certification form reflecting any updated project information; an updated site plan and architectural pages that show the final "as built" square footages; and Certificate of Occupancy, sent within 10 days of receipt. City staff will use this to reconfirm project meets threshold criteria.
7. **County Tax Assessor notified:** Once all of the above steps are completed, the City of Tigard will inform the County Tax Assessor's office that the project is occupied (or ready for occupancy) and has been certified.

EXPRESSION OF INTEREST

If you are interested in participating in the Vertical Housing Development Zone exemption, please contact the City of Tigard's Economic Development Coordinator, **Dylan Dekay-Bemis**, at 503.718.2560 or dylanb@tigard-or.gov.

APPENDIX C: MUPTE CASE STUDY COMPARISON TABLE

	Salem	Eugene	Cottage Grove	Newport
# of Units Required	Development must meet “multi-unit housing” definition (3 or more)	Five (5) or more units	Three (3) or more dwelling units	Three (3) or more for new development; two (2) or more for existing development
Demonstrate Financial Need	No	Yes	No	Yes
Other Requirements / Criteria	19 possible Public Benefits – Include one or more: Affordable units; recreation facilities; open spaces; common meeting rooms; day care facilities; art supportive facilities; handicap supportive facilities; service or commercial uses; special architectural	Compact urban development – 175% of min. density; Green Building; Local Economic Impact Plan; Moderate-Income Housing - % of units or in-lieu fee.	16 possible Public Benefits – Include one or more: Commercial use on ground floor; parks & recreation facilities; open spaces; common meeting rooms; child care facilities; pedestrian oriented design; amenities or programs that support mass transit; handicap	Green Building Features; Affordable Housing Requirement - % of units or in-lieu fee; Alternate Public Benefit – Requires PC hearing to demonstrate benefit

	features; dedication of land for public use; blighted property redevelopment; pedestrian oriented design; LEED; parking within structure		facilities; special architecture features; dedication of land for public use; blighted property redevelopment; extra costs associated w/infill development; existing parking lot development; LEED; seismic retrofitting; stormwater management	
Location / Applicable Area	“Core Area” as defined by the City and legal description	Downtown area	Within ¼ mile of fixed route transit or Central Business District (zone)	Within ¼ mile of fixed route transit; within Medium & High density zones; outside of identified hazard zones
Review Process	Application; staff review; staff report submitted for Council review within 180 days	Application; 3 rd party financial pro-forma review; Review Panel/Board; Review Panel & City Manager submit recommendation to Council within 135 days	Application; staff review; staff report submitted for Council review within 180 days	Application; 3 rd party financial pro-forma review; Planning Commission Public Hearing & recommendation; City Council Public Hearing
Compliance Requirements	None	Annual documentation of workforce housing requirement	None	Annual documentation of affordable housing requirement

<p>Other Considerations</p>	<p>Vacation rentals and hotels prohibited</p>	<p>Review Panel consists of two at-large NA representatives, two project specific NA representatives, six technical professionals</p> <p>Student housing is prohibited</p>	<p>Vacation rentals and hotels/motels prohibited</p>	<p>Vacation rentals prohibited</p>
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APPENDIX D: EUGENE MUPTÉ PROGRAM OVERVIEW



The MUPTÉ Program

Eugene's population is expected to grow, and that new population will need to be housed. The City's 20-year growth management plan, known as *Envision Eugene*, shows that Eugene must redevelop land inside our urban growth boundary if we do not want to expand the boundary. The expected demand for housing inside the existing boundary will need to be built somewhere. Encouraging relatively dense housing in the downtown core is one way to provide housing for our growing community

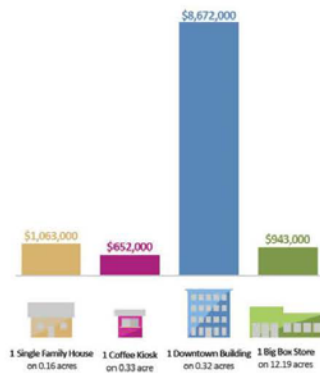
Increasing the number of housing units in the downtown achieves other policy goals:

- **Climate recovery.** A high priority action item within the *Eugene Climate and Energy Action Plan* is to increase density around the urban core and along high-capacity transit corridors. National data show that individuals living in city centers drive, on average, fewer miles than individuals in other parts of a community. Downtown is walkable, has good access to transit, and offers goods and services for residents' daily needs. More residents in the downtown will result in lower per capita carbon emissions and other automobile emissions.
- **Vibrant downtown.** Housing in the downtown core also positively affects the economic activity in the city center. New residents in the downtown support local businesses because they increase demand for nearby goods and services. Also, an occupied building creates an active use, which enhances the overall vibrancy of the downtown. Residents help to establish a 24-hour neighborhood, putting more eyes and ears on the street, discouraging crime.
- **Fiscal sustainability.** Dense development in the downtown core generates substantially more tax revenue per acre than any other part of the city, as shown in the chart below. The dense development costs less to serve—the cost per resident for roads, water, and sewer are significantly lower.

Increasing the supply of housing in our downtown can help the community work towards these broad goals. However, new housing development has been shown to not be financially viable in the downtown.

It is more expensive to build downtown than on greenfield sites on the edge of town, because it is more complicated to build in an existing neighborhood. There is less elbow room for material and equipment to be stored and security costs are higher.

Taxable Value per Acre



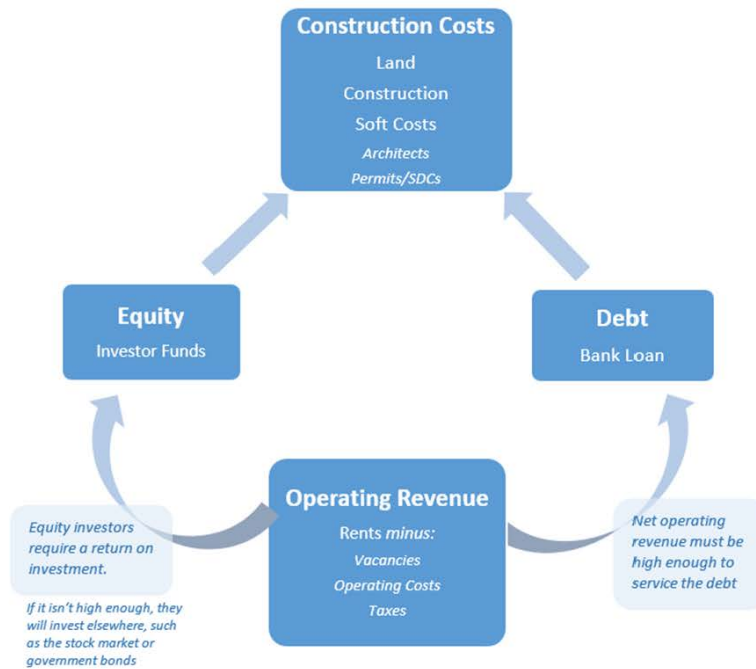
Source: City of Eugene, *Mapping Value in Eugene, Oregon*. May 2017

The role of MUPTE

The Multi-Unit Property Tax Exemption (MUPTE) is a tool that can shift a proposed housing development to being financially feasible. It is a state-enabled program designed to be an incentive of redevelopment of residential properties in city centers and along transit corridors. In Eugene, the City Council has authorized the use of MUPTE in the downtown area.

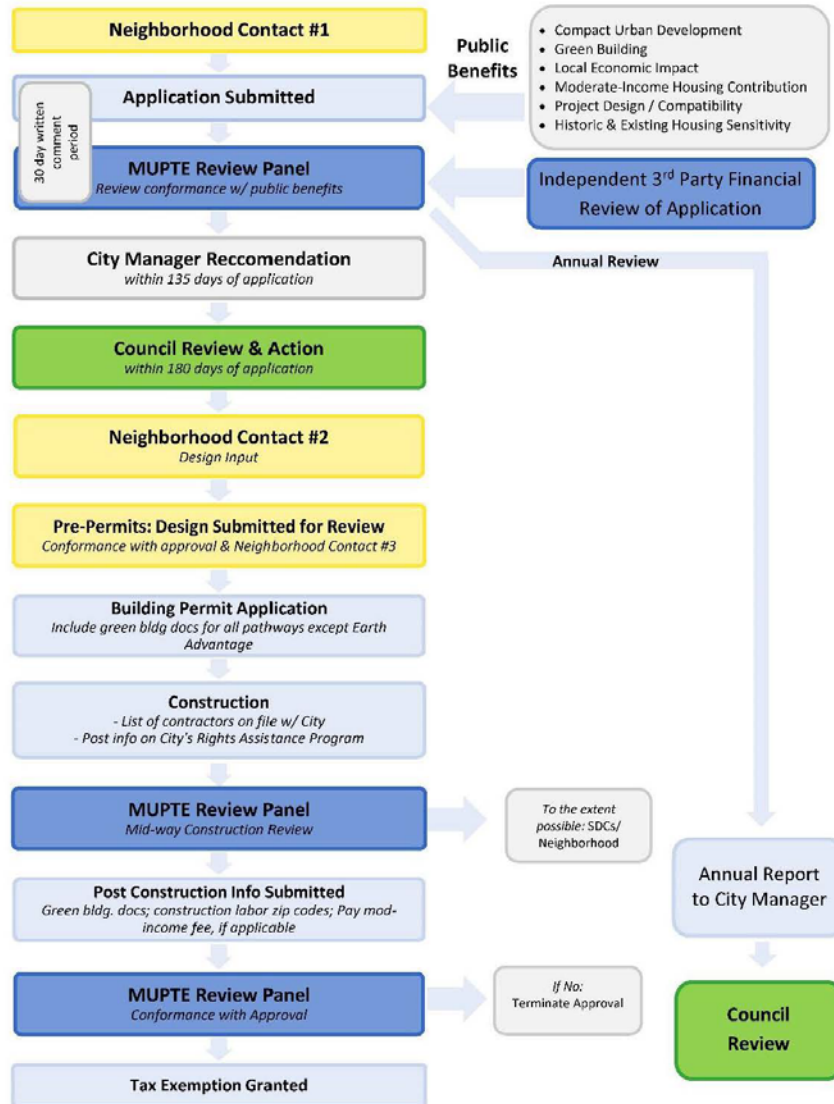
MUPTE allows new multi-family units (5 or more units) to avoid property taxes on the value of new residential construction for up to 10 years. The property continues to generate taxes for the land value during the exemption period.

