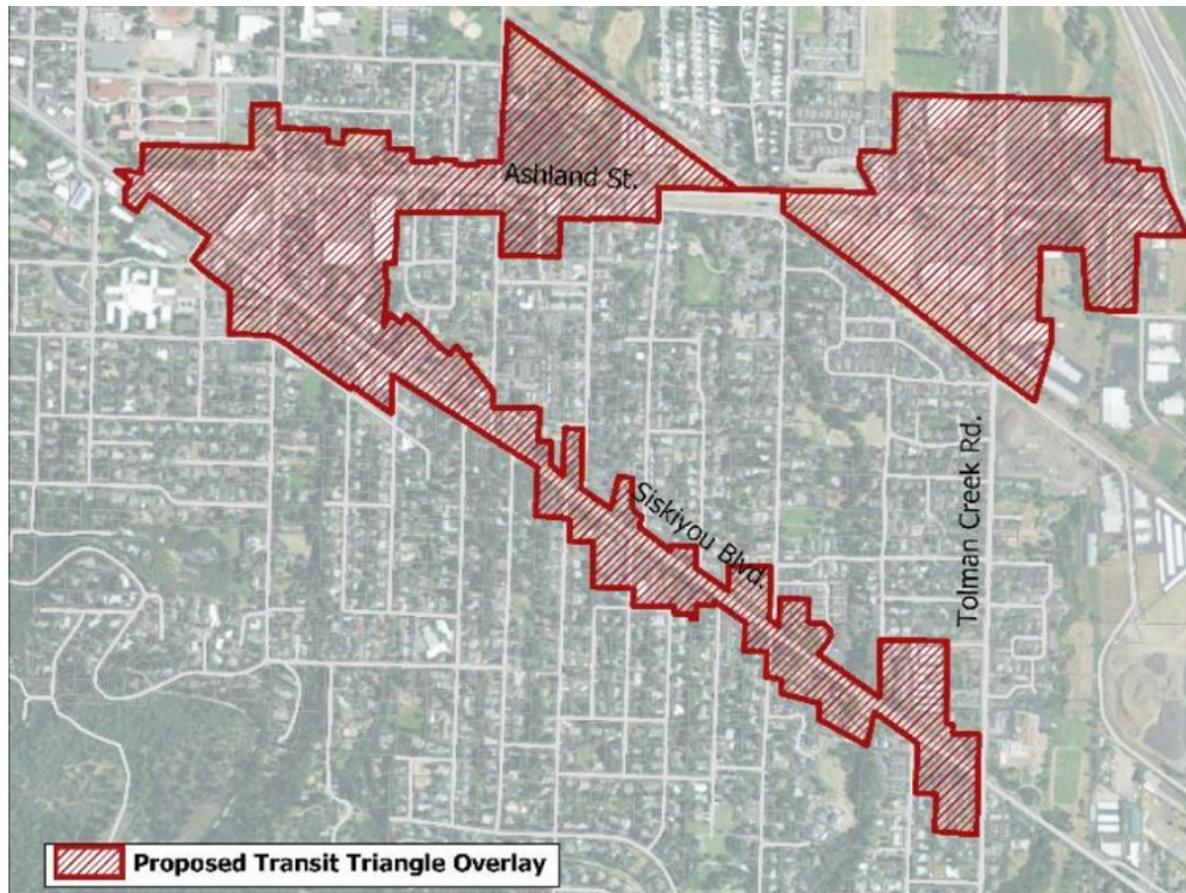


Ashland Transit Triangle

Infill Strategies Project

Vertical Housing Development Zone (VHDZ)



What impacts development performance?

