



PROPERTY TAX EXEMPTION PROGRAMS

Work Group
February 28, 2022



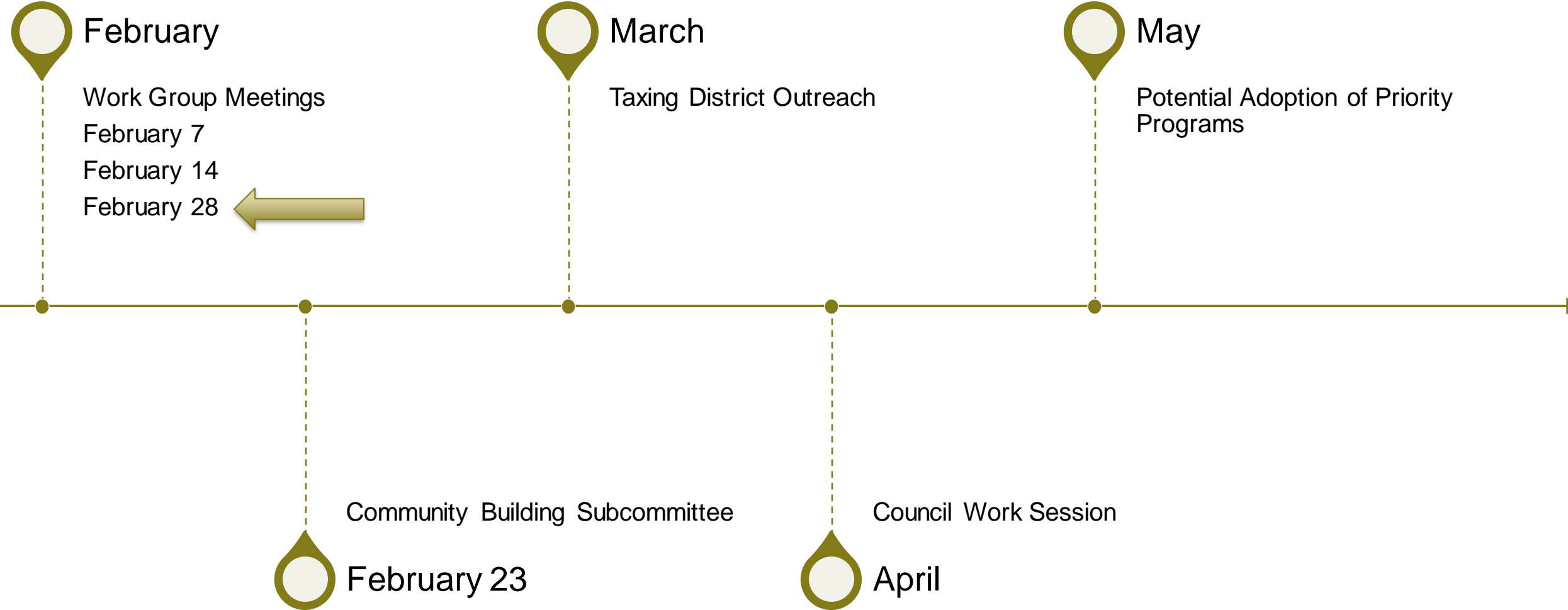
Multiple Unit Property Tax Exemption (MUPTE)

Nonprofit Corporation Low Income Housing Exemption (NPTE)

Middle Income Housing Exemption

- Update on Community Building Subcommittee outreach
- Preliminary feedback from taxing district outreach
- Program Caps
- Middle Income formula & applicable housing types/zones
- MUPTE Public Benefits & Level of Exemption
- Next meeting- March 21?

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?



