



City of Canby

PO Box 930 Phone: 503.266.4021
222 NE 2nd Ave Fax: 503.266.7961
Canby, OR 97013 www.canbyoregon.gov

M E M O R A N D U M

TO: *Honorable Mayor Hodson and City Council*
FROM: *Rick Robinson*
DATE: *March 14, 2019*

Issue:

The Canby City Council adopted Resolution No. 1202 in November, 2014, requesting that our downtown district (see Attached map) be designated as a Vertical Housing Development Zone. Pursuant to ORS 307.864, the property of a vertical housing development project, except for the land of the project, shall be partially exempt from ad valorem property taxes imposed by local taxing districts.

The Dahlia mixed use development qualifies for the partial exemption. Because the exemption is allowed on residential use properties only, the first floor of the Dahlia would not be counted in determining the percentage property tax exemption, but the remaining 3 floors would. ORS 307.864 (1)(a)(C) indicates that if the project consists of the equivalent of three equalized floors allocated to residential housing, the project shall be 60 percent exempt.

In order for the property of a vertical housing development project to receive the partial property tax exemption the vertical housing development project property owner must notify the city that the project is occupied or ready for occupancy, and the city must notify the Clackamas County Assessor's office that the project is occupied or ready for occupancy. The City received a timely application from the developer and in a letter dated May 24, 2018 notified the developer, Canby Dalia LLC, that the project had met the criteria required to be eligible for the partial property tax exemption.

The final step in the approval process is the adoption of a resolution and approval of a Vertical Housing Development Project Certificate, and delivery of these documents to the County Assessor on or before April 1, 2019.

Recommendation:

Staff recommends adoption of Resolution 1311, A resolution granting an Exemption from Property Taxes to the Dahlia Project under applicable Oregon Revised Statutes.

Recommended Motion:

I move to adopt Resolution 1311, A RESOLUTION. GRANTING AN EXEMPTION FROM PROPERTY TAXES UNDER OREGON REVISED STATUTES FOR A 69 UNIT HOUSING DEVELOPMENT OWNED AND OPERATED BY CANBY DALIA LLC, AN OREGON LIMITED LIABILITY COMPANY.

Attached:

Resolution 1274, Vertical Housing Development Project Certificate, Project Use Agreement, Canby Vertical Housing Zone map

RESOLUTION NO. 1311

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANBY, OREGON GRANTING AN EXEMPTION FROM PROPERTY TAXES UNDER OREGON REVISED STATUTES FOR A 69 UNIT HOUSING DEVELOPMENT OWNED AND OPERATED BY CANBY DALIA LLC, AN OREGON LIMITED LIABILITY COMPANY

WHEREAS, the Canby City Council values include livability, the importance of maintaining a small town feel while continuing to address economic development, and housing; and

WHEREAS, the City of Canby Community Vision identified integrating mixed use office and/or residential over retail within its Downtown Zone; encouraging higher density residential development in the downtown core, encouraging high quality development through flexibility and inducements, proactive outreach to developers, and evaluating incentives to attract them; and

WHEREAS, the Canby City Council adopted Resolution No. 1202 dated November 19, 2014, a Resolution requesting designation of a Vertical Housing Development Zone; and

WHEREAS, Canby Dalia LLC has constructed a four story mixed use building with a mix of residential and non-residential uses within Canby's Vertical Housing Zone; and

WHEREAS, the Economic Development Department of the City of Canby and Canby Dalia LLC, have entered into a Project Use Agreement, Declaration of Restrictive Covenants and Equitable Servitude, Vertical Housing Development Program, recorded in the official records of Clackamas County on June 27, 2018 (The "Agreement") attached hereto as Exhibit "A"; and

WHEREAS, The "Agreement" makes available a certification for a 10-year partial tax exemption on a Certified Vertical Housing Development Project, to stimulate the development of the housing project known as the Dahlia (the "Project") located in Canby, Oregon; and

WHEREAS, the "Agreement" provides that the project's partial property tax exemption shall be 60% of the otherwise applicable real property taxes.

NOW, THEREFORE, BE IT RESOLVED by the City of Canby City Council that:

1. Canby Dalia LLC has qualified for a 60% property tax exemption for a 10 year period as set forth in the "Agreement"
2. A City of Canby, Economic Development Department, Vertical Housing Development Project Certificate (Exhibit B) shall be issued.

This resolution shall take effect March 20, 2019.

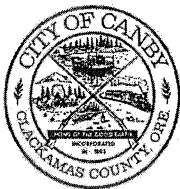
ADOPTED this 20th day of March, 2019 by the Canby City Council.

Brian Hodson
Mayor

ATTEST:

Kimberly Scheafer, MMC
City Recorder

Exhibit "A"



80
2015
5/11

RETURN TO: *Randy Mergelby*
City of Canby
222 NE 2nd St PO Box 930
Canby, OR 97013
Attn: Economic Development

Clackamas County Official Records
Sherry Hall, County Clerk

2018-039997



\$153.00

02156164201800399970080080

06/27/2018 03:57:19 PM

D-OD Cnt=2 Stn=2 COUNTER3
\$40.00 \$5.00 \$16.00 \$62.00 \$10.00 \$20.00

SPACE ABOVE FOR RECORDER'S USE

**ECONOMIC DEVELOPMENT DEPARTMENT
CITY OF CANBY**

**PROJECT USE AGREEMENT, DECLARATION OF RESTRICTIVE COVENANTS
AND EQUITABLE SERVITUDE**

VERTICAL HOUSING DEVELOPMENT PROGRAM

THIS PROJECT USE AGREEMENT, DECLARATION OF RESTRICTIVE COVENANTS AND EQUITABLE SERVITUDE (the "Agreement") is made and entered into this 15th day of June, 2018, by and between Mary Hanlon (the "Recipient") and the City of Canby, acting by and through its Economic Development Department (the "Department").

