



## Staff Report

**File #:** 18-500

**Version:** 1

**Date:** 11/13/2018

**Item #:** 3.2a.

**TO:** Mayor and City Council

**THROUGH:** Steve Powers, City Manager

**FROM:** Kristin Retherford, Urban Development Department Director

### **SUBJECT:**

Multiple Unit Housing Tax Incentive for M Parkside Living, LLC

Ward(s): 1

Councilor(s): Kaser

Neighborhood(s): CANDO

### **ISSUE:**

Shall City Council:

- (1) Adopt Resolution No. 2018-82 approving an application by M Parkside Living, LLC for tax exemption under the City's Multiple Unit Housing Tax Incentive Program.
- (2) Request boards of other taxing districts to adopt a resolution consenting to a tax exemption for the project exempting the project's full property tax liability?

### **RECOMMENDATION:**

- (1) Adopt Resolutions No. 2018-82 approving an application by M Parkside Living, LLC for tax exemption under the City's Multiple Unit Housing Tax Incentive Program.
- (2) Request boards of other taxing districts to adopt a resolution consenting to a tax exemption for the project exempting the project's full property tax liability.

### **SUMMARY AND BACKGROUND:**

On September 19, 2018, M Parkside Living, LLC (Applicant) whose Member is Paul Gehlar, submitted an application for an under-construction development named The Court Yard Apartments (Project). The Project will consist of two buildings, a 42,866 square foot residential rental apartment building containing 40 units, a 2,359 square foot commercial building, and 40 parking spaces to serve the

development.

The Applicant has submitted applications and materials asserting compliance with all of the Program requirements. The Project contains more than two dwelling units, is located within the Core Area, and meets 11 public benefit requirements.

In June 1976, City Council enacted a Multiple Unit Housing Tax Incentive Program (Program), Salem Revised Code (SRC) 2.790-2.835. The Program provides property tax exemptions to stimulate the construction of transit-supportive multiple unit housing in the core areas of Oregon's urban centers. The Program provides a property tax exemption for up to ten years for new or converted, transit-supportive, non-transient multiple family housing units constructed within a defined core area (Attachment 1).

Program requirements:

- The project must include at least two dwelling units;
- The project must be located within the "Core Area";
- The project must include at least one public benefit;
- Council shall, by resolution, make a decision within 180 days of receipt of the application or the application is automatically deemed approved.

The Program provides for a tax exemption only for the City's tax levy, estimated to be \$17,856 in the first full year.

For a project to be exempt from property taxes from other taxing districts, the governing bodies of the taxing districts, representing 51% or more of the total combined rate of taxation levied on the property under consideration must consent to the exemption. The City and the Salem-Keizer School District collectively represent about 60% of the combined rate of taxation within the Core Area. If the District's Board consents to the tax exemption for a project under the Program, the project will be exempt from all local property taxes for the period authorized, estimated to be \$71,424 in the first full year. The project is, however, within the Riverfront-Downtown Urban Renewal Area. All tax revenue generated by the project above the current assessed value would go to the Urban Renewal Area and would not go to the City and other taxing districts. The Project's participation in the Program will have no effect on the taxing districts' tax revenue.

The deadline for City Council to make a decision on the applications is March 18, 2019. If City Council does not issue a final decision by March 18, 2019, the applications will be deemed approved. If approved, Resolution No. 2018-82 (Attachment 3) will become effective upon adoption.

## **FACTS AND FINDINGS:**

### **FINDINGS**

SRC 2.790 - 2.835 adopt the provisions of ORS 307.600 - 307.691, the Multiple Unit Housing Tax Incentive Program. Criteria, standards, and other guidelines are detailed in the Standards and Guidelines for the Program adopted by City Council. The applicable statutes, code and criteria are

shown below in **bold** print and are listed in numerical order starting with ORS followed by SRC. Following each criterion, is a finding relative to the application.

**ORS 307.606(4): Cities and counties shall promulgate standards and guidelines to be utilized in considering applications and making determinations.**

**Finding:** The City has adopted Standards and Guidelines for the Program, updated in 2006 through Resolution No. 2006-43.

**ORS 307.612: The first year of the exemption for an approved project is the assessment year beginning January 1 immediately following the calendar year in which construction, addition or conversion is completed, determined by that stage in the construction process when the improvement would have gone on the tax rolls in the absence of the exemption provided.**

**Finding:** The Applicant has asked for exemption starting in 2019. Should the Project not receive a Certificate of Occupancy until 2019, the exemption would start 2020.

**ORS 307.618: As applicable to this application, the City may approve an application under a program if the City finds:**

**(1) The owner has agreed to include one or more design or public benefit elements as specified by the city or the county;**

**(2) The project is or will be, at the time of completion, in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted that are applicable at the time the application is approved;**

**(3) The owner has complied with the City's adopted Standards and Guidelines.**

**Finding: Design or Public Benefit Elements**

**Public Benefits:**

1. Units at sales prices or rental rates which are accessible to a broad income range of the general public.
  - a. Rental rates for different types of units range from \$1,133 -\$2,305.
2. Open spaces.
  - a. The Project includes an 1,800 s.f. open space and 2,000 s.f. bioswale
3. Special architectural features.
  - a. The Project includes parking screening, outdoor courtyard, and

balconies.

