



## Staff Report

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**File #:** 23-403

**Version:** 1

**Date:** 12/11/2023

**Item #:** 3.2a.

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**TO:** Mayor and City Council

**THROUGH:** Keith Stahley, City Manager

**FROM:** Kristin Retherford, Community and Urban Development Director

**SUBJECT:**

Multiple Unit Housing Tax Incentive Program application by Brandon Fahlman seeking a 10-year property tax exemption for a seven-unit residential project located at 890 Commercial Street NE.

Ward(s): 1

Councilor(s): Stapleton

Neighborhood(s): CANDO

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

**SUMMARY:**

On October 20, 2023, Brandon Fahlman (Applicant) submitted an application for participation in the Multiple Unit Housing Tax Incentive Program (Program) for development of two mixed-use buildings located at 890 Commercial Street NE (Project). The Project will be developed on a 0.31-acre unimproved piece of land and contain seven residential units and two commercial units. The Applicant has submitted an application and material asserting compliance with all Program requirements. The Project contains more than two dwelling units, is located within the Core Area, and meets 10 of the 19 public benefit requirements. Adoption of Resolution 2023-32 (Attachments 1, 2, 3) would approve the application by Brandon Fahlman for tax exemption of the multiple family residential portion of the Project under the Program.

**ISSUE:**

Shall City Council:

(1) Adopt Resolution No. 2023-32 approving an application by Brandon Fahlman for a ten-year property tax exemption under the City's Multiple Unit Housing Tax Incentive Program and;

(2) Direct staff to make a request to boards of other taxing districts to adopt a resolution agreeing with the policy of providing a tax exemption for the project, therefore exempting the Project's full property tax liability?

## RECOMMENDATION:

- (1) Adopt Resolution No. 2023-32 approving an application by Brandon Fahlman for a ten-year property tax exemption under the City's Multiple Unit Housing Tax Incentive Program and;
- (2) Direct staff to make a request to boards of other taxing districts to adopt a resolution agreeing with the policy of providing a tax exemption for the project, therefore exempting the Project's full property tax liability.

## FACTS AND FINDINGS:

SRC 2.790 - 2.835 adopts the provisions of ORS 307.600 - 307.687 to stimulate the construction, or addition of or conversion to multiple-unit housing in the designated core area of the City of Salem. Criteria, standards, and other guidelines are further detailed in the Standards and Guidelines for The Multiple Unit Housing Tax Incentive Program, adopted by the Council. The applicable statutes, code, and criteria are shown below in **bold** print. Following each criterion is a finding relative to the application.

**ORS 307.606(4): States that prior to accepting applications under ORS 307.600 to 307.637, cities and counties shall promulgate standards and guidelines to be utilized in considering applications and making determinations required by ORS 307.618.**

**Finding:** The City has adopted Standards and Guidelines for the Program, and most recently updated them in 2021, through Resolution No. 2021-44.

**ORS 307.612: Provides that 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, pursuant to ORS 307.330, the improvement would have gone on the tax rolls in the absence of the exemption provided for in ORS 307.600 to 307.637.**

**Finding:** The Applicant has asked for exemption starting in 2026. Should the Project not receive a Certificate of Occupancy until 2026, the exemption would not start until 2027.

**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 pursuant to ORS chapters 195, 196, 197, 215 and 227 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:**

The program criteria require an applicant to meet a minimum of one of the design or public benefit elements identified by the Council-approved program guidelines. The Applicant has identified 10 of the 19 available design or public benefit elements as specified in SRC 2.815 (see below), and therefore, as discussed below, staff believes the application complies with this requirement.

**Local Plans and Land Use Regulations:**

**Land Use Approval:**

The Project has completed a pre-application conference and will submit for permits by the end of 2023.

**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 under ORS 307.618 within 180 days after receipt of the application and that an application not acted upon within 180 days shall be deemed approved.**

**Finding:** The application was received on October 20, 2023. Council has until April 17, 2024, to issue a final decision on the application.

**ORS 307.637(2): An exemption for multiple-unit housing may not be granted under ORS 307.600 to 307.637 unless:  
In the case of multiple-unit housing described in ORS 307.603 (5)(b), the construction, addition or conversion is completed on or before December 31, 2031.**

**Finding:** The application proposes multi-family housing, and therefore 307.637(2) are applicable, and must be completed on or before December 31, 2031. The Applicant has noted the Project planned completion date is September 2025.

**SRC 2.800: To be eligible for the property tax exemption provided by SRC 2.790-2.835 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 the City Council;**
- (b) Be housing which is constructed after January 1, 2022, and completed on or before December 31, 2031.**
- (c) Be located within the designated core area.**

**Finding:** The Project is located within the Core Area and includes seven rental apartment units. As noted above, planned completion date of the Project is September 2025. As discussed below, the Applicant has identified 10 of the 19 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:**                      The Applicant has submitted material (Exhibit A of Resolution 2023-32) indicating 10 of the 19 public benefits outlined in SRC 2.815 will be met by the Project.