The figure below shows how the costs of development and operating revenues are connected. The construction costs are all up-front and are made before the developer generates any revenue from the development. Typically, developers use a mix of equity (i.e., investor funds) and debt (i.e., bank loan). The developer estimates the future rents from the apartments and/or commercial space or sales from condominiums, to estimate if those expected revenues can cover the debt payments and provide investors with a return on their investment that is competitive with other investment opportunities.



By exempting property taxes, MUPTE lowers the operating costs in the early years of a housing development so that it becomes financially feasible.

MUPTE Application & Review Process



Annually:

- Moderate-income housing: Pay fee in years 3 – 10 or update lease rates on mod-income units & submit docs.
- BPS pathway energy usage, if applicable.

The Required Public Benefit criteria are:

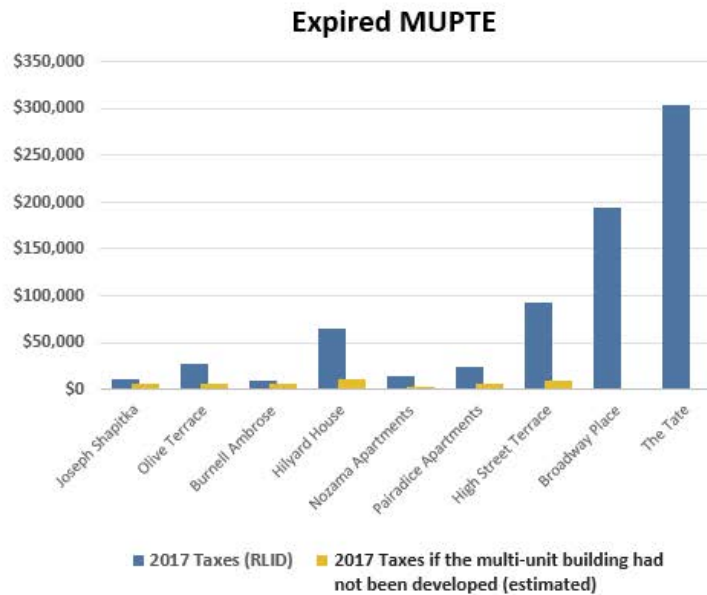
- Compact Urban Development
- Green Building Features *(ensuring building energy performance is 10% above code)*
- Local Economic Impact Plan *(including support for local businesses, minority and women business enterprises, and ensuring compliance with laws)*
- Moderate-Income Housing Contribution
- Project Design and Compatibility *(including scale, form, and quality of the building; mixture of project elements; relationship to the street and surrounding uses; and parking and circulation)*
- Historic and Existing Housing Sensitivity
- Project Need

How does MUPTE affect the City of Eugene?

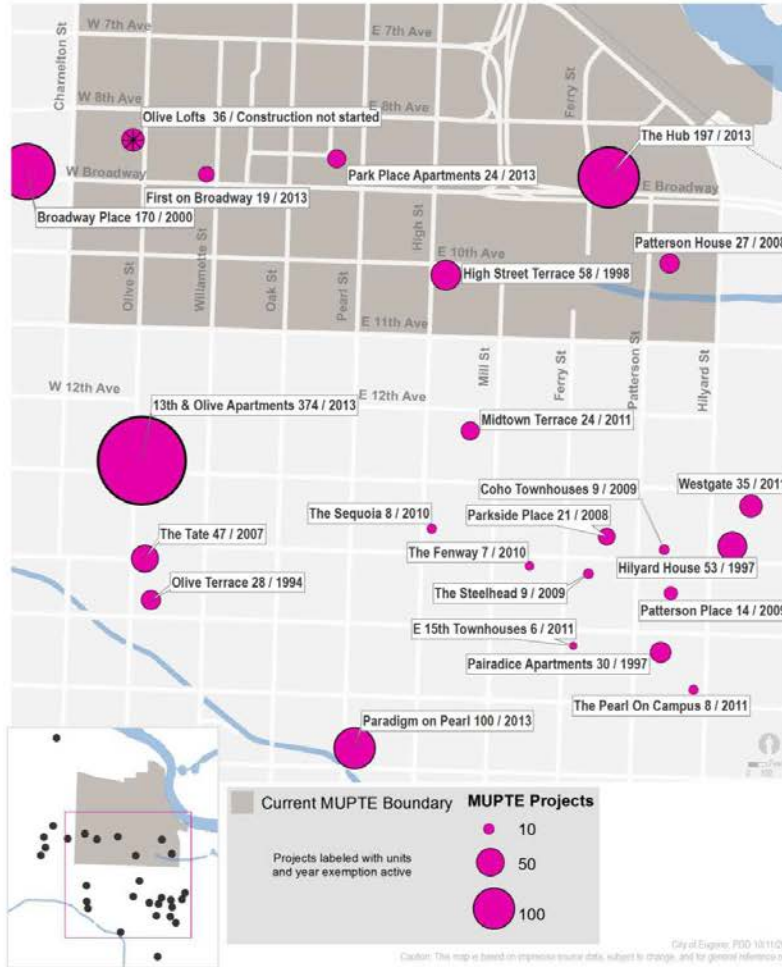
The MUPTE program allows a new residential building to be exempt from property taxes for up to 10 years. The City and other overlapping taxing districts do not receive tax revenue from the new construction until the exemption period is over.

However, a new residential development will not be constructed if it is not financially feasible. So in the absence of the MUPTE exemption, some residential projects do not get built at all. The City and the overlapping taxing districts receive no new tax revenue in the 10-year exemption period and well into the future. By delaying tax collection, the City is incentivizing long-term increase of its tax base.

Since 1978, the MUPTE program has supported the development of 28 residential projects, creating about 1,500 units. Since at least 1990, all downtown market-rate housing developments have used MUPTE. Since 1990, the exemption period has expired for 9 of the projects and the combined tax revenue of those 9 projects was about \$740,000 in 2017. In the absence of the residential developments, those 9 properties would have generated about \$48,000 in 2017.



Map of MUPTE projects near the downtown



APPENDIX E: COTTAGE GROVE ORDINANCE NO. 3117 – MUPTE

ORDINANCE _____

AN ORDINANCE AMENDING THE COTTAGE GROVE MUNICIPAL CODE BY ADDING CHAPTER 3.10 REGARDING THE ESTABLISHMENT OF A MULTIPLE-UNIT PROPERTY TAX EXEMPTION PROGRAM

WHEREAS, State of Oregon statutes ORS 307.600 through 307.637 authorize cities to establish and design programs to attract new development of multiple-unit housing in core areas and transit oriented areas by means of a local property tax exemption; and

WHEREAS, Policy 2 of the City of Cottage Grove’s Comprehensive Plan Housing Element states that the City shall “provide opportunities for housing development to meet the City’s identified housing needs”, including the objective to “identify opportunities to increase residential development in Cottage Grove through removing or lowering barriers to residential development;” and

WHEREAS, Policy 3 Affordable Housing of the City of Cottage Grove’s Comprehensive Plan Housing Element includes the objective to “support development of all types of multifamily affordable housing, market rate or government-subsidized affordable housing, through use of tools to lower development or operational costs;” and

WHEREAS, the 2018 Cottage Grove Housing Analysis, adopted as a refinement plan to the Cottage Grove Comprehensive Plan in January 2019, recognizes a severe shortage of multiple-family housing, as fewer than 50 multiple-unit rental housing units have been developed in Cottage Grove in the last 20 years and vacancy rates are under 3% throughout the community; and

WHEREAS, the 2018 Housing Needs Analysis found that Cottage Grove needs to develop 1,379 new dwelling units over the next 20 years to meet future needs, including many new multiple-family units (25% of new housing); and

WHEREAS, the 2018 Housing Analysis states that in order to meet this housing need, Cottage Grove should develop policies to support development of low-income and workforce affordable housing, and recommends that Cottage Grove “develop a tax abatement program, such as the multiple-unit limited tax exemption program, to promote development of affordable and market-rate multifamily housing;” and

WHEREAS, a Multiple-Unit Property Tax Exemption enabled through ORS 307.600 to 307.637 will encourage development of much needed multiple-unit housing in the City of Cottage Grove; and

WHEREAS, new multiple-unit housing does not pencil out “but for” this tax exemption, as shown by the lack of multiple-unit housing developed over the last 20 years, and this Multiple-Unit Tax Exemption will facilitate new development of multiple-unit housing that otherwise would not occur in the existing market; and

WHEREAS, the Multiple-Unit Property Tax Exemption program being adopted prohibits units from being used as vacation rentals and requires the inclusion of one or more public benefits as well as compliance with existing Comprehensive Plan and Development Code requirements, thereby generating multiple benefits for workers and residents; and

WHEREAS, after a public hearing held on December 9, 2019 the City Council determined that multiple-unit housing meeting the qualifications of ORS 307.600 to 307.637 would not be constructed or preserved without the benefits of a Multiple-Unit Property Tax Exemption.

