



Staff Report

File #: 17-602

Version: 1

Date: 12/11/2017

Item #: 7.1 a.

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

SUBJECT:

Property tax exemption for nonprofit owners of low-income housing

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

ISSUE:

Shall the City Council conduct first reading of Ordinance Bill No. 29-17 which provides for a property tax exemption for nonprofit owners of low-income housing, and advance the ordinance to second reading for enactment?

RECOMMENDATION:

Conduct first reading of Ordinance Bill No. 29-17 which provides for a property tax exemption for nonprofit owners of low-income housing, and advance the ordinance to second reading for enactment.

SUMMARY AND BACKGROUND:

Low-income housing was identified as a community need through the City's 2017 strategic planning process. This ordinance implements a Nonprofit Corporation Low Income Housing tax exemption authorized by ORS 307.540 to 307.548 and will encourage low-income housing preservation and development by lowering costs for non-profit providers of low-income housing.

FACTS AND FINDINGS:

ORS 307.540-307-548 create a process by which local governments may exempt from property taxes those properties owned by nonprofit corporations which are being rented or held for development of

low-income housing. For the purposes of this ordinance, low-income means at or below 60 percent of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development.

Staff estimates there may be between twenty to thirty currently developed properties within the city of Salem that could qualify for this exemption. These properties are situated in both Marion and Polk Counties. If all of these properties do receive this property tax exemption, the anticipated impact to the City is an annual revenue loss of approximately \$85,000.00 to \$100,000. Under the proposed ordinance, undeveloped land may receive an exemption for up to two years, after which the property must be developed and occupied by low-income persons to continue receiving the exemption.

Applications that are determined to be complete and meet the criteria of the program will be presented to Council for determination of whether a property tax exemption shall be granted. Under state law, the exemption must be granted annually. The proposed ordinance allows owners that have already received Council approval to apply to, and be granted an annual extension by staff. If a previously exempted property no longer meets the criteria for exemption, staff will provide a recommendation to Council to terminate the exemption.

Applicants for either an initial exemption or extension must 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, and applicants must provide documentation that the property has an established capital reserve for maintenance and replacement equal to an initial amount of \$100 per unit per month (\$1,200 per unit per year). The required capital reserve amount may be increased over time with increases announced during future application or extension processes. A property inspection will be a part of the annual application or extension process beginning the fall of 2018.

The exemption granted by the City applies only to the City's tax levy for the property. The City may submit a request to the governing bodies of the overlapping taxing districts to agree to the exemption policy. With the approval of other applicable taxing districts representing 51 percent or more of the total combined rate of taxation on the property, the exemption will be extended to the combined tax levy for the property.

The property tax exemption program allowed under this ordinance will be valid for ten years from the date the exemption is granted. At that time, the exemption will automatically expire.

For the 2018 assessment year, notification of the county tax assessors of the exempt status must be made by March of 2018. To meet that deadline for the potential applicants, the proposed ordinance includes an emergency clause making it effective upon adoption. Staff is recommending that Council conduct first reading on December 11, and second reading on January 8. Thereafter, applications for exemptions and extensions shall be due by September 1 of each year.

Kristin Retherford
Director

Attachments:

1. Ordinance Bill No. 29-17