CITY OF SALEM

555 Liberty St SE
Salem, OR 97301

Staff Report

File #: 20-167
Version: 1

Date: 5/11/2020
Item #: 2.a.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Work Session on Affordable Housing Incentives

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 Affordable Housing Incentives.

RECOMMENDATION:

Information only.

SUMMARY:

Public 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.

The work session is an opportunity to discuss affordable housing and the role of public incentives and programs, focusing on tax increment financing. City staff and a developer will provide information on the challenges to maintaining and developing new affordable housing.

FACTS AND FINDINGS:

Developing affordable housing comes with numerous challenges, including land supply, construction costs, and limited private financing.

The City's affordable housing maintenance and development incentives:

- Urban Renewal Area (TIF district) incentives, including single property TIF districts;
- Multi-Unit Housing Tax Incentive Program - 10-year Property Tax Exemption for qualified housing projects in downtown and central Salem;
- Four federal Opportunity Zones providing federal income tax incentives;
- Low-Income Rental Housing Property Tax Exemption (LIRHPTE) program for non-profit owners of affordable housing properties;
- Salem Housing Authority's General Management Agreements that provide property tax exemptions to qualifying market-rate projects that include affordable units;
- System Development Charge exemption if project is affordable for thirty years.

Each incentive has opportunities, limitations, and guidelines.

Tax increment financing is a tool that can be used to help bridge the funding gap and incent the inclusion of affordable units in market-rate developments. The TIF District program allows the creation of single-property or single tax lot TIF Districts in areas of the city currently not included in an existing urban renewal area (TIF District). Taxes on new development (tax increment) are rebated to the property owner to incent building affordable units within the development.

The actual rebate amount and number of affordable units in the development are subject to an agreement between the Urban Renewal Agency and the property owner. The policy goal is to achieve housing affordability for residents at an average of 80% of Area Median Income or lower.

A new TIF District proposal (the Jory Apartments TIF District, Attachment 1) was presented for public hearing and first reading on April 27, 2020 and set for second reading at the City Council meeting on May 11, 2020. A development agreement to implement the incentive will be presented to City Council for approval this summer.

BACKGROUND:

Affordable housing and ending 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.

Kristin Retherford
Urban Development Director

Attachments:

1. Jory Apartments TIF District Map