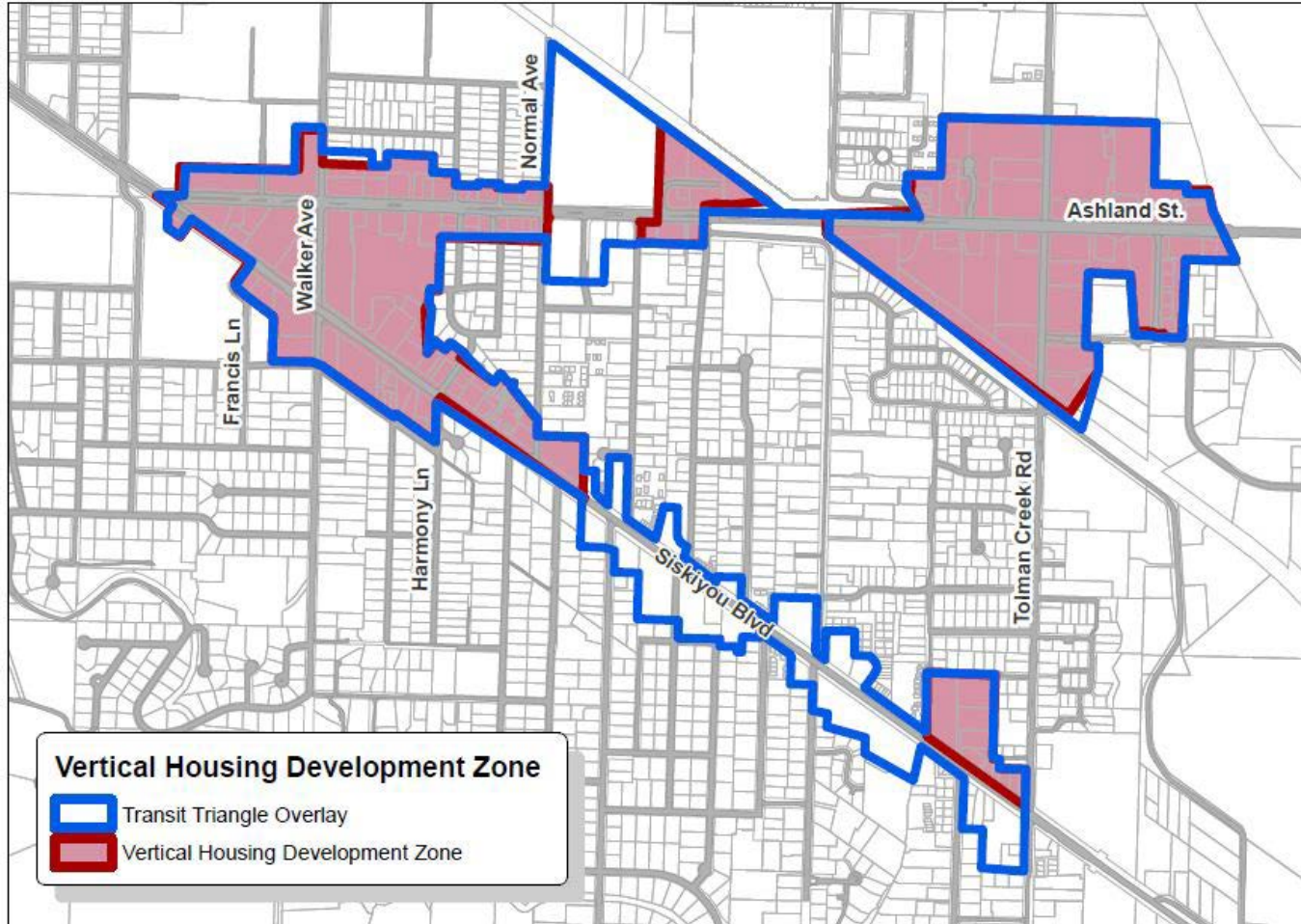


Ashland Transit Triangle

Vertical Housing Development Zone (VHDZ)



Vertical Housing Tax Credits Encourage Housing Above Commercial

Residential
units above

Commercial
space below



What is a VHDZ?



