



Staff Report

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TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Economic Development

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Strong and Diverse Economy; Welcoming and Livable Community

ISSUE:

City Council Work Session on Economic Development and Financial Incentives.

RECOMMENDATION:

Information only.

SUMMARY:

The City and its Urban Renewal Agency provide business and development programs and incentives that include Enterprise Zone incentives, Urban Renewal incentives, and the Multi Unit Housing Tax Incentive Program. The City has four federally-designated Opportunity Zones providing federal income tax incentives.

This work session will provide an update on urban renewal areas and activities, including an update on the downtown broadband study, tax increment financing, opportunity zones, the enterprise zone incentive programs, the proposed single-property tax increment finance zone program to incentivize affordable housing, and the Airport Business Plan. The work session will provide further context on economic development efforts, how incentives are used, why incentives are available in only certain locations, what incentives and programs have helped accomplish, and the future vision for the incentives and programs.

FACTS AND FINDINGS:

The City and its Urban Renewal Agency provide financial incentives through grants, property tax rebates, and property tax exemptions.

The City currently has seven urban renewal areas (URAs). The Riverfront-Downtown URA, the North Gateway URA, and the West Salem URA, offer financial incentives through grant programs. The McGilchrist URA is focused primarily on the rebuilding of McGilchrist Street and has a limited grant program tied to business and workforce retention. The South Waterfront URA and Mill Creek URA do not operate grant programs. A copy of the Urban Development Department's 2019 annual report is attached (Attachment 1). This document provides further information on each URA.

While urban renewal grants are Urban Renewal Agency programs entirely under local control, two other incentive programs exist within the City's boundaries. The City contains four Opportunity Zones (Attachment 2). These areas were nominated by the Governor for federal approval. The incentive consists of federal and state income tax relief on capital gains for meeting certain investment criteria within a zone.

The City also operates an Enterprise Zone incentive program (Attachment 3). This is a State of Oregon program that provides property tax abatement on new, qualifying investment for three years, or five years if additional requirements and approval processes are met. There are currently 73 Enterprise Zones statewide. Local governments are responsible for creating, managing, amending, and renewing Enterprise Zones. Enterprise Zones must be renewed every ten years.

The Enterprise Zone program is set to terminate June 30, 2025, unless extended with further legislative action. While the City functions as the Enterprise Zone sponsor, the Strategic Economic Development Corporation (SEDCOR) manages the City's Enterprise Zone, including the application process for the property tax abatement.

Staff continues efforts to establish a new tax increment finance (TIF) district concept to incent developers to include affordable units in new market-rate multi-family projects. Affordable housing and homelessness are high priorities within the City according to both community survey results and the City's Strategic Plan. The Salem Housing Authority (SHA) currently has a waiting list of approximately 6,000 individuals and families in need of affordable housing.

The City currently incentivizes transit-oriented multi-family housing through the Multi-Unit Housing Tax Incentive Program (MUHTIP). MUHTIP provides up to ten years of property tax abatement within a specific geographic area in downtown and central Salem. The City also incentivizes affordable housing through its Low-Income Rental Housing Property Tax Exemption program (LIRHPTE) for non-profit owners and operators of low-income housing developments. The SHA operates a Community Partners Property Tax Exemption program to incent the inclusion of affordable units in market rate developments. Each of these programs has its own opportunities, limitations, and guidelines. The proposed TIF District program would add to the options currently available to create more affordable units within the community.

The proposed program would allow the creation of single-property or single tax lot TIF Districts in areas of the City currently not included in an existing URA (TIF District). Taxes on new development (tax increment) would be rebated to the property owner in exchange for affordable units within the development.

The actual rebate amount and number of affordable units in the development would be subject to an agreement between the Urban Renewal Agency and the property owner and based on a menu of options. The goal would be to have a certain amount of flexibility in affordability levels to achieve an average of 80% of Average Median Income or lower.

A new TIF District proposal (the Jory Apartments TIF District, Attachment 4) was initiated by the Agency on March 9 and will be presented to City Council for adoption later this spring.

The City's recent Airport Business Plan was shared with City Council as an Information Report on March 9 (Attachments 5 & 6).

BACKGROUND:

Incentives are a valuable tool for stimulating investment in the community, revitalizing blighted areas, creating jobs, and building affordable housing. The range and variety of the City's incentive programs are complex and intended to meet community needs on many levels. There are limitations on these programs that restrict them from being available city-wide.

Kristin Retherford
Urban Development Director

Attachments:

1. UD Annual Report
2. Opportunity Zone Map
3. Enterprise Zone Map
4. Jory Apartments TIF District Map
5. Airport Business Plan staff report
6. Airport Business Plan