

## Staff Report

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**File #:** 23-191  
**Version:** 1

**Date:** 6/12/2023  
**Item #:** 7.1a.

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**TO:** Mayor and City Council  
**THROUGH:** Keith Stahley, City Manager  
**FROM:** Kristin Retherford, Community and Urban Development Director

**SUBJECT:**

Revision to the Salem Revised Code Section 2.825 related to the Multiple Unit Housing Tax Incentive Program.

Ward(s): Wards 1 and 2

Councilor(s): Stapleton and Nishioka

Neighborhood(s): CANDO, SESNA, NEN, SCAN, Highland

Result Area(s): Good Governance; Strong and Diverse Economy; Welcoming and Livable Community

**SUMMARY:**

As an incentive to create multiple-unit housing in the downtown core, the City of Salem offers an abatement of ad valorem taxes through its Multiple Unit Housing Tax Incentive Program (Program). In recent coordination with other taxing districts with which the City partners, there is a desire that future projects utilizing the Program include an affordable housing component. The proposed revisions will set requirements to which applicants must adhere to be considered for participation in the Program.

In October 2022, City Council approved modification of Salem Revised Code Section 2.825; however, an incorrect version of Exhibit A to Ordinance Bill No. 19-22 was included in the Staff Report. To correct the error and have the Salem Revised Code match the approved Program guidelines, it is necessary to approve Ordinance Bill No. 10-23.

**ISSUE:**

Shall the City Council conduct first reading and advance to second reading Ordinance Bill No. 10-23 to amend SRC 2.825 related to Multiple-Unit Housing Tax Incentive Program amending the requirements of the Program?

**RECOMMENDATION:**

Conduct first reading and advance to second reading Ordinance Bill No. 10-23 to amend SRC 2.825 related to Multiple-Unit Housing Tax Incentive Program amending the requirements of the Program.

## **FACTS AND FINDINGS:**

If approved by the City Council, Ordinance No. 10-23 (Attachments 1-2) will amend SRC 2.825 to require that any project considered for application in the Program meet the following criterion:

If the project contains 50 or more units of housing, the applicant will provide at least 15 percent of the units at rents affordable to households at 80 percent of the average median income or less for the duration of the incentive.

Affordability threshold shall be defined as 80% or less of area median income as defined by the Department of Housing and Urban Development.

## **BACKGROUND:**

In June 1976, Council approved an ordinance creating a special boundary and implemented provisions of the legislative act Oregon Revised Statute 307.600-690. The most recent action taken by City Council was in 2021, to extend the program to January 1, 2032, in conjunction with an amendment to the state law. Additionally, City Council included a requirement that if a project is proposed to include 100 or more units of housing, the applicant will provide at least 15% of the units at rents affordable to households at 80% of the average median income or less for the duration of the incentive, or meet at least two of the public benefit criteria.

The Program provides up to a 10-year property tax abatement for new or converted, transit supportive, non-transient housing units constructed within the defined core area (Attachment 3) that provide one or more public benefits as defined in the ordinance. Extending the sunset date for the Program is not an approval of projects. Each application requesting approval is evaluated on a case-by-case basis and considered by Council.

Since 1976, 11 properties have been approved by Council for the Program:

DD Salem Center Two LLC (157 units) - 420 Center Street NE  
Tax Exemption expires in 2034

990 Broadway LLC (23 units) - 990 Broadway Street NE  
Tax Exemption expires in 2033

SAMAX LLC (2 units) - 227-233 Commercial Street NE  
Tax exemption expires in 2028

Parke 325 (30 units) - 325 13<sup>th</sup> Street NE  
Tax exemption expires in 2032

Koz on State Street/Nishioka Building (142 units) - 260 State Street  
Tax exemption period expires in 2031

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 13<sup>th</sup> 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. Ordinance No. 10-23
2. Exhibit A to Ordinance No. 10-23
3. Core Area Map