An area designated by a city or county where eligible projects can apply for a partial 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



Partial Property Tax Exemption



- 20% property tax exemption for each floor of residential units above a ground floor with commercial space
- Does not include land value
- Fully taxed after 10 years when exemption expires

VHTC Incentives Differ Depending on the number of floors

- **2 Story building – 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**

Ashland St. looking east



Ashland St. looking west



Sherwin Williams (2013)

2220 Ashland St.



Wendy's (1994) 1624 Ashland St.



Rogue Credit Union (2017)

1661 Ashland St.

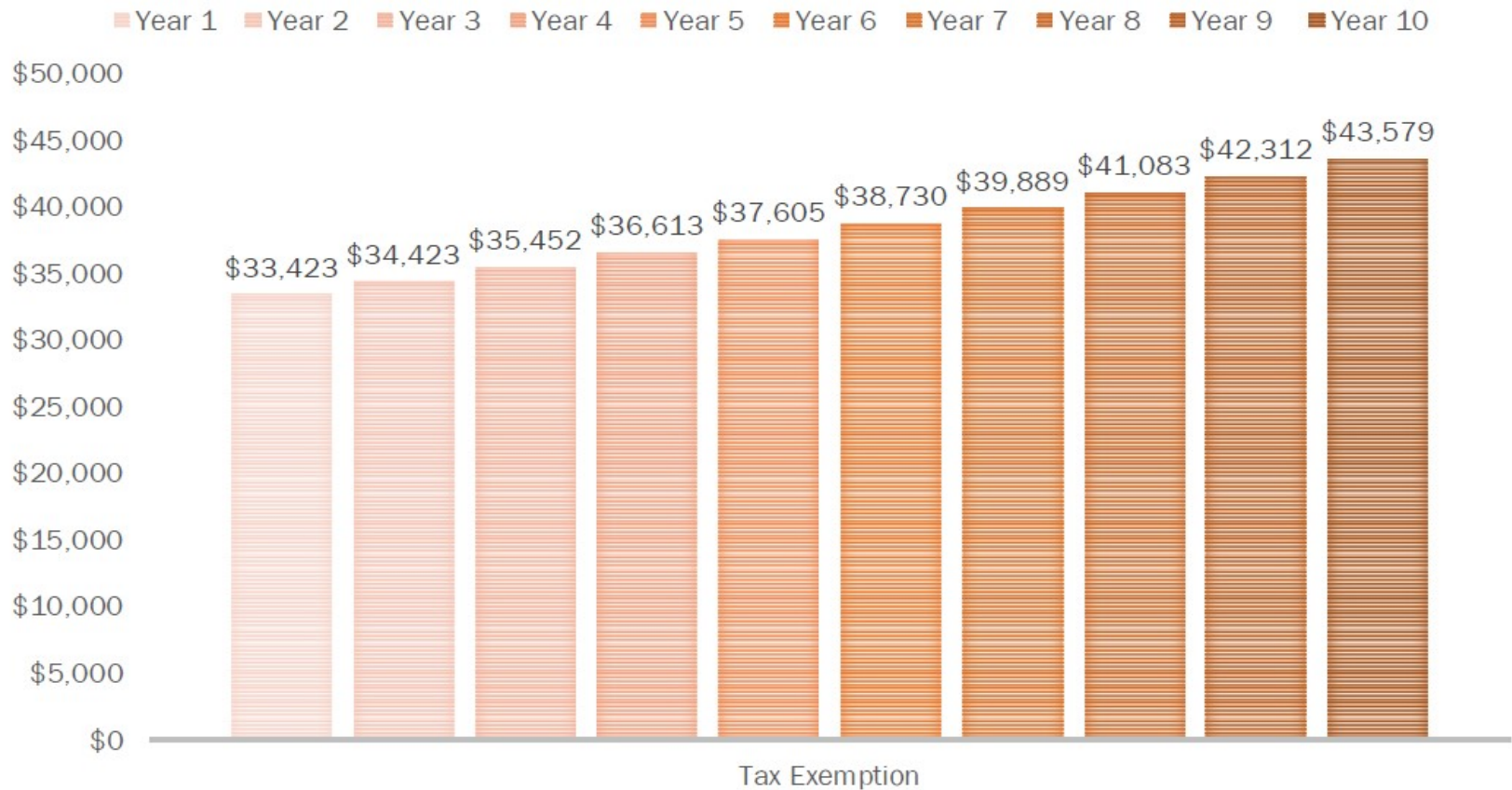


Comparing the 4 Examples

	1 Story Commercial	2 Story Mixed-Use	3 Story Mixed-Use	4 Story Mixed-Use
Project Value	\$1,900,000	\$ 4,400,000	\$5,200,000	\$6,230,000
Potential Total 10 Year Property Tax	\$382,000	\$646,200	\$753,000	\$903,000
Total Tax Exemption over 10 Years	\$0	\$104,700	\$245,000	\$457,000
Net Tax Revenue Collected over 10 Years of Exemption	\$382,000	\$541,500	\$508,000	\$446,000

