



PROPERTY TAX EXEMPTION PROGRAMS

Community Building Subcommittee
February 23, 2022



Multiple Unit
Property Tax
Exemption
(MUPTE)

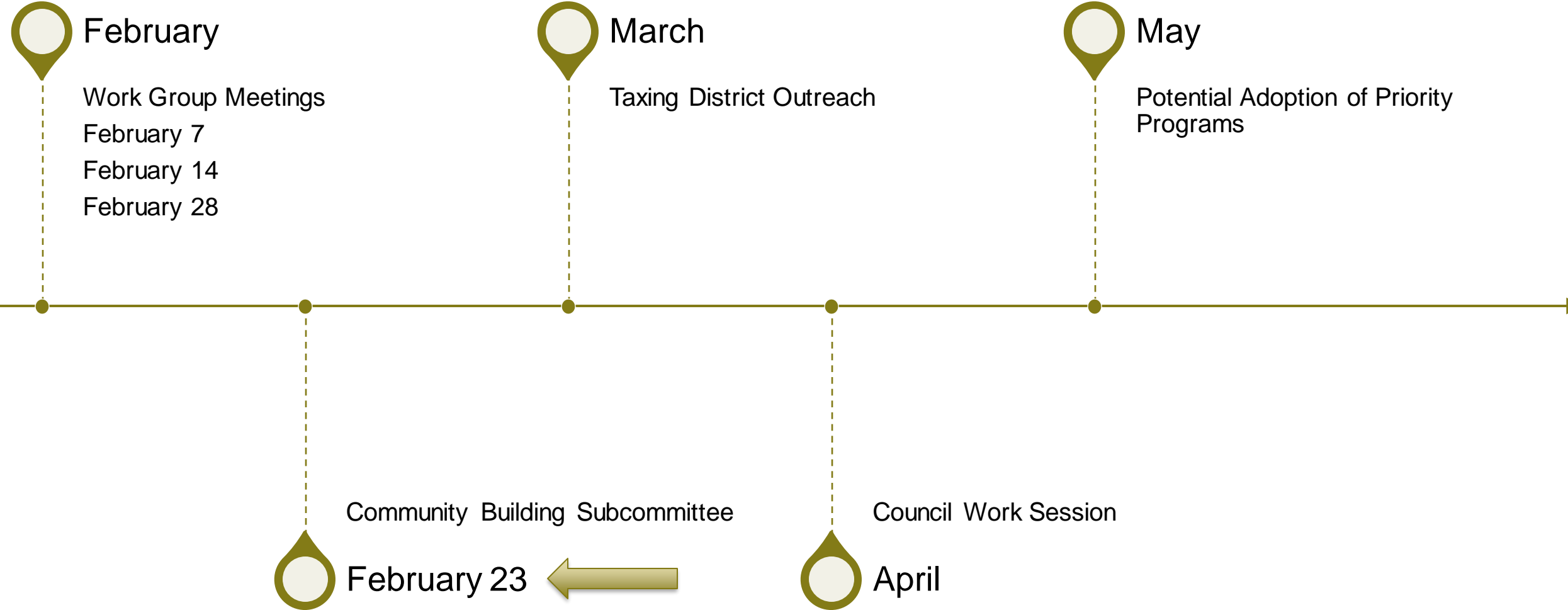
Nonprofit
Corporation Low
Income Housing
Exemption (NPTE)

Middle Income
Housing Exemption

Vertical Housing
Development Zone
(VHDZ)

- Update Council subcommittee on preliminary feedback from taxing district outreach
- Update on preliminary recommendations from Work Group on:
 - Which exemption programs to pursue
 - Preliminary program requirements/considerations
 - Concern about impacts to TIF
- Council Direction on Next Steps