THE CITY OF COTTAGE GROVE ORDAINS AS FOLLOWS:

Section 1. Purpose. The purpose of this ordinance is to adopt the Cottage Grove Multiple-Unit Tax Exemption Program, as shown in Exhibit A, as Chapter 3.1 of the Cottage Grove Municipal Code.

Section 2. Procedural Compliance. This amendment is based upon the City Council determination, after a public hearing, that the adoption of the Multiple-Unit Tax Exemption program, as detailed in Exhibit "A", is in compliance with ORS 307.600 to 307.637 and with the City of Cottage Grove Comprehensive Plan Housing Element. Its adoption, therefore, is in the public interest and will serve the health, safety, and welfare of the citizens of the City of Cottage Grove.

Section 3. Enactment. The Cottage Grove Municipal Code is hereby amended to add Chapter 3.1, attached as Exhibit A and incorporated into this Ordinance by this reference.

Section 4. Effective Date. The Multiple-Unit Property Tax Exemption described in Chapter 3.1 shall become effective upon receipt of written support from a sufficient number of taxing jurisdictions whose combined levying authority on a typical Cottage Grove property exceeds 51 percent.

PASSED BY THE COUNCIL AND APPROVED BY THE MAYOR THIS
_____ DAY OF _____, 2019.

Jeffrey D. Gowing, Mayor

Dated: _____

ATTEST:

Richard Meyers, City Manager

Dated: _____

EXHIBIT A

Chapter 3.10

MULTIPLE-UNIT PROPERTY TAX EXEMPTION PROGRAM

Sections:

3.10.010	Generally
3.10.020	Eligible Property
3.10.030	Preapplication Conference
3.10.040	Application Procedure
3.10.050	Public Benefits
3.10.060	Change of Use
3.10.070	Review of the Application
3.10.080	Termination
3.10.090	Extensions

3.10.010 Generally.

- (a) The provisions of ORS 307.600 to 307.637 are hereby adopted to stimulate the construction, or addition of or conversion to multiple-unit housing in the designated core area of the City and in transit oriented areas; and it is found that multiple-unit housing meeting the qualifications of ORS 307.606(4) would not otherwise be built in the designated areas without the benefits provided by ORS 307.600 to 307.637.
- (b) The tax exemption may be approved for up to ten consecutive years beginning July 1 of the tax year after completion of construction.
- (c) The term "applicant," as used in this Chapter, means the person seeking the property tax exemption provided by this chapter.
- (d) At any time, the City Council may, by motion or upon request by the Lane County Board of Commissioners, set a limit on the maximum amount of foregone tax revenue provided as a benefit of the exemption under this Chapter.

3.10.020 Eligible property.

To be eligible for the property tax exemption provided by this Chapter, the multiple-unit housing must be a newly constructed structure(s), stories or other additions to existing structure(s) and structure(s) converted in whole or in part from other use to housing that meet the following criteria:

- (a) Include 3 or more dwelling units that are not designed or used as transient accommodations rented for less than 30 consecutive days (including hotels and motels).
- (b) Include one or more elements benefitting the public as described in this Chapter and approved by the Council.

- (c) Be housing which is completed on or before the date specified in ORS 307.637 (Deadlines for actions required for exemption).
- (d) Be located within the designated core area, to wit: within an area zoned C-2 Central Business District or within ¼ mile of the LTD fixed route transit service, as delineated on the date of the adoption of this ordinance.
- (e) Be in compliance with all local plans and planning regulations applicable at the time the application is approved.

3.10.030 Preapplication conference.

- (a) The applicant shall request that the Public Works & Development Director schedule a preapplication conference no later than December 31 of the calendar year immediately prior to the first assessment year for which the exemption is requested. Each applicant shall submit in writing, on forms furnished by the Public Works & Development Director, the following information:
 - (1) The applicant's name, address, and telephone number.
 - (2) A preliminary sketch, drawn to approximate scale of one inch equals 20 feet, which shows the site plan and major features of the proposed development.
 - (3) A written statement which generally describes the location of the proposed development; the number, size, and type of dwelling units; dimensions of structures; public and private access; parking and circulation plans; landscaping; uses; and a description of the public benefit(s) the applicant proposes to include in the project.
- (b) Prior to the preapplication conference, the Public Works & Development Department shall review the information supplied by the applicant and contact, for purposes of facilitating the application process, advisory bodies, departments, or agencies which may be affected by or have an interest in the proposed development.
- (c) The applicant shall meet with staff of the Public Works & Development Department in the preapplication conference and discuss the applicant's proposed development. After this conference, the Public Works & Development Department shall provide the applicant with a written summary of the meeting, including recommendations to inform and assist the applicant in preparation of the exemption application.

3.10.040 Application procedure.

- (a) The applicant shall apply to the Public Works & Development Department no later than February 1 of the year for which the exemption is requested. The applicant shall submit an application for exemption in writing on forms furnished by the Public Works & Development Director which must show:
 - (1) The applicant's name, address, and telephone number.

- (2) A legal description of the property and the assessor's property account number for the site, and indication of site control.
 - (3) A detailed description of the project, including the number, size, and type of dwelling units; dimensions of structures, parcel size, proposed lot coverage of buildings, and amount of open space; type of construction; public and private access; parking and circulation plans; landscaping; uses; a description of the public benefit(s) which the applicant proposes to include in the project; proposed rental rates or sale prices; and economic feasibility studies or market analysis when appropriate.
 - (4) A description of the existing use of the property, including a justification for the elimination of existing sound or rehabilitable housing.
 - (5) A site plan and supporting materials, drawn to a minimum scale of one inch equals 20 feet, which shows in detail the development plan of the entire project, showing streets, driveways, sidewalks, pedestrian ways, off-street parking, and loading areas, location and dimension of structures, use of land and structures, major landscaping features, and design of structures.
 - (6) A description and the monetary value of any other public assistance, including, but not limited to, grants, loans, loan guarantees, rent subsidies, fee waivers, or other tax incentives, which the property is receiving or which the applicant plans to seek.
 - (7) Applicant's sworn verification of application contents.
- (b) At the time the application is submitted, applicants shall pay an application fee as prescribed by resolution of the Council after consultation with the County Assessor.

3.10.050 Public benefits.

- (a) In order to qualify for the exemption provided by this Chapter, the applicant must propose and agree to include in the proposed project one or more design elements benefitting the general public which may consist of, but not be limited to:
 - (1) Commercial uses in the ground floor of the multiple-unit housing structure;
 - (2) Parks & Recreation facilities (over required minimum);
 - (3) Open spaces (over required minimum);
 - (4) Common meeting rooms;
 - (5) Child care facilities;
 - (6) Provision of pedestrian-oriented design features;
 - (7) Provision of amenities and/or programs supportive of the use of mass transit.
 - (8) Facilities for the handicapped;
 - (9) Special architectural features;
 - (10) Dedication of land or facilities for public use;
 - (11) Development or redevelopment of blighted property;

- (12) Extra costs associated with infill or redevelopment projects, such as land assembly, environmental cleanup, demolition, and infrastructure replacement or expansion;
 - (13) Development on existing surface parking lots;
 - (14) Compliance with Leadership in Energy and Environmental Design (LEED) Certification requirements;
 - (15) Seismic retrofitting;
 - (16) On-site stormwater retention and treatment.
- (b) Public benefits provided by this section are not necessarily required to be available to the public at large if the Council finds the design elements proposed by the applicant provide sufficient public benefit.

3.10.060 Change of use.

Notwithstanding the zone of the property on which the proposed project is to be located, no change of occupancy permit or building permit for change of use of dwelling units constructed under the provisions of this chapter will be issued unless specifically authorized by the Council. Such a change may be authorized by the Council on the basis of the owner's justification of need to remove the housing resource. No such change of use will be considered within the approved ten-year exemption period.

3.10.070 Review of the application.

- (a) The Council may approve the application if it finds, in accordance with standards and guidelines adopted by resolution of the Council, that:
- (1) The property is eligible as provided in 3.10.020;
 - (2) The project is in conformance with the comprehensive plan and zoning regulation; and
 - (3) The public benefit the property will receive pursuant to this program will be reasonable when considered in combination with other public benefits it is receiving or for which the owner plans to apply.
- (b) The Council shall review the application within 180 days of filing and approve, deny, or approve subject to reasonable conditions, the application. Final action by the Council shall be by resolution that shall contain the owner's name and address, a description of subject multiple-unit housing, either the legal description of the property or the assessor's property account number, and the specific conditions upon which the approval of the application is based. An application not acted upon within 180 days following the date of application shall be deemed approved.

- (c) If the application is denied, the resolution and a notice of denial shall be sent to the applicant within ten days following the denial. The notice shall state the reasons for denial.
- (d) If the application is approved, on or before April 1 following approval, the Public Works & Development Director shall file with the County Assessor and send to the applicant at the applicant's last known address a copy of the resolution approving the application. In addition, for each application which is approved, the Public Works & Development Director shall file with the County Assessor on or before April 1 following approval, a document listing the same information otherwise required to be in a resolution approving an application under this chapter.

3.10.080 Termination.

- (a) If, after an application has been approved, the Public Works & Development Director finds that construction of multiple-unit housing was not completed on or before the deadline for actions required for exemptions specified in ORS 307.637, or that any provision of this Chapter is not being complied with, or any agreement made by the owner or requirement made by the Council is not being or has not been complied with, the Public Works & Development Director shall send a notice of the proposed termination of the exemption to the owner's last known address.
- (b) The notice of termination shall state the reasons for the proposed termination, and shall require the owner to appear before the Council at a specific time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.
- (c) If the owner fails to appear and show cause why the exemption should not be terminated, the Public Works & Development Director shall further notify every known lender and shall allow the lender a period of not less than 30 days, beginning with the date that the notice of failure to appear and show cause is mailed to the lender, to cure any noncompliance or to provide assurance that is adequate, as determined by the Public Works & Development Director to assure the City that the noncompliance will be remedied.
- (d) If the owner fails to appear and show cause why the exemption should not be terminated, and a lender fails to cure or give adequate assurance that any noncompliance will be cured, the Council shall adopt a resolution stating its findings and terminating the exemption. A copy of the resolution shall be filed with the County Assessor and a copy sent to the owner at the owner's last known address, and to any lender at the lender's last known address, within ten days after its adoption.

