

# EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



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## Public Hearing: An Ordinance Concerning Low-Income Housing Property Tax Exemptions and Amending Sections 2.916, 2.920, 2.938, 2.939 and 2.940 of the Eugene Code, 1971

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Meeting Date: April 11, 2011  
Department: Planning and Development  
[www.eugene-or.gov](http://www.eugene-or.gov)

Agenda Item Number: 3  
Staff Contact: Becky L. Wheeler  
Contact Telephone Number: 541-682-5532

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### **ISSUE STATEMENT**

The City Council will hold a required public hearing to consider an ordinance amending the Eugene Code extending the sunset date for the low-income housing property tax exemption program and the 20-year low-income rental housing property tax exemption program. The proposed ordinance would extend the sunset date by 10 years for each program. In addition, the proposed ordinance would enable recipients to reapply for the 20-year low-income rental housing property tax exemption after the initial 20-year period has expired. Action on this item is scheduled for April 13, 2011.

### **BACKGROUND**

Both the low-income housing property tax exemption and the 20-year low-income rental housing property tax exemption are enabled by state statute. The low-income housing property tax exemption provides an annual exemption for properties that are used for the purposes of a nonprofit corporation. This housing is not required to be rental housing. The 20-year low-income rental housing property tax exemption provides a 20-year exemption for properties offered for rent or held for the purpose of developing low-income rental housing. Applicants requesting a 20-year exemption are not required to be a nonprofit in certain instances.

In 1992, the City Council adopted both programs to facilitate the development of affordable housing for low-income persons. In compliance with provisions enacted by the Oregon Legislature, the City Council adopted Sections 2.910 to 2.922 and Sections 2.937 to 2.940 of the Eugene Code, 1971, which provides procedures for granting exemptions from ad valorem taxes on low-income housing and low-income rental housing developed by non-profits.

The Oregon Legislature extended the sunset for both the low-income housing property tax exemption annual renewal program and the 20-year low-income rental housing property tax exemption program by another 10 years to 2014 and 2020, respectively. In order to continue these programs, current Eugene Code, 1971 must be amended to reflect changes in state law.

### **Changes to be Made**

*Eligible tax years* – Subsection (2) of Section 2.916 and subsection (2) of Section 2.920 of the Eugene Code, 1971, need to be amended to extend the tax years in which applicants are eligible to receive an

exemption. If approved, applicants may apply for and receive an exemption, if eligible, for tax years beginning on or after July 1, 1994, and before July 1, 2014.

*ORS and Eugene Code References* – Subsection (1)(g) of Section 2.938, (2)(h) and (3)(d) of Section 2.939 of the Eugene Code, 1971, need to be amended to reflect changes referenced in sections of the ORS and Eugene Code, 1971.

*Eligible years to apply and construction deadline* – Subsection (3)(c) of Section 2.939 and (1)(a) and (4) of Section 2.940 of the Eugene Code, 1971, need to be amended to reflect the extended date by which an application can be submitted and the date by which construction must be completed. If approved, each date is extended to on or before January 1, 2020.

Several of the properties initially granted 20-year low-income housing property tax exemptions are coming to the end of their exemption period. The proposed ordinance would allow owners of such properties to reapply for this program and effectively extend their commitment to providing affordable housing for another 20 years. Subsection (5) of Section 2.940 of the Eugene Code, 1971, is amended to allow recipients to reapply for the property tax exemption after the initial 20-year period has expired.

### **Program Impact**

Since 1992, Eugene has approved 22 property tax exemptions for low-income developments totaling over 1,000 housing units (Attachment A). The City and other local taxing districts forgo revenue when property is exempted from taxes. A property tax exemption plays a significant role in reducing rents for low- and very-low income residents of Eugene. The benefit of each exemption varies based on development size and appraised tax value, estimates suggest the rent reduction amounts to approximately \$100 or more per month per unit. This approximation is based on an average tax savings of between \$1million and \$2.5million dollars per development over the life of the exemption.

