

# Vertical Housing Program

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The September 2005 issue of the *League of Oregon Cities' Local Focus* featured Milwaukie's downtown revitalization project. (Predevelopment Loans Keep Project Momentum). That article described how Oregon Housing and Community Services' predevelopment loan program assisted Milwaukie's efforts to revitalize its Main Street.

But that was only the first step. After securing the site of a former Safeway store with a predevelopment loan, Milwaukie was among the first jurisdictions to take advantage of Oregon's vertical housing program. This four-year-old program encourages cities and counties to designate tax incentive zones for mixed-use projects. Through the program's time-limited property tax exemption, local jurisdictions can promote downtown revitalization, mixed-use projects, housing in urban areas and workforce housing.

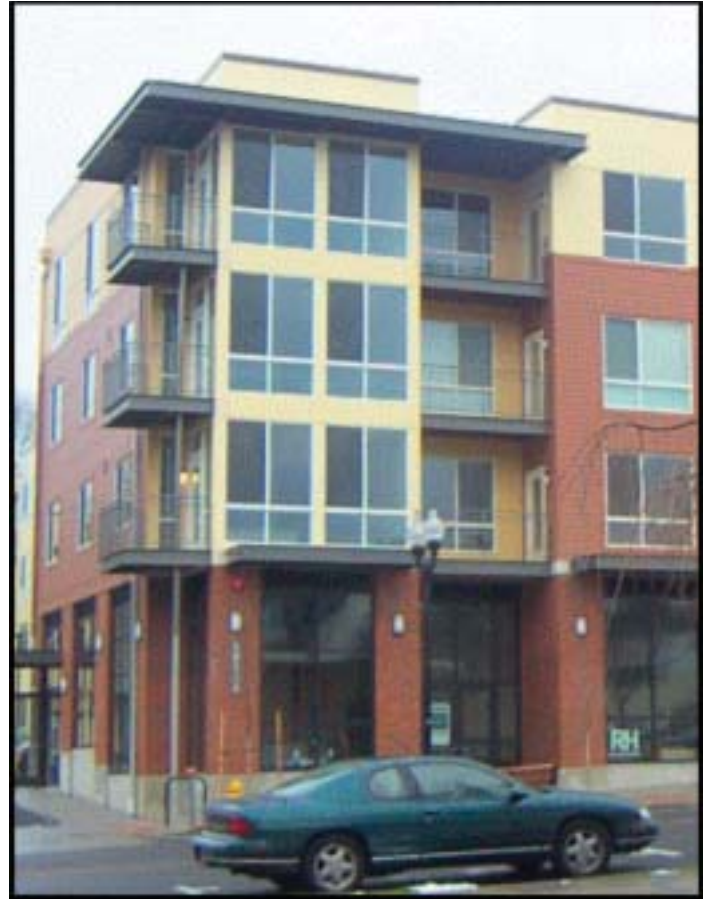
## Putting It All Together

By creatively identifying and tapping into a variety of resources, the City of Milwaukie is beginning to see its new vision for Main Street take shape.

OHCS is working in conjunction with Bank of America and other funding sources to finance the affordable housing component of this project. This portion of the development benefits from the following OHCS programs:

- Risk Sharing Loan
- Low Income Housing Tax Credits
- Low Income Weatherization
- Community Incentive Fund

Other funding sources include the City of Milwaukie, Metro and a deferred developer fee.



North Main Apartments in Milwaukie, Oregon. A Vertical Housing Program project that encourages mixed-use commercial/residential development.

**Development Funding Sources:**  
Risk Sharing Loan Program  
Predevelopment Loan Program  
Low Income Housing Tax Credits  
Low Income Weatherization Program

## Vertical Housing Program

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The vertical housing program, now administered by OHCS, allows local jurisdictions to control tax incentives for development of areas targeted for revitalization. Cities and counties can elect to participate by designating zones and establishing the number of tax lots in each zone.

Qualifying developments receive a partial property tax exemption for up to ten years. The amount of the exemption varies by the size of the project. For example, a project with four or more floors can qualify for the maximum property tax exemption of 80 percent. Additional property tax reductions apply when residential housing serves people living at or below 80 percent of the area's median income.

In Milwaukie, the downtown area experienced little new development and lost many of its businesses. City leaders sought to attract new businesses to downtown while preserving Milwaukie's small-town charm. The vertical housing program served an important role in their planning.

According to Mike Swanson, Milwaukie's city manager, while studies demonstrated a demand for downtown housing, the market for mixed-use development was untested. The vertical housing program provided additional incentives to attract qualified developers.

The city council established a vertical housing zone designation for an area identified as primary for beginning revitalization of their downtown. City leaders like the fact that the vertical housing program limits the property-tax exemption to less than 100 percent for a maximum of ten year. This minimizes revenue impact and creates the conditions for a broader tax base in the future. Local jurisdictions can also adjust revenue impact by limiting the size of the project.

### Tools for Duplicating Milwaukie's Success

To take advantage of the vertical housing program, local jurisdictions must establish the vertical housing zone (a specific tax lot or group of tax lots), obtain approval from OHCS for the zone and design and receive OHCS approval for the project. Developers pay nominal application and monitoring fees, offset by the limited property tax obligation.

To learn more about how the vertical housing program can strengthen your community, see [www.ohcs.oregon.gov/OHCS/HFS\\_Vertical\\_Housing\\_Program.shtml](http://www.ohcs.oregon.gov/OHCS/HFS_Vertical_Housing_Program.shtml) or contact Debie Zitzelberger, 503.986.2038, [debie.zitzelberger@hcs.state.or.us](mailto:debie.zitzelberger@hcs.state.or.us).

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