- Land & Construction cost
- Market demand
- Zoning standards

} **Cities can influence these**

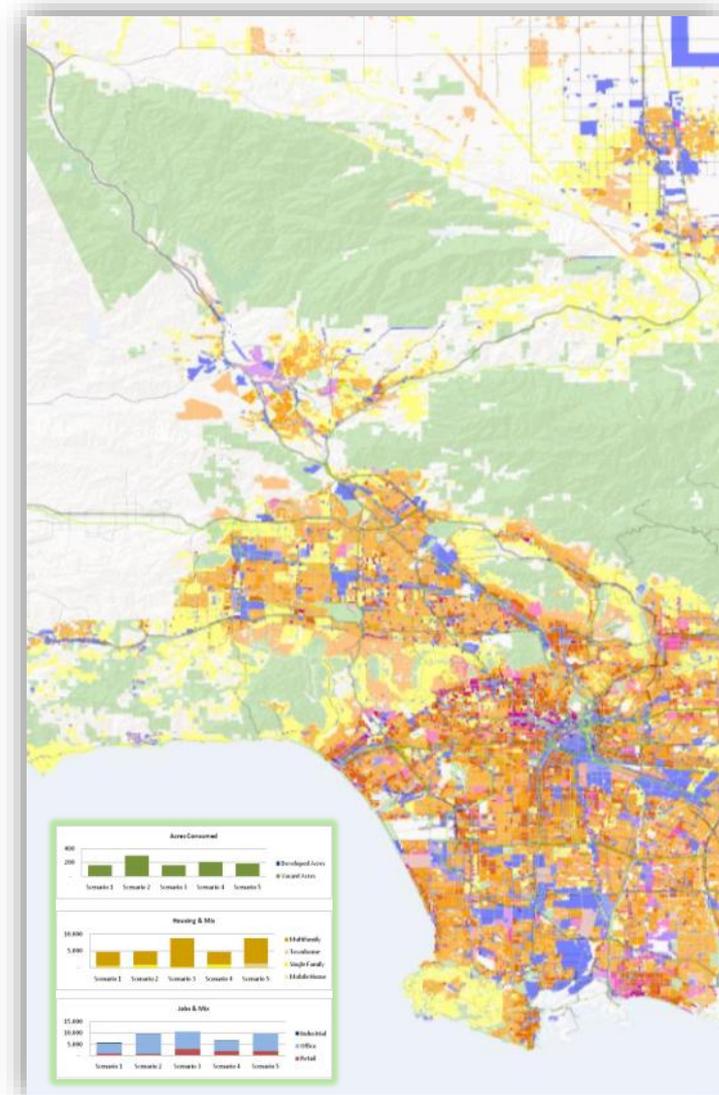
- Zoning
- Incentives (VHTC)
- Streetscapes, parks and amenities



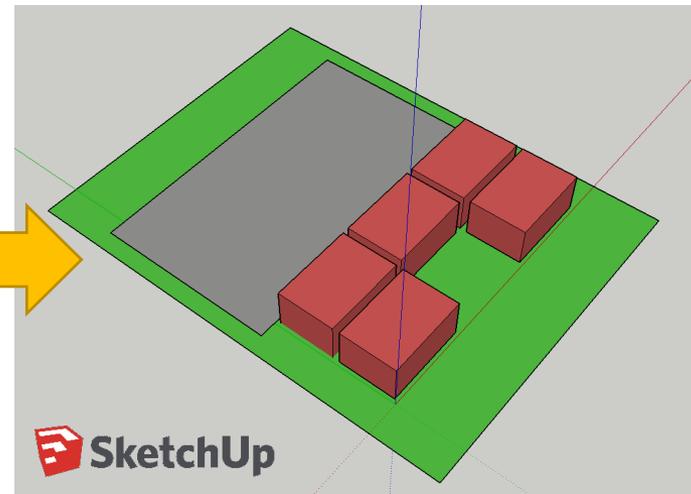
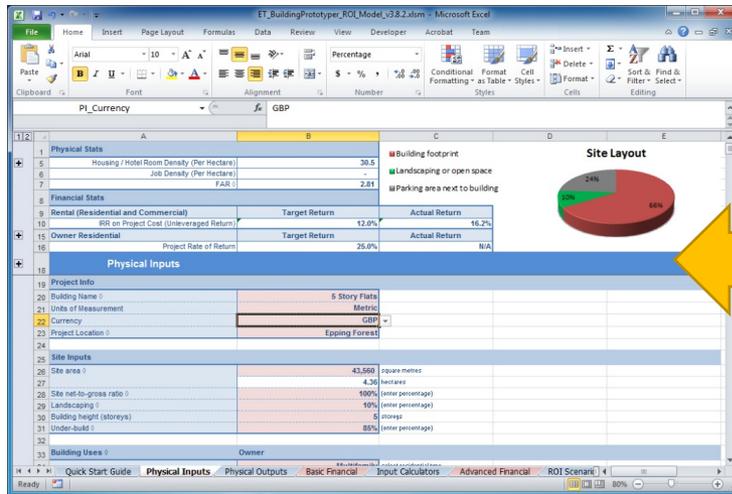
What is Envision Tomorrow?

