CITY OF CORVALLIS
COUNCIL WORK SESSION

AGENDA

June 26, 2006
5:30 pm

Downtown Fire Station
400 NW Harrison Boulevard

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

COUNCIL ACTION

I. ROLL CALL

II. UNFINISHED BUSINESS

A. Downtown Strategic Plan Report
   1. Downtown Systems Development Charge Review
   2. Downtown Housing Property Tax Exemptions Report
   3. Quarterly Report

III. ADJOURNMENT

For the hearing impaired, a sign language interpreter can be provided with 48 hours' notice prior to the meeting. Please call 766-6901 or TTD/TDD telephone 766-6477 to arrange for such service.

A LARGE PRINT AGENDA CAN BE AVAILABLE BY CALLING 766-6901

A Community that Honors Diversity

Memorandum

Date: June 20, 2006

To: Mayor and City Council

From: Ken Gibb, Community Development Director

Re: Update on Downtown Strategic Plan Report

Attached are three reports on components related to the Downtown Strategic Plan Project:

1. **Downtown System Development Charges (SDC) Report**:
   John Ghilarducci of Financial Consulting Solutions (FCS) prepared a report on Downtown SDC options. Mr. Ghilarducci will be in attendance to present an overview of the report.

2. **Downtown Housing**:
   Staff has reviewed options related to property tax exempt programs for downtown housing. Staff will review the attached report at the meeting.

3. **Quarterly Report**:
   DCA representatives will present the attached quarterly report related to progress in developing the Downtown Strategic Plan.

Review and Concur:

Jon S. Nelson

Jon S. Nelson, City Manager

FCS GROUP
Solutions-Oriented Consulting

Memorandum

To: Steve Rogers, Ken Gibb

Date: April 20, 2006

From: John Ghilarducci

RE: Special SDC Study

The City of Corvallis requested that FCS GROUP perform a special study of potential cost-based and legally defensible system development charge (SDC) reductions in the Corvallis downtown area. As noted in the 2004 **Corvallis Downtown Housing Market Analysis**,[1] such adjustments could work with other mechanisms to further incentivize downtown development and redevelopment.

In this memorandum, we evaluate a number of cost-based SDC adjustment options for all five of the City's existing SDCs – assessing both the feasibility and the order of magnitude financial impact of each adjustment.

System Development Charges

A system development charge is a one-time charge, paid at the time of development, intended to equitably recover the cost of the system capacity needed to serve that development. The charges also apply to redevelopment when that redevelopment increases service demand.

Oregon Revised Statute (ORS) 223.297 - 223.314 defines SDCs and specifies how they shall be calculated, applied, and accounted for. By statute, an SDC is the sum of two components:

- a reimbursement fee, designed to recover costs associated with capital improvements already constructed or under construction, and

- an improvement fee, designed to recover costs associated with capital improvements to be constructed in the future.

The reimbursement fee methodology must be based on "the value of unused capacity available to future system users or the cost of the existing facilities", and must further consider "prior contributions by existing users." For this reason, all past contributions, including grants and developer-donated facilities, are deducted from the reimbursement fee cost basis. These costs were not incurred by the rate / tax payers, so no "reimbursement" is needed. The statute further specifies that the "methodology shall promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities." For this reason, we also deduct outstanding debt to be paid by rates or taxes. In general, this practice ensures that new customers will only be charged once, in rates / taxes, for debt-financed facilities. Reimbursement fee proceeds may be spent on any capital improvements related to the systems for which the SDC

[1] ECONorthwest, July 2004.

applied. Water SDCs must be spent on water improvements, sewer SDCs must be spent on sewer improvements, etc.

The improvement fee methodology must include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost(s) of planned projects that correct existing deficiencies, or do not otherwise increase capacity for future users, may not be included in the improvement fee calculation. Improvement fee proceeds may be spent only on capital improvements, or portions thereof, which increase the capacity of the systems for which they were applied.

Existing SDC Practices in the Central Business District

It is important to note initially that the City has a number of SDC policies in place that work to the benefit of the development in the downtown core.

- System development charges are commonly applied to redevelopment only if that redevelopment increases the demand for system capacity and then only for that incremental increase over the capacity demand of the immediately preceding land use. In Corvallis, the City effectively charges an SDC for redevelopment only if the redevelopment increases demand for system capacity beyond that of *any previous land use* – not just the immediately preceding land use. The City does this by carrying the credit for previously paid SDCs on a site through subsequent generations of redevelopment.

  As an example, let us consider the case of a downtown site that has changed from a restaurant (1" water meter and/or 50 fixture units) to a retail store (5/8" X ¾" meter and/or 25 fixture units) and is now changing back to a restaurant (1" meter and/or 50 fixture units). The site would have essentially "earned" a credit for the reduction in system demand accompanying the change from the initial restaurant to the retail store. That credit would apply against the SDC to be paid upon redevelopment of the site from a retail store to a restaurant. For that change in use, the SDC due by the restaurant would be completely erased by the credit. The resulting charge would be $0

- For the purposes of calculating individual transportation SDCs, almost all commercial development[2] in the downtown core is classified under the Institute of Traffic Engineers (ITE) "Shopping Center" designation, due to the concentrated nature of downtown commercial development, as opposed to its actual, specific, land use. The ITE **Trip Generation** manual is the source for the trip generation estimates used to calculate transportation charges. The shopping center designation is assigned an average daily trip rate of 42.92 per 1,000 square feet of developed space. For some land uses, this results in a significantly reduced SDC. For example, a high turnover sit-down restaurant would be assigned an average daily trip rate of 130.34 per 1,000 square feet (a 67% decrease), and a drive-in bank would be assigned an average daily trip rate of 265.21 per 1,000 square feet (an 84% decrease). An additional 19% adjustment (reduction) in trip generation for pass-by trips would also be applied, as it is for all retail land uses.

[2] Gas stations being a possible exception.

- For Parks, commercial development is not charged. The charge only applies to residential development. So, commercial development / redevelopment in the downtown core is not impacted by Parks SDCs. [Further investigation of potential adjustments to the Parks SDC is limited and not in the scope of this study.]

Potential Cost-Based SDC Adjustments

At the outset of this project, we identified a number of approaches that could be used to provide SDC reductions in the central business district, while continuing to follow "ratemaking principles", as required in ORS 223.304 and interpreted to mean that SDCs must be based on proportionally recovering the cost to serve – essentially disallowing artificial subsidies among customer types within the SDC structure. Each alternative is described below, followed by an assessment of its feasibility and order-of-magnitude impact on SDCs in the downtown core.

