



October 20, 2023

Elizabeth Comfort, Finance Director
Clackamas County Department of Finance
2051 Kaen Road
Oregon City, OR 97045

Dear Ms. Comfort:

The purpose of this letter is to notify Clackamas County, pursuant to ORS 307.844(6), of the City of Lake Oswego's intent to establish a new Vertical Housing Development Zone (VHDZ) program. The proposed pilot program would create a new VHDZ at a catalytic development site in Lake Oswego's downtown core.

A. Background and Overview.

The VHDZ program is a partial property tax abatement program intended to encourage the private sector to build mixed-use development and affordable housing units in targeted areas. As a jurisdiction that obtains revenue from property taxes collected within the City of Lake Oswego, the City's proposal may affect Clackamas County.

The proposed VHDZ pilot program would help the Lake Oswego City Council accomplish its 2023 Goal to, "Support business investment and job creation in Lake Oswego," and advance the related initiative to, "Ensure the North Anchor redevelopment stays on track." More specifically, the VHDZ pilot program at the North Anchor location would help to facilitate the development of 67 housing units in the downtown core as a part of the North Anchor project, eight of which are workforce housing units affordable to those earning 80% or less of area median income.

The City will analyze the broader implementation of VHDZ as a potential housing production tool as a part of the City's work to develop a Housing Production Strategy per ORS 197.290 [a part of House Bill 2003 (2019)]. This VHDZ pilot program will provide the City with the opportunity to assess VHDZ as a housing production tool and to identify any issues with the program components and/or its implementation prior to considering potential expansion to other areas in the city.

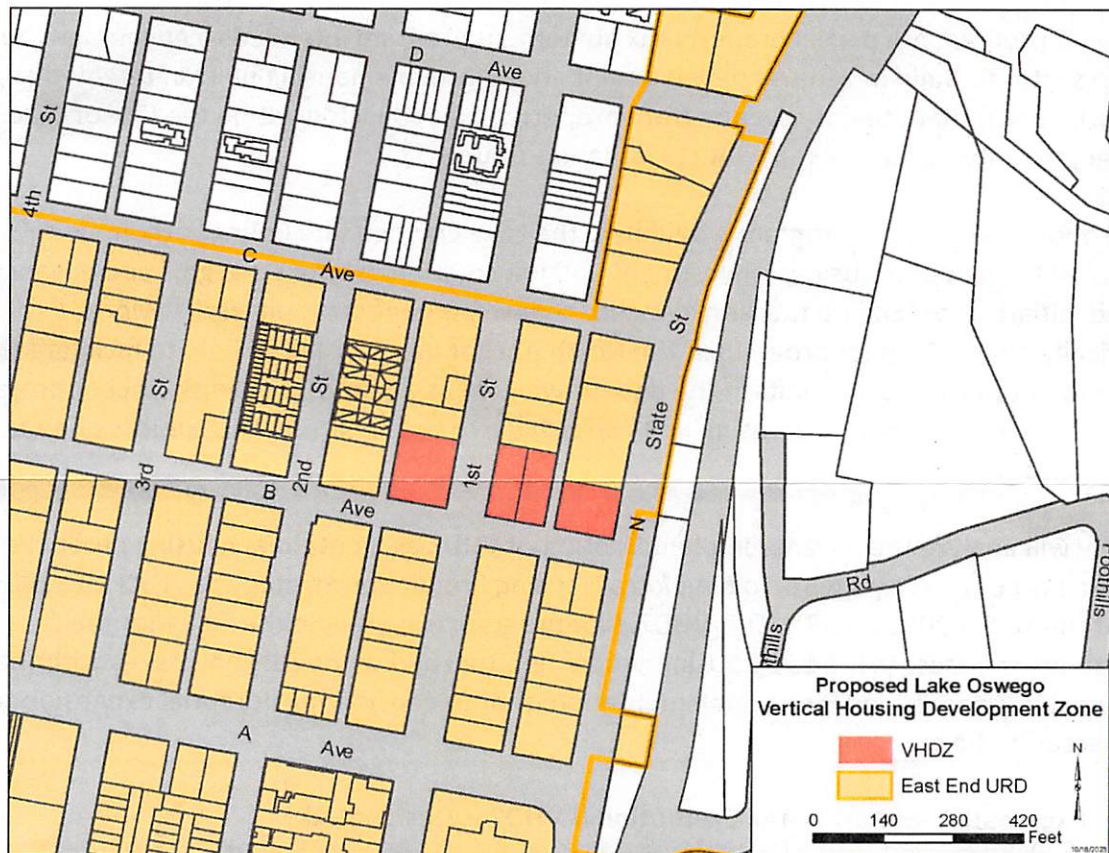
B. Explanation of Partial Tax Exemption if VHDZ is Designated.