With commitment of local subsidies, including continued support from the City Council in the form of property tax exemptions, developers have successfully leveraged highly competitive state and federal resources for the continued development of quality affordable housing in Eugene. There is significant competition for funding at both the state and federal level. Commitment of local resources gives Eugene projects an advantage in such competitions. The developments also help support the local economy through the creation of construction jobs. The proposed ordinance would allow Eugene projects to continue to access such resources.

There are currently four developments whose property tax exemption will expire in the next five years. This equates to 115 units of affordable housing that potentially could be lost should the property owner be unable to locate alternative subsidies to maintain affordability. If alternative means to subsidize the units cannot be found, impacts could range from increased rents to reductions in resident programming. Many tenants are unable to support an increase in rent due to fixed incomes and may be forced to vacate.

### **RELATED CITY POLICIES**

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 Investment Partnerships Program (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. Affordable housing development programs support the City Council Adopted Growth Management Policies, as well. The recommendation to amend Eugene Code 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.

Extending the City's tax exemption programs parallels the Envision Eugene pillar of providing affordable housing for all income levels. The draft Envision Eugene proposal presents Strategy # 4 to meet the growing and changing housing needs of Eugene residents by supporting subsidized affordable housing projects. Continuing the existing property tax exemption programs has been identified as a way in which this goal can be achieved.

### **COUNCIL OPTIONS**

No action is required at this time; however, options will be provided at the time of City Council deliberations and action scheduled for April 25, 2011.

### **CITY MANAGER'S RECOMMENDATION**

As this is the public hearing for this item, no recommendation is suggested at this time. A recommendation will be provided for the City Council deliberations and action scheduled for April 13, 2011.

### **SUGGESTED MOTION**

None at this time. A suggested motion will be provided at the time of City Council deliberations and action scheduled for April 13, 2011.

