

**ORDINANCE NO. 2018-06**

**AMENDING FOREST GROVE CODE OF ORDINANCES  
ADOPTING TITLE III (ADMINISTRATION), CHAPTER 37  
(§ 37.01 THROUGH § 37.06), TITLED NON-PROFIT CORPORATION  
LOW-INCOME HOUSING TAX EXEMPTION PROGRAM**

**WHEREAS**, the Oregon legislature created the Non-Profit Corporation Low-Income Housing Tax Exemption in 1985 to increase the supply of affordable housing in the State; and

**WHEREAS**, the Oregon Legislature adopted and the Governor signed SB 503, codified as ORS 307.540 to 307.548, pertaining to the Non-Profit Low-Income Housing Tax Exemption; and

**WHEREAS**, the Forest Grove City Council adopted goals and objectives related to affordable housing, including adoption of a Non-Profit Low-Income Housing Tax Exemption; and

**WHEREAS**, the Forest Grove City Council desires to create housing policy that supports a diverse housing stock for all of the City's residents; and

**WHEREAS**, the Forest Grove City Council wishes to amend the Forest Grove Code of Ordinances to establish a Non-Profit Corporation Low-Income Housing Tax Exemption program, as authorized by ORS 307.540 to 307.548, to increase the supply of affordable housing; and

**WHEREAS**, the City Council held a duly-noticed Public Hearing on August 13, 2018, and continued the hearing on September 10, 2018.

**NOW, THEREFORE, THE CITY OF FOREST GROVE ORDAINS AS FOLLOWS:**

**Section 1:** The City Council hereby amends Forest Grove Code of Ordinances adopting Title III (Administration), Chapter 37 (§ 37.01 through § 37.06), titled Non-Profit Corporation Housing Tax Exemption Program, as set forth in Exhibit A.

**Section 2:** The City Council hereby finds the proposed amendments are consistent with ORS 307.540 to 307.548.

**Section 3:** As required by ORS 307.543(1), the City Council hereby elects to define "low-income" to mean for the initial year that persons occupy property for which an application is filed under ORS 307.545, income at below 60% of the area median income as determined by the Oregon Housing Stability Council based on information from the United State Department of Housing and Urban Development; and for every subsequent consecutive year that the persons occupy the property, income at or below 80 percent of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development.

**Section 4:** This ordinance is effective 30 days following its enactment by the City Council.

**PRESENTED AND PASSED** the first reading this 13<sup>th</sup> day of August, 2018.

**PASSED** the second reading this 10<sup>th</sup> day of September, 2018.

  
\_\_\_\_\_  
Anna D. Ruggles, City Recorder

**APPROVED** by the Mayor this 10<sup>th</sup> day of September, 2018.

  
\_\_\_\_\_  
Peter B. Truax, Mayor

## Exhibit A

### TITLE III: ADMINISTRATION

#### NON-PROFIT CORPORATION LOW-INCOME HOUSING TAX EXEMPTION

##### 37.01 DEFINITIONS

**DEBARMENT.** Action taken by a debarring official under federal or state law to exclude a contractor from government contracting and government-approved subcontracting for a reasonable, specified period.

**GOVERNING BODY.** Forest Grove City Council.

**LOW-INCOME.** For the initial year that persons occupy property for which an application is filed under ORS 307.545, income at below 60% of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development; and for every subsequent consecutive year that the persons occupy the property, income at or below 80 percent of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development.

##### 37.02 NON-PROFIT CORPORATION LOW-INCOME HOUSING EXEMPTION; CRITERIA

(A) The governing body shall use the following criteria to determine whether property is exempt from ad valorem property taxation as provided in this section. The corporation must meet all of the criteria below to be granted a tax exemption:

(1) 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 501(a) of the Internal Revenue Code.

(2) 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.

(3) The property is:

a. Occupied by low-income persons; or

b. Held for the purpose of developing low-income housing for a period of not more than six years.

(4) The property or portion of the property receiving the exemption is actually and exclusively used for the purposes described in Section 501(c)(3) or (4) of the Internal Revenue Code.

(5) The corporation:

a. Is not presently debarred, suspended, proposed for debarment, or declared ineligible by any Federal or State agency;

b. Has not, within the three-year period preceding the application, been convicted of or had a civil judgment rendered against it for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction or contract under a public transaction; or been convicted of any Federal or State statutes of embezzlement, theft, forgery, bribery, falsification, destruction of records, making false statements, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty; and

c. Is not presently indicted for or otherwise criminally or civilly charged by a Federal, State, or local government entity with commission of any of the offenses enumerated in subsection (A)(5)(b) of this section.

(B) In applying the criteria identified in subsection A of this section to determine whether the property qualifies for exemption, the governing body may consider any information provided by the corporation regardless of whether that information was included in the application or was otherwise provided by the corporation. If the corporation does not complete the application as provided under [37.03](#), however, then the governing body may reject the application.

(C) For purposes of subsection A of this section, a corporation that only has a leasehold interest in property is deemed to be a purchaser of that property if:

(1) The corporation is obligated under the terms of the lease to pay the ad valorem taxes on the real and personal property used in this activity on that property; or

(2) The rent payable by the corporation has been established to reflect the savings resulting from the exemption from taxation.

(D) A partnership shall be treated the same as a corporation to which this section applies if the corporation is:

(1) A general partner of the partnership; and

(2) Responsible for the day to day operation of the property that is the subject of the exemption.

### **37.03 APPLICATION FOR EXEMPTION**

(A) To seek the exemption provided by [37.02](#), the corporation shall file an application for exemption with the City for each assessment year the corporation wants the exemption.

(B) The application shall be filed on or before March 1 of the assessment year for which the exemption is applied for, unless the property designated is acquired after March

1 and before July 1. If the property designated is acquired after March 1 and before July 1, the claim for that year shall be filed within 30 days after the date of acquisition.

(C) The application shall include the following information as applicable:

- (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;
- (6) A declaration certifying 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; and
- (7) A certification that the corporation meets the criteria provided for in [37.02\(A\)\(5\)](#).

(D) The applicant shall verify the information in the application by oath or affirmation.

**37.04 DETERMINATION OF ELIGIBILITY FOR EXEMPTION; NOTICE TO COUNTY ASSESSOR**

(A) Except as otherwise provided in subsection B of this section, within 30 days of the filing of an application under [37.03](#), the governing body shall determine whether the applicant qualifies for the exemption granted under [37.02](#). If the governing body determines the applicant qualifies, then the governing body shall certify to the County Assessor that all or a portion of the property shall be exempt from taxation under the levy of the certifying governing body.

(B) If the governing body has previously determined that the applicant qualified for the exemption granted under this chapter, then the governing body shall use the criteria that were in place when the applicant was first granted the exemption for the property each year the applicant reapplies for the exemption.

(C) Upon receipt of certification under subsection A of this section, the County Assessor shall exempt the property from taxation to the extent certified by the governing body.

**37.05 TERMINATION OF EXEMPTION**

(A) If the City determines that property that has received an exemption under this

chapter in anticipation of future development of low-income housing is being used for any purposes other than the provision of low-income housing, or that any provision of this chapter is not being complied with, the City shall give notice of the proposed termination of the exemption to the owner by mailing the notice to the last known address of the owner, and to every known lender by mailing the notice to the last known address of every known lender. The notice shall state the reasons for the proposed termination and require the owner to appear at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.