1 Story Commercial Example

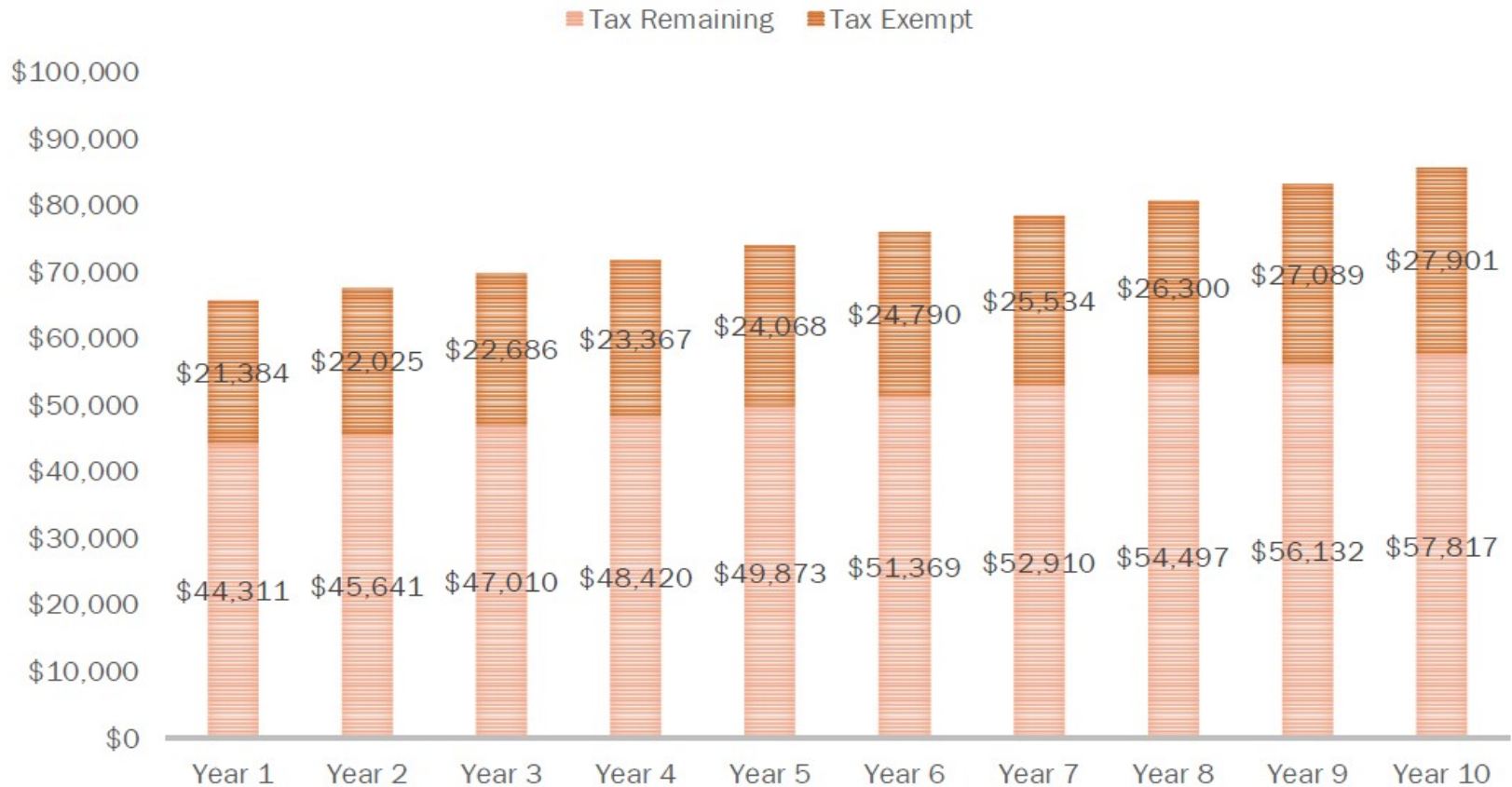
PROPERTY TAX OVER 10 YEARS



Total Tax Exemption over 10 Years = \$0
Potential Total 10 Year Property Tax = \$382,000