- Councilors agree to continue to pursue all three
- Open to staff recommendations for prioritization of programs for implementation but generally sounds like Non-Profit is the easiest/simplest followed by Middle Income/MUPTTE
- Councilors would like to be cautious/careful about impacting future TIF revenue by looking at program caps and ways to monitor or revisit program requirements

COMMUNITY BUILDING SUBCOMMITTEE



- Non-Profit
 - No major concerns/comments, general support
- Middle Income
 - Supportive of revised formula & current direction
- MUPTE
 - Likely need to bring back more information/detail about balancing impact to TIF
 - Supportive of public benefit criteria list & direction
 - What public benefits would taxing districts be most supportive/interested in should be prioritized
 - Supportive of landscaping ideas but feel it's more appropriate to consider these in updates to citywide standards
 - Supportive of art supportive facilities
 - Interest in transit supportive facilities to be considered for priority public benefits list
 - Want to ensure there will there be opportunities to modify program requirements if tailored to market conditions as market conditions change.

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)

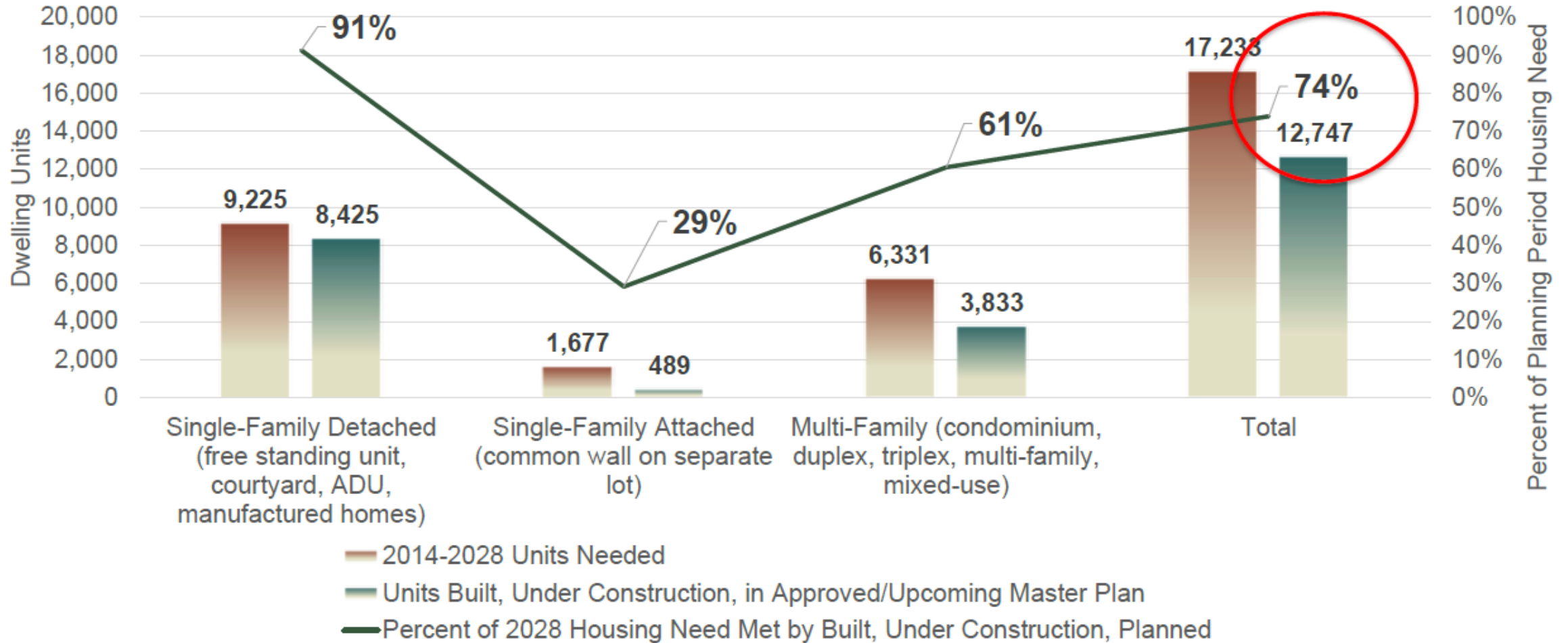


- Work group recommends considering program caps based on a specific dollar amount or unit goal
 - MUPTTE: Estimated exemption per unit ranges from \$30-\$40K
 - Goal for incentivizing 500 units: \$15M-\$20M cap for program (≤ \$1.5-\$2M annually)
 - Goal for incentivizing 750 units: \$22M-\$30M cap (≤ \$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



HOUSING: WHERE ARE WE IN THE GROWTH PLAN TO 2028?