(B) If the owner fails to appear and show cause why the exemption should not be terminated, the City shall notify every known lender, and shall allow any lender not less than 30 days after the date the notice of failure to appear and show cause is mailed to cure any noncompliance or to provide adequate assurance to the governing body that all noncompliance shall be remedied.

(C) If the owner fails to appear and show cause why the exemption should not be terminated, and the lender fails to cure or give adequate assurance of the cure of noncompliance, the governing body shall adopt a resolution stating its findings that terminate the exemption. A copy of the resolution shall be filed within 10 days after its adoption with the County Assessor, and a copy shall be sent to the owner at the owner's last known address and to the lender at the last known address of the lender within 10 days of its adoption.

(D) Upon the County Assessor's receipt of the governing body's termination findings:

(1) The exemption granted to the housing unit or portion under this chapter shall terminate immediately, without right of notice or appeal;

(2) The property shall be assessed and taxed as other property similarly situated is assessed and taxed;

(3) Notwithstanding ORS [311.235](#), there shall be added to the general property tax roll, for the property in question, for the tax year next following the presentation or discovery, to be collected and distributed in the same manner as other real property tax, an amount equal to the difference between the taxes assessed against the property and the taxes that would have been assessed against the property had it not been exempt under this chapter for each of the years, not to exceed the last 10 years, during which the property was exempt from taxation under this chapter.

(4) The assessment and tax rolls shall show potential additional tax liability for each property granted an exemption under this chapter because the property is being held for future development of low-income housing.

(5) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate.

### **37.06 DELEGATION OF ADMINISTRATIVE AUTHORITY**

(A) The governing body hereby delegates to the City Manager, or designee, all authority necessary to make all determinations and otherwise administer the provisions of this chapter, excepting determinations and actions required to be made or taken by the governing body pursuant to [37.05](#).



SECOND READING:

**ORDINANCE NO. 2018-06**

**AMENDING FOREST GROVE CODE OF ORDINANCES  
ADOPTING TITLE III (ADMINISTRATION), CHAPTER 37  
(§ 37.01 THROUGH § 37.07), TITLED NON-PROFIT CORPORATION  
LOW-INCOME HOUSING TAX EXEMPTION PROGRAM**

**WHEREAS**, the Oregon legislature created the Non-Profit Corporation Low-Income Housing Tax Exemption in 1985 to increase the supply of affordable housing in the State; and

**WHEREAS**, the Oregon Legislature adopted and the Governor signed SB 503, codified as ORS 307.540 to 307.548, pertaining to the Non-Profit Low-Income Housing Tax Exemption; and

**WHEREAS**, the Forest Grove City Council adopted goals and objectives related to affordable housing, including adoption of a Non-Profit Low-Income Housing Tax Exemption; and

**WHEREAS**, the Forest Grove City Council desires to create housing policy that supports a diverse housing stock for all of the City's residents; and

**WHEREAS**, the Forest Grove City Council wishes to amend the Forest Grove Code of Ordinances to establish a Non-Profit Corporation Low-Income Housing Tax Exemption program, as authorized by ORS 307.540 to 307.548, to increase the supply of affordable housing; and

**WHEREAS**, the City Council held a duly-noticed Public Hearing on August 13, 2018, and continued the hearing on September 10, 2018.

**NOW, THEREFORE, THE CITY OF FOREST GROVE ORDAINS AS FOLLOWS:**

**Section 1:** The City Council hereby amends Forest Grove Code of Ordinances adopting Title III (Administration), Chapter 37 (§ 37.01 through § 37.06), titled Non-Profit Corporation Housing Tax Exemption Program, as set forth in Exhibit A.

**Section 2:** The City Council hereby finds the proposed amendments are consistent with ORS 307.540 to 307.548.

**Section 3:** As required by ORS 307.543(2), the City Council hereby elects to define "low-income" to mean income at or below 60% of the area median income as determined by the Oregon Housing Stability Council based on information from the United State Department of Housing and Urban Development.

*Amended*

**Section 4:** This ordinance is effective 30 days following its enactment by the City Council.

**PRESENTED AND PASSED** the first reading this 13<sup>th</sup> day of August, 2018.

**PASSED** the second reading this 10<sup>th</sup> day of September, 2018.

---

Anna D. Ruggles, City Recorder

**APPROVED** by the Mayor this 10<sup>th</sup> day of September, 2018.

---

Peter B. Truax, Mayor

## Exhibit A

### TITLE III: ADMINISTRATION

#### NON-PROFIT CORPORATION LOW-INCOME HOUSING TAX EXEMPTION

##### 37.01 DEFINITIONS

**DEBARMENT.** Action taken by a debarring official under federal or state law to exclude a contractor from government contracting and government-approved subcontracting for a reasonable, specified period.

**GOVERNING BODY.** Forest Grove City Council.

*Amended* → **LOW-INCOME.** Income at or below 60 percent of the area median income, adjusted for household size, as determined by the Oregon Housing Stability Council, based on information from the United States Department of Housing and Urban Development.

##### 37.02 NON-PROFIT CORPORATION LOW-INCOME HOUSING EXEMPTION; CRITERIA

(A) The governing body shall use the following criteria to determine whether property is exempt from ad valorem property taxation as provided in this section. The corporation must meet all of the criteria below to be granted a tax exemption:

(1) 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 501(a) of the Internal Revenue Code.

(2) 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.

(3) The property is:

a. Occupied by low-income persons; or

b. Held for the purpose of developing low-income housing for a period of not more than six years.

(4) The property or portion of the property receiving the exemption is actually and exclusively used for the purposes described in Section 501(c)(3) or (4) of the Internal Revenue Code.

(5) The corporation:

a. Is not presently debarred, suspended, proposed for debarment, or declared ineligible by any Federal or State agency;

b. Has not, within the three-year period preceding the application, been convicted of or had a civil judgment rendered against it for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction or contract under a public transaction; or been convicted of any Federal or State statutes of embezzlement, theft, forgery, bribery, falsification, destruction of records, making false statements, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty; and

c. Is not presently indicted for or otherwise criminally or civilly charged by a Federal, State, or local government entity with commission of any of the offenses enumerated in subsection (A)(5)(b) of this section.

(B) In applying the criteria identified in subsection A of this section to determine whether the property qualifies for exemption, the governing body may consider any information provided by the corporation regardless of whether that information was included in the application or was otherwise provided by the corporation. If the corporation does not complete the application as provided under [37.03](#), however, then the governing body may reject the application.

(C) For purposes of subsection A of this section, a corporation that only has a leasehold interest in property is deemed to be a purchaser of that property if:

(1) The corporation is obligated under the terms of the lease to pay the ad valorem taxes on the real and personal property used in this activity on that property; or

(2) The rent payable by the corporation has been established to reflect the savings resulting from the exemption from taxation.

(D) A partnership shall be treated the same as a corporation to which this section applies if the corporation is:

(1) A general partner of the partnership; and

(2) Responsible for the day to day operation of the property that is the subject of the exemption.