- Suite of open source planning tools:
 - Prototype Builder
 - Return on Investment (ROI) model
 - Scenario Builder
 - Extension for ArcGIS
 - 20+ modules or “apps” funded by HUD Sustainable Communities Grants

envision
tomorrow™
a suite of urban and regional planning tools

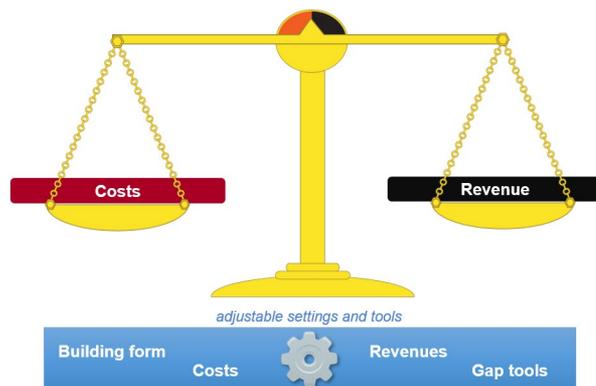


Tested Physical Parameters (Zoning)



Tested Financial Feasibility (Market)

Tipping Point



A control panel for building form parameters. It features a gear icon at the top and several adjustable settings:

- Building form:** Height, Set back, Landscaping, Parking Ratios.
- Costs:** Hard (\$\$\$), Soft (\$), Taxes (\$\$\$), Fees (\$\$).
- Revenues:** Rent 1 (\$\$\$), Rent 2 (\$), Rent 3 (\$\$\$), Parking (\$\$).
- Parking:** tuck under (structured/surface), structured, surface.

Building Prototypes

- Several prototype buildings were modeled
- The building prototypes were initially designed to meet the previous zoning code
- Several strategies were applied to modify the building prototypes to make them more feasible
- The final building prototype was used as a model for the Transit Triangle (TT) overlay



Vertical Housing Tax Credits Encourage Housing Above Commercial

Residential
units above

Commercial
space below



How do Vertical Housing Tax Credits Work?

- It is a 10 year partial property tax exemption
- After 10 years, the full value of the project is placed upon the tax rolls
- The exemption applies to the building value only, not the property value
- The exemption applies to all taxing jurisdictions that do not opt out when the zone is established
- The partial property tax exemption varies with the number of residential floors in a project

How can I get these incentives for my building?

20[%]

Of each full floor of residential above non-residential there is a 20% property tax exemption

Up to

80[%]

Buildings With 5 Story or taller

Above the ground floor, the property owner gets a 20 percent property tax break for each floor dedicated to residential use, up to 80 percent.

VHTC Incentives Differ Depending on the number of floors

- VHTC incentives 5 Story or taller buildings to achieve maximum property tax exemption of 80% percent of the building value
- 2 Story building – Typically will not use VHTC because it would only be a 20% property tax exemption
- **3 Story building – 40% property tax exemption**
- **4 Story building – 60% property tax exemption**
- 5 Story building – 80% property tax exemption
- 6+ Story building – 80% property tax exemption

VHTC Eligibility

1. Project must be entirely located within a vertical housing development zone
2. Project must be a multi-story building used for residential and non-residential uses
3. At least 50 percent of the project's ground floor that fronts the primary public street must be committed to non-residential use



Completely Voluntary

This is optional. Developers can choose to:

1. Build using existing zoning
2. Build using the TT overlay
3. Take advantage of the vertical housing tax credit program to help make a development project financially feasible



Which other cities are using vertical housing tax credits programs?



Vertical Housing Case Study - Tigard

- Adopted Vertical Housing Development Zone in 2014
- Attwell Off Main
 - 165 Residential Units
 - 1,819 sq. ft. Commercial Space
- The Adrian
 - 12,000 sq. ft. Mixed-Use
 - Office/Apartments
- These projects are expected to generate \$7.8 million in property taxes over 20 years



Learn more about Tigard's VHDZ at:
<http://www.tigard-or.gov/business/vhdz.php>

Vertical Housing Case Study - Milwaukie

- Adopted Vertical Housing Development Zone in December 2017
- Axletree is the first project using VHTC
- It broke ground in 2018 with completion in 2019
 - Mixed use development in Downtown Milwaukie
 - 110 Residential Units
 - 7,300 sq. ft. Commercial Space



Learn more about Milwaukie's VHDZ at:
<https://www.milwaukieoregon.gov/verticalhousing>

Testing VHTC in the Transit Triangle Using Building Prototypes



Envision Tomorrow™ Return on Investment Model

Version v3.8.3, Updated 11/19/15

What is the ROI Model?

