



PROPERTY TAX EXEMPTION PROGRAMS

Working Group
February 7, 2022



- Staff
- Members
 - Affordable Housing Advisory Committee (AHAC)
 - Bend Economic Development Advisory Board (BEDAB)
 - Neighborhood Leadership Alliance (NLA)
 - Human Rights & Equity Commission (HREC)
 - Core Area Advisory Board (CAAB)
- Other attendees



- Provide recommendations to staff on the following:
 - Which tax exemption programs to prioritize
 - Applicable zones/areas to focus priority programs
 - Eligibility Criteria for priority programs
 - Other program considerations (sunsets, reviews, procedures, etc)
- Staff will review recommendations with Council Community Building subcommittee and overlapping taxing districts before bringing back to City Council



- Tax Exemptions Overview
 - MUPTTE
 - Non-Profit Exemption
 - Middle-Income Exemption
 - Vertical Housing Development Zone (VHDZ)
- Review Initial Recommendations on:
 - Prioritization of Programs
 - Applicable Areas/Zones
- Review and prioritize list of Public Benefits to incentivize

SCHEDULE



Jan.–Feb.

Work Group Meetings
February 7
February 14
February 28



March

Council Work Session



Community Building Subcommittee
February 23



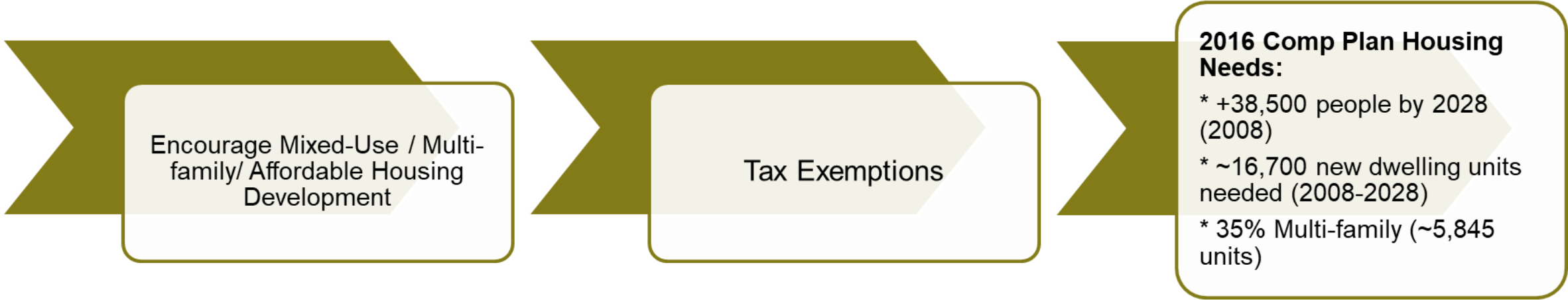
Potential Adoption of Priority Programs
April-June



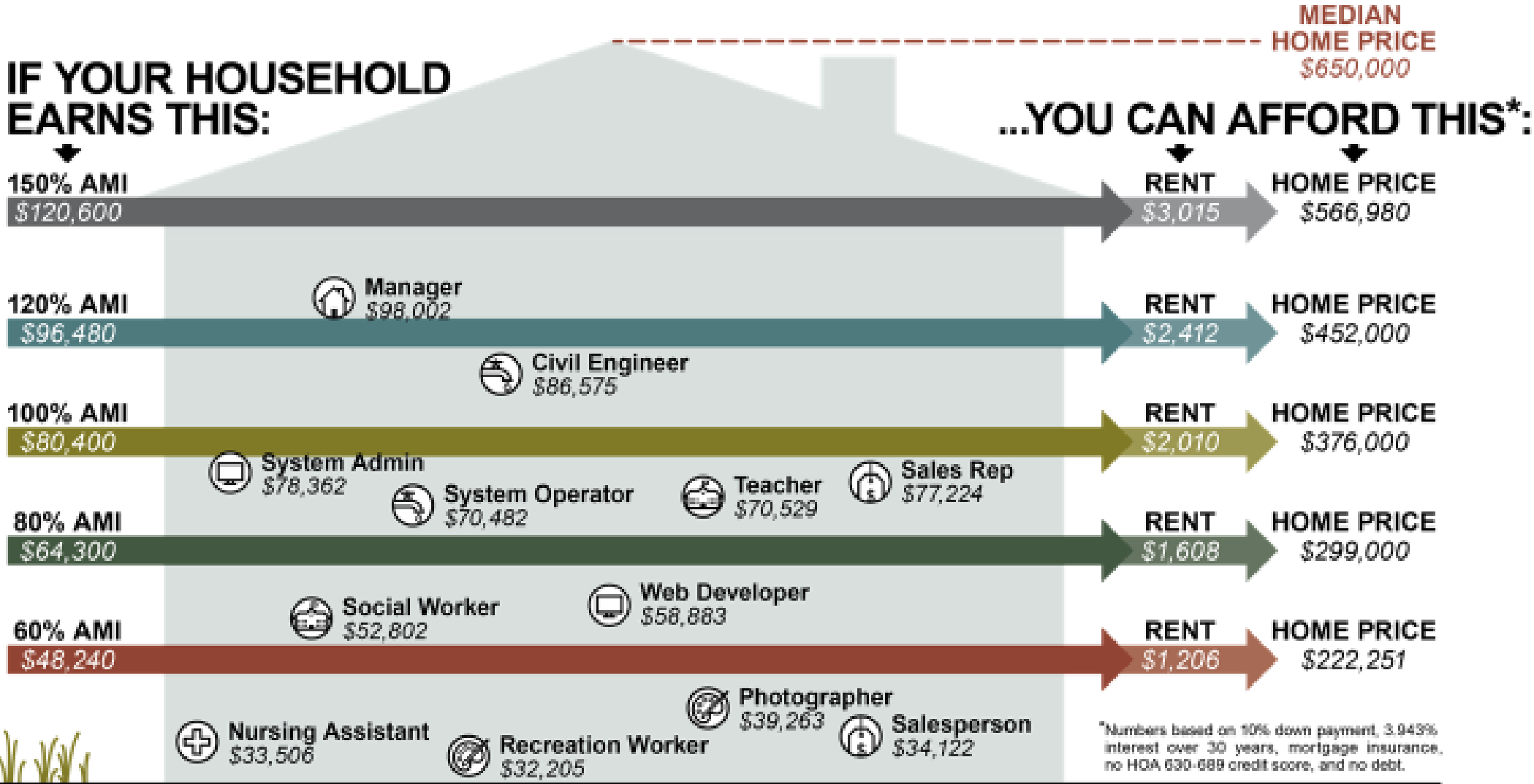
WHY TAX EXEMPTIONS?



