

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Action: Adoption of a Resolution Approving a Multiple-Unit Property Tax Exemption for Residential Property Located at 740 East 13th Avenue (First LEED, LLC)

Meeting Date: February 8, 2010
Department: Planning and Development
www.eugene-or.gov

Agenda Item Number: 6
Staff Contact: Richie Weinman
Contact Telephone Number: 541-682-5533

ISSUE STATEMENT

The City Council is asked to approve or deny a Multiple-Unit Property Tax Exemption (MUPTE) for First LEED LLC (The Danville) located at 740 East 13th Avenue.

BACKGROUND

In 1975, the Oregon legislature adopted the enabling statutes for the MUPTE and Transit Oriented District Tax Exemption program. Since that time both the state statutes and Eugene's implementation ordinance have been amended. The City Council amended Eugene's code provisions and boundary in November 2008. To assist both staff and the City Council in evaluating a MUPTE application, those code amendments included (a) adoption of approval criteria and (b) a direction to the City Manager to adopt a public benefit scoring system (discussed below).

This proposed 35-unit project is on a site that is zoned C-2. There is currently a building on the site that was most recently owned and used by PeaceHealth as their billing office. The site is 10,720 square feet, or less than ¼ acre. This building is not a city landmark nor on the National Historic Register.

Public Comments

A display advertisement was published in *The Register-Guard* on November 28, 2009, soliciting comments for 30 days. The period ended on December 29, 2009. Written comments were received from the West University Neighborhood and the University Small Business Association (Attachment D).

Public Benefits

As noted above, the City Council adopted criteria for review of MUPTE applications, including a requirement to consider the public benefits to be provided by the development. The council directed the City Manager to adopt a public benefit scoring system, which the City Manager did as part of the Standards and Guidelines. As part of that administrative process, the City Manager determined that unless a proposed development received at least one hundred points, the City Manager would recommend that the council deny a MUPTE application.

After reviewing this MUPTE application against the public benefit scoring criteria in the Standards and Guidelines, staff determined that the proposed development earned 150 points. Points were awarded through the following benefits:

Density – Exceeding the minimum: 50 points earned for units over the minimum density (there is no minimum at this location). The criteria allows 10 points for each unit in excess of minimum, with 50 maximum points.

Green Building- LEED: 100 points are earned for a LEED-certified building. It is projected to be LEED Gold or Platinum.

The proposed development also will also provide 30 parking spaces in excess of what is currently required. Since the property is not located in the Residential Parking Program area no points are awarded for providing parking.

The applicant initially intended to provide four low-income housing units as part of the development. Recently, the applicant determined that due to the current lending environment and the additional expenses associated with a LEED building, he could not guarantee rents affordable to tenants at 60% of median income.

The applicant also has expressed an interest in converting some or all of the housing to ownership in the future and is designing the building accordingly. However, the timing is not satisfactory to award points for this purpose.

Impact and Need Tax Exemptions to Encourage Housing:

The City and other local taxing districts forgo revenue when property is exempted from taxes. This project proposes new construction on a property that has been historically owned by tax-exempt institutions. It was owned by the Lane Memorial Blood Bank and then Sacred Heart Hospital. Therefore, no taxes have been collected at this site for an extended period.

This project will immediately generate property taxes on the land and on the ground floor commercial space. After ten years the entire development will be taxable, generating an estimated \$92,000 on the housing portion in year 11.

The submitted application indicates that the MUPTE is vital to the development and if it is denied the property will be sold for another purpose.

Financial Analysis

Both staff and the members of the City's Loan Advisory Committee have reviewed the financial analysis for this proposal and have determined that the MUPTE request is necessary for this project to proceed as planned.

The Pro-Forma for Midtown Terrace (below) shows two key reasons that the project would not be built without MUPTE. First, the debt coverage ratio (Net Operating Income (NOI) divided by debt service) is 1.15, below the amount needed to qualify for conventional financing. (The common bank preference is for 1.25 or higher.) Second, the perceived risk is high demonstrated by the Cash on Cash return (Cash

Flow divided by the equity that is invested by the developer) well below the market-expected 10% to 15% level. The Cash on Cash only reaches 4% by year ten.

The Pro-Forma below shows that the project improves with the MUPTE. The debt service coverage is 1.36. The Cash on Cash return reaches 8% by year ten, only slightly below the market expectation.