Calendar Year 2014-2020: Built, Under Construction, Pipeline in Master Plans Relative to 2028 Housing Need





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

WORK GROUP RECOMMENDATIONS

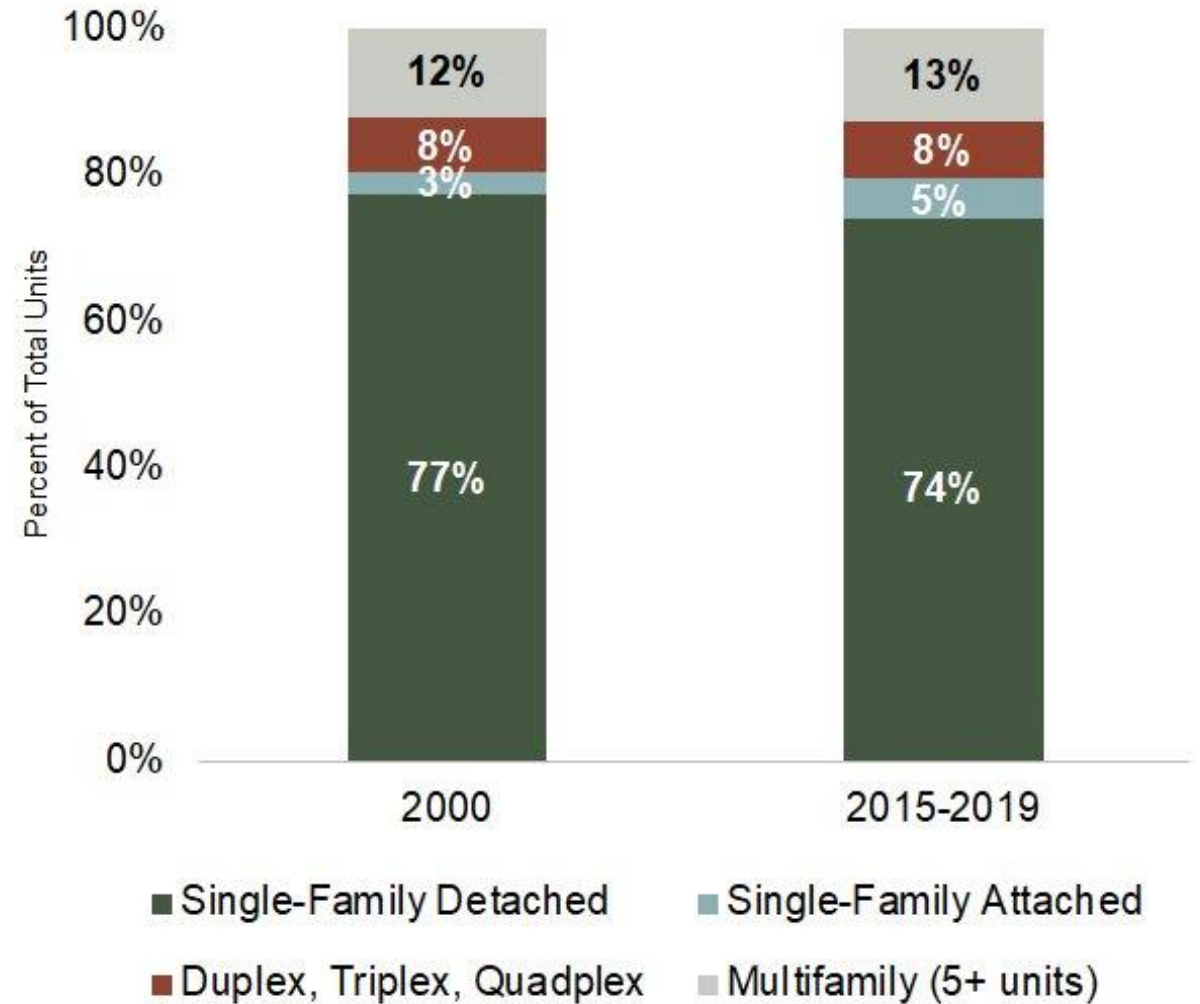


- Focus on missing middle housing types (duplex, triplex, quadplex, cottage cluster, micro-unit development), support HB2001 implementation
- Desire for Bend to create a different formula for the exemption than Tillamook County
- Concern about how much exemption is needed to meet middle housing prices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

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



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 recommended exploring a different formula that staff is still developing/testing
- 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

