



**Staff Report**

**File #:** 19-127  
**Version:** 1

**Date:** 3/25/2019  
**Item #:**

**TO:** Mayor and City Council  
**THROUGH:** Steve Powers, City Manager  
**FROM:** Kristin Retherford, Urban Development Dept. Director

**SUBJECT:**

Multiple Unit Housing Tax Incentive Program application by Koz on State Street LLC.

Ward(s): 1  
Councilor(s): Kaser  
Neighborhood(s): CANDO  
Result Area(s): Strong and Diverse Economy; Welcoming and Livable Community.

**ISSUE:**

Shall City Council:

- (1) Adopt Resolution No. 2019-9 approving an application by Koz on State Street LLC for tax exemption under the City’s Multiple Unit Housing Tax Incentive Program and;
- (2) Direct staff to make a request to boards of other taxing districts to adopt a resolution agreeing with the policy of providing a tax exemption for the project, therefore exempting the project’s full property tax liability?

**RECOMMENDATION:**

- (1) Adopt Resolution No. 2019-9 approving an application by Koz on State Street LLC for tax exemption under the City’s Multiple Unit Housing Tax Incentive Program and;
- (2) Direct staff to make a request to boards of other taxing districts to adopt a resolution agreeing with the policy of providing a tax exemption for the project, therefore exempting the project’s full property tax liability.

**SUMMARY:**

On February 28, 2019, Koz on State Street LLC (Applicant) whose Member is Koz Development, LLC

and whose Member is Cathy Reines, submitted an application for a planned development named "The Koz on State Street Building" (Project). The Project will consist of one 74,413 square foot mixed-use building containing 148 residential rental units, 5,300 square feet of retail space, and 15 internal parking spaces to serve the development.

The Applicant has submitted applications and materials asserting compliance with all of the Program requirements. The Project contains more than two dwelling units, is located within the Core Area, and meets 9 of the 19 public benefit requirements. Adoption of Resolution No. 2019-9 (Attachments 1, 2, 3) would approve the application by Koz on State Street LLC for tax exemption under the City's Multiple Unit Housing Tax Incentive Program.

## **FACTS AND FINDINGS:**

SRC 2.790 - 2.835 adopt the provisions of ORS 307.600 - 307.687 to stimulate the construction, or addition of or conversion to multiple-unit housing in the designated core area of the City of Salem. Criteria, standards, and other guidelines are further detailed in the Standards and Guidelines for The Multiple Unit Housing Tax Incentive Program, adopted by the Council. The applicable statutes, code, and criteria are shown below in **bold** print. Following each criterion is a finding relative to the application.

**ORS 307.606(4): States that prior to accepting applications under ORS 307.600 to 307.637, cities and counties shall promulgate standards and guidelines to be utilized in considering applications and making determinations required by ORS 307.618.**

**Finding:** The City has adopted Standards and Guidelines for the Program, and most recently updated them in 2006, through Resolution No. 2006-43.

**ORS 307.612: Provides that the first year of the exemption for an approved project is the assessment year beginning January 1 immediately following the calendar year in which construction, addition or conversion is completed, determined by that stage in the construction process when, pursuant to ORS 307.330, the improvement would have gone on the tax rolls in the absence of the exemption provided for in ORS 307.600 to 307.637.**

**Finding:** The Applicant has asked for exemption starting in 2021. Should the Project not receive a Certificate of Occupancy until 2021, the exemption would not start until 2022.

**ORS 307.618: As applicable to this application, the City may approve an application under a program if the City finds:**

**(1) The owner has agreed to include one or more design or public**

**benefit elements as specified by the city or the county;**

- (2) The project is or will be, at the time of completion, in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS chapters 195, 196, 197, 215 and 227 that are applicable at the time the application is approved.**
- (3) The owner has complied with the City's adopted Standards and Guidelines.**

**Finding:**

**Design or Public Benefit Elements:**

The Applicant has identified 9 of the 19 available design or public benefit elements as specified in SRC 2.815 (see below), and therefore, as discussed below, staff believes the application complies with this requirement.

**Local Plans and Land Use Regulations:**

**Land Use Approval:**

The Project has received Site Plan approval and construction is imminent.

**Local Plans:**

Riverfront-Downtown Urban Renewal Area Plan:

Section 400, Objective 2:

To maintain the central core area as the dominant center for regional retail and office development.

