



925 S. Main Street
Lebanon, Oregon 97355

TEL: 541.258.4906
cdc@ci.lebanon.or.us
www.ci.lebanon.or.us

MEMORANDUM

Community Development

To: Mayor Jackola and City Council
Date: December 19, 2024
From: Kelly Hart, Community Development Director
Subject: Non-Profit Affordable Housing City Tax Exemption Program Adoption

I. INTRODUCTION

In March 2024, Crossroads Communities requested the City Council consider adopting the non-profit-owned affordable housing tax exemption established under Oregon Revised Statute (ORS) Sections 307.540 to 307.548. After two city council discussions, the Council directed staff to bring forward the adoption of the tax exemption program for consideration. The ordinance was presented to the Council in December 2024, but the decision was postponed to January 2025 to allow the new Council to weigh in on the discussion.

II. CURRENT REPORT

Under consideration is an ordinance adopting the provisions of Oregon Revised Statutes (ORS) Section 307.540 to 307.548 regarding non-profit corporation-owned low-income housing tax exemption. As established by state statute, non-profit organizations that own affordable housing may be eligible for a property tax exemption if the local governing body adopts the ORS provisions authorizing the exemption.

To qualify, the organization needs to be identified as a non-profit corporation as a 501(c)(3) or (4) of the Internal Revenue Code that is exempt from income taxation under section 501(a) of the Internal Revenue Code, and all units of the property (except those set aside as a manager's unit) must be reserved for low-income households.

The adoption of this exemption by the City of Lebanon applies only to the City's portion of the property tax assessed on the property. Other taxing entities may also adopt these provisions to increase the tax exemption. The entire property tax would be exempt if 51% or more of the combined taxing districts adopted this exemption. For property tax distribution, The City is 27.6% of the property tax, Linn County is 19.8%, Lebanon Fire District is 9.7%, Lebanon Community School District is 28.6%, and other education districts, the aquatic district, and 4H make up the remaining 14.3%.

If the Council adopts the tax exemption program, an administrative application process will be established based on the ORS 307.545 to verify non-profit status, compliance with the low-income requirements, and demonstration of benefit to project residents. Per ORS, the property

must be recertified annually to maintain the exemption. Staff will develop the application materials and review the first round of application submittals to gauge the amount of staff time required to process and recertify the submittals. At a future date, staff may propose a nominal application fee to cover city costs to process the annual application materials for this program.

Included for consideration is the draft ordinance, which includes ORS 307.540 to 307.548 as an exhibit.

Previous staff reports provided information on different tax exemption programs available in the community, the impact of this specific non-profit tax exemption program based on current conditions, and anticipated usage of the program. The information is included below for review before final ordinance consideration.

There are several different tax abatement programs available for income-restricted affordable housing developments, including but not limited to:

- Low-Income Special Assessment Program, which lowers the tax rate for properties with affordability covenants for income-restricted housing units
- Agricultural Workforce Housing Exemption Program, which lowers or exempts the tax rate based on expenses associated with providing services and operations of an affordable housing development restricted to agricultural workers
- Essential Community Provider Long-Term Care Facility, which exempts the tax rate for facilities that provide assisted living for income-restricted residents
- ORS 307.092 exempts taxes for property owned by a housing authority (Linn-Benton Housing Authority)
- Special Legislative Action providing tax exemption for single property status for a period of time; and
- *Non-profit tax exemption for affordable housing developments owned by non-profit organizations.*

Some exemptions are authorized by legislative action or State statute, while others require the City to authorize them by Ordinance. The requested program would be an additional tool to provide affordable housing tax abatement for Lebanon and needs to be adopted by Ordinance.

Based on research and corroboration with the County, twelve affordable housing developments are known in the city, each utilizing an existing tax abatement program. Three maintain full tax exemption; however, one property's exemption expires in 2028. Eight properties have a lower tax assessment utilizing one of the abovementioned programs.

Four of the twelve properties would be eligible for property tax exemption utilizing the requested program. One property currently maintains property tax exemption status under the agricultural workforce housing exemption and does not pay property taxes, resulting in no additional fiscal impact under the new program. For the remaining three properties, below is the current property tax contribution:

	Property #1	Property #2	Property #3
Lebanon City	3,327.20	8,432.97	1,274.63
Northwest URD	407.86	1,033.75	183.49
Cheadle Lake URD	256.90	651.12	99.34
North Gateway URD	442.47	1,121.47	171.05
Downtown URD	26.50	67.17	10.34
Mill Race URD	71.90	182.23	29.34
City Bond	778.07	1,972.07	318.41
TOTAL	\$6,010.27	13,460.78	2,086.60

The possible fiscal impact to the City across all funds would be approximately \$22,000, with an approximate \$13,000 annual impact on the General Fund.

However, Property #2 would also be eligible to utilize the Low-Income Special Assessment Program; therefore, the actual fiscal impact would be approximately \$8,000, with a \$4,600 annual impact on the General Fund. If the program was adopted, it may be available to other non-profit organizations that choose to develop or own income-restricted housing properties.

In a review of other cities, the City of Albany adopted this tax exemption program in 1993. Since its adoption 30 years ago, the program has been utilized for nine properties. Anecdotally, in speaking with the County Assessor's Office, the requested tax exemption program is not widely used compared to the other tax abatement programs available.

Finally, this action could also count toward implementing the Housing Production Strategy, specifically Action Item 2.1: Evaluate the feasibility of a property tax incentive to support the development of key housing types.

III. RECOMMENDED ACTION

Consider adopting the proposed ordinance adopting ORS Sections 307.540 through 307.548 relating to non-profit affordable housing tax exemption.