



## Support HB 2126A: Vertical Housing Development Zone (VHDZ) Program Renewal

### Vertical Housing Development Zone (VHDZ) Program:

The VHDZ program gives local communities the ability to revitalize targeted areas by promoting rehabilitation or greater housing density in mixed-use (residential and commercial) development. The residential portion may be for market rate or affordable housing. Eligible projects receive a *partial* property tax exemption based on the number of equalized floors, determined by the total square footage divided by the number of actual floors of the project that are at least 500 square feet per floor.

The maximum property tax exemption for any project is 80 percent of *improvement* value over a 10-year term. A 20% property tax exemption on the project *land* may be given per floor of residential housing that is for low-income persons (80 percent of area median income or below) up to a total of 80 percent of land value.

Project sites frequently have been vacant, publicly held or challenging to re-develop, so even with the partial tax exemption, the increased value of the development brings *more tax revenue to the communities and schools from Day One*. For example:

### 3rd Central (Gresham):

- The underlying land was vacant for over 20 years and producing very little property tax revenue.
- With a 60% vertical housing tax exemption for ten years, the site was viable for development.
- This 34-unit property with 5,000 sq. ft. of retail is currently—*during exemption program*—producing approximately \$24,000 per year in property taxes and approximately \$7,500 per year in revenue for schools. Again, the land has no exemption and it was bare dirt before, so the 40% tax value is new money coming in.
- Without the VHDZ program, the development would not have penciled out for Tokola Properties and they are certain the land would be still be vacant today.
- This project has only five years remaining in the program, after which it will contribute approximately \$65,000-\$70,000 to the tax rolls per year and \$20,000-\$22,000 in revenue for schools per year.

### 4th Main (Hillsboro):

- The underlying land had been vacant and held in public ownership for nearly 13 years, producing no property tax revenue at all.
- Post development, the 71-unit property with 5,000 sq. ft. of retail is projected to produce approximately \$64,000 in annual property tax revenue, *even with a 60% vertical housing tax exemption in place*.
- Without the VHDZ program, Tokola Properties would not have proceeded with the 4th Main development and the parcel would likely still be vacant today and paying no property taxes.

### HB 2126A does the following:

- Extends sunset of existing local tax exemption program until 2026 (currently January 1, 2016,) when it will again be reviewed by the Legislature. This is the standard extension for an exemption program.
- Clarifies the definition of “nonresidential” to include anything that is not exclusively residential, allowing “live-work” space to qualify for the program.
- Clarifies that *all* local taxing districts, including a school district, may opt out of a Vertical Housing Development tax exemption program.