Section 400, Objective 5:

To improve the pedestrian flow and protection for pedestrians between retail activities, offices, public facilities, parking, and related areas, through improvements at street level as well as grade-separated pedestrian ways.

Section 400, Objective 7:

To encourage private restoration, rehabilitation, development, both within and adjacent to project areas, through public improvements in project areas.

Section 400, Objective 11:

To encourage the development of new housing through the use of available measures, such as the tax abatement provisions of HB 2343.

Section 400, Objective 12:

To increase the total housing supply adjoining the retail core.

**ORS 307.621:** **A city or county shall approve or deny an application filed under ORS 307.618 within 180 days after receipt of the application and that an application not acted upon within 180 days shall be deemed approved.**

**Finding:** The applications were received on February 28, 2019. Council has until August 27, 2019 to issue a final decision on the application.

**ORS 307.637(2):** **An exemption for multiple-unit housing may not be granted under ORS 307.600 to 307.637 unless:**

**(2) In the case of multiple-unit housing described in ORS 307.603 (5) (b), the construction, addition or conversion is completed on or before January 1, 2022.**

**Finding:** The application proposes multi-family housing, and therefore 307.637(2) are applicable, and must be completed on or before January 1, 2022. The Applicant has noted the project planned completion date is August 2020.

**SRC 2.800:** **To be eligible for the property tax exemption provided by SRC 2.790-2.835 a structure must:**

- (a) Be dwelling units, not designed or used as transient accommodations and not including hotels and motels but including such design elements benefitting the public as described in SRC 2.790-2.835 and approved by the City Council;**
- (b) Be housing which is constructed after January 1, 2012, and completed on or before January 1, 2022.**
- (c) Be located within the designated core area.**

**Finding:** The Project is located within the Core Area, and includes 148 rental apartment units. As noted above, planned completion date of the Project is August 2020. As discussed below, the Applicant has identified 9 of the 19 public benefit elements.

Staff believes the Project complies with the requirements in SRC 2.800 and is eligible.

**SRC 2.810:** **Application Procedure Requirements.**

**Finding:** The Applicant submitted a complete application.

**SRC 2.815:** **Design Elements Benefitting the Public. To qualify under the Program, an applicant must propose and agree to include in the proposed project one or more design elements benefitting the general public; however, public benefits provided by this section are not necessarily required to be available to the public at large if the City Council finds the design elements proposed by the applicant provide sufficient public benefit.**

**Finding:** The Applicant has submitted material (Exhibit A of Resolution 2019-9) indicating 9 of the 19 public benefits outlined in SRC 2.815 will be met by the Project.

**Public Benefits Addressed:**

1. Units at sales prices or rental rates which are accessible to a broad income range of the general public.
  - a. Monthly Rental rates for different types of units range from \$850 - \$1,200.
2. Open space.
  - a. The Project includes an open space courtyard above the second floor.
3. Special architectural features.
  - a. The Project includes architectural features compatible with nearby historic buildings and the size and scale is consistent with other nearby buildings.
4. Development or redevelopment of underutilized or blighted property.
  - a. The Project included environmental remediation of the site as well as a major increase in usable space on the site.
5. Provision of pedestrian-oriented design features.
  - a. The Project provides parking access off the alley as opposed to street/sidewalk right of way and minimizes views of the parking area.
6. Extra costs associated with infill or redevelopment projects.
  - a. The Project is located on a tight, urban site and involved remediation and demolition of existing structures.
7. Development in structures that may include ground level commercial space.
  - a. The Project will contain 5,300 square feet of ground level commercial space.

8. Development on existing surface parking lots.
  - a. The Project replaced a large surface parking lot.
9. Provision of parking spaces within the structure.
  - a. A portion of the Project's parking is located within the structure.

**Public Benefits Not Addressed:**

1. Recreation facilities;
2. Common meeting rooms;
3. Day care facilities;
4. Facilities supportive of the arts;
5. Facilities for the handicapped (the Project will comply with ADA requirements);
6. Service or commercial uses which are permitted and needed at the project site but not available for economic reasons;
7. Dedication of land or facilities for public use;
8. Development on sites with existing single story commercial structures;
9. Leadership in Energy and Environmental Design (LEED) Certification by the Green Building Council of the project;
10. Provision of amenities and/or programs supportive of the use of mass transit.