PURPOSE

The Department desires to make available to the Recipient a certification for a 10-year partial tax exemption on a Certified Vertical Housing Development Project, to stimulate the development of the housing project known as the Dahlia (the "Project") located in Canby, Oregon. The project's partial property tax exemption shall be 60% of the otherwise applicable real property taxes. The legal property description of said Project is set forth in Exhibit A, which also is attached hereto and incorporated herein by reference.

The Recipient is willing to receive the Certification, to satisfy the conditions thereof, and to execute and record this Agreement for the purpose, in part, of creating restrictive covenants and an equitable servitude that shall run with the Project land and bind any and all subsequent owners of the Project for the term of this Agreement.

AGREEMENT

In consideration of the above purposes and of the representations, covenants, warranties and agreements set forth herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows in order to ensure that the Project will be operated in accordance with this Agreement and that the following covenants, restrictions and charges shall run with the land and shall be binding and a burden upon the Project, and all portions thereof, and upon any purchaser, grantee, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of any purchaser, grantee, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein, for the length of time that this Agreement shall be in effect.

SECTION 1. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE RECIPIENT CONCERNING USE OF THE CERTIFICATION AND MAINTENANCE OF PROJECT AS A CERTIFIED VERTICAL HOUSING DEVELOPMENT PROJECT. Recipient hereby represents, covenants, warrants and agrees that:

- a. Recipient will maintain the mixed residential and non-residential uses of the Certified Project for a period of 10 years (the "Compliance Period") from the first year the county assessor first partially exempts the project from the specified ad valorem taxes as certified. Mix of residential and non-residential uses shall remain as proposed in the Project Application as identified in Exhibit B.

- b. Certified Use of the project is restricted to a total of 3 eligible floors.
- c. Recipient will comply, and will cause its agents, employees, contractors, subgrantees and assigns, if any, to comply with the terms and conditions of this Agreement and all otherwise applicable laws (including, without limitation, all applicable federal, state and local statutes, rules, regulations, ordinances and orders affecting the Project or activities related thereto).

SECTION 2. COVENANTS TO RUN WITH THE LAND; EQUITABLE SERVITUDE.

The Recipient represents, covenants, warrants and agrees that:

- a. The Department is making the Certification to the Recipient as an inducement to the Recipient to develop and operate the Project in accordance with the terms of this Agreement. In consideration of the receipt of the Certification, the Recipient has entered into this Agreement with the Department and has agreed to restrict the use of the Project during the Exemption Period as set forth in this Agreement.
- b. The covenants, restrictions, and charges set forth herein with respect to the Project shall be deemed restrictive covenants running with the Project land and also shall be deemed an equitable servitude running with the Project land. These restrictive covenants and equitable servitude shall pass to and be binding upon the Recipient's successors in title including any purchaser, grantee or lessee of any portion of the Project, shall pass to and be binding upon the respective heirs, executors, administrators, devisees, successors and assigns of the Recipient or any purchaser, grantee or lessee of any portion of the Project and shall pass to and be binding upon any other person or entity having any right, title or interest in the Project. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants, restrictions, and charges contained herein; provided, however, that any such contract, deed or instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants, restrictions and charges regardless of whether or not such covenants, restrictions and charges are set forth or incorporated by reference in such contract, deed or instrument.

SECTION 3. BURDEN AND BENEFIT. The parties hereby declare their understanding and intent that the burdens of the covenants, restrictions, and charges set forth herein touch and concern the Project land and that the Recipient's legal interest in the Project may be rendered less valuable thereby. The parties further declare their understanding and intent that the benefits of such covenants, restrictions, and charges touch and concern the Project land by enhancing and increasing the enjoyment and use of the owners and tenants of the equivalent floors, the intended beneficiaries of such covenants, restrictions, and charges and by furthering the public purposes for which the partial exemption is certified.

SECTION 4. COMPLIANCE REPORTING. The Parties hereby agree that Recipient will provide an annual certification, in a format and on a schedule approved by the Department in its sole discretion, that the Recipient is fulfilling its obligations under this Agreement. The Department may inspect the Project, and any part thereof, and may inspect and copy all records of the Project, upon reasonable notice to the Recipient. The Recipient, its agents, employees, and subcontractors will cooperate fully with the Department in any requested inspection or compliance monitoring.

SECTION 5. SUBORDINATION. The parties agree that this Agreement and the restrictive covenants and equitable servitude created hereunder is subordinated to the lien of Recipient's primary financing loan. The Department, at its sole discretion, may subordinate this Agreement to other financing on the Project.