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

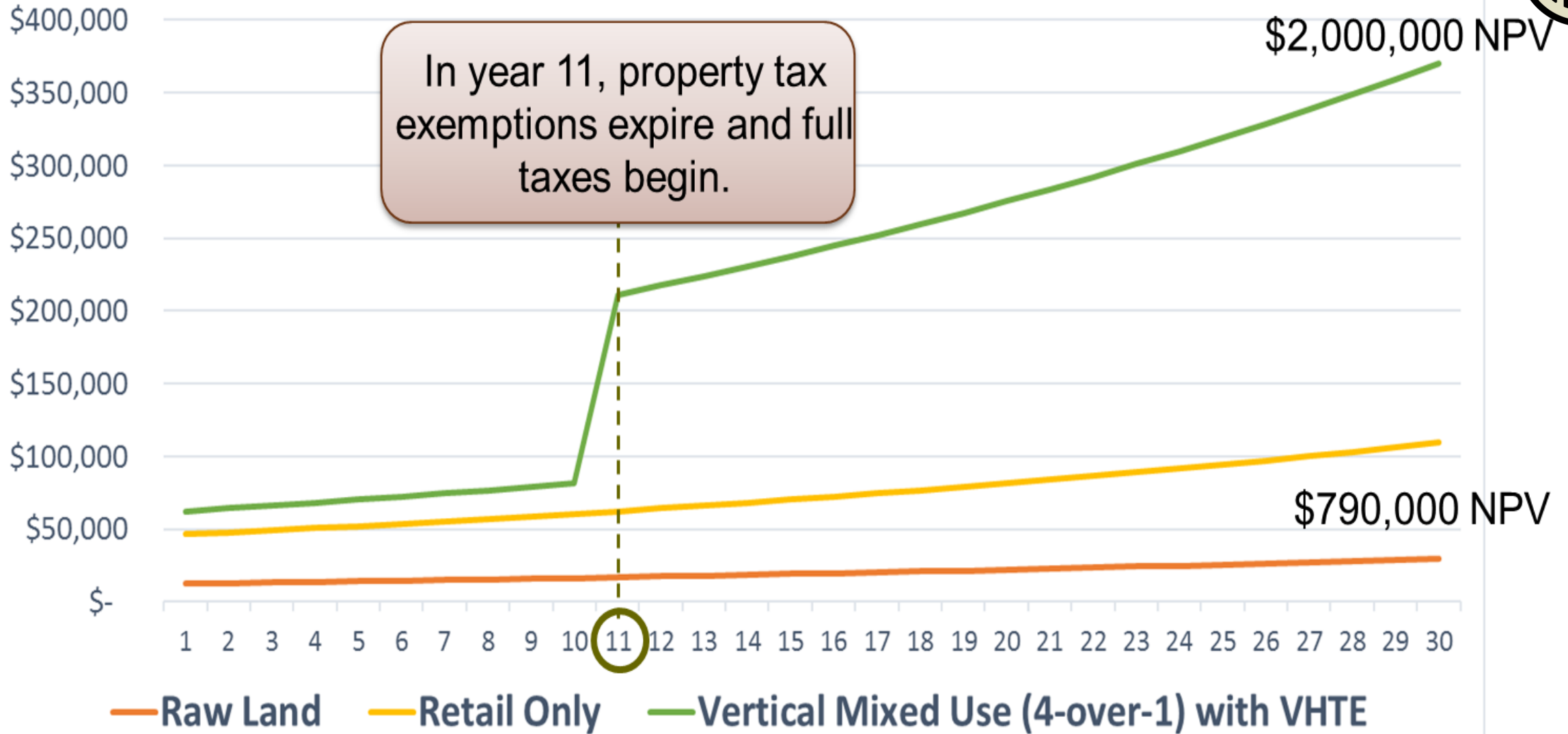


BEND AMI AND HOUSING AFFORDABILITY





30 Year Annual Tax Revenue



Source: Cascadia Partners

MULTIPLE UNIT PROPERTY TAX EXEMPTION



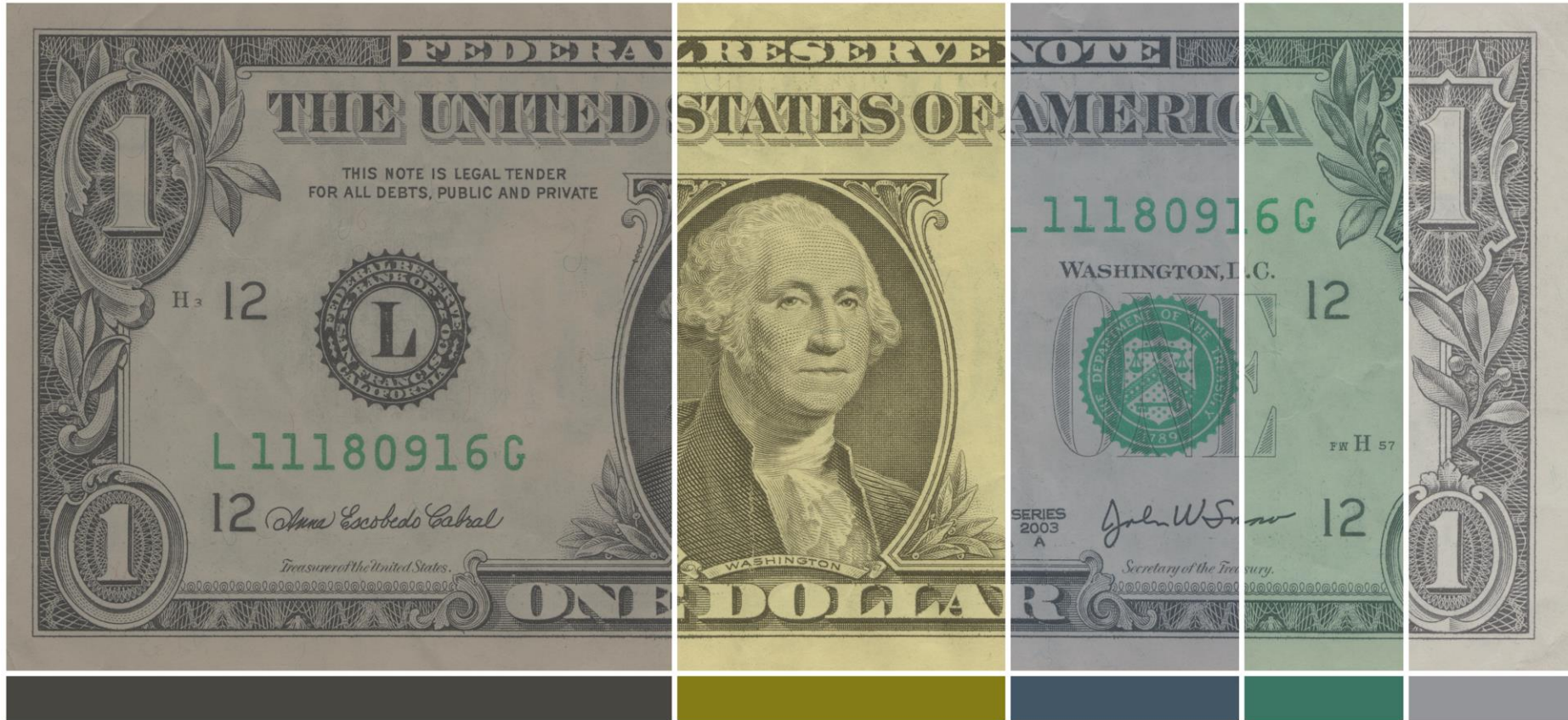
MUPTTE

MULTI-UNIT PROPERTY TAX EXEMPTION (MUPTTE)



