



*City of Tualatin*

## CITY OF TUALATIN Staff Report

**TO:** Honorable Mayor and Members of the City Council  
**THROUGH:** Sherilyn Lombos, City Manager  
**FROM:** Don Hudson, Assistant City Manager/Finance Director  
**DATE:** August 8, 2022

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**SUBJECT:**

Consideration of Ordinance No. 1469-22, Creating Tualatin Municipal Code Chapter 14-1, Nonprofit Corporation Low-Income Housing Tax Exemptions

**RECOMMENDATION:**

Staff recommends adoption of Ordinance No. 1469-22

**EXECUTIVE SUMMARY:**

On April 25<sup>th</sup>, Staff presented an option under Oregon Revised Statutes to provide a property tax exemption to nonprofit corporations that provide low-income housing. Council gave direction for staff to return with an ordinance creating the tax exemption program.

The attached ordinance creates Tualatin Municipal Code Chapter 14-1 and lays out the criteria for the exemption, the application requirements, the determination of eligibility and the process for terminating the exemption, if necessary.

Property that meets all of the following criteria would be exempt from taxation:

- The property is owned or being purchased by a corporation described in Section 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;
- Upon liquidation, the assets of the corporation are required to be applied first in payment of all outstanding obligations, and the balance remaining, in cash and in kind, to be distributed to corporations exempt from taxation and operated exclusively for religious, charitable, scientific, literary or educational purposes or to the State of Oregon;
- The property is:
  - Occupied by low-income persons; or
  - Held for the purpose of future development as low-income housing, for a period not exceeding three years;
- The property or portion of the property receiving the exemption, if occupied, is actually and exclusively used for the purposes described in Section 501(c)(3) or (4) of the Internal Revenue Code;

Low-income is defined as at or below 60 percent of the area median income in the first year and at or below 80% in subsequent consecutive years.

The application process is defined in Chapter 14-1-030. The application will require the following information:

1. A description of the property for which the exemption is requested;
2. A description of the charitable purpose of the project and whether all or a portion of the property is being used for that purpose;
3. A certification of income levels of low-income occupants;
4. A description of how the tax exemption will benefit project residents;
5. A description of the development of the property if the property is being held for future low-income housing development; and
6. A declaration that the corporation has been granted exemption from income taxation under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.

Within 30 days of receipt of an application, the City Council will determine whether the applicant qualifies for the exemption, and if so, staff will certify to the County Assessor that all or a portion of the property shall be exempt from taxation under the City's tax levy.

**OUTCOMES OF DECISION:**

The proposed ordinance will allow for nonprofit corporations that provide low-income housing to apply for a property tax exemption.

**ALTERNATIVES TO RECOMMENDATION:**

If the City Council does not pass the attached ordinance, no property tax exemption would be allowed for eligible projects.

**FINANCIAL IMPLICATIONS:**

The City would forego property tax revenue on qualifying low-income housing projects.

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**ATTACHMENTS:**

- Ordinance No. 1469-22