SECTION 6. TERM OF AGREEMENT. The parties agree that this Agreement and the restrictive covenants and equitable servitude created hereunder shall become effective upon execution of this Agreement and shall remain in full force and effect for the 10-Year Partial Exemption Period (Compliance Period). Notwithstanding any other provision of this Agreement, this Agreement shall terminate and be of no further force and effect in the event of a completed foreclosure by the primary financing lender or by a lender to whom the Department has subordinated this Agreement, or their successors or assigns, or in the event of a delivery by the Recipient of a deed for the Project to the primary financing lender in lieu of foreclosure, or to a lender to whom the Department has subordinated this Agreement, or their successors or assigns.

SECTION 7. TERMINATION. The Department may terminate this Agreement, without further liability, immediately upon notice to the Recipient:

- a. If the Recipient fails to perform or breaches any of the terms of this Agreement; or
- b. If the Recipient is unable or fails to commence the Project within six (6) months from the date of this Agreement;
- c. If the Department loses the authority to administer the Program, is determined by its counsel or otherwise as lacking the authority to administer the Program, or fails to receive or loses necessary funding, appropriations, limitations or other expenditure or position authority sufficient to carry out the terms of this Agreement; or

SECTION 8. REMEDIES. If the Recipient defaults in the performance or observance of any covenant, agreement, or obligation set forth in this Agreement and if such default remains uncured for a period of 30 days (or such shorter period as the Department may indicate in its notice) after the notice thereof shall have been given by the Department to the Recipient, then the Department, at its option, may take any one or more of the following steps:

- a. Have access to and inspect, examine and make copies of all of the books and records of the Recipient pertaining to the Project;
- b. May decertify the project or a portion thereof;
- c. Take such other action under this Agreement, at law or in equity as may appear necessary or desirable to the Department to enforce the covenants, agreements, warranties, and obligations of the Recipient hereunder.

No waiver or delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any person entitled to enforce the same to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times.

SECTION 9. RECORDING AND FILING. The Recipient shall cause this Agreement and all amendments and supplements hereto to be recorded and filed in the real property records of the county in which the Project is located and in such other places as the Department may reasonably request. The Recipient shall pay all fees and charges incurred in connection with any recording. The Recipient shall provide either the original recorded document or a certified copy of the recorded document within ten days of the date of this agreement.

SECTION 10. GOVERNING LAW; VENUE. This Agreement shall be governed by the laws of the State of Oregon. The courts of the State of Oregon, or to the degree necessary, the U.S. District Court for the District of Oregon shall have exclusive jurisdiction over any action brought by or against the Department under this Agreement. The Recipient hereby consents to such exclusive jurisdiction and waives any and all objections it might have thereto.

SECTION 11. AUTHORITY. Recipient hereby represents, warrants and certifies that:

- a. It possesses legal authority to apply for and accept the terms and conditions of the Certification and to carry out the proposed Project;
- b. Its governing body, if any, has duly authorized the filing of the application, including all understandings and assurances contained therein;
- c. The person identified as the official representative of the Recipient in the application is duly authorized to act in connection therewith and to provide such additional information as may be required. The Recipient's official representative has sufficient authority to make all certifications on its behalf;
- d. This Agreement does not and will not violate any provision of any applicable law, rule, regulation or order of any court, regulatory commission, board or administrative agency applicable to the Recipient or any provision of the Recipient's organic laws or documents;

- e. This Agreement has been duly executed by an official representative of Recipient, delivered by Recipient, and will constitute the legal, valid and binding obligations of the Recipient, enforceable in accordance with their terms.

SECTION 12. INDEPENDENT CONTRACTOR. Recipient acknowledges and agrees that it is acting in its own independent capacity under this Agreement and not as an agent or subcontractor for the Department. Grantee assumes full responsibility for its own actions and shall provide for its own insurance and other compliance responsibilities, including providing for its own workers' compensation and other insurance coverage, as needed.

SECTION 13. AMENDMENTS. This Agreement may be amended only by a written instrument executed by the parties hereto or by their successors and duly recorded in the real property records of the County.

SECTION 14. SEVERABILITY. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

SECTION 15. CONSTRUCTION. The parties to this Agreement acknowledge that each party and its counsel have participated in the drafting and revision of this Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendment, modification, supplement or restatement of the foregoing or of any exhibit to this Agreement.

SECTION 16. NO LIMITATIONS ON ACTIONS OF ISSUER IN EXERCISE OF ITS GOVERNMENTAL POWERS. Nothing in this Agreement is intended, nor shall it be construed, to in any way limit the actions of the Department in the exercise of its governmental powers. It is the express intention of the parties hereto that the Department shall retain the full right and ability to exercise its governmental powers with respect to the Recipient, the Project, the land, and the transactions contemplated by this Agreement to the same extent as if it were not a party to this Agreement or the transactions contemplated thereby, and in no event shall the Department have any liability in contract arising under this Agreement by virtue of any exercise of its governmental powers.

SECTION 17. TIME IS OF THE ESSENCE. Time is of the essence in the performance of the obligations of this Agreement.

SECTION 18. NOTICES. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery or first class mail, postage prepaid, at the addresses specified below, or at such other addresses as may be specified in writing by the Department or the Recipient:

To the Department: City of Canby
222 NE 2nd Street, PO Box 930
Canby, OR 97013
Attn: Economic Development Department

To the Recipient: Mary Hanlon
Canby Dalia, LLC.
101 SW Main Street, Suite 825
Portland, Oregon 97204

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

RECIPIENT:

CANBY DALIA LLC, an Oregon limited liability company

By: Hanlon Development, LLC,
an Oregon limited liability company
Its: Manager

By: [Signature]
Mary Hanlon
Its: Sole Member

DEPARTMENT:

CITY OF CANBY acting by and through its Economic Development Department.