1. **Allocate contributions between the downtown and the rest of the City.** As noted previously, contributions are a deduction against the reimbursement fee cost basis. A portion of contributed infrastructure cost may have been tax-funded, and the tax burden may have been borne disproportionately by the downtown area because of the density and value of downtown development.

   The intent of this effort would be to recognize that the central business district could have contributed disproportionately in property taxes to construction of any tax-funded infrastructure. It would impact only the reimbursement fee, so it is important to note the magnitude of the reimbursement fee for each service. The reimbursement fee makes up about 20% of the water SDC to most customers, none of the wastewater SDC, about 7% of the transportation SDC, about 8% of the stormwater SDC, and none of the parks SDC. The reimbursement fee bases for both the transportation and stormwater services were entirely made up of recently constructed projects that had definable unused capacity. There were no explicit deductions made against those project costs (none were warranted), so this approach would not impact the transportation and stormwater charges. Water appears to be the only service for which this approach could work. City finance department staff researched the source of funding for all utility (not just water) infrastructure historically for more than fifty years. While the City had made a practice of financing such improvements with general obligation bond debt, essentially secured by the City's taxing power, there was no evidence that any of the debt had been repaid with property taxes. All appeared to have been repaid by utility rates – implying an equitable distribution of burden and a solid basis for reimbursement. In short, we do not believe this approach will produce a basis for an SDC reduction in the downtown core.

2. **Allocate the original cost of assets between the downtown and the rest of the City.** If downtown infrastructure is older, it's relative cost would be lower, and so might the resulting reimbursement fee.

   While the presumption that the original cost of older infrastructure is lower stands to reason, it is also true that older infrastructure requires more in the way of repair and replacement, the costs of which are borne by all ratepayers in ongoing rates. An asset allocation between the downtown and the rest of the City for the purposes of the system development charge *should be accompanied by an area-specific, and presumably higher, monthly rate that incorporates the higher cost of repair and replacement for that older, lower-cost infrastructure in the downtown core. It is likely that the repair and replacement costs of this older infrastructure would erase or substantially diminish any differences between the original cost of downtown infrastructure and infrastructure in the rest of the City. We do not believe this approach will produce a net cost reduction, factoring in both SDCs and rates, in the downtown core.*

3. **Adjust trip estimates to account for the concentration of development in downtown area.** Density of development in the downtown core should result in lower fees for new customers in that area, if for no other reason than visitors need to park only once to accomplish more than one downtown task. The unit cost of serving growth should be lower.

   The City already effectively adjusts for this by assigning the ITE shopping center distinction to the whole CBD (with few exceptions). One important set of land uses that is not similarly adjusted is residential. The best information we are aware of indicates that a combination of urban development and transit availability can reduce residential vehicle trips between six to seven percent[3] and fifteen percent.[4] A seven percent reduction in the transportation SDC for different types of residential development is shown below:

Type	*Current Charge per DU*	*Less: 7%*	*Adjusted Charge per DU*
Single-Family Residential	*$2,050.76*	*($ 143.55)*	*$1,907.21*
Apartment	*$1,420.74*	*($ 99.45)*	*$1,321.29*
Condo/Townhouse	*$1,191.45*	*($ 83.40)*	*$1,108.05*

   A fifteen percent reduction in the transportation SDC for different types of residential development is shown below:

Type	*Current Charge per DU*	*Less: 15%*	*Adjusted Charge per DU*
Single-Family Residential	*$2,050.76*	*($ 307.61)*	*$1,743.15*
Apartment	*$1,420.74*	*($ 213.11)*	*$1,207.63*
Condo/Townhouse	*$1,191.45*	*($ 178.72)*	*$1,012.73*

4. **Account fully for previous capacity "purchased" for a site.** Review the historical land uses of redeveloping properties to determine the "highest" SDC that they would have paid under the current approach. Only charge them if their SDC due upon redevelopment exceeds

[3] **Back to the Future: Trip Generation Characteristics of Transit Oriented Developments**, Steven B. Colman, John P. Long, John C. Lewis, Steve Tracy, 1992 ITE International Conference.
[4] **Trip Reductions for Residential or Mixed Use Developments within ¼ Mile of a Transit Center**, ITE Trip Generation, p. 126.

the highest of all previous land uses. This approach presumes that the system has already met the capacity need of that highest historical use, and that that capacity has been paid for.

As mentioned previously, the City currently does this by carrying the credit for previously paid SDCs on a site through subsequent generations of redevelopment. One way the City could provide a benefit to developing or redeveloping customers in the downtown core would be to make those property-specific "credits" transferable at a discount – create a discounted market for them.

As an example, the City could offer to purchase credits from property owners for half of their paper value and re-sell them to the owners of developing or re-developing sites in the downtown core. The newly developing customers would benefit from the discounted price, and the selling customers would benefit by converting their credits into cash. The "selling" property would be subject to a full SDC if ever redeveloped again. The net cost to the City of this series of transactions could be zero, with administrative costs and credit purchase costs recoverable in the sale price.

5. **Account for the location of planned capital improvements in area-specific charges.** If capital improvements are disproportionately planned for outside of the downtown core, this could result in higher improvement fees outside of the core.

   The first step in evaluating this approach is to review the project lists for each service and determine if a split can be made between planned improvements that will serve inside and outside the downtown core. For example, it was determined, after discussions with City staff, that an area-specific approach to future improvements would not be appropriate for the transportation and water systems. Those systems, because of their reliance on system-wide capacity and reliability, could not be defensibly allocated to separate geographic areas – they both serve everybody. This was partially found to be true for wastewater as well, although a significant number of planned facilities and associated costs, could be allocated between the downtown and outside downtown areas. The following table shows the allocation of planned project costs between the downtown core and the rest of the City service areas:

Service	*Serve All*	*Serve Downtown Only*	*Serve Outside Downtown Only*
Transportation	*$58.5 million*	-	-
Water	*$29.3 million*	-	-
Stormwater	-	*$220,000*	*$4.96 million*
Wastewater	*$38.7 million*	*$1.31 million*	*$30.7 million*

   As mentioned previously, the improvement fee is calculated as the cost of capacity-increasing projects divided by growth. So, the impacts of these splits on resulting stormwater and wastewater improvement fees by area would depend upon the portion of the projected growth for each service forecasted to occur in the downtown and outside the *downtown. For stormwater, 4.25% of planned projects allocable between inside and outside downtown are projected to serve downtown. Therefore, if forecasted growth in the downtown area is greater than 4.25% of total service area growth, the downtown stormwater improvement fees would be lower than those of outside downtown. The inverse is also true. Impervious surface area in the downtown core is effectively maximized or built out already, so growth in downtown stormwater units will fall far short of 4.25% of the growth in the total customer base. We do not believe this approach will produce a basis for an SDC reduction in the downtown core.*

For wastewater, 4.09% of planned projects allocable between inside and outside downtown are projected to serve downtown. Therefore, if forecasted growth in the downtown area is greater than 4.09% of total service area growth, the downtown wastewater improvement fee would be lower than those of outside downtown. Again, the inverse is also true. It is not known what likely percentage of growth in the wastewater customer base will be generated in the downtown core. In gross land area, the downtown area makes up less than 1% of the area of the urban growth boundary. Even given greater density of development in the core, it seems unlikely that downtown wastewater customer growth would exceed 4.09%. Therefore, we do not believe this approach will produce a basis for an SDC reduction in the downtown core.