3 Story Mixed-Use Example (40%)

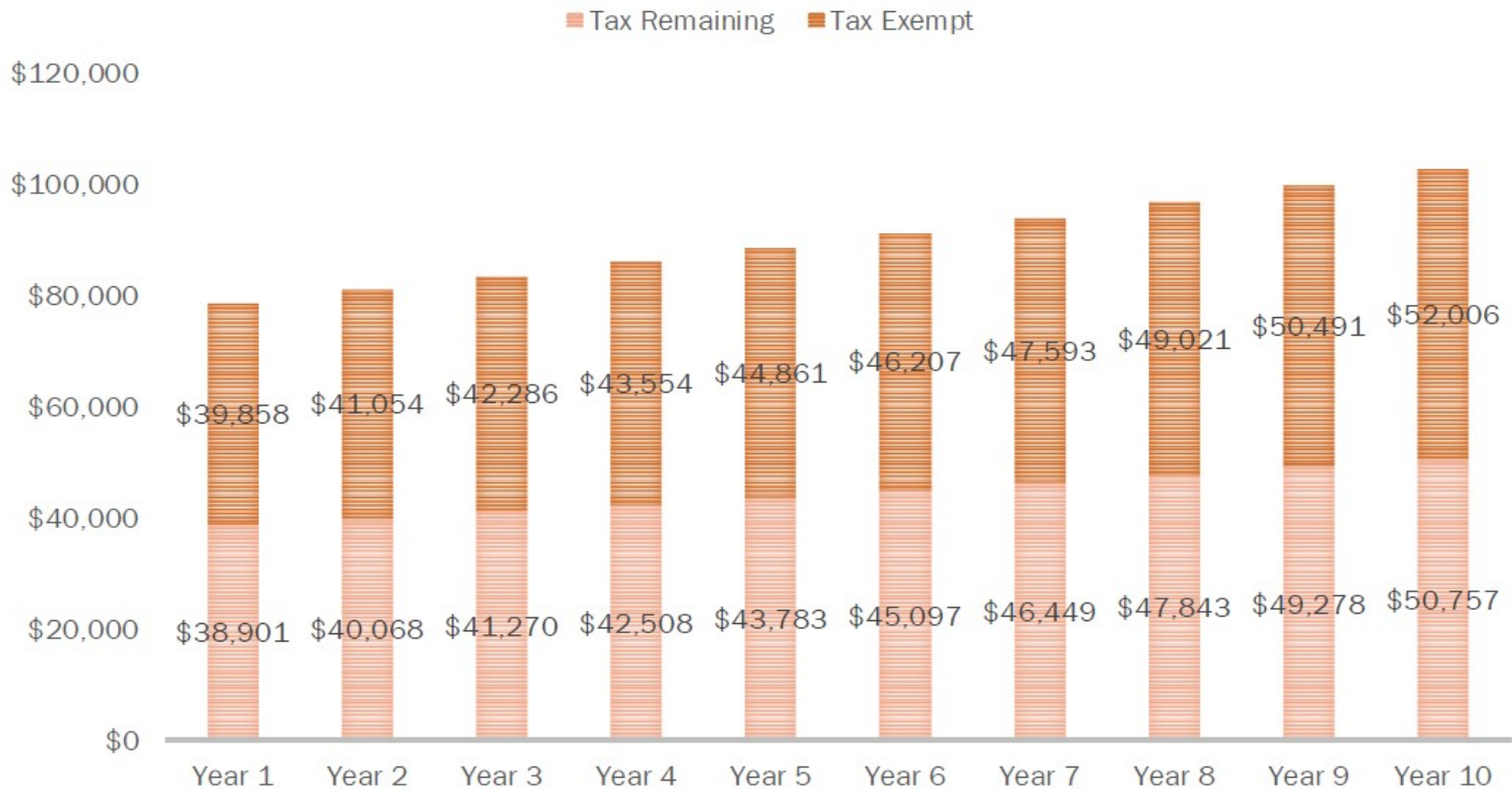
10 YEAR TAX ABATEMENT



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

4 Story Mixed-Use Example (60%)