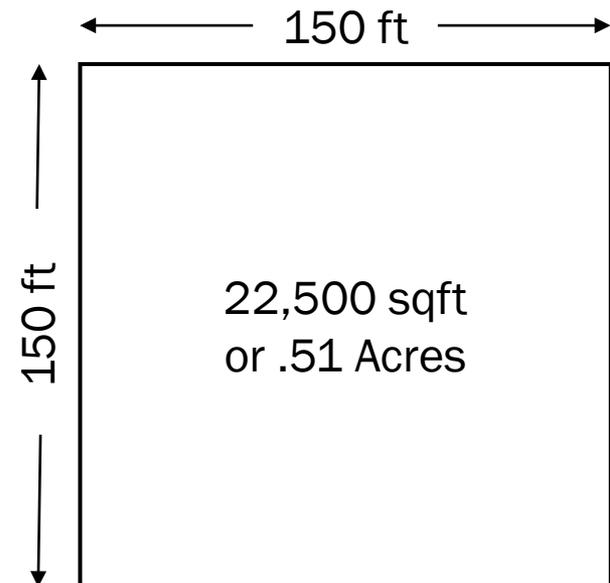
Do you want to examine redevelopment potential in your city, town, or region? Do you want to study the relationship between land use regulations and the current development market?

The ROI Model is a versatile, easy-to-use tool that can be used to test the physical and financial feasibility of a proposed development or existing development regulations. The ROI Model considers a range of factors including parking, height and use requirements, costs associated with construction, fees, rents and subsidies. The ROI Model allows you to model single-use and mixed-use buildings at a range of scales.

3 Story Mixed-Use Example

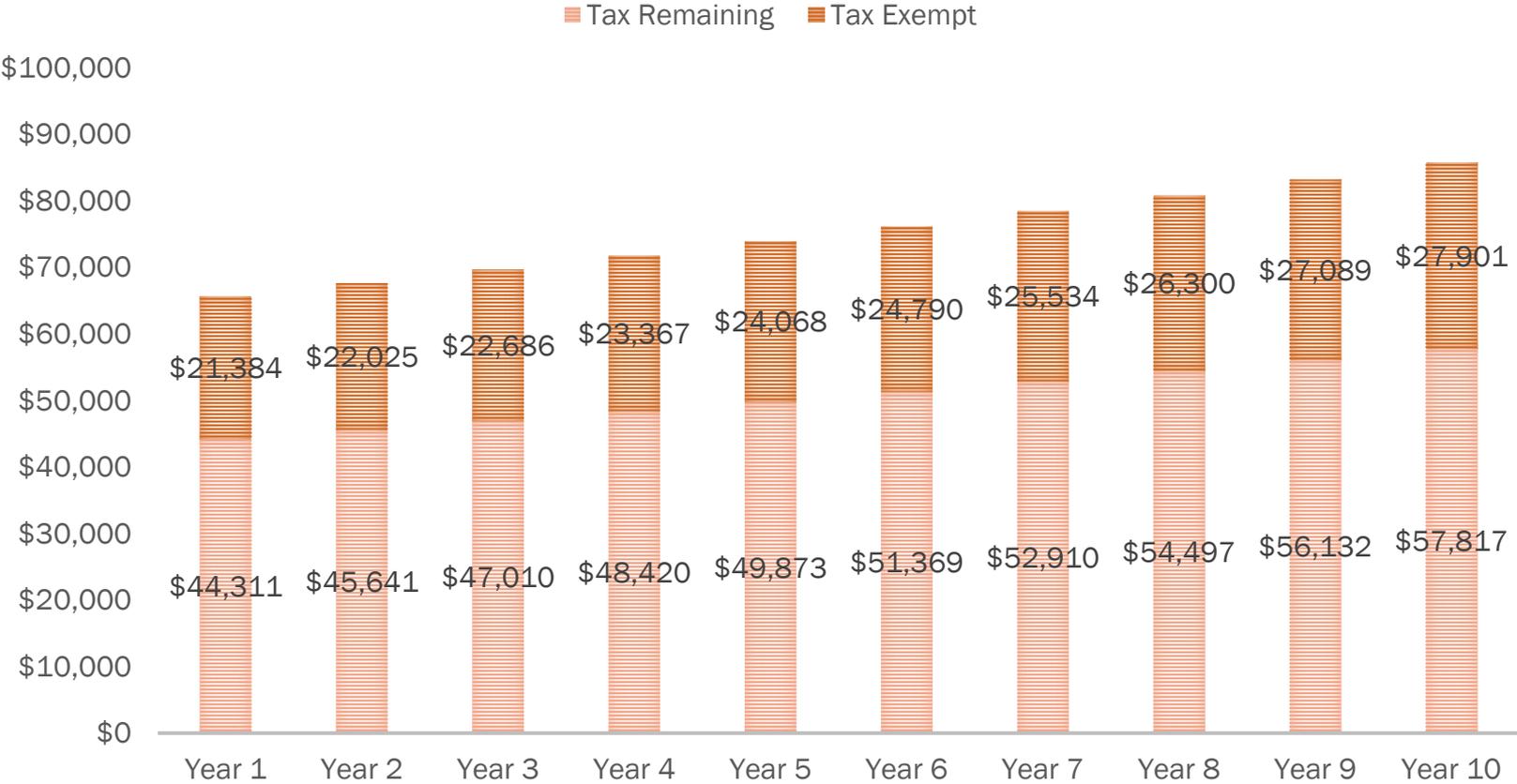
(TT Overlay - C-1 and E-1 Zones)