SCHEDULE



QUESTIONS FOR COUNCIL

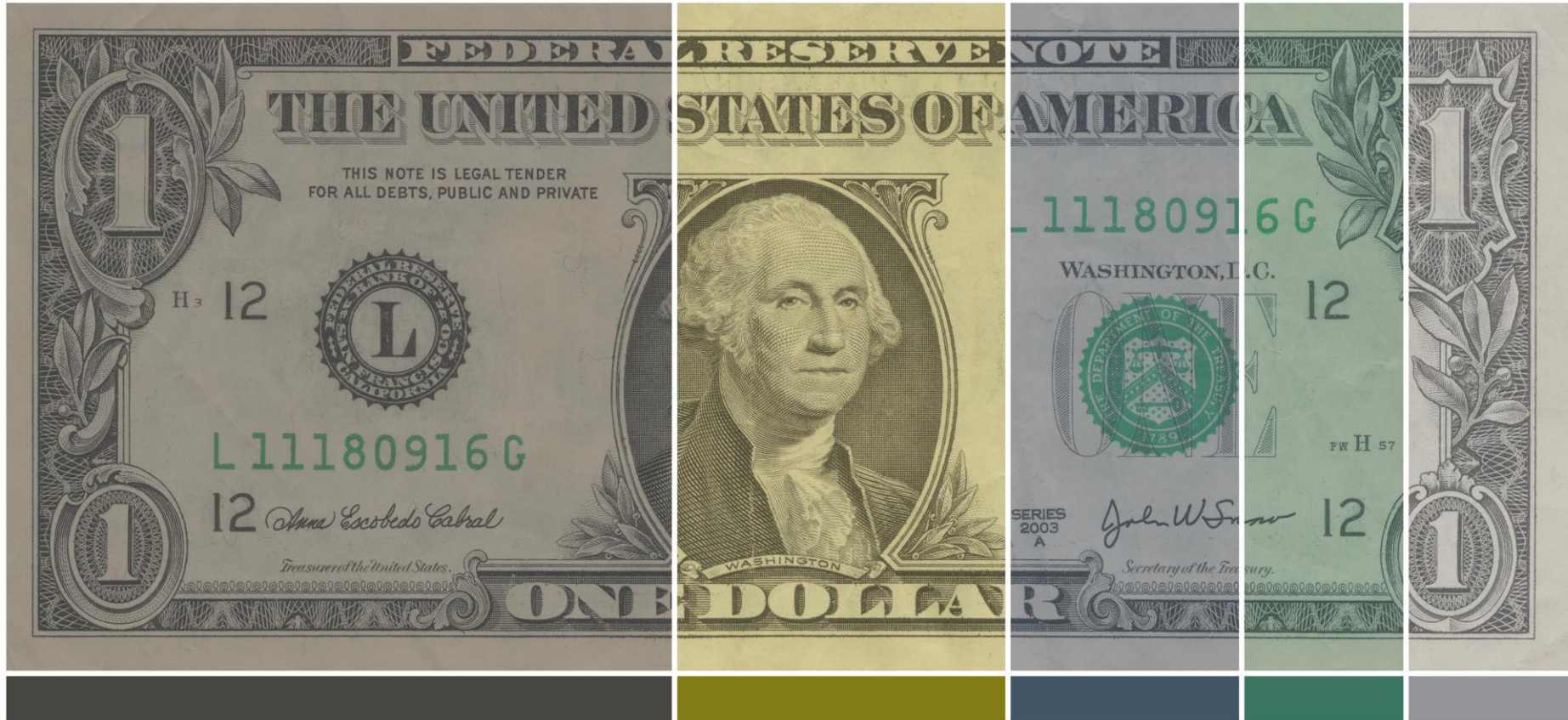


- Should staff continue to pursue the three programs recommended by the work group?
 - Non-Profit Tax Exemption
 - Multiple Unit Property Tax Exemption Program (MUPTE)
 - Middle Income
- Are you comfortable with staggered implementation if needed?
- How concerned or cautious do you want to be with exemption programs in the Core TIF Area?
- Are you supportive of program caps based on a desired unit goal for each program or specific exemptions?

PRELIMINARY TAXING DISTRICT OUTREACH



- Exemptions increase service needs while reducing revenue to provide services
- Exemptions impact taxing district operating budgets in addition to existing and new tax increment finance (TIF) area impacts
- How will success of program be defined and monitored?
- Clarity on anticipated financial impacts (ie. monetary caps, sunset dates)
- Is there a demonstrated need for these programs to incentivize development?
- Can priority for middle-income residents be prioritized for district employees?
- Request public benefit requirements that minimize impacts to special districts (affordable housing, additional open space, childcare facilities, recreation facilities, dedication of land for public use, etc)



42.6%
Bend-La Pine
Schools

21.2%
City of
Bend

14.8%
Deschutes
County

10.3% **11.1%**
Park
& Rec Other*

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



- Purpose:
 - Provide recommendations to staff on:
 - 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)
- Representation
 - Bend Economic Development Advisory Board (BEDAB)
 - Core Area Advisory Board (CAAB)
 - Neighborhood Leadership Alliance (NLA)
 - Affordable Housing Advisory Committee (AHAC)

FEB 7 RECAP: WHAT WE HEARD



- Prioritize 3 of the 4 programs for near-term adoption (Spring 2022) but stagger implementation to allow staff capacity for developing & administering programs
 - Multiple Unit Property Tax Exemption program (MUPTE)
 - Non-profit tax exemption program
 - Middle-Income tax exemption
- Do not continue to pursue a VHDZ program
 - Consider incorporating non-residential ground floor requirements for projects on Bend Central District Main Streets into a MUPTE program instead.

WORK GROUP: WHAT WE HEARD



- Are tax exemptions the right tool to consider in Core Tax Increment Finance (TIF) area, or does it make more sense to consider other development incentive tools focused on SDCs?
- Consider ways to limit/cap programs to a housing unit count or annual maximum
- Specific comments on Middle Income & MUPTE



NON-PROFIT TAX EXEMPTION FOR AFFORDABLE HOUSING DEVELOPMENT

NON PROFIT TAX EXEMPTION



Program Requirements

Adopted by Ordinance

Annual application required for review and approval by local government

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

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

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

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

100% exemption if approved by jurisdictions representing at least 51% (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