Sources

	Total Cost	
EQ	\$ 2,198,000	34%
Conventional Debt	\$ 4,202,000	66%
Total project	\$ 6,400,000	

Pro-Forma

<i>Without MUPTE</i>	Year 1	Year 2	Year 10
Rent Income	\$ 588,000	\$ 593,880	\$ 643,087
- Vacancy (5%)	\$ 29,400	\$ 29,694	\$ 32,154
= Effective Gross Rent	\$ 558,600	\$ 564,186	\$ 610,933
- Operating Exp (25%)	\$ 139,650	\$ 148,470	\$ 160,772
= NOI	\$ 418,950	\$ 415,716	\$ 450,161
- Debt Service	\$ 364,468	\$ 364,468	\$ 364,468
= CF	\$ 54,482	\$ 51,248	\$ 85,693
Cash on Cash Return	2%	2%	4%
Value	\$6,207,000	\$6,159,000	\$6,669,000

The pro-forma uses conservative assumptions about property value growth and market assumptions about vacancy and operating expenses. The model assumes that assessed property values increase by 2% per year. The vacancy rate is assumed at 5% of rental income and operating expenses are estimated at 25% of rental income, both standard assumptions in financial underwriting. The above listed financial information is based on projections prior to financing, tenanting, and construction. The cap rate was estimated at 6.75%. (The capitalization rate is the ratio between the net operating income produced by an asset and its capital cost - the original price to buy the asset - or alternatively its current market value. Conversations with local appraisers suggest a cap rate of 6.75% on this type of property as appropriate.)

With MUPTE	Year 1	Year 2	Year 10
Rent Income	\$ 588,000	\$ 593,880	\$ 643,087
- Vacancy	\$ 29,400	\$ 29,694	\$ 32,154
= Effective Gross Rent	\$ 558,600	\$ 564,186	\$ 610,933
- Operating Exp	\$ 139,650	\$ 148,470	\$ 160,772
- Property Tax (saved by MUPTE)	\$ (75,970)	\$ (77,489)	\$ (90,791)
= NOI	\$ 494,920	\$ 493,205	\$ 540,952
- Debt Service	\$ 364,468	\$ 364,468	\$ 364,468
= CF	\$ 130,451	\$ 128,737	\$ 176,483
Cash on Cash Return	6%	6%	8%
Value	\$7,332,000	\$7,307,000	\$8,014,000

Public

The West University Neighborhood Association met with the applicant and endorsed the proposal contingent on particular conditions, including the number of provided parking spaces. The applicant's plan does not provide the amount of parking consistent with the West University Neighborhood Association's letter.

The University Small Business Association wrote a letter of support.

The applicant submitted a letter explaining amendments to the original application and explaining the circumstances that prevent guaranteeing the number of parking spaces requested by the West University Neighborhood Association.

Timing

This application was submitted on November 20, 2009. The City Manager has 90 days to make a recommendation on the application to the council. If the council hasn't acted in 180 days, the application is deemed approved. The 90-day recommendation period expires on February 18, 2010

RELATED CITY POLICIES

MUPTE is enabled by state statute. The City of Eugene has participated in the MUPTE program since 1978. Encouraging housing in the core area is consistent with numerous adopted planning and policy documents. Examples include:

Growth Management Policies

Policy 1 Support the existing Eugene Urban Growth Boundary by taking actions to increase density and use on existing vacant land and under-used land within the boundary more efficiently.

Policy 2 Encourage in-fill, mixed-use, redevelopment, and higher density development.

Policy 3 Encourage a mix of business and residential uses downtown using incentives and zoning.

West University Refinement Plan

V.9 The City will encourage residential uses in all parts of the plan area.

V.11 The City and the neighborhood shall study ways to encourage a variety or mix of structure types providing both owner and rental opportunities and appealing to a diverse population.

COUNCIL OPTIONS

The council may approve the exemption, deny the exemption, or may delay approval in order to request additional information from the developer.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approving the exemption based on a demonstration of need and that the applicant scored 150 public benefit points, which exceeds the 100 point threshold for support.

SUGGESTED MOTION

Move to adopt the resolution in Attachment A, approving the tax exemption.

ATTACHMENTS

- A. Resolution approving a property tax exemption for First LEED
- B. Resolution denying a property tax exemption for First LEED
- C. Report from the Planning and Development Director
- D. Comments submitted by West University Neighborhood Association, USBA and applicant
- E. Images of the current property and proposed development

A copy of the MUPTE application for First LEED will be placed in the council office for review.

FOR MORE INFORMATION

Staff Contact: Richie Weinman
Telephone: 682-5533
Staff E-Mail: richie.d.weinman@ci.eugene.or.us

RESOLUTION NO. _____

A RESOLUTION APPROVING A MULTIPLE-UNIT PROPERTY TAX EXEMPTION FOR RESIDENTIAL PROPERTY LOCATED AT 740 EAST 13TH AVENUE, EUGENE, OREGON (FIRST LEED, LLC/APPLICANT).

