



CITY OF BEND
COMMUNITY AND
ECONOMIC DEVELOPMENT

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

PROJECT NUMBER: PRTX202303730
CITY COUNCIL DATE: December 6, 2023
**APPLICANT/
OWNER:** Project^
Caroline Baggott
1116 NW 17th Avenue
Portland, OR 97209

OWNER: New Zone Business LLC
1116 NW 17th Avenue
Portland, OR 97209

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

LOCATION: 105 NE Franklin Avenue; Tax Lots 171232DA07900,
171232DA08001, 171232DA08200, 171232DA08400,
171232DD09201, 171232DD09700, 171232DD09800,
Between Franklin and Emerson Avenues, the Railroad, and along
NE 1st Street

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

STAFF REVIEWER: Cate Schneider, Senior Management Analyst

RECOMMENATION: Approval

DATE: September 29, 2023

PROJECT & SITE OVERVIEW:

The project site is located at 105 NE Franklin Avenue and is zoned Commercial Limited (CL) and Mixed Employment (ME) within the Bend Central District Special Planned District. The project proposes two new five story multi-family structures at the north and south ends of the site. The north building is proposed to be a mixed-use building with 80,913 gross square feet that includes 100 rental units and 5,219 square feet of commercial space. The southern building is proposed as a 75,383 square foot multi-family building with 99 rental units. In total, the project proposes to build 199 residential units with the following unit mix:

- 103 studios
- 78 1-bedroom units
- 18 2-bedroom units

(During the site plan review process the applicant slightly modified the unit count. The unit numbers above are what was in land use application approval and differ slightly from the MUPTE application materials.)

The three public benefits that the project plans to incorporate, if approved for MUPTE, include:

- High Standard of Energy Efficiency/Green Building Features through Earth Advantage Platinum Certification (Priority Public Benefit)
- Enhanced Landscaping- the project will use native and pollinator friendly plants
- Electric Vehicle (EV) Charging Infrastructure- the project will provide 50% of its total provided parking spaces with EV charging infrastructure.

In addition to these public benefits, the project plans to build a public plaza space that will include trees, landscaping, seating alcoves, benches, and an area for pop-up events that will account for more than 10% of the site's area as well as enhance NE 1st Street through the site with a pedestrian oriented street and provide private amenity space inside the buildings for co-working, fitness and wellness centers and lounge/gathering spaces.

The property where the project is proposed was formerly the location of the Les Schwab Tire Center that recently relocated to NE 3rd Street. The site is currently unoccupied.

A Type II Site Plan Review application (PLSPR20230059) was approved on September 13, 2023.

Figure 1. Site Location



Figure 2. Project Rendering



ADRIAL VIEW OF 31ST STREET - RENDERING

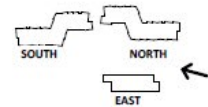
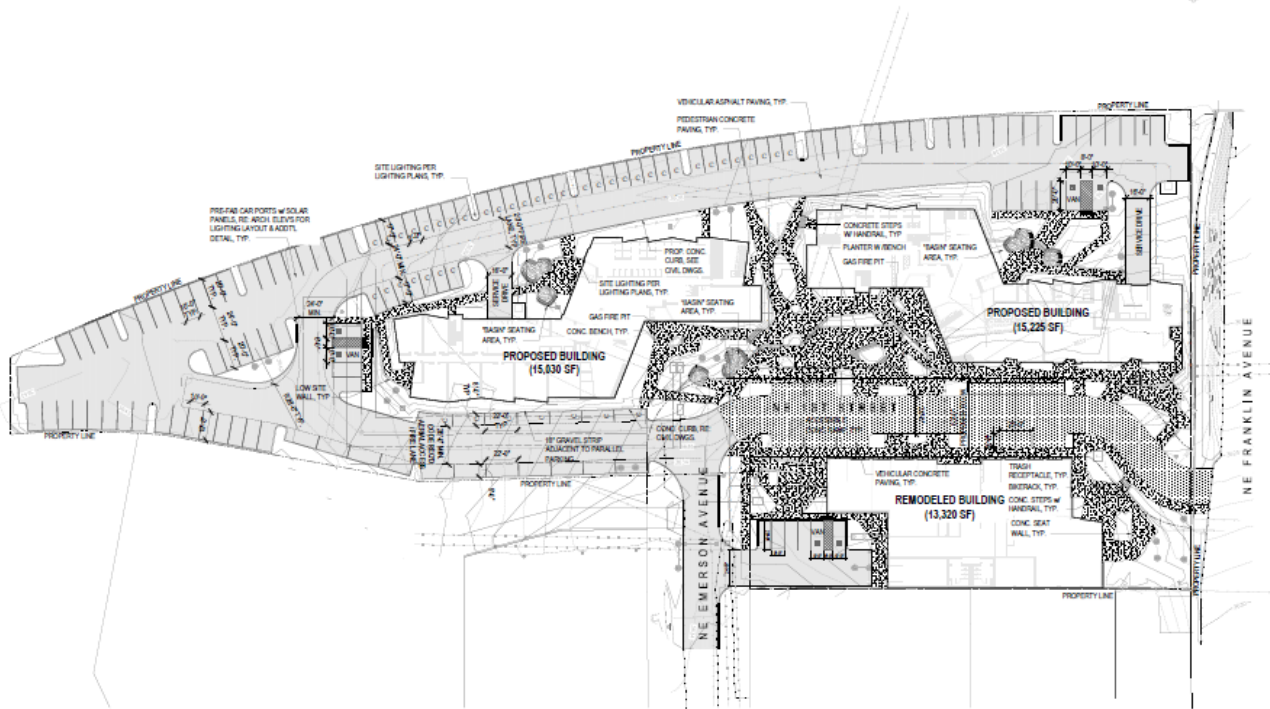