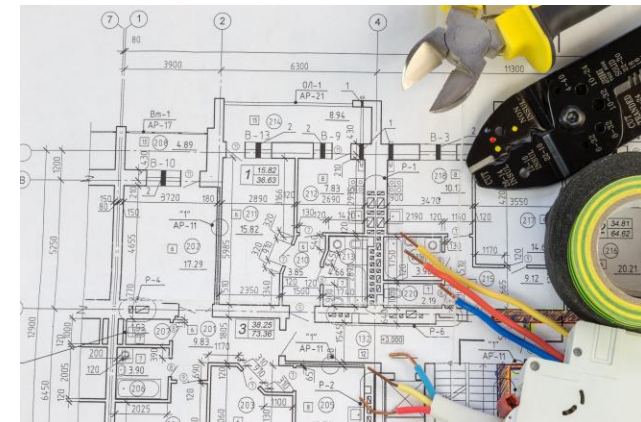
PROPERTY DESCRIPTION

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

SITUS ADDRESS: 476 NE DEKALB AVE 1 BEND

LEGAL: KEYSTONE TERRACE 3 9

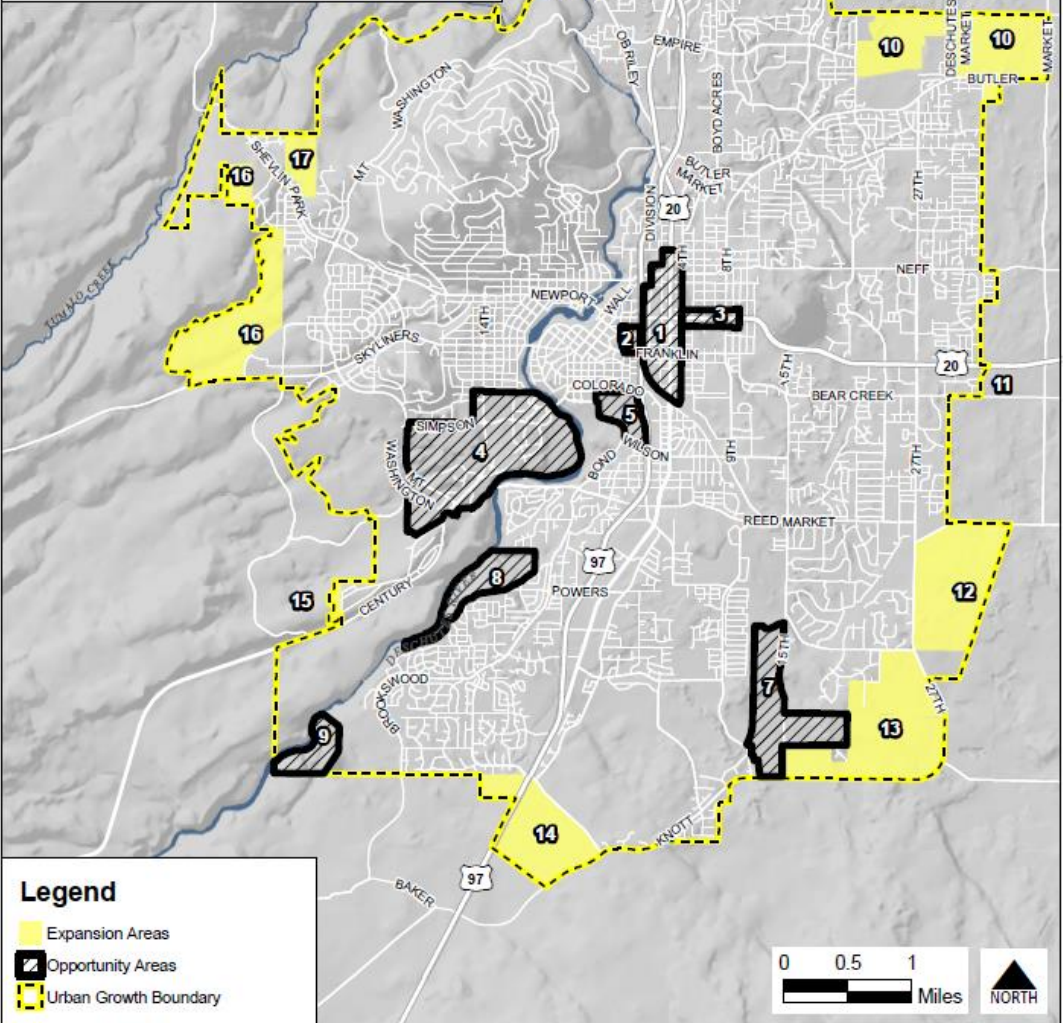
VALUES:	LAST YEAR	THIS YEAR
REAL MARKET (RMV)		
LAND	164,020	213,100
STRUCTURES	0	262,080
TOTAL RMV	164,020	475,180
MAXIMUM ASSESSED VALUE	95,260	229,880
TOTAL ASSESSED VALUE	95,260	229,880
VETERAN'S EXEMPTION	0	0
NET TAXABLE:	95,260	229,880
TOTAL PROPERTY TAX:	1,475.11	3,643.03



NON-PROFIT TAX EXEMPTION 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 only (must be annexed into City limits)
- Would allow for churches and other non-profit agencies flexibility in siting housing projects.
- Work group supports recommendation



**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

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
- Length of deed restriction tied to length of exemption
- Must be for rent

NOTES

- Currently used by Tillamook, OR

WORK GROUP RECOMMENDATIONS



- Focus on missing middle housing types (duplex, triplex, quadplex, cottage cluster, micro-unit development), support HB2001 implementation
- Desire for Bend to create a different formula for the exemption than Tillamook County
- Concern about how much exemption is needed to meet middle housing prices for rentals



EXEMPTION FORMULA

Tillamook County

Length of exemption tied to % of middle-income units:

10% of units = 1 year

50% of units = 5 year

100% of units = 10 year

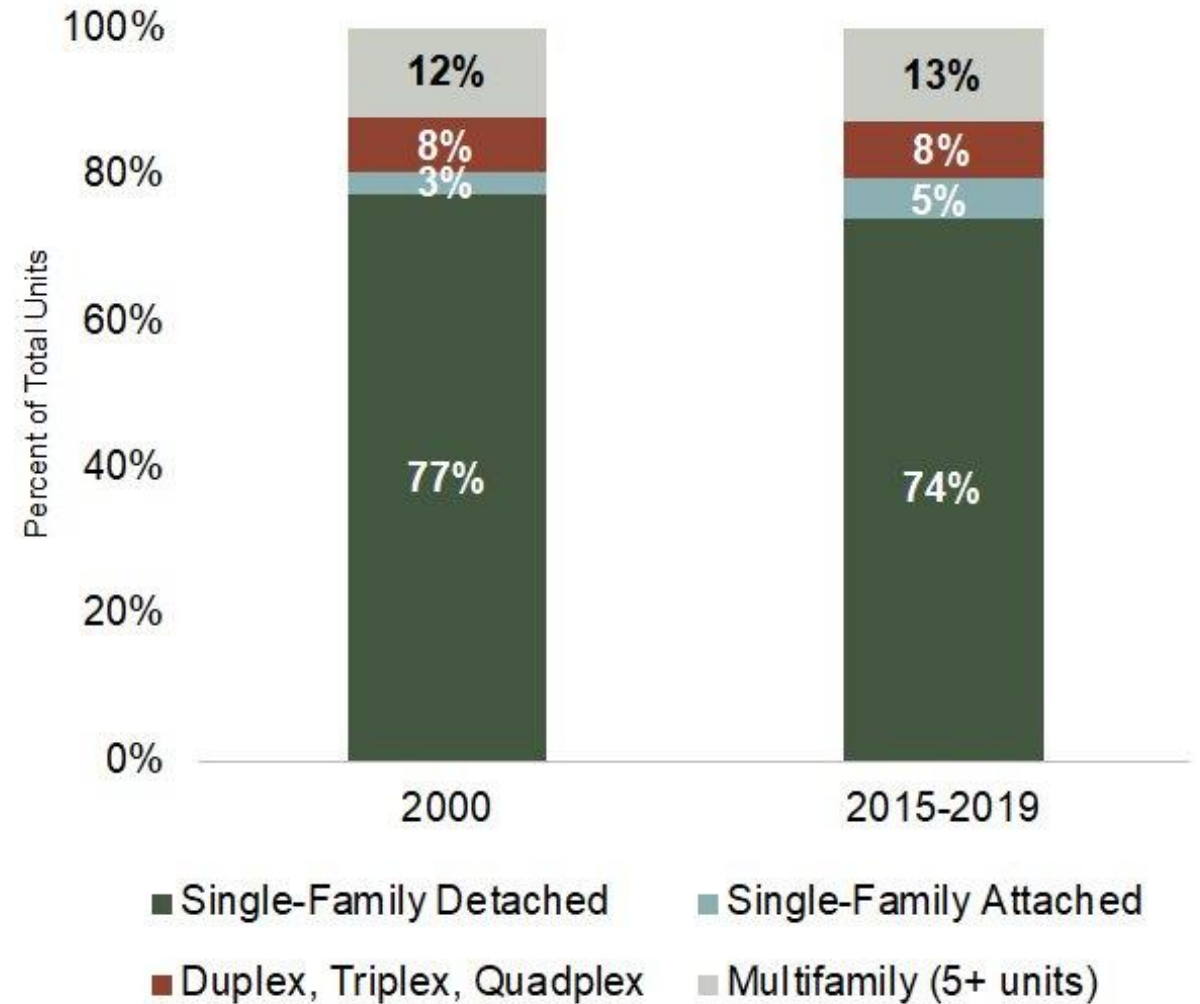
- Work Group recommends exploring a different formula that staff is still developing
- Potential option (10-year length for all)
 - 25% of units = 10% exemption
 - 50% of units = 20% exemption
 - 75% of units = 30% exemption
 - 100% of units = 40% exemption

Household Size	1	2	3	4	5
120% Area Median Income (AMI)	\$67,536	\$77,184	\$86,832	\$96,480	\$104,198
Monthly Rent @ 120%	\$1,688	\$1,930	\$2,170	\$2,412	\$2,604

MIDDLE INCOME HOUSING RECOMMENDATIONS



- Apply Citywide
 - Units must be for rent
- Single Family detached housing would be prohibited
- Focus on Middle Housing types (duplex, triplex, quadplex, cottage clusters, micro-unit developments, apartments)
- Consider ways to incentivize denser development types in Central Area
 - Density minimums or multi-story requirements



Source: U.S. Census, Decennial Census 2000 and American Community Survey 2015-2019

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.
-

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



- MUPTTE
 - Tailor public benefit eligibility criteria requirements based on geographic/market conditions throughout the City
 - In stronger market areas make the requirements more difficult to meet
 - Concerns about impact to TIF revenue in Core Area
 - Desire to require certain public benefit criteria to meet housing, childcare, and environmental/climate goals
 - Mixed reviews on a mandatory requirement for minimum % of Affordable Housing or Middle-Income Units.



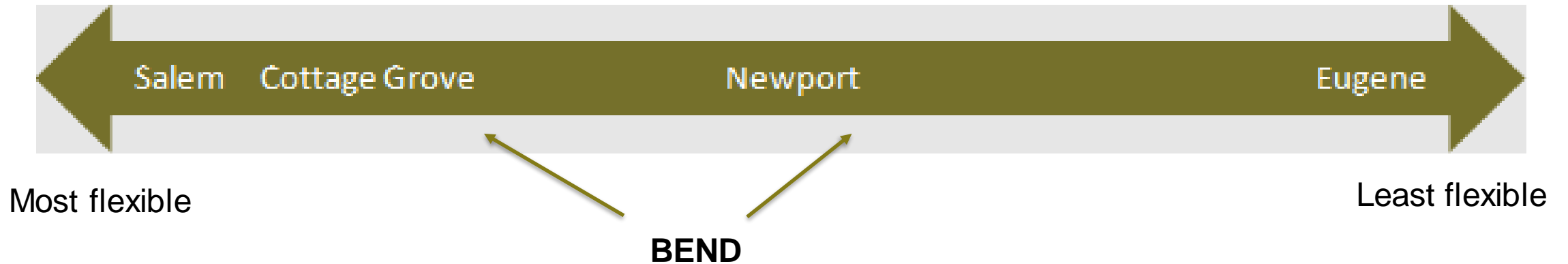
- Be as aggressive as we can to meet climate goals without making the program unusable
 - Energy efficiency (10% above code or REACH code, LEED, and/or Earth Advantage certified projects)
- The updated building code (October 2021) allows for developers to voluntarily choose REACH code
- Interest in incentives to support transportation investments (transit, ped/bike), solar, stormwater, and waterwise landscaping

