



CITY OF BEND
COMMUNITY AND
ECONOMIC DEVELOPMENT

**STAFF REPORT FOR
MULTIPLE UNIT PROPERTY TAX EXEMPTION**

PROJECT NUMBER: PRTX202300065
CITY COUNCIL DATE: May 17, 2023
**APPLICANT/
OWNER:** Hiatus Homes
Jesse Russell
740 NE 3rd Street 3-314
Bend, OR 97703

OWNER: Hiatus Capital Fund LLC
20856 SE Sotra Loop
Bend, OR 97702

**APPLICANT'S
REPRESENTATIVE:** n/a

LOCATION: 445 NE Penn Avenue Bend, OR; Tax Lot 171233BB00200
Between Revere and Olney Avenues and NE 4th & NE 5th Street

REQUEST: Multiple Unit Property Tax Exemption, 10-year tax abatement on residential improvements

STAFF REVIEWER: Allison Platt, Core Area Project Manager

RECOMMENATION: Approval

DATE: March 21, 2023

PROJECT & SITE OVERVIEW:

The project site is located at 445 NE Penn Ave in the High Density Residential (RH) zone, outside the Core Tax Increment Finance (TIF) Area. The project proposes (1) 3-story, 43,485 square foot (sf) building of 40 micro housing units. Thirty percent (12 units) will be designated middle income housing and rented at levels affordable to those making 120% Area Median Income (AMI) or less. The project will include three (3) community rooms and a gym of approximately 260 sf and a rooftop deck of approximately 4,349 sf. 18 parking spaces will be provided on site and will serve the tenant and common area uses of the project. Six of these spaces will be served with Electric Vehicle (EV) charging infrastructure. There will also be five (5) covered parking spaces. The property is currently raw land with no buildings, so there is no residential or commercial displacement associated with this project.

A land use decision was approved by the City for this project in September of 2022 (PLSPRE20210456).



