

Vertical Housing Development Zone (VHDZ)

Portland Community College Board of Directors
December 17, 2020



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?

- A VHDZ is authorized by State Statute ORS 307.841-307.867
- It 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.
- A VHDZ can cover a single tax lot, a parcel of many adjoining tax lots.

Why Support Developing a VHDZ Program?

- Encourage investment in and rehabilitation of mixed-use multi-story developments in Newberg's Central Business District.
- Encourage new mixed-use development (residential and commercial)
- Stimulate more commercial growth in the area, increasing the value of surrounding properties and the County's tax base as a whole
- Enhance opportunities for a live/work community
- Support commercial development by increasing the number of residents (aka consumers)
- 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

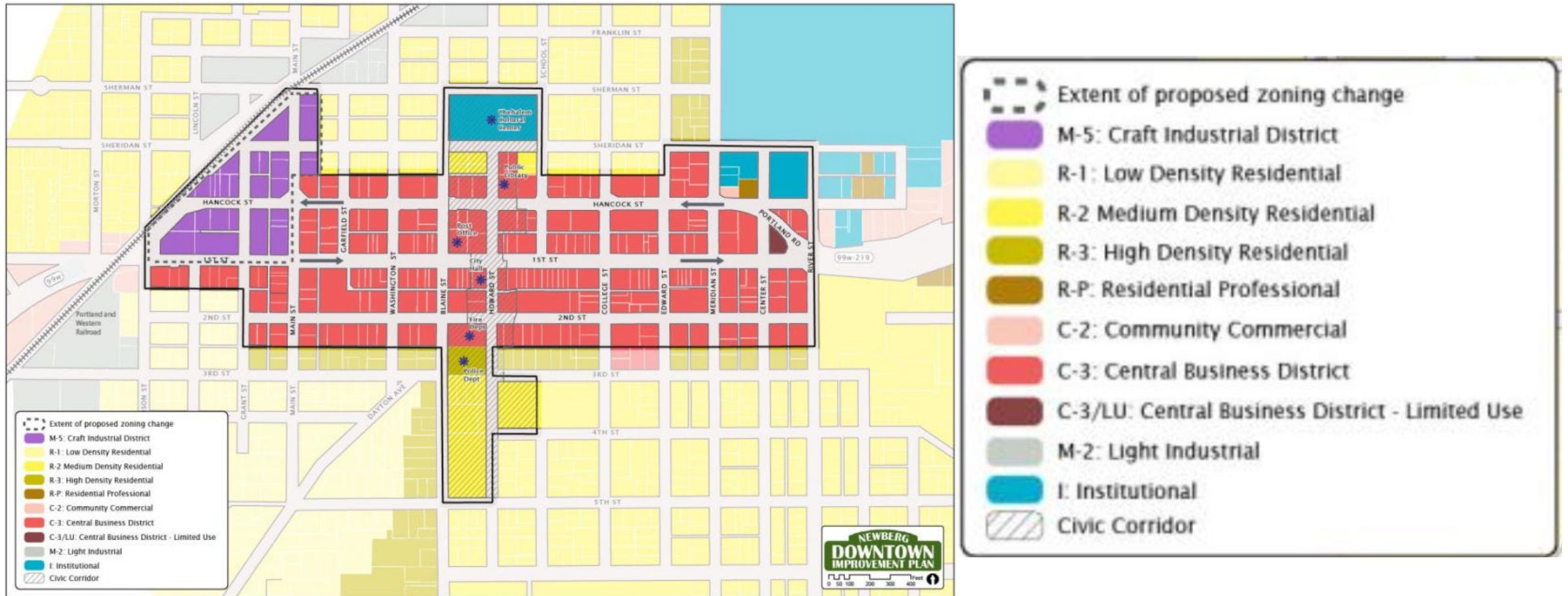
What Partial Tax Exemptions are Available for Market Rate Housing Units?

- Property owners may be eligible for a partial exemption of property taxes on improvement values for up to 10 years.
- Mixed-use buildings, 1st floor commercial & 2nd floor and up residential, may be eligible for the following partial property tax exemptions on improvement value:
 - One floor = 20%
 - Two floors = 40%
 - Three floors = 60%
 - Four floors = 80%