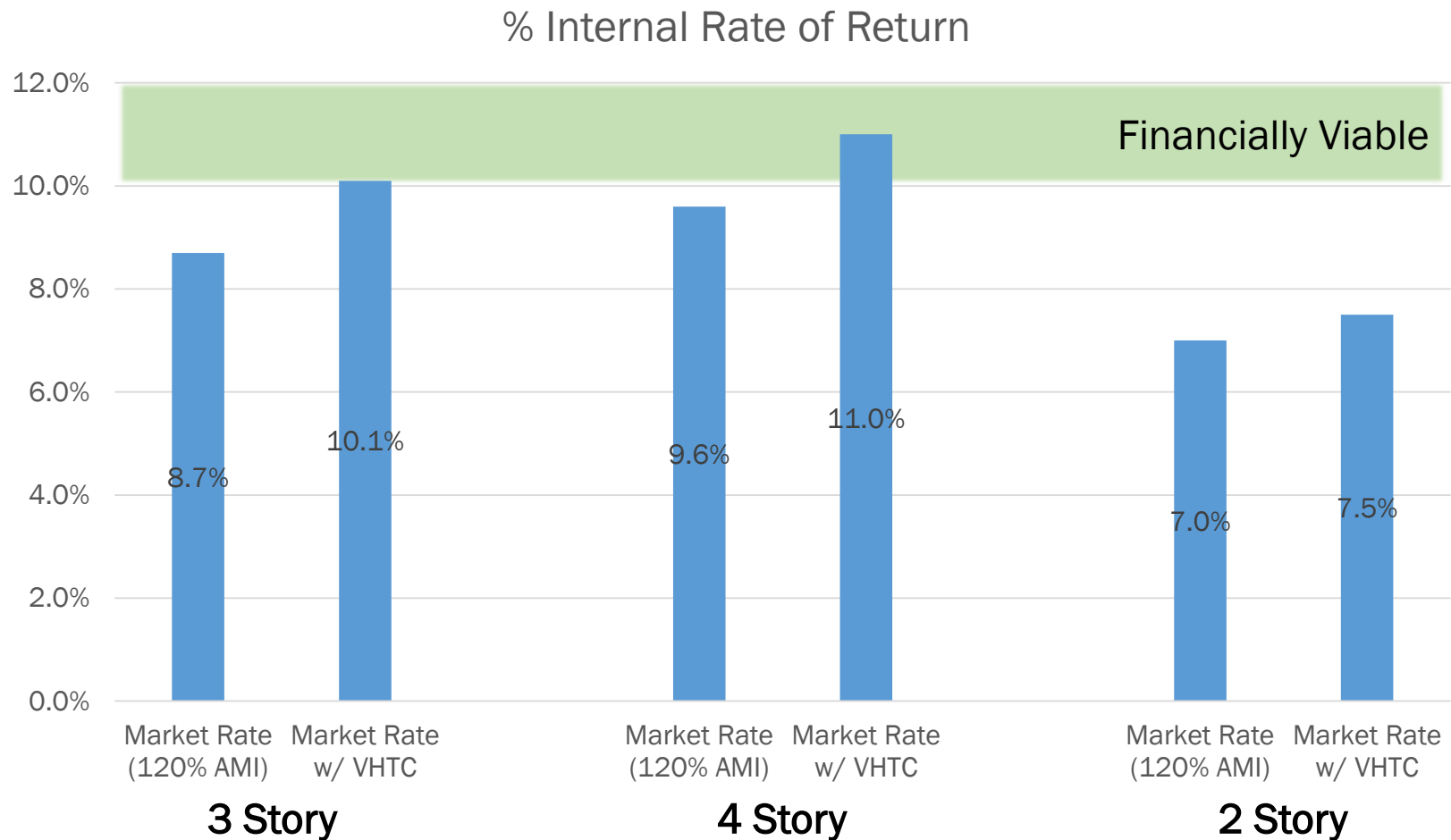
10 YEAR TAX ABATEMENT



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

2, 3 & 4 Story Mixed-Use Examples

Internal Rate of Return (IRR)



