

# Vertical Housing Development Zone (VHDZ)

---

City Council Public Hearing  
May 17, 2021



# Newberg Downtown Improvement Plan (NDIP)

- NDIP – “...*downtown will have a successful, complementary mix of retail, civic, entertainment, cultural, office and residential uses, showcasing its pedestrian-friendly streetscapes, public art, and strong connections to adjacent neighborhoods and activity centers.*”
- Pages 54 and 55 of the NDIP recommends establishment of a VHDZ program to encourage and incentivize mixed-use developments within the downtown.

# What is a VHDZ?

- Authorized by State Statute ORS 307.841-307.867.
- Enables cities and/or counties to reach an agreement with other taxing jurisdictions to grant a 10-year partial property tax exemption for new mixed use development.
- Can be single or multiple tax lots.

# Why Support Developing a VHDZ Program?

- Encourage investment in Newberg's Central Business District (CBD).
- Encourage new mixed-use development (residential and commercial).
- More commercial growth in the CBD increases surrounding property values and increases the County's tax base as a whole.
- Increased live/work opportunities.
- Support existing businesses by increasing the number of residents (aka consumers) living in the CBD.
- Create long-term community wealth through larger, mixed-use buildings that will be fully taxed after the partial abatement expires.
- Encourage more walkable neighborhoods by locating goods and services near residents.

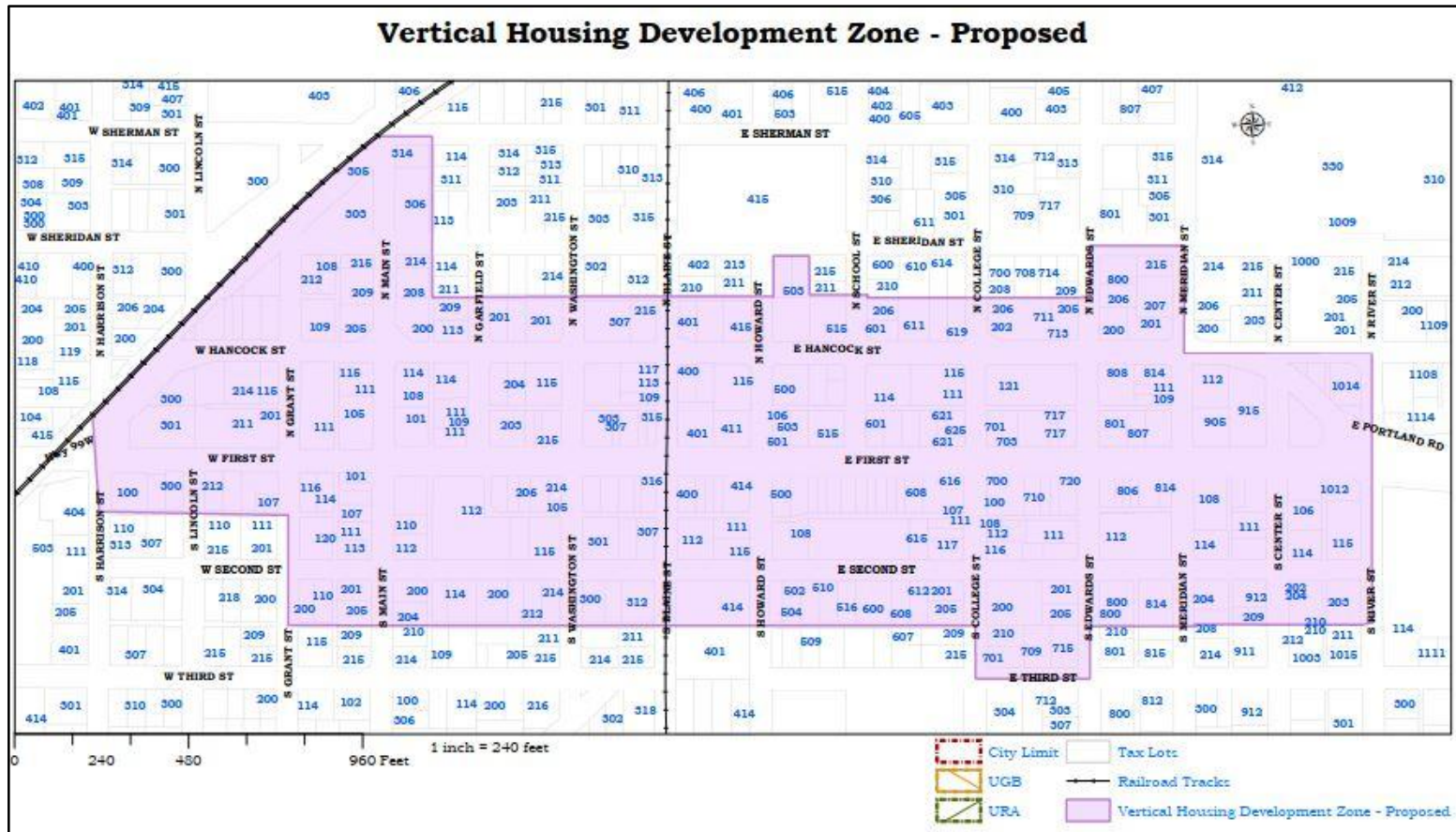
# Property Tax Abatement Options Available for Market Rate Housing Units

