

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Adoption of Resolution 5025, Amendment of Resolution 4999 Approving a Low-Income Rental Housing Property Tax Exemption for the Property Located at 2984, 2986, 2988 Oak Street, Eugene, Oregon (ShelterCare/Applicant)

Meeting Date: February 28, 2011
Department: Planning and Development
www.eugene-or.gov

Agenda Item Number: 2D
Staff Contact: Becky Wheeler
Contact Telephone Number: 541-682-5532

ISSUE STATEMENT

The City Council is asked to consider an amendment to Resolution 4999 related to a low-income rental housing property tax exemption. Resolution 4999 (adopted February 8, 2010) granted a 20-year property tax exemption for ShelterCare's 29th Place development (formerly known as Hawthorn Apartments).

BACKGROUND

The City of Eugene established current goals and programs for the development of housing affordable to low-income people through the adopted 2010 HUD Consolidated Plan. The Consolidated Plan guides the use of HOME funds and Community Development Block Grant (CDBG) funds over a five-year period. Each year, the City Council approves the allocation of federal funds through a One-Year Action Plan. In addition to use of federal funds, the City of Eugene has established System Development Charge (SDC) Waivers and the Low-Income Rental Housing Property Tax Exemption to further enable the development of affordable housing. The 20-year low-income rental housing property tax exemption is enabled by state statute. To date, Eugene has approved numerous projects totaling over 1,000 housing units since 1992. The council reviews and decides whether to approve each request on a case-by-case basis.

ShelterCare, a local non-profit, requested funding in 2008, to acquire and preserve what was then known as Hawthorn Apartments. The 35-unit housing development, renamed 29th Place Apartments, that serves very low-income persons with severe mental illness is located at 2984, 2986, and 2988 Oak Street and 2985 Willamette Street (see Attachment B for location map). ShelterCare has provided supportive services for residents since its construction in 1982. 29th Place Apartments historically has been subsidized through a HUD project-based Section 8 contract and financing from the State of Oregon, which will expire in 2012. By acquiring the property, ShelterCare proposed to preserve its current use and also maintain the HUD operating subsidies. In June, 2008, the City Council unanimously allocated \$700,000 for the project. The funding is structured as a deferred no-interest loan.

The council also approved a low-income rental housing property tax exemption for the property on February 8, 2010. At the time Resolution 4999 was adopted, ShelterCare was in the process of purchasing the property, but the sale had not yet closed. Although other project funding had been

awarded from the State, market conditions and consequent investor wariness prohibited the sale from closing as quickly as anticipated. ShelterCare worked diligently with a consultant and secured a tax credit investor and a permanent lender in the fall of 2010. ShelterCare successfully acquired the property in December.

Resolution 4999 provided that the tax exemption commence on July 1, 2010, and continue for a continuous period of 20 years. However, due to delay of the sale of the property, the exemption was not commenced on July 1, 2010. It is necessary to amend Resolution 4999 so that the exemption will commence on July 1, 2011, thereby providing the full 20 years of the property tax exemption for the property.

In addition, Resolution 4999 declared the residential units on the property exempt from local ad valorem property taxation; however, the resolution should have declared both the land and residential units exempt as permitted by Section 2.940(5) of the Eugene Code, 1971. Therefore, Resolution 4999 should also be amended to reflect that the land and residential units are granted the exemption. Without the property tax exemption the affordability of the units would be compromised. This property tax exemption is critical for the project's financial viability.

RELATED CITY POLICIES

The City of Eugene affordable housing development programs support a number of the City Council Adopted Growth Management Policies. The recommended project directly supports the following Growth Management Policies:

- Promote construction of affordable housing.
- Encourage in-fill, mixed-use, redevelopment, and higher density development.
- Improve the appearance of buildings and landscapes.
- Provide for a greater variety of housing types.

COUNCIL OPTIONS

- A. Approve the amendment of Resolution 4999.
- B. Direct the City Manager to provide additional information for further consideration of the amendment to Resolution 4999.
- C. Deny the requested amendment to Resolution 4999.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends Option A, the approval of the amendment of Resolution 4999 granting a 20-year property tax exemption to 29th Place.

SUGGESTED MOTION

Move to adopt Resolution 5025, amending Resolution 4999 approving a low-income rental housing property tax exemption for the land and property located at 2984, 2986 and 2988 Oak Street, Eugene, Oregon (ShelterCare/Applicant).

ATTACHMENTS

- A. Resolution Amending Resolution 4999
- B. Location Map

FOR MORE INFORMATION

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RESOLUTION NO. ____

AMENDMENT OF RESOLUTION NO. 4999 APPROVING A LOW-INCOME RENTAL HOUSING PROPERTY TAX EXEMPTION FOR THE PROPERTY LOCATED AT 2984, 2986, AND 2988 OAK STREET, EUGENE, OREGON. (SHELTERCARE / APPLICANT.)

The City Council of the City of Eugene finds that:

A. ShelterCare (the applicant), whose address is P.O. Box 23338, Eugene, Oregon, 97402, is the owner of real property located at 2984, 2986, 2988 Oak Street and 2985 Willamette Street, Eugene, Oregon, 97402 (Assessor's Map/Tax Lot No. 18-03-07-11-06600; Assessor's Property Account Number 0631976), and submitted an application pursuant to Subsection 2.939(3) of the Eugene Code, 1971, for an exemption from ad valorem taxes under the City's Low-Income Rental Housing Property Tax Exemption Program (Sections 2.937 to 2.940 of the Eugene Code, 1971).

