

CITY OF BAY CITY

ORDINANCE 701

AN ORDINANCE IMPLEMENTING A PROPERTY TAX EXEMPTION PROGRAM TO INCENTIVIZE REHABILITATION AND CONSTRUCTION OF MULTIUNIT RENTAL HOUSING; PROVIDING ADMINISTRATIVE PROCEDURES FOR COMPLIANCE AND ENFORCEMENT OF THE PROGRAM; AND ESTABLISHING AN EFFECTIVE DATE

RECITALS

WHEREAS, there is a workforce housing shortage in Oregon, Tillamook County and Bay City. Many professionals such as teachers and nurses have left our community due to lack of workforce housing

WHEREAS, House Bill 2377 from the 2017 session of the Oregon Legislature, HB 2377 (2017), enables local government to adopt ordinances that create a property tax exemption program for eligible rental property; and

WHEREAS, the City Council of the City of Bay City desires to adopt and implement the property tax exemption program in conformance with HB 2377 (2017).

WHEREAS, Bay City want to incentivize workforce housing in furtherance of Tillamook County and Bay City's housing and livability goals.

NOW THEREFORE, the City of Bay City ordains as follows:

Section 1. Adoption. The City of Bay City adopts the foregoing recitals and the property tax exemption program set out in Exhibit A, which is incorporated into this Ordinance No. 701 by reference.

Section 2. Severability. If any section, subsection, provision, clause or paragraph of this Ordinance shall be adjudged or declared by any Court of competent jurisdiction to be unconstitutional or invalid, such judgement shall not affect the validity or the remaining portions of this Ordinance and it is hereby expressly declared that every other section, subsection, provision, clause or paragraph of this Ordinance, irrespective of the portion thereby declared to be unconstitutional or invalid, be valid.


Section 3. Codification. Provisions of this Ordinance shall be incorporated into the City Code, and the words "ordinance" or "section" may be changed to "code," "article," "chapter," "division," or another word, and the sections of this Ordinance may be renumbered or re-lettered, provided however, that any recital clause and boilerplate provisions of this Ordinance need not be codified, and the City Recorder is authorized to correct any cross-references and any typographical errors.

Section 4. Effective Date. This Ordinance shall take effect on the 30th day after City Council enactment.

First Reading 2/14/23

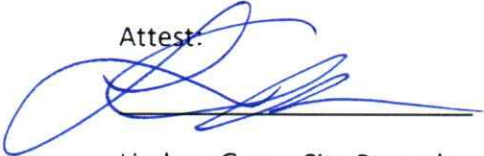
Second Reading 3/14/23

PASSED and ENACTED by the City Council this 14 day of **March**, 2023, and APPROVED by the Mayor this 14 day of March, 2023



David McCall, Mayor

Attest:



Lindsey Gann, City Recorder

Ayes: 5

Nays: 0

Abstentions: 0

EXHIBIT A

Section 1. Purpose. The purpose of this Ordinance is to incentivize the rehabilitation and construction of multiunit rental housing in furtherance of the City's housing goals.

Section 2. Applicability. This Ordinance shall apply within the City's boundaries.

Section 3. Definitions

Except where the context otherwise requires, the following definitions apply for purposes of this Ordinance.

- (a) "Affordable". Housing which costs a household no more than thirty percent (30%) of Area Median Income adjusted to household size.
- (b) "Area median income". The Housing and Urban Development Area Median Income for Tillamook County that is effective as of January 1 of the calendar year in which an applicant is seeking this property tax exemption.
- (c) "Assessor". The Tillamook County Assessor.
- (d) "Building". A structure built and maintained for the support, shelter, or enclosure of persons, motor vehicles, animals, chattels, or personal or real property of any kind. The word "building" shall include the word "structure".
- (e) "City Planning Department". The City of Bay City Planning Department.
- (f) "Claim" or "claimed". A unit that was deemed eligible and for which the applicant sought the property tax exemption.
- (g) "Community Development". The Tillamook County Department of Community Development.
- (h) "Dwelling unit". One or more rooms designed for occupancy by one family and not having more than one cooking facility except facilities designed for camping purposes such tents and recreation vehicles.
- (i) "Eligible". A building or dwelling unit that qualifies under Section 4 of this Ordinance.
- (j) "Multiunit rental housing". For the purposes of this exemption, any structure within which there are at least three (3) separate dwelling units per property.
- (k) "Real Market Value". The real market value as determined by the Assessor.