### **37.03 APPLICATION FOR EXEMPTION**

(A) To seek the exemption provided by [37.02](#), the corporation shall file an application for exemption with the City for each assessment year the corporation wants the exemption.

(B) The application shall be filed on or before March 1 of the assessment year for which the exemption is applied for, unless the property designated is acquired after March

1 and before July 1. If the property designated is acquired after March 1 and before July 1, the claim for that year shall be filed within 30 days after the date of acquisition.

(C) The application shall include the following information as applicable:

- (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;
- (6) A declaration certifying 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; and
- (7) A certification that the corporation meets the criteria provided for in [37.02\(A\)\(5\)](#).

(D) The applicant shall verify the information in the application by oath or affirmation.

#### **37.04 DETERMINATION OF ELIGIBILITY FOR EXEMPTION; NOTICE TO COUNTY ASSESSOR**

(A) Except as otherwise provided in subsection B of this section, within 30 days of the filing of an application under [37.03](#), the governing body shall determine whether the applicant qualifies for the exemption granted under [37.02](#). If the governing body determines the applicant qualifies, then the governing body shall certify to the County Assessor that all or a portion of the property shall be exempt from taxation under the levy of the certifying governing body.

(B) If the governing body has previously determined that the applicant qualified for the exemption granted under this chapter, then the governing body shall use the criteria that were in place when the applicant was first granted the exemption for the property each year the applicant reapplies for the exemption.

(C) Upon receipt of certification under subsection A of this section, the County Assessor shall exempt the property from taxation to the extent certified by the governing body.

### 37.05 TERMINATION OF EXEMPTION

(A) If the City determines that property that has received an exemption under this chapter in anticipation of future development of low-income housing is being used for any purposes other than the provision of low-income housing, or that any provision of this chapter is not being complied with, the City shall give notice of the proposed termination of the exemption to the owner by mailing the notice to the last known address of the owner, and to every known lender by mailing the notice to the last known address of every known lender. The notice shall state the reasons for the proposed termination and require the owner to appear at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.

(B) If the owner fails to appear and show cause why the exemption should not be terminated, the City shall notify every known lender, and shall allow any lender not less than 30 days after the date the notice of failure to appear and show cause is mailed to cure any noncompliance or to provide adequate assurance to the governing body that all noncompliance shall be remedied.

(C) If the owner fails to appear and show cause why the exemption should not be terminated, and the lender fails to cure or give adequate assurance of the cure of noncompliance, the governing body shall adopt a resolution stating its findings that terminate the exemption. A copy of the resolution shall be filed within 10 days after its adoption with the County Assessor, and a copy shall be sent to the owner at the owner's last known address and to the lender at the last known address of the lender within 10 days of its adoption.

(D) Upon the County Assessor's receipt of the governing body's termination findings:

(1) The exemption granted to the housing unit or portion under this chapter shall terminate immediately, without right of notice or appeal;

(2) The property shall be assessed and taxed as other property similarly situated is assessed and taxed;

(3) Notwithstanding ORS [311.235](#), there shall be added to the general property tax roll, for the property in question, for the tax year next following the presentation or discovery, to be collected and distributed in the same manner as other real property tax, an amount equal to the difference between the taxes assessed against the property and the taxes that would have been assessed against the property had it not been exempt under this chapter for each of the years, not to exceed the last 10 years, during which the property was exempt from taxation under this chapter.

(4) The assessment and tax rolls shall show potential additional tax liability for each property granted an exemption under this chapter because the property is being held for future development of low-income housing.

(5) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate.

### **37.06 DELEGATION OF ADMINISTRATIVE AUTHORITY**

(A) The governing body hereby delegates to the City Manager, or designee, all authority necessary to make all determinations and otherwise administer the provisions of this chapter, excepting determinations and actions required to be made or taken by the governing body pursuant to [37.05](#).

Date: SEPTEMBER 10, 2018

Agenda Item: 7.

Subject: SECOND READING OF ORDINANCE NO. 2018-06 AMENDING FOREST GROVE CODE OF ORDINANCES ADOPTING TITLE III (ADMINISTRATION), CHAPTER 37 (§37.01 THROUGH §37.07), TITLED NON-PROFIT CORPORATION LOW-INCOME HOUSING TAX EXEMPTION PROGRAM

# CITY COUNCIL MEETING

## Request to Testify at Public Hearing

**Public Hearings – Public hearings are held on each matter required by state law or City policy. Anyone wishing to testify should sign-in for the Public Hearing prior to the meeting. The Mayor or presiding officer will review the complete hearing instructions prior to testimony. The Mayor or presiding officer will call the individual or group by the name given on the sign-in form. When addressing the Mayor and Council, please move to the witness table (center front of the room). Each person should speak clearly into the microphone and must state their first and last name and provided a mailing address for the record. All testimony is electronically recorded. In the interest of time, Public Hearing testimony is limited to three minutes unless the Mayor or presiding officer grants an extension. Written or oral testimony is heard prior to any Council action.**

*Please sign-in below to testify.*

**PROPONENTS:** *(Please print legibly)*

**First & Last Name:**

**Address:**

**City, State & Zip Code:**

---

---

---

---

---

---

---

---

---

---

---

---

**OPPONENTS:** *(Please print legibly)*

**First & Last Name:**

**Address:**

**City, State & Zip Code:**

David Morelli

---

---

---

---

1320 Cedar St FG OR 97116

---

---

---

---

**OTHERS:** *(Please print legibly)*

**First & Last Name:**

**Address:**

**City, State & Zip Code:**

---

---

---

---

---

---

---

---

*If full, please use Page 2:*

**ORDINANCE NO. 2018-06****AMENDING FOREST GROVE CODE OF ORDINANCES  
ADOPTING TITLE III (ADMINISTRATION), CHAPTER 37  
(§ 37.01 THROUGH § 37.07), TITLED NON-PROFIT CORPORATION  
LOW-INCOME HOUSING TAX EXEMPTION PROGRAM**

**WHEREAS**, the Oregon legislature created the Non-Profit Corporation Low-Income Housing Tax Exemption in 1985 to increase the supply of affordable housing in the State; and

**WHEREAS**, the Oregon Legislature adopted and the Governor signed SB 503, codified as ORS 307.540 to 307.548, pertaining to the Non-Profit Low-Income Housing Tax Exemption; and

**WHEREAS**, the Forest Grove City Council adopted goals and objectives related to affordable housing, including adoption of a Non-Profit Low-Income Housing Tax Exemption; and

**WHEREAS**, the Forest Grove City Council desires to create housing policy that supports a diverse housing stock for all of the City's residents; and

**WHEREAS**, the Forest Grove City Council wishes to amend the Forest Grove Code of Ordinances to establish a Non-Profit Corporation Low-Income Housing Tax Exemption program, as authorized by ORS 307.540 to 307.548, to increase the supply of affordable housing; and

**WHEREAS**, the City Council held a duly-noticed Public Hearing on August 13, 2018, and continued the hearing on September 10, 2018.