Program Requirements

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



42.6%
Bend-La Pine
Schools

21.2%
City of
Bend

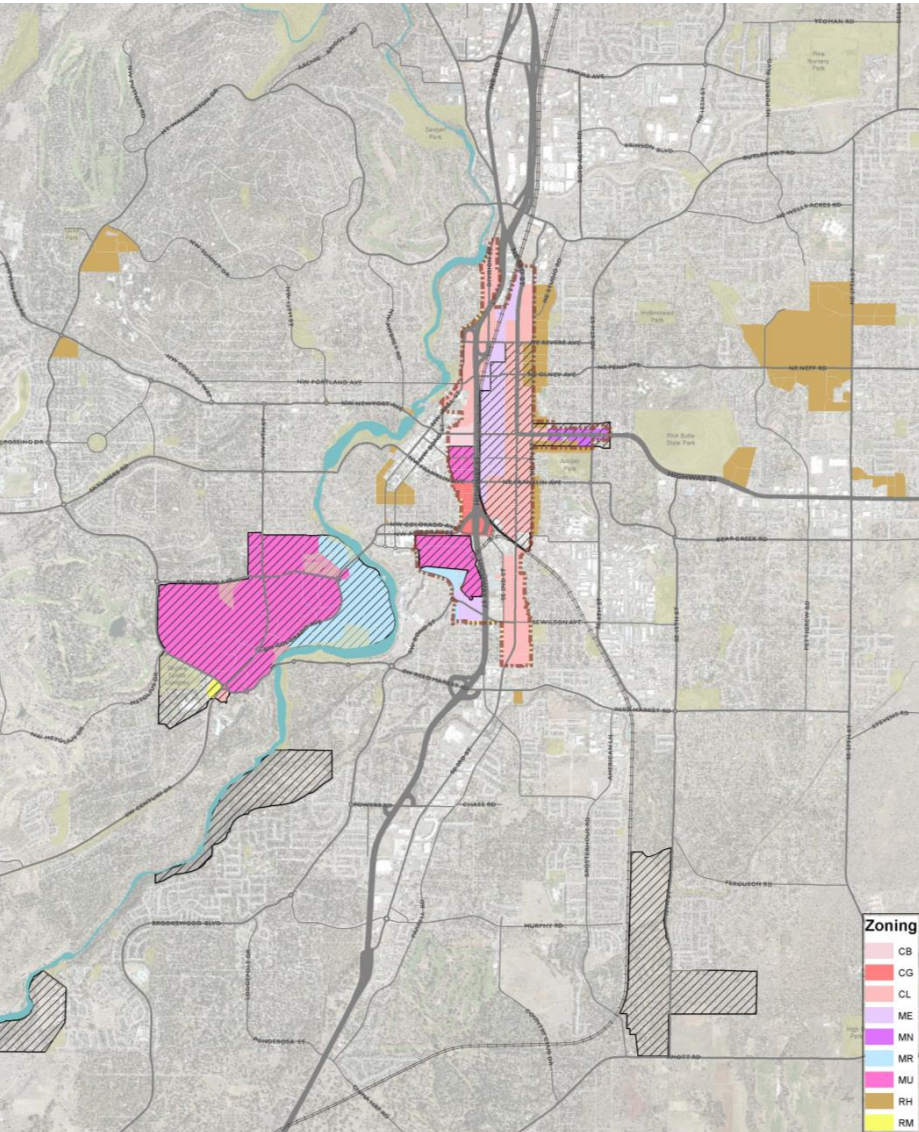
14.8%
Deschutes
County

10.3%
Park
& Rec

11.1%
Other*

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

MULTI-UNIT PROPERTY TAX EXEMPTION (MUPTTE)



PROS

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

CONS

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

NOTES

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

EXAMPLE ELIGIBILITY CRITERIA



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

CASE STUDY: SALEM'S MUHTI PROGRAM



- Established 1976
 - In 2021, program was extended to 2032
- Utilization:
 - 10 total projects approved in 45 years
 - Total residential units: 708
- Process:
 - Applicants approach City first for application, following Council approval- a copy is sent to School District for their approval/denial
 - Complete application must be received by December 1 of year prior to year in which tax benefit is sought
- Public Benefits: Allows for developer to meet one requirement of a list of 19 identified public benefits
 - If project has >100 units, then developer must meet 2 of the criteria or provide 15% of units at rents affordable to 80% AMI



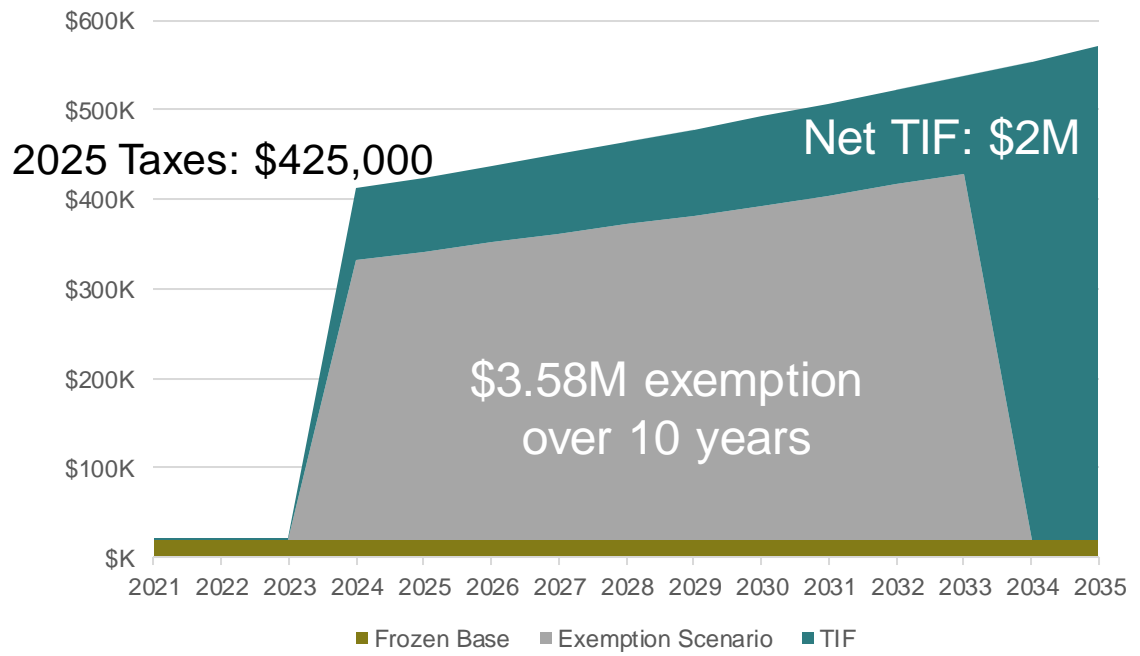
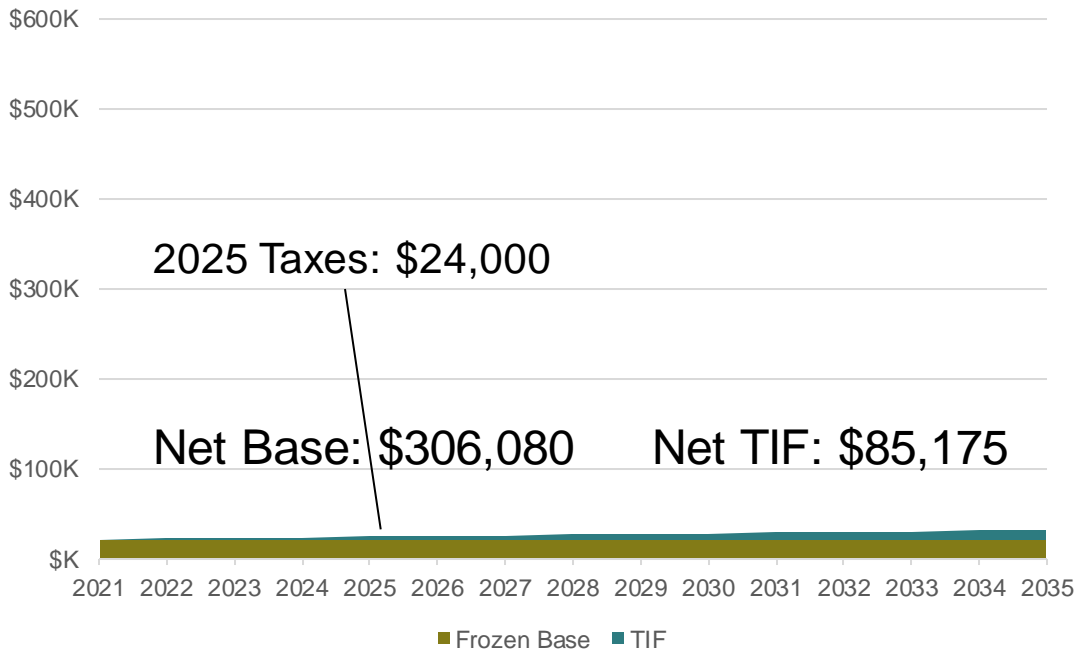
EXAMPLE PROJECT- INDUSTRIAL USE TO 5 STORY MIXED USE IN BCD