- Mixed Use Buildings
  - 1<sup>st</sup> floor commercial is fully taxed.
  - Partial tax exemption up to 10 years for residential floors.
    - One floor = 20%
    - Two floors = 40%
    - Three floors = 60%
    - Four floors = 80%

# Property Tax Abatement Available for Affordable Housing Units

- Additional property tax abatement for land if certified low income housing (80 percent of area median income or below).
  - Partial tax abatement up to 10 years for residential floors:
    - One floor = 20%
    - Two floors = 40%
    - Three floors = 60%
    - Four floors = 80%

# Proposed VHDZ Boundary Map





# Potential Development Opportunity Sites



- 13 potential sites
- Total land area 4.71 acres
- Source: Leland Consulting Group, 2020 Newberg Displacement Analysis



# Displacement Analysis

- ORS 307.844 (5) requires a Displacement Analysis before designating a VHDZ.
- Finding – Consultant’s analysis determined that there was very low likelihood that current residents would be displaced as a result of the proposed VHDZ.



# Union Block Model



- 614 E First Street
  - Corner of E First St. and S College St.
- First Floor Commercial
- Second Floor Residential

# Union Block Model Assumptions

- Building assumptions
  - New construction
- Assumptions for the calculations
  - 2019 Real Market Value (RMV) of \$1,681,917 for building.
  - 2019 RMV of \$278,136 for land increases \$2,000 post construction.
  - Market rate residential units
  - 3% annual increase in assessed value
  - Yamhill County Tax Assessor does not differentiate tax rate for a mixed-use building so we split the RMV 50-50 for the 2-story base model.

# Two and Three Story Models – City of Newberg Levy 2.5750 (millage rate)

2-Story Model – 20% Partial Temporary Tax Abatement	
Estimated Value of Building After Construction	\$1,681,917
Estimated Tax Collected with Abatement for Years 1-10	\$32,994
Estimated Total Tax Abatement for Years 1-10	\$6,792
Estimated Total Tax Collected for Years 11-20	\$53,469

3-Story Model – 40% Partial Temporary Tax Abatement	
Estimated Value of Building After Construction	\$2,522,876
Estimated Tax Collected with Abatement for Years 1-10	\$36,390
Estimated Total Tax Abatement for Years 1-10	\$20,376
Estimated Total Tax Collected for Years 11-20	\$76,289

# Four and Five Story Models - City of Newberg Levy 2.5750 (millage rate)

4-Story – 60% Partial Temporary Tax Abatement	
Estimated Value of Building After Construction	\$3,363,835
Estimated Tax Collected with Abatement for Years 1-10	\$32,994
Estimated Total Tax Abatement for Years 1-10	\$40,752
Estimated Total Tax Collected for Years 11-20	\$99,109

5-Story – 80% Partial Temporary Tax Abatement	
Estimated Value of Building After Construction	\$4,204,794
Estimated Tax Collected with Abatement for Years 1-10	\$22,806
Estimated Total Tax Abatement for Years 1-10	\$67,920
Estimated Total Tax Collected for Years 11-20	\$121,929

# All Taxing Districts Abatement for Years 1-10

Number of Residential Floors	Total Abatement Amount for Years 1-10
1	\$39,702
2	\$119,106
3	\$238,211
4	\$397,019

# Taxing Districts Opt-In/Opt-Out Results

All Taxing Districts have chosen to opt-in to Newberg's VHDZ!

- 08/27/19 – Tualatin Valley Fire & Rescue
- 02/23/21 – Newberg Public Schools
- 03/04/21 – Chehalem Park & Recreation District
- 03/04/21 – Portland Community College
- 03/10/21 – Yamhill County Soil and Water Conservation District
- 03/11/21 – Yamhill County Board of Commissioners
- 03/11/21 – Oregon State University Extension Service
- 04/06/21 – Willamette Educational Service District



# Findings ORS 307.844

- 1.a. – City Designated the Zone in Attachment 2.
- 4. – No local taxing district elected not to participate in the VHDZ.
- 5. – The Displacement Analysis found little chance that existing residents would be displaced as a result of the VHDC programs.
- 6.a.b.c. – Proper notice sent (2/9/21), described the VHDZ, explained exemptions and process by which taxing district may opt-out and no notice received to opt-out.
- 7.a. – Tonight's City Council's public hearing is 97 days after opt-in/opt-out letter was sent to taxing districts.

# Staff Recommendation

- Adopt Ordinance No. 2021-2879 an Ordinance establishing a Vertical Housing Development Zone and creating Chapter 3.50 in the Newberg Municipal Code.