Testing Requiring Low-Income Housing in the Transit Triangle

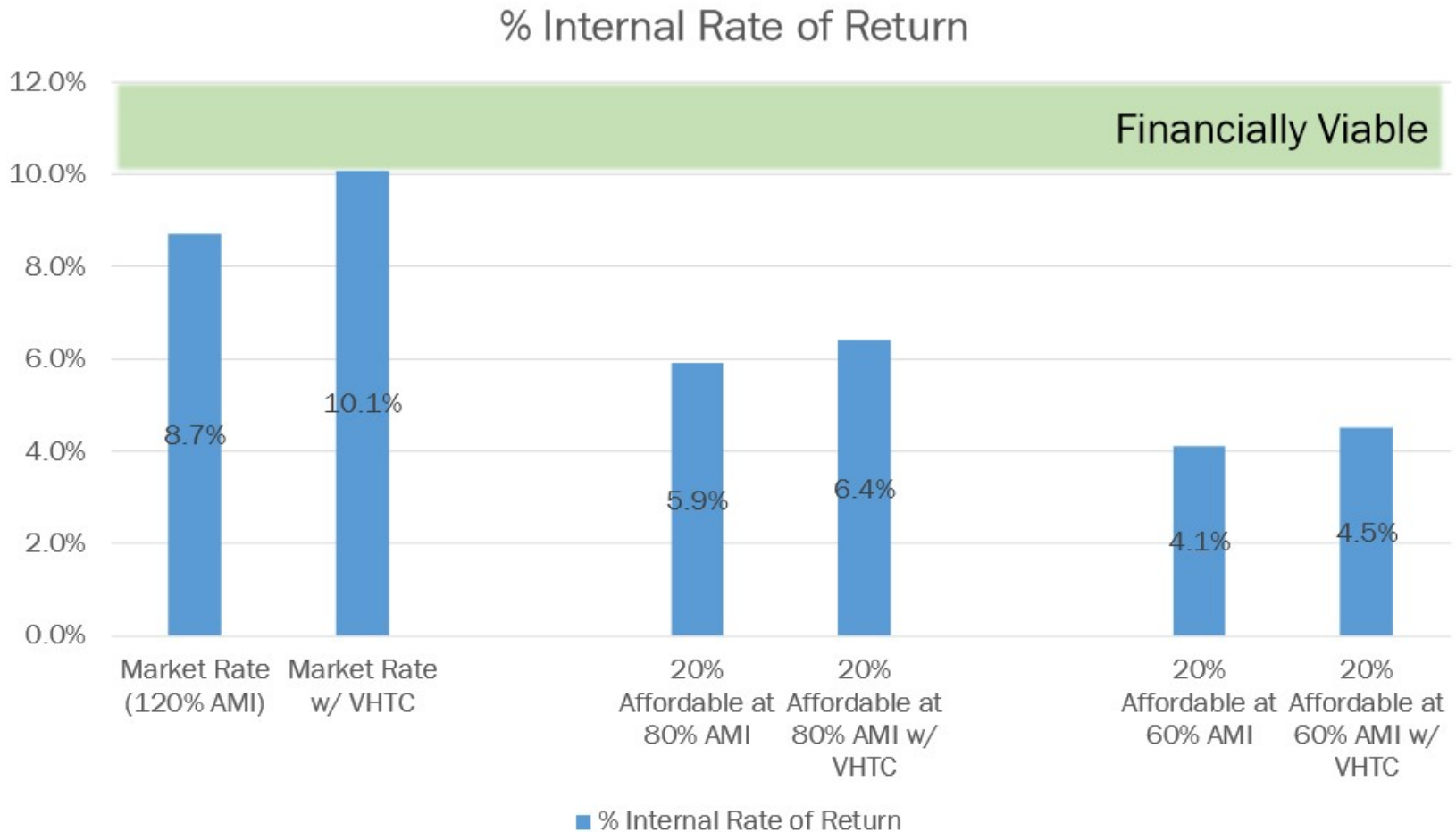
- Average Median Income Assumptions
 - We are using \$60,000
 - In 2017 AMI in Ashland was \$50,517
- Average Rent Assumptions
 - As of April 2019, average rent for an apartment in Ashland is \$1300

