



# City of Oregon City

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## Staff Report

File Number: 13-309

**Agenda Date:** 5/7/2013

**Status:** Agenda Ready

**To:** City Commission

**Agenda #:** 3c.

**From:** Economic Development Manager Eric Underwood

**File Type:** Report

### **SUBJECT:**

Vertical Housing Development Zone

### **RECOMMENDED ACTION (Motion):**

Goal 1: Implement Economic Development Strategy and Maintain an Environment for Success - Staff recommends that the City Commission consider information regarding the Vertical Housing Development Zone and direct staff to proceed toward establishing a Zone for Oregon City.

### **BACKGROUND:**

The Vertical Housing Program was adopted into state law in 2001. A Vertical Housing Development Zone (VHDZ) is an area designated by the Oregon Housing & Community Services Department (OHCS) under ORS 307.600 to 307.637. The area must be entirely within either a light rail station area, a transit oriented development district, a core area of an urban center, a defined central city, regional center, town center, main street or station community in the Metro 2040 Regional Growth Concept Plan, or an existing central business district or downtown area.

Developing more housing units in the downtown is vital to the continued revitalization of the area. A significant residential component will provide support to commercial development and enhance public safety. The VHDZ designation will encourage such development by offering partial property tax exemption to qualified projects. This is not a low-income housing program since it applies equally to all levels of housing. It does not sacrifice commercial space in favor of residential use. Instead, the VHDZ program encourages both commercial and residential development, since a development must have both residential and commercial components to be able to qualify under the VHDZ program. Although this program offers tax exemptions to qualified projects, it is designed to ensure that taxing districts will not be negatively impacted. The tax exemption applies only to the *additional value* created by the project. Typically, districts will receive taxes on 100% of the "pre-project" value of the property, plus taxes on at least 20% of the additional value created by the VHDZ project. Then after 10 years, the exemption expires and taxing districts will receive taxes on the full value of the property. If the Zone is established in an urban renewal zone, taxing districts will continue to receive the frozen assessed tax base while the Urban Renewal Agency will receive at least 20% of the additional value created by the VHDZ project. Taxing districts will receive taxes on the full value of the property upon termination of the urban renewal district. In addition, VHDZ projects may stimulate commercial business in the immediate area, and cause surrounding property values to increase as a result. Developers of eligible projects apply directly to OHCS for the tax exemption. If approved, OHCS will provide the County Tax Assessor's Office with the necessary information for the qualified project.

### **Proposed Location of VHDZ and Relationship to State Criteria**

A separate map that will be displayed during a presentation given at the meeting shows the proposed location of the VHDZ. The entire proposed area falls within the Mixed Use Downtown district (MUD). This area is all within Oregon City's designated Regional Center in the Metro 2040 Plan. The area is

also entirely encompassed within the Downtown Urban Renewal Area. Consequently, any foregone revenues due to the VHDZ should only affect urban renewal funding; there should be no direct effect on other taxing jurisdictions, including the County.

We are hopeful that a VHDZ in Downtown Oregon City will:

- Encourage new mixed-use development (housing and commercial) in the Regional Center
- Stimulate more commercial growth in the area, increasing the value of surrounding properties
- Enhance opportunities for a live/work community
- Support the existing commercial development by increasing the number of residents in the Regional Center
- Enhance public safety by adding eyes on the street
- Create long-term community wealth through larger, mixed use buildings that will be fully taxed after the partial abatement drops off.

**Zone Termination**

The City of Oregon City can, at any time, request termination of the VHDZ from OHCS by Resolution of the City Council. If that occurred, existing exemptions would run their normal course, but no new projects would be able to utilize the exemption. The current statute allows OHCS to certify projects within VHDZ's only until January 1, 2016.

**BUDGET IMPACT:**

Amount: \$550 (Application Fee); \$150 (Monitoring Fee)

FY(s): 12/13

Funding Source: General Fund (Economic Development)