

RESOLUTION NO. 2024-01

A RESOLUTION PROVIDING CONDITIONAL APPROVAL OF THE LOW-INCOME RENTAL HOUSING TAX EXEMPTION APPLICATION SUBMITTED BY LA PINE HUNTINGTON ROAD LIMITED PARTNERSHIP AND CERTIFYING TO THE DESCHUTES COUNTY TAX ASSESSOR THAT ALL OF THE PROPERTY TAX FOR THE PERIOD OF 2025-2045 TAX YEARS SHALL BE EXEMPT FROM THE AD VALOREM TAX LEVY OF THE CITY OF LA PINE UPON PASSAGE

WHEREAS, in accordance with ORS 307.515 - ORS 307.523, and in an effort to provide a mechanism through which the La Pine City Council can contribute to and support the development of low-income rental housing in La Pine, the City of La Pine established procedures to provide a property tax exemption for qualifying low-income rental housing by its adoption of Resolution No. 2023-09 (the "Tax Exemption Program"); and

WHEREAS, on December 26, 2023, the La Pine Huntington Road Limited Partnership, an Oregon domestic limited partnership (the "Partnership"), whose principal address is 17890 SW Elsner Rd, Sherwood, OR 97140 and mailing address is 5251 Ericson Wy, Arcata, CA 95521, submitted an application under the Tax Exemption Program for a low- income rental housing tax exemption for 2025-2045 tax years; and

WHEREAS, the Partnership's application for exemption concerns a certain 60-unit affordable apartment complex commonly known as the La Pine Apartments (the "Apartment Complex"), which Apartment Complex is under construction on certain real property located at 51761 Huntington Rd., La Pine, Oregon 97739, more particularly described as follows:

Lot 100 of Newberry Neighborhood 1, recorded in Deschutes County on October 15, 2003, and listed as Map and Taxlot: 221011CB00100 of Deschutes County, Oregon; referred herein to as the "Property"; and

WHEREAS, pursuant to ORS 307.523 and the Tax Exemption Program, the City Council must adopt a resolution or ordinance approving or denying the Partnership's application for exemption within 60 days of the time of filing; and

WHEREAS, pursuant to ORS 307.523 the tax exemption has been approved pursuant to an application filed before July 1, 2030; and

WHEREAS, the housing units on the property were constructed after the local governing body adopted the provisions of ORS 307.515 307.523; and

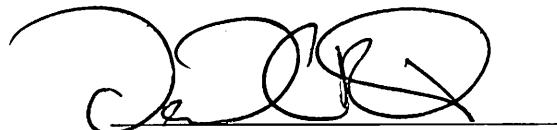
WHEREAS, the City Council for the City of La Pine has reviewed the Partnership's application and made findings attached in Exhibit A., and has determined that, subject to the terms and conditions provided below, the Apartment Complex and Property are eligible for tax exemption under the Tax Exemption Program; and

WHEREAS, the City Council for the City of La Pine does hereby certify to the Deschutes County Tax Assessor that all of the property tax for the period of 2025-2045 tax years shall be exempt from the ad valorem tax levy of the City of La Pine upon passage of this resolution.

NOW, THEREFORE, BE IT RESOLVED, by and through the City Council for the City of La Pine, the following:

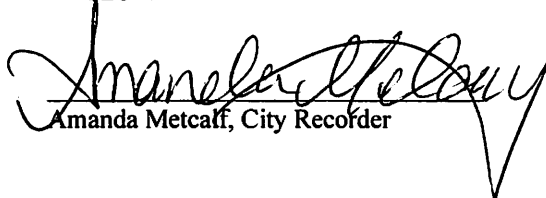
1. The City Council approves the Partnership's application for the Apartment Complex and Property's tax exemption for the 2025-2045 tax years subject to the following conditions:
 - (a) The Partnership's payment of the \$1,000.00 Low-Income Rental Housing Tax Exemption (LIRHTE) Application fee established by the City under Resolution 2023-09.
 - (b) The Partnership's payment of the \$5,977.00 legal fees associated with review of the proposal and application established by the City under the City of La Pine Master Fee Schedule and Resolution 2023-10.
 - (c) The Partnership's payment of the \$123,764.94.00 Community Contributions established by the City under Resolution 2023-09 and the associated Policy on Low-Income Rental Housing Tax Exemption.
 - (d) The Partnership's completion of construction of the Apartment Complex on or before June 30, 2025. The Apartment Complex's construction will be deemed complete upon Deschutes's County's issuance of a Certificate of Occupancy.
 - (e) This conditional approval is made subject to any and all applicable laws, rules, regulations, ordinances, and resolutions concerning or related to the Tax Exemption Program, including, without limitation, ORS 307.15 – ORS 307.523.
 - (f) The Partnership's signing all other documents and taking all other actions the City determines reasonably necessary to approve the Partnership's application for tax exemption.