Pilot Butte Apts 1 bed, 1 bath (691 sf) \$2,000	Seasons Apts 1 bed, 1 bath (768 sf) \$2,080-2,220	The Hixon 2 bed, 2 bath (975sf) \$2,355	NWX Apartment 2 bed, 2.5 bath (1537 sf) \$2,495	Pilot Butte Apts 2 bed, 2 bath (1097sf) \$2,830	Outpost Townhome 3 bed, 2.5 bath (1,658 sf) \$3,000
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MULTIPLE UNIT PROPERTY TAX EXEMPTION



MUPTTE



- 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.



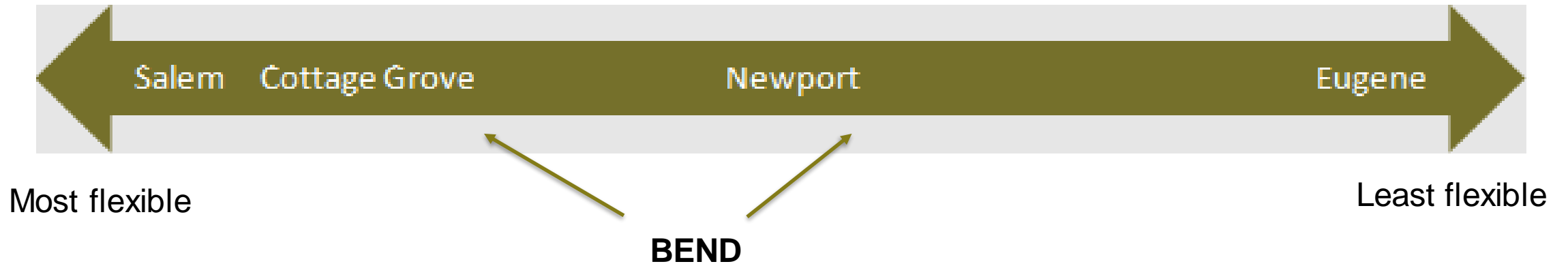
- Be as aggressive as we can to meet climate goals without making the program unusable
 - Energy efficiency (10% above code or REACH code, LEED, and/or Earth Advantage certified projects)
- The updated building code (October 2021) allows for developers to voluntarily choose REACH code
- Interest in incentives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

