Legislation Details (With Text)

File #:	20-159 **Version:** 1		
Type:	Ordinance Second Reading	**Status:**	Passed
		In control:	City Council
On agenda:	5/11/2020	**Final action:**	5/11/2020
Title:	Adoption of the Jory Apartments Tax Increment Funding (TIF) District Ward(s): Ward 2 Councilor(s): Councilor Andersen Neighborhood(s): NEN and NESCA Result Area(s): Welcoming and Livable Community		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Ordinance Bill No. 7-20, 2. TIF District Boundary, 3. Exhibit A - TIF District Report, 4. Exhibit B - TIF Dristict Plan, 5. Planning Commission Reccomendation, 6. Taxing Jurisdiction Comments		

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council	approved	Pass

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Department Director, Kristin Retherford

SUBJECT:

Adoption of the Jory Apartments Tax Increment Funding (TIF) District

Ward(s): Ward 2
Councilor(s): Councilor Andersen
Neighborhood(s): NEN and NESCA
Result Area(s): Welcoming and Livable Community

ISSUE:

Shall the City Council conduct second reading of Ordinance Bill No. 7-20, creating the Jory Apartments TIF District?

RECOMMENDATION:

Conduct second reading of Ordinance Bill No. 7-20 (Attachment 1), creating the Jory Apartments TIF District.

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SUMMARY:

The proposed Jory Apartments TIF District will create more affordable housing in the community. The TIF District is proposed for a portion of the former Oregon State Hospital North Campus (Attachment 2) to incent additional affordable housing as part of a proposed mixed-income development. The proposed TIF District can serve as model to encourage affordable housing in other areas of Salem.

Without incentives or subsidies, it is financially unfeasible to build affordable housing projects as rental income is not sufficient to meet development and financing costs. The City Strategic Plan identifies increasing affordable housing options as a top priority. The Salem Housing Authority (SHA) has a waiting list of 6,000 individuals and families in need of affordable housing.

FACTS AND FINDINGS:

On March 9, 2020, the Urban Renewal Agency Board directed staff to forward the draft TIF District Plan and Report (Attachments 3 and 4) to the Planning Commission and City Council for consideration. The Planning Commission reviewed and recommended approval on April 7, 2020 (Attachment 5), encouraging the Council to consider recommending that the developer increase the percentage of affordable units in exchange for the property tax rebate. In accordance with Oregon Revised Statute 457.085, the Urban Renewal Agency forwarded a copy to the impacted taxing jurisdictions to consult and confer. Notice was mailed to the taxing jurisdictions on March 2. Comments were received through April 20, 2020 and are included in the record tonight (Attachment 6). Cherriots general manager, Allan Pollock, indicated support for the Jory Apartments TIF District Report and Plan, in an April 13 phone discussion with staff. The Cherriots board received a copy of the Report and Plan but did not provide any comments.

Tax increment financing is intended to address blight and to accomplish a public purpose. The public purpose of the proposed Jory Apartments TIF District is to create more affordable housing within Salem. When a TIF district is created, the County Tax Assessor determines the property value within the district at that time. Property taxes collected on the existing property value is referred to as the "frozen base" and this tax revenue continues to be distributed to all overlapping taxing districts. As the property value in the TIF district increases above this frozen base, the tax revenue from the increase in value is distributed to the Urban Renewal Agency for projects identified in the TIF District Plan.

The TIF District does not create an additional tax or fee for individuals in the community.

The proposed Jory Apartments TIF District Plan includes two activities. The first is a property tax rebate to the property owner of up to 97 percent of the property taxes paid by the property owner and collected within the TIF District. The amount of tax revenue to be collected by the TIF District will be less than the total taxes paid by the property due the impact of existing general obligation bonds. After the County Tax Assessor distributes revenue each year to the Urban Renewal Agency (Agency), the Agency will, in turn, process a rebate to the property owner in exchange for affordable housing units within the development. While programmatic details will be subject to a future agreement with the property owner, the goal is to meet a variety of needs by including a mix of

affordable units within the larger, market-range development, with rents targeting individuals with incomes between 30% AMI to 80% AMI, with an overall average of 60% AMI. The second activity identified in the Plan is the City's administration of the program using the remaining three percent of the taxes received. The TIF District is expected to begin collecting tax increment, based on the value of the completed development and land value, in 2023.

The proposed TIF District is an internal property lot that is part of a larger housing development on the former Oregon State Hospital North Campus. The lot is within the boundaries of D Street, Park Avenue, and Center Street, but does not abut any of these streets. Property lots that abut these streets will be market-rate, single-family housing and commercial development. The proposed TIF District's western boundary is 25th Street.

The public hearing and first reading of Ordinance Bill No. 7-20 occurred on April 27, 2020. If Ordinance Bill 7-20 is adopted by City Council it will return to the Agency board on May 26, 2020, for acceptance.

BACKGROUND:
As a result of recent legislative changes, TIF district is now the preferred name for an urban renewal area.

The shortage of affordable rental 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.

Annie Gorski
Economic Development Manager

Attachments:
1. Ordinance Bill No. 7-20
2. TIF District Boundary
3. Exhibit A - TIF District Plan
4. Exhibit B - TIF District Report
5. Planning Commission Recommendation
6. Taxing jurisdiction comments