6. **Buy-down downtown SDCs as an incentive for economic development, but do it with funds from outside of the SDC program.**

   The City could choose to incentivize downtown redevelopment through external subsidies of some sort, of course taking care to meet any legal constraints regarding the gifting of private funds. These external funding sources could include the general fund, funds earmarked for economic development, and/or private donations.

Conclusion

Three of the potential strategies evaluated seem to hold promise, although the impact of each is debatable. First, a reduction in the assumed number of average daily trips generated by downtown *residential* development (alternative #3) seems to be warranted. The reduction chosen should fall within the range of supportable adjustments provided. Second, the discounted purchase, by the City, of site credits carried for past land uses *for resale to new development at the same discount* (alternative #4) also seems to be a viable *voluntary* option. Finally, the use of external (to the SDC program) sources of funding to essentially subsidize, or buy-down, SDCs in the downtown core seems to also have some merit if it can be done legally -- and if the City makes the policy choice to use this approach to incentivize downtown development.

MEMORANDUM

June 1, 2006

TO: Ken Gibb, Community Development Director

FROM: Kent Weiss, Housing Division Manager

RE: Property Tax Exemption Alternatives as Incentives to Develop Downtown Housing

I. Issue

It is a City Council goal to "support completion and assist with implementation of Downtown Master Plan and Downtown Housing Study." This memorandum responds to the second element of the Council goal, the Downtown Housing Study.

II. Background

In July 2004 consultant ECONorthwest completed an analysis of the downtown Corvallis housing market. The intent of the study was to create a better understanding of key elements of the downtown housing market (supply, demand, and financial performance), and then to evaluate the potential of a variety of public policy options available to the City that might provide incentives to expand the supply of housing downtown.

The ECONorthwest study drew a number of conclusions about the potential for housing in downtown Corvallis. Among them were:

- Downtown Corvallis presents many opportunities for housing;
- Housing demand in Corvallis is strong—Corvallis has added between 360 and 400 units annually over the past 10 years;
- Three target markets exist for downtown housing in Corvallis—young professionals (aged 19-39), active retirees (aged 55-70), and students;
- The preliminary financial analyses suggest that it will be challenging for the private sector to make projects work—ECO's analysis of ownership products suggests that units would have to sell for $250,000 and up while rental units would have to command a monthly rent of about $3.00 per sq. ft., or about $2,400;
- Adaptive reuse of existing structures can provide housing opportunities;
- Downtown housing fits into a broader community development framework and can achieve multiple objectives and create multiple benefits;
- The positive impacts of downtown housing and mixed-use projects can be enhanced through design;
- Finding or creating viable projects can be challenging; and
- Retail components of mixed-use projects can be a challenge.

Relative to policies the City might consider to provide incentives for the creation of housing downtown, the ECONorthwest study offered a summary conclusion that:

> *Based on ECO's evaluation of policies, it will probably require the City to use a combination of approaches to make projects attractive. The most viable policy (in the sense that it probably has the least direct cost to the City) appears to be the use of tax credits. The City will have to adopt a Vertical Housing Development Zone to use these credits, but that does not present a major barrier. Reducing development fees and providing parking subsidies are two other approaches that can have significant impacts on the cost of a project.*

In January 2005 the City Council directed Community Development staff to look further at two areas of public policy that might provide incentives for downtown housing: Systems Development Charges, and property tax credit/exemption programs. This memorandum examines the latter of these two areas: the provision of property tax incentives for housing built, converted or preserved in the downtown core area.

III. **Discussion**

Two programs have been authorized by the State of Oregon to provide property tax exemptions for the creation of housing units in downtown areas: the Vertical Housing Program authorized under OAR 813.013, and the Multi-unit Housing Exemption authorized under ORS 307.600-691. Because they provide tax exemptions, these programs are beneficial only after a project is completed: the tax exemptions they provide reduce the costs of operating projects (renting or selling units) but provide no direct construction subsidy. Having an exemption in hand that will reduce the cost of operation may facilitate a developer's ability to secure construction financing, and perhaps to move forward more quickly with initiation of a project.

Brief descriptions of the two downtown housing-related property tax exemption programs follow; a matrix that compares primary features, benefits and challenges of each is also attached.

Vertical Housing Program

The Vertical Housing Program (VHP) was initiated in 2000/01 by the Oregon Economic and Community Development Department, and then shifted to the Oregon Housing and Community Services Department (OHCS) following legislation passed in 2005. The Administrative Rules that govern OHCS's implementation of the Program were issued in April 2006. The purpose of the VHP is ". . . to encourage construction or rehabilitation of properties in targeted areas of communities in order to augment the availability of appropriate housing and to revitalize such communities."

In brief summary, the VHP provides ten year property tax exemptions for newly constructed, converted, or rehabilitated housing in a locally-designated downtown core or transit-oriented area in buildings or projects that consist of both commercial and residential uses. For projects that provide market-rate owner or renter housing, up to 80% of the property tax on the improvements (including both the residential and commercial improvements) can be exempted.

If the housing is affordable to people with incomes at or below 80% of the area median, up to 80% of the taxes associated with the land value may also be exempted. The level of exemption is tied to the number of floors of housing: one floor generates a 20% exemption, two floors a 40% exemption, and so on up to 80% for four or more floors.

To create a Vertical Housing Zone (VHZ) a jurisdiction identifies the area it wants to designate, communicates with other taxing entities about its intent to create the VHZ (informing them that they may opt out of participation if they choose), and then submits an application for Zone designation to OHCS. Once the VHZ is designated by OHCS, project developers apply directly to that agency to have their projects certified and the tax exemptions approved. Following project completion, OHCS carries out periodic project monitoring to ensure ongoing compliance with the requirements of the Vertical Housing Program.

