



# Vertical Housing Tax Credit

## A 10-year Property Tax Exemption

Encourages mixed-use commercial/residential developments in areas designated within a city's vertical housing development zone boundary through a partial property tax exemption.

City of Milwaukie  
Council Resolution  
No. 95-2017  
Council Ordinance  
No. 2157

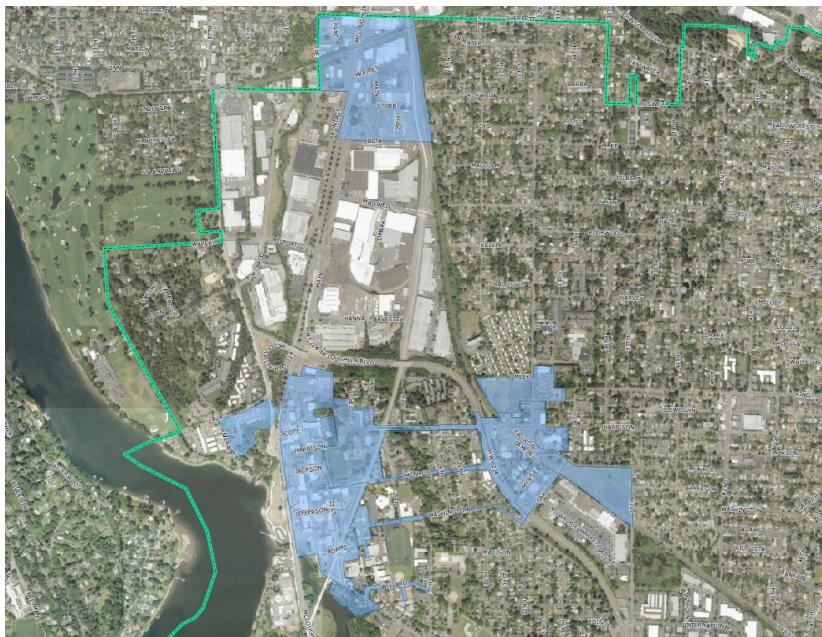


A Vertical Housing Development Zone (VHDZ) is designed to encourage the private sector to build higher-density mixed-use development (first floor commercial with residential above) in targeted areas of a city and provides a partial tax exemption on increased property value for qualified projects.

The VHDZ provides qualified development projects a 10-year property tax exemption on the value of new construction or rehabilitation for 20 percent per residential floor for floors above a commercial ground floor with total exemption limited to no more than 80 percent. Additional exemption may be available for projects with affordable housing.

The City of Milwaukie's goals for the vertical housing program include:

- Helping fulfill multiple city policies to incentivize higher density, mixed-use and transit-oriented development in our core and adjacent to light rail transit;
- Increasing assessed value throughout these areas;
- Increasing the number of residents living downtown that will shop, dine and patronize local businesses;
- Increasing the number of retail and office business opportunities in response to future residential growth;
- Increasing housing affordability and access to affordable housing; and
- Encouraging sustainable construction.



## PROJECT ELIGIBILITY

Qualified new development projects within a VHDZ are eligible to receive a 10-year property tax exemption on the value of new construction or rehabilitation for 20 percent per residential floor for the first four floors above ground floor commercial. Total property tax abatement of the new construction is limited to no more than 80 percent. However, if the developer builds some or all affordable housing at 80 percent of area median income or below, an additional partial property tax exemption on the land may be given. The exemption applies to all taxing jurisdictions that did not opt out when the zone was established. After 10 years, the full value of the project is placed on the tax rolls. Property taxes on existing land for projects with no affordable housing, and at least 20 percent of the new construction, are preserved.

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## STATE CRITERIA

For the standard 10-year vertical housing exemption, projects must meet the following criteria:

- Project must be entirely located within the VHDZ.
  - Project must include one or more equalized floors.
  - Project must be comprised of a multiple-story building, or group of buildings including at least one multiple-story building, so that a portion of the project is to be used for non-residential uses and a portion of the project is to be used for residential use:
    - At least 50 percent of the project's ground floor that fronts on the primary public street must be committed to nonresidential use. If a project has access to only one public street, the square footage of driveways, loading docks, bike storage, garbage receptacles and building entryways shall be excluded before applying the 50 percent test.
    - For the project's ground floor to be considered committed to nonresidential use, all ground floor interior spaces that front on the primary public street must be constructed to building code standards for commercial use, are planned for commercial use and/or live-work use upon completion, or both.
  - The project application must be received by the City before the residential units are ready for occupancy (certificate of occupancy). For rehabilitation not involving tenant displacement, the project application must be filed before the rehabilitation work is complete.
  - Fees—Fees are subject to change annually and City may request verification of final total project costs.
    - An Application Fee of \$1,000 is required at the time of initial application.
    - An Application Processing Fee of 0.0003 (0.03%) of total permit valuation is collected at the time of final application before certificate of occupancy.
    - An Annual Monitoring Fee of \$400 is collected annually by December 31 for each year of exemption accompanied by an annual report to the City.
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## LOCAL CRITERIA

In addition to the state criteria, the City of Milwaukie requires that all buildings or major rehabilitations approved through the VHDZ program meet a green building certification level and associated use standards set within the Milwaukie Municipal Code Title 19 based on the date of land use approval.

The Milwaukie VHDZ has a local sunset provision of July 2022. Applications received by July 1, 2022 will have until December 31, 2022 to obtain a Certified Project approval certificate issued by the City per MMC Chapter 3.65; otherwise the application will be deemed inactive related to the VHDZ partial property tax exemption.

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## CONTACT

For additional information and application details, visit: <https://www.milwaukieoregon.gov/verticalhousing>

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