- Generic 150ft by 150ft lot = 22,500 sqft
 - 50% Retail/office first floor
 - 28 Units (650 sqft average)
 - 28 Parking Spaces
-
- Percent Improvement Exemption = 40%
 - Total Tax Exemption over 10 Years = \$245,200
 - Tax Exemption per unit over 10 Years = \$8,864



3 Story Mixed-Use Example (40%)

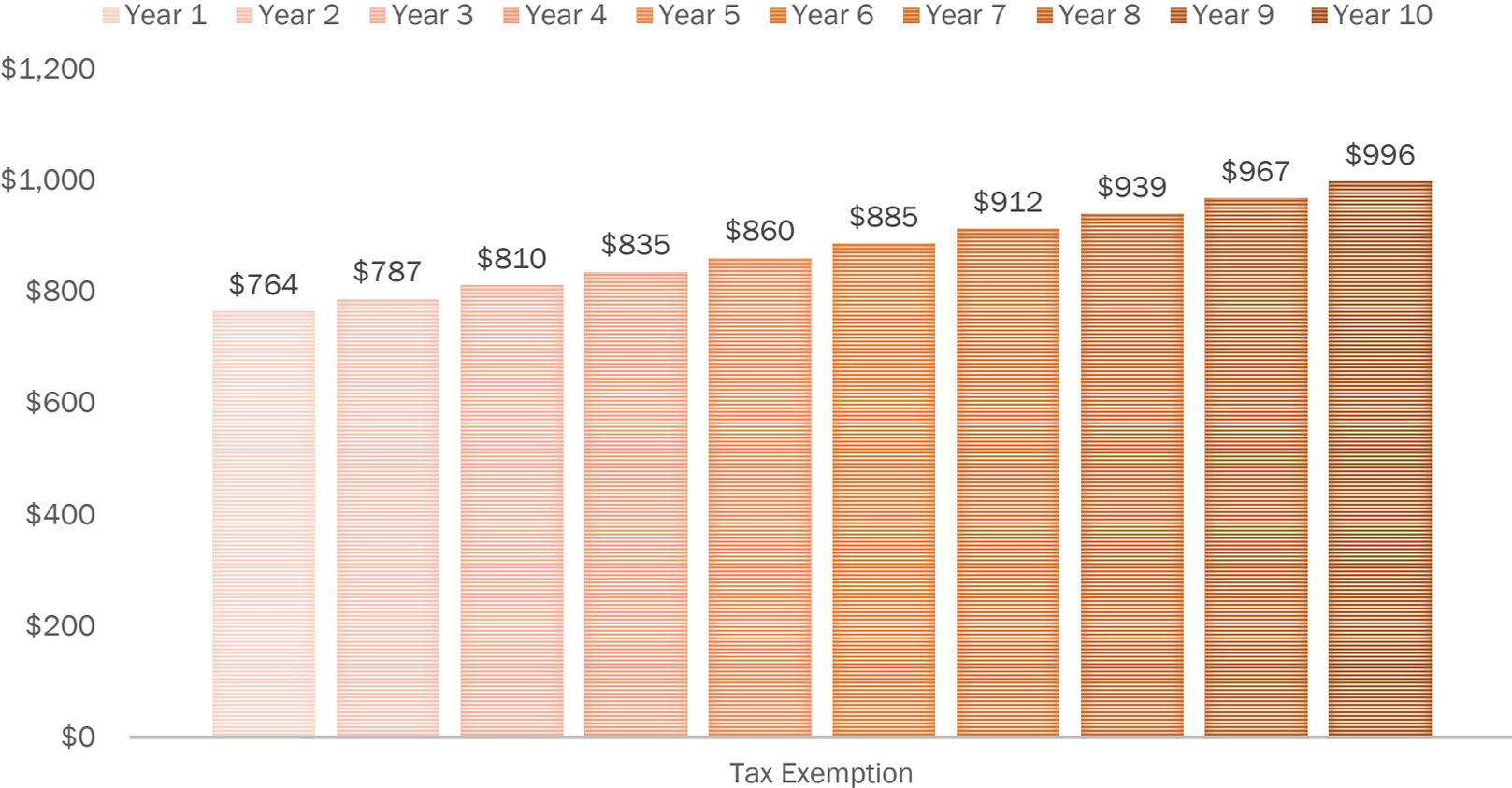
10 YEAR TAX ABATEMENT



Total Tax Exemption over 10 Years = \$245,200
Potential Total 10 Year Property Tax = \$753,000