PUBLIC BENEFIT ELIGIBILITY CRITERIA FOR MUPTC

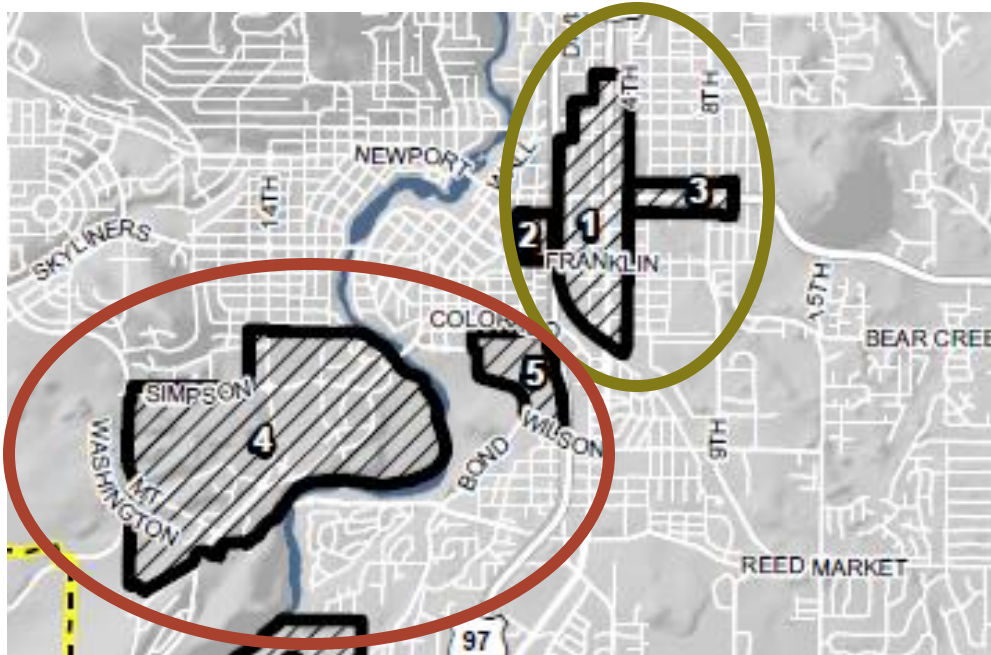


For discussion:

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



WAYS TO TAILOR ELIGIBILITY CRITERIA



Opportunity Areas

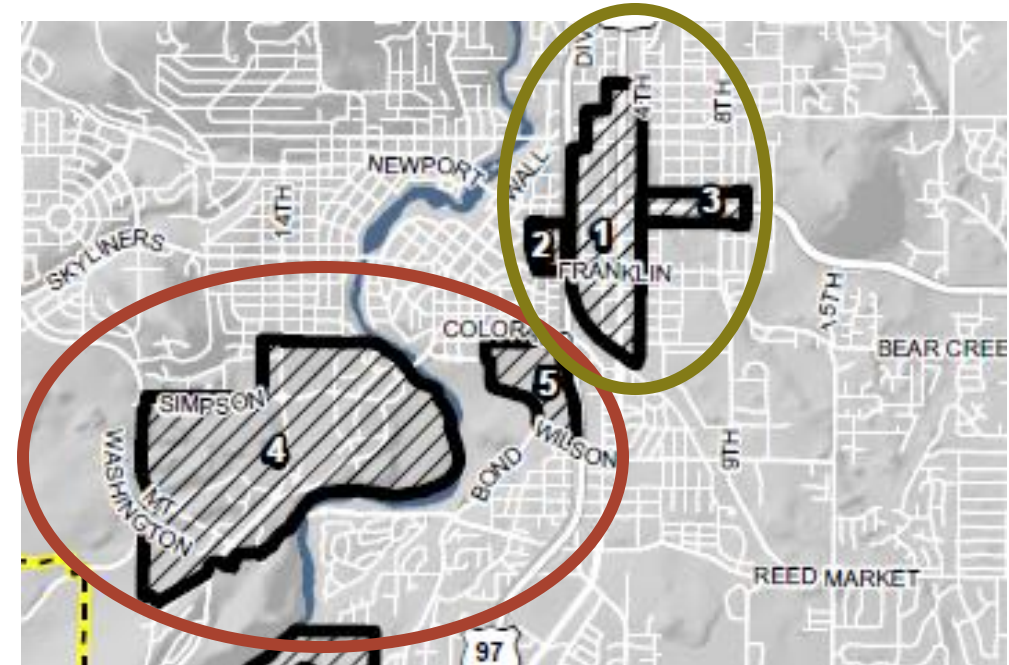
- 1- Bend Central District
- 2- East Downtown
- 3- Inner Hwy 20/Greenwood
- 4- Central West Side / Century Drive
- 5- KorPine

- 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)

MUPTA LOCATION BASED CRITERIA REQUIREMENTS



- **Zone A:** Lower level of eligibility criteria
 - Must meet a **minimum #** of **priority** eligibility criteria and **minimum #** of **criteria total**
- **Zone B:** Higher level of eligibility criteria
 - Must meet a **higher #** of **priority** eligibility criteria and **minimum #** 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
- Native, pollinator friendly, 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)
- Recreation supportive facilities
- 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