By: [Signature]
Renate Mengelberg
Its: Economic Development Director

STATE OF OREGON)
County of Clackamas) ss:

The foregoing instrument was acknowledged before me this 26th day of June, 2018 by Erin E. Burckhard, who is a Notary Public of The State of Oregon, on behalf of the Recipient.

[Signature]
Notary Public for the State of Oregon
My commission expires: 9/15/2018

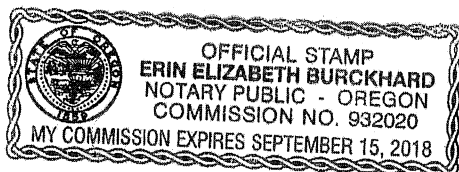


EXHIBIT B

MIX OF RESIDENTIAL & NON-RESIDENTIAL SQUARE FOOTAGES

Project Name: The Dahlia, Canby Oregon

Vertical Housing Equalized Floor Calculator

Use	Market Rate (MR)			Income Restricted (IR)			Subtotal	
	No. of Units	Average Size	Total Size	No. of Units	Average Size	Total Size	No. Total Units	Total Size
Residential								
Studio	36	460.00	16,106.00				36	16,560.00
1 Bed	33	645.00	21,922.00				33	21,285.00
2 Bed							0	-
3 Bed							0	-
Subtotal	69		38,028.00	0		-	69	37,845.00

Summary

Gross Building Area	54,409.00
Number of Floors greater than 500 sf*	4
Equalized Floor Area	13,602.25

*simple average, if multiple buildings

Total Residential Area	46,373.00
Equalized Floor Area	13,602.25
Residential Allocation of Eq. Floors	3.41

Common Area	7,679.00
Common Area (IR)	-
Total Residential Area	46,373.00
Total Commercial Area	8,036.00
Gross Building Area	54,409.00
Gross Land Area	30,774.00

No. Equalized Floors

3	60%	Exemption on Building
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Total Income Restricted Area	-
Equalized Floor Area	13,602.25
Income Restricted Allocation of Eq. Floors	-

0	0%	Exemption on Land
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Analyst's Signature

Title

Date of Certification/Analysis



2. Describe the residential and non-residential uses by building, by floor.

Ground Floor: This floor features 4 retail spaces totaling 8,036 sf. Spaces will front Ivy Street and partially on 2nd Avenue. They will be "warm shell" spaces, with built out restroom facilities and free design services to help customize the space for future tenants. The retail spaces will feature high ceilings and large floor to ceiling windows and glass doors and high end modern finishes.

Current configuration:

Retail space 1: 2,365 sf

Retail space 2: 1,412 sf

Retail space 3: 1,278 sf

Retail space 4: 2,981 sf

The common area will front on 2nd Street and provides services to apartment tenants including a leasing office, fitness room, and lounge/coffee bar area.

Residential: The three residential floors feature studio and one bedroom units in a variety of floor plans that range from 434 sf to 705 sf. Some units feature Juliet balconies or alcoves to provide ample light and views. All units will have high end finishes, appliances and air conditioning. Each floor has elevator access, two stairwells, a storage space, and trash area.

2nd Floor: 23 Units: 12 x Studio, 11 x 1 Bed

3rd Floor: 23 Units: 12 x Studio, 11 x 1 Bed

4th Floor: 23 Units: 12 x Studio, 11 x 1 Bed





<u>LEASEABLE AREA</u>	
LEVEL 1 -	8036 SF
LEVEL 2 -	12,676 SF + 222 STORAGE
LEVEL 3 -	12,676 SF + 222 STORAGE
LEVEL 4 -	12,676 SF + 222 STORAGE
TOTAL	8036 SF RETAIL + 38,028 SF RESIDENTIAL + 666 STORAGE



Exhibit "B"

City of Canby Economic Development Department

PO Box 930, Canby, OR 97013
Vertical Housing Development Project Certificate

Effective Date of Certificate:	March 20, 2019
Owner:	Canby Dalia, LLC Attn: Mary Hanlon 100 SW Main Street, Suite 825 Portland, Oregon 97204
Project Name:	The Dahlia
Project Address:	111 NW 2 nd Avenue Canby, OR 97013
Vertical Housing Development Zone:	City of Canby
Tax Account Number:	00791450
Tax Lot Number:	31E33CA06100
Percent Improvement Exemption:	60% Property Tax Exemption
Percent Low-Income Land Exemption	0% Low income Land Exemption
Partial Exemption Period	July 1, 2019 to June 30, 2029 - 10 Consecutive Years

Richard Robinson, City Administrator

Certificate of Occupancy

Clackamas County

Building Codes Division

This certificate is issued pursuant to the requirements of the State of Oregon Structural Specialty Code certifying that at the time of issuance this structure was inspected and was in compliance with the ordinances and codes regulating building construction and use.

