

TITLE: AN ORDINANCE ADOPTING THE PROVISIONS OF OREGON REVISED STATUTES (ORS) SECTIONS 307.540 THROUGH 307.547, REGARDING NONPROFIT CORPORATION LOW-INCOME HOUSING, AND DECLARING AN EMERGENCY.

WHEREAS, it is the purpose of this ordinance to promote the general welfare of the citizens of Albany, and

WHEREAS, there is an identified shortage of affordable housing in Albany for low-income persons, and

WHEREAS, exemption of certain property owned by nonprofit corporations from local property taxes will lower the cost of providing housing for low-income persons, thereby allowing economically feasible development of such housing, and

WHEREAS, Oregon Revised Statutes (ORS) provides a process by which nonprofit corporations may attain tax-exempt status for property occupied by low-income persons,

NOW, THEREFORE, THE PEOPLE OF THE CITY OF ALBANY DO ORDAIN AS FOLLOWS:


Section 1: The provisions of Oregon Revised Statutes (ORS) Sections 307.540 through 307.547, attached as Exhibit "A," are hereby adopted.

Section 2: The general welfare of the public will be promoted if this ordinance takes effect immediately. Therefore, an emergency is declared, and this ordinance shall take effect immediately upon its passage by the Council and its approval by the Mayor.

Passed by the Council: February 10, 1993

Approved by the Mayor: February 10, 1993

Effective Date: February 10, 1993



(Mayor)



Deputy City Recorder

**INTERDEPARTMENTAL MEMORANDUM
COMMUNITY DEVELOPMENT DEPARTMENT
Planning Division**

TO: Albany City Council

VIA: Steve Bryant, City Manager

FROM: Helen Burns Sharp, Community Development Director *HBS*

DATE: February 2, 1993 for February 10, 1993 Council Meeting

SUBJECT: Ordinance Adopting ORS Sections 307.540 through 307.547
Relative to Property Tax Exemption for Pumpkin Ridge Affordable Housing Project

Albany Partnership for Housing is working on development of 21 units of housing for low income single-parent families and the elderly. The City has agreed to donate 2.3 acres of property it owns on Salem Avenue for the project if the Partnership is successful in securing all funds necessary to finance development. Albany Partnership has also asked the City to apply for a Community Development Block Grant to finance construction of the street and utilities needed to serve the site.

Albany Partnership has been awarded a \$100,000 grant from the State of Oregon to help finance project development, and is also submitting an application for a \$125,000 grant from the federal HOME program. A private mortgage is also needed. Key Bank is considering writing a "letter of interest" in providing the mortgage for inclusion with the HOME grant application.

The financial feasibility of the project has been evaluated based on the expectation that it will be possible to gain tax-exempt status for the development. The project is feasible based on this expectation, but questionable if tax-exempt status is not possible. The value of the project is approximately \$1 million, and the current tax rate within Albany is \$28.10 per \$1000 of assessed value. Annual taxes for the development would be approximately \$28,000, increasing annual operating costs by that amount. The only source of income for the development will be the rent paid by tenants. If the annual property tax is calculated as an additional cost per unit per month, rents would have to be \$111 a month higher.

Under the terms of the grants that will be used to provide most of the financing for the project, rents cannot exceed a maximum that is determined based on family income. Project financial feasibility has been evaluated based on pricing the units at the maximum allowable rent. The project is feasible only with a property tax exemption, or additional grant money. Albany Partnership is applying for all known grants available for low-income housing, so additional money from grant sources is unlikely.

Oregon state law provides a process by which non-profit corporations may attain tax-exempt status for low-income housing projects. This status is attained when taxing districts that collect 51% or more of the total tax rate adopt the provisions of Oregon Revised Statutes (ORS) Section 307.540 through 307.547, and the project meets certain specific criteria. (A copy of ORS 307.540 - 307.547 is attached for your information.)

One of the requirements for a HOME grant is that Albany Partnership demonstrate the project's financial feasibility. Financial feasibility depends on an exemption from property taxes. The HOME grant program requires that the Partnership provide evidence that tax-exempt status can be attained, which means that taxing districts that collect 51% or more of the total tax rate in the appropriate jurisdiction must adopt the provisions of ORS 307.540 - 307.547. Albany Partnership hopes that the City and School District 8-J will both adopt these provisions, making it possible to demonstrate that tax-exempt status is attainable. The City of Albany collects approximately 33% of the total tax rate, and the school district 47%. Adoption of the ORS provisions will increase the chance that the application for a HOME grant will be successful, and that the project will be built.

Albany Partnership requests that the City adopt the provisions of ORS 307.540 - 307.547 which will allow tax-exempt status

for the proposed development. Adopting these provisions allows tax-exempt status, but the development must also meet the criteria specified in ORS 307.541 that require the project to be owned by a non-profit and be occupied by low-income residents. Non-profit corporations must apply for tax-exempt status for each project every year. (Enabling legislation expires after 1994, but may be renewed by the state legislature.)

The school district will consider this same request at its board meeting on February 8, 1993. The HOME grant application must be submitted as soon as possible because funds will be awarded to projects that qualify on a first received, first funded basis.

ACTION REQUESTED: Passage of attached Ordinance, adopting ORS 307.540 through 307.547.

Respectfully Submitted,



Don Donovan
Associate Planner

Reviewed by,



Helen Burns Sharp
Community Development Director