



Staff Report

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TO: Urban Renewal Agency Board
THROUGH: Steve Powers, Executive Director
FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Initiate creation of the Jory Apartments TIF District on the former Oregon State Hospital North Campus

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

ISSUE:

Shall the Agency Board initiate the Jory Apartments Tax Increment Financing (TIF) District by releasing the draft TIF District Plan and Report for public and taxing jurisdiction review?

RECOMMENDATION:

Approve initiating the Jory Apartments TIF District by releasing the draft Plan and Report for public and taxing jurisdiction review.

SUMMARY:

The proposed Jory Apartments TIF District will create more affordable housing in the community. The TIF District is proposed on a portion of the former Oregon State Hospital North Campus (Attachment A) 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, developers are unwilling to build affordable housing projects. 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:

Tax increment financing (TIF) incentivizes a developer to accomplish a public purpose. For the Jory Apartments TIF District, the public purpose is affordable housing. When a TIF district is created, the property value in the district is frozen. As the property value in the TIF district increases above the frozen level, the tax revenue from the increase in value is provided to the developer to incentivize accomplishment of the public purpose. Oregon Revised Statute 457.085 details the requirements for creating a new TIF District Plan.

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, but does not abut, D Street, Park Avenue, and Center Street. Property lots that abut the streets will be the development's market-rate housing. The proposed TIF District's western boundary is 25th Street.

There are two planned activities in the proposed TIF District Plan and Report (Attachments B and C). First, a property tax rebate to the property owner of up to 97 percent of the property taxes collected by the Jory Apartments TIF District. The amount to be collected by the TIF District will be less than the taxes paid within the district due to the impact of existing general obligation bonds. 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.

Staff will return to the Urban Renewal Agency Board with a development agreement outlining details of the expected property tax rebate program. The Urban Renewal Agency will conduct pre-development meetings with the developer to identify the unique financing needs of the site. Staff will recommend a financing package to the Board that will contain recommendations on the appropriate amount, timing, and length of incentive through negotiations with the developer of the affordable housing units. The Board will approve the incentives and the signing of a development agreement containing those incentives and a commitment by the developer to produce the affordable housing units. The Board will be updated with further information about programmatic details prior to presenting the TIF District for adoption.

In order to meet the statutory requirements, some steps have been initiated. Through the City's utility billing, City residents will receive a notice of the required public hearing. Notice to utility customers began on February 25, 2020 and will continue through March 27, 2020.

The Urban Renewal Agency must provide the TIF District Plan and Report to the governing body of each taxing jurisdiction affected by the Plan and offer to consult and confer with the jurisdictions. Any written recommendations from the taxing jurisdictions must be accepted, rejected, or modified in adopting the Plan. Staff will follow-up with the taxing jurisdictions regarding interest in conferring regarding the Plan.

The proposed plan is also made available for public comment through tonight's meeting and at the March 24, 2020 Planning Commission meeting.

Following the comment period, the Urban Renewal Agency will hold a public hearing to consider

adopting the Jory Apartments TIF District. The public hearing and first reading of the ordinance are planned for April 27, 2020 and the second reading is scheduled for May 11, 2020. The Urban Renewal Agency Board will accept the TIF Plan and Report at either the May 26, 2020 or June 8, 2020 meeting.

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. Proposed TIF District Area
2. Draft TIF District Plan
3. Draft TIF District Report