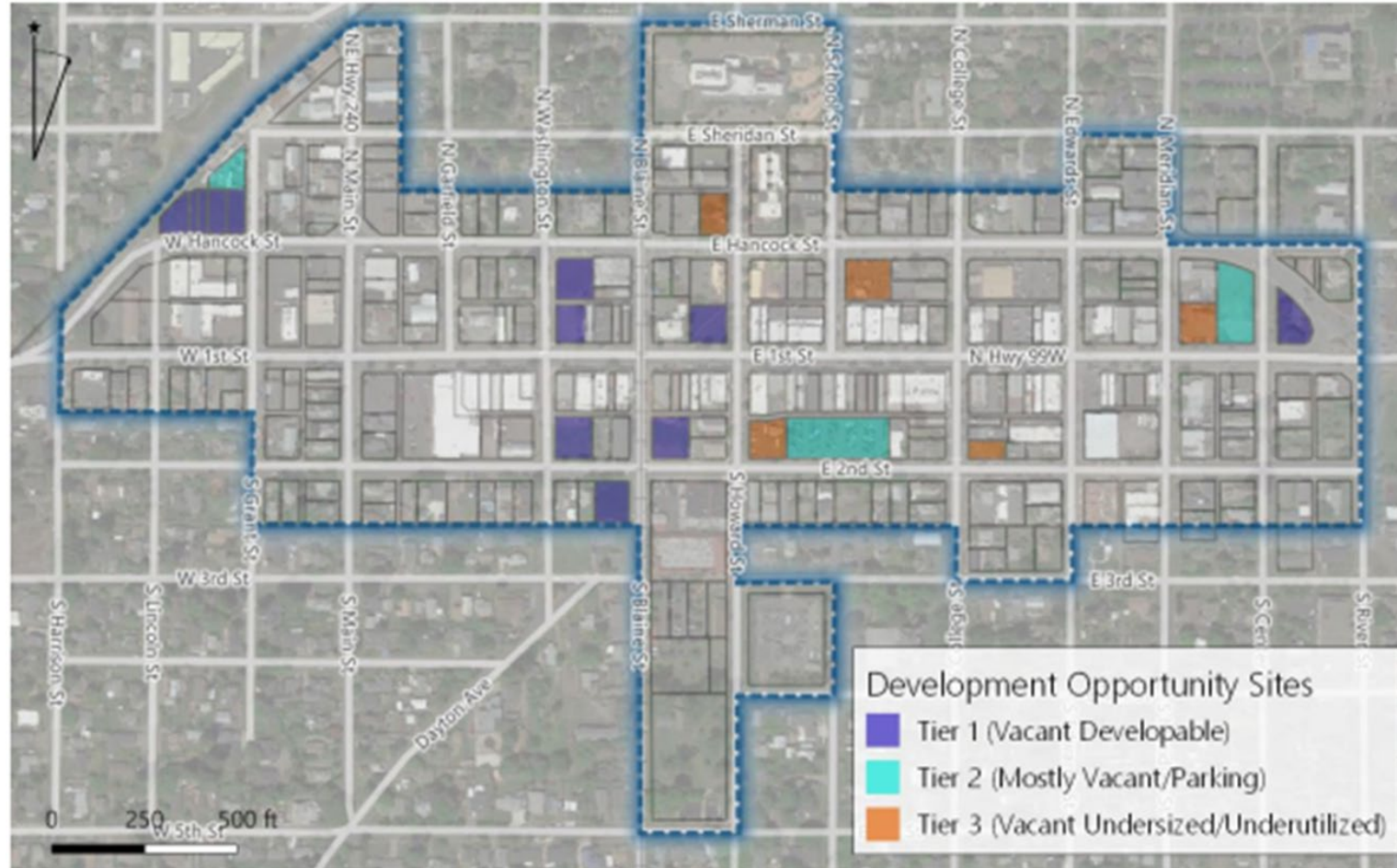
What Partial Property Tax Exemptions are Available for Affordable Housing Units?

- Land may also be partially exempt for the number of floors allocated for low income housing (80 percent of area median income or below).
- Each floor of certified low income housing may be eligible for the following partial tax exemptions:
 - One floor = 20%
 - Two floors = 40%
 - Three floors = 60%
 - Four floors = 80%

Proposed VHDZ Boundary Map and Zoning



Development Opportunity Sites



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

Displacement Analysis

- State requires a Displacement Analysis
- Finding – Consultant's analysis determined that there was a 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
 - 3% annual increase in value
 - Improvement value exemption only for market rate units
 - 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 – PCC Levy 0.6850

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	\$8,777
Estimated Total Tax Abatement for Years 1-10	\$1,807
First Year Abated Tax Amount	\$158
Estimated Total Tax Collected for Years 11-20	\$14,224
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	\$9,680
Estimated Total Tax Abatement for Years 1-10	\$5,420
First Year Abated Tax Amount	\$473
Estimated Total Tax Collected for Years 11-20	\$20,294

Four and Five Story Models - PCC Levy 0.6850

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	\$8,777
Estimated Total Tax Abatement for Years 1-10	\$10,841
First Year Abated Tax Amount	\$946
Estimated Total Tax Collected for Years 11-20	\$26,365
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	\$6,067
Estimated Total Tax Abatement for Years 1-10	\$18,068
First Year Abated Tax Amount	\$1,576
Estimated Total Tax Collected for Years 11-20	\$32,435

Newberg Vertical Housing Development Zone

- City staff request an informal indication of support
- Next steps:
 - Presentation to other taxing districts
 - Presentation to City Planning Commission
 - Formal Letter of Support request sent out
 - City Council decision
 - Report of Council decision to taxing district
 - VHDZ should be completed by Spring of 2021
- Questions?