

Legislation Details (With Text)

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In control: City Council

On agenda: 2/12/2018 **Final action:** 2/12/2018

Title: Property tax exemptions for qualifying non-profit, low-income housing

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods

Sponsors:**Indexes:****Code sections:**

Attachments: 1. Resolution No. 2018-10, 2. 2018-19 Program Applications

Date	Ver.	Action By	Action	Result
2/12/2018	1	City Council		
2/12/2018	1	City Council	adopted	Pass

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Property tax exemptions for qualifying non-profit, low-income housing

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods

ISSUE:

Shall City Council adopt Resolution No. 2018-10 approving property tax exemptions for four low-income housing properties owned by nonprofit entities?

RECOMMENDATION:

Adopt Resolution No. 2018-10 (Attachment 1) approving property tax exemptions for four low-income housing properties owned by nonprofit entities.

SUMMARY AND BACKGROUND:

Staff has determined four applicants meet the program criteria:

- Four Oaks Housing, 1051-1099 23rd Street SE,
- Oakhill Associates, 3837 12th Ave,
- Sunnyslope Associates, 1000 Cunningham Lane, and
- Wallerwood LP, 1150 Waller Street.

Low-income housing was identified as a community need through the City's 2017 strategic planning process. On January 8, 2018, Council approved Ordinance No. 29-17 to establish a property tax exemption program for low-income housing owned by nonprofits, codified under SRC Sec. 2.850 to 2.910. The program is authorized by Oregon Revised Statutes (ORS) 307.540 - 307.548. The intent of this program is to encourage low-income housing preservation and development by lowering costs for non-profit providers of low-income housing.

If approved, the property will be exempt from City property tax for a period of up to 10 years. The owner may receive exemption from all property taxes on the property, if they obtain the approval of applicable taxing districts that constitute 51% of the property's tax liability. Property owners must annually certify they are in compliance with terms of Council's approval in order for the exemption to extend each year.

FACTS AND FINDINGS:

The City's program incorporates the requirements in State law, and as permitted by State law, includes certain additional requirements and guidance. Under the City's program, to qualify for a maximum 10 year property tax exemption, the property must be:

- 1) owned by a nonprofit, 501(c) (3) or (4), corporation under the Internal Revenue Code (certain exceptions apply as discussed below);
- 2) occupied by low-income persons, or held for the purpose of developing low- income housing, and must be actually and exclusively used for charitable purposes; and
- 3) maintained in a safe and habitable condition throughout the period of exemption.

The owner of the property, during the period of exemption, must maintain a capital reserve for the property of at least \$100 per housing unit per month.

Applications for this property tax exemption were received from:

- Catholic Community Services, 2579-2587 Wallace Road,
- Cornerstone Apartments Limited Partnership, Rose Garden Street,
- Four Oaks Housing, 1051-1099 23rd Street SE,
- Oakhill Associates, 3837 12th Ave,
- Salem Self Help Housing, 539 Statesman St,
- Sunnyslope Associates, 1000 Cunningham Lane, and
- Wallerwood LP, 1150 Waller Street,

The applications are included as Attachment 2.

Staff recommends denying a property tax exemption for Cornerstone Apartments, Limited Partnership. The property does not meet the eligibility requirements established in SRC 2.870 and ORS 307.541. The owner of the property is not a nonprofit corporation as defined by state law.

For a property to be eligible for the exemption, ORS 307.541 and SRC 2.870 provide that the property must be owned by a tax exempt 503(c) (3) or (4) corporation, or if the property is held by a partnership, as is the case for Cornerstone, the corporation must; (1) be a general partner of the partnership, and; (2) be responsible for the day-to-day operation of the property this is the subject of the exemption.

In this case, the property is owned by Cornerstone Apartments, Limited Partnership. The general partner of the limited partnership is Cornerstone Apartments, LLC. The sole member of the LLC is Community Resource Trust. While the Trust is a qualified 501(c) (3) corporation, it is not the general partner of the limited partnership. The LLC is the general partner. An LLC is a separate legal entity, even if its member is the same or closely related to another entity. Under state law, the applicant does not meet the criteria.

Staff is working with the following applicants to verify additional information relating to the minimum financial reserve criteria, and if needed documentation is provided, staff will return to City Council with an additional recommendation for approval:

- Catholic Community Services, 2579-2587 Wallace Road, and
- Salem Self Help Housing, 539 Statesman Street.

Following approval of the exemptions, the property owners will need to apply annually for certification, provide documentation to support that the property is occupied by low-income persons, and show how the exemption will benefit project residents. As the preservation of low-income housing is a key component of the proposed program, the property must be maintained in a safe and habitable condition.

A public notification effort will be undertaken for subsequent application cycles for this program. Future application cycles will occur annually during the summer with applications due prior to September 1 each year.

If approved by Council, the approved applicants may seek approval from other taxing districts in the area so that the subject properties may be exempt from their entire property tax levy.

Kristin Retherford
Urban Development Director

Attachments:

1. Resolution No. 2018-10
2. 2018-19 Program Applications