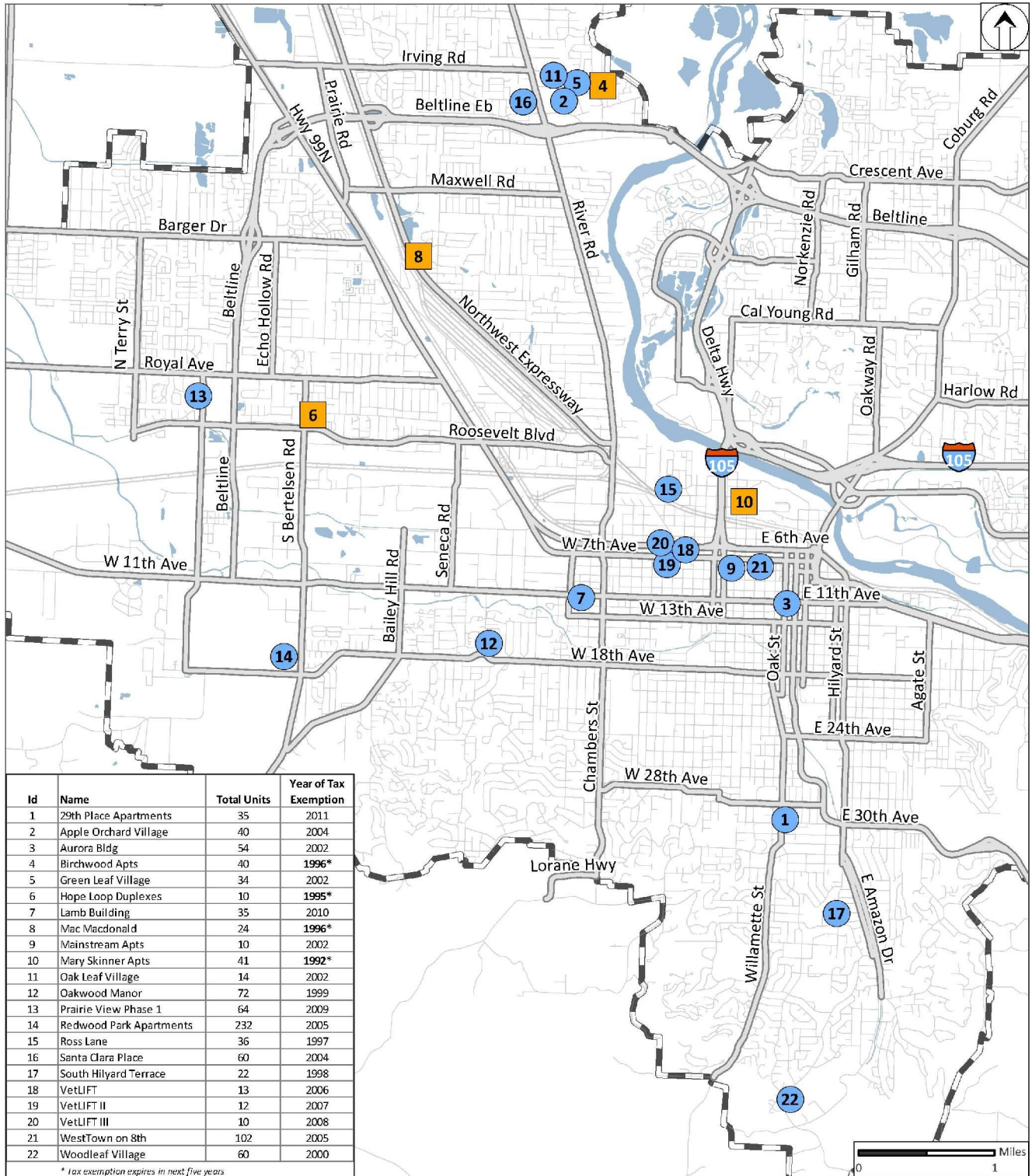
### **ATTACHMENTS**

- A. Location Map
- B. Draft Ordinance

### **FOR MORE INFORMATION**

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### Low Income Property Tax Exemptions



- Eugene UGB
- Properties with low income property tax exemptions that expire in five years
- Properties with low income property tax exemptions



ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE CONCERNING LOW-INCOME HOUSING PROPERTY TAX EXEMPTIONS AND AMENDING SECTIONS 2.916, 2.920, 2.938, 2.939 AND 2.940 OF THE EUGENE CODE, 1971.

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

**Section 1.** Sections 2.916 and 2.920 of the Eugene Code, 1971, are amended to

provide:

**2.916 Low-Income Housing Property Tax Exemption - Annual Application Renewal.**

- (1) Applicants who have received a property tax exemption under section 2.912 of this code must reapply each year, following the procedures set forth in section 2.912, no later than March 1 in order to be qualified for property tax exemption for the following tax year.
- (2) Applicants for property tax exemption under section 2.912 of this code shall apply for, and may be eligible for property tax exemptions for tax years beginning on or after July 1, 1994, and before July 1, [2004] **2014.**

**2.920 Low-Income Housing Property Tax Exemption - Assessment Exemption.**

- (1) Property for which an application for a property tax exemption has been approved under the provisions of sections 2.910 to 2.922 shall be exempt from ad valorem taxation for one tax year beginning on or after July 1 of the year immediately following the calendar year in which construction is completed, determined by that stage in the construction process when, pursuant to ORS 307.330, the property would have gone on the tax rolls in the absence of the exemption. The exemption provided for herein shall be in addition to any other exemption provided by law.
- (2) Applications for property tax exemption under section 2.912 shall apply to and may be approved for tax years beginning before July 1, [2004] **2014.**

**Section 2.** Subsection (1)(g) of Section 2.938 of the Eugene Code, 1971, is amended to

provide:

**2.938 Low-Income Rental Housing Property Tax Exemption - Application.**

- (1) An application for exemption from property taxes hereunder for low-income rental housing units constructed after February 12, 1990 shall

be filed with the city manager, on a form provided by the city manager, which shall contain the following, if applicable:

- (g) Evidence that the property is owned or being purchased by a non-profit corporation which meets the criteria for a public benefit corporation as described in ORS 65.001(~~34~~**37**), or a religious corporation, as described in ORS 65.001(~~33~~**39**);

**Section 3.** Subsections (2)(h), (3)(c) and (3)(d) of Section 2.939 of the Eugene Code, 1971, are amended to provide:

**2.939      Low-Income Rental Housing Property Tax Exemption - Review, Approval or Denial of Application.**

- (2) Upon receipt of the city manager's recommendation the council shall consider the application and grant or deny the property tax exemption. The city manager shall recommend approval of an application, and the council shall grant the exemption upon determining satisfactory compliance with or mitigation of the following criteria:
  - (h) The proposed development does not cause destruction of historic properties (as defined in section [9-202] **9.0500** of this code), except:
    - 1. Where development has proceeded according to historic property moving and demolition procedures as set forth in sections [9-212] **9.8160, 9.8180 and 9.8185** of this code, or
    - 2. The property is granted an exception by the council; and,
- (3) As an alternative to an application considered under subsection (2) of this section, the city manager shall recommend approval of an application, and the council shall grant the exemption upon determining the applicant meets the criteria set forth in subsections (2)(e), (f), (g), (h) and (i) of this section and all the following criteria:
  - (c) The applicant's application was filed prior to January 1, ~~2010~~**2020**;
  - (d) The property is owned or being purchased by a nonprofit corporation organized in a manner that meets the criteria for a public benefit corporation, as described under ORS 65.001(~~34~~**37**) or for a religious corporation, as described under ORS 65.001(~~33~~**39**); and

**Section 4.** Subsections (1)(a), (4) and (5) of Section 2.940 of the Eugene Code, 1971, are amended to provide:

**2.940      Low-Income Rental Housing Property Tax Exemption - Termination.**

- (1) If after a resolution approving an application for exemption hereunder has been filed with the county assessor the city manager finds that:

- (a) Construction or development of the exempt property differs from the construction or development described in the application for exemption, or was not completed or on or before January 1, [2010]2020, and no extensions or exceptions as provided in subsection (4) hereof have been granted; or,
- (4) Upon receipt of a request from the property owner, the council may, by resolution, extend the deadline beyond January 1, [2010]2020 for completion of construction of the low-income rental housing for a period not to exceed 12 consecutive months, i.e., January 1, [2011]2021, if it finds the failure to complete construction by January 1, [2010]2020 was due to circumstances beyond the control of the owner, and that the owner had been and could reasonably be expected to act in good faith and with due diligence. If property granted an exemption hereunder is subsequently destroyed by fire or act of God, or is no longer capable of owner-occupancy due to circumstances beyond the control of the owner, the exemption shall cease, but no additional taxes shall be imposed upon the property under ORS 307.531 or 307.533.
- (5) ~~[In no event shall t]~~The low-income housing granted an exemption by the council **shall** be exempt from ad valorem taxation for [more than] 20 successive years beginning with the tax year commencing immediately following the calendar year in which the application was approved. The exemption shall apply only to the land and improvements located thereon that are a part of the low-income rental housing unit, or land that is being held for future development of low income rental housing. The exemption shall be in addition to any other exemption provided by law. ***In the final year of low-income housing tax exemptions, applications for subsequent low-income housing tax exemptions for the property may be submitted. Such applications shall be processed in accordance with sections 2.937 to 2.940 of this code.***

Section 5. The City Recorder, at the request of, or with the consent of the City Attorney, is authorized to administratively correct any reference errors contained herein, or in other provisions of the Eugene Code, 1971, to the provisions added, amended or repealed herein.

Passed by the City Council this  
 \_\_\_ day of \_\_\_\_\_, 201\_\_

Approved by the Mayor this  
 \_\_\_ day of \_\_\_\_\_, 201\_\_

\_\_\_\_\_  
 City Recorder

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 Mayor