



CITY OF BEND

TO: TAX EXEMPTIONS WORKING GROUP

FROM: ALLISON PLATT, CORE AREA PROJECT MANAGER

DATE: FEBRUARY 2, 2022

RE: MULTIPLE UNIT PROPERTY TAX EXEMPTION PROGRAM
OPPORTUNITIES TO INCENTIVIZE PUBLIC BENEFITS

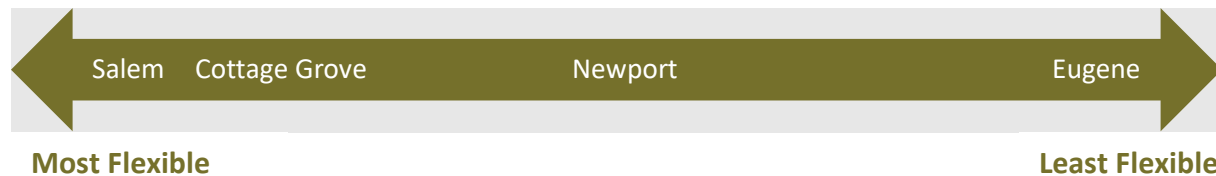
USING TAX EXEMPTIONS TO INCENTIVIZE PUBLIC BENEFITS

The Multiple Unit Property Tax Exemption (MUPTE) is unique in that it allows for the City of Bend to tailor eligibility criteria. This provides an opportunity to incentivize certain public benefits that the market may not realize on its own.

Staff reviewed eligibility criteria from similar MUPTE programs of four different cities in Oregon (Salem, Eugene, Cottage Grove, and Newport) to develop this memo.

Options for Public Benefit Requirements

The four Oregon City programs reviewed use a variety of eligibility criteria and structuring that can be organized from most flexible (easiest to qualify for) to least flexible (hardest to qualify for).



Salem’s Multi Unit Housing Tax Incentive Program (MUHTIP) requires that projects must provide more than 3 units, be located within an identified “Core Area” and meet at least one public benefit out of a list of 19 possible benefits in order to qualify for their exemption program. In 2021, Salem’s Council modified the requirements for projects with more than 100 units, requiring them to meet at least two of 19 criteria or provide 15% of the units at rents affordable to 80% AMI.

Similarly, Cottage Grove requires projects include 3 or more dwelling units, be located within a core area, in the Central Business District, or within ¼ mile of fixed route transit service, and provide at least one public benefit from a list of 17 potential public benefits.

Newport’s program requires that the applicant meet both green building requirements and provide a minimum percentage of of deed-restricted Affordable Housing in order to be eligible for their program: 20% must be affordable to those earning 80% or less of area median family income (MFI) or 10% affordable to householders earning 60% or less MFI.

Eugene’s program criteria were revised in 2015 and now require that all seven of their defined public benefits are met in order to be eligible for the program including: compact urban development, green building features, a local economic impact plan, moderate income housing

contribution, project design and compatibility, historic/existing housing sensitivity, and project need. Eugene's program is by far the most challenging program to be eligible for of the four programs reviewed.

These programs demonstrate a variety of ways to structure public benefit requirements to a future City of Bend program. Other options including structuring the percentage of the exemption based on the number of criteria that are met.

Public Benefit Examples

Below is a discussion of potential public benefits that could be considered in a future City of Bend program organized into the following categories:

- 1) Public Benefits to Support Housing Goals
- 2) Public Benefits to Support Environmental Goals
- 3) Public Benefits to Support Workforce & Employment Goals
- 4) Public Benefits to Support Other Potential Community Needs

Public Benefits to Support Housing Goals

- Units at sale prices or rental rates which are accessible to a broad income range of the general public.
 - Affordable Income Housing Requirement- % of units or in lieu of fee to be discussed by this working group
 - Moderate Income Housing Requirement or Contribution- % of units or in lieu of fee, to be discussed by this working group

Typically, this is structured where 10% of total units need to be deed-restricted as Affordable Housing (up to 60% AMI for rentals and 80% AMI for sale) and/or 20% for moderate income housing (up to 120% AMI for both rentals/for sale units). Moderate-income rental rates would need to conform with the AMI in effect at the time each unit is leased.