Building Address: 111 NW 2nd Ave, Canby, OR 97013 Permit No: B0062717
Township: 3S Range: 1E Section: 33CA Taxlot: 06300 Zone: C-1
Owner: Hanlon Development (Mary Hanlon) Construction Type: V-A
Owners Address: 101 SE Main St, #825, Portland, OR 97204
Use of Building: Canby Civic Block Apartments - 4-story mixed use Occupancy Group: R-2/B/M/S-2
Total Occupancy Load: 504 Code Edition: 2014 OSSC Sprinklers Required: Yes
Special Conditions: _____

Scott Caufield

Scott Caufield,
Building Official

Date

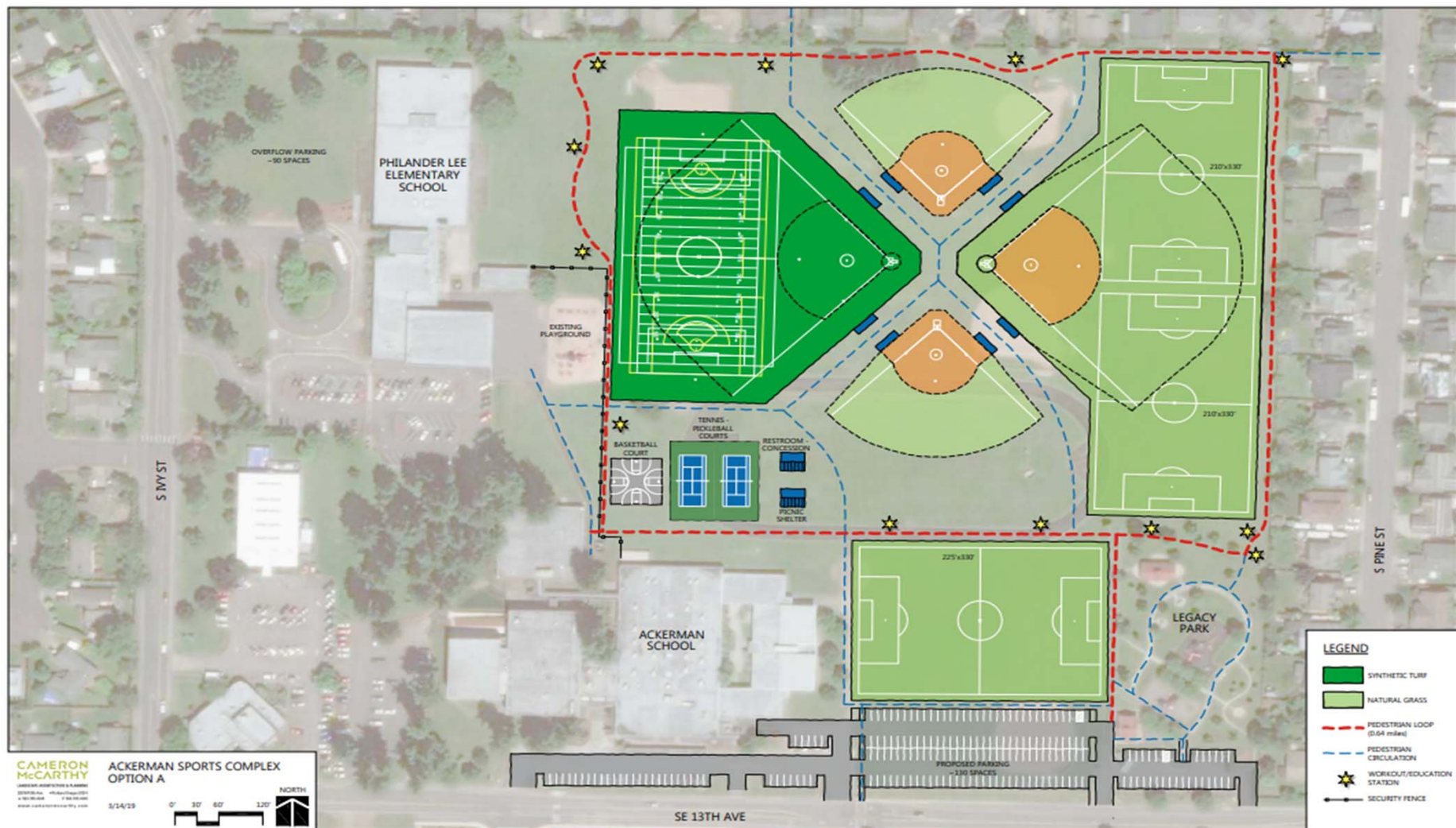