3.10.090 Extensions.

Notwithstanding 3.10.080, if the Council finds that construction, or addition of, or conversion to, the multiple-unit housing was not completed by the deadline for actions required for exemptions specified in ORS 307.637, due to circumstances beyond the control of the owner, and that the owner has been acting and could reasonably be expected to act in good faith and with due diligence, the Council may extend the deadline for completion of construction for a period not to exceed 12 consecutive months.

APPENDIX F: Core Area Plan Report – Chapter 6, Section 3: Create Development Incentive Programs – January 14th, 2020

DRAFT CORE AREA PLAN REPORT

3. CREATE DEVELOPMENT INCENTIVE PROGRAMS

This section describes the development incentives that can help jumpstart private investment within the Core Area. Many of the desired development types within the Core Area are not market-feasible today and require the implementation of several of these tools in order to be feasible in the near-term. The recommended tools reflect a process of analysis by the CAP team, review and feedback from URAB and extensive input from City departments who would need to be involved in implementation.

RECOMMENDATIONS

- 1. Include Core Area properties in a citywide tax abatement program during the early years of the Urban Renewal District to help catalyze private development.**
- 2. Modify the SDC financing program, particularly focused on modifications to the SDC deferral program.**
- 3. Explore land exchange and/or trade opportunities, leveraging City owned land to provide opportunities for existing uses and users looking to relocate out of the Core Area.**

INTENDED OUTCOMES AND BENEFITS TO BEND

The development incentives detailed in this section will be used by the City to jumpstart investment in housing and mixed-use development within the Core Area. Strategic and careful application of these tools can help attract the near-term investments that will ensure the long-term revenue growth needed for a successful TIF district.

THE NEED FOR DEVELOPMENT INCENTIVES

The City's plans call for new housing and mixed-use buildings in large portions of the Core Area boundary. However, the development market in Bend is not strong enough to make these building types financially feasible today. Investment in new types of buildings in an unproven area is risky, and often requires some type of incentive to get the first several projects underway. Once these initial projects demonstrate market feasibility, lenders and investors become more comfortable funding future projects and fewer incentives are needed.

No recent major residential or mixed-use development projects have been completed in the Core Area, so incentives are warranted particularly in the near-term. Without these incentives, investment will likely be slower and take place in the form of smaller projects like retail or adaptive reuse rather than new, larger apartment and mixed-use buildings. The vitality of the Core Area and the health of the TIF district revenue depend on a steady and increasing stream of investments in the study area. The incentives listed in Table 1 were reviewed by URAB and were determined to be the most promising opportunities to jumpstart investment.

Table 1. Development Incentives

TOOL	PRIMARY PURPOSE	LEVEL OF EFFORT TO IMPLEMENT
<i>Expand Property Tax Abatement Programs for Housing</i>	Development incentive for mixed-use and other housing developments	New program requires adoption by Council ordinance and outreach to affected taxing districts. Some programs also depend on program adoption by taxing districts by resolution.
<i>Modify SDC Financing Program</i>	Make SDC financing more accessible and broadly usable, including changing interest rates and/or deferral of System Development Charge (SDC) payments	Modifications to existing program requires City Council action and amendments to the Bend Municipal Code (BMC Chapter 12.10).
<i>Land Exchanges</i>	Facilitate land use transitions within Core Area and business (industrial) expansion in other areas of city	Requires staffing and coordination with City Council, Bend Urban Renewal Agency (BURA), and relevant advisory boards.

EXPAND PROPERTY TAX ABATEMENT PROGRAMS FOR HOUSING

Property tax abatement programs are a proven incentive tool that can enable development types that would not otherwise be feasible. Over the life of their implementation, property tax abatements can generate more tax revenue than the market would otherwise deliver. The City Council has identified the desire to look into developing a citywide tax exemption program, with participation extended to all taxing districts, as part of their 2019-21 Council Goals.

Tax Abatement: The Basics

Oregon law enables a variety of property tax abatement programs that could have a major impact on the financial feasibility of development and redevelopment within the Core Area. Each program has somewhat different parameters and intended outcomes. Tax abatements can be tied to specific performance criteria, such as delivering vertical mixed-use buildings, or workforce and affordable housing.

However, the basic premise for all programs is to offer property tax abatements for a limited period of time in order to enable higher intensity developments where they would not otherwise "pencil." For instance, the property taxes on a new mixed-use building can be hundreds of thousands of dollars a year. If those tax payments are abated for a 10-year term, it has a significant impact on a project's cash flow and allows the project to survive on lower rents than it would otherwise be able to; and in some cases may enable the development of a project that would otherwise not be financially feasible.

The City has an existing citywide property tax abatement program for projects that are entirely affordable at or below 60% Area Median Income (AMI) for rental and at or below 80% AMI for ownership units. Participation in the program by other taxing districts is approved by taxing districts on an individual project-by-project basis and is subject to City approval of the development. The City's program is available anywhere in the City but has primarily been used by non-profit developers of low- and moderate-income housing than by private market-rate developers.

Two State-Defined Tools to Consider

There are two primary tax abatement programs defined in the state's statutes that could benefit the Core Area. Each would require adoption by City Council and, to be most impactful, negotiation and participation from other taxing districts. The City can adopt tax abatements without the participation of the other taxing districts; however, the City's share of property taxes is relatively small so the programs will be most beneficial if the City can secure broader participation from all applicable taxing districts.

The two tax abatement programs are Vertical Housing Development Zones (VHDZ) and Multiple-Unit Property Tax Exemptions (MUPTE). Each are structured somewhat differently and thus could be applied to varying extents within the Core Area. For example, MUPTE could be applied to properties located within the Mixed Urban (MU), Mixed Neighborhood (MN), Mixed

Riverfront (MR), and Bend Central District zones, whereas VHDZ could be applied to all or some of Main Streets identified in the BCD Code recommendations, including 3rd Street.

The VHDZ tool is focused on mixed-use buildings and requires ground floor commercial space and residential floors above. VHDZ also has a scaling property tax abatement level that is most beneficial on projects at least 4-5 stories tall. As such, VHDZ is best suited for lots that front the key commercial streets identified in the Urban Design Framework where ground floor retail is desired, such as portions of 3rd Street. Taxing districts are automatically enrolled to participate in the program, however, can elect not to participate on an individual basis. In addition, VHDZ also requires a project to be under construction prior to formally applying.

The MUPTE tool is less restrictive in terms of the building types it can benefit—it could apply to both stand-alone residential buildings and mixed-use buildings including transit-oriented areas or city “Core Areas” such as the CAP boundary. Importantly for MUPTE, if taxing districts that make up at least 51% of the combined tax rate vote to approve, then the full tax rate can be abated. The top four taxing districts based on levy amount (in order) are: Bend La-Pine School District (BLS), City of Bend, Deschutes County, and Bend Park & Recreation District (BPRD); with the top two representing effectively over 60% of the combined tax rate.

A summary table of these tax abatement tools was produced as part of the UGB implementation process completed in 2018. Portions of the following table are adapted from that effort.¹³

Table 2. Property Tax Abatements: Comparison of VHDZ and MUPTE

PROGRAM & AUTHORIZING STATUTE	VHDZ ORS 307.841 TO 307.867	MUPTE ORS 307.600 TO 307.637
<i>Designation process</i>	City designates via ordinance or resolution. Notice to overlapping taxing districts required. Must consider potential for displacement of households in the zone. City must establish standards and guidelines with requirements for eligibility.	City designates via ordinance or resolution. Public hearing required to determine whether qualifying housing would or would not be built without the benefit of the program.
<i>Eligible areas</i>	Anywhere in the city.	Core Areas, light rail station areas or transit-oriented areas (within one-quarter mile of fixed-route transit

¹³ [Bend Urban Growth Boundary Implementation: Return on Investment Analysis and Next Steps](#) (pages 93-95), March 16, 2018.

		<p>service per a local transportation plan). Alternatively, the City can designate the entire city and limit the program to affordable housing. URDs are also eligible.</p>
<p>Eligible projects</p>	<p>Must include at least one "equalized floor" of residential; at least 50% of the street-facing ground floor area must be committed to nonresidential use. Can be new construction or rehabilitation. City can add other criteria.</p>	<p>Housing subject to a housing assistance contract with a public agency (must show that the exemption is necessary to preserve or establish the low-income units, but no max income); or housing that meets city criteria for number of units and design elements benefitting the public. If transit-oriented, must support the transit system. May be new construction, addition of units, or conversion of an existing building to residential use.</p>
<p>Best suited areas within Core Area Project boundaries</p>	<p>Lots fronting key corridors with greater height allowances where active ground floor uses are desired/required.</p>	<p>Interior lots without high quality retail frontage where stand-alone residential projects are most feasible and desired.</p>

These incentives are typically adopted by ordinance into the City's Development Code. The Code language should outline the criteria for approval and the process for approving individual tax exemptions. Like Urban Renewal, these incentives require a high degree of cooperation from other taxing districts in order for housing development projects to take full advantage of the allowed tax exemption. Therefore, coordination and agreement among the taxing districts is important to configure prior to City Council adoption.

TERM-LIMITED TAX ABATEMENTS WITHIN THE CORE AREA

A limited application of tax abatement is recommended within the Core Area. The recommendation is specifically to implement tax abatement in the early years of the TIF district in order to incentivize early "pioneer" investors in the district while minimizing the potential impact to long-term tax revenue that the TIF district relies on.