- Prohibition of vacation rentals
- Prohibition of hotels/motels

Public Benefits to Support Environmental Goals

- Green Building Features (i.e.. LEED, Earth Advantage, net zero, etc.): Most cities that include this on their public benefit criteria, require that the building energy efficiency performance is at least 10% above code.
 - Conform to 2011 Oregon Reach Code or perform at least 10% more efficiently than the performance established in the Oregon Energy Efficiency Specialty Code (OEESC) or similar code adopted by the State of Oregon.
 - Newport's program only applies this to residential occupancy areas and common areas; they do not apply to commercial areas or ancillary amenities such as parking garages and recreational facilities.
- Providing more open space, as defined in Bend Development Code, than required by development requirements (for example, Master Plan developments are required to provide a 10% open space requirement)
- Stormwater management, above and beyond a 25-year storm event and/or participant in the City's stormwater credit program

- Parking designed to provide, to the greatest extent possible, locations for car sharing, integrated shared parking strategies, electric car charging stations, and attractive/safe pedestrian/bicycle connections between parking and adjacent buildings/streets.

Public Benefits to Support Employment & Workforce Needs

- Commercial use on ground floor
 - Staff recommend that the work group consider this as a requirement for projects located on a Main Street within the Bend Central District as defined in Bend Development Code 2.7.3207, with a minimum % of non-residential use ground floor requirement to be defined through this working group.
- Child Care Facilities
- Common meeting rooms
- Local Economic Input Plan
 - Eugene's program requires that qualified Minority & Women Business Enterprises have an equitable opportunity to compete for contracts and subcontracts, and that projects follow wage, tax, and licensing laws by providing the City with a list of all contractors planning to perform work on the project.
 - This could also consider a displacement consideration that requires developers to offer compensation or first right to relocate for any displaced residents or businesses.

Public Benefits to Support Other Potential Community Needs

- Recreation Facilities
- Special architectural features
- Pedestrian oriented design
- Programs or amenities that support transit
- Handicap supportive facilities
- Dedication of land for public use
- Blighted property redevelopment
- Compact urban development (can be tailored based on the zone, i.e.. 175% of minimum density)
- Art supportive facilities
- Extra costs associated with infill development (i.e.. Environmental remediation, land assemblage, etc.)
- Provide Parking within structure
- Existing parking lot development (transform existing parking lot into a development)

Some programs, including Newport, allow for an additional option for the applicant to demonstrate that a public benefit is met that fulfills the purpose/intent of the program through a Planning Commission hearing.

Demonstrating Financial Need

Two of the four reviewed programs (Newport and Eugene) also require that the project demonstrate the need for the exemption by submitting a pro-forma that is reviewed by a third-party professional consultant. Eugene's program requires applicants to submit a 10-year pro-

forma, both with and without MUPTE, an analysis of the projected overall rate of return (cash on cash return) for the project, description of how the property tax estimate was determined, a development budget, and sources and uses of financing. The financial information is analyzed by an independent outside professional that provides conclusions to the review panel, City Manager, and City Council.

Next Steps

Staff will ask the working group to consider how flexible, easy or difficult, they would prefer eligibility criteria for a City of Bend MUPTE program to be, to identify any missing public benefits that should be added to the list of public benefits to consider, as well as their priority for which of these public benefits are most important to the Bend community to consider for a potential Bend MUPTE program at their February 7 working group meeting. It is anticipated that this conversation will be revisited at future work group meetings as well.

Appendix A. Overview of Oregon MUPTE Programs

	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 features; dedication of land for public use; blighted property redevelopment; pedestrian oriented design; LEED; parking within structure	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 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	Green Building Features; Affordable Housing Requirement - % of units or in-lieu fee; Alternate Public Benefit – Requires PC hearing to demonstrate benefit

	Salem	Eugene	Cottage Grove	Newport
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
Other Considerations	Vacation rentals and hotels prohibited	Review Panel consists of two at-large NA representatives, two project specific NA representatives, six technical professionals Student housing is prohibited	Vacation rentals and hotels/motels prohibited	Vacation rentals prohibited