

PACIFIC CREST AFFORDABLE HOUSING

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May 23, 2016

Deschutes County Board of Commissioners
1300 NW Wall Street
Bend, Oregon 97703

RE: Request for 20-year property tax exemption for 2 upcoming affordable housing projects in Bend, Oregon

Dear Board of Commissioners,

The purpose of this letter is to formally request that Deschutes County exempt its portion of property taxes for a period of 20 years for two affordable housing projects to be developed in Bend by Pacific Crest Affordable Housing (PCAH). This request is contingent upon the projects being awarded funding from the State of Oregon Housing and Community Services department (OHCS).

History

In November 2003 the City of Bend adopted a tax exemption program, as allowed under Oregon Revised Statutes 307.515 to 307.537, permitting local taxing authorities to exempt property taxes for qualifying affordable multifamily rental projects for a period of 20 years. To qualify for exemption, projects must serve households earning equal to or less than 60% of the Area Median Income (AMI) for Deschutes County (as determined by the US Department of Housing and Urban Development). Under the statute, qualifying projects can receive an exemption on 100% of their property tax bill if taxing districts accounting for 51% or more of the total tax rate agree to the exemption. A summary of ORS 307.515 to 307.537 is attached (see *Attachment A*).

Our projects will qualify for tax exemption under the City's program. Approval of our tax exemption request by Deschutes County will help us reach the 51% threshold needed to receive a 100% exemption. We will also be approaching the Bend-LaPine School District to request exemption in the near future.

PCAH has developed 5 affordable housing projects (4 of them within Deschutes County) (see *Attachment B*). We have received 20-year tax exemptions for all of these projects. The local community's support for these projects in the form of tax exemption was invaluable to our efforts to obtain funding for these projects and to offer the lowest rents possible to our residents.

Need

Housing affordability for lower income populations has been a challenging issue in Bend for some time, and increasingly so now that the rental vacancy rate is less than 1% and rental rates and sales prices are skyrocketing. The few market rate rental units that are available are too expensive for most lower income households, and the lower-priced market rate rentals tend to be in very poor condition. The affordable (i.e., income-restricted) housing that is available has long waiting lists, and the demand for housing vouchers far outpaces their availability. Homeownership is out of reach for the majority of lower income households. The result is that too many lower income households are doubling up in small units, living in substandard housing, living with the constant threat of homelessness, or experiencing homelessness.

The Projects

The two projects for which we are seeking tax exemption, called "Azimuth 325" and "Canal Commons", will address this need by providing a total of **114 new units** of high quality, permanent, affordable housing for Bend (see *Attachment C*).

Azimuth 325, which will contain 50 one- and two-bedroom units, will be located on Northwest Crossing Drive, near NW Lemhi Pass Drive, in Northwest Crossing. Canal Commons will be composed of 64 one-, two- and three-bedroom units and will be located on Butler Market Road and 27th Street.

Both projects will be reserved entirely for households earning equal to or less than 60% of AMI. Rents will be set to be affordable to households earning equal to or less than 50% of AMI (based on income and rental figures published annually by HUD). This translates to maximum qualifying incomes of approximately **\$25,080 to \$38,700** (depending on household size), and rents that will be set upon opening at roughly **\$560 to \$776** (depending on unit size), *all utilities included*. These figures may be slightly more or less at the time of opening, depending on HUD's published figures at the time. These rents will be roughly **30% below market rate rents**.

Both projects will be rent- and income-restricted for **60 years**.

The projects will be designed and built to be indistinguishable from higher end market rate housing and will include amenities such as community rooms, fitness rooms, reading rooms, internet stations, community gardens, and pedestrian oriented grounds. Both projects will also include a suite of resident services designed to ensure that our residents have access to the social services, job training programs and healthcare services that they need to thrive, as well as recreational and social opportunities to enhance their quality of life. We pride ourselves on building beautiful, high quality permanent housing that our low-income residents are proud to call home, and these two projects will be no exception.

Timing

PCAH will apply to OHCS for a variety of public funds for the development of Azimuth 325 and Canal Commons in August 2016. If awarded the funds we will begin construction in the spring of 2017 and occupy the building in the spring of 2018. Tax exemption would begin on July 1, 2018 and continue for 20 years.

The Developer

PCAH is an award-winning, Bend-based developer of affordable housing, which has been serving Central Oregon since 2005. PCAH has built five high quality affordable housing projects in Central Oregon (see *Attachment B*). PCAH is guided by a mission "to provide high quality, comfortable, and stable housing which our low-income residents are proud to call home, and to contribute to the advancement of sustainable building in affordable housing development".

PCAH has found a niche in creating successful public-private partnerships, utilizing multiple public and private funding sources, building high quality housing which is indistinguishable from higher end market rate housing, and pushing the envelope in sustainable building, all while maintaining some of the lowest rents in the region.

Frequently Asked Questions

Below we have addressed a number of questions that frequently arise when we are requesting tax exemption for our projects.

How does tax exemption help?

Property tax exemption benefits our projects, and enhances our funding applications, in two important ways:

1. It demonstrates the support of the local community for the projects.
2. It enables us to offer even lower rents than we would be able to without tax exemption.