No Build Scenario



Build with Exemption Scenario



Assumes 80% tax exemption on improvements (not land) with full taxing district participation



NON-PROFIT TAX EXEMPTION FOR AFFORDABLE HOUSING DEVELOPMENT



Program Requirements

Adopted by Ordinance

Annual application required for review and approval by local government

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

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

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

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

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





NON-PROFIT TAX EXEMPTION

Examples:

- Central Oregon Veterans Outreach
- Kor Community Land Trust
- Habitat for Humanity



CENTRAL OR VETERAN & COMM OUTREACH INC
 61510 S HIGHWAY 97 100
 BEND OR 97702

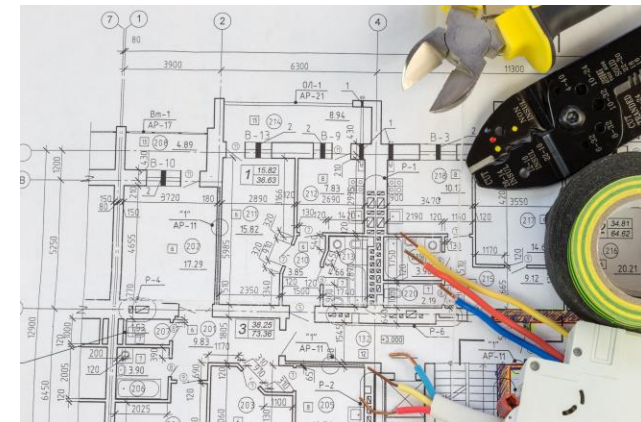
PROPERTY DESCRIPTION

CODE: 1001 MAP: 171233-CC-00601 CLASS: 101

SITUS ADDRESS: 476 NE DEKALB AVE 1 BEND

LEGAL: KEYSTONE TERRACE 3 9

VALUES:	LAST YEAR	THIS YEAR
REAL MARKET (RMV)		
LAND	164,020	213,100
STRUCTURES	0	262,080
TOTAL RMV	164,020	475,180
MAXIMUM ASSESSED VALUE	95,260	229,880
TOTAL ASSESSED VALUE	95,260	229,880
VETERAN'S EXEMPTION	0	0
NET TAXABLE:	95,260	229,880
TOTAL PROPERTY TAX:	1,475.11	3,643.03





NON-PROFIT TAX EXEMPTION



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

PROS

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

CONS

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

NOTES

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



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

MIDDLE INCOME TAX EXEMPTION



Program Requirements

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

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

Available for newly constructed or rehabilitated housing only

Can only qualify for the exemption based on rehabilitation once

Length of exemption is tied to a formula created by the local government based on number of middle-income units, up to 10 years (10% units = 1 year, 100% units = 10 years)

