



# City of Oregon City

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## Staff Report

File Number: 18-129

**Agenda Date:** 5/16/2018

**Status:** Agenda Ready

**To:** City Commission

**Agenda #:** 7a.

**From:** Economic Development Manager Eric Underwood

**File Type:** Resolution

### **SUBJECT:**

Resolution No. 18-07, Establishing Local Criteria for Administration of the Vertical Housing Development Zone Program and Establishing Fees

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

Staff recommends that the City Commission direct staff to administer the Vertical Housing Development Program and approve the local criteria along with associated fees for qualifying projects within the Zone.

### **BACKGROUND:**

The Vertical Housing Development Zone (VHDZ) overlays the entire Mixed Use Downtown zoning area and provides qualified development projects a 10-year property tax exemption on the value of new construction or rehabilitation for 20 percent per residential floor above a commercial ground floor with total exemption limited to no more than 80 percent. Additional exemption is available through the State program for projects with affordable housing.

The City of Oregon City's goals for the vertical housing program include:

- Helping fulfill multiple city policies to incentivize higher density, mixed-use and transit-oriented development in our core and adjacent to light rail transit;
- Increasing assessed value throughout these areas;
- Increasing the number of residents living downtown that will shop, dine and patronize local businesses;
- Increasing the number of retail and office business opportunities in response to future residential growth; and
- Encouraging sustainable construction.

### **PROJECT ELIGIBILITY**

Qualified new development projects within a VHDZ are eligible to receive a 10-year property tax exemption on the value of new construction or rehabilitation for 20 percent per residential floor for the first four floors above ground floor commercial. Total property tax abatement of the new construction is limited to no more than 80 percent. However, if the developer builds some or all affordable housing at 80 percent of median family income or below, an additional partial property tax exemption on the land may be given.

The exemption applies to all taxing jurisdictions that did not opt out when the zone was

established. After 10 years, the full value of the project is placed upon the tax rolls. Property taxes on existing land for projects with no affordable housing, and at least 20 percent of the new construction, are preserved.

### **OREGON HOUSING AND COMMUNITY SERVICES CRITERIA**

For the standard 10-year vertical housing exemption, the following criteria must be met:

- Project must be entirely located within the VHDZ.
- Project must include one or more equalized floors.
- Project must be comprised of a multiple-story building, or group of buildings including at least one multiple-story building, so that a portion of the project is to be used for non-residential uses and a portion of the project is to be used for residential use:
  - At least 50 percent of the project's ground floor that fronts on the primary public street must be committed to nonresidential use. If a project has access to only one public street, the square footage of driveways, loading docks, bike storage, garbage receptacles and building entryways shall be excluded before applying the 50 percent test.
  - For the project's ground floor to be considered committed to nonresidential use, all ground floor interior spaces that front on the primary public street must be constructed to building code standards for commercial use, are planned for commercial use and/or live-work use upon completion, or both.
- The project application must be received by the City before the residential units are ready for occupancy (certificate of occupancy). For rehabilitation not involving tenant displacement, the project application must be filed before the rehabilitation work is complete.

### **LOCAL CRITERIA**

The City of Oregon City adopted the Vertical Housing Development Zone in August, 2013. The City of Oregon City Program criteria will remain consistent with ORS 307.841 to 307.867 but fees will be established as per the following:

Fees are subject to change annually and the City may request verification of total project costs.

- An Application Fee of \$550 is required at time of application submittal.
- An annual monitoring fee of \$150 is collected by December 31 for each year of exemption accompanied by an annual report to the City to maintain eligibility.

All application materials and supporting information have been modified to reflect localized administration of the program. Staff will follow the application review protocol identical to that of the State.

Applications received by December 31, 2026 will have until June 30, 2027 to obtain a Certified Project approval certificate issued by the City; otherwise the application will be deemed inactive related to the VHDZ partial property tax exemption. All abatements associated with the Program will expire ten (10) years after June 30, 2027.