Figure 1. Site Location



Figure 2. Project Rendering

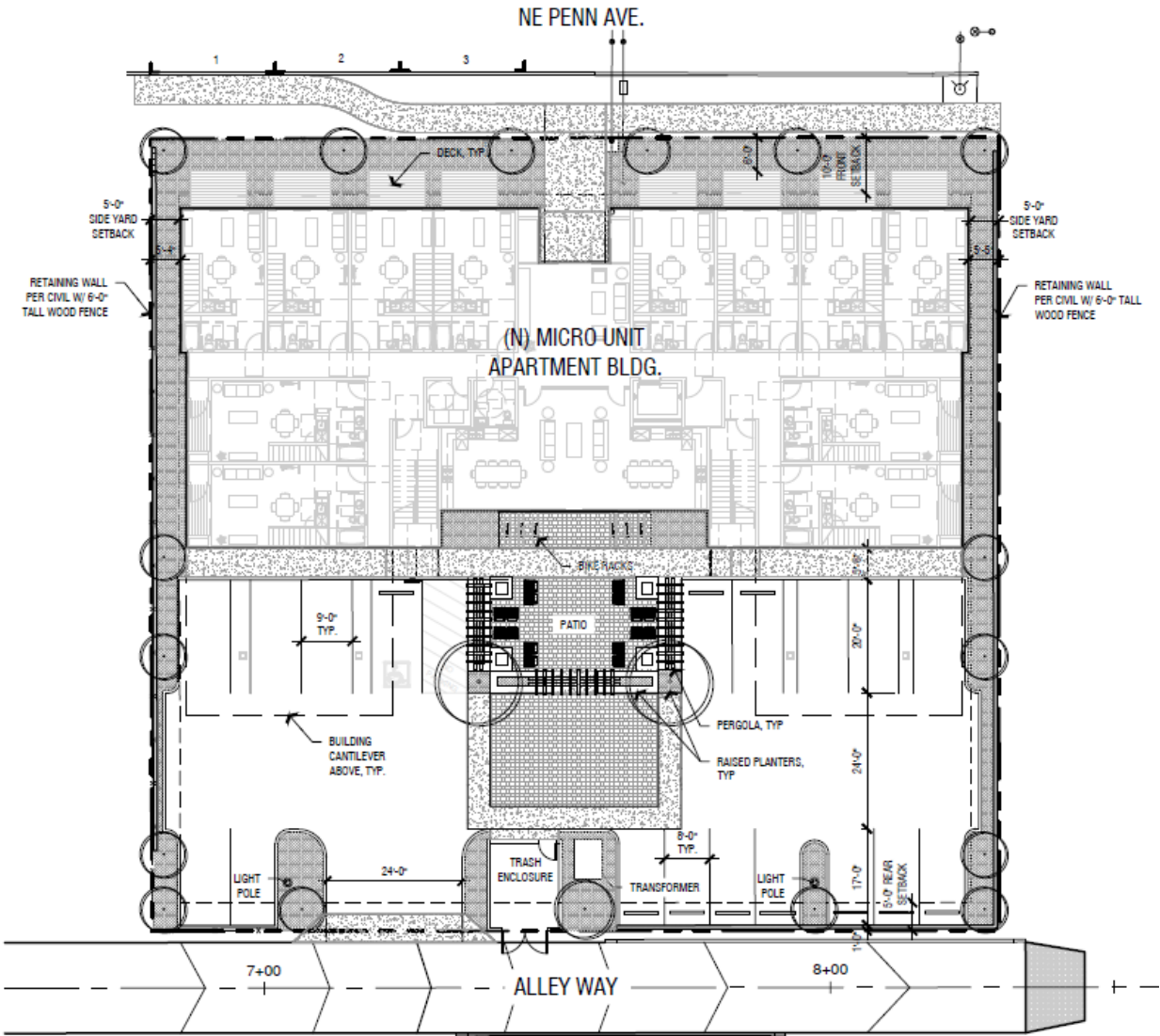


Figure 3. Site Plan

INFRASTRUCTURE NEEDED TO SERVE THE SITE

The project will be required to upsize an existing 2-inch water main located within Penn Street to an 8-inch water main to serve the site. In addition, the developer is required to improve the alley to provide access to the development. Infrastructure improvements are permitted under permit number PRINF202108539, demonstrating that the site will be served with the necessary infrastructure to serve the development. The applicant received a letter from City of Bend Private Engineering Division confirming this as part of their application.

ELIGIBILITY CRITERIA

APPLICATION OF THE CRITERIA:

LOCATION/ELIGIBLE ZONE REQUIREMENTS

This project is located within the High Density Residential (RH) zone between NE 4th Street and NE 5th Street which is an eligible zone for the MUPTE Program per BMC 12.35.015D(3).

MULTI-STORY REQUIREMENTS

Projects on lots that are greater than 10,000 sf are required to be three (3) or more stories in height to be eligible for the MUPTE Program per BMC 12.35.015(C). The proposed project is located on a 20,999 square foot lot and is proposed to be 3 or more stories and therefore satisfies this requirement.

HOTELS, MOTELS, SHORT TERM VACATION RENTALS ON SITE

The MUPTE Program requires that projects include a restriction on transient occupancy uses, including use by any person or group of persons entitled to occupy for rent for a period of less than 30 consecutive days (including bed and breakfast inns, hotels, motels, and short-term rentals). If Council approves this project, the applicant will need to demonstrate a restriction of uses on the property for the period of the exemption satisfactory to the City before staff certifies the exemption with the County Assessor's office.

DEMONSTRATION OF FINANCIAL NEED

The applicant submitted a proforma income statement both with and without the tax exemption to demonstrate that the project would not be financially viable but for the property tax exemption. These proforma were then reviewed by a City-hired third party independent financial consultant.

PNW Economics completed a review of the proformas in March of 2023. A summary of their findings is included as Attachment A. The review confirms that the Penn Avenue project, including 12 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), is not financially feasible on its own.

Based on the findings of the proforma review, the applicant was asked to clarify the basis for their rental rates compared to current market averages. The applicant noted that their project rental rates were establishing by combining average rental values of 1-bedroom apartments (\$1,750) in Bend and added the value of typical "drop in co-working" amenity spaces (\$320) as well as rental appreciation (5.5%) to account for their future rental prices in 2024-2025. They believe their project will attract remote workers and offer unique and valuable amenities (more consistent with 1-bedrooms than studios) on site to attract these rental levels and target market. Their assumptions are further clarified in Attachment B.

JUSTIFICATION FOR ELIMINATION OF ANY EXISTING HOUSING AND BUSINESSES ON THE PROJECT SITE

The existing site is vacant and therefore there is no anticipated displacement of housing or businesses by the project and therefore no mitigation is proposed. This meets the requirements of the MUPTE Program.

PUBLIC BENEFIT REQUIREMENTS

MUPTE requires that applicants provide three public benefits including one priority public benefit to qualify for the MUPTE program, per BMC 12.35.025.