10/23/18

THIS CERTIFICATE MUST BE CONSPICUOUSLY AND PERMANENTLY POSTED

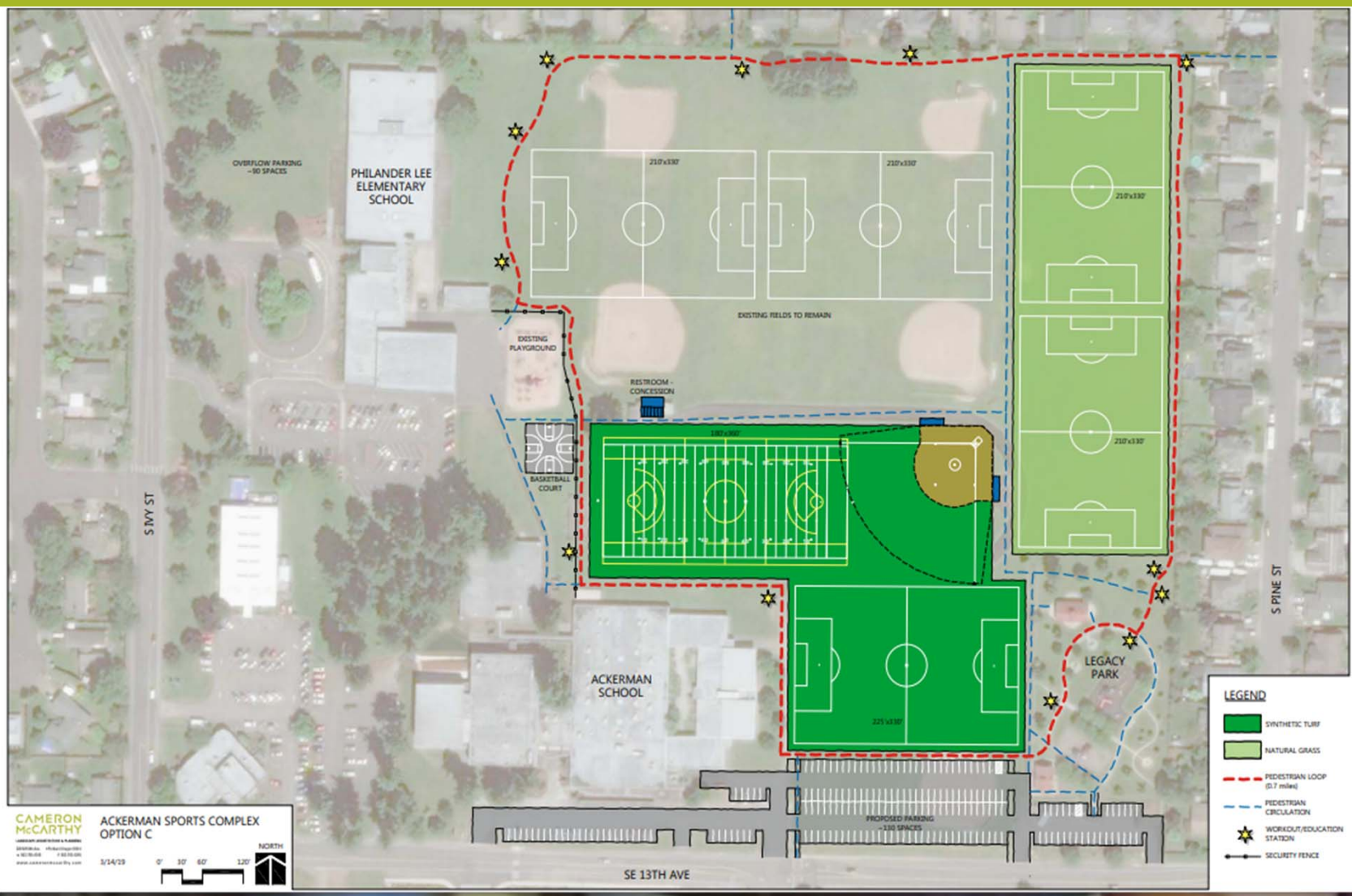
ACKERMAN RECREATION COMPLEX

Initial Feasibility Renderings
City Council Meeting of March 20, 2019

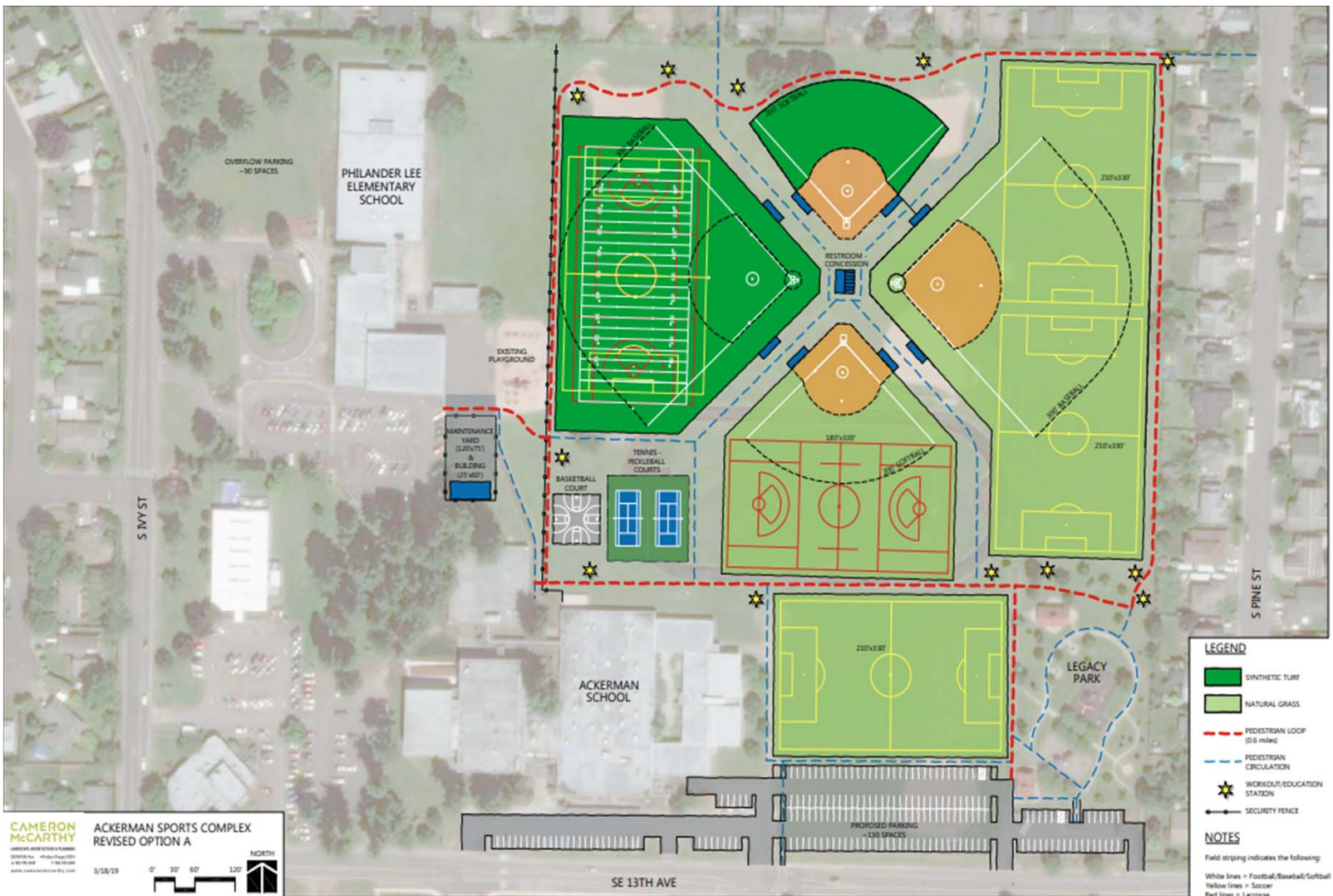


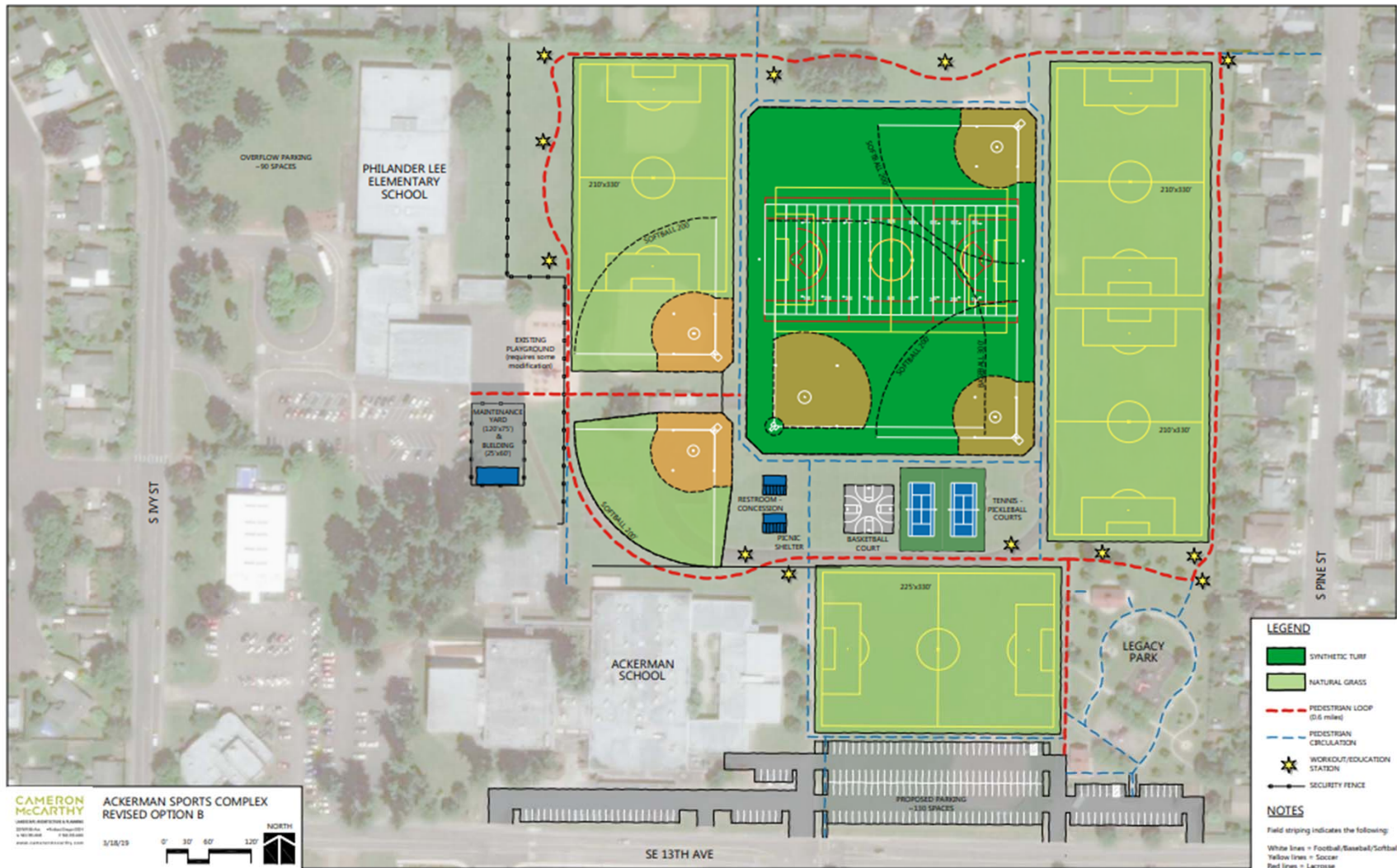


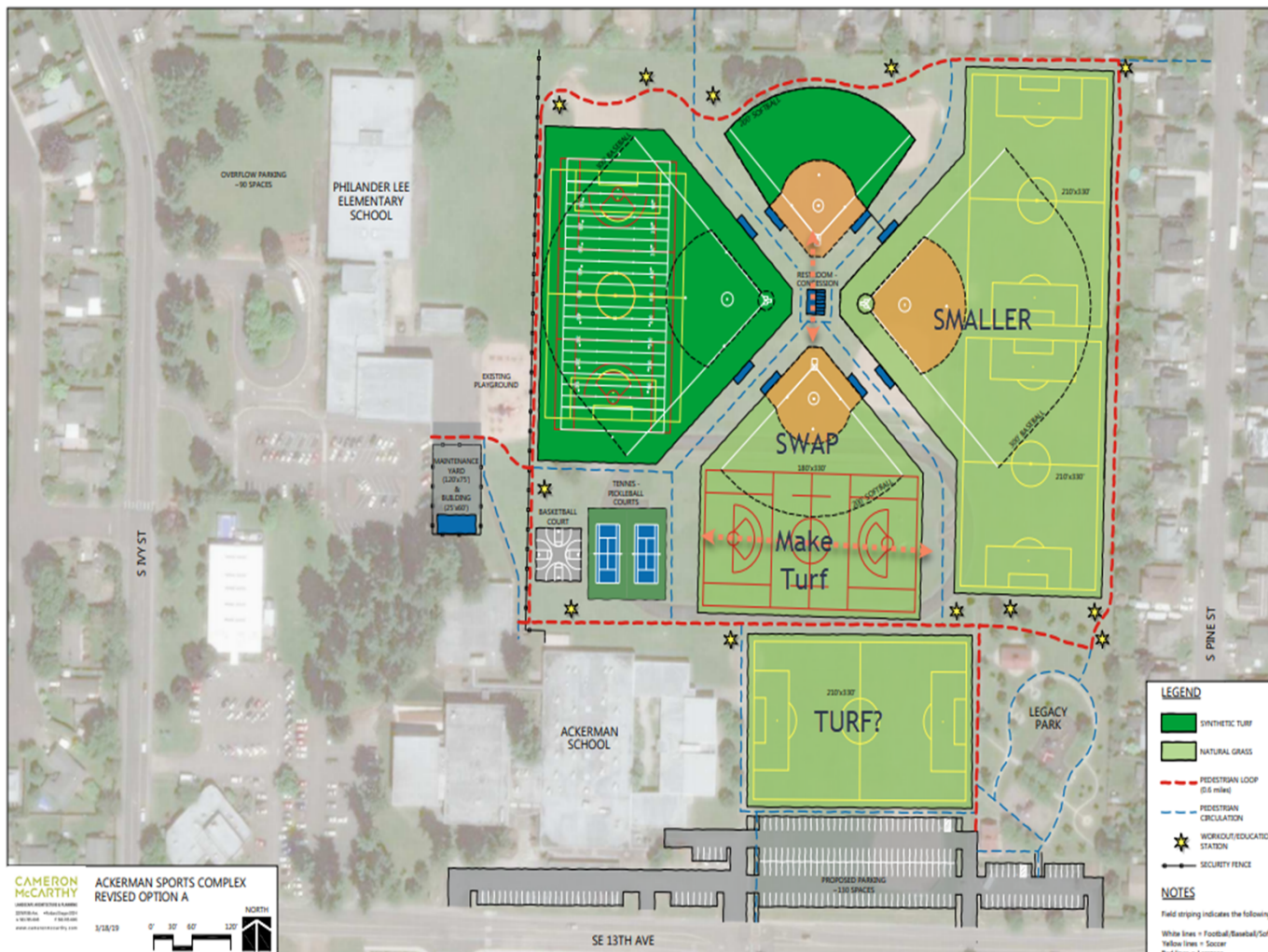














Next Steps For The Ackerman Recreation Complex

Next Steps in the Ackerman Recreation Complex

- Initial Field Feasibility Roadshow
 - Monday was the Task Force
 - Tuesday was Park and Rec Advisory Board
 - Wednesday (tonight) City Council
 - Thursday School Board
- Feedback to Consultants from the Roadshow end of this week
- This week City Staff Meeting to discuss and begin working on the Inter-Governmental Agreement (IGA) pieces needed/wanted from the city's perspective.
- April 3rd City Council to discuss IGA
- Week of April 8th - City and Canby School District Initial IGA Discussion

Next Steps Continued...

- April 11th Draft Field Feasibility brought back to Technical Design Team
- Draft Field Feasibility Roadshow and updates
 - Thursday April 11th for the Task Force
 - Tuesday April 16th-18th For Park Board, City Council, School District
- Tentative Items and Tentative Dates
 - Decisions by Council and School Board on path forward May/June
 - IGA Updates to Council TBDs
 - Cost Analysis of Project May
 - Final Draft Roadshows in May
 - Community Meeting for Field Feasibility End of April/Beginning of May
 - Final Field Feasibility Beginning/End of May
 - IGA Finalized and Signed August 31st
 - First Soccer Tournament Fall of 2020