PUBLIC BENEFIT ELIGIBILITY CRITERIA FOR MUPTC



For discussion:

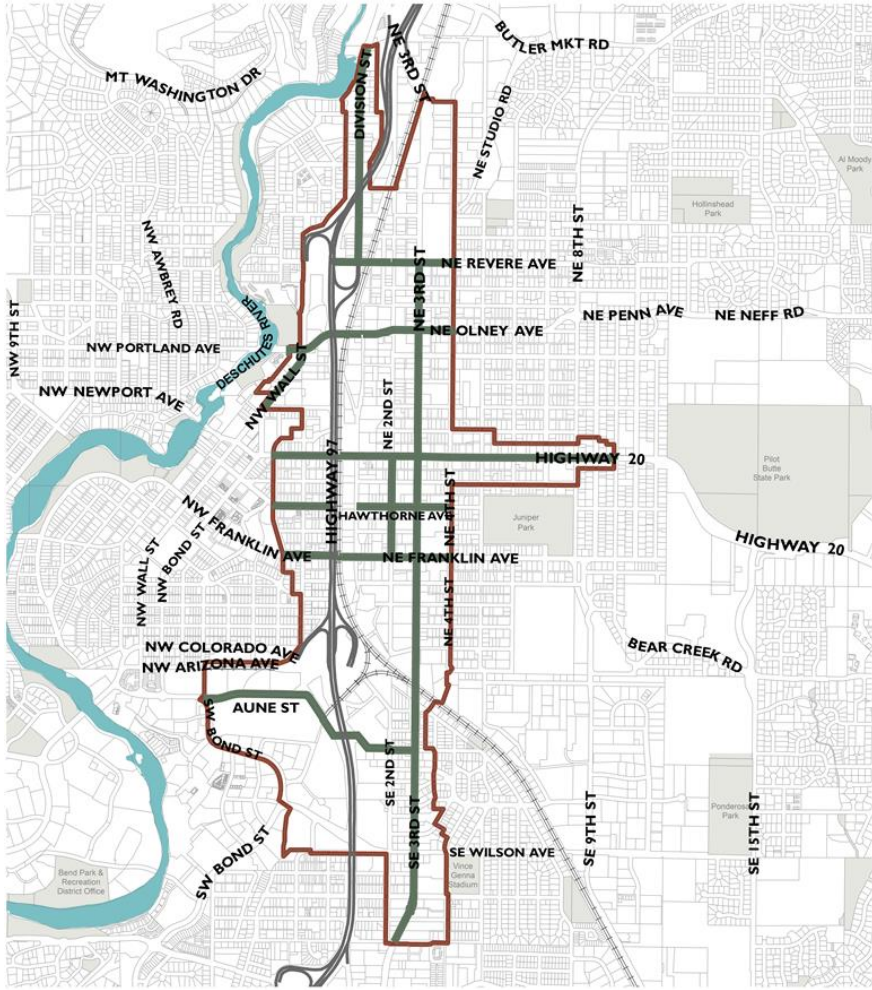
- Work Group recommends Bend program to be "More Flexible" while still ensuring strong public benefits



MUPT E ELIGIBILITY: PRELIMINARY RECOMMENDATIONS



- 3+ units
- Must be a multi-story project (2+ stories)
- On Main Streets, must provide 30% ground floor commercial uses
- Prohibit Short-term Vacation Rentals (STRs)
- Provide a minimum number of public benefits from a list including a certain number of **priority** public benefits (depending on area)
- Require pro-forma review to demonstrate financial need