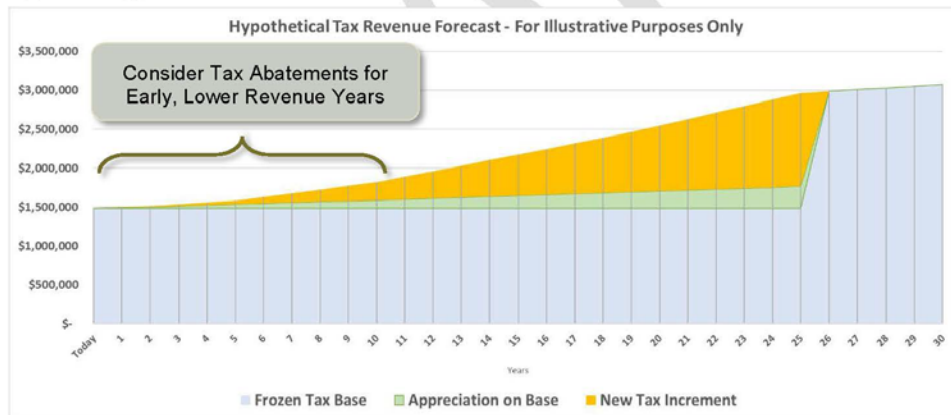
The two most powerful tools evaluated for application in the Core Area are property tax abatement programs and TIF. The mechanics of these two tools, and the reliance of each on property taxes, can make wholesale implementation of both programs in the same area at the

same time potentially challenging. Because TIF relies on new investment, appreciating values, and increasing tax revenues in order to fund new projects, a tax abatement tool **can** limit the funds that could be available for TIF use.

TIF revenue increases relatively slowly over time, and in theory, a majority of the overall revenue will occur after year 10 than before. Therefore, it is important to implement targeted tax abatements in the early years of the TIF district and to regularly evaluate the program.

Possible implementation mechanics could include regularly scheduled program evaluations or a sunset provision within a fixed period of time (5 to 10 years) following program adoption. In addition, maximum limits could be instituted either through a maximum dollar amount available for abatement or a limit on the number of units that benefit. These types of “first come, first served” provisions would provide a powerful financial incentive for near-term investment within the district that, in theory, would benefit TIF revenues after year ten. A graph below shows a hypothetical TIF revenue and how a tax abatement program in early years is unlikely to have a major impact on TIF revenue.

Figure 11. Hypothetical Tax Revenue Forecast



Tax Abatements Can Generate More Tax Revenue – Long Term

It is important for taxing districts, such as cities, school districts, and other special districts to keep in mind that buildings last far longer than the 10-year abatement period. Tax revenue generated over a 30- or 40-year period on more intense projects enabled by the abatements will far exceed the revenue from less intense building types that would otherwise have been built. For example, if a single-story retail building was the highest and best use of a site without tax

abatements, that retail building would generate far less in property taxes over a 30 or 40-year period than a multistory mixed-use building—even with 10 years of tax abatement. The diagram below illustrates this point. In this example, the Net Present Value (NPV) of 30 years of tax revenue from a single-story retail building is less than half of that of a mixed-use building—even considering 10 years of tax abatement on that mixed-use building.

Figure 12. 30 Year Annual Tax Revenue



MODIFY SDC FINANCING PROGRAM

SDCs are an important source of revenue for the City to pay for the cost of public infrastructure. However, they also represent potentially significant upfront costs of development. Large costs at the beginning of a real estate development project, before revenue generation, can be a major barrier - particularly for small and medium-sized builders. State law and City municipal code currently allow for the financing of SDCs. Through modifications to the existing SDC financing program, the City could potentially lower the cost of development and incentivize desired development types within the Core Area.

Reduce Interest Rates for SDC Loans

The City's current SDC financing program allows for a 10-year payment plan at a 7% interest rate or a 5-year payment plan with a 6% interest rate. These loan rates are higher than commercial loan rates currently, which are at historically low rates and likely to escalate. Public borrowing rates are much lower than 6-7%, enabling the City to lend money at substantially lower rates than commercial lenders—even in this low interest rate environment.

APPENDIX G: VERTICAL HOUSING DEVELOPMENT ZONES (VHDZ)

307.841 Definitions for ORS 307.841 to 307.867. As used in ORS 307.841 to 307.867:

(1) “Construction” means the development of land and the construction of improvements to land, and may be further defined by the city or county that designated the vertical housing development zone under ORS 307.844.

(2) “Displacement” means a situation in which a household is forced to move from its current residence due to conditions that affect the residence or the immediate surroundings of the residence and that:

(a) A reasonable person would consider to be beyond the household’s ability to prevent or control;

(b) Occur despite the household’s having met all previously imposed conditions of occupancy; and

(c) Make continued occupancy of the residence by the household unaffordable, hazardous or impossible.

(3) “Equalized floor” means the quotient determined under ORS 307.857 (4)(b).

(4) “Low income residential housing” means housing that is restricted to occupancy by persons or families whose income is no greater than 80 percent of area median income, adjusted for family size, as determined by the Housing and Community Services Department.

(5) “Nonresidential use” means any use that is not exclusively residential use.

(6) “Rehabilitation” means repair or replacement of improvements, including fixtures, or land developments, the cost of which equals at least 20 percent of the real market value of the improvements or land developments being repaired or replaced, and may be further defined by the city or county that designated the zone.

(7) “Vertical housing development project” or “project” means the construction or rehabilitation of a multiple-story building, or a group of buildings, including at least one multiple-story building, so that a portion of the project is to be used for nonresidential uses and a portion of the project is to be used for residential uses.

(8) “Vertical housing development zone” or “zone” means an area that has been designated a vertical housing development zone under ORS 307.844. [Formerly 285C.450; 2015 c.507 §1; 2017 c.326 §1]

307.844 Zone designation; local taxing district election to not participate in zone; notification of local taxing districts. (1)(a) A city may designate an area within the city as a vertical housing development zone.

(b) A county may designate as a vertical housing development zone an area that is subject to a goal exception for residential use approved under ORS 197.732.

(2) With the prior consent of the governing body of each city in which a proposed vertical housing development zone is to be located, a county may designate any area within each city that has given consent for vertical housing development zone designation as a vertical housing development zone.

(3) A city and a county, or any combination of cities and counties, may designate an area within each jurisdiction as a vertical housing development zone.

(4) A local taxing district may elect not to participate in a vertical housing development zone. A local taxing district that elects not to participate may continue to impose taxes on property otherwise exempt from ad valorem property tax under ORS 307.864.

(5) A city or county must consider the potential for displacement of households within a proposed vertical housing development zone before designating the zone.

(6)(a) Before designating a vertical housing development zone, a city or county, as applicable, must notify the local taxing districts, other than the city or county, that have territory in the proposed vertical housing development zone of the city's or county's intention to designate a vertical housing development zone.

(b) The notice required under paragraph (a) of this subsection must be sent by regular mail and must:

(A) Describe the proposed vertical housing development zone;

(B) Explain the exemption described in ORS 307.864 that would apply if the proposed zone is designated; and

(C) Explain the process by which a local taxing district may elect not to participate in the vertical housing development zone.

(c) Notice of the election of a district listed in ORS 198.010 or 198.180 not to participate in the vertical housing development zone must be received by the city or county, as applicable, within 30 days after the district receives the notice required under paragraph (a) of this subsection.

(7)(a) Not sooner than 60 days after sending the notice required under subsection (6)(a) of this section, the governing body of the city or county that seeks to designate a vertical housing development zone may adopt an ordinance or resolution designating the vertical housing development zone and describing the area and boundaries of the zone. The ordinance or resolution may include additional criteria for certification of a vertical housing development project that do not conflict with the requirements described in ORS 307.858.

(b) As soon as practicable after adopting the ordinance or resolution designating the zone, the governing body shall notify the assessor of the county in which the zone is located of the designation of the zone and the districts that elected not to participate in the zone. [Formerly 285C.453; 2015 c.507 §2; 2017 c.326 §2]

307.847 [Formerly 285C.456; repealed by 2017 c.326 §11]

307.850 [1965 c.278 §1; 1993 c.70 §1; 1997 c.499 §1; renumbered 285A.325 in 1997]

307.851 [Formerly 285C.459; repealed by 2017 c.326 §11]

307.854 Acquisition, disposition and development of real property within zone. (1) Following the designation of a vertical housing development zone under ORS 307.844, the city or county that designated the zone may acquire or dispose of real property within the zone for the purpose of developing vertical housing development projects within the zone.

(2) The development of projects may be undertaken by the city or county independently, jointly or in partnership with a private entity or may be undertaken by a private entity acting independently.

(3) The entities undertaking the development of property under this section may own and operate the developed property or may sell or otherwise dispose of the property at any time during or after development. The property may be sold at the property's real market value or at a lesser value. [Formerly 285C.462; 2017 c.326 §3]

307.857 Application for exemption; review; certification; fees. (1) Following the designation of a vertical housing development zone under ORS 307.844, a person proposing to undertake a proposed vertical housing development project and seeking the partial property tax exemption set forth in ORS 307.864 shall apply to the governing body of the city or county that designated the zone for certification of the project. Each phase of a phased development, whether vertical or horizontal, requires a separate application.

(2) The application must be satisfactory to the city or county in form and content and must contain any information required by the city or county, including all of the following:

(a) The address and boundaries of the proposed vertical housing development project.

(b) A description of the existing state of the property.

(c) A description of the proposed project construction or rehabilitation, including the design of the construction or rehabilitation, the cost of the construction or rehabilitation and the number of floors and residential units to be constructed or rehabilitated.

