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MEMORANDUM

Community Development

To: Mayor Jackola and City Council
From: Kelly Hart, Community Development Director
Subject: Non-Profit Affordable Housing Tax Exemption Discussion

Date: August 29, 2024

I. INTRODUCTION

In March 2024, Crossroads Communities requested the City Council consider adopting an ordinance establishing the non-profit-owned affordable housing tax exemption as established under Oregon Revised Statute (ORS) 307.540 to 307.548. The Council requested that staff provide a report on the number of potential properties that could utilize this exemption and the likely financial impact. A report was provided at the April City Council meeting, and the Council discussed the merits of the request. After the discussion, the Council directed staff to table the discussion for later in the year after the budget process was completed.

II. CURRENT REPORT

Below is the same information included in the previous report provided in April.

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 some 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 by Ordinance. The requested program would be an additional tool to provide affordable housing tax abatement for Lebanon and is required to be adopted by Ordinance.

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

Three of the eleven properties would be eligible for property tax exemption utilizing the requested program. One property currently maintains property tax exemption status under a different program and does not pay property taxes, resulting in no additional fiscal impact under the new program. For the remaining two programs, below is the current property tax contribution:

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

The current fiscal impact to the City across all funds would be approximately \$20,000, with an approximate \$12,000 annual impact to 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

Receive and file the report and provide staff with direction.