**NOW, THEREFORE, THE CITY OF FOREST GROVE ORDAINS AS FOLLOWS:**

**Section 1:** The City Council hereby amends Forest Grove Code of Ordinances adopting Title III (Administration), Chapter 37 (§ 37.01 through § 37.06), titled Non-Profit Corporation Housing Tax Exemption Program, as set forth in Exhibit A.

**Section 2:** The City Council hereby finds the proposed amendments are consistent with ORS 307.540 to 307.548.

**Section 3:** As required by ORS 307.543(2), the City Council hereby elects to define "low-income" to mean income at or below 60% of the area median income as determined by the Oregon Housing Stability Council based on information from the United State Department of Housing and Urban Development.

81-01-8

**Section 4:** This ordinance is effective 30 days following its enactment by the City Council.

**PRESENTED AND PASSED** the first reading this 13<sup>th</sup> day of August, 2018.

**PASSED** the second reading this 10<sup>th</sup> day of September, 2018.

\_\_\_\_\_  
Anna D. Ruggles, City Recorder

**APPROVED** by the Mayor this 10<sup>th</sup> day of September, 2018.

\_\_\_\_\_  
Peter B. Truax, Mayor

## Exhibit A

### TITLE III: ADMINISTRATION

#### NON-PROFIT CORPORATION LOW-INCOME HOUSING TAX EXEMPTION

##### 37.01 DEFINITIONS

**DEBARMENT.** Action taken by a debarring official under federal or state law to exclude a contractor from government contracting and government-approved subcontracting for a reasonable, specified period.

**GOVERNING BODY.** Forest Grove City Council.

**LOW-INCOME.** Income at or below 60 percent of the area median income, adjusted for household size, as determined by the Oregon Housing Stability Council, based on information from the United States Department of Housing and Urban Development.

##### 37.02 NON-PROFIT CORPORATION LOW-INCOME HOUSING EXEMPTION; CRITERIA

(A) The governing body shall use the following criteria to determine whether property is exempt from ad valorem property taxation as provided in this section. The corporation must meet all of the criteria below to be granted a tax exemption:

(1) 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 501(a) of the Internal Revenue Code.

(2) 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.

(3) The property is:

a. Occupied by low-income persons; or

b. Held for the purpose of developing low-income housing for a period of not more than six years.

(4) The property or portion of the property receiving the exemption is actually and exclusively used for the purposes described in Section 501(c)(3) or (4) of the Internal Revenue Code.

(5) The corporation:

a. Is not presently debarred, suspended, proposed for debarment, or declared ineligible by any Federal or State agency;

b. Has not, within the three-year period preceding the application, been convicted of or had a civil judgment rendered against it for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction or contract under a public transaction; or been convicted of any Federal or State statutes of embezzlement, theft, forgery, bribery, falsification, destruction of records, making false statements, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty; and

c. Is not presently indicted for or otherwise criminally or civilly charged by a Federal, State, or local government entity with commission of any of the offenses enumerated in subsection (A)(5)(b) of this section.

(B) In applying the criteria identified in subsection A of this section to determine whether the property qualifies for exemption, the governing body may consider any information provided by the corporation regardless of whether that information was included in the application or was otherwise provided by the corporation. If the corporation does not complete the application as provided under [37.03](#), however, then the governing body may reject the application.

(C) For purposes of subsection A of this section, a corporation that only has a leasehold interest in property is deemed to be a purchaser of that property if:

(1) The corporation is obligated under the terms of the lease to pay the ad valorem taxes on the real and personal property used in this activity on that property; or

(2) The rent payable by the corporation has been established to reflect the savings resulting from the exemption from taxation.

(D) A partnership shall be treated the same as a corporation to which this section applies if the corporation is:

(1) A general partner of the partnership; and

(2) Responsible for the day to day operation of the property that is the subject of the exemption.

### **37.03 APPLICATION FOR EXEMPTION**

(A) To seek the exemption provided by [37.02](#), the corporation shall file an application for exemption with the City for each assessment year the corporation wants the exemption.

(B) The application shall be filed on or before March 1 of the assessment year for which the exemption is applied for, unless the property designated is acquired after March

1 and before July 1. If the property designated is acquired after March 1 and before July 1, the claim for that year shall be filed within 30 days after the date of acquisition.

(C) The application shall include the following information as applicable:

- (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;
- (6) A declaration certifying 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; and
- (7) A certification that the corporation meets the criteria provided for in [37.02\(A\)\(5\)](#).

(D) The applicant shall verify the information in the application by oath or affirmation.

#### **37.04 DETERMINATION OF ELIGIBILITY FOR EXEMPTION; NOTICE TO COUNTY ASSESSOR**

(A) Except as otherwise provided in subsection B of this section, within 30 days of the filing of an application under [37.03](#), the governing body shall determine whether the applicant qualifies for the exemption granted under [37.02](#). If the governing body determines the applicant qualifies, then the governing body shall certify to the County Assessor that all or a portion of the property shall be exempt from taxation under the levy of the certifying governing body.

(B) If the governing body has previously determined that the applicant qualified for the exemption granted under this chapter, then the governing body shall use the criteria that were in place when the applicant was first granted the exemption for the property each year the applicant reapplies for the exemption.

(C) Upon receipt of certification under subsection A of this section, the County Assessor shall exempt the property from taxation to the extent certified by the governing body.

### 37.05 TERMINATION OF EXEMPTION

(A) If the City determines that property that has received an exemption under this chapter in anticipation of future development of low-income housing is being used for any purposes other than the provision of low-income housing, or that any provision of this chapter is not being complied with, the City shall give notice of the proposed termination of the exemption to the owner by mailing the notice to the last known address of the owner, and to every known lender by mailing the notice to the last known address of every known lender. The notice shall state the reasons for the proposed termination and require the owner to appear at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.

(B) If the owner fails to appear and show cause why the exemption should not be terminated, the City shall notify every known lender, and shall allow any lender not less than 30 days after the date the notice of failure to appear and show cause is mailed to cure any noncompliance or to provide adequate assurance to the governing body that all noncompliance shall be remedied.

(C) If the owner fails to appear and show cause why the exemption should not be terminated, and the lender fails to cure or give adequate assurance of the cure of noncompliance, the governing body shall adopt a resolution stating its findings that terminate the exemption. A copy of the resolution shall be filed within 10 days after its adoption with the County Assessor, and a copy shall be sent to the owner at the owner's last known address and to the lender at the last known address of the lender within 10 days of its adoption.

(D) Upon the County Assessor's receipt of the governing body's termination findings:

(1) The exemption granted to the housing unit or portion under this chapter shall terminate immediately, without right of notice or appeal;

(2) The property shall be assessed and taxed as other property similarly situated is assessed and taxed;

(3) Notwithstanding ORS 311.235, there shall be added to the general property tax roll, for the property in question, for the tax year next following the presentation or discovery, to be collected and distributed in the same manner as other real property tax, an amount equal to the difference between the taxes assessed against the property and the taxes that would have been assessed against the property had it not been exempt under this chapter for each of the years, not to exceed the last 10 years, during which the property was exempt from taxation under this chapter.

(4) The assessment and tax rolls shall show potential additional tax liability for each property granted an exemption under this chapter because the property is being held for future development of low-income housing.

(5) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate.