(d) A description of the nonresidential uses to which any portion of the proposed project is to be put, including the proportion of total square footage of the project proposed for nonresidential uses.

(e) A description of the proposed portion of the project to be used for residential uses, including the proportion of total square footage of the project proposed for residential uses.

(f) A description of the number and nature of residential units in the proposed project that are to be low income residential housing, including the proportion of total square footage of the project proposed for low income residential housing uses.

(g) The calculation and allocations described under subsection (4) of this section.

(h) Documentation establishing the costs of construction and rehabilitation with respect to the project.

(i) A commitment that is satisfactory to the city or county, including documentation and evidence of recording of the documentation, that the project will be maintained and operated in a manner consistent with the application submitted under this section for the duration of the commitment. The duration of the commitment, including the eligibility of units in the project as low income residential housing, may not be less than the number of tax years for which the project is intended to be partially exempt from ad valorem property taxes under ORS 307.864.

(3) For purposes of this section, square footage does not include areas used for parking, patios or porches, unless these areas are demonstrated to the satisfaction of the city or county to be economically necessary to the project or the city or county otherwise determines that it is appropriate to include the areas in square footage.

(4)(a) Each application filed under this section shall contain a calculation of equalized floors, an allocation of equalized floors to residential uses and an allocation of equalized floors to low income residential housing uses as determined under this subsection.

(b) An equalized floor is the quotient that results from the division of total square footage of a project by the number of actual floors of the project that are at least 500 square feet per floor, or as may be increased or otherwise qualified by the city or county by rule.

(c) To allocate equalized floors to residential uses, divide the total square footage of residential property in the project by the square footage of an equalized floor.

(d) To allocate equalized floors to low income residential housing use, divide the total square footage of low income residential housing property in the project by the square footage of an equalized floor. In determining the square footage of low income residential housing property, include that proportion of the square footage of residential common space that is the same as the

proportion of the total square footage of low income residential housing units to the total square footage of all residential housing units.

(e) Land that is necessary for a project having at least one equalized floor of low income residential housing may be certified for partial exemption. Land that is not necessary for the project may not be certified for partial exemption.

(5)(a) For rehabilitation that does not involve displacement of tenants, the application must be filed on or before the date on which the rehabilitation is complete.

(b) The application must be filed on or before the date on which residential units that are a part of the vertical housing development project are ready for occupancy.

(6) The city or county shall review each application submitted under this section and shall certify or deny certification based on whether the proposed vertical housing development project meets the requirements described in ORS 307.858 and all criteria established by the city or county that are consistent with ORS 307.841 to 307.867.

(7) The city or county may request any documentation or undertake any investigation necessary to ascertain the veracity of any statement made on an application under this section.

(8) The certification issued by the city or county shall:

(a) Identify the property included in the certified vertical housing development project;

(b) Identify the number of equalized floors of residential housing in the project and include a description of the property of each equalized floor;

(c) Identify the number of equalized floors of low income residential housing in the project and include a description of the property of each equalized floor; and

(d) Contain any other information prescribed by the city or county.

(9) The determination of the city or county to certify or deny certification is a discretionary determination. The determination is final and is not subject to judicial or administrative review.

(10) The city or county may charge appropriate fees to offset the cost of administering the application and certification process under this section and any other related costs. [Formerly 285C.465; 2017 c.326 §6]

Note: Section 13, chapter 326, Oregon Laws 2017, provides:

Sec. 13. (1) Property that was constructed pursuant to a certification for a partial property tax exemption under ORS 307.857 prior to the effective date of this 2017 Act [October 6, 2017] shall continue to receive the exemption according to the same schedule and subject to the disqualification provisions of ORS 307.841 to 307.867 that were in effect and applied at the time the vertical housing development project was certified for partial property tax exemption.

(2) If an application for certification was filed with the Housing and Community Services Department prior to the effective date of this 2017 Act but not acted upon as of the effective date of this 2017 Act, the Housing and Community Services Department shall forward the application to the city or county, as applicable. [2017 c.326 §13]

307.858 Project certification requirements. (1) A city or county may not certify a vertical housing development project under ORS 307.857 unless the project meets all requirements of this section.

(2) The project must be entirely located within a vertical housing development zone designated by the city or county with which the application for certification is filed.

(3) The project must include one or more equalized floors.

(4) Construction or rehabilitation must have been started on each building included in the project, including, but not limited to, additions that expand or enlarge an existing building.

(5)(a) At least 50 percent of the project's ground floor that fronts on the primary public street must be committed to nonresidential use. If a project has access to only one public street, the square footage of driveways, loading docks, bike storage, garbage receptacles and building entryways shall be excluded before applying the 50 percent test.

(b) For the project's ground floor to be considered committed to nonresidential use, all ground floor interior spaces that front on the primary public street must be constructed to building code standards for commercial use or planned for commercial use upon completion. [2017 c.326 §5]

Note: Section 13, chapter 119, Oregon Laws 2005, provides:

Sec. 13. (1) The Housing and Community Services Department may not issue a certification under ORS 307.841 to 307.867 on or after January 1, 2018.

(2) A city or county may not issue a certification under ORS 307.841 to 307.867 on or after January 1, 2026. [2005 c.119 §13; 2015 c.507 §4; 2017 c.326 §14]

307.861 Monitoring of certified projects; decertification. (1) Upon determining to certify a vertical housing development project under ORS 307.857, the city or county shall send a copy of the certification to the county assessor of the county in which the project is to be located. The certification must be accompanied by a description of the property granted partial exemption under ORS 307.864.

(2) At any time after certification and prior to the end of the exemption period, the city or county may:

(a) Request documentation, undertake investigations or otherwise review and monitor the project to ensure ongoing compliance by project applicants and owners.

(b) Undertake any remedial action that the city or county determines to be necessary or appropriate to fulfill the purposes of ORS 307.841 to 307.867, including issuing a notice of decertification directing the county assessor to disqualify all or a portion of a project.

(3)(a) A notice of decertification issued under subsection (2)(b) of this section shall identify:

(A) The property decertified from the vertical housing development project;

(B) The number of equalized floors that have ceased qualifying as residential housing for purposes of ORS 307.841 to 307.867;

(C) The number of equalized floors that have ceased qualifying as low income residential housing for purposes of ORS 307.841 to 307.867;

(D) The remaining number of equalized floors of residential housing in the project and include a description of the property of each remaining equalized floor; and

(E) The remaining number of equalized floors of low income residential housing in the project and include a description of the property of each remaining equalized floor of low income residential housing.

(b) The notice of decertification shall include any other information prescribed by the city or county.

(c) The city or county shall send copies of the notice of decertification to the property owner and the county assessor of the county in which the property is located. [Formerly 285C.468; 2017 c.326 §7]

307.864 Partial property tax exemption. (1) For the first tax year in which, as of the assessment date, a vertical housing development project is occupied or ready for occupancy following certification under ORS 307.857, and for the next nine consecutive tax years:

(a) The property of the vertical housing development project, except for the land of the project, shall be partially exempt from ad valorem property taxes imposed by local taxing districts, other than the districts that elected not to participate in the vertical housing development zone pursuant to ORS 307.844 (4), according to the following schedule and as identified in the certification issued under ORS 307.857 (8):

(A) If the project consists of the equivalent of one equalized floor allocated to residential housing, the project shall be 20 percent exempt.

(B) If the project consists of the equivalent of two equalized floors allocated to residential housing, the project shall be 40 percent exempt.

(C) If the project consists of the equivalent of three equalized floors allocated to residential housing, the project shall be 60 percent exempt.

(D) If the project consists of the equivalent of four or more equalized floors allocated to residential housing, the project shall be 80 percent exempt.

(b) The land of the vertical housing development project shall be partially exempt from ad valorem property taxes imposed by local taxing districts, other than the districts that elected not to participate in the vertical housing development zone pursuant to ORS 307.844 (4), in the same percentages determined under paragraph (a) of this subsection, for each equalized floor allocated to low income residential housing, as identified in the certification issued under ORS 307.857 (8).

(2) In order for the property of a vertical housing development project to receive the partial property tax exemption described in subsection (1) of this section, the vertical housing development project property owner, project applicant or other person responsible for the payment of property taxes on the project must notify the city or county that the project is occupied or ready for occupancy, and the city or county must notify the assessor of the county in which the project is located, in the manner set forth in ORS 307.512, that the project is occupied or ready for occupancy and has been certified under ORS 307.857. [Formerly 285C.471; 2013 c.193 §§11,18; 2017 c.326 §8]

307.866 Decertification of project; disqualification from exemption; additional taxes. (1)(a) During the period in which property of a vertical housing development project would otherwise be partially exempt under ORS 307.864 (1)(a), if all or a portion of the project has been decertified under ORS 307.861, the property is disqualified from exemption in proportion to the equivalent of each equalized floor that has ceased qualifying as residential housing, as set forth in the notice of decertification.

(b) During the period in which the land of a vertical housing development project would otherwise be partially exempt under ORS 307.864 (1)(b), if all or a portion of the project has been decertified under ORS 307.861, the land is disqualified from exemption in proportion to the equivalent number of equalized floors that have ceased qualifying as low income residential housing, as set forth in the notice of decertification.

(2) Notwithstanding ORS 307.864, there shall be added to the general property tax roll for the tax year next following decertification described in subsection (1) of this section, to be collected and distributed in the same manner as other real property tax, an amount equal to the difference between the taxes assessed against the property and land granted exemption under

ORS 307.864 and the taxes that would have been assessed against the property and land but for the exemption for each of the years, not to exceed the last 10 years, during which the property and land were exempt from taxation under ORS 307.864.