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

MIDDLE INCOME TAX EXEMPTION



PROS

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

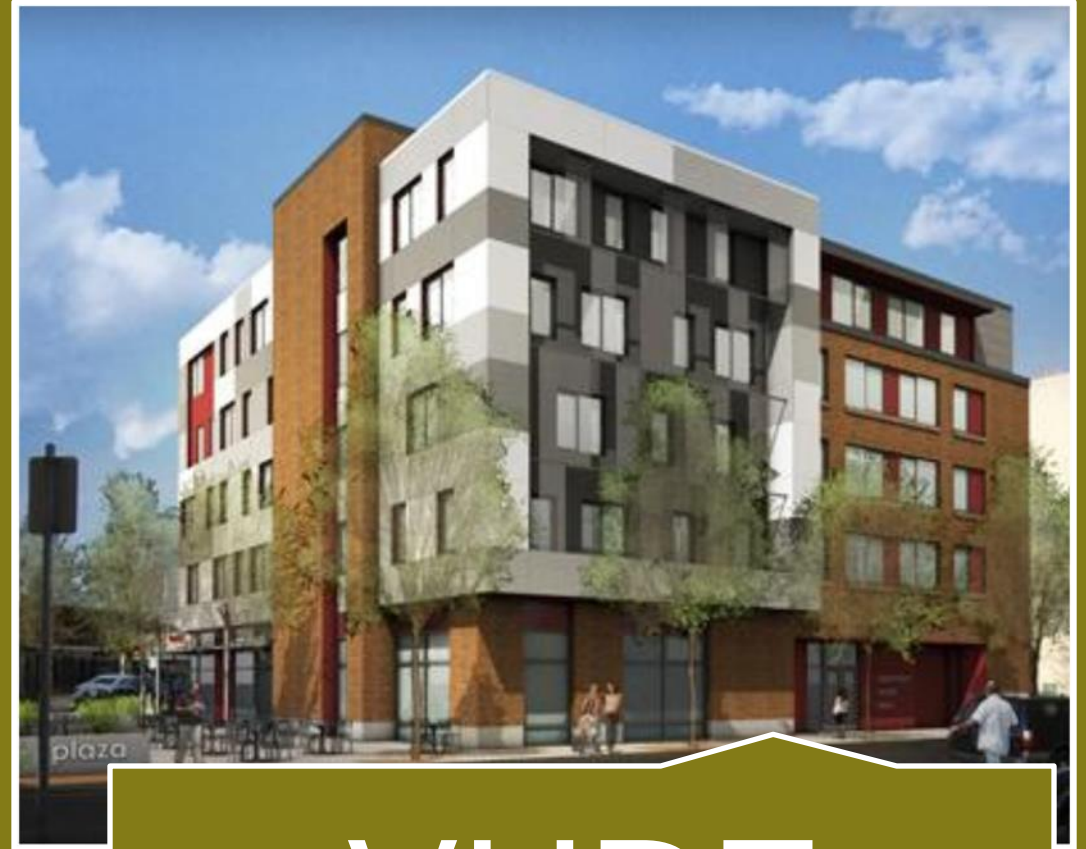
CONS

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

NOTES

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

VERTICAL HOUSING DEVELOPMENT ZONE



VHDZ

VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ)



Program Requirements



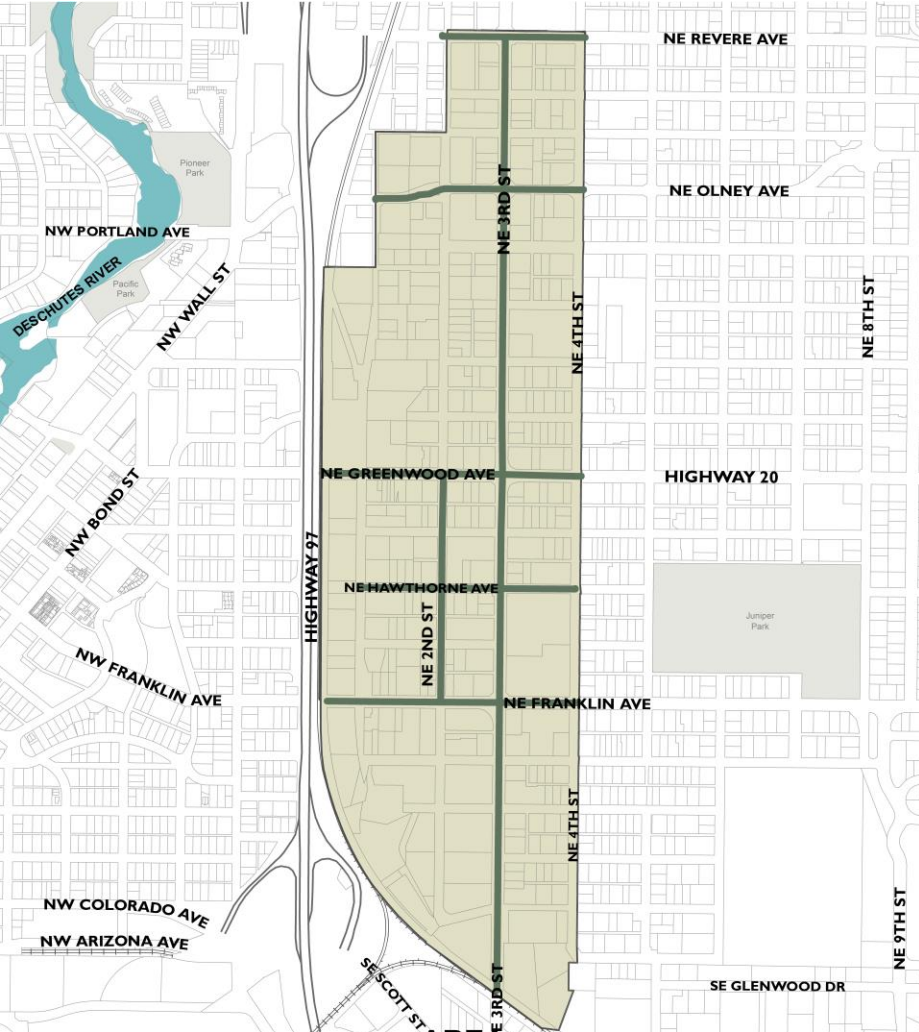
- Program adopted by Ordinance
- Each project approved by Resolution
- Anywhere in the City: create a designated zone

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

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

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

VERTICAL HOUSING DEVELOPMENT ZONE (VHDZ)



PROS

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

CONS

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

NOTES

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

PRELIMINARY RECOMMENDATIONS

PRELIMINARY STAFF RECOMMENDATIONS FOR FEEDBACK



- Prioritize 2 of the 4 programs for near-term adoption (Spring 2022)
 - Multiple Unit Property Tax Exemption program
 - Non-profit tax exemption program
- Continue to pursue Middle Income Exemption but pursue later adoption date
- Do not continue to pursue a VHDZ program at this time and instead consider incorporating non-residential ground floor requirements for developments that are located on Bend Central District Main Streets into a MUPTE program.