The proposed VHDZ pilot program allows property owners to apply for a partial property tax abatement for up to 10 years. To qualify for the partial property tax abatement, the development must have commercial use on the ground floor and residential units must be located on the levels above. The VHDZ program provides partial tax exemptions on the value of new construction or rehabilitation for 20% per eligible residential floor(s) above a commercial ground floor, with a maximum total tax exemption limit of 80% - or four (4) floors of residential use.

For a market-rate project, the partial abatement applies only to the value of the *building* —that is, no portion of the assessed value of the land under an eligible project is exempted from any amount or percentage of taxation. However, assessed value associated with *land* may be exempted where the project has an affordable housing component.

C. Proposed VHDZ Boundaries

This VHDZ pilot program would be mapped to apply specifically to the “North Anchor” development site in downtown Lake Oswego: Block 30, Lots 7-11, and Block 31, southerly 40 ft. of Lot 6 and Lots 7 and 8, First Addition to the Town of Oswego. This consists of the following street addresses: 500-520 & 525 1st St.; 27, 33-41 & 95 B Ave.; & 504 N State St.



D. Process for Local Taxing District to Elect Not to Participate in VHDZ

Under ORS 307.844, related to VHDZ designation, local taxing districts may elect not to participate in the partial property tax abatement of the proposed VHDZ. As a local taxing district, Clackamas County may elect to opt out of the proposed VHDZ in Lake Oswego. If Clackamas County elects to opt out of the VHDZ, it will be able to continue to impose property taxes on properties that may otherwise be exempt.

If Clackamas County decides to participate in the VHDZ, no response to this letter is needed. To officially opt out of the City of Lake Oswego’s VHDZ designations, the City must receive from Clackamas County a letter informing the City of the decision to opt out, accompanied by a resolution or other appropriate official instrument affirming the decision to opt out of the VHDZ designation. If Clackamas County elects to opt out of participating in the VHDZ, the City must receive notice of that decision within 30 days of receipt of this letter at the following address:

*City of Lake Oswego
c/o Iris McCaleb
P.O. Box 369
380 A Avenue
Lake Oswego OR 97034*

If you have any questions about the City's VHDZ proposal, please feel free to contact Erik Olson, Long Range Planning Manager, at 503-697-6524 or eolson@lakeoswego.city.

Sincerely,

Martha Bennett
City Manager

The first part of the report is a summary of the work done during the year. It covers the following areas:

1. The work done on the project during the year. This includes the design and construction of the system, the testing of the system, and the evaluation of the system.

2. The results of the work done on the project. This includes the performance of the system, the reliability of the system, and the cost of the system.

3. The conclusions of the work done on the project. This includes the overall performance of the system, the overall reliability of the system, and the overall cost of the system.

The second part of the report is a detailed description of the system. This includes the design of the system, the construction of the system, and the testing of the system.

The third part of the report is a detailed description of the results of the work done on the project. This includes the performance of the system, the reliability of the system, and the cost of the system.

The fourth part of the report is a detailed description of the conclusions of the work done on the project. This includes the overall performance of the system, the overall reliability of the system, and the overall cost of the system.

[Handwritten signature or initials]