



# PROPERTY TAX EXEMPTION PROGRAMS

Work Group  
March 28, 2022



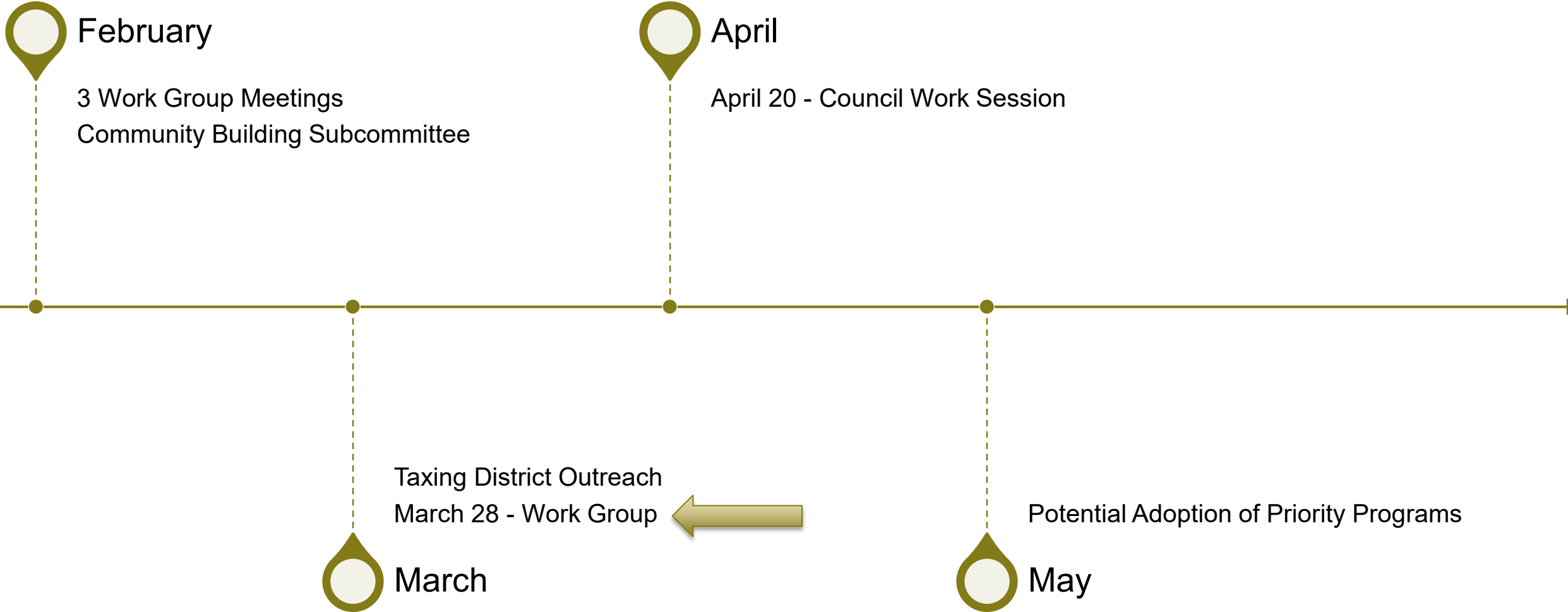
Multiple Unit  
Property Tax  
Exemption  
(MUPTE)

Nonprofit  
Corporation Low  
Income Housing  
Exemption (NPTE)