Nine cities in Oregon currently have designated Vertical Housing Zones: Grants Pass, Klamath Falls, LaGrande, Central Point, Medford, Milwaukie, Eugene, Monmouth, Springfield, and Gresham. Housing staff has communicated with representatives from many of these jurisdictions, and in every case feedback about the Vertical Housing Program was very positive. Clarity, ease of implementation, and the fact that the VHP leads to a mix of uses downtown were all cited as positives of the program. None of the jurisdictions we spoke with cited drawbacks to having implemented the Vertical Housing Program.

Multi-Unit Housing Property Tax Exemption

The other downtown housing-focused incentive program is the Multi-Unit Housing Property Tax Exemption (MUPTE) authorized under ORS 307.600 - 307.691. The purpose of the MUPTE is to "... stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work."

Under the MUPTE, multi-unit housing projects constructed, converted or preserved in a City-designated core or transit-oriented area are eligible to receive a 10 year, 100% property tax exemption on the value of the housing improvements. The MUPTE does not provide exemptions on the land portion of a project. As with the Vertical Housing Program, the MUPTE is applicable to both renter and ownership units, as well as both market and affordable housing. There is no additional tax exemption benefit for affordable housing, but existing affordable housing that is or becomes subject to an assistance contract with a government entity can take advantage of the exemption.

To initiate a MUPTE program, a jurisdiction must identify the core area boundaries in which it will apply, and then contact other taxing entities to determine whether they wish to participate. If entities representing 51% or more of the taxation authority in the proposed MUPTE area choose to opt in to the exemption program, the projects that result will be exempt from the property taxes of all taxing entities. Prior to implementing the program, the adopting jurisdiction develops the standards that it will apply when reviewing developer proposals for the MUPTE. The content of these standards typically includes design elements, rents and/or sale prices, the minimum and maximum number of units in a project, and any other terms deemed desirable by the implementing jurisdiction.

Once the MUPTE zone is identified and standards are developed, the jurisdiction's governing board holds a public hearing to take comment and then passes an ordinance or resolution to adopt the MUPTE zone and standards. Each project that seeks a tax exemption under the MUPTE is approved or denied by the jurisdiction's governing board, which must determine 1) whether the project meets the locally adopted MUPTE standards, and 2) that the project would not go forward without the exemptions available through the MUPTE. Once an exempted project is complete, the jurisdiction is responsible for monitoring it annually to assure that it complies with the standards under which it was approved, and thus continues to qualify for the property tax exemption.

The cities of Salem and Eugene currently offer the MUPTE (Eugene in combination with their VHP). Because the MUPTE is initiated and operated locally, there is no central clearinghouse for information about which, if any, other jurisdictions offer it. Portland has utilized it in the past, but is in the process of reworking the standards it applies to projects, and thus is not offering it currently. None of the jurisdictions that offer a VHP, aside from Eugene, also offers the MUPTE, although Gresham did until about five years ago. Staff there explained to us that the city found the administration of the MUPTE to be cumbersome and staff time intensive, and thus expensive to operate. Once the Vertical Housing Program was developed they chose to switch over to providing the exemptions it offers; a new four-story/24-unit mixed use project is currently completing certification at OHCS.

IV. Estimated Impacts of Downtown Residential Property Tax Exemption Programs

The Corvallis downtown core area aligns closely with Benton County Tax Levy Area 932, in which the tax rate distribution in 2005 (the most recent year reported) was as follows.

Taxing Authority	*Tax Rate Distribution.*	*Tax Rate Total by Authority*	*Tax Percent Distribution*	*Tax Percent Total by Authority*
City of Corvallis		5.6485		36.38%
Bonds	0.5418		3.49%	
General Government	5.1067		32.89%	
Benton County		2.2034		14.19%
General Government	2.2034		14.19%	
Corvallis School District		6.2375		40.18%
Bonds SD 2003	1.5856		10.21%	
Bonds SD 509J	0.1905		1.23%	
Education	4.4614		28.74%	
Linn Benton CC		0.6858		4.42%
Bonds	0.1839		1.18%	
Education	0.5019		3.23%	

LinnBentonLincoln ESD Education	0.3049	0.3049	1.96%	1.96%
Benton County Library General Government	0.3947	0.3947	2.54%	2.54%
Benton Soil & Water District General Government	0.0500	0.0500	0.32%	0.32%
TOTALS	15.5248	15.5248	100.00%	100.00%

Applying these rates to the actual FY 05-06 taxes for an existing downtown mixed commercial/affordable residential building, the Julian Hotel, yields the estimated property tax exemptions found in the table that follows. These calculations are estimates only; under either exemption program the Benton County Assessor would determine the final amount to be exempted based on the relative valuations of the commercial and residential spaces in a building, as well as the portion of the total assessed value accounted for by the land.

Pertinent facts/assumptions about the Julian Hotel that affect the exemptions under the two programs include:

2005-2006 Taxes (Total):	$ 24,666
Total Assessed Value:	$1,588,847
Estimated Assessed Value of Improvements:	$1,457,555
Estimated Assessed Value of Land:	$131,292
Total Number of Floors:	4
Number/Percentage of Low Income Affordable Residential Floors	3/75%
Proportioned/Estimated Assessed Value of Residential Improvements:	$1,093,166
Number/Percentage of Commercial Floors	1/25%
Proportioned/Estimated Assessed Value of Commercial Improvements:	$364,389

Property taxes distributed by authority, and potential taxes foregone by each under the VHP and MUPTE, are outlined in the following table.

Taxing Authority	*2005-2006 Property Tax Revenue*	*Estimated Tax Revenue waived under VHP (60% exemption, includes land)*	*Estimated Tax Revenue waived under MUPTE (75% exemption on improvements only)*
City of Corvallis Bonds General Government Total City of Corvallis	 $ 860.84 8,113.76 8,974.60	 $ 516.50 4,868.26 5,384.76	 $ 592.28 5,582.47 6,174.75
Benton County General Government Total Benton County	 3,500.87 3,500.87	 2,100.52 2,100.52	 2,408.69 2,408.69

Corvallis School District[1] Bonds SD 2003 Bonds SD 509J Education Total Corvallis School District	 2,519.27 302.68 7,088.48 9,910.43	 1,511.56 181.61 4,253.09 5,946.26	 1,733.32 208.25 4,877.05 6,818.62
Linn Benton CC Bonds Education Total Linn Benton CC	 292.19 797.44 1,089.63	 175.31 478.46 653.78	 201.03 548.66 749.69
LinnBentonLincoln ESD Education Total LinnBentonLincoln ESD	 484.44 484.44	 290.66 290.66	 333.31 333.31
Benton County Library General Government Total Benton County Library	 627.12 627.12	 376.27 376.27	 431.47 431.47
Benton Soil & Water District General Government Total Benton S&WD	 79.44 79.44	 47.66 47.66	 54.66 54.66
TOTAL FOREGONE	$24,666.53	$14,799.92	$16,971.18
TOTAL TAXES PAID	$24,666.53	$9,866.61	$7,695.35