B. On February 8, 2010, Resolution No. 4999 was adopted approving ShelterCare's application for an ad valorem property tax exemption under the City's Low-Income Rental Housing Property Tax Exemption Program for the properties located at 2984, 2986, and 2988 Oak Street Eugene, Oregon, 97402 (Assessor's Map/Tax Lot No. 18-03-07-11-06600; Assessor's Property Account Number 0631976), for 35 one-bedroom units at rents affordable to 60% of area median income. The future of the structure located at 2985 Willamette Street is uncertain. At this time, it is not being used as a residence for low-income persons and, therefore, is not subject to the tax exemption. At the time that Resolution No. 4999 was adopted, ShelterCare was in the process of purchasing the property, but the sale had not yet closed. ShelterCare's acquisition of the property was finalized in December, 2010.

C. Resolution No. 4999 provided that the tax exemption commence on July 1, 2010, and continue for a continuous period of twenty (20) years. However, due to delay of the sale of the property, the exemption was not commenced on July 1, 2010. It is necessary to amend Resolution No. 4999 so that the exemption will commence on July 1, 2011, thereby allowing ShelterCare the full 20 years of the property tax exemption.

D. In addition, Resolution No. 4999 declared the residential units on the property exempt from local ad valorem property taxation; however, the Resolution should have declared both the land and units exempt as permitted by Section 2.940(5) of the Eugene Code, 1971. Therefore, Resolution No. 4999 should also be amended to reflect that the land and residential units are granted the exemption.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a Municipal Corporation of the State of Oregon, as follows:

Section 1. Based upon the above findings, the City Council amends Resolution No. 4999 to provide that the land and residential units (35 one-bedroom units at rents affordable to 60% of area

median income) located at 2984, 2986, and 2988 Oak Street, Eugene, Oregon, 97402 (Assessor's Map/Tax Lot No. 18-03-07-11-06600; Assessor's Property Account Number 0631976), are declared exempt from local ad valorem property taxation under the City's Low-Income Rental Housing Property Tax Exemption Program commencing July 1, 2011. The exemption shall be for a continuous period of twenty (20) years unless earlier terminated in accordance with the provisions of Section 2.940 of the Eugene Code, 1971. That section provides for termination after an opportunity to be heard if:

1.1 Construction or development of the exempt property differs from the construction or development described in the application for exemption, or was not completed by January 1, 2010, and no extensions or exceptions were granted; or

1.2 The applicant fails to comply with provisions of ORS 307.515 to 307.523, provisions of the Eugene Code, 1971, the Standards and Guidelines adopted by Council Resolution No. 4623, or any conditions imposed in this Resolution.

The tax exemption shall be terminated immediately, without right of notice or appeal, pursuant to the provisions of ORS 307.531 in the event that the county assessor determines that a change of use to other than that allowed has occurred for the housing unit, or portion thereof, or, if after the date of this approval, a declaration as defined in ORS 100.005 is presented to the county assessor or tax collector for approval under ORS 100.110.

Section 2. The City Manager, or the Manager's designee, is requested to forward a copy of this Resolution to the applicant within ten days from the date of adoption of this Resolution, and to cause a copy of this Resolution and Resolution No. 4999 to be filed with the Lane County Assessor on or before April 1, 2011. The copy of the Resolution sent to the applicant shall be accompanied by a notice explaining the grounds for possible termination of the exemption prior to the end of the exemption period and the effects of the termination.

Section 3. The City Manager is directed to cause a copy of this Resolution to be appended to Resolution No. 4999.

Section 4. This Resolution shall become effective immediately upon its adoption.

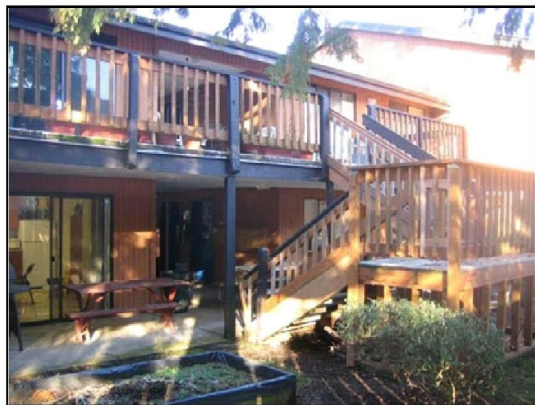
The foregoing Resolution adopted the _____ day of _____, 2011.

Deputy City Recorder

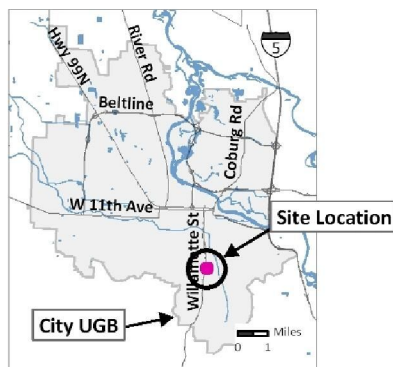
29th Place Apartments



Aerial: 2009



Site Photo



Site Locator Map

City of Eugene - February 2, 2011
Planning and Development Department - Community Development Division



Caution: This map is based on imprecise source data, subject to change and for general reference only.