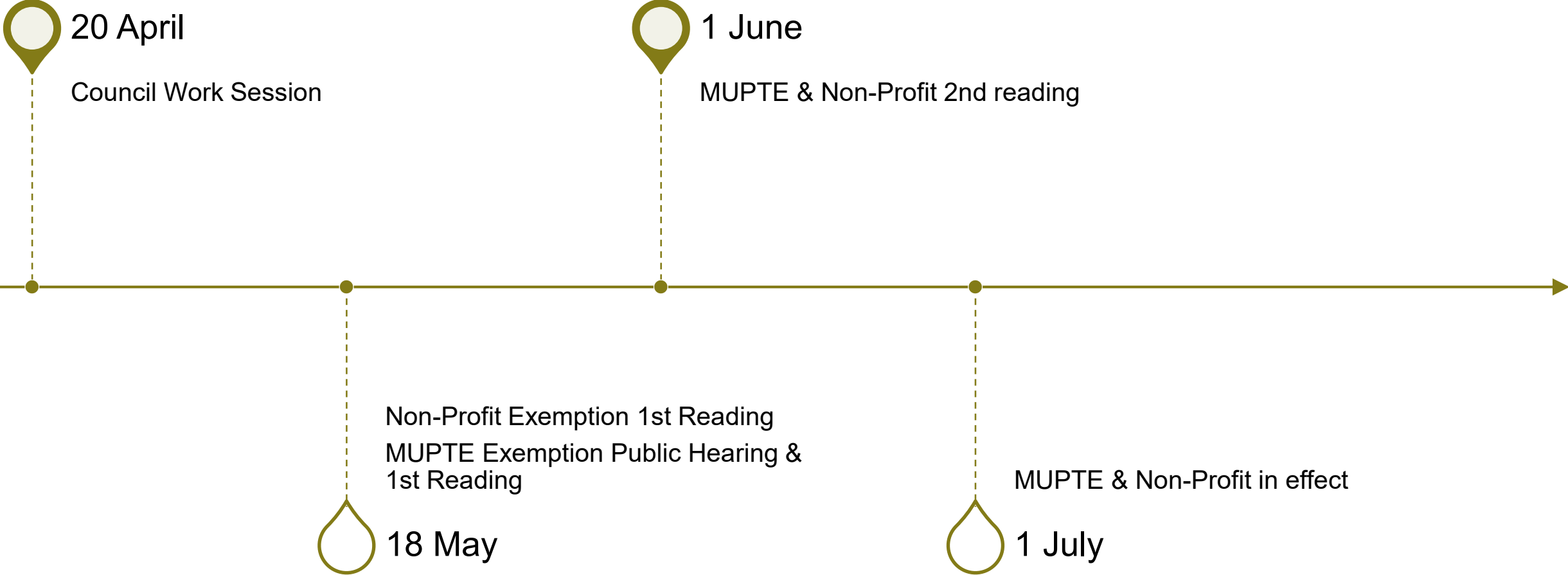
Middle Income  
Housing Exemption

- Taxing district outreach
- Middle Income formula & options moving forward
- MUPTE Public Benefits
- Program Caps

# SCHEDULE



# ADOPTION SCHEDULE





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

# EXEMPTION FORMULA



State statute requires that # of consecutive property tax years for which the exemption is granted must increase directly with the % of units constituting the eligible rental property

**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

| 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

# TOWNHOUSE PROJECT



- 30 townhomes
- 25% gap between market rate and middle-income rates for units
- Average annual exemption per unit is \$44,990
- Average monthly exemption per unit is \$3,749

| # (%) of middle-income units | Length of Exemption | Total exemption | Annual exemption | Exemption per middle-income unit |
|------------------------------|---------------------|-----------------|------------------|----------------------------------|
| 3 (10%)                      | 1 year              | \$126,000       | \$126,000        | \$42,000                         |
| 6 (20%)                      | 2 year              | \$255,780       | \$127,890        | \$42,630                         |
| 9 (30%)                      | 3 year              | \$389,453       | \$129,818        | \$43,273                         |
| 12 (40%)                     | 4 year              | \$527,137       | \$131,784        | \$43,928                         |
| 15 (50%)                     | 5 year              | \$668,951       | \$133,790        | \$44,597                         |
| 18 (60%)                     | 6 year              | \$815,020       | \$135,837        | \$45,279                         |
| 21 (70%)                     | 7 year              | \$965,470       | \$137,924        | \$45,975                         |
| 24 (80%)                     | 8 year              | \$1,120,434     | \$140,054        | \$46,685                         |
| 27 (90%)                     | 9 year              | \$1,280,047     | \$142,227        | \$47,409                         |
| 30 (100%)                    | 10 year             | \$1,444,449     | \$144,445        | \$48,148                         |



## Possible Work Group recommendations:

- **100% exemption** with Tillamook County formula but with stronger program caps/sunsets
  - If so, recommend defining income level at 100% AMI (instead of 120% AMI)
- **Limit exemption** to City of Bend only (21.2% exemption)
  - 120% AMI definition
- **Hold off** on implementing this exemption until changes are made to legislation to allow flexibility in how formula is written

### 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 Proposal

(not allowed by state statute)