[1] *Under current funding methodology, property tax revenue reductions to a school district are balanced with state funding increases, and thus do not reduce per-student revenues for schools.*

As detailed in the foregoing table, if the City were to implement a Vertical Housing Program and subsequently a project similar to the Julian Hotel was constructed, the estimated total property taxes paid by the owner would be reduced from $24,666.53 to $9,866.61. In allowing the reduction, the City's estimated tax revenue would be reduced by $5,384.75. If a Julian-comparable project with four floors of housing/one floor of commercial was constructed, the total taxes paid would drop to $4,933.31, and the City's tax revenue would be reduced to $1,794.92.

Again using the scenario above, the estimated impact of having the Multi-Unit Housing Property Tax Exemption in place would result in an overall reduction in the total taxes paid from $24,666.53 to $7,695.35. The City's revenue would be reduced by $6,174.75. Again projecting the reduction to a four floor residential/one floor commercial building with the same value, total taxes would be reduced to $6,563.94, and revenue to the City would be reduced by $6,586.40.

The following table depicts the VHP and MUPTE impacts in more detail.

	PT Prior to Exemption	PT Paid on 3/1 Bldg	PT Exempted on 3/1 Bldg	City Revenue Foregone on 3/1 Bldg	PT Paid on 4/1 Bldg	PT Exempted on 4/1 Bldg	City Revenue Foregone on 4/1 Bldg
VHP	$24,666.53	9,866.61	14,799.92	5,384.76	4,933.31	19,733.22	7,179.68
MUPTE	$24,666.53	7,695.35	16,971.18	6,174.75	6,563.94	18,102.59	6,586.40

After reviewing the estimates of tax exemptions in the example above, and extending the example through a generic building of between two and seven stories, each with one or two floors of commercial use and the remainder residential, it is clear that the extent to which one exemption program is more beneficial than the other from the strictly financial perspective of a developer, depends on how large the project is, and what its mix of uses is. For small projects with one floor of commercial (total two to four stories) the MUPTE is likely to generate more financial benefit to a developer; for moderate sized projects (five or six stories) the VHP would likely be more beneficial; and for projects larger than six stories, the MUPTE would again offer greater tax incentive.

This changes somewhat as commercial space is added. Assuming two floors of commercial use in buildings ranging in size from three stories to seven stories, the MUPTE is likely to generate greater benefits to the developer in buildings of up to three or four stories, and the VHP will likely generate greater tax benefits for larger affordable projects.

These projections are rough estimates, and it is important to point out that each project will result in very different numbers. As assessed values of land increase in a projection model, the benefits of using the Vertical Housing Program to develop affordable housing units become more significant; likewise, as more commercial floors are added to a project, the VHP will offer greater overall benefits. If a project has nothing but residential space, the MUPTE would be the only one of these tools that could be applied (the VHP requires at least some commercial space in the tax exempted building).

V. Conclusion

The foregoing information is provided as background for further discussion about the concept of a downtown housing property tax exemption by those involved in the downtown strategic planning effort, and by the Housing and Community Development Commission, prior to a comprehensive downtown master plan moving forward for consideration by the City Council.

Please let me know if you have questions about the content of this report, or if there is additional information you would like us to investigate.

Attachments: VHP/MUPTE Comparison Matrix
Sample Exemption Calculation Worksheets

Comparison of Downtown Housing Development Property Tax Exemption Incentives Available to the City of Corvallis

	Vertical Housing Development Zones (OAR 813.013)	*Multi-Unit Housing Zones (ORS 307.600)*
Purpose?	". . . to encourage construction or rehabilitation of properties in targeted areas of communities in order to augment the availability of appropriate housing and to revitalize such communities."	". . . stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work."
Duration of program/exemption?	10 years	10 years
Housing: market, affordable (low income), both?	both	both
Housing: renter, owner, or both?	both owner and renter	both owner and renter
OK for 100% housing in building?	no	yes
OK for mixed housing/commercial?	yes - mandatory	yes
What geographic areas are eligible?	"core area" (downtown central business area).	core area or "transit oriented area" (area defined in regional or local transportation plans to be within one-quarter mile of a fixed route transit service). May be entire City for housing under a low income housing assistance contract with an agency or subdivision of the state or the United States.
Who defines/designates area?	City defines, State certifies	City
Who establishes project eligibility criteria?	State, but City zoning and any other locally adopted standards apply.	City; standards typically include design elements, rents/sale prices, minimum number of units, etc.
Who reviews & approves project applications?	State	City
Application fee?	cover true cost to State for processing application.	cover true costs of processing by City staff and/or County assessor.

	Vertical Housing Development Zones (OAR 813.013)	*Multi-Unit Housing Zones (ORS 307.600)*
Ratio of exemption to units/floors?	20% of total value of improvements/rehab for every residential floor created/rehabbed	100% per residential unit excluding value of land.
Maximum exemption allowed?	Up to 80% of total residential improvement/rehab value, excluding land value, if market rate units; Add up to 80% of value of land if low income/affordable units.	100% per residential unit excluding value of land.
Who can/must own project, receive benefits?	Not restricted	Not restricted
Type of housing activity included?	Construction, conversion or rehabilitation of a multiple story building, or a group of buildings, including at least one multiple story building, so that a portion of the project is to be used for nonresidential uses and a portion of the project is to be used for residential uses. Parking, balconies and patios typically not included unless they are amenities critical to the viability of the project, as determined by the State.	Multiple-unit housing preserved, constructed, established, added to or converted. Existing multiple-unit housing that is or becomes subject to a low income housing assistance contract with a public agency.
Other taxing entity options?	Others must opt out in order to not participate.	Others must opt in to participate, unless 51% of taxing entities agree, then all will be included.