APPROVED, ADOPTED, AND MADE EFFECTIVE by the La Pine City Council on this 27th day of March 2024.



Daniel Richer, Mayor

ATTEST:



Amanda Metcalf, City Recorder

EXNIBIT A.



CITY OF LA PINE

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La Pine, Oregon 97739
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LIRHTE Application Report

03/20/24

Applicant: La Pine Huntington Road Limited Partnership

Persons seeking tax exemption for eligible property shall submit an application on a form provided by the City of La Pine and pay the fee established by the City Council and set forth in the City of La Pine fee resolution. The application shall contain the following information:



A. The applicant's name, address, and telephone number:

Applicant Name: La Pine Huntington Road Limited Partnership
Applicant Address: 5251 Ericson Wy. Arcata, CA 95521
Applicant Telephone Number: (707)822-9000



B. A legal description of the property for which the exemption is requested:

Deschutes County Assessor Map: Section 11., Township 22S., Range 10E., Lot 100.
221011CB00100



C. If only a portion of the property is eligible, a description of the eligible portion of the property for which the exemption is requested, including the number of affordable housing units:

59 units are participating. The one remaining unit will be offered rent free to the onsite manager.



D. A description of the purpose of the project and whether all or a portion of the property is being used for that purpose:

The purpose is defined in detail, including unit count, financial qualifications for access, the policy/program being used to make the program financially feasible, in addition to specific details as to site design and development.



E. A certification of income levels of low-income occupants:

Provided, 60% AMI for qualification, and an estimate of intent to position rents closer to 50% AMI.



F. A description of how the tax exemption will benefit project residents:

This is provided in the statement of qualification and estimated rent levels.



G. A description of the plans for development (in conformance with Section 4.1 I.) of the property if the property is being held for future rental housing development:

The property has been approved through La Pine Community Development and Deschutes County Community Development, respectively. The applicant has also provided the following schedule:

- a. OHCS closing: (10/25/23)
- b. Construction start: (11/01/23)
- c. Construction finish: (06/01/25)
- d. Stabilization: (09/01/25)



H. A list of secured lienholders with addresses of the lienholders:

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- a. Oregon Housing and Community Services Department – 725 Summer St., NE, Ste. B. Salem, OR 97301
- b. Oregon State Treasury – 867 Hawthorne Ave. SE, Salem, OR 97301
- c. Umpqua Bank – One SW Columbia St., Ste. 1170 Portland, OR 97258

I. A burden of proof statement demonstrating how the applicant has met the criteria as established in Section 4. of this policy.



A. The property is:
Offered for rent



B. The property, if occupied, is occupied solely by low-income persons with non-material exceptions.:
The property is under construction and will only be occupied by low-income persons when completed.



C. The required rent payment reflects the full value of the property tax exemption.:

Property tax exemption for the property and future improvements is a critical piece of the affordable housing finance structure that makes this project, and many like it, feasible to develop. The Net Operating Income (NOI) is at the minimum allowed by lenders in the industry, making for a debt service coverage ratio (DSCR) of 1.20. The property tax exemption is required to maintain this underwriting standard and project viability. Given this current state, all of the value captured by the property tax exemption will be passed through to rent reductions, allowing the project to offer new class A apartments at or below 60% AMI rent levels.