25% of units = 10% exemption

50% of units = 20% exemption

75% of units = 30% exemption

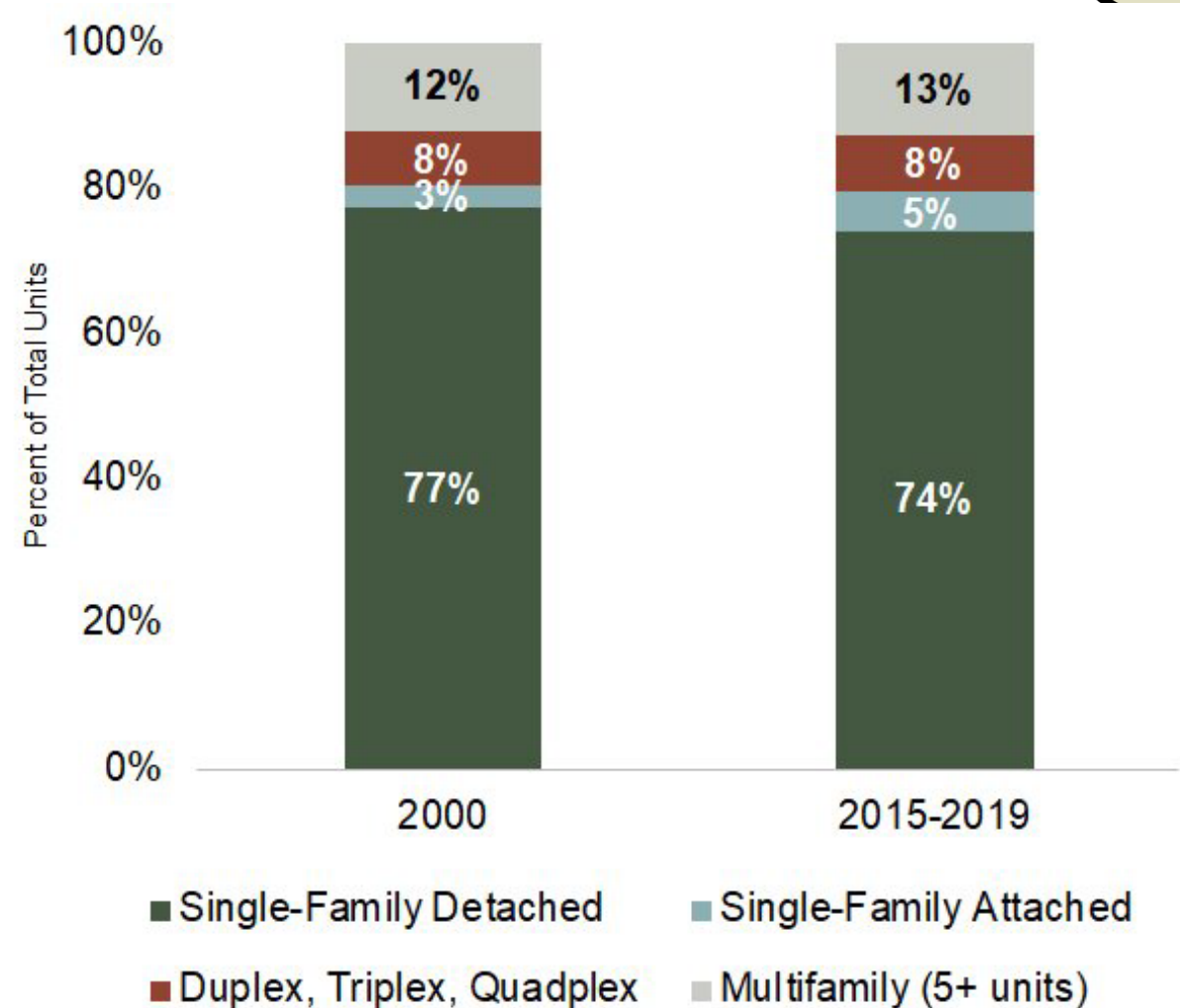
100% of units = 40% exemption



# 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 (same as RH zone)
  - Multi-story requirements (2+ stories)



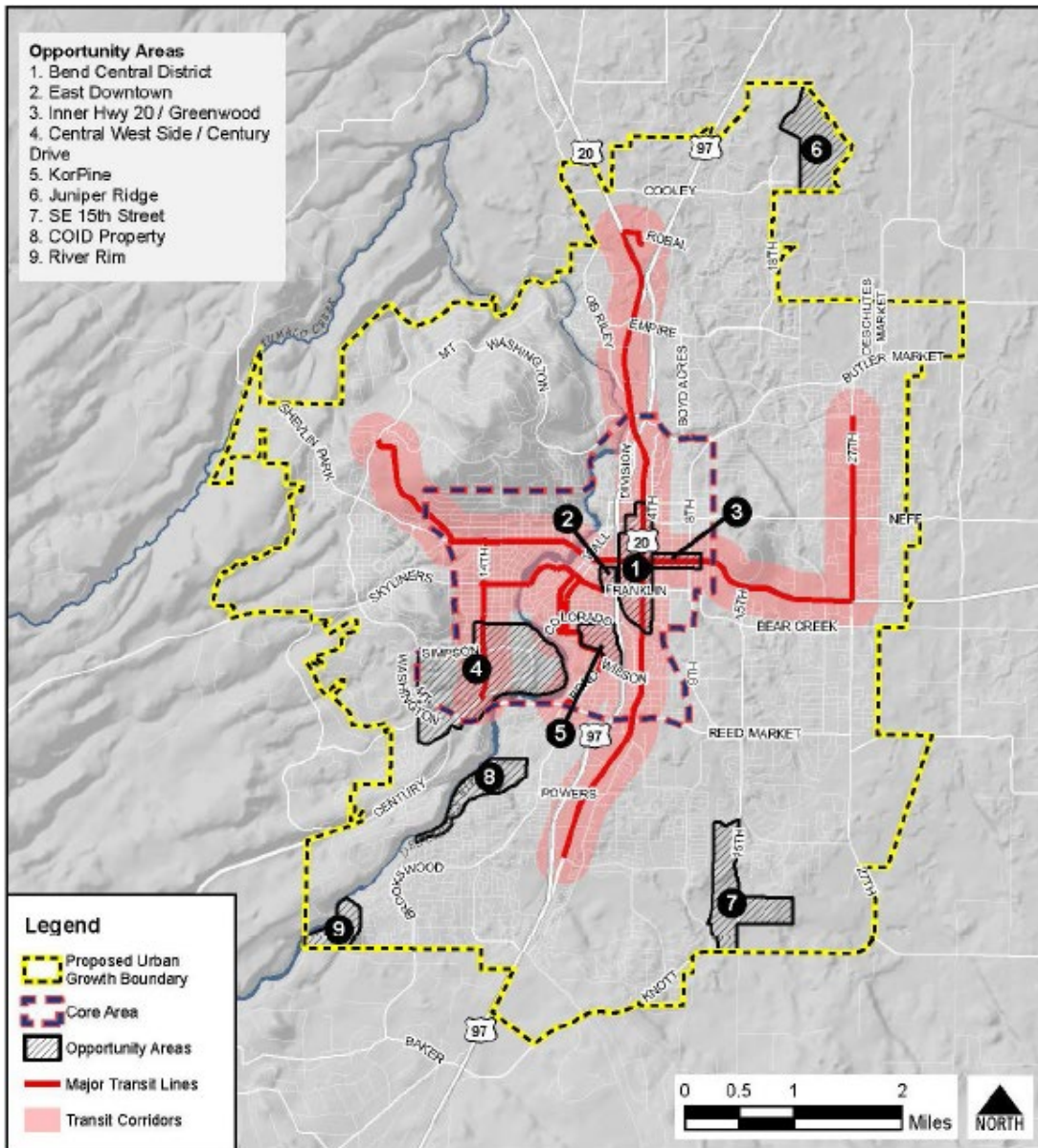
Source: U.S. Census, Decennial Census 2000 and American Community Survey 2015-2019