MUPTe ELIGIBILITY CRITERIA OPTIONS



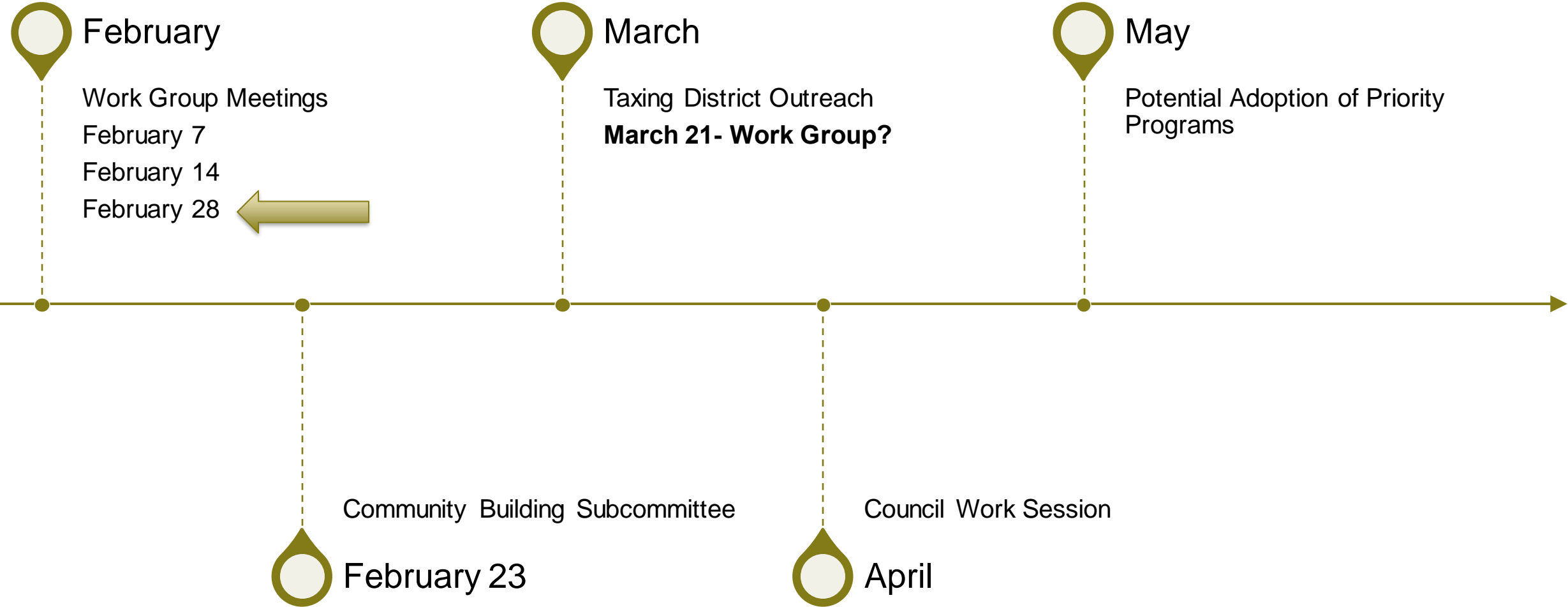
Staff is still exploring options to scale the maximum exemption allowed based on project scale (size) or by # of floors/stories of building:

- Projects < 50 units – 95% exemption on improvements
- Projects 50-300 units – 85% exemption on improvements
- Projects >300 units – 75% exemption on improvements

OR

- Exemption based on equalized floors, similar to VHDZ program
 - 20% per floor for a maximum 80% exemption on improvements