- (l) "Rehabilitation". Bringing an existing building, having been occupied for no fewer than twenty (20) years, up to full compliance with applicable building code and completing all deferred maintenance. Additionally, the cost of the rehabilitation must exceed fifty percent (50%) of the most recent Real Market Value of the structure prior to the proposed improvement.

- (m) "Transient lodging" means:
 - 1) Hotel, motel, and inn dwelling units that are used for temporary overnight human occupancy.
 - 2) Spaces used for parking recreational vehicles or erecting tents during periods of human occupancy; or
 - 3) Houses, cabins, condominiums, apartment units or other dwelling units, or portions of any of these dwelling units, that are used for temporary human occupancy.

- (n) "Unclaimed". An otherwise eligible unit for which the applicant did not claim the property tax exemption.

Section 4. Eligibility and Duration of Exemption.

- (a) An applicant may apply for this exemption for new construction or rehabilitation which is completed after adoption of this Ordinance. If determined to be eligible, the property tax exemption shall apply in the first property tax year after the receipt of a Certificate of Occupancy for the subject building.

- (b) Only those dwelling units with rents which are affordable to households earning one hundred twenty percent (120%) of the Area Median Income shall be considered eligible for the property tax exemption.
 - (1) An applicant may choose to omit an otherwise eligible dwelling unit from the exemption program. An omitted unit shall be referred to as "unclaimed." However, no more than twenty percent (20%) of the total units located in or on the subject property shall be omitted via this mechanism.

 - (2) An applicant may not claim or unclaim new units for this exemption once an application has been approved and the first property tax year of the approved exemption has begun, unless the City Planning Department, in conjunction with the Assessor, determines that unforeseen circumstances necessitate the change. Tax statements shall be adjusted, including adding previously exempt property taxes as required, according to any changes in eligibility made as a result of this subsection, to be assessed on the next property tax year.

- (c) The percentage of units which claim the exemption as compared to the total number of units in or on a subject property, rounded down to the nearest ten percent (10%), shall determine the duration of the exemption according to the following schedule:

Minimum % of Eligible Units	Years of Exemption
10%	1
20%	2
30%	3
40%	4
50%	5
60%	6
70%	7
80%	8
90%	9
100%	10

- (d) Eligible rental property may not receive an exemption on the basis of rehabilitation more than once.
- (e) Any limits on rent pursuant to this Ordinance shall expire on the first property tax year after the exemption expires.
- (f) If this Ordinance is repealed, any property that has been granted an exemption under this Ordinance shall continue to receive the exemption under the provisions of this Ordinance for the period of time for which the exemption was granted.

Section 5. Rent Limits.

- (a) The maximum monthly rent for a claimed unit shall be equal to or less than the maximum rent that is affordable to households earning up to one hundred twenty percent (120%) of the area median income adjusted to household size.
- (b) The average rent of the claimed units shall not exceed the average rent of the same units rented at a level affordable to a household making one hundred percent (100%) of the Area Median Income.
- (c) Any utilities separately charged from the landlord to the tenant shall count toward the maximum monthly rent. Utilities for which the tenant is solely responsible, or for which the landlord does not separately charge the tenant, shall not count towards the maximum monthly rent.
- (d) An applicant seeking this exemption on the basis of rehabilitation, which has received State or Federal funding and, as a condition of securing said funding, limits rents to those affordable to households making eighty percent (80%) or less of the Area Median Income at the time of

higher than the rent limit to which they were previously bound, for the duration of the property tax exemption.

Section 6. Additional Rules.

- (a) All rents and rent limits shall be rounded to the nearest dollar for the purposes of determining compliance.
- (b) Claimed units shall be prohibited from being converted to any form of transient lodging for the lifetime of the building.

(1) Property owners shall record a legally binding covenant with the County Clerk identifying units for which the property tax exemption was claimed and prohibiting them from future usage as transient lodging.

Section 7. Application Process.

- (a) The City Planning Department shall provide exemption application and annual renewal forms which are required to be filed timely.
- (b) If the County has also adopted an ordinance or resolution to enact a similar exemption program, then the applicant may choose which program to apply to.
- (c) The applicant must be the owner or lessee of the eligible rental property to which the application relates.
- (d) The applicant shall pay an application fee as established by resolution of the Bay City Council which fee will be determined to compensate the City for the actual costs of processing the application.
- (e) The applicant must submit an application renewing the exemption each year for the duration of the property tax exemption using the form prescribed by the City.