# MULTIPLE UNIT PROPERTY TAX EXEMPTION

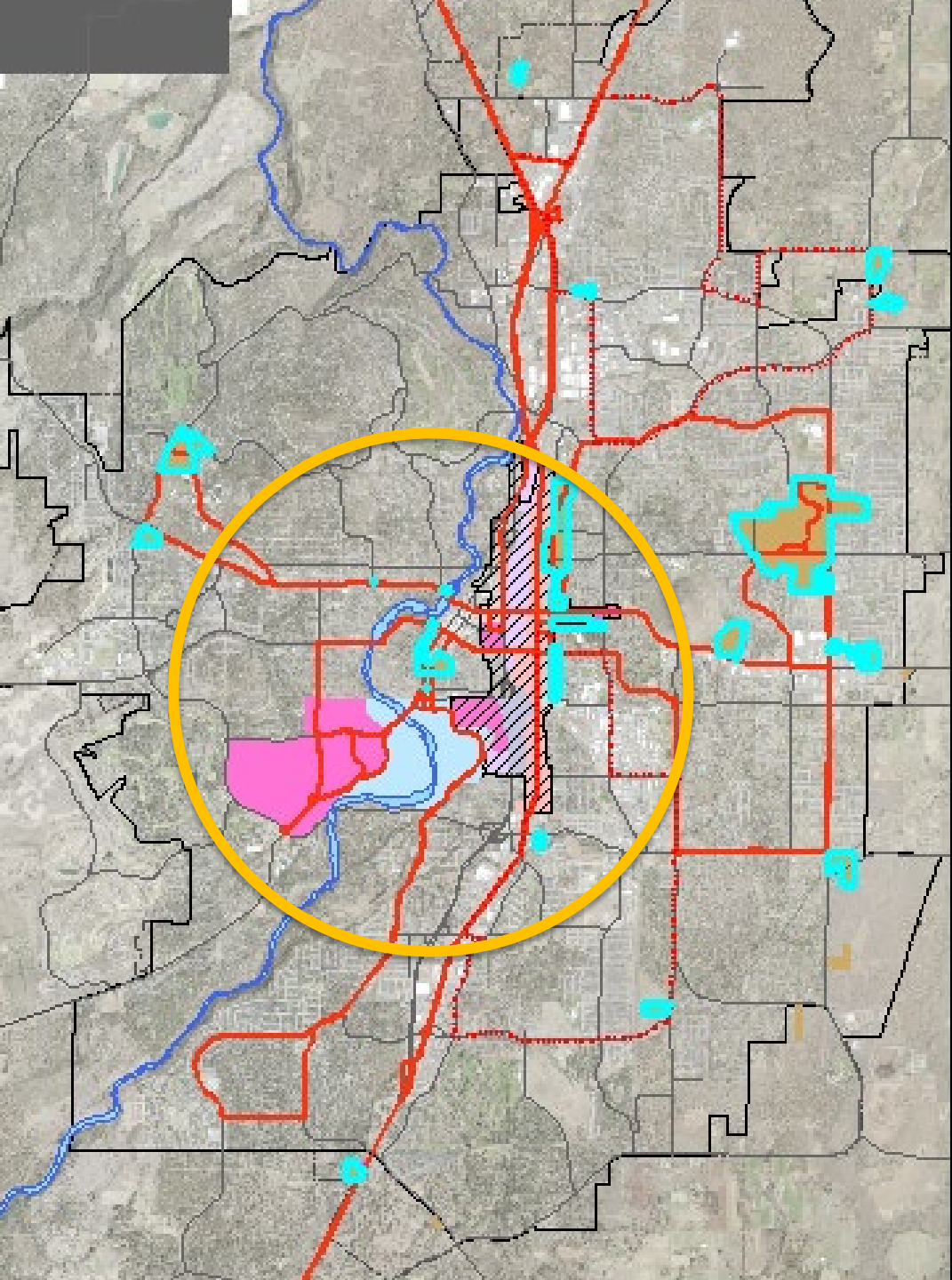


# MUPTTE

# MUPTA ELIGIBILITY: PRELIMINARY RECOMMENDATIONS



- 3+ units
- Must be a multi-story project (2+ stories)
- Prohibit Short-term Vacation Rentals (STRs)
- Public benefits required
- Require (3rd party) pro-forma review to demonstrate financial need
- Commercial portion only eligible if required as part of development or used to meet public benefit requirements