**Public Benefits Addressed:**

1.      Unit sales prices or rental rates accessible to a broad range of mixed incomes.
  - a.      Rental rates will range from \$1,150-\$1,550 per month.
2.      Open Space.
  - a.      The building will feature an open courtyard for residents and access to the future Mill Creek Pedestrian Pathway.
3.      Facilities for the handicapped.
  - a.      All ground floor units are Type B and common areas are wheelchair accessible.
  - b.      Install specialized features such as handrails, accessible bathrooms, and designated parking spaces for people with disabilities.
4.      Dedication of land or facilities for public use.
  - a.      Allocate a portion of the property for the future Mill Creek Pedestrian Pathway.
5.      Development or redevelopment of underutilized or blighted property.
  - a.      The project will develop a vacant site for residential and commercial use.
6.      Provision of pedestrian-oriented design structures.
  - a.      Design wide sidewalks, pedestrian pathways, and well-lit common areas.
  - b.      Integrate street furniture, benches, and bike racks.
7.      Extra costs associated with infill or redevelopment.

- a. The Project will infill a narrow, vacant/underused lot requiring unique design.
8. Development in structures that may include ground level commercial space.
  - a. The Project will contain 1,035 square feet of ground level commercial space.
9. Provision of parking within the structure.
  - a. The Project will contain seven garage spaces and seven lot spaces.
10. Provision of amenities and/or programs supportive of the use of mass transit.
  - a. The building will include bike storage to encourage alternatives to private auto use.
  - b. The property will directly connect to the future Mill Creek Pedestrian Pathway.

**Public Benefits Not Addressed:**

1. Recreation facilities;
2. Common meeting rooms;
3. Day care facilities;
4. Facilities supportive of the arts;
5. Special architectural features;
6. Service or commercial uses which are permitted and needed at the project site but not available for economic reasons;
7. Development on sites with existing single-story commercial structures;
8. Development on existing surface parking lots;
9. Leadership in Energy and Environmental Design (LEED) Certification by the Green Building Council of the project;

**SRC 2.825:**

**City Council Review. The 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 the 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:**

1. As set forth above, staff believes the Project is eligible.
2. As set forth above, staff believes the Project includes adequate design elements benefitting the public to satisfy SRC 2.815.
3. The Project has received approval and is under construction.
4. 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.

The deadline for the Council to make a decision on the applications is April 17, 2024. If Council does not issue a final decision by April 17, 2024, the application will be deemed approved. If approved, Resolution No. 2023-32 will become effective upon adoption.

**BACKGROUND:**

In June 1976, Council enacted Salem’s Multiple Unit Housing Tax Incentive Program (Program), Salem Revised Code (SRC) 2.790-2.835. The Program is authorized by Oregon Revised Statute (ORS) 307.600-307.691, which allow local governments to establish a program for 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 the defined core area (Attachment 4) that provide one or more public benefits as defined in the ordinance. The basic tenets of the Program are:

- (a) The project must include at least two dwelling units per Standards and Guidelines adopted by Resolution No. 2021-44;
- (b) The project must be located within the "Core Area" as defined in SRC 2.800(c);
- (c) The project must include at least one public benefit as outlined in SRC 2.815, and;
- (d) 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 \$3,362 in the first full year. Pursuant to ORS 307.606(1), in order for a project to be exempt from property taxes from other taxing districts, such as counties or the school district, 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. As set forth in ORS 307.606(1), 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 \$12,452 in the first full year. A resolution approving the Project's participation in the Program by another taxing district, such as the School District, will have no effect on their tax revenue.

On October 11, 2021, City Council amended SRC 2.830(a) extending the Program to December 31, 2031. Each application requesting approval is evaluated on a case by case basis by the City Council. Since 1976, 11 properties have been approved by Council for this Program:

DD Salem Center Two LLC (157 units) - 420 Center Street NE  
Tax exemption expires in 2034

990 Broadway LLC (23 units) - 990 Broadway Street NE  
Tax exemption expires in 2033

SAMAX LLC (2 units) - 227-233 Commercial Street NE  
Tax exemption expires in 2028

Parke 325 Building (30 units) - 325 13<sup>th</sup> Street NE  
Tax exemption period expires in 2031.

Koz on State Street/Nishioka Building (142 units) - 260 State Street  
Tax exemption period expires in 2031.

The Court Yard Apartments (40 units) - 211 Court Street NE  
Tax exemption period expires in 2030.



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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. Resolution 2023-32
2. Exhibit A to Resolution 2023-32
3. Exhibit B to Resolution 2023-32
4. Core Area Map