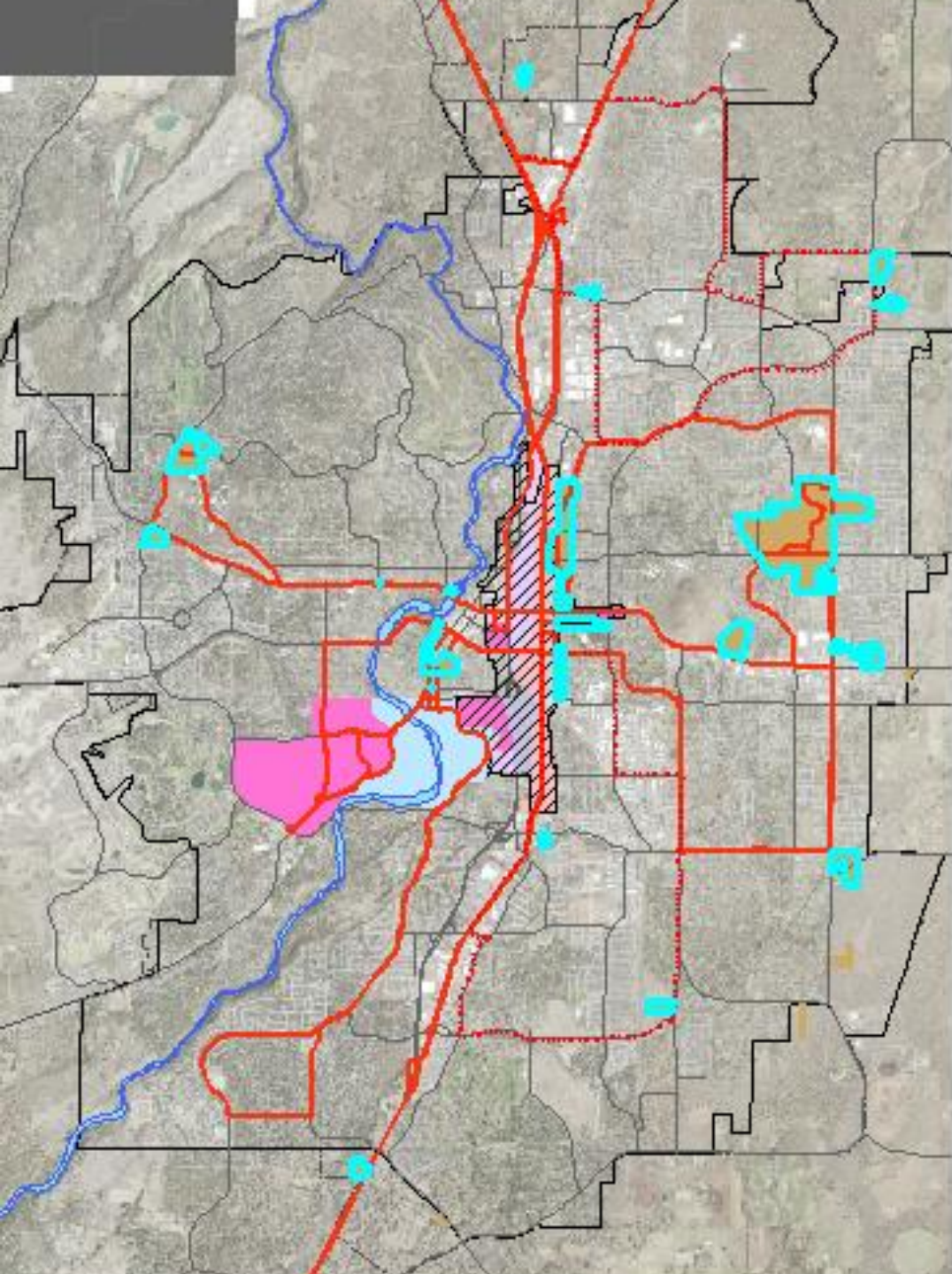
RECOMMENDED APPLICABLE ZONES/AREAS FOR MUPTTE



- Base Recommendation: Entire Core Area TIF District, Mixed Urban (MU) zones, Mixed Riverfront (MR), Mixed Neighborhood (MN) zones

For discussion:

- Residential High Density (RH) zoning:
 - All RH zoning citywide
 - RH zoning within ¼ mile of transit only
- Other potential applicable zones (for consideration/discussion):
 - Urban Dwelling Site (HB3450) Developments: A total of 40 cumulative acres that can be developed as standalone residential in the CL, CG, and ME zoning districts. Located within a ¼ mile of transit.
 - Residential medium density (RM) zoning
 - Micro-unit developments