Figure 3. Site Plan



INFRASTRUCTURE NEEDED TO SERVE THE SITE

The applicant submitted a sewer and water analysis through their application PRSWA202208184. The City identified preliminary mitigations necessary for this site to be served with infrastructure that will be finalized based on the final design submittal required by the land use approval for this site. 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 Core Area Tax Increment Finance Area which is an eligible site for the MUPTE Program per BMC 12.35.015(D).

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 lot larger than 10,000 square feet and is proposing both buildings to be 5 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 third party independent financial consultant hired by the City.

Johnson Economics completed a review of the proformas in July 2023. A summary of their findings is included as Attachment A. The review confirms that the Platform project is not financially viable on its own; the assumed returns are below what would be necessary for the market to develop this project. The analysis demonstrates that even with the MUPTE benefit, the project is still operating on tight profit margins.

Based on the findings of the financial analysis, the applicant was asked to clarify the basis for their construction cost assumptions. They provided copies of the cost estimates they received from three general contractors.

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 receive Earth Advantage (EA) Platinum certification for both buildings. This requires the applicant to incorporate a high level of sustainable, energy efficient and green building features. The applicant submitted documentation including a preliminary scoring sheet that demonstrates that they are on track to reach EA Platinum certification. Approval will be conditioned on future verification of EA Platinum certification.

