



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: December 11, 2024

SUBJECT: Property tax exemption application for the Huntington Apartments at 51771
Huntington Road in La Pine

RECOMMENDED MOTION:

Consider the application from Danco Communities for a property tax exemption relating to the Huntington Apartments at 51771 Huntington Road in La Pine.

BACKGROUND AND POLICY IMPLICATIONS:

ORS 307.515 and ORS 307.518 allow for property tax exemptions for certain rental housing developments serving low-income households.

The Huntington Apartments project proposes a 60-unit affordable housing development which will offer apartments for rent to persons earning at or below 60% of the area median income (AMI). This project is utilizing the Oregon Affordable Housing Tax Credit Program, which allows the rents to drop closer to 50% AMI levels while keeping the income threshold at 60% AMI.

The development will consist of nine two-story buildings on 4.7 acres. All utilities will be paid by the property owner, and NeighborImpact will provide a wide range of resident services focusing on adult and child education, financial literacy and stability, and health and wellness. The Latino Community Association is also a partner in this project.

All of the value captured by the tax exemption would be passed through to rent reductions, allowing the project to offer new class A apartments at or below 60% AMI rent levels.

According to information submitted by the applicant, a property tax exemption for the property and future improvements is a critical piece of the affordable housing finance structure that would make this project feasible to develop. The net operating income is at the minimum allowed by lenders, and would result in a debt service coverage ratio of 1.20. The property tax exemption is required to maintain this underwriting standard and project viability.

The property will be owned by La Pine Huntington Road LP, of which Engage NW is the managing general partner. Engage NW is a 501(c)3 non-profit organization whose

mission is to support affordable housing developments with administrative and resident services work.

In order for this project to qualify for the tax exemption, it must be approved by the boards which represent at least 51% of the combined levy of taxing districts. Thus far, this application has been approved by the Deschutes County Library District, COCC, the La Pine Park & Recreation District, High Desert Educational Service District and the La Pine Rural Fire District. The application will be presented to the Bend-La Pine School District on December 10th.

BUDGET IMPACTS:

This project is estimated to receive a total 10-year tax exemption of approximately \$948,500 based on an estimated building value of \$12.8 million. Total tax collection for the 10-year exemption period of the site will be about \$24,900 if the project is not constructed.

The table below demonstrates the tax collection that would take place on the site in year 11, after the exemption period in both a no-build and build scenario of the project. The table demonstrates the tax benefits to all districts starting in Year 11 if this project is approved and moves forward.

Forecasted Tax Collection by Taxing District in Year 11

Taxing District	% of Tax Levy*	No Project is Built	Proposed Project is Built
Deschutes County	7.7%	\$ 225	\$ 8,808
Countywide Law Enforcement	7.5%	220	8,613
Rural Law Enforcement	9.4%	273	10,679
County Extension/4H	0.1%	4	155
9-1-1	2.2%	64	2,494
Deschutes County Total	26.9%	785	30,748
Bend La Pine School District**	40.0%	1,165	45,630
City of La Pine	20.1%	587	22,971
COCC	4.3%	125	4,898
County Library	5.4%	157	6,144
Dept of Forestry Fire Patrol	0.9%	25	987
High Desert ESD**	0.6%	17	665
La Pine Park & Recreation	1.8%	53	2,067
Other District Total	73.1%	2,129	83,363
Grand Total	100.0%	\$ 2,914	\$114,111

* These tax collection percentages include division of taxes and local levies.

*** 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 local districts. Tax exemptions throughout the state all have an impact on the State School Fund.

ATTENDANCE: Nick Lelack, County Administrator