### **37.06 DELEGATION OF ADMINISTRATIVE AUTHORITY**

(A) The governing body hereby delegates to the City Manager, or designee, all authority necessary to make all determinations and otherwise administer the provisions of this chapter, excepting determinations and actions required to be made or taken by the governing body pursuant to [37.05](#).



# Bienestar

Building housing, hope and futures

August 6, 2018

To the City of Forest Grove and City Council:

I write to support the Nonprofit Corporation Low Income Property Tax Exemption that you will be considering at your Council meeting on August 13, 2018. Adopting this tax exemption will provide important support to nonprofit developers of affordable housing and increase the likelihood that affordable housing projects will be built and operated successfully.

The benefit of the tax exemption goes beyond the way it supports a property's year-to-year operational budget, though that too is very important. The tax exemption also impacts the feasibility of whether an affordable housing developer can access sufficient borrowing capacity to finance a new project. Let me provide an example: One important way to understand the benefit of a property tax exemption is to think about how affordable housing projects are financed and developed from the beginning. Bienestar recently confronted this issue head on in putting together the financing on a major rehab project of our Montebello Apartments project in Hillsboro. This project will have 49 units of family-sized affordable housing and will undergo a major rehab in 2019 to insure its future as housing for low-income families. Its currently assessed value would normally trigger approximately \$40,000 year in property tax payments starting in 2019, which would significantly impact the property's annual operational feasibility. However, because this project will receive a tax exemption, the impact of this exemption is not only to insure the property's ongoing operational viability by, for example, allowing the property to put adequate resources into replacement reserves, but also to increase the project's development feasibility from the beginning. By eliminating the property tax in financial projections during the pre-development phase, Bienestar is able to show long-term NOI (Net Operating Income) on the property. This, in turn, significantly increases the property's borrowing capacity, allowing the organization to bring in more than \$600,000 additional dollars at construction loan closing, which makes the development feasible.

This is just one concrete example of how property tax exemptions for non-profit affordable housing developments can not only increase the operational longevity and viability of projects going forward, but also significantly increase a project's financial feasibility at the very beginning of development.

I commend the City of Forest Grove for considering this important policy chance and urge you to adopt the Nonprofit Corporation Low Income Property Tax Exemption.

Sincerely,

A handwritten signature in black ink that reads "Nathan Teske".

Nathan Teske  
Executive Director  
Bienestar  
[nteske@bienestar-or.org](mailto:nteske@bienestar-or.org)



A place where families and businesses thrive.

<i>CITY RECORDER USE ONLY:</i>	
AGENDA ITEM #:	9
MEETING DATE:	8-13-18
FINAL ACTION:	<del>1ST</del> read

**CITY COUNCIL STAFF REPORT**

---

**TO:** City Council

**FROM:** Jesse VanderZanden, City Manager

**MEETING DATE:** August 13, 2018

**PROJECT TEAM:** Daniel Riordan, Senior Planner, Bryan Pohl, Community Development Director

**SUBJECT TITLE:** Ordinance Amending Forest Grove Code of Ordinances and Establishing Non-Profit Corporation Low-Income Housing Tax Exemption Program

<b>ACTION REQUESTED:</b>	<input checked="" type="checkbox"/> Ordinance	<input type="checkbox"/> Order	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion	<input type="checkbox"/> Informational
--------------------------	-----------------------------------------------	--------------------------------	-------------------------------------	---------------------------------	----------------------------------------

X all that apply

**ISSUE STATEMENT:** In 1985, the Oregon legislature created a program to increase the supply of affordable housing provided by non-profit corporations. This program called the Non-Profit Corporation Low-Income Housing Tax Exemption provides an annual property tax exemption to non-profit corporations providing housing for households at or below 60 percent county median income. To provide the tax exemption the City must adopt an ordinance with the necessary provisions of state law (ORS 307.540 to 307.548). An ordinance amending the Forest Grove Code of Ordinances to add the provisions of state law is attached for Council consideration.

**BACKGROUND:** Council adopted Resolution 2018-43, establishing goals and objectives for Fiscal Year 2018-19. Council goal objective 3.16 directed staff to examine affordable housing incentives including property tax exemptions. The Non-Profit Corporation Low-Income Housing Tax Exemption has been adopted by Washington County and the City of Beaverton to provide an affordable housing incentive.

The attached ordinance amends the Forest Grove Code of Ordinances to incorporate the provisions of ORS 307.540 to 307.548. The ordinance includes the following sections:

- Program definitions (§37.01)
- Property tax exemption eligibility criteria (§37.02)
- Project application requirements (§37.03)
- Procedure for determining eligibility and notifying the county assessor (§37.04)
- Approval process for granting an extension of time (§37.05)
- Delegation of administrative authority (§37.06)

The property tax exemption provided by the program only applies to the tax rate of a taxing districts adopting the program. If Forest Grove adopts the program eligible projects could receive a 48% tax exemption since Washington County has the program. The combined County and City tax rate is about 48% of the total tax rate for property in the City. If the combined tax rate is 51% or more the project becomes eligible for an exemption on the entire property tax amount provided program eligibility is maintained.

ORS 307.540(2) provides two alternatives for defining low-income:

- Alternative 1: Income at or below 60 percent of median income as determined by the Oregon Housing Stability Council based on information from the U.S. Department of Housing and Urban Development; or
- Alternative 2: For the initial year that persons occupy property for which an application is filed under ORS 307.545, income at or below 60% of the area median income. For every subsequent year income at or below 80 percent of area median income.

As a starting point staff included Alternative 1 in the ordinance since Washington County median income is well above the City's household median income. Alternative 1 ensures households most in need of affordable living options benefit from the ordinance.

Council may choose to grant administrative authority to the City Manager, or designee, to review and approve project eligibility or terminate the property exemption. Staff recommends Council grant administrative authority for reviewing and approving applications and that Council retain authority for terminating the exemption.

ORS 307.541(2) grants authority to a governing body to adopt additional criteria for tax exemption that does not conflict with the criteria contained in ORS 307.540 and 307.548. The criteria contained in ORS 307.540 to 307.548 are included in the attached ordinance.

**FISCAL IMPACT:** The City will not incur a fiscal impact by adopting the ordinance unless an application for exemption is submitted for review and approval. Potential future fiscal impacts may include staff costs for application review and processing and conducting annual program compliance review to ensure income eligibility requirements are met. The City will also incur a fiscal impact due to foregone property tax revenue from approved projects.

**STAFF RECOMMENDATION:** Staff recommends City Council conduct a public hearing on the attached ordinance amending the Forest Grove Code of Ordinances to add §37.01 to §37.06 titled Non-Profit Corporation Low-Income Housing Tax Exemption Program and advance the ordinance for second reading and adoption on September 10, 2018.

**ATTACHMENT(s):**

- A. Oregon Revised Statutes Chapter 307.540 to 307.548
- B. Ordinance
- C. Bienestar Letter of Support
- D. Powerpoint

## **(Nonprofit Corporation Low Income Housing)**

**307.540 Definitions for ORS 307.540 to 307.548.** As used in ORS 307.540 to 307.548:

(1) “Governing body” means the city or county legislative body having jurisdiction over the property for which an exemption may be applied for under ORS 307.540 to 307.548.