3 Story Mixed-Use Example

10 YEAR TAX ABATEMENT PER HOUSING UNIT

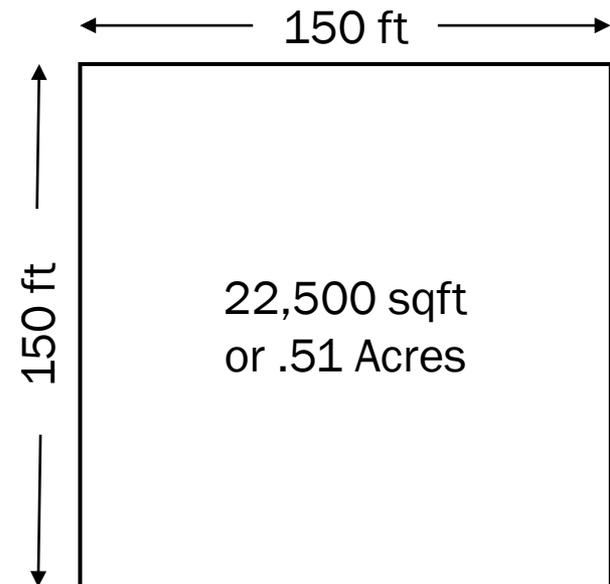


Total Tax Exemption per unit over 10 Years = \$8,864

4 Story Mixed-Use Example

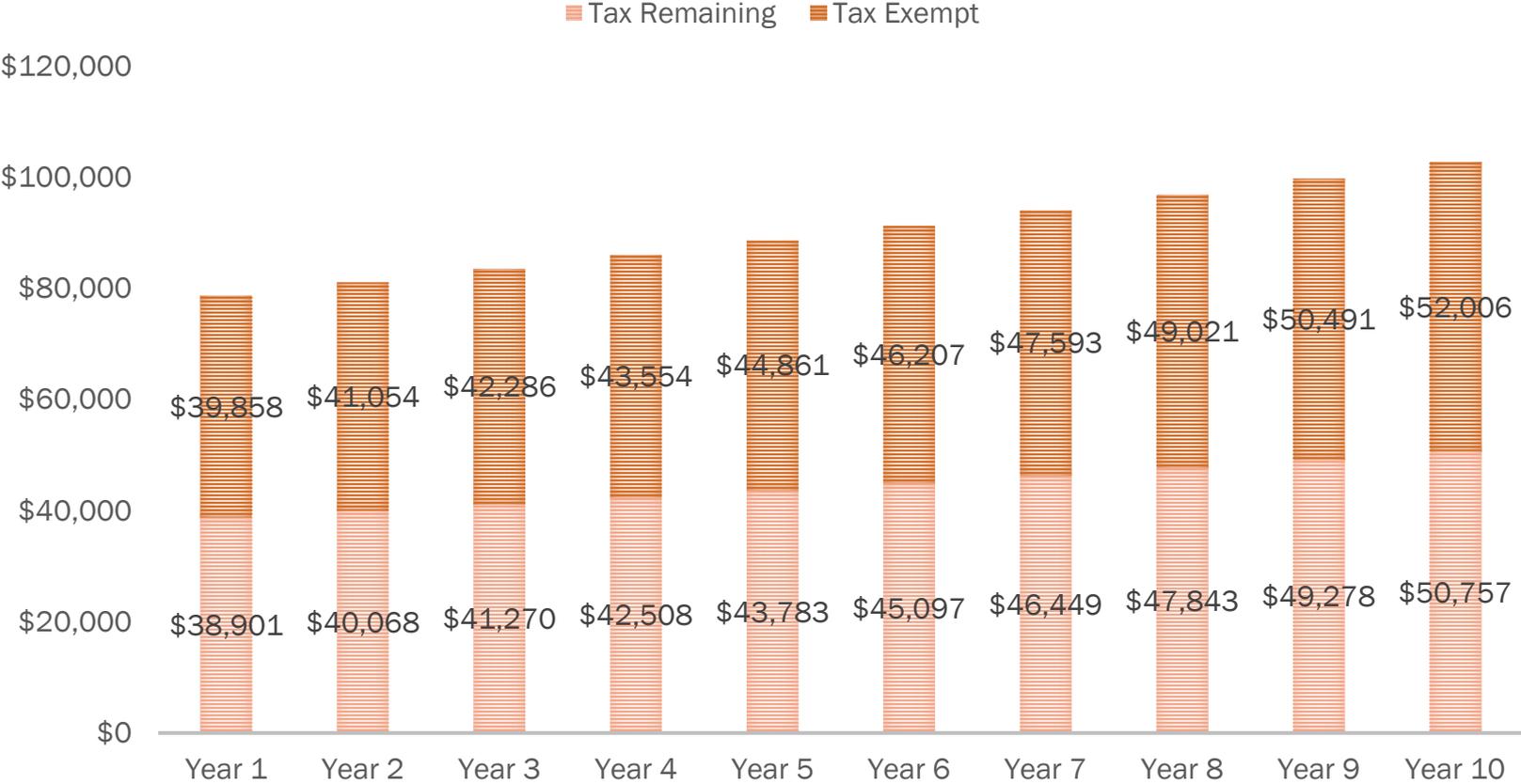
(TT Overlay - C-1 and E-1 Zones)

- Generic 150 ft by 150 ft lot = 22,500 sqft
 - 50% Retail/office first floor
 - 34 Units (650 sqft average)
 - 34 Parking Spaces
-
- Percent Improvement Exemption = 60%
 - Total Tax Exemption over 10 Years = \$457,000
 - Tax Exemption per unit over 10 Years = \$13,337