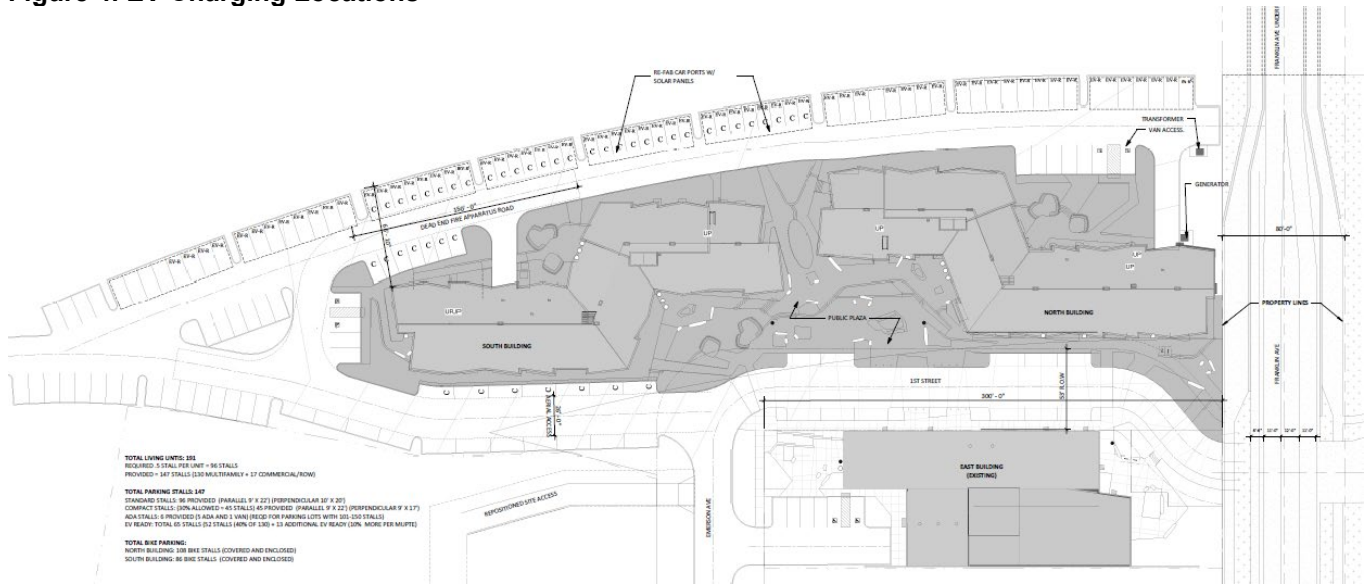
Additional Public Benefits

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) Enhanced Landscaping; and 2) Electric Vehicle (EV) Charging.

Enhanced Landscaping: The applicant has submitted preliminary landscaping plans developed by Szabo Landscape Architecture that are consistent with Chapter 12 of the Bend Code and Chapter 3.2 of the Bend Development Code. The current plans include no grass areas. Future approval will be conditioned based on future staff verification that the applicant meets Chapter 12 of Bend Code and Chapter 3.2 of the Bend Development Code as well as the submittal and approval of a water budget for the site. The City will monitor water use throughout the 10-year exemption period. The site cannot exceed 20% above the approved water budget during the exemption period.

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 40% of provided parking spaces with EV charging infrastructure. Therefore, the applicant is required to provide at least 50% of parking spaces with EV infrastructure. The applicant plans to provide 117 onsite parking spaces for the north and south buildings; therefore, 59 of these spaces must be provided with EV charging infrastructure. The applicant plans to provide 65 parking spaces with EV charging infrastructure.

Figure 4. EV Charging Locations



ESTIMATED EXEMPTION: This project is estimated to receive a total 10-year tax exemption of approximately **\$4,400,000** based on an estimated building value of \$43,953,675 for only the residential improvements.

The total estimated tax collection for this project between fiscal years 2027 through 2036 is estimated to be \$5,600,000 without the exemption and \$1,200,000 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 \$585,000.

The estimated impact of this exemption would only impact the Bend Urban Renewal Agency's Core Area Tax Increment Finance Fund. The project, if approved for the tax exemption, is estimated to generate approximately \$11,100,000 in TIF revenue over the 30-year lifetime of the district.

Estimates assume that building value, the proportion of the project that is commercial, and timeline are all provided by the developer. The estimate is preliminary and subject to change and is based on a variety of factors including Deschutes County Tax Assessor's assessment of the property and future change property ratio (CPR) rates. Estimates could also vary depending on when the Core Tax Increment reaches the maximum indebtedness established in the Plan (\$195 Million).

TAXING DISTRICT REVIEW PROCESS

All of the Taxing District agencies are being provided with a 45-day comment period to review the application materials and this staff report which will occur between September 29 – November 13, 2023.

In order for the tax exemption to apply to the full taxable amount, approval by taxing district agency boards that comprise at least 51% of the combined tax levy is required. The City is seeking to have the policy of the MUPT program approved by all of the taxing districts. This

application is being considered individually while an approval process for the policy of the MUPTE program is worked on.

Expected timeline for taxing district review of 105 NE Franklin

- September 29 – November 13, 2023: Review and comment period for all taxing districts
- November 14, 2023: Bend-La Pine School District review and decision
- December 6, 2023: Bend City Council review and decision on the MUPTE application for 105 NE Franklin

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 demonstrate Earth Advantage Platinum Certification for both multifamily buildings prior to exemption certification.
3. Applicant must demonstrate compliance with Enhanced Landscaping Requirements to be verified by staff.
4. Applicant must submit a water budget to City staff for approval prior to exemption certification. The City will monitor water use throughout the 10-year exemption period. The site can’t exceed 20% above the water budget for the site during the exemption period.
5. Applicant must demonstrate that EV Charging infrastructure is provided as approved for the MUPTE Program in future inspections prior to Certificate of Occupancy.

ATTACHMENTS

- **Attachment A:** Review of MUPTE Application, Project^, 105 NE Franklin Memorandum prepared by Johnson Economics
- **Attachment B:** Application Materials