SCHEDULE



CASE STUDIES

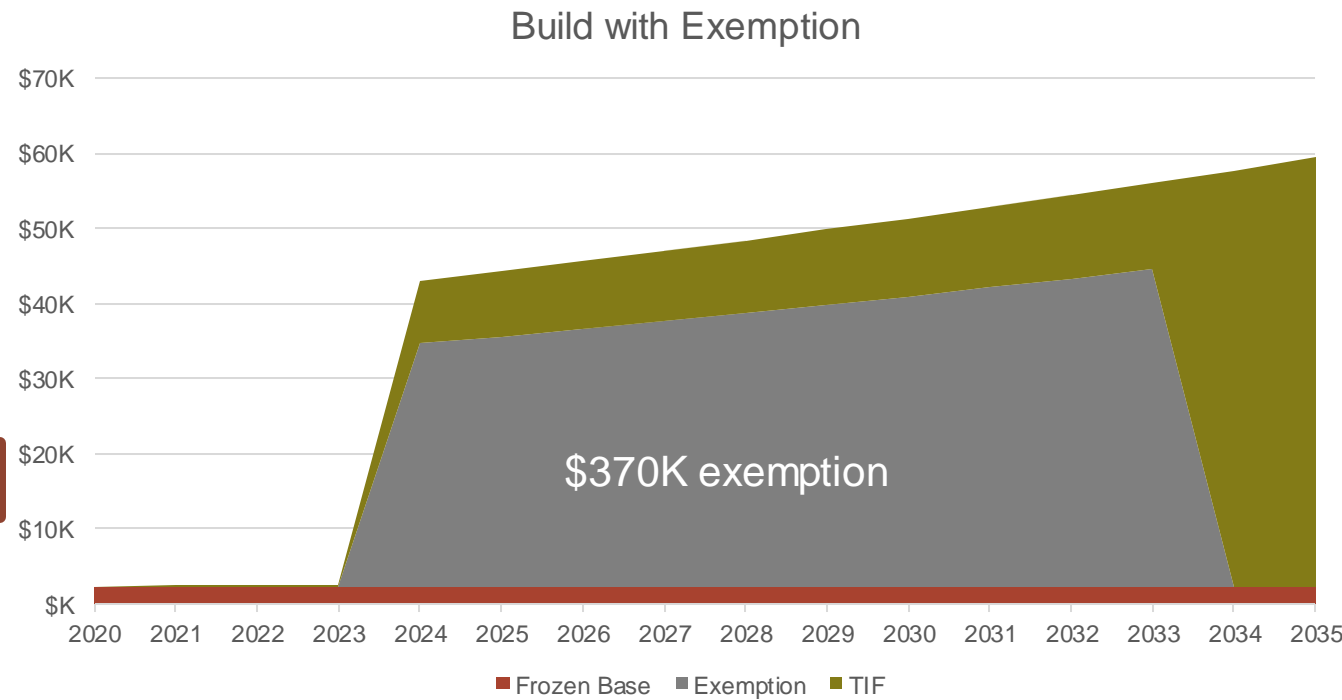


205 NE HAWTHORNE AVE



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

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
0%	-	-	\$470K



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



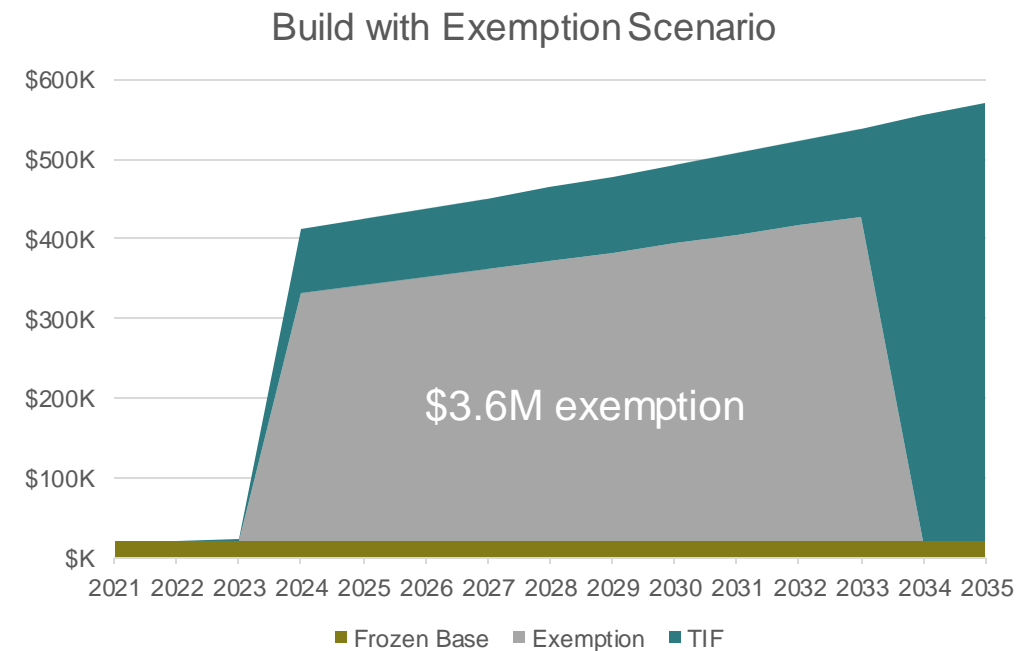
EXAMPLE PROJECT: BROOKS RESOURCES



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