	Vertical Housing Development Zones *(OAR 813.013)*	*Multi-Unit Housing Zones* *(ORS 307.600)*
Key Benefits	Requires both commercial residential uses, good fit for downtown. A project with multiple buildings could have one or more buildings as residential, as long as part of one of the buildings in the project is commercial. Provides opportunities to create both owner/renter, market and affordable housing to facilitate mixing of types and residents. The City establishes the zone, but the State receives project applications and certifies projects for exemption, minimizing City staff time. Because certification is determined by the State, project decisions are less political at the local level. State monitors projects and insures compliance during the period of exemption. Flexible enough to allow the creation of VH zones down to the tax lot level - this could allow more City control of what is developed beyond what zoning requires.	Projects may contain either mixed commercial/residential, or residential only. Provides opportunities to create both owner/renter, market and affordable housing to facilitate mixing of types and residents. Because it approves each application relative to locally developed standards, the City would have significant control over each project. Existing affordable multi-unit housing may also become exempt if it is under or enters into a housing assistance contract with a public agency.
Key Challenges	If large zone is created, there is little control over individual projects, apart from what zoning and other locally adopted standards require.	City must determine and document that an exempted project would not have been built if the exemption was not provided. Decisions to approve projects, because they are all made at the local level by the City Council, may become highly politicized. Increased requirement for staff time spent creating standards, reviewing individual project applications and monitoring projects for compliance over ten year exemption period.

	Vertical Housing Development Zones *(OAR 813.013)*	*Multi-Unit Housing Zones* *(ORS 307.600)*
What is the process to implement and carry out the program after Council directs staff to proceed?	1. Determine the physical area to be contained in the Vertical Housing Zone. 2. Discuss options with other taxing entities and send them the "opt-out" notice. 3. Council pass resolution to establish VHZ. 4. Submit application package to Oregon Housing & Community Services Department for certification of the Corvallis VHZ. 5. Once certified, OHCSD processes each property tax exemption application, notifies the Assessor of any certified exemptions, and monitors the resulting exempt projects for compliance with the Administrative Rules.	1. Determine the physical area to be contained in the Multi-Unit Housing zone. 2. Discuss options with other taxing entities and send them the "opt-in" notice. 3. Develop project standards and guidelines that will be used to evaluate all proposals for projects to be property tax exempt. 4. Council hold hearing to pass an ordinance or resolution adopting the MUPTE, approving the zone and adopting the guidelines and standards. 5. Once established, City staff processes each property tax exemption application for approval by the City Council, notifies the Assessor of any approved exemptions, and monitors the resulting exempt projects for compliance with the City's standards and guidelines.

Estimated [illegible]erty Tax Exemptions Using 2005-2006 Tax Valuation of the Julia[illegible]otel
Calculated 5/19/2006

		Actual	VHP Est. .6 on imp .6 on land	VHP Est. .8 on imp .8 on land	MUPTE Est. .75 on imp. 0 on land	MUPTE Est. .8 on imp. 0 on land
Corvallis	Bonds	860.84	516.50	688.67	592.28	631.76
	General	8,113.76	4,868.26	6,491.01	5,582.47	5,954.63
		8,974.60	5,384.76	7,179.68	6,174.75	6,586.40
Benton Cty	General	3,500.87	2,100.52	2,800.70	2,408.69	2,569.26
		3,500.87	2,100.52	2,800.70	2,408.69	2,569.26
509J	Bonds	2,519.27	1,511.56	2,015.42	1,733.32	1,848.87
	Bonds	302.68	181.61	242.14	208.25	222.13
	General	7,088.48	4,253.09	5,670.78	4,877.05	5,202.19
		9,910.43	5,946.26	7,928.34	6,818.62	7,273.20
LBCC	Bonds	292.19	175.31	233.75	201.03	214.44
	General	797.44	478.46	637.95	548.66	585.24
		1,089.63	653.78	871.70	749.69	799.67
LBL ESD	General	484.44	290.66	387.55	333.31	355.53
		484.44	290.66	387.55	333.31	355.53
Library	General	627.12	376.27	501.70	431.47	460.24
		627.12	376.27	501.70	431.47	460.24
BC S&WD	General	79.44	47.66	63.55	54.66	58.30
		79.44	47.66	63.55	54.66	58.30
		24,666.53	14,799.92	19,733.22	16,971.18	18,102.59
		%	60.00	80.00 %	68.80	73.39

	175,155	RMV Land
	1,944,500	RMV Improvements
	2,119,655	Total RMV
	8.26%	Land as % of Total
	1,588,847	Total Assessed Value
	131,292	Estimated AV Land
	1,457,555	Estimated AV Improvements
3/1	8.26%	% of AV that's land
	91.74%	% of AV that's imp.
	75.00%	% of imp. that's res.
	68.80%	% of AV that's res. imp.
4/1	8.26%	% of AV that's land
	91.74%	% of AV that's imp.
	80.00%	% of imp. that's res.
	73.39%	% of AV that's res. imp.

Generic E[illegible]les of Property Tax Exemption Impacts - Buildings Two through [illegible]en Floors (One Floor Commercial in Each)
Calculated [illegible]22/2006

Scenario 1

Assumptions:

Current Tax Liability	27,000
Commercial Floors	1
Residential Floors	1
Land AV	200,000
Imp AV	1,600,000
Total AV	1,800,000
Land AV as % of Total	11.11%
Imp AV as % of Total	88.89%
% of Imp that's Res	50.00%
% of AV that's Res Imp	44.44%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	20.00%
VHP Affordable Exemption on Land	20.00%

	VHP Market (20% Imp/0% Land)	VHP Afford (20% Imp/20% Land)	MUPTE (50% Imp/0% Land)
Total Exemption	4,800	5,400	12,000
Total Non-Exempt	22,200	21,600	15,000

Scenario 2

Assumptions:

Current Tax Liability	39,000
Commercial Floors	1
Residential Floors	2
Land AV	200,000
Imp AV	2,400,000
Total AV	2,600,000
Land AV as % of Total	7.69%
Imp AV as % of Total	92.31%
% of Imp that's Res	66.67%
% of AV that's Res Imp	61.54%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	40.00%
VHP Affordable Exemption on Land	40.00%

	VHP Market (40% Imp/0% Land)	VHP Afford (40% Imp/40% Land)	MUPTE (67.7% Imp/0% Land)
Total Exemption	14,400	15,600	24,000
Total Non-Exempt	24,600	23,400	15,000

Scenario 3

Assumptions:	
Current Tax Liability	51,000
Commercial Floors	1
Residential Floors	3
Land AV	200,000
Imp AV	3,200,000
Total AV	3,400,000
Land AV as % of Total	5.88%
Imp AV as % of Total	94.12%
% of Imp that's Res	75.00%
% of AV that's Res Imp	70.59%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	60.00%
VHP Affordable Exemption on Land	60.00%