(2) According to the election of a governing body pursuant to ORS 307.543 (1), “low income” means:

(a) Income at or below 60 percent of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development; or

(b)(A) For the initial year that persons occupy property for which an application for exemption is filed under ORS 307.545, income at or below 60 percent of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development; and

(B) For every subsequent consecutive year that the persons occupy the property, income at or below 80 percent of the area median income as determined by the Oregon Housing Stability Council based on information from the United States Department of Housing and Urban Development. [1985 c.660 §1; 1993 c.168 §7; 2005 c.94 §39; 2015 c.141 §1; 2015 c.180 §45]

**Note:** Section 6, chapter 660, Oregon Laws 1985, provides:

**Sec. 6.** ORS 307.540 to 307.548 apply to tax years beginning on or after January 1, 1985, and before July 1, 2027. [1985 c.660 §6; 1993 c.108 §1; 2003 c.215 §1; 2011 c.191 §1]

**Note:** Section 3, chapter 141, Oregon Laws 2015, provides:

**Sec. 3.** (1) A governing body that has adopted the provisions of ORS 307.540 to 307.548 before the effective date of this 2015 Act [October 5, 2015] may, on or after the effective date of this 2015 Act, elect a definition of “low income” under ORS 307.540 as amended by section 1 of this 2015 Act. An election made pursuant to this subsection applies to the first property tax year that begins on or after the date on which the election is made.

(2) If a governing body described in this section does not make an election under subsection (1) of this section, the definition of “low income” provided in ORS 307.540 as in effect immediately before the effective date of this 2015 Act shall apply to the exemption allowed by the governing body.

(3) This section is repealed on June 30, 2027. [2015 c.141 §3]

**307.541 Nonprofit corporation low income housing; criteria for exemption.** (1) Property is exempt from taxation as provided under ORS 307.540 to 307.548 if:

(a) 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;

(b) 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;

(c) The property is:

(A) Occupied by low income persons; or

(B) Held for the purpose of developing low income housing, for a period not exceeding a reasonable maximum period, if any, adopted by the governing body;

(d) 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;

(e) The exemption has been approved as provided in ORS 307.547; and

(f) The information disclosed on the application filed pursuant to ORS 307.545 meets any other criteria adopted by the governing body.

(2) A governing body that adopts the provisions of ORS 307.540 to 307.548 may adopt additional criteria for exemption that do not conflict with the criteria described in subsection (1)(a) to (e) of this section.

(3) For the purposes of subsection (1) of this section, a corporation that has only a leasehold interest in property is deemed to be a purchaser of that property if:

(a) The corporation is obligated under the terms of the lease to pay the ad valorem taxes on the real and personal property used in this activity on that property; or

(b) The rent payable by the corporation has been established to reflect the savings resulting from the exemption from taxation.

(4) A partnership shall be treated the same as a corporation to which this section applies if the corporation is:

(a) A general partner of the partnership; and

(b) Responsible for the day-to-day operation of the property that is the subject of the exemption. [1985 c.660 §2; 1995 c.702 §2; 1997 c.752 §11; 2005 c.94 §40; 2015 c.310 §7]

**Note:** See first note under 307.540.

**307.543 Exemption limited to levy of governing body adopting ORS 307.540 to 307.548; exception; additional provisions.** (1) Except as provided in subsection (2) of this section, the exemption granted under ORS 307.540 to 307.548 applies only to the tax levy of a governing body that adopts the provisions of ORS 307.540 to 307.548. At the time of adoption, the governing body shall elect a definition of “low income” under ORS 307.540.

(2) The exemption granted under ORS 307.540 to 307.548 applies to the tax levy of all taxing districts in which property certified for exemption is located if, upon request of a governing body that has adopted the provisions of ORS 307.540 to 307.548, the rates of taxation of such taxing districts whose governing boards agree to the policy of exemption under ORS 307.540 to 307.548, when combined with the rate of taxation of the governing body that adopts the provisions of ORS 307.540 to 307.548, equal 51 percent or more of the total combined rate of taxation on the property granted exemption.

(3) A governing body may adopt additional provisions relating to the exemption granted under ORS 307.540 to 307.548 that do not conflict with the provisions of ORS 307.540 to 307.548. [1985 c.660 §3; 2015 c.141 §2; 2015 c.310 §8]

**Note:** See first note under 307.540.

**307.545 Application for exemption.** (1) A corporation seeking the exemption granted under ORS 307.540 to 307.548 must file an application for exemption with the governing body for each assessment year the corporation wants the exemption. The application must be filed on or

before March 1 of the assessment year for which the exemption is sought, except that when the property designated is acquired after March 1 and before July 1, the application for that year must be filed within 30 days after the date of acquisition.

(2) The application must include the following information, as applicable:

(a) A description of the property for which the exemption is requested;

(b) A description of the charitable purpose of the project and whether all or a portion of the property is being used for that purpose;

(c) A certification of income levels of low income occupants;

(d) A description of how the tax exemption will benefit project residents;

(e) A description of the development of the property if the property is being held for future low income housing development;

(f) 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; and

(g) A description of how the corporation and the property, respectively, meet any additional criteria adopted by the governing body pursuant to ORS 307.541 (2).

(3) The applicant shall verify the information in the application by oath or affirmation. [1985 c.660 §4; 1987 c.756 §15; 1993 c.108 §2; 1993 c.270 §25; 1997 c.541 §§133,133a; 2013 c.193 §7; 2015 c.310 §9]

**Note:** See first note under 307.540.

**307.547 Determination of eligibility; notice to county assessor.** (1) Within 30 days of the filing of an application under ORS 307.545, the governing body shall determine whether the applicant qualifies for the exemption granted under ORS 307.540 to 307.548.

(2)(a) If the governing body determines that the applicant qualifies, the governing body shall certify to the assessor of the county where the real property is located, as set forth in ORS 307.512, that all or a portion of the property is exempt from taxation under the levy of the certifying governing body.

(b) Notwithstanding paragraph (a) of this subsection, the governing body may send the certification required under this subsection on or before the deadline specified in ORS 307.512, or as promptly as practicable after making the determination under subsection (1) of this section, whichever is later.

(3) Upon receipt of certification sent pursuant to subsection (2) of this section, the county assessor shall exempt the property from taxation to the extent certified by the governing body. [1985 c.660 §5; 2013 c.193 §8; 2015 c.310 §10]

**Note:** See first note under 307.540.

**307.548 Termination of exemption; additional taxes.** (1)(a) If the governing body that has granted an exemption under ORS 307.540 to 307.548 to property in anticipation of future development of low income housing in connection with the exempt property finds that the property is being used for any purpose other than the provision of low income housing, or that any provision of ORS 307.540 to 307.548 is not being complied with, the governing body shall give notice of the proposed termination of the exemption to the owner, by mailing the notice to

the last-known address of the owner, and to every known lender, by mailing the notice to the last-known address of every known lender.

(b) The notice required under this subsection shall state the reasons for the proposed termination and shall require the owner to appear at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.