(3) Notwithstanding ORS 307.864, if, after a period of exemption under ORS 307.864 has terminated, the city or county that designated the zone in which the project is located discovers that the property or land of a vertical housing development project was granted exemption to which the project was not entitled, additional taxes may be collected as provided in subsection (2) of this section, except that the number of years for which the additional taxes may be collected shall be reduced by one year for each year that has elapsed since the year the property or land was last granted exemption, beginning with the earliest year for which additional taxes are due.

(4) The assessment and tax rolls shall show potential additional tax liability for all property and land granted exemption under ORS 307.864.

(5) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate. [2013 c.193 §20; 2017 c.326 §9]

307.867 Termination of zone; effect of termination. (1) A city or county that designates a vertical housing development zone under ORS 307.844 may terminate the zone at any time.

(2) The termination of a zone under this section does not affect the exemption from tax under ORS 307.864 of any property of a vertical housing development project that was certified under ORS 307.857 prior to the termination of the zone and that continues to qualify for the exemption at the time of the termination of the zone. [Formerly 285C.480; 2017 c.326 §10]

APPENDIX H: MULTIPLE-UNIT PROPERTY TAX EXEMPTIONS (MUPTE)

307.600 Legislative findings. (1) The Legislative Assembly finds that it is in the public interest to stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon’s urban centers to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where residents of the community have an opportunity to live as well as to work.

(2) The Legislative Assembly further finds that it is in the public interest to promote private investment in transit supportive multiple-unit housing in light rail station areas and transit oriented areas in order to maximize Oregon’s transit investment to the fullest extent possible and that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit housing, and commercial and retail property, in areas located within a light rail station area or transit oriented area.

(3) The Legislative Assembly further finds that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit housing in light rail station areas, in transit oriented areas or in city core areas by means of the local property tax exemption authorized under ORS 307.600 to 307.637. The programs shall emphasize the following:

(a) The development of vacant or underutilized sites in light rail station areas, transit oriented areas or core areas, rather than sites where sound or rehabilitable multiple-unit housing exists.

(b) The development of multiple-unit housing, with or without parking, in structures that may include ground level commercial space.

(c) The development of multiple-unit housing, with or without parking, on sites with existing single-story commercial structures.

(d) The development of multiple-unit housing, with or without parking, on existing surface parking lots.

(4) The Legislative Assembly further finds that it is in the public interest to preserve or establish existing housing that is affordable to low income persons by providing the incentives authorized in ORS 307.600 to 307.637 to:

(a) Existing multiple-unit housing subject to a low income housing assistance contract with an agency or subdivision of this state or the United States; and

(b) Existing multiple-unit housing that becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States in order to use the incentives authorized in ORS 307.600 to 307.637.

(5) The programs shall result in the preservation, construction, addition or conversion of units at rental rates or sale prices accessible to a broad range of the general public. [1975 c.428 §2; 1995 c.596 §1; 1999 c.808 §1; 2003 c.457 §1; 2017 c.315 §8]

307.603 Definitions for ORS 307.600 to 307.637. As used in ORS 307.600 to 307.637:

(1) “Establish” means, unless the context requires otherwise, making existing multiple-unit housing subject to a low income housing assistance contract.

(2) “Lender” means any person who makes a loan, secured by a recorded mortgage or trust deed, to finance the acquisition, construction, addition or conversion of multiple-unit housing.

(3) “Light rail station area” means an area defined in regional or local transportation plans to be within a one-half mile radius of an existing or planned light rail station.

(4) “Low income housing assistance contract” means an agreement between a public agency and a property owner that results in the production, rehabilitation, establishment or preservation of housing affordable to those with a defined level of household income.

(5) “Multiple-unit housing” means:

(a) Housing that is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States; or

(b) Newly constructed structures, stories or other additions to existing structures and structures converted in whole or in part from other use to housing that meet the following criteria:

(A) The structure must have a minimum number of dwelling units as specified by the city or county pursuant to ORS 307.606 (4).

(B) The structure must not be designed or used as transient accommodations, including but not limited to hotels and motels.

(C) The structure must have those design elements benefiting the general public, including any commercial use of a portion of the structure, as specified by the city or county pursuant to ORS 307.618.

(D) If in a light rail station area or transit oriented area, the structure must:

(i) Be physically or functionally related to a light rail line or mass transportation system; and

(ii) Enhance the effectiveness of a light rail line or mass transportation system.

(6) “Transit oriented area” means an area defined in regional or local transportation plans to be within one-quarter mile of a fixed route transit service. [Formerly 307.605; 2011 c.266 §1]

307.605 [1975 c.428 §1; 1979 c.425 §1; 1989 c.1051 §1; 1995 c.596 §2; 1999 c.808 §2; 2003 c.457 §2; renumbered 307.603 in 2005]

307.606 Exemption limited to tax levy of city or county that adopts ORS 307.600 to 307.637; designated areas; public hearings; standards and guidelines for considering applications. (1) ORS 307.600 to 307.637 apply to multiple-unit housing preserved, constructed, established, added to or converted in cities or counties that adopt, after a public hearing and determination pursuant to subsection (3) of this section, by resolution or ordinance, the provisions of ORS 307.600 to 307.637. The tax exemption provided by ORS 307.600 to 307.637 only applies to the tax levy of a city or county that adopts the provisions of ORS 307.600 to 307.637, except that the tax exemption shall apply to the ad valorem property taxes of all taxing districts when upon request of the city or county that has adopted the provisions of ORS 307.600 to 307.637, the rates of ad valorem taxation of taxing districts whose governing boards agree by resolution to the policy of providing tax exemptions for multiple-unit housing as provided in ORS 307.600 to 307.637, when combined with the rate of taxation of the city or county that adopts the provisions of ORS 307.600 to 307.637, equal 51 percent or more of the total combined rate of taxation levied on the property which is tax exempt under ORS 307.600 to 307.637.

(2) The city or county shall designate an area within which it proposes to allow exemptions provided for under the provisions of ORS 307.600 to 307.637. Core areas, light rail station areas or transit oriented areas may be designated by a city. A city may designate the entire city as the area in which the city proposes to allow exemptions under ORS 307.600 to 307.637 for housing that is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States. A county may designate areas as light rail station areas or transit oriented areas but may not designate areas as core areas. A county may designate

the entire county as the area in which the county proposes to allow exemptions under ORS 307.600 to 307.637 for housing that is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States. A city or county from time to time may, by amending its resolution or ordinance, add or withdraw territory from the area originally designated as a light rail station area or a transit oriented area, but any area added must be within the boundaries of the area as limited by ORS 307.603 (3) or (6).

(3) The city or county shall, prior to passage of a resolution or ordinance electing to utilize the provisions of ORS 307.600 to 307.637, hold a public hearing in order to determine whether multiple-unit housing meeting the qualifications of subsection (4) of this section would not otherwise be built in the designated area or preserved without the benefits provided by ORS 307.600 to 307.637.

(4) Prior to accepting project applications under ORS 307.600 to 307.637, cities or counties shall promulgate standards and guidelines to be utilized in considering applications and making the determinations required by ORS 307.618. The standards and guidelines shall establish policy governing basic requirements for an application, including but not limited to:

(a) Existing utilization of proposed project site, including justification of the elimination of any existing sound or rehabilitable housing.

(b) Design elements.

(c) Rental rates or sales prices.

(d) Extensions of public benefits from the project beyond the period of the exemption.

(e) Minimum number of units.

(f) For housing that is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States, a demonstration that the exemption is necessary to preserve or establish the low income units.

(g) For housing that is to become subject to a low income housing assistance contract with an agency or subdivision of this state or the United States, the date on which the housing must be established in order to be exempt under ORS 307.600 to 307.637. [Formerly 307.610]

307.609 Applicability of ORS 307.600 to 307.637 in cities and certain counties. In any city, or in any county with a population of over 300,000, the exemption shall apply only to multiple-unit housing preserved, established, constructed, added to or converted on land within an area designated under ORS 307.606 (2) or within a designated urban renewal or redevelopment area formed pursuant to ORS chapter 457. [Formerly 307.620]

307.610 [1975 c.428 §3; 1979 c.425 §2; 1983 c.493 §1; 1989 c.1051 §2; 1991 c.459 §72; 1995 c.596 §3; 1997 c.325 §27; 1999 c.808 §3; 2003 c.457 §3; renumbered 307.606 in 2005]

307.612 Duration of exemption; exclusions. (1) Multiple-unit housing that qualifies for exemption under ORS 307.600 to 307.637 may be exempt from ad valorem taxation for no more than 10 successive years. The first year of exemption is the assessment year beginning January 1 immediately following the calendar year in which construction, addition or conversion is completed, determined by that stage in the construction process when, pursuant to ORS 307.330, the improvement would have gone on the tax rolls in the absence of the exemption provided for in ORS 307.600 to 307.637 or, in the case of multiple-unit housing that is or becomes subject to a low income housing assistance contract, the application is approved.

(2)(a) The exemption may not include the land or any improvements not a part of the multiple-unit housing.

(b) The exemption may include:

(A) Parking constructed as part of the multiple-unit housing construction, addition or conversion; and

(B) Commercial property to the extent that the commercial property is a required design or public benefit element of a multiple-unit housing construction, addition or conversion approved by an authorizing city or county.

(c) In the case of a structure to which stories or other improvements are added or a structure that is converted in whole or in part from other use to dwelling units, only the increase in value attributable to the addition or conversion may be exempt from taxation.

(3) Notwithstanding subsection (1) of this section, if the multiple-unit housing is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States, the city or county may extend the exemption provided by ORS 307.600 to 307.637 through June 30 of the tax year during which the termination date of the contract falls.

(4)(a) The exemption provided by ORS 307.600 to 307.637 is in addition to any other exemption provided by law. However, nothing in ORS 307.600 to 307.637 may be construed to exempt any property beyond 100 percent of its real market value.