Legend

- City Limits
- Urban Growth Boundary
- Deschutes River
- Core Area TIF Boundary

Transit Routes

- Existing
- Proposed

Zoning

- Mixed Neighborhood
- Mixed Riverfront
- Mixed Urban
- Residential High Density
- Central Business District
- Commercial General
- Commercial Limited
- Industrial Limited
- Mixed Employment

RECOMMENDED MUPTA AREA/ZONES

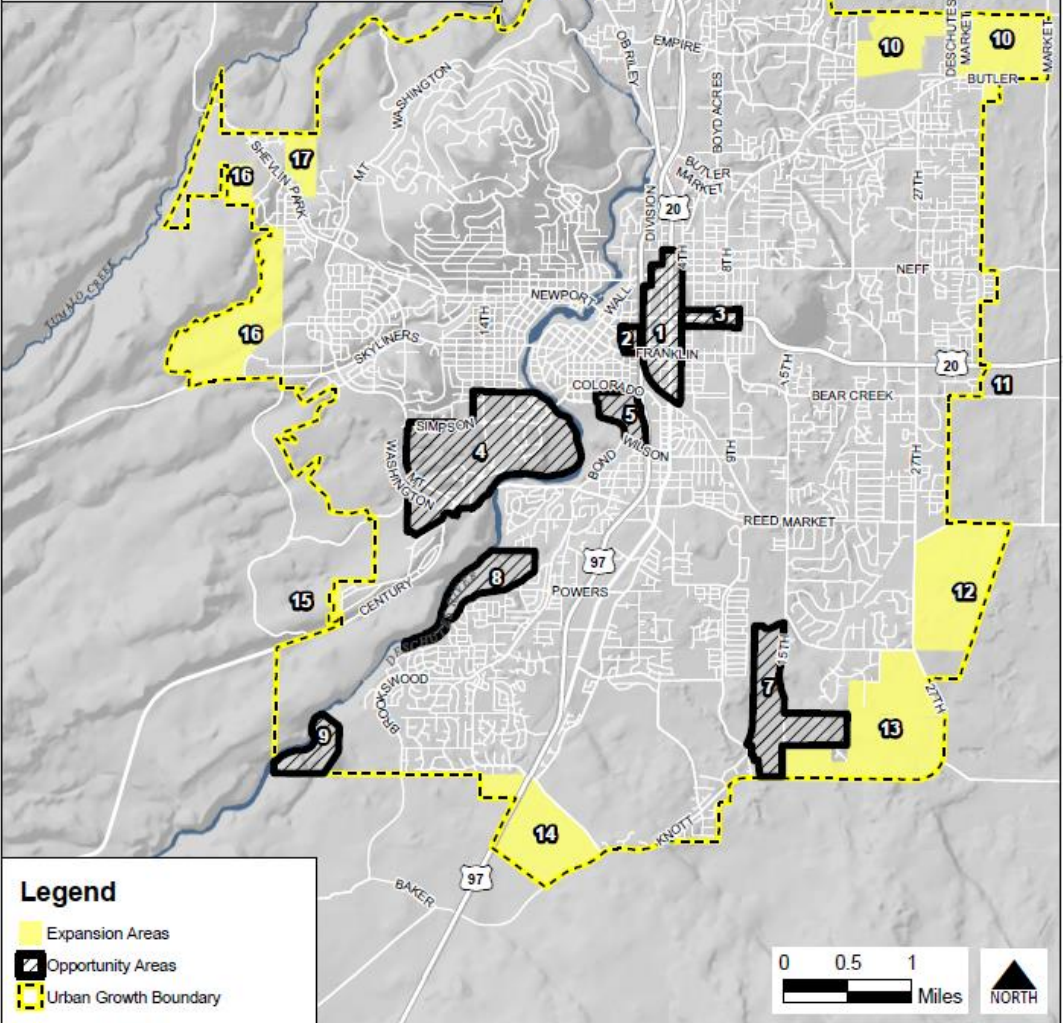


RH zoning selected in blue/green is RH zoning located within 1/4 mile of existing and future proposed transit routes.

NON-PROFIT TAX EXEMPTION PROGRAM



Opportunity Areas	Expansion Areas
1 - Bend Central District	10 - Northeast
2 - East Downtown	11 - East Hwy 20
4 - Inner Hwy 20 / Greenwood	12 - DSL Property
4 - Central West Side / Century Drive	13 - The Elbow
5 - KorPine	14 - The Thumb
6 - Juniper Ridge	15 - Southwest
7 - SE 15th Street	16 - West
8 - COID Property	17 - Shevlin
9 - River Rim	18 - OB Riley
	19 - North Triangle



- Recommendation: Citywide
 - Within City limits
 - Would allow for Churches and other non-profit agencies complete flexibility in siting housing projects.

- Consideration: should we include UGB expansion areas (prior to annexation) to allow exemption while the site is in holding?

PUBLIC BENEFIT ELIGIBILITY CRITERIA FOR MUPTE



For discussion:

- Generally, how flexible (difficult or easy) do you prefer eligibility criteria be to meet?



Most flexible

Least flexible

- Is requiring demonstration of financial need (proforma review) important to include in a potential MUPTE program?

ELIGIBILITY CRITERIA POLL



- Which category of criteria are most important to Bend community?
 - Housing (affordable/middle income requirements, prohibition of vacation rentals, etc)
 - Environment (energy efficiency, open space, etc)
 - Employment/Workforce (childcare, ground floor commercial uses, etc)
 - Other potential community needs (building design, recreation facilities, infill development costs, etc)
- Are there criteria that we are missing from the memo in the list? Should any be removed?
- Which public benefit criteria are most important to the Bend community?