Units	Monthly expense at 100% AMI (Forecasted as 140% of 60%)	Monthly Yield	Annual Yield
1 bedroom	16 \$ 1,268.40	\$ 20,294.40	\$ 243,532.80
2 bedroom	23 \$ 1,520.40	\$ 34,969.20	\$ 419,630.40
3 bedroom	20 \$ 1,755.60	\$ 35,112.00	\$ 421,344.00
Total	59 \$ 4,544.40	\$ 90,375.60	\$ 1,084,507.20

Units	Monthly expense at 60% AMI (Per OHCS App. - Max. Rent)	Monthly Yield	Annual Yield
1 bedroom	16 \$ 905.00	\$ 14,480.00	\$ 173,760.00
2 bedroom	23 \$ 1,086.00	\$ 24,978.00	\$ 299,736.00
3 bedroom	20 \$ 1,254.00	\$ 25,080.00	\$ 300,960.00
Total	59 \$ 3,245.00	\$ 64,538.00	\$ 774,456.00

The required monthly rent payments are as follows, based on City estimates.

100% AMI: \$90,375.60
60%AM: \$64,538.00

Difference: \$25,821.60 (monthly)

The forecasted property tax (annual) for year 1 is: \$25,787.49
The forecasted property tax (monthly) is: \$2,148.96

Finding: The Required Rent Payment under the 60% AMI maximum rent cost reflects the full value of the property tax exemption.



D. The forecasted rent reduction (savings) materially exceeds the forecasted property tax exemption.

The annual market rate rental income was estimated in the project appraisal at \$1,348,800. This appraisal was produced by an appraiser and market study consultant approved by OHCS (Oregon Housing and Community Services) which oversees LIHTC applications and conformance.

The annual restricted rental income of the project is projected to start at \$774,456.00 after subtracting the OAHTC passthrough that will occur. This forecasted rent reduction of \$559,548 per year materially exceeds the amount of the requested property tax exemption.

The estimated annual market rate rental income as a function of 100% of AMI, calculated in the table under question C., shows an estimated amount of \$1,084,507.20. Additionally, the annual restricted rental income (maximum) displayed in the OHCS application is derived to equate to \$774,456.00. Thus, the forecasted rent

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reduction on this basis equals \$310,051.20. This does materially meet and exceed the annual forecasted tax exemption of \$25,787.49.



- E. The applicant at the time of application has displayed as part of their financial application to the state, or through contract with the City, a contribution to the City's community giving fund, to be made on an annual basis, and for the regulated life of the project.**

Based on prior conversations with the City Manager, Danco proposes to contribute \$123,764.94 to the Community Giving fund when the project is Placed in Service. This upfront contribution is the sum of the estimated tax payments to the City and Urban Renewal Districts over 20 years, and will be in lieu of annual contributions to the Community Giving fund.



- F. The exemption has been approved as provided in ORS 307.523 (Time for filing application), pursuant to an application filed before July 1, 2030.**

This is pending and requires city approval.



- G. The housing units on the property were constructed after the local governing body adopted the provisions of ORS 307.515 to 307.523.**

The local jurisdiction adopted ORS 307.515 to 307.523 in October 2023. The housing units started construction in November 2023.



- H. For any given project, the amount of the developer fee will be examined as a part of the application process on a case-by-case basis, but in no event may the developer fee be in excess of that allowable (or for projects not receiving Oregon Housing and Community Services support, would be allowable) by Oregon Housing and Community Services.**

The project funding is being administered by OHCS, who will ensure that the developer fee meets their requirements.



- I. The proposed project must have received land use application approval accompanied by all associated studies or other application requirements from the City of La Pine and have all required Deschutes County or other agency regulatory permits approved. This does not include final inspections for public improvements, conformance with building, electrical, structural, or plumbing code or other final occupancy requirements.**

The project has received land use approval from the City of La Pine and building permits from Deschutes County.



- J. The proposed project should project a Community Services/Social Services element to the benefit of the low-income residents as identified and evidenced by a service contract or MOU with a management agency which defines the programs or services to be provided, and to extend for the twenty-year regulatory period of the project.**

The project will have ongoing resident services offered by the local organizations NeighborImpact and Latino Community Association. See the attached MOUs for details.



- K. The information on the application filed pursuant to ORS 307.521 (Application for exemption) meets any other criteria adopted by the governing body.**

No other information is required at this time.

The undersigned as an approved representative of the applying entity verifies that all information, data, and responses contained within this application are true and complete under penalty of perjury.



Designated Representative: La Pine Huntington Rd. Limited Partnership

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