0%	-	-	\$5M



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



EXAMPLE PROJECT: KILLIAN PACIFIC

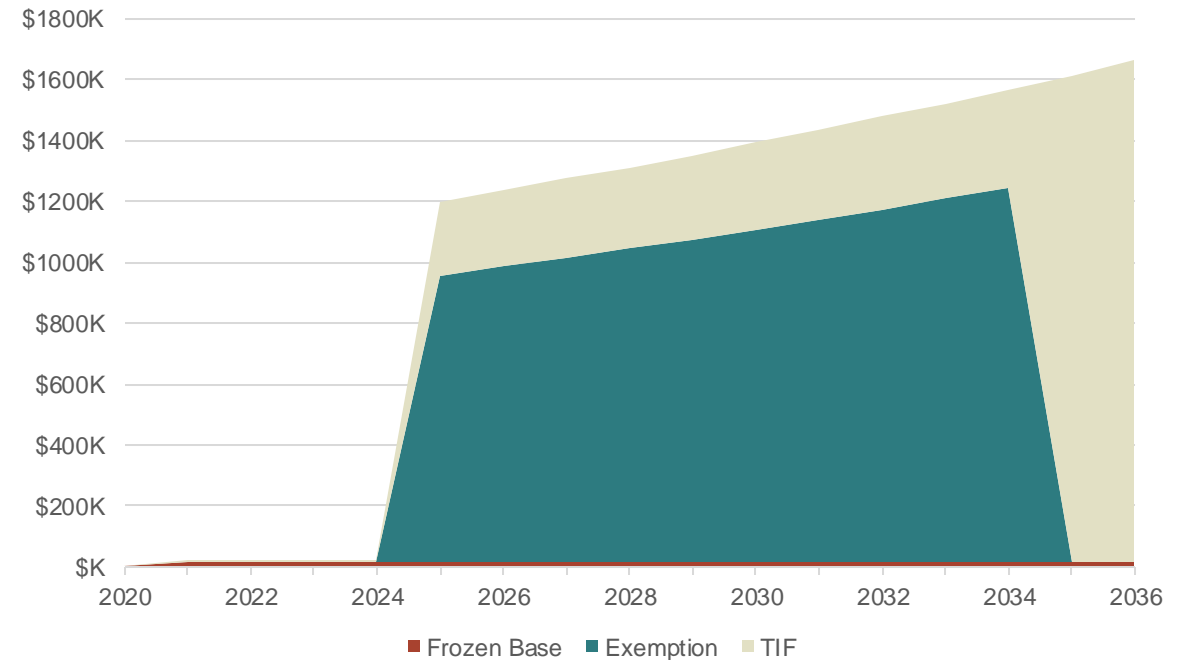


Project Overview:

- 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
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
0%	-	-	\$15M

Build with Exemption Scenario



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