(2) If the owner fails to appear and show cause why the exemption should not be terminated, the governing body shall notify every known lender, and shall allow any lender not less than 30 days after the date the notice of the failure to appear and show cause is mailed to cure any noncompliance or to provide assurance adequate to the governing body that all noncompliance will be remedied.

(3)(a) If the owner fails to appear and show cause why the exemption should not be terminated, and the lender fails to cure or give adequate assurance of the cure of any noncompliance, the governing body shall adopt an ordinance or resolution stating its findings that terminate the exemption.

(b) A copy of the ordinance or resolution required under this subsection shall be filed within 10 days after its adoption with the county assessor, and a copy shall be sent to the owner at the owner's last-known address and to the lender at the last-known address of the lender within 10 days after its adoption.

(4) Upon the county assessor's receipt of the governing body's termination findings:

(a) The exemption granted the housing unit or portion under ORS 307.540 to 307.548 terminates immediately, without right of notice or appeal;

(b) The property shall be assessed and taxed as other property similarly situated is assessed and taxed; and

(c) Notwithstanding ORS 311.235, there shall be added to the general property tax roll for the tax year next following the presentation or discovery, to be collected and distributed in the same manner as other real property tax, an amount equal to the difference between the taxes assessed against the property and the taxes that would have been assessed against the property had it not been exempt under ORS 307.540 to 307.548 for each of the years, not to exceed the last 10 years, during which the property was exempt from taxation under ORS 307.540 to 307.548.

(5) Notwithstanding subsection (4) of this section, if at the time of presentation or discovery, the property is no longer exempt, additional taxes may be collected as provided in subsection (4) of this section, except that the number of years for which the additional taxes shall be collected shall be reduced by one year for each year that has elapsed since the year the property was last granted exemption, beginning with the oldest year for which additional taxes are due.

(6) The assessment and tax rolls shall show potential additional tax liability for each property granted exemption under ORS 307.540 to 307.548 because the property is being held for future development of low income housing.

(7) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate. [1997 c.752 §14; 2013 c.193 §17]

**Note:** See first note under 307.540.

**307.550** [1983 c.786 §10; 1991 c.459 §70; 1997 c.541 §134; repealed by 2001 c.114 §16]

**307.560** [1983 c.786 §11; 1991 c.459 §71; 1999 c.314 §63; repealed by 2001 c.114 §16]



# Non-Profit Corporation Low Income Housing Tax Exemption

## Project Team

Bryan Pohl, Community Development Director

Daniel Riordan, Senior Planner

City Council First Reading and Public Hearing

August 13, 2018

# Purpose

- The purpose of this public hearing is to hold a first reading of an ordinance establishing a non-profit corporation low-income housing tax exemption.
- This ordinance addresses Council goal objective 3.16 to:
  - Examine affordable housing incentives including property tax exemptions.
- The ordinance is modeled after ORS Chapter 307.540 to 307.548 and ordinances adopted by Washington County and Beaverton.
- The ordinance will add a new chapter (Chapter 37, Sections 37.01 to 37.06) to the Forest Grove Code of Ordinances incorporating ORS 307.540 to 307.548.

# Overview

- State law provides authority for an annual property tax exemption for non-profit corporations providing housing for low-income households.
- Low income can be defined in the local ordinance as one of two alternatives:
  - Alternative 1: Income at or below 60% of median income as determined by the Oregon Housing Stability Council based on information from the U.S. Department of Housing and Urban Development; or
  - Alternative 2: For the initial year that persons occupy property for which an application is filed under ORS 307.545, income at or below 60% of the area median income. For every subsequent year income at or below 80% of area median income.
- As a starting point, the proposed Ordinance uses Alternative 1.

# Overview

- The property tax exemption applies to the tax rate of the taxing district adopting the program.
- The exemption lasts as long as the property remains eligible:
  - The entity seeking the exemption must apply each year and certify the income levels of low-income occupants.
  - The entity must also describe how the tax exemption will benefit project residents.

# Overview

- If the City adopts the ordinance, a project could be eligible for up to a 48% exemption from property taxes. This is because Washington County adopted the program and the combined tax rate for both the City and County is about 48% of the total rate for all districts.

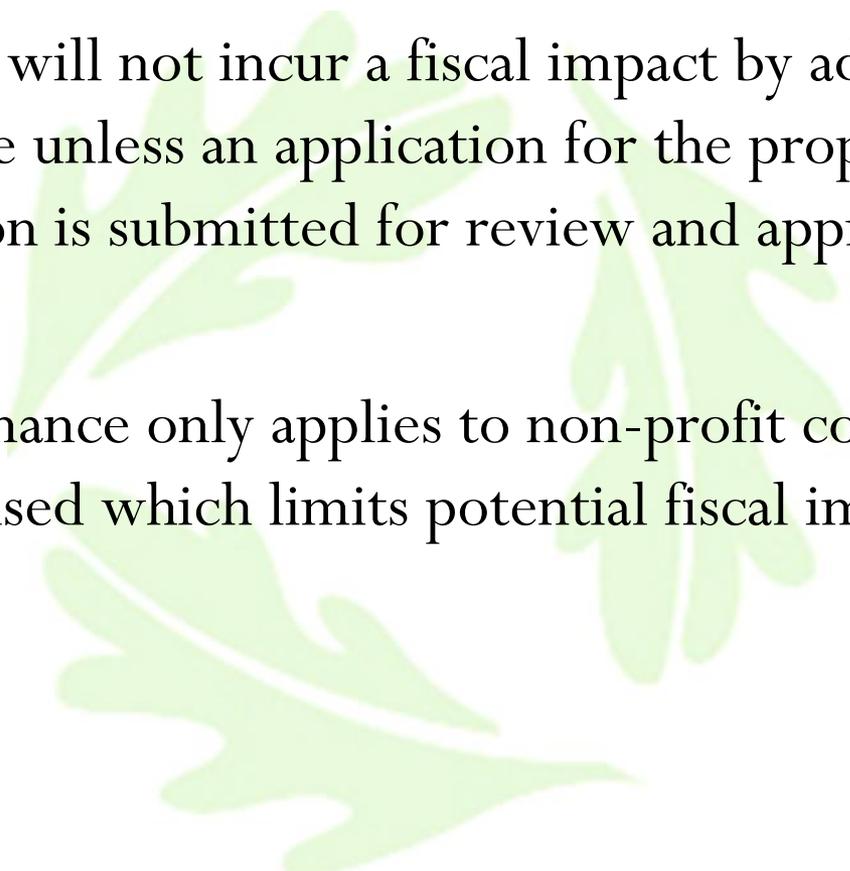
# Policy Considerations

- Council has several policy decisions to consider:
  - #1. Does Council desire to grant a property tax exemption for non-profit corporations providing low income housing?
  - #2. Which definition of low-income housing does Council desire to use in the Ordinance?

# Policy Considerations

- #3. Does Council wish to delegate administrative authority for certain decisions?
  - The ordinance as written delegates administrative authority to the City Manager or designee for determining project eligibility;
  - The ordinance reserves authority to City Council for terminating the property tax exemption.