### Legend

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

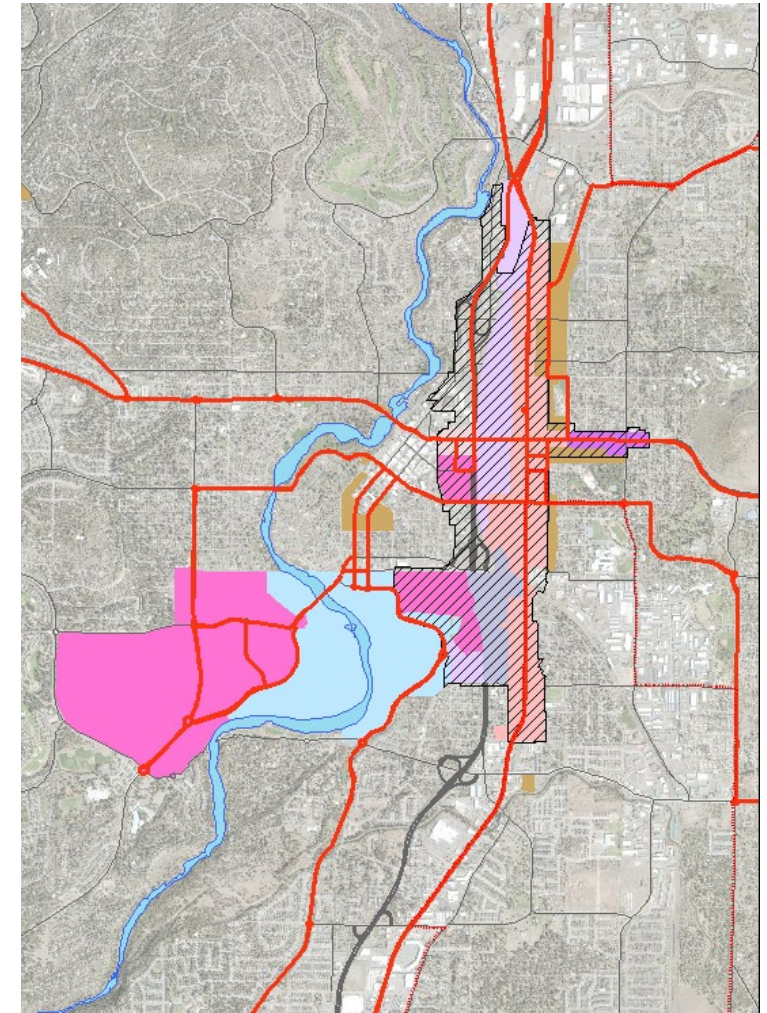
### Transit Routes

- 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



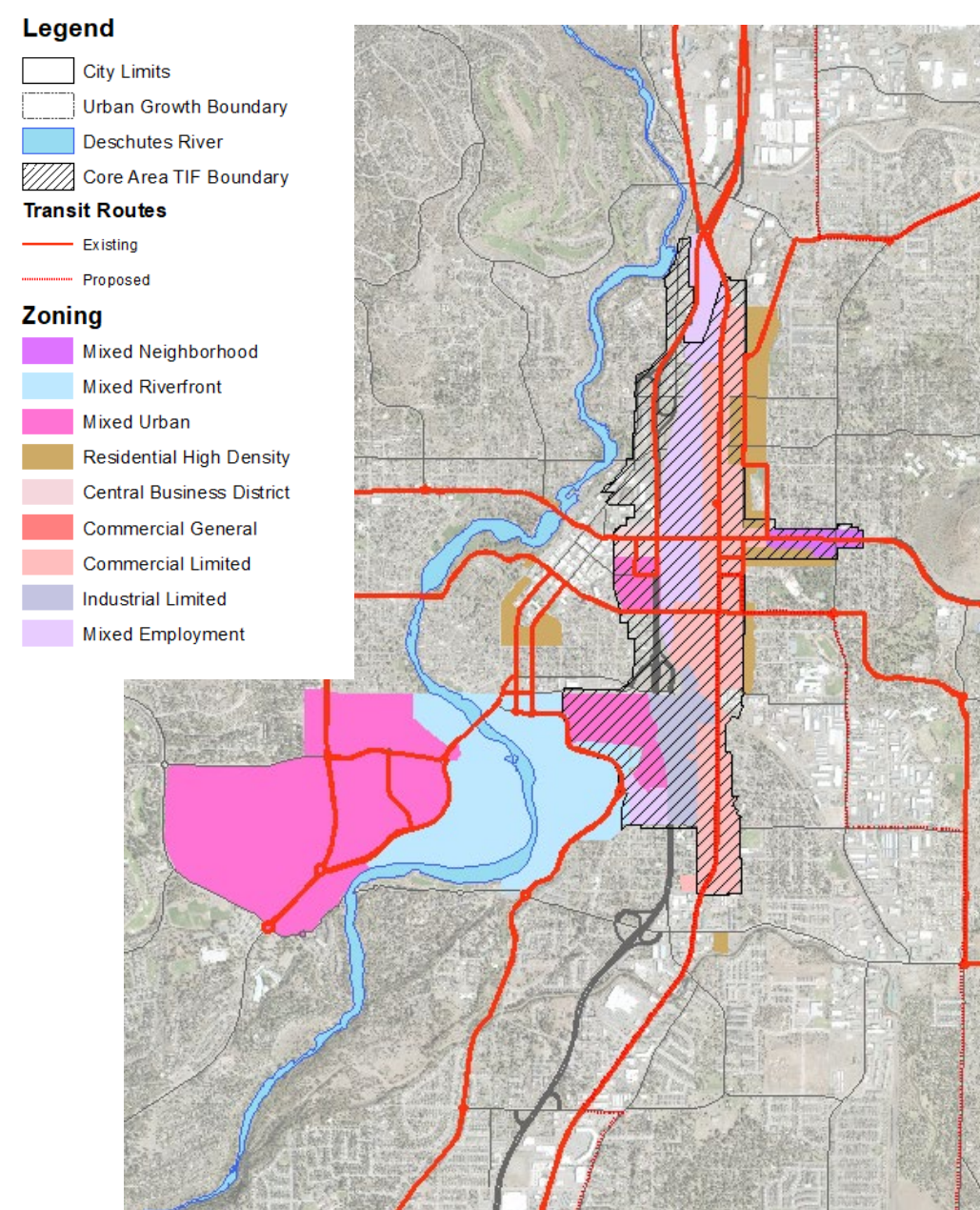
RH zoning selected in blue/green is RH zoning located within 1/4 mile of existing and future proposed transit routes.