4. Dedication of land or facilities for public use.
  - a. The Project includes an additional 4'2" setback along the alley to facilitate two-way traffic.
5. Development or redevelopment of underutilized or blighted property.
  - a. The Project includes environmental remediation of the site as well as a major increase in usable space on the site.

Provision of pedestrian-oriented design features.

- b. The Project provides parking access off the alley as opposed to street/sidewalk right of way and minimizes views of the parking area.
6. Extra costs associated with infill or redevelopment projects.
  - a. The Project is located on a tight urban site and involves remediation and demolition of existing structures.
7. Development on sites with existing single-story commercial structures.
  - a. The Project replaces a single story commercial structure.
8. Development on existing surface parking lots.
  - a. The Project replaces a large surface parking lot.
9. Provision of parking spaces within the structure.
  - a. A portion of the Project's parking is located within the structure.
10. Provision of amenities and/or programs supportive of the use of mass transit.
  - a. The project will be supportive and take advantage of existing nearby mass transit infrastructure.

### **Local Plans and Land Use Regulations**

#### **Land Use Approval:**

The Project has received all required land use and building permit approvals and is currently under construction.

#### **Local Plans:**

Riverfront-Downtown Urban Renewal Area Plan:

Section 400, Objective 2:

To maintain the central core area as the dominant center for regional retail and office development.

Section 400, Objective 5:

To improve the pedestrian flow and protection for pedestrians between retail activities, offices, public facilities, parking, and related areas, through improvements at street level as well as grade-separated pedestrian ways.

Section 400, Objective 7:

To encourage private restoration, rehabilitation, development, both within and adjacent to project areas, through public improvements in project areas.

Section 400, Objective 11:

To encourage the development of new housing through the use of available measures, such as the tax abatement provisions of HB 2343.

Section 400, Objective 12:

To increase the total housing supply adjoining the retail core.

**ORS 307.621:** A city or county shall approve or deny an application filed within 180 days after receipt of the application and that an application not acted upon within 180 days shall be deemed approved.

**Finding:** The applications were received on September 19, 2018. City Council has until March 18, 2019 to issue a final decision on the application.

**ORS 307.637(2):** An exemption for multiple-unit housing may not be granted unless the construction, addition or conversion is completed on or before January 1, 2022.

**Finding:** The application proposes multi-family housing. The project must be completed on or before January 1, 2022. The Applicant has noted the project planned completion date is December 2019.

**SRC 2.800:** To be eligible for the property tax exemption a structure must:

(a) Be dwelling units not designed or used as transient accommodations and not including hotels and motels but including such design elements benefitting the public as described in SRC 2.790-2.835 and approved by City Council;

(b) Be housing which is constructed after January 1, 2012, and completed on or before January 1, 2022;

**(c) Be located within the designated core area.**

**Finding:** The Project is located within the Core Area, and includes 40 rental apartment units. Planned completion date of the Project is December 2018. Applicant has identified 11 public benefit elements. Staff believes the Project complies with the requirements in SRC 2.800 and is eligible.

**SRC 2.810: Application Procedure Requirements.**

**Finding:** The Applicant submitted a complete application.

**SRC 2.815: Design Elements Benefitting the Public. To qualify under the Program, an applicant must propose and agree to include in the proposed project one or more design elements benefitting the general public; however, public benefits provided by this section are not necessarily required to be available to the public at large if the City Council finds the design elements proposed by the applicant provide sufficient public benefit.**

**Finding:** Applicant has submitted material (Exhibit A of Resolution 2018-82) indicating 11 of the 19 public benefits outlined in SRC 2.815 will be met by the Project.

**SRC 2.825: City Council may approve the application if it finds, in accordance with adopted Standards and Guidelines, that:**

**(1) The property is eligible as provided in SRC 2.800;**

**(2) The applicant has agreed to include in the construction as a part of the multiple-unit housing one or more design elements benefitting the general public which are deemed sufficient by City Council;**

**(3) The project is in conformance with the comprehensive plan and zoning regulations; and**

**(4) The public benefit the property will receive pursuant to the Program will be reasonable when considered in combination with other public benefits it is receiving or for which the owner plans to apply.**

**Finding:** Staff believes the Project is eligible and includes design elements benefitting the public to satisfy SRC 2.815.

1. The Project has received all required building permits and is under construction.
2. Application materials support a finding that the public benefit the property will receive pursuant to this program will be reasonable when considered in combination with other public benefits it is receiving or for which the

owner plans to apply.

On December 5, 2011, City Council passed Ordinance Bill No. 35-11 extending the Program to January 1, 2022. Since 1976, five properties have been approved by City Council:

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 13th 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. Core Area Map
2. Ordinance Bill No. 35-11
3. Resolution No. 2018-82
4. Application: Exhibit A of Resolution 2018-82
5. Legal Description: Exhibit B of Resolution 2018-82