# Memo

DATE: TBD
TO: Ashland School District Board
FROM: Linda Reid, Housing Program Manager
DEPT: City of Ashland Planning Department
RE: Non-profit Corporation Low-Income Housing Property Tax Exemption Program

**SUMMARY**

Over the years, the Oregon State Legislature has authorized several programs that allow local governments to offer property tax exemptions as a means of encouraging the development of needed housing types in their communities. One such program is the Non-Profit Corporation Low-Income Housing Property Tax Exemption, as outlined in ORS 307.540 to 307.548. Property tax exemptions for affordable housing are a critical tool for several reasons. They help reduce the operating costs for non-profit housing providers, making developments more financially viable and enabling them to offer lower rents. These exemptions also serve to incentivize the construction of specific housing types or to direct development to priority areas, such as those along transit corridors. Furthermore, offering such exemptions can enhance a community's competitiveness when seeking regionally distributed affordable housing resources.

This particular exemption is available to non-profit organizations developing housing that serves households earning 60 percent or less of the Area Median Income. In order to implement the exemption and allow for a 100 percent property tax abatement, at least 51 percent of the overlapping taxing jurisdictions must approve participation in the program. In Ashland, this threshold can be met with approval from both the City and the Ashland School District.

Staff presented to the City Council about the Non-Profit Affordable Housing Tax Exemption program, and whether the City should proceed with adoption of the attached ordinance to establish this exemption locally at a Study Session on May 25, 2025. At that time the Council directed staff to contact the Ashland School District to gauge their level of interest. City staff is reaching out to the Ashland School District to request their participation in order to meet the required threshold for implementation.

**BACKGROUND AND ADDITIONAL INFORMATION**

The City began exploring the Non-Profit Low-Income Tax exemption when the issue was brought to staff's attention by Columbia Care, a non-profit housing provider. The City's implementation of a tax exemption in collaboration with other taxing Districts in Ashland would directly support the development and operation of income restricted housing that includes services, such as those provided by both Columbia Care and Options for Southern Oregon. Other organizations also provide low-income housing in Ashland such as the Starthistle and Rogue Ridge developments, targeting special needs populations with the lowest income (30% AMI) while also offering case management.

ORS 307.540–548, known as the Non-Profit Corporation Low-Income Housing Property Tax Exemption, was originally approved in 1985 and later extended in 2011. This program allows for a property tax exemption for low-income housing developed by non-profit organizations serving households earning 60% or less of the Area Median Income (AMI). Local governments have the option to increase the eligible income threshold to 80% AMI after the first year of occupancy. The exemption can be applied to both existing housing and new development and may also include land held for future affordable housing development. Local jurisdictions are permitted to adopt additional eligibility criteria, provided they are not inconsistent with the requirements set forth in state law. While annual applications are required, there is no limit on the length of time a property

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can remain exempt, so long as it continues to meet the program's eligibility requirements. As a point of reference, the City of Medford adopted a Non-Profit Corporation Low-Income Housing Property Tax Exemption Program in September 2022.

## FISCAL IMPACTS

The property tax exemption would reduce the revenue the City and other taxing districts receive from property taxes on low-income rental housing units owned by non-profit entities. The exemption is not automatic, non-profit entities would need to apply to receive the exemption, but once the exemption is approved, the city and other taxing entities would then lose their allotment of tax revenues from the non-profit affordable housing developments which are currently subject to paying property taxes. The school district would also lose a portion of the property tax collected on non-profit owned affordable housing developments. Future revenue from any newly developed affordable housing that meets the criteria could also be eligible for the exemption. Housing units owned and managed by the Housing Authority of Jackson County are already statutorily exempt from property taxes, and the County has also granted exemptions to housing units owned and managed by Access. Currently, two developments would qualify for a property tax exemption: Columbia Care's Rogue Ridge Development and Starthistle, owned by Options for Southern Oregon. Together, these existing developments account for approximately $8,000 in annual tax revenue for the City, and approximately $13,000 in annual tax revenue for the School District. A total of 42 units of affordable housing has been developed by non-profit affordable housing providers in the past 25 years. It is expected that at least as many units will be developed in the same period in the future. Consequently, the future impact is expected to be substantially similar.

Between 2000 and 2025 a total of 276 units of deed restricted affordable housing. Of those only 42 homes were developed by non-profit affordable housing providers that aren't already tax exempt and therefore would qualify for the exemption.

- 2025 City's estimated tax reduction- $7,021
- 2025 City's Special Assessments/Bonds-$101.24
- 2025 School District estimated tax reduction-$8,927.91
- 2025 School District's Special Assessments/Bonds-$3,296.06

It is anticipated that non-profit affordable housing providers will produce approximately the same number of affordable housing units over time, and hopefully more. A tax assessment on these developments is expected to increase at a rate of 3% each year. Over the next 25 years it is expected that the amount of taxes the School district will forgo will be approximately $13,000 per year. However, it is our understanding that any lost funding will be backfilled by the State.

## SUGGESTED NEXT STEPS

If the School Board is amendable to approving the tax exemption, the next steps would include returning to the City Council to move forward with consideration of an ordinance adoption exempting non-profit affordable housing units developed in Ashland from property taxes. Upon receiving direction from Council, staff will send the draft ordinance for review by the City's Legal Department to ensure consistency with state law and local requirements. Approval by both the City of Ashland and the Ashland School District would meet the 51% threshold of overlapping taxing jurisdictions required for the program to offer a full property tax exemption. Staff would report back to the Council on the outcome of discussions with the School District and any necessary adjustments to the ordinance prior to undertaking the adoption Process.

## REFERENCES & ATTACHMENTS

Non-Profit Corporation Low-Income Housing Tax Exemption Draft Ordinance

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