## ZONES/HOUSING TYPES TO INCLUDE

Which zones/housing types need the incentive to support housing goals?

- Mixed-use zones
  - Mixed Riverfront
  - Mixed Urban (within Core and outside of Core)
  - Mixed Neighborhood
  - Central Business District
- Entire Core Area TIF district and Urban Dwelling Sites (HB3450) projects, Micro-Unit Developments
- High Density Residential
  - Limited to RH zone adjacent to Core Area TIF district (along 4th Street, Irving Ave)



## PUBLIC BENEFIT UPDATES



Public Benefits should be tied in some way to ORS 307.606 (4) which provides examples of suggested standards and guidelines:

- Justification of the elimination of any existing housing on project site
  - 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
- Deschutes County support for displacement plan/justification of elimination of existing housing and businesses as priority
  - Park District support for Open Space as priority and childcare in lieu of fees to be dedicated to childcare service providers in the area
  - ORS precludes us from allowing exemption level to be bought up based on number of public benefits provided

# PUBLIC BENEFITS



Developments would need to select at least one from each category to qualify

| Priority Public Benefits   | Secondary Public Benefits  | Tertiary Public Benefits  |
|--|--|---|
| <ul style="list-style-type: none"> <li>• At least 10% of units Affordable Housing (&lt;60% AMI for rent; &lt;80% AMI for sale)*</li> <li>• At least 30% of units are Middle-Income (&lt;120% AMI)*</li> <li>• Childcare facilities or in lieu of fee</li> <li>• Open space dedication or in lieu of fee</li> <li>• Displacement plan for existing businesses and residents impacted by project</li> <li>• Energy efficiency/Green Building                             <ul style="list-style-type: none"> <li>• Net zero building</li> <li>• LEED Silver or above</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Located within ¼ mile of transit hub (Bend Central District focus)</li> <li>• Transit and mobility supportive amenities</li> <li>• Privately owned public space (park, plaza space)</li> <li>• Ground floor commercial (<math>\geq 30\%</math>)</li> <li>• Energy efficiency/Green Building                             <ul style="list-style-type: none"> <li>• 10% more efficient than code, or</li> <li>• REACH code, or</li> <li>• Earth Advantage</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Enhanced Pedestrian-oriented design</li> <li>• Extra costs associated with infill development</li> <li>• Provide parking within a wrapped-structure</li> <li>• Common meeting rooms open to the public</li> <li>• Recreation or art supportive facilities</li> <li>• Stormwater: site developed to treat more than a 25-year storm event</li> <li>• Electric car charging stations</li> <li>• Use of native, pollinator-friendly, and waterwise landscaping only</li> <li>• Any ground floor commercial use</li> </ul> |

*\*Units would be deed-restricted for the length of the exemption (10 years)*

## PROGRAM CAPS/MONITORING



- All Programs (including existing low-income)
  - Annual reporting on # of units and exemption amounts estimated for approval/actually exempted
  - Mandatory review of program/program requirements every 3 years (2025, 2028, 2031, etc)
- MUPTE
  - Require mandatory review once 1,000 units have been approved
  - 8-year termination of program (2030) in which ordinance would no longer be in effect unless amended; existing (approved exemptions) would still continue but no new applications would be accepted
- Middle-Income
  - Require mandatory review once 1,000 units have been approved
  - State statute expires program in 2027
- Non-Profit: no program termination recommended (state statute expires in 2027)