Like our previous projects, our two upcoming projects are dependent upon the award of federal Low Income Housing Tax Credits and other public funds. These funds are awarded on a competitive basis by OHCS and *the competition is fierce*. Projects that demonstrate local support, particularly in the form of financial assistance, and that provide the lowest rents possible stand a greater chance of being selected for funding. Plus, the more we can lower our rents, the better we are able to achieve our ultimate goal of assisting the community's low-income households to the greatest degree possible.

What is the financial impact on Deschutes County?

Without tax exemption, we would apply for a Specially Assessed Value (SAV) valuation which lowers the assessed value for multi-family rent-restricted housing. Based on our analysis (using the 2015-2016 Exception Value Ratio for multi-family projects and the SAV valuation), we estimate that the property taxes for the first year of operation would be approximately \$36,838 for Canal Commons, and \$25,141 for Azimuth 325. The County's portion of this would be approximately **\$3,058 for Canal Commons** and **\$2,087 for Azimuth 325**. Therefore, full exemption on our property tax bills would result in Deschutes County forgoing roughly \$5,145 in tax revenue in the first year for both projects combined.

Who benefits from the savings if there is a full tax exemption?

The residents. As required by the Oregon Revised Statutes, the full value of the tax exemption will be directly passed through to the residents of the buildings in the form of reduced rent. For Canal Commons, exemption on an estimated tax bill of \$36,838 would translate to a savings of **\$48 per month per household** (on average), or \$576 per year per household. For Azimuth 325, exemption on the estimated tax bill of \$25,141 would translate to a savings of **\$42 per month per household** (on average), or \$503 per year per household. For low-income households, these savings would be significant and meaningful and could make a huge difference in their ability to make ends meet from month to month. So for a cost of \$5,145 to the County (for the first year of exemption), the savings to the low-income residents would be substantial.

Who will ensure that the rents really do stay affordable?

As noted above, these projects will remain rent- and income-restricted for 60 years. These restrictions are written into our grant and loan agreements and recorded against the properties

for the entirety of the affordability periods. The extensive and ongoing oversight and monitoring that comes with the combination of federal and state funds in the project will ensure that the rent and income restrictions are adhered to for the full 60 years, that the buildings are maintained in top physical condition, and that the resident services are appropriate and meaningful to the residents. OHCS, our equity partner, and our permanent lender have compliance divisions that regularly monitor our performance in these areas. If any deficiencies are noted, we are required to remedy them within a specific period of time or face penalties. We have an impeccable record of compliance with the affordability, income eligibility, fair housing, and maintenance requirements imposed by our funders and partners.

Do all affordable housing projects apply for tax exemption?

No. Approximately 75% - 90% of the affordable housing units developed each year are developed by non-profit organizations and public agencies. Non-profit organizations have a separate process for obtaining tax exemption, and projects developed by public agencies (such as housing authorities) are already exempt from property taxes.

Will approval of this tax exemption open the floodgates to other requests?

No. Such exemptions are only allowed for rental projects that meet the strict qualifying criteria of the ORS and the additional restrictions imposed by the City of Bend. Furthermore, for the small number of projects that do qualify for this exemption, Deschutes County has the right to judge each of these projects on their merits and decide whether to grant a request for tax exemption accordingly.

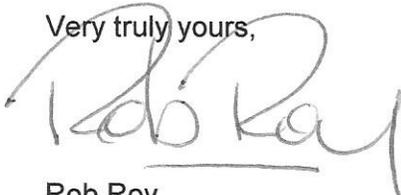
What is the benefits for Deschutes County?

The benefit to Deschutes County is that these projects will primarily, if not exclusively, serve low-income residents of Deschutes County that are suffering from the affordable housing crisis - i.e., households that are experiencing housing instability, facing or experiencing homelessness, living in substandard conditions, and/or living in housing that is too expensive for their budgets. Supporting these projects demonstrates the County's commitment to serving the needs and protecting the well-being of the residents within the County.

We are very excited about the prospect of developing Azimuth 325 and Canal Commons. We know first-hand the depth of the need for affordable housing within our community and we look forward to contributing to a long-term solution with help from Deschutes County and other taxing authorities with a vested interest in addressing this critical issue facing our community.

Thank you very much for your consideration of our request. Should you have any further questions, please do not hesitate to contact us at 541-383-2505.

Very truly yours,



Rob Roy
Co-Operating Manager



John N. Gilbert
Co-Operating Manager

Attachment C

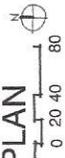
PATH TO
PINE NURSERY PARK
FIELDS



CANAL COMMONS
PACIFIC CREST AFFORDABLE HOUSING

CONCEPTUAL SITE PLAN

BLRB architects



PLAYGROUND IMAGES



THORNHILL LANE - WOONERF IMAGES (LIVING STREET)

Azimuth 325



CONCEPTUAL VIEW FROM NW CROSSING DRIVE
SUBJECT TO CHANGE

PACIFIC CREST AFFORDABLE HOUSING

BLRB architects

Azimuth 325



CONCEPTUAL VIEW FROM PARKING LOT
SUBJECT TO CHANGE

PACIFIC CREST AFFORDABLE HOUSING
BLRB architects