Priority Public Benefit

The applicant plans to provide Middle Income Housing as their Priority Public Benefit. This requires the applicant to record a deed restriction limiting 30% of the units as only available to those making 120% Area Median Income (AMI) or less. The project includes 40 residential units, therefore 12 units are required to be deed restricted to middle income levels. The applicant has met with City of Bend Housing Department staff and if the applicant receives approval for the exemption, they will need to demonstrate compliance with this public benefit in a form satisfactory to the City before staff certifies the exemption with the County Assessor's office.

Additional Public Benefits

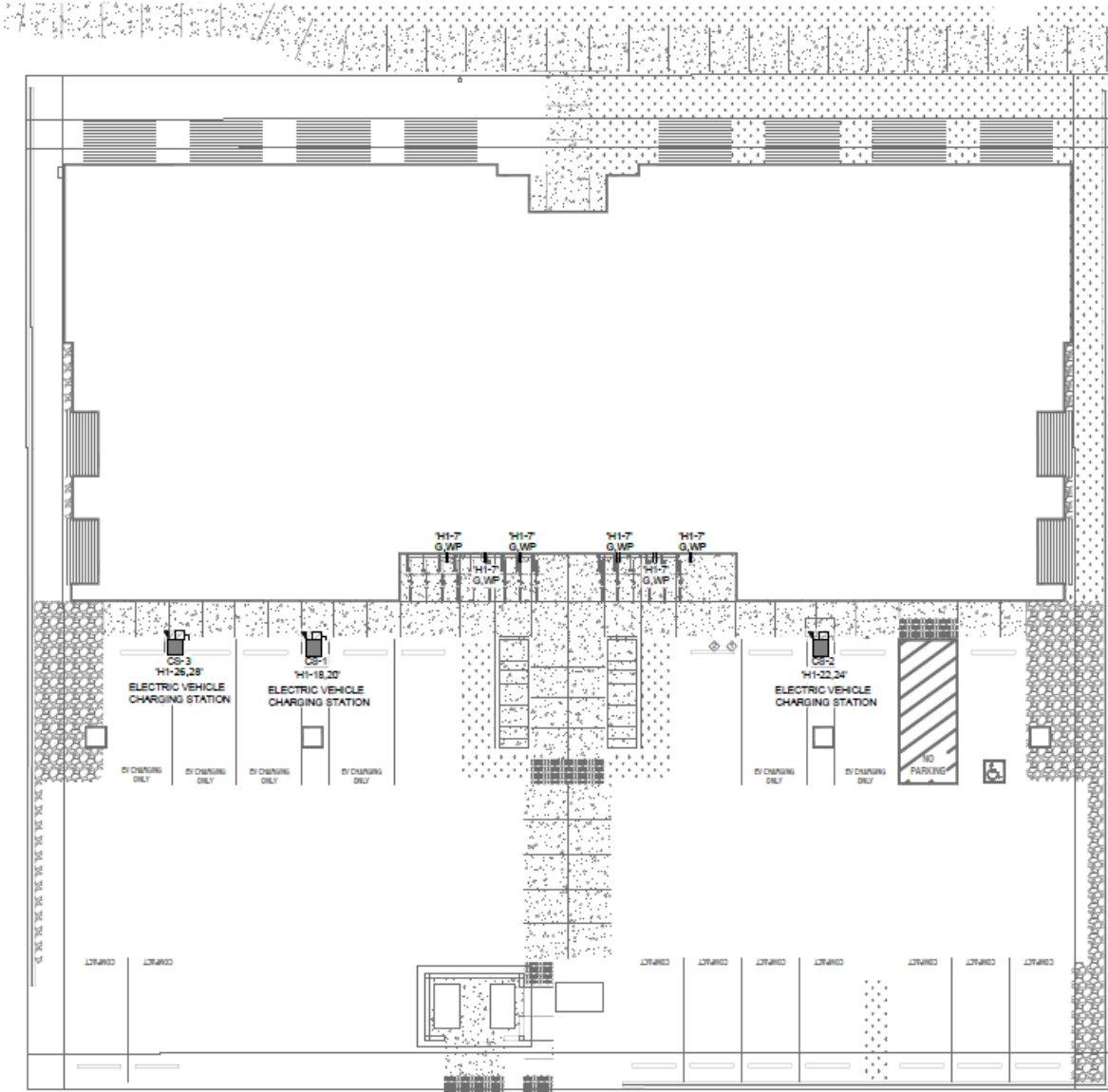
In addition to the Priority Public Benefit, the applicant is required to provide two additional public benefits. The applicant plans to utilize the following benefits to meet those requirements: 1) Stormwater; and 2) Electric Vehicle (EV) Charging.