(b) If property is located within a core area and within a light rail station area or a transit oriented area, or both, and application for exemption under more than one program is made, only the exemption for which application is first made and approved may be granted. If property is granted exemption under ORS 307.600 to 307.637 pursuant to an ordinance or resolution adopted by a city, the property may not be granted exemption pursuant to an ordinance or resolution adopted by a county. If property is granted exemption under ORS 307.600 to 307.637 pursuant to an ordinance or resolution adopted by a county, the property may not be granted exemption pursuant to an ordinance or resolution adopted by a city. Property may be granted exemption under ORS 307.600 to 307.637 only once. [Formerly 307.630; 2011 c.266 §2]

307.615 City or county to provide application forms; contents of application form; filing deadline; revision of application. An owner desiring an exemption under ORS 307.600 to 307.637 shall first apply to the city or county, whichever is appropriate, on forms supplied by the city or county. The application shall describe the property for which an exemption is requested, set forth the grounds supporting the requested exemption and be verified by oath or affirmation of the applicant. Application shall be made on or before February 1 immediately preceding the first assessment year for which exemption is requested, and shall be accompanied by the application fee required by ORS 307.621. The city or county may permit the applicant to revise an application prior to final action by the city or county. [Formerly 307.640]

307.618 City or county findings required for approval. The city or county may approve an application filed under ORS 307.615 if the city or county finds that:

(1) In the case of the construction, addition or conversion of multiple-unit housing:

(a) The owner has agreed to include in the construction, addition or conversion as a part of the multiple-unit housing one or more design or public benefit elements as specified by the city or the county, including but not limited to commercial uses of a portion of the multiple-unit housing structure, open spaces, parks and recreational facilities, common meeting rooms, child care facilities, transit amenities and transit or pedestrian design elements.

(b) The proposed construction, addition or conversion project is or will be, at the time of completion, in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS chapters 195, 196, 197, 215 and 227, that are applicable at the time the application is approved.

(2) In the case of housing that is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States, it is important to the community to preserve or establish the housing as low income housing and it is probable that the housing would not be produced, be established or remain as low income housing without the exemption being granted.

(3) The owner has complied with all standards and guidelines adopted by cities or counties pursuant to ORS 307.606 (4). [Formerly 307.650; 2011 c.266 §3]

307.620 [1975 c.428 §4; 1989 c.1051 §3; 1995 c.596 §4; 1999 c.808 §4; 2003 c.457 §4; renumbered 307.609 in 2005]

307.621 Approval or denial of applications; city or county to state in writing reasons for denial of exemption; application fees. (1) The city or county shall approve or deny an application filed under ORS 307.615 within 180 days after receipt of the application. An application not acted upon within 180 days shall be deemed approved.

(2) Final action upon an application by the city or county shall be in the form of an ordinance or resolution that shall contain the owner's name and address, a description of the subject multiple-unit housing, either the legal description of the property or the assessor's property account number, and the specific conditions upon which the approval of the application is based. Following approval and on or before the deadline set forth in ORS 307.512, the city or county shall file with the county assessor and send to the owner at the last-known address of the owner a copy of the ordinance or resolution approving or disapproving the application. In addition, the city or county shall file with the county assessor a document listing the same information otherwise required to be in an ordinance or resolution under this subsection, as to each application deemed approved under subsection (1) of this section.

(3) If the application is denied, the city or county shall state in writing the reasons for denial and send notice of denial to the applicant at the last-known address of the applicant within 10 days after the denial.

(4) The city or county, after consultation with the county assessor, shall establish an application fee in an amount sufficient to cover the cost to be incurred by the city or county and the assessor in administering ORS 307.600 to 307.637. The application fee shall be paid to the city or county at the time the application for exemption is filed. If the application is approved, the city or county shall pay the application fee to the county assessor for deposit in the county general fund, after first deducting that portion of the fee attributable to its own administrative costs in processing the application. If the application is denied, the city or county shall retain that portion of the application fee attributable to its own administrative costs and shall refund the balance to the applicant. [Formerly 307.660; 2013 c.193 §9]

307.624 Termination of exemption for failure to complete construction or noncompliance; notice. (1) Except as provided in ORS 307.627, if the city or county finds that construction of multiple-unit housing was not completed on or before the date specified in ORS 307.637, or that any provision of ORS 307.600 to 307.637 is not being complied with, or any provision required by the city or county pursuant to ORS 307.600 to 307.637 is not being

complied with, the city or county shall give notice to the owner, mailed to the owner's last-known address, and to any known lender, mailed to the lender's last-known address, of the proposed termination of the exemption. The notice shall state the reasons for the proposed termination and shall require the owner to appear at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.

(2) If the owner fails to appear and show cause why the exemption should not be terminated, the city or county shall further notify every known lender and shall allow the lender a period of not less than 30 days, beginning with the date that the notice of failure to appear and show cause is mailed to the lender, to cure any noncompliance or to provide assurance that is adequate, as determined by the governing body, to assure the governing body that the noncompliance will be remedied.

(3) If the owner fails to appear and show cause why the exemption should not be terminated, and a lender fails to cure or give adequate assurance that any noncompliance will be cured, the city or county shall adopt an ordinance or resolution stating its findings terminating the exemption. A copy of the ordinance or resolution shall be filed with the county assessor and a copy sent to the owner at the owner's last-known address, and to any lender at the lender's last-known address, within 10 days after its adoption. [Formerly 307.670]

307.627 Termination of exemption; additional taxes. (1) If, after application has been approved under ORS 307.600 to 307.637, a declaration defined in ORS 100.005 with respect to the property is presented to the county assessor or tax collector for approval under ORS 100.110, or if the county assessor discovers that the multiple-unit housing or a portion of the multiple-unit housing is changed to a use that is other than residential or housing, or if the exemption was granted for housing being or becoming subject to a low income housing assistance contract with an agency or subdivision of this state or the United States and the housing is not housing subject to a low income housing assistance contract as of a date the housing is required to be subject to a low income housing assistance contract in order to receive the exemption:

(a) The exemption granted the multiple-unit housing or portion under ORS 307.600 to 307.637 shall terminate immediately, without right of notice or appeal;

(b) The property or portion shall be assessed and taxed as other property similarly situated is assessed and taxed; and

(c)(A) Notwithstanding ORS 311.235, there shall be added to the general property tax roll for the tax year next following the presentation or discovery, to be collected and distributed in the same manner as other real property tax, an amount equal to the difference between the amount of tax that would have been due on the property or portion had it not been exempt under ORS 307.600 to 307.637 for each of the years, not to exceed the last 10 years, during which the property was exempt from taxation under ORS 307.600 to 307.637.

(B) In the case of multiple-unit housing described in ORS 307.603 (5)(a), this paragraph applies only if the low income housing assistance contract to which the housing was or was to become subject was not entered into, breached or terminated prematurely.

(2) If, at the time of presentation or discovery, the property is no longer exempt, additional taxes shall be imposed as provided in this section, but the number of years that would otherwise be used to compute the additional taxes shall be reduced one year for each year that has elapsed since the year the property was last granted exemption beginning with the oldest year for which additional taxes are due.

(3) The assessment and tax rolls shall show “potential additional tax liability” for each property granted exemption under ORS 307.600 to 307.637.

(4) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate. [Formerly 307.675]

307.630 [1975 c.428 §5; 1979 c.425 §3; 1989 c.1051 §3a; 1991 c.459 §73; 1995 c.596 §5; 1997 c.541 §136; 1999 c.808 §5; 2003 c.457 §5; renumbered 307.612 in 2005]

307.631 Review of denial of application or termination of exemption; correction of assessment and tax rolls; owner’s appeal of valuation; effective date of termination of exemption. (1) Review of a denial of an application under ORS 307.621, or of the termination of an exemption under ORS 307.624, shall be as provided by ORS 34.010 to 34.100.

(2) If no review of the termination of an exemption as provided in subsection (1) of this section is affected, or upon final adjudication, the county officials having possession of the assessment and tax rolls shall correct the rolls in the manner provided for omitted property under ORS 311.216 to 311.232, to provide for the assessment and taxation of any property for which exemption was terminated by the city or county, or by a court, in accordance with the finding of the city, county or the court as to the tax year in which the exemption is first to be terminated. The county assessor shall make such valuation of the property as shall be necessary to permit such correction of the rolls. The owner may appeal any such valuation in the same manner as provided for appeals under ORS 311.216 to 311.232. Where there has been a failure to comply with ORS 307.624, the property shall become taxable beginning January 1 of the assessment year following the assessment year in which the noncompliance first occurred. Any additional taxes becoming due shall be payable without interest if paid in the period prior to the 16th of the month next following the month of correction. If not paid within such period, the additional taxes shall be delinquent on the date they would normally have become delinquent if timely extended on the roll or rolls in the year or years for which the correction was made. [Formerly 307.680]

307.634 Extension of deadline for completion of construction, addition or conversion. Notwithstanding any provision of ORS 307.624, if the city or county finds that construction, addition or conversion of the multiple-unit housing was not completed by the date specified in ORS 307.637, due to circumstances beyond the control of the owner, and that the owner had been acting and could reasonably be expected to act in good faith and with due diligence, the city or county may extend the deadline for completion of construction, addition or conversion for a period not to exceed 12 consecutive months. [Formerly 307.690]

307.637 Deadlines for actions required for exemption. An exemption for multiple-unit housing may not be granted under ORS 307.600 to 307.637 unless:

(1) In the case of multiple-unit housing described in ORS 307.603 (5)(a), the application for exemption is made to the city or county on or before January 1, 2032.

(2) In the case of multiple-unit housing described in ORS 307.603 (5)(b), the construction, addition or conversion is completed on or before January 1, 2032. [Formerly 307.691; 2011 c.266 §4; 2019 c.322 §1]