(1) This renewal shall not require a Resolution by the Bay City Council but shall be recorded by the City Planning Department.

- (f) Upon receipt of an application, the City Planning Department shall determine, as soon as practicable:
 - 1)** Whether the subject property falls within the boundary of the Bay City limits or the Bay City Urban Growth Boundary.
 - 2)** The date on which the rehabilitation of construction of the subject property was or will be completed.

- 3) The date on which the subject property was first offered for residential occupancy.
 - 4) The rent charged for each unit of the subject property and whether the rent meets the requirements of this Ordinance.
- (g) An application for the property tax exemption must be filed on or before March 1 preceding the property tax year to which the application relates.
- (h) Notwithstanding paragraph (g) of this subsection, an application may be filed under this section for the current property tax year:
- 1) On or before December 31 of the property tax year, if the application is accompanied by a late filing fee of the greater of \$200 or one-tenth of one percent (0.1%) of the real market value as of the most recent assessment date of the eligible rental property to which the application relates.
 - 2) On or before April 1 of the property tax year, if the applicant is accompanied by a late filing fee of \$200 and the applicant demonstrates good and sufficient cause, as defined in ORS 307.162, for failing to file in a timely application or is a first-time filer, as defined in ORS 307.162, of an application under this Ordinance.
- (i) An application may be filed as provided in subsection (h) notwithstanding that there are no grounds for hardship as required for late filing under ORS 307.475.
- (j) A late filing fee collected under subsection (h) must be deposited in the general fund of the City.
- (k) If any eligibility determination made under this Ordinance renders the property ineligible for the exemption, the application shall be rejected and the rejection may not be appealed.
- (l) If the property qualifies for the exemption and the application meets the requirement of this Ordinance, the governing body shall on or before April 1, adopt a resolution:
- 1) Approving the application; and
 - 2) Notifying the County Assessor and providing all information necessary for the County Assessor to perform the assessor's duties with respect to the eligible rental property.

Section 8. Reporting and Enforcement.

- (a) City Planner shall track active property tax exemptions under this Ordinance, including the duration as well as all units of the affected buildings, their eligibility and claim on the exemption, and their rents.
- (b) As soon as practicable after January 1 of each year, the City Planning Department shall

- b. Notify each owner or lessee of eligible rental property granted an exemption pursuant to this Ordinance for the immediately preceding property tax year of the determination, and,
 - c. Publish the determination on the City's website.

- (c) Any activity which the City Planning Department deems to have violated the terms of the property tax exemption and in which the City Planning Department has exhausted all notice requirements required by this section shall result in a recommendation to the Assessor to terminate the exemption; the Assessor shall make a final determination and act accordingly without right of notice or appeal of the applicant.
 - (1) Exemptions terminated via this process will be responsible for paying property taxes previously exempted according to ORS.

- (d) As soon as practicable, but no later than fourteen (14) days after the rent thresholds are published, all property owners receiving the exemption shall file an application to continue the property tax exemption with the City Planning Department.
 - (1) Failure to apply within fourteen (14) days shall result in written notice to the owner.
 - (2) Failure to apply within twenty-eight (28) days shall result in immediate termination of the exemption according to Section 8(c).

- (e) Property owners who receive the exemption must provide written notice to all tenants at the time of the lease that their unit is rent limited and provide contact information for the City Planning Department.
 - (1) City Planning Department shall provide the requisite language and shall have forms available at the City Planning Department office for this purpose.

- (f) Any change in rents on claimed units shall be reported to the City Planning Department no later than one (1) week before the change in rent is due to take effect.
 - (1) Any changes in rent must continue to comply with Section 5 of this Ordinance.

- (g) If at any time the rent of an individual claimed unit exceeds the limits set forth in the published rent limits, or if the average rent of all claimed units exceeds the average rent limit, the City Planning Department shall notify the landlord with a written notice.
 - (1) Failure to adjust the rent below the individual unit limit within fourteen (14) days of notice shall result in termination of the exemption according to Section 8(C).

- (i) The assessment and tax rolls shall show "potential additional tax liability" for each eligible rental property granted exemption under this Ordinance.
- (j) The above subsections notwithstanding, no part of this Ordinance precludes a property owner from adjusting rents on a given claimed unit.