

Staff Report

File #: 22-377**Version:** 1**Date:** 9/12/2022**Item #:** 3.3a.

TO: Urban Renewal Agency Board
THROUGH: Keith Stahley, Executive Director
FROM: Kristin Retherford, Director, Urban Development Department

SUBJECT:

Establishing threshold guidelines for a Single Tax Increment Financing District.

Ward(s): All Wards
Councilor(s): All Board Members
Neighborhood(s): All Neighborhoods
Result Area(s): Welcoming and Livable Community

SUMMARY:

Establishment of threshold guidelines for new Single Property Tax Increment Financing Districts to determine when city staff would initiate the project analysis process.

ISSUE:

Shall the Agency Board approve the threshold guidelines for new Single Property Tax Increment Financing Districts?

RECOMMENDATION:

Approve the threshold guidelines for new Single Property Tax Increment Financing Districts.

FACTS AND FINDINGS:

Tax increment financing (TIF) can be used to incent a developer to accomplish a public purpose. When a TIF District is created, the property values in the district are frozen. As the property value in the TIF District increases above the frozen level, the tax revenue from the increase in value could become available to a developer to incent accomplishment of the public purpose. Oregon Revised Statute (ORS) 457.085 details the requirements for creating a new TIF District Plan.

The ORS directed process to establish a new TIF District requires a high amount of staff time and

contracted financial analysis. To make the establishment process of a new single property TIF more transparent, a set of guidelines is being proposed which must be met by the property ownership/development team in order for the City to begin the analysis process (Attachment 1). These guidelines were developed in conjunction with the City Strategic Plan which identified increasing affordable housing options.

Guidelines required to initiate the analysis process:

- Proposed project must incorporate affordable housing.
- The level of affordable housing should equal 15% of the total units or 20 units, whichever is greater.
- Examples of affordable housing include rent at 80 AMI or less, annual rent increase caps less than the statutory requirement, etc.
- Project must be located within the City of Salem municipal boundaries.
- Project team must have a development concept.
- Proposed project is not utilizing additional property tax exemption benefits.

Costs to be incurred by property ownership/development team:

- Current property survey and legal description.
- Super notice cost as required per ORS 457.085.

Staff will submit a Report to the Urban Renewal Agency (Agency) to initiate any future Single TIF District adoption process and will follow ORS requirements consisting of a public hearing process with City Council including public outreach. Following the establishment of a Single TIF, staff will return to the Agency with a development agreement outlining the details of any proposed incentive program.

BACKGROUND:

Salem City Council approved its first Single Property TIF District, Jory, in 2020 to provide a financial incentive tool in the form of a property tax rebate for the development of affordable housing. A rebate analysis was conducted to determine what the completed project would contribute to the property tax base and how much of the annual property tax paid would be directed to a TIF. Staff recommended a financing package to the Agency which contained recommendations on the appropriate amount, timing, and length of the incentive. The final approved rebate directed 97% of what is received by the TIF to be rebated to development ownership and 3% retained by the TIF for administrative costs.

As the need for affordable housing continues, staff have been approached by multiple developers and property owners interested in a Single Property TIF rebate similar to what was approved for the Jory Apartments. The establishment of threshold guidelines will provide a transparent process outlining the type of eligible projects and criteria for analysis to begin.

The shortage of affordable housing in Salem is due, in part, to limited developer funding and public incentives for construction of new units. Existing incentives such as the Multi-Unit Housing Tax Incentive Program, Low Income Rental Housing Property Tax Exemption Program, and Community

Partners Property Tax Exemption Program, while helpful, are not a fit for all due to program guidelines that limit project geography, ownership type, and income level.

Sara Long
Project Manager

Attachments:

Single Property Tax Increment Financing District Guidelines