# CASE STUDIES

*\*Updated to remove exemption on commercial/retail*

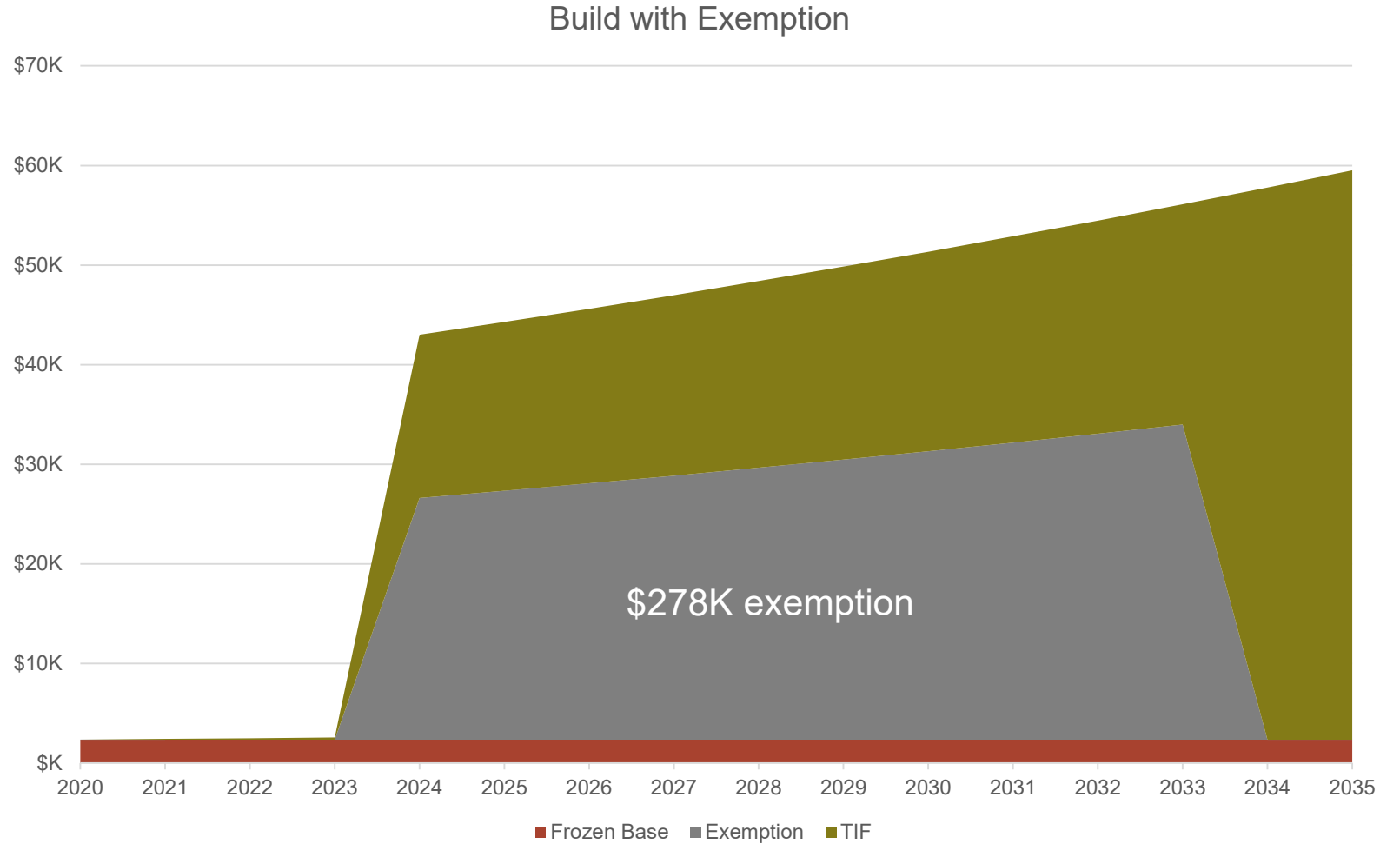


# 205 NE HAWTHORNE AVE



## Project Overview:

- Bend Central District
- 2 story mixed-use
- 10 units, office space
- SDC Estimate: \$275K
- \$5.5M investment
- Assumes 60% of improvements are dedicated for residential
- Total TIF collected during exemption period: \$191K



*Assumes exemption on residential only portion which results in 56% exemption total*



