



CITY OF
GEARHART

Staff Report

For Special City Council Meeting of 4/19/2022

Subject - Old Business - Discussion - Tax Relief Program

Synopsis: The Council discussed the possibilities surrounding implementation of a tax relief program to help ease the burden of the fire / police station bond increase. A draft program is attached. City Attorney Peter Watts has also provided Ordinance #933 should the Council choose to adopt the program.

Recommendation: Staff has no recommendation; this is a decision by Council requiring a motion to proceed.

Legal Analysis: Mr. Watts has reviewed the program and prepared the proposed ordinance.

Financial Analysis: N/A

Respectfully Submitted,

Chad

Date: 4/3/22
From: Brent Warren
To: Mayor Cockrum, Gearhart City Council, Chad Sweet, Peter Watts
Subject: Proposed Gearhart Property Tax & Rental Assistance Program

I request the City of Gearhart City Council to consider adopting the following assistance program:

DRAFT

GEARHART PROPERTY TAX & RENTAL ASSISTANCE PROGRAM

Background:

The City of Gearhart has been working towards replacing its aging fire station for almost two decades. What could have been \$5 million at the beginning of our City's efforts, is now estimated to be up to \$14.5 million including road access costs and contingency line items. The City acknowledges an increase in property taxes will not affect everyone the same way, because not every homeowner or renter has the same financial resources.

Many jurisdictions have established programs to assist low and moderate-income people to buy, maintain and rent homes. For example:

- first time homebuyers grants and/or low interest loans for downpayment assistance
- complete or partial property tax abatements for 10 years or more
- zero interest or low (below 3%) interest home improvement loans
- waiver of system development charges (SDCs) for construction of affordable housing

As long as the application criteria is nondiscriminatory toward any "protected classes" and the application process is consistently applied, creating a program to assist Gearhart residents who may struggle with a property tax increase is possible.

Eligibility:

Gearhart households earning 80% of the Clatsop County Area Median Income (AMI) or less (adjusted for household size) would be eligible for assistance. (The 2021 incomes below will need to be updated with most current data.)

<u>1 Person</u>	<u>2 Person</u>	<u>3 Person</u>	<u>4 Person</u>	<u>5 Person</u>	<u>6 Person</u>	<u>7 Person</u>	<u>8 Person</u>
Low Income - 60% AMI							
\$30,660	\$35,040	\$39,420	\$43,740	\$47,280	\$50,760	\$54,240	\$57,780
Moderate Income - 80% AMI							
\$40,880	\$46,720	\$52,560	\$58,320	\$63,040	\$67,680	\$72,320	\$77,040

Application Process:

Eligible applicants will need to submit a written application form and provide supporting income documentation. The application process could be administered by City staff or by a 3rd party nonprofit organization (to be determined later) for approval. The application period would begin upon publication of Clatsop County Property Tax Statements and continue until the allocated program funds are exhausted. An application form would need to include the following information on the application below.

Program Funding:

The City is fortunate to have an unbudgeted infusion of cannabis tax money this year. With the opening of a second cannabis store within the city limits, the tax revenue is expected to grow. I propose allocating \$30,000 in the next budget year to fund this assistance program.

Program Details:

Once residency and income guidelines have been verified, the amount of the assistance will be calculated. Those with total household incomes of 60% of AMI or less will be issued a grant check for the full amount of the tax increase associated with the Fire/Police Station Bond amount or an estimate of rent increase attributable to the bond amount. Those households with incomes of 80% of AMI or less but greater than 60% of AMI will be issued a grant check for 75% of the tax increase associated with the Fire/Police Station bond. Homeowners participating in the State of Oregon's Senior, Disabled and Veteran Property Tax Deferral program may not participate in Gearhart's Assistance Program.

For example:

- A 2-person household with a tax increase of \$250 as a result of the Fire/Police bond and an income of \$30,000 would be considered low income and qualify for a grant for the full \$250.
- A 4-person household with a tax increase of \$350 as a result of the Fire/Police bond and an income of \$55,000 would be considered moderate income and qualify for a grant of \$262.50 (75% of the bond amount).
- A 1-person household with an income of \$20,000 who rents a home and gets a \$25 per month rent increase as a result of the Fire/Police Bond. The person would be considered low income and qualify for a grant up to lesser of the full amount of the property Fire/Police Bond payment or the rent increase. Let's say the home had an initial bond payment of \$200, the person would qualify for \$200 in assistance. If the home was part of a multifamily apartment building, they would qualify for a pro rata share of the total Fire/Police bond payment on the whole complex. A 4-plex with a Fire/Police Bond payment of \$600 would have a pro rata bond share of \$150 allocated to each unit.

Applications will be evaluated and funded in the order received. Applications will be date stamped upon delivery or receipt by City Hall Staff. When the allocated funding is exhausted, the program will terminate unless additional funds are designated.

Estimate of Households Helped:

It is anticipated most of the eligible households will fall within the \$200,000-\$300,000 assessed value range, which equates to bond payments ranging from approximately \$250 to \$350. Assuming an average of \$300 bond payments, even with all of the households assumed to be at 60% or less of AMI receiving full bond payment assistance, this would benefit about 100 households. If some households were in the 60% to 80% of AMI range and received less than the full bond payment assistance, then the program would help additional households.

Q & As:

1) Why not just take the funding and apply it towards the cost of the Police/Fire Station and reduce the amount of the money the city borrows?

The amount of the program funding would be negligible in the total construction and financing budgets. The City recognizes that many individuals and families are on very tight budgets and we want to reduce that financial stress for those who really need it.

2) What about the tax issues of granting money and issuing IRS 1099 misc tax forms?

Tax forms and reporting of payments is only required when the disbursement is greater than \$600. It is very unlikely that anyone would receive assistance approaching this amount.

APPLICATION FOR CITY OF GEARHART PROPERTY TAX/RENT INCREASE ASSISTANCE PROGRAM

Application Date: _____

Applicant Name: _____

Total Household Size: _____

Total Household Gross Income Reported on Last Year's Federal Tax Returns: \$ _____

Resident of Gearhart: Yes No

Street Address _____

Homeowner

Current Home Tax Assessed Value: \$ _____

Police/Fire Station Bond Amount from County Tax Statement: \$ _____

Please attach a copy of your Clatsop County Tax Statement and Federal Income Tax Return

Renter

Current Monthly Home Rent: \$ _____

Date of Last Rent Increase: _____ Amount of Last Rent Increase: \$ _____

Please attach copy of your rent increase notification and Federal Income Tax Return

X _____

Applicant Signature

I certify that the above information is true and accurate.