**SRC 2.825:**

**City Council Review. The City Council may approve the application if it finds, in accordance with adopted Standards and Guidelines, that:**

- (1) The property is eligible as provided in SRC 2.800;**
- (2) The applicant has agreed to include in the construction as a part of the multiple-unit housing one or more design elements benefitting the general public which are deemed sufficient by the City Council;**
- (3) The project is in conformance with the comprehensive plan and zoning regulations; and**

- (4) The public benefit the property will receive pursuant to the Program will be reasonable when considered in combination with other public benefits it is receiving or for which the owner plans to apply.**

**Finding:**

1. As set forth above, staff believes the Project is eligible.
2. As set forth above, staff believes the Project includes adequate design elements benefitting the public to satisfy SRC 2.815.
3. The Project has received site plan approval and is undergoing building permit review.
4. Application materials support a finding that the public benefit the property will receive pursuant to this program will be reasonable when considered in combination with other public benefits it is receiving or for which the owner plans to apply.

The deadline for the Council to make a decision on the applications is August 27, 2019. If Council does not issue a final decision by August 27, 2019, the applications will be deemed approved. If approved, Resolution No. 2019-9 will become effective upon adoption.

**BACKGROUND:**

In June 1976, Council enacted Salem's Multiple Unit Housing Tax Incentive Program (Program), Salem Revised Code (SRC) 2.790-2.835. The Program is authorized by Oregon Revised Statute (ORS) 307.600-307.691, which allow local governments to establish a program for property tax exemptions to stimulate the construction of transit-supportive multiple unit housing in the core areas of Oregon's urban centers. The Program provides a property tax exemption for up to ten years for new or converted, transit supportive, non-transient multiple family housing units constructed within the defined core area (Attachment 4) that provide one or more public benefits as defined in the ordinance. The basic tenets of the Program are:

- The project must include at least two dwelling units per Standards and Guidelines adopted by Resolution No. 2006-43;
- The project must be located within the "Core Area" as defined in SRC 2.800(c);
- The project must include at least one public benefit as outlined in SRC 2.815, and;
- Council shall, by resolution, make a decision within 180 days of receipt of the application or the application is automatically deemed approved.

The Program provides for a tax exemption only for the City's tax levy, estimated to be \$41,267 in the first full year. Pursuant to ORS 307.606(1), in order for a project to be exempt from property taxes from other taxing districts, such as counties or the school district, the governing bodies of the taxing districts, representing 51% or more of the total combined rate of taxation levied on the property under consideration must consent to the exemption. The City and the Salem-Keizer School District collectively represent about 60% of the combined rate of taxation within the Core Area. As set forth in ORS 307.606(1), if the District's Board consents to the tax exemption for a project under the Program, the project will be exempt from all local property taxes for the period authorized, estimated to be \$165,069 in the first full year. The project is within the Riverfront-Downtown Urban Renewal Area, and all tax revenue generated by the project above the current assessed value would go to the Urban Renewal Area, and would not go to the City and other taxing districts. A resolution approving the Project's participation in the Program by another taxing district, such as the School District, will have no effect on their tax revenue.

On December 5, 2011, City Council amended SRC 2.830(a) extending the Program to January 1, 2022. Each application requesting approval is evaluated on a case by case basis by the City Council. Since 1976, six properties have been approved by Council for this Program:

The Court Yard Apartments (40 units) - 211 Court Street NE  
Tax exemption period expires in 2030.

South Block Apartments (178 units, Phases I & II) - 315 Commercial Street SE  
Tax exemption period expires in 2025 & 2027 (Phases I & II respectively).

The Residences at Riverfront Park (118 units) - 230 Front Street SE  
Project cancelled prior to construction.

Willamette Landing Apartments (89 units) - 1601-1675 Water Street NE  
Tax exemption period expired in 2000.

Forum Apartments (62 units) - 350 13th Street SE  
Tax exemption period expired 1990.

Mill Bridge Terrace Apartments (24 units) - 728 Church Street NE  
Tax exemption period expired in 1987.

Clint Dameron  
Real Property Services Manager

Attachments:

1. Resolution 2019-9
2. Exhibit No. A to Resolution 2019-9
3. Exhibit No. B to Resolution 2019-9
4. Core Area Map