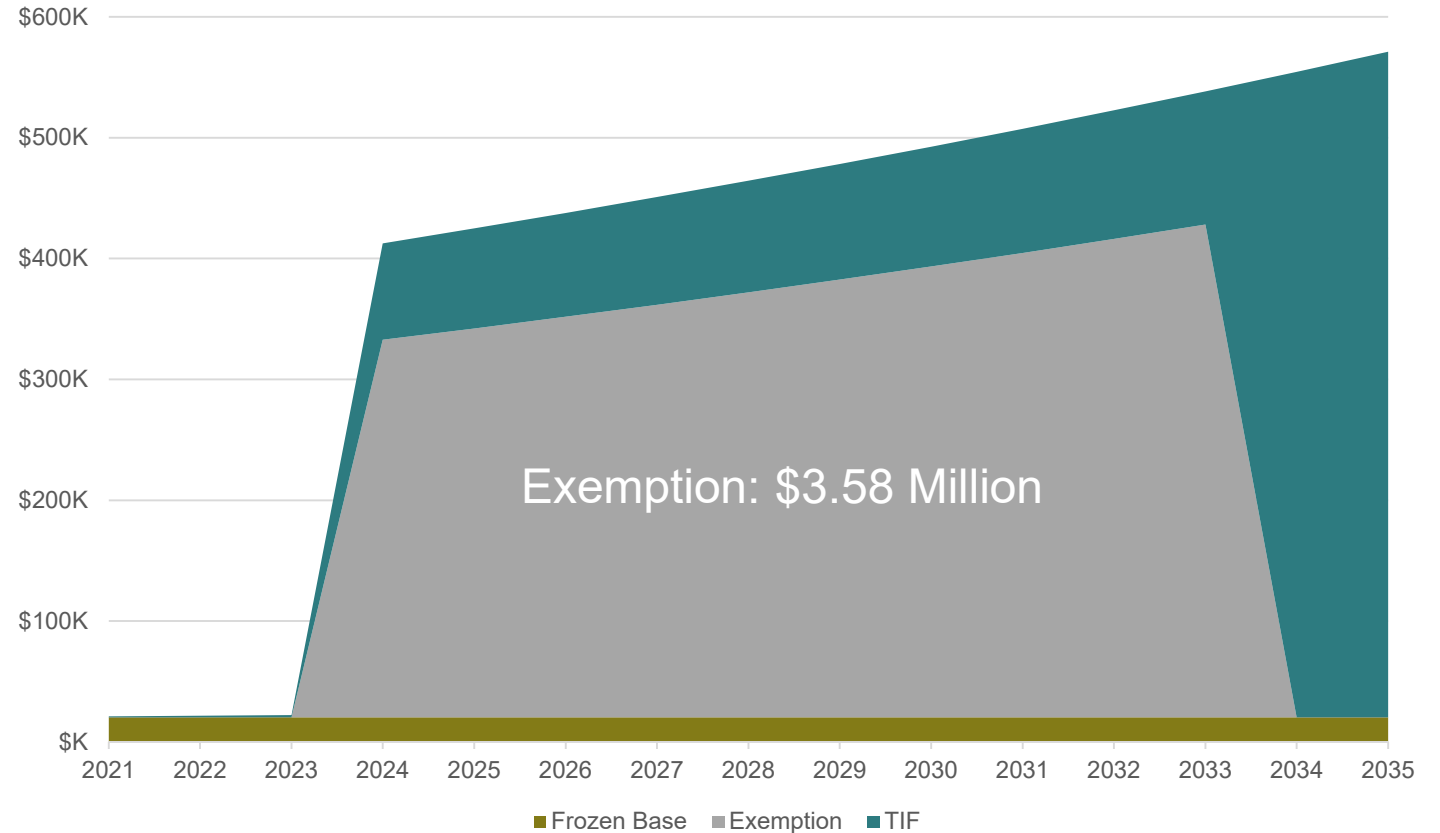
# EXAMPLE PROJECT: BROOKS RESOURCES



## Project Overview:

- Bend Central District
- 5 story vertical mixed-use
- 140 units, ground floor commercial
- SDC Estimate: \$2.3M
- \$38M+ investment
- Assumes 80% of improvements are residential
- Total TIF collected during exemption period: \$1.5M

Build with Exemption Scenario



*Assumes exemption on residential improvements only (76% total tax exemption)*



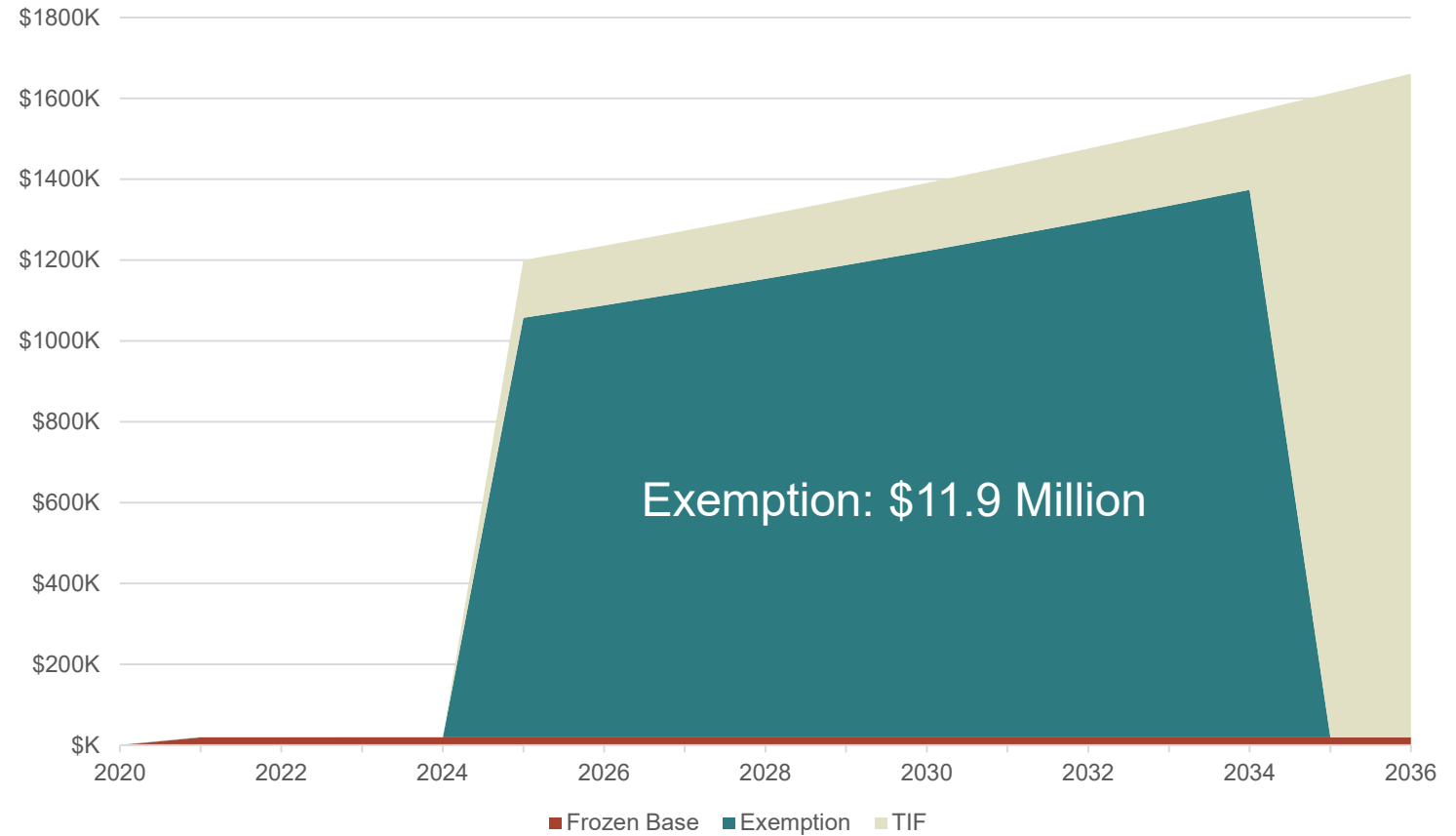
# EXAMPLE PROJECT: KILLIAN PACIFIC



## Project Overview:

- KorPine area
- 6-story vertical mixed-use
- 310+ units
- 12,000 SF retail
- SDC estimate: \$4.5 Million
- Residential improvements account for 86.5% of project
- TIF collected over 10-year exemption: \$3.35 Million

Build with Exemption Scenario



*Tax exemption on residential only improvements (not land) with full taxing district participation which results in 86.5% exemption*