4 Story Mixed-Use Example (60%)

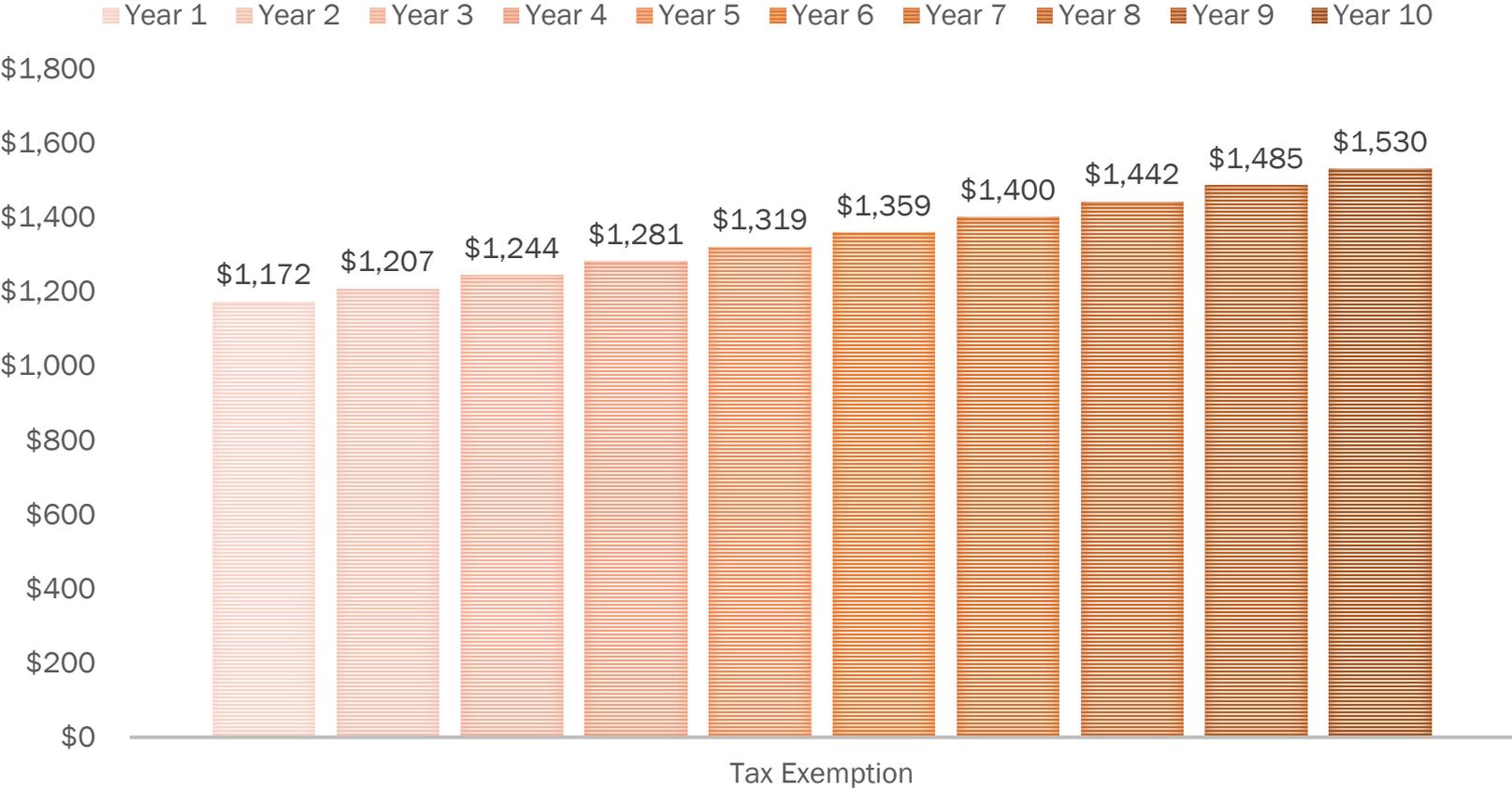
10 YEAR TAX ABATEMENT



Total Tax Exemption over 10 Years = \$457,000
Potential Total 10 Year Property Tax = \$903,000

4 Story Mixed-Use Example

10 YEAR TAX ABATEMENT PER HOUSING UNIT



Total Tax Exemption per unit over 10 Years = \$13,337

Comparing the 3 Examples

	1 Story Commercial	3 Story Mixed-Use	4 Story Mixed-Use
Potential Total 10 Year Property Tax	\$382,000	\$753,000	\$903,000
Total Tax Exemption over 10 Years	\$0	\$245,000	\$457,000
Remaining Tax Collected after Exemption over 10 Years	\$0	\$508,000	\$446,000
Total Tax Exemption per unit over 10 Years	\$0	\$8,860	\$13,337

Key Conclusions

- There is more incentive to use VHTC when building 4 story buildings in the C-1 and E-1 Zones (within the TT overlay)
- 60% Abatement for 4 Story (C-1 and E-1 Zones)
- 40% Abatement for 3 Story (C-1 and E-1 Zones)
- VHTC are not generally used for 2 story buildings because they only receive a 20% property tax exemption

Requiring low-income housing in the VHTZ

- The residential portion may be for market rate or lower income households.
- An additional partial property tax exemption on the land may be given if some or all the residential housing is for low-income persons (80 percent of area median income or below).
- Requiring affordable housing as part of the VHTZ requires substantial subsidies or other ways to fill the financial gap.
- Placing low-income housing requirements removes the incentive.

Existing Financial Incentives

Direct Federal, State and local subsidies

- USDA Rural Development loan programs
- Oregon Housing and Community Services and HUD grant programs
- Low Income Housing Tax Credits
- Ashland Community Development Block Grants
- Ashland Affordable Housing Trust Funds

Fee and Tax Waivers

- Ashland's System Development Charges, Community Development fees, and Engineering fees are waived for qualified affordable housing units
- Property tax abatement provided for non-profit affordable housing projects
- Jackson County reduces the assessed value of qualified affordable housing to match the maximum resale restriction amount

Implement a Vertical Housing Program

Along with zoning updates, the City should consider creating a Vertical Housing Development Zone

- Statewide property tax abatement program
 - 10-year property tax exemption
 - 20% exemption per residential floor above ground floor commercial
- City can establish the types of projects that qualify for the tax exemption
- City is responsible for administering the program
- City is responsible for coordinating with other taxing agencies (County, School Dist., Etc.)

Ashland Transit Triangle

Infill Strategies Project

Vertical Housing Development Zone (VHDZ)