CORE AREA
RECOMMENDED
MAIN STREETS

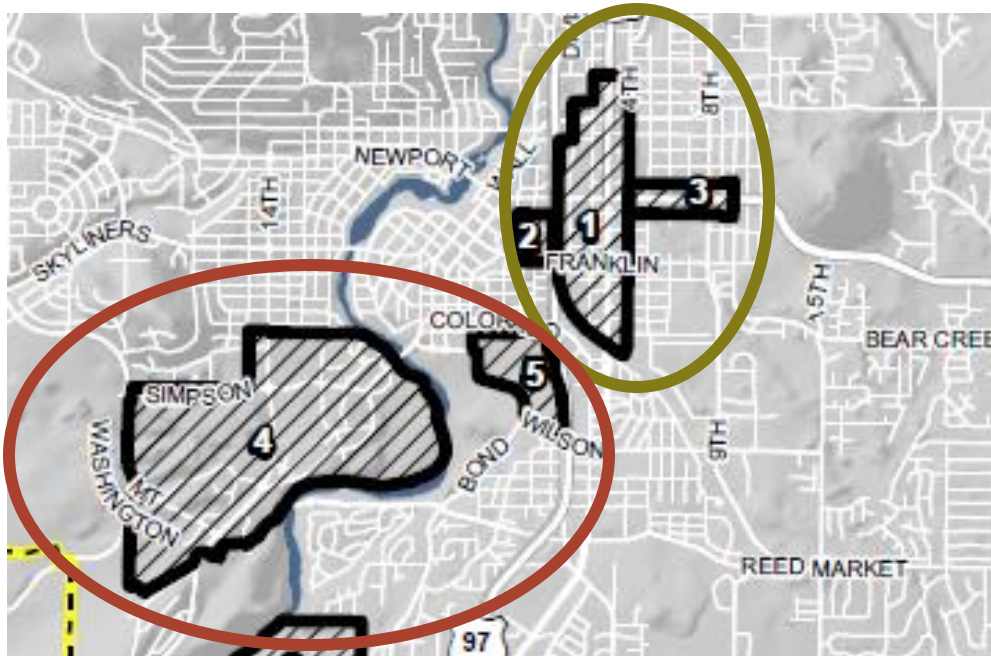
1/9/2020

Legend:
- Recommended Core Area URD (Red outline)
- Main Streets (Green lines)
- Taxlots (White)
- Parks (Grey)

CITY OF BEND

Scale: 0 0.15 0.3 0.6 Mi

WAYS TO TAILOR ELIGIBILITY CRITERIA



Opportunity Areas

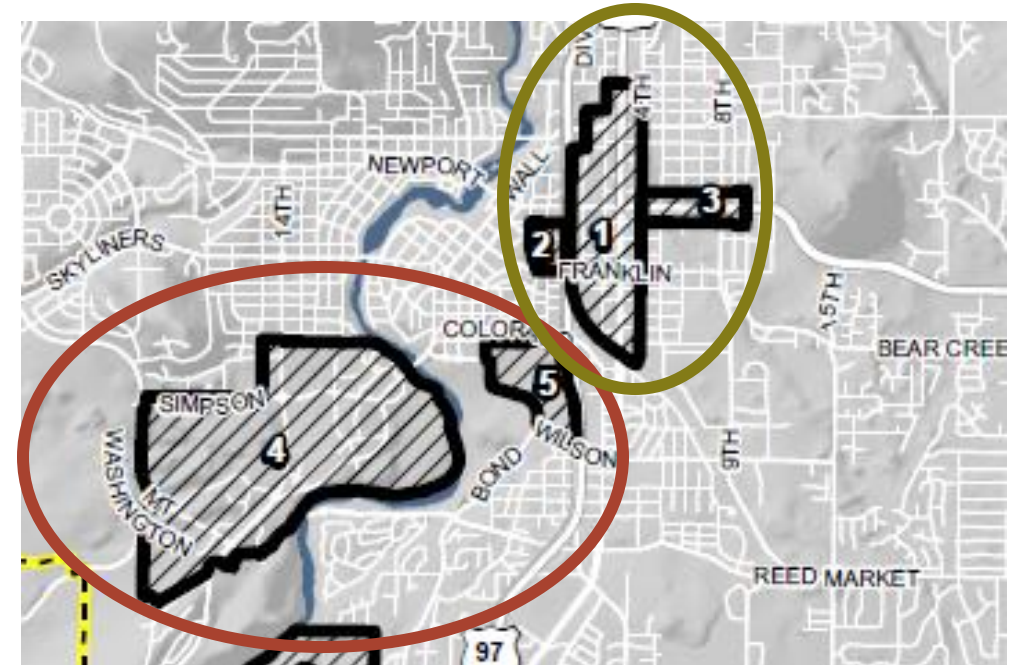
- 1- Bend Central District
- 2- East Downtown
- 3- Inner Hwy 20/Greenwood
- 4- Central West Side / Century Drive
- 5- KorPine

- Base Eligibility Criteria on two factors:
 - Project Scale
 - Number of units provided in development
 - Location-based (opportunity area/zone)
 - Zone A (in green)
 - Zone B (in red)

MUPTÉ LOCATION BASED CRITERIA REQUIREMENTS



- **Zone A:** Lower level of eligibility criteria
 - Must meet a minimum # of **priority** eligibility criteria and minimum number of **criteria total**
- **Zone B:** Higher level of eligibility criteria
 - Must meet a higher # of **priority** eligibility criteria and # of total **criteria**



Opportunity Areas

- 1- Bend Central District
- 2- East Downtown
- 3- Inner Hwy 20/Greenwood
- 4- Central West Side / Century Drive
- 5- KorPine



Priority Public Benefits

- At least 10% of units Affordable Housing
 - <60% AMI for rent
 - <80% AMI for sale)
- At least 30% of units are Middle Income
 - <120% AMI
- Childcare facilities (commercial & in-home)
- Energy efficiency and/or Green Building Features
 - Net zero, or
 - 10% more efficient than code, or
 - REACH code, or
 - LEED or Earth Advantage certified

