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MEMORANDUM

Community Development

To: Mayor Jackola and City Council
Date: August 29, 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.

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.

III. RECOMMENDED ACTION

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