# Fiscal Impact

- The City will not incur a fiscal impact by adopting the ordinance unless an application for the property tax exemption is submitted for review and approval.
  - The ordinance only applies to non-profit corporations so it is very focused which limits potential fiscal impacts.
- 

# Fiscal Impact

- After an application is submitted future fiscal impacts include staff costs for application review and processing and conducting annual program compliance to ensure income eligibility requirements are met.
- The City will also incur a fiscal impact due to foregone property tax revenue from approved projects.

# Recommendation

- Staff recommends City Council conduct a public hearing on the attached ordinance amending the Forest Grove Code of Ordinances to add §37.01 to §37.06 titled Non-Profit Corporation Low Income Housing Tax Exemption Program and advance the ordinance for second reading on September 10, 2018.



*A place where families and businesses thrive.*

---

**NOTICE OF PUBLIC HEARING  
AMENDING FOREST GROVE CODE OF ORDINANCES  
ADOPTING NON-PROFIT CORPORATION LOW-INCOME HOUSING TAX  
EXEMPTION PROGRAM FOR CITY OF FOREST GROVE**

**NOTICE IS HEREBY GIVEN** that the Forest Grove City Council will hold a Public Hearing on **Monday, August 13, 2018, 7:00 p.m.** or thereafter, in the Community Auditorium, 1915 Main Street, Forest Grove, to consider enacting an ordinance adopting City Code Chapter 37, §37.01 to §37.07, Non-Profit Corporation Low-Income Housing Tax Exemption Program. The primary purpose of the program is to encourage construction of housing affordable to households earning no more than 60% of area median income by allowing a property tax exemption to non-profit corporations. The proposed ordinance, if enacted by the City Council, would take effect 30 days immediately after enactment unless City Council declares an emergency.

This hearing is open to the public and interested parties are encouraged to attend. A copy of the staff report and proposed ordinance are available for inspection before the hearing at the City Recorder's Office or by visiting the City's website at [www.forestgrove-or.gov](http://www.forestgrove-or.gov). Written comments or testimony may be submitted at the hearing or sent to the attention of the City Recorder's Office, P. O. Box 326, 1924 Council Street, Forest Grove, OR 97116, prior to the hearing. For further information, please call Anna Ruggles, City Recorder, at 503.992.3235.

**Anna D. Ruggles, CMC, City Recorder  
City of Forest Grove**

Wednesday, August 8, 2018

Date: AUGUST 13, 2018

Agenda Item: 9.

Subject: PUBLIC HEARING AND FIRST READING OF ORDINANCE NO. 2018-06 AMENDING FOREST GROVE CODE OF ORDINANCES ADOPTING TITLE III (ADMINISTRATION), CHAPTER 37 (§37.01 THROUGH §37.07), TITLED NON-PROFIT CORPORATION LOW-INCOME HOUSING TAX EXEMPTION PROGRAM

# CITY COUNCIL MEETING

## Request to Testify at Public Hearing

**Public Hearings – Public hearings are held on each matter required by state law or City policy. Anyone wishing to testify should sign-in for the Public Hearing prior to the meeting. The Mayor or presiding officer will review the complete hearing instructions prior to testimony. The Mayor or presiding officer will call the individual or group by the name given on the sign-in form. When addressing the Mayor and Council, please move to the witness table (center front of the room). Each person should speak clearly into the microphone and must state their first and last name and provided a mailing address for the record. All testimony is electronically recorded. In the interest of time, Public Hearing testimony is limited to three minutes unless the Mayor or presiding officer grants an extension. Written or oral testimony is heard prior to any Council action.**

*Please sign-in below to testify.*

**PROPONENTS:** (Please print legibly)

<b>First &amp; Last Name:</b>	<b>Address:</b>	<b>City, State &amp; Zip Code:</b>
<u>DR. RUSS DONDERO</u>	<u>1506 LIMPUS LN</u>	<u>FG 97116</u>

**OPPONENTS:** (Please print legibly)

<b>First &amp; Last Name:</b>	<b>Address:</b>	<b>City, State &amp; Zip Code:</b>
<u>DAVID MORELLI</u>	<u>1320 CEDAR</u>	

**OTHERS:** (Please print legibly)

<b>First &amp; Last Name:</b>	<b>Address:</b>	<b>City, State &amp; Zip Code:</b>



6605 SE Lake Road, Portland, OR 97222  
PO Box 22109 Portland, OR 97269-2169  
Phone: 503-684-0360 Fax: 503-620-3433  
E-mail: legals@commnewspapers.com

**AFFIDAVIT OF PUBLICATION**

State of Oregon, County of Washington, SS I, Charlotte Allsop, being the first duly sworn, depose and say that I am the Accounting Manager of the **Forest Grove News Times**, a newspaper of general circulation, serving Forest Grove in the aforesaid county and state, as defined by ORS 193.010 and 193.020, that

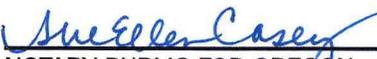
**City of Forest Grove  
NOTICE OF PUBLIC HEARING  
AMENDING FOREST GROVE CODE OF  
ORDINANCES  
ADOPTING NON-PROFIT CORPORATION  
LOW-INCOME HOUSING TAX EXEMPTION  
PROGRAM FOR CITY OF FOREST GROVE**

**Ad#: 61564**

A copy of which is hereto annexed, was published in the entire issue of said newspaper(s) for 1 week(s) in the following issue(s):  
**08/08/2018**

  
Charlotte Allsop (Accounting Manager)

Subscribed and sworn to before me this 08/08/2018.

  
NOTARY PUBLIC FOR OREGON



Acct #: 104052  
**Attn: Anna Ruggles**  
FOREST GROVE, CITY OF  
PO BOX 326  
FOREST GROVE, OR 97116

**NOTICE OF PUBLIC HEARING  
AMENDING FOREST GROVE CODE OF  
ORDINANCES ADOPTING NON-PROFIT  
CORPORATION LOW-INCOME HOUSING TAX  
EXEMPTION PROGRAM FOR CITY OF  
FOREST GROVE**

**NOTICE IS HEREBY GIVEN** that the Forest Grove City Council will hold a Public Hearing on **Monday, August 13, 2018, 7:00 p.m.** or thereafter, in the Community Auditorium, 1915 Main Street, Forest Grove, to consider enacting an ordinance adopting City Code Chapter 37, §37.01 to §37.07, Non-Profit Corporation Low-Income Housing Tax Exemption Program. The primary purpose of the program is to encourage construction of housing affordable to households earning no more than 60% of area median income by allowing a property tax exemption to non-profit corporations. The proposed ordinance, if enacted by the City Council, would take effect 30 days immediately after enactment unless City Council declares an emergency.

This hearing is open to the public and interested parties are encouraged to attend. A copy of the staff report and proposed ordinance are available for inspection before the hearing at the City Recorder's Office or by visiting the City's website at [www.forestgrove-or.gov](http://www.forestgrove-or.gov). Written comments or testimony may be submitted at the hearing or sent to the attention of the City Recorder's Office, P. O. Box 326, 1924 Council Street, Forest Grove, OR 97116, prior to the hearing. For further information, please call Anna Ruggles, City Recorder, at 503.992.3235.

**Anna D. Ruggles, CMC, City Recorder**  
City of Forest Grove  
Publish August 8, 2018.

FGNT61564