Stormwater: The applicant is required to develop the site to retain and treat stormwater from more than a 25-year storm water event by qualifying for the City's Stormwater Credit program. City of Bend Utility Department staff have reviewed the stormwater materials provided by the applicant and have confirmed that the project meets the requirements of the stormwater credit program and that the stormwater facilities will be designed to treat a 100-year stormwater event.

Electric Vehicle (EV) Charging: Applicant is required to provide at least 10 percent more parking spaces with EV charging infrastructure, conduit for future electric vehicle charging stations, than the minimum required. Currently Oregon Building Codes require that multifamily projects provide 20% of provided parking spaces with EV charging infrastructure. Therefore, the applicant is required to provide at least 30% of parking spaces with EV infrastructure. The

applicant plans to provide 18 onsite parking spaces and therefore six (6) of these spaces must be provided with EV charging infrastructure.

The applicant provided a power plan for the site as part of their application that demonstrates the required six (6) spaces that will be served with EV charging infrastructure.



1 SITE - POWER PLAN
SCALE: 1/8" = 1'-0"



Figure 4. EV Charging Locations

ESTIMATED EXEMPTION: This project is estimated to receive a total 10-year tax exemption of approximately **\$1,140,000**.

Based on an estimated building value of \$9,503,121, the total estimated tax collection for this project between 2027 through 2037 is estimated to be \$1,200,000 without the exemption and \$60,000 with the exemption. If the project were to not move forward, total tax collection for the 10-year period of the site would be approximately \$67,000.

The estimated impact to each taxing district is shown below in Table 1.

Taxing District	% of Tax Levy	Total 10-year Exemption	Average Annual Impact
Bend La Pine School District*	41.3%	\$ 470,335	\$ 47,033
City of Bend	22.0%	\$ 250,542	\$ 25,054
Deschutes County (All)	14.2%	\$ 161,941	\$ 16,194
<i>Deschutes County</i>	7.6%	\$ 86,095	\$ 8,610
<i>Countywide Law Enforcement</i>	6.5%	\$ 74,251	\$ 7,425
<i>Countywide Extension</i>	0.1%	\$ 1,594	\$ 159
911 Service District	2.2%	\$ 25,054	\$ 2,505
Bend Park and Recreation District	9.9%	\$ 112,744	\$ 11,274
Central Oregon Community College	4.3%	\$ 48,969	\$ 4,897
Library District	5.5%	\$ 62,635	\$ 6,264
High Desert Education Service District*	0.6%	\$ 6,833	\$ 683
Total	100%	\$ 1,140,000	\$ 114,000

** The Bend/La Pine School District and the High Desert Education Service District are funded through per pupil allocations from the State School Fund which is comprised of many sources, including property tax revenues. The State Legislature sets the per pupil allocations and funds the State School Fund accordingly. Therefore, tax exemptions have an “indirect” impact on the funding for those districts. Tax exemptions throughout the state all have an impact on the State School Fund.*

TAXING DISTRICT REVIEW PROCESS

In order for the tax exemption to apply to the full taxable amount, approval by taxing district agency boards that comprise at least 50% of the combined tax levy is required. Since the City and School District tax rates combine equate to 63.3% of the combined tax levy for the 2022-23 assessment year, if the project is approved by those two districts, the project would be exempt from all taxes on residential and parking improvements. All of the Taxing District agencies will be provided with a 45-day comment period to review the application materials and this staff report beginning on March 21, 2023 through May 5, 2023. The following district reviews are scheduled for this project:

- April 4, 2023: Applicant Presentation to Bend Park and Recreation District Board
- April 12, 2023: Applicant Presentation to Deschutes County Board of County Commissioners
- May 9: Bend La Pine School District Board Review and Decision on Application

- May 17: City Council Review and Decision on Application

CONCLUSION: Based on the application materials submitted by the applicant, and these findings, the proposed project meets all applicable criteria for City Council approval.

CONDITONS TO BE MET IF APPROVED, IN ADVANCE OF EXEMPTION CERTIFICATION WITH TAX ASSESSOR'S OFFICE:

1. Applicant must provide proof of a deed restriction that prohibits the use of hotels, motels, and short-term vacation rentals on the site for the period of the exemption.
2. Applicant must provide proof of a deed that restricts income levels for 30% of the units at 120% Area Median Income or less for the period of the exemption.
3. Applicant must demonstrate that EV Charging infrastructure and stormwater facilities are provided as approved for the MUPTE Program in future inspections prior to Certificate of Occupancy.

ATTACHMENTS

- **Attachment A:** Review of Financial Feasibility Penn Avenue Project Hiatus Development, PNW Economics
- **Attachment B:** Project and Rental Information provided by applicant.
- **Attachment C:** Application Materials