	VHP Market (60% Imp/0% Land)	VHP Afford (60% Imp/60% Land)	MUPTE (75% Imp/0% Land)
Total Exemption	28,800	30,600	36,000
Total Non-Exempt	22,200	20,400	15,000

Scenario 4

Assumptions:	
Current Tax Liability	63,000
Commercial Floors	1
Residential Floors	4
Land AV	200,000
Imp AV	4,000,000
Total AV	4,200,000
Land AV as % of Total	4.76%
Imp AV as % of Total	95.24%
% of Imp that's Res	80.00%
% of AV that's Res Imp	76.19%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	80.00%
VHP Affordable Exemption on Land	80.00%

	VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (80% Imp/0% Land)
Total Exemption	48,000	50,400	48,000
Total Non-Exempt	15,000	12,600	15,000

Scenario 5

Assumptions:

Current Tax Liability	75,000
Commercial Floors	1
Residential Floors	5
Land AV	200,000
Imp AV	4,800,000
Total AV	5,000,000
Land AV as % of Total	4.00%
Imp AV as % of Total	96.00%
% of Imp that's Res	83.33%
% of AV that's Res Imp	80.00%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	80.00%
VHP Affordable Exemption on Land	80.00%

	VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (83.3% Imp/0% Land)
Total Exemption	57,600	60,000	60,000
Total Non-Exempt	17,400	15,000	15,000

Scenario 6

Assumptions:

Current Tax Liability	87,000
Commercial Floors	1
Residential Floors	6
Land AV	200,000
Imp AV	5,600,000
Total AV	5,800,000
Land AV as % of Total	3.45%
Imp AV as % of Total	96.55%
% of Imp that's Res	85.71%
% of AV that's Res Imp	82.76%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	80.00%
VHP Affordable Exemption on Land	80.00%

	VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (85.7% Imp/0% Land)
Total Exemption	67,200	69,600	72,000
Total Non-Exempt	19,800	17,400	15,000

Generic Examples of Property Tax Exemption Impacts - Buildings Two through Seven Floors (One Floor Commercial in Each) - **HIGH LAND VALUE EXAMI**
Calculated 5/22/2006

Scenario 1

Assumptions:

Current Tax Liability	39,000
Commercial Floors	1
Residential Floors	1
Land AV	1,000,000
Imp AV	1,600,000
Total AV	2,600,000
Land AV as % of Total	38.46%
Imp AV as % of Total	61.54%
% of Imp that's Res	50.00%
% of AV that's Res Imp	30.77%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	20.00%
VHP Affordable Exemption on Land	20.00%

	VHP Market (20% Imp/0% Land)	VHP Afford (20% Imp/20% Land)	MUPTE (50% Imp/0% Land)
Total Exemption	4,800	7,800	12,000
Total Non-Exempt	34,200	31,200	27,000

Scenario 2

Assumptions:

Current Tax Liability	51,000
Commercial Floors	1
Residential Floors	2
Land AV	1,000,000
Imp AV	2,400,000
Total AV	3,400,000
Land AV as % of Total	29.41%
Imp AV as % of Total	70.59%
% of Imp that's Res	66.67%
% of AV that's Res Imp	47.06%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	40.00%
VHP Affordable Exemption on Land	40.00%

	VHP Market (40% Imp/0% Land)	VHP Afford (40% Imp/40% Land)	MUPTE (67.7% Imp/0% Land)
Total Exemption	14,400	20,400	24,000
Total Non-Exempt	36,600	30,600	27,000

Scenario 3

Assumptions:	
Current Tax Liability	63,000
Commercial Floors	1
Residential Floors	3
Land AV	1,000,000
Imp AV	3,200,000
Total AV	4,200,000
Land AV as % of Total	23.81%
Imp AV as % of Total	76.19%
% of Imp that's Res	75.00%
% of AV that's Res Imp	57.14%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	60.00%
VHP Affordable Exemption on Land	60.00%

	VHP Market (60% Imp/0% Land)	VHP Afford (60% Imp/60% Land)	MUPTE (75% Imp/0% Land)
Total Exemption	28,800	37,800	36,000
Total Non-Exempt	34,200	25,200	27,000

Scenario 4

Assumptions:	
Current Tax Liability	75,000
Commercial Floors	1
Residential Floors	4
Land AV	1,000,000
Imp AV	4,000,000
Total AV	5,000,000
Land AV as % of Total	20.00%
Imp AV as % of Total	80.00%
% of Imp that's Res	80.00%
% of AV that's Res Imp	64.00%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	80.00%
VHP Affordable Exemption on Land	80.00%

	VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (80% Imp/0% Land)
Total Exemption	48,000	60,000	48,000
Total Non-Exempt	27,000	15,000	27,000

Scenario 5

Assumptions:	
Current Tax Liability	87,000
Commercial Floors	1
Residential Floors	5
Land AV	1,000,000
Imp AV	4,800,000
Total AV	5,800,000
Land AV as % of Total	17.24%
Imp AV as % of Total	82.76%
% of Imp that's Res	83.33%
% of AV that's Res Imp	68.97%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	80.00%
VHP Affordable Exemption on Land	80.00%

	VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (83.3% Imp/0% Land)
Total Exemption	57,600	69,600	60,000
Total Non-Exempt	29,400	17,400	27,000

Scenario 6

Assumptions:	
Current Tax Liability	99,000
Commercial Floors	1
Residential Floors	6
Land AV	1,000,000
Imp AV	5,600,000
Total AV	6,600,000
Land AV as % of Total	15.15%
Imp AV as % of Total	84.85%
% of Imp that's Res	85.71%
% of AV that's Res Imp	72.73%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	80.00%
VHP Affordable Exemption on Land	80.00%

	VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (85.7% Imp/0% Land)
Total Exemption	67,200	79,200	72,000
Total Non-Exempt	31,800	19,800	27,000

Generic Examples of Property Tax Exemption Impacts - Buildings Two through Seven Floors (Two Floors Commercial in Each)
Calculated 5/22/2006

Scenario 7			VHP Market (0% Imp/0% Land)	VHP Afford (0% Imp/0% Land)	MUPTE (50% Imp/0% Land)
Assumptions:					
Current Tax Liability	27,000	Total Exemption	0	0	0
Commercial Floors	2				
Residential Floors	0	Total Non-Exempt	27,000	27,000	27,000
Land AV	200,000				
Imp AV	1,600,000				
Total AV	1,800,000				
Land AV as % of Total	11.11%				
Imp AV as % of Total	88.89%				
% of Imp that's Res	0.00%				
% of AV that's Res Imp	0.00%				
VHP Market Exemption on Land	0.00%				
VHP Market Exemption on Imp	0.00%				
VHP Affordable Exemption on Land	0.00%				