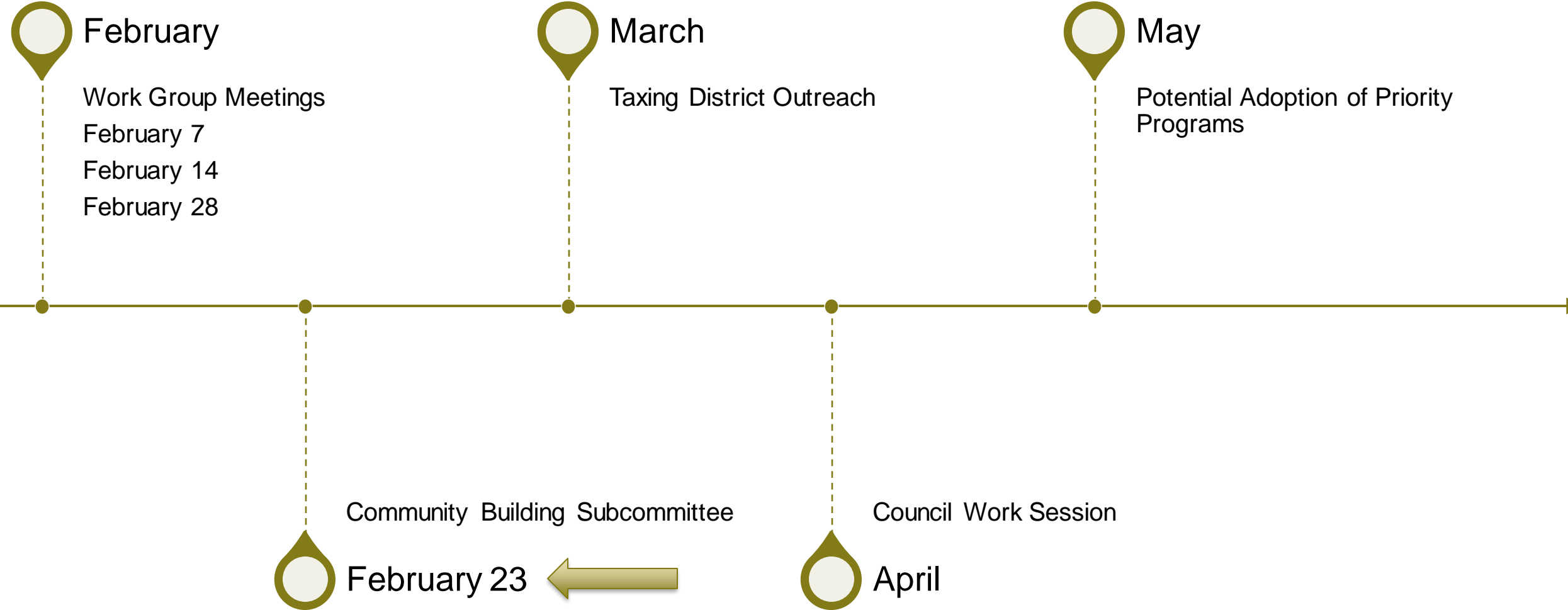
Additional Public Benefits

- Transit supportive amenities
- Waterwise landscaping
- Pedestrian-oriented design
- Extra costs associated with infill development
- Provide parking within a wrapped-structure
- Common meeting rooms open to the public
- Open space dedication (more than development minimum standards)
- Art supportive facilities
- Stormwater- site developed to treat more than a 25-year storm event
- Electric car charging stations
- Solar energy production
- Displacement plan for existing businesses and residents impacted by project



- Do you want staff to continue to pursue all three programs recommended by the work group?
 - Multiple Unit Property Tax Exemption Program (MUPTE)
 - Middle Income
 - Non-Profit Tax Exemption
- Are you comfortable with staggered implementation?
- How concerned or cautious do you want to be with exemption programs in the Core TIF Area?
- Are you supportive of program caps based on a desired unit goal for each program?
- **What program elements do you want brought back to Council with more information?**

SCHEDULE



February

Work Group Meetings
February 7
February 14
February 28

March

Taxing District Outreach

May

Potential Adoption of Priority Programs

Community Building Subcommittee

February 23



Council Work Session

April



- Work group recommends considering program caps based on a specific dollar amount or unit goal
 - MUPTTE: Estimated exemption per unit ranges from \$30-\$40K
 - Goal for incentivizing 500 units: \$15M-\$20M cap for program (≤ \$1.5-\$2M annually)
 - Goal for incentivizing 750 units: \$22M-\$30M cap (≤ \$2.2M-\$3M annually)
 - Middle Income
 - Staff still needs to conduct more research to develop informed cap and unit goal recommendation
 - Non-Profit: no cap recommended