	Percent of AMI	Rent
	130%	\$1,300
	120%	\$1,200
	80%	\$950
	60%	\$650

Target Rent

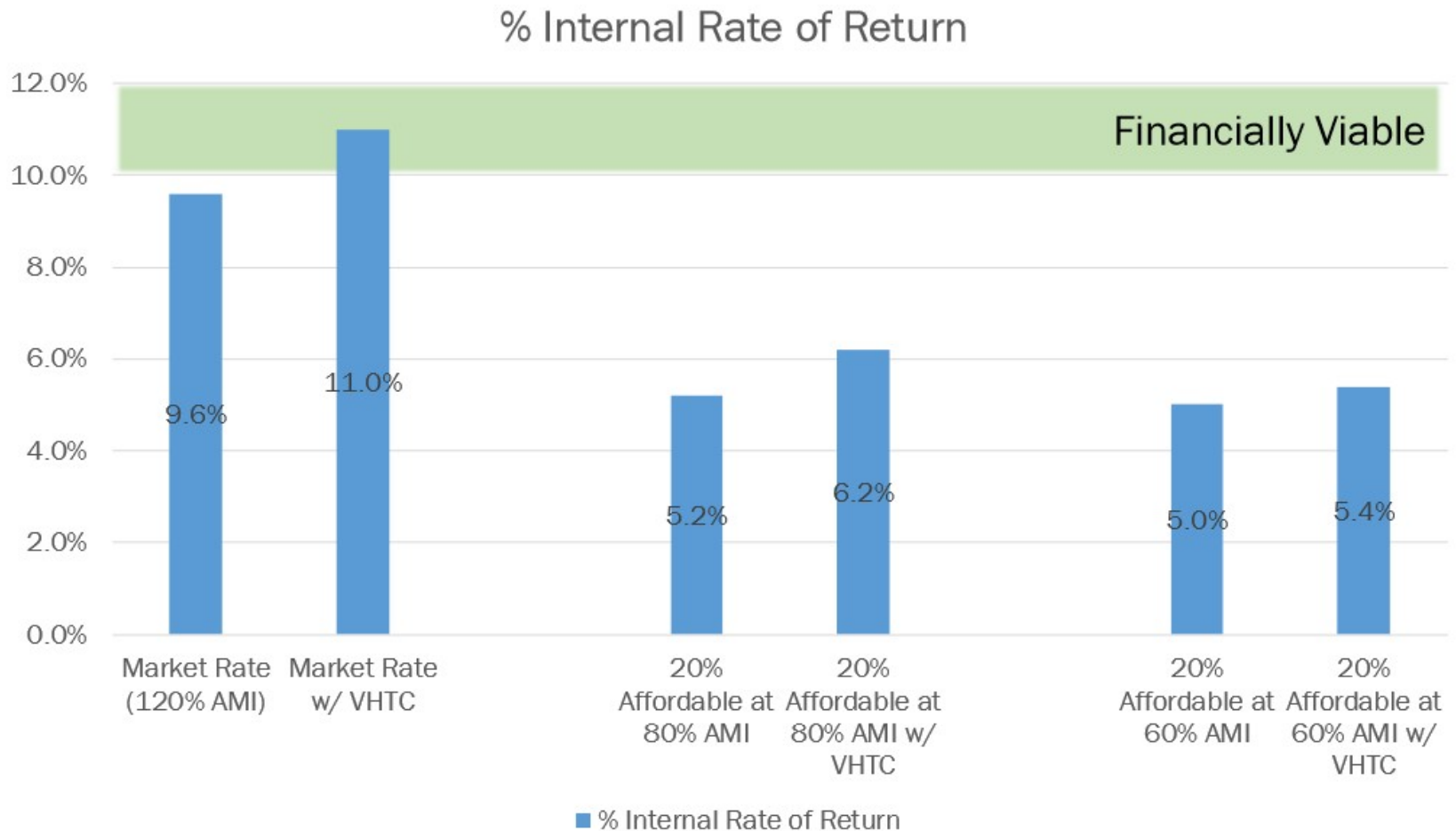
3 Story Mixed-Use Example

Internal Rate of Return (IRR)



4 Story Mixed-Use Example

Internal Rate of Return (IRR)



Comparing the 2 Examples – Requiring Affordable Housing

	3 Story Mixed-Use	4 Story Mixed-Use
Total Project Cost	\$5.20 Million	\$6.23 Million
VHTC - Total Tax Exemption over 10 Years	\$245,000	\$457,000
Additional Subsidy Needed <i>(20% affordable units at 80% AMI)</i>	\$578,000	\$834,000
Additional Subsidy Needed as a % of the total Project Cost <i>(20% affordable units at 80% AMI)</i>	11.1%	13.4%
Additional Subsidy Needed <i>(20% affordable units at 60% AMI)</i>	\$1,178,000	\$1,117,000
Additional Subsidy Needed as a % of the total Project Cost <i>(20% affordable units at 60% AMI)</i>	22.7%	21.5%

Key Conclusions

- Requiring affordable housing as part of the VHTZ would create the need for substantial subsidies or alternative methods for filling a sizeable financial gap.
- Placing requirements for affordable housing on an incentive program like VHTC essentially removes the incentive for developers to utilize the program in the first place.

Taxing Districts



- State law requires notification of taxing districts
- Taxing districts can choose to participate or opt out
- Nine districts in addition to City of Ashland
- Unanimous support among taxing districts

Local Criteria



- State law allows local approval criteria
- Recommend require projects to develop under the Transit Triangle (TT) overlay option
 - Flexible number of units
 - Increased building height
 - Decreased parking requirements
 - Rental units