Scenario 8			VHP Market (20% Imp/0% Land)	VHP Afford (20% Imp/20% Land)	MUPTE (33.3% Imp/0% Land)
Assumptions:					
Current Tax Liability	39,000	Total Exemption	7,200	7,800	12,000
Commercial Floors	2				
Residential Floors	1	Total Non-Exempt	31,800	31,200	27,000
Land AV	200,000				
Imp AV	2,400,000				
Total AV	2,600,000				
Land AV as % of Total	7.69%				
Imp AV as % of Total	92.31%				
% of Imp that's Res	33.33%				
% of AV that's Res Imp	30.77%				
VHP Market Exemption on Land	0.00%				
VHP Market Exemption on Imp	20.00%				
VHP Affordable Exemption on Land	20.00%				

Scenario 9

Assumptions:

Current Tax Liability	51,000
Commercial Floors	2
Residential Floors	2
Land AV	200,000
Imp AV	3,200,000
Total AV	3,400,000
Land AV as % of Total	5.88%
Imp AV as % of Total	94.12%
% of Imp that's Res	50.00%
% of AV that's Res Imp	47.06%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	40.00%
VHP Affordable Exemption on Land	40.00%

	VHP Market (40% Imp/0% Land)	VHP Afford (40% Imp/40% Land)	MUPTE (50% Imp/0% Land)
Total Exemption	19,200	20,400	24,000
Total Non-Exempt	31,800	30,600	27,000

Scenario 10

Assumptions:

Current Tax Liability	63,000
Commercial Floors	2
Residential Floors	3
Land AV	200,000
Imp AV	4,000,000
Total AV	4,200,000
Land AV as % of Total	4.76%
Imp AV as % of Total	95.24%
% of Imp that's Res	60.00%
% of AV that's Res Imp	57.14%
VHP Market Exemption on Land	0.00%
VHP Market Exemption on Imp	60.00%
VHP Affordable Exemption on Land	60.00%

	VHP Market (60% Imp/0% Land)	VHP Afford (60% Imp/60% Land)	MUPTE (60% Imp/0% Land)
Total Exemption	36,000	37,800	36,000
Total Non-Exempt	27,000	25,200	27,000

Scenario 11
Assumptions:

				VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (66.7% Imp/0% Land)
Current Tax Liability	75,000		Total Exemption	57,600	60,000	48,000
Commercial Floors	2					
Residential Floors	4		Total Non-Exempt	17,400	15,000	27,000
Land AV	200,000					
Imp AV	4,800,000					
Total AV	5,000,000					
Land AV as % of Total	4.00%					
Imp AV as % of Total	96.00%					
% of Imp that's Res	66.67%					
% of AV that's Res Imp	64.00%					
VHP Market Exemption on Land	0.00%					
VHP Market Exemption on Imp	80.00%					
VHP Affordable Exemption on Land	80.00%					

Scenario 12
Assumptions:

				VHP Market (80% Imp/0% Land)	VHP Afford (80% Imp/80% Land)	MUPTE (85.7% Imp/0% Land)
Current Tax Liability	87,000		Total Exemption	67,200	69,600	60,000
Commercial Floors	2					
Residential Floors	5		Total Non-Exempt	19,800	17,400	27,000
Land AV	200,000					
Imp AV	5,600,000					
Total AV	5,800,000					
Land AV as % of Total	3.45%					
Imp AV as % of Total	96.55%					
% of Imp that's Res	71.43%					
% of AV that's Res Imp	68.97%					
VHP Market Exemption on Land	0.00%					
VHP Market Exemption on Imp	80.00%					
VHP Affordable Exemption on Land	80.00%					

DOWNTOWN CORVALLIS ASSOCIATION

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16 June 2006

Mayor Helen Berg and Corvallis City Council
Corvallis City Hall
501 SW Madison Avenue
Corvallis OR 97339

Dear Mayor Berg and Councilors:

The Downtown Corvallis Association's Strategic Planning Committee is pleased to provide you with the second in a series of quarterly updates to keep you informed of our progress.

We plan to attend the City Council Work Session on June 26th to answer any questions.

Sincerely,

Cary Stephens
Board President

"To improve and promote the economic, aesthetic and cultural vitality of Downtown Corvallis as a regional center"

DCA's Strategic Planning Committee's Quarterly Summary

June 2006

This is the second in a series of quarterly updates to keep the City Council abreast of the Committee's progress.

Enhance Retail Shopping Mix

Johnson Gardener attempted to contact national retailers to determine what they expect from property owners and the space and location they would want downtown. They concluded that national retailers are so busy considering other move-in ready sites that they are only interested in discussing specific projects, and not generalities. This information was presented at a DCA sponsored "Retail Opportunities" outreach meeting in May. The Committee and meeting participants found that since the Johnson Gardener downtown market study was completed, a number of new women's clothing stores have opened in downtown, responding to the need that was identified in the study.

Financing Redevelopment

Charles Kupper has completed the Urban Renewal Feasibility Report. The report found that tax increment revenues over 20 years would generate approximately $21.7 million dollars and that such a district appears to be feasible in downtown. These findings will be presented to the public in June and July and Charles Kupper will present them at the City Council work session on August 7th.

Formation of a Downtown Commission

The evaluation of forming a new Downtown Commission is nearing completion. The findings and preliminary recommendations will be presented at public outreach meetings in June and July.

Proposed Changes to the CBD Development Code

A sub-committee (which includes City staff) is developing a set of proposed changes to the downtown development standards and municipal code, consistent with the vision for downtown and the City's Comprehensive Plan. The Committee will be reviewing the recommendations over the next month and will present the final recommendations at a public outreach meeting in July. The recommendations will be forwarded to the City for consideration, at which time they will be evaluated by staff, and additional public forums held before any changes are ultimately implemented.

Business Locator Wayfinding Maps and Signage

Funding for this effort is currently on hold. The Committee is continuing to research partnerships with Corvallis Tourism and OSU and soliciting qualifications of other Oregon firms.

SDC Evaluation

The City has hired a consultant to evaluate the City's SDC fees as they apply to downtown. The report will be presented to the City Council on June 26th.

Downtown Strategic Plan

The Committee has identified a preferred format and the way they would like to see the information packaged. The committee will develop a stand alone Vision Statement for Downtown (no more than 6 pages with numerous photographs), a stand alone Downtown Strategic Plan (no more than 30 pages also with numerous photographs), and a separate Appendix identifying tasks, responsibilities, and timing of implementing the action items.