CASE STUDIES



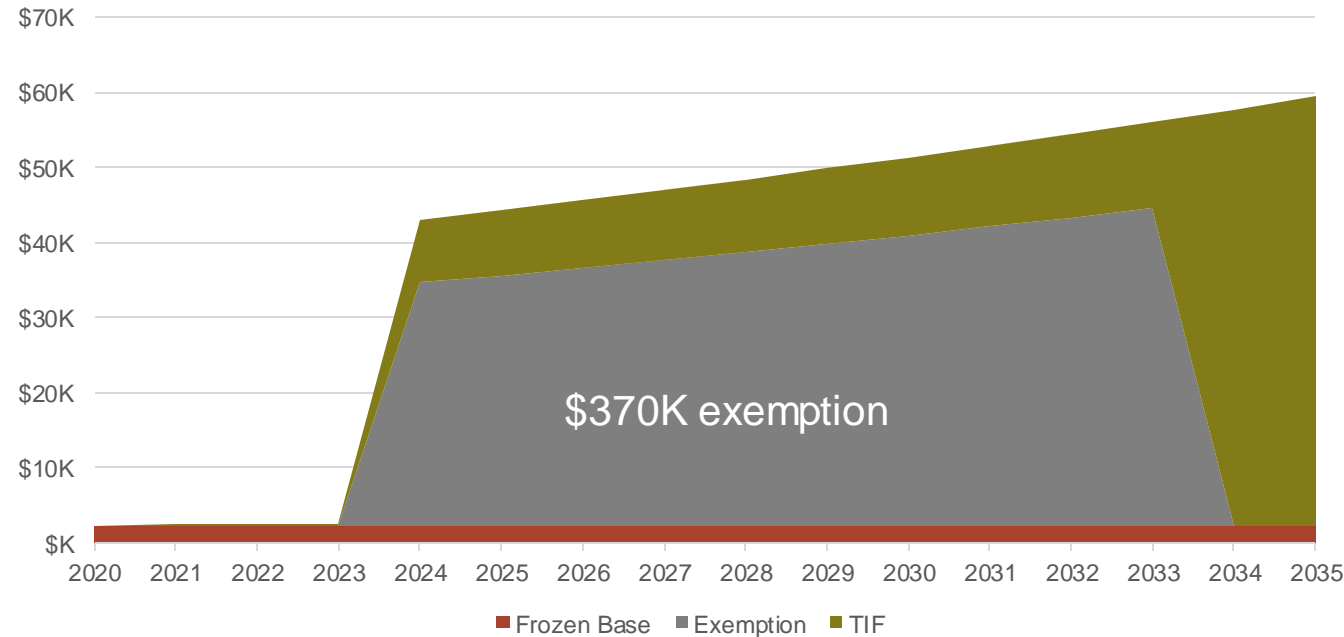
205 NE HAWTHORNE AVE



Project Overview:

- Bend Central District
- 2 story mixed-use
- 10 units, office space
- SDC Estimate: \$275K
- \$5.5M investment

Build with Exemption



\$370K exemption

■ Frozen Base ■ Exemption ■ TIF

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

Exemption (% on improvements)	10-year total exemption to Developer	Exemption per unit	10-year TIF collection
100%	\$460K	\$46K	\$6K
90%	\$420K	\$42K	\$52K
80%	\$370K	\$37K	\$99K
70%	\$324K	\$33K	\$145K
60%	\$278K	\$28K	\$191K
50%	\$232K	\$23K	\$238K



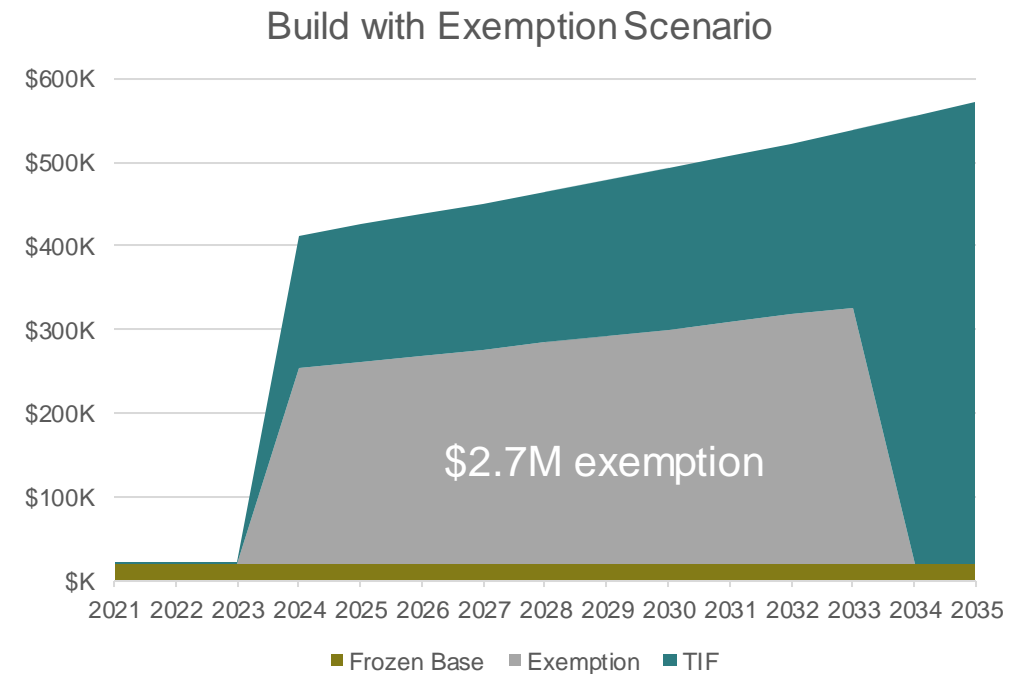
EXAMPLE PROJECT: BROOKS RESOURCES



Project Overview:

- Bend Central District
- 5 story vertical mixed-use
- 140 units, ground floor commercial
- SDC Estimate: \$2.3M
- \$38M investment

Exemption (% on improvements)	10-year exemption to developer	Exemption per unit	10-year TIF collection
100%	\$4.5M	\$32K	\$580K
90%	\$4M	\$29K	\$1M
80%	\$3.58M	\$26K	\$1.5M
70%	\$3.13M	\$23K	\$1.9M
60%	\$2.7M	\$19K	\$2.4M
50%	\$2.24M	\$16K	\$2.82M



Assumes 60% tax exemption on improvements (not land) with full taxing district participation



EXAMPLE PROJECT: KILLIAN PACIFIC



Project Overview:

- KorPine area
- 6-story vertical mixed-use
- 300+ units
- 12,000 SF retail
- SDC estimate: \$4.5M

Exemption % on improvements	10-year exemption to developer	Exemption per unit	10-year TIF collection (with exemption)
100%	\$13.4M	\$43K	\$1.7M
90%	\$12.1M	\$38K	\$3M
80%	\$10.75M	\$34K	\$4.4M
70%	\$9.4M	\$30K	\$5.75M
60%	\$8M	\$25.5K	\$7.1M
50%	\$6.7M	\$21K	\$8.4M

Build with Exemption Scenario

