



Staff Report

File #: 20-150

Version: 1

Date: 4/27/2020

Item #: 3.b.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Public Hearing on Ordinance Bill No. 7-20, considering creation of the Jory Apartments Tax Increment Financing District (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 advance Ordinance Bill No. 7-20, adopting the Jory Apartments TIF District to first reading?

RECOMMENDATION:

Advance Ordinance Bill No. 7-20 (Attachment 1), adopting the Jory Apartments TIF District to first reading.

SUMMARY:

The proposed Jory Apartments Tax Increment Finance (TIF) District will create more affordable housing in the community and can serve as model to encourage affordable housing in other areas of Salem. If adopted, the TIF District will be located on a portion of the former Oregon State Hospital North Campus (Attachment 2) and will be used to incent additional affordable housing as part of a proposed mixed-income development.

Without incentives or subsidies, it is financially unfeasible for developers to build housing that can be rented at rates that are considered to be affordable for those who earn less than 80% of the Average Median Income (AMI). 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 (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 street. 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.

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 execution of a development agreement containing those incentives and a commitment by the developer to produce the affordable housing units.

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 Jurisdictions Comments
7. Public Comment from M. O'Toole