The City Council of the City of Eugene finds that:

A. First LEED LLC is the owner of real property located at 740 East 13th Avenue, Eugene, Oregon, more particularly described in Exhibit A attached to this Resolution. First LEED LLC has submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units to be constructed on the property.

B. The project consists of the development of 30 two-bedroom units and five three-bedroom units, for a total of 35 residential units. The area on the first floor of the project dedicated to commercial use is not subject to the tax exemption.

C. The project is located within the boundaries of the core area as described in subsection (2)(a) of Section 2.945 of the Eugene Code, 1971.

D. The project could not financially be built "but for" the tax exemption.

E. The applicant solicited comments from city-recognized affected neighborhood associations.

F. The requirements in the Standards and Guidelines for Multiple-Unit Housing Property Tax Exemptions adopted by Administrative Order No. 53-09-01-F related to proximity to historic resources have been satisfied.

G. The applicant has complied with the provisions of the Standards and Guidelines as described in the Report and Recommendation attached as Exhibit B to this Resolution which was prepared by the Executive Director of the Planning and Development Department ("the Director") as designee of the City Manager.

H. The project will be completed on or before January 1, 2012, and the owner has agreed to include in the construction one or more public benefits.

I. The proposed project will be at the time of completion, in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS chapters 195, 196, 197, 215 and 227, that are applicable at the time the application is approved.

J. The project is not designed for, and will not be used as transient accommodations.

K. Granting the application is in the public interest. In making this determination, the City Council has considered the number of points awarded to the project based on the public benefit scoring system contained in the Standards and Guidelines.

L. The Report and Recommendation attached as Exhibit B recommends that the application be approved and the exemption granted. In making that recommendation, the Director found that the applicant submitted all required materials, documents and fees as set forth in Section 2.945 of the Eugene Code, 1971, and the Standards and Guidelines, and the applicant is in compliance with the policies contained therein.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a Municipal Corporation of the State of Oregon, as follows:

Section 1. Based upon the above findings which are adopted, and the City Council's review of the Report and Recommendation of the Executive Director of the Planning and Development Department attached as Exhibit B, the City Council approves the application of First LEED LLC for an ad valorem property tax exemption under the City's Multiple-Unit Property Tax Exemption Program for the residential units to be constructed at 740 East 13th Avenue, Eugene, Oregon, and more particularly described in Exhibit A, subject to the following conditions:

1. The project shall consist of development of 30 two-bedroom units and five three-bedroom units, for a total of 35 residential units.
2. The project shall be completed on or before January 1, 2012.
3. No later than 18 months after receiving Certificate of Occupancy, the applicant shall submit to the City's Planning and Development Department documentation of Leadership in Energy & Environmental Design (LEED) certification (copy of U.S. Green Building Council Rating Certificate and final LEED review).
4. The project shall be in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS Chapters 195, 196, 197, 215 and 227.
5. For the duration of the tax exemption, the project shall include 10 on-site parking spaces and 20 off-site parking spaces.

Section 2. The residential units to be constructed upon the property described in Section 1 above (approximately 95% of the building) are declared exempt from local ad valorem property taxation beginning July 1 of the year following certification of completion and continuing for a continuous period of ten years unless earlier terminated in accordance with the provisions of Section 2.947 of the Eugene Code, 1971.

Section 3. The City Manager, or the Manager's designee, is requested to forward a copy of this Resolution to the applicants, and to the other affected taxing districts, within ten days, and to cause a copy of this Resolution to be filed with the Lane County Assessor on or before April 1, 2010.

Section 4. This Resolution shall become effective immediately upon its adoption.

The foregoing Resolution adopted and effective the ____ day of February, 2010.

AIC City Recorder

EXHIBIT A

740 East 13th Avenue: Legal Description

Lot 23, Block 1, Shaw's SECOND ADDITION or SHAW AND PATTERSON's ADDITION to Eugene City, as platted and recorded in Book G, Page 364, Lane County Oregon Plat Records, in Lane County, Oregon.

RESOLUTION NO. _____

A RESOLUTION DENYING A MULTIPLE-UNIT PROPERTY TAX EXEMPTION FOR RESIDENTIAL PROPERTY LOCATED AT 740 EAST 13TH AVENUE, EUGENE, OREGON (FIRST LEED LLC/APPLICANT).

The City Council of the City of Eugene finds that:

A. First LEED LLC is the owner of real property located at 740 East 13th Avenue, Eugene, Oregon, more particularly described in Exhibit A attached to this Resolution. First LEED LLC has submitted an application pursuant to the City’s Multiple-Unit Property Tax Exemption Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units to be constructed on the property.

B. The project consists of the development of 30 two-bedroom units and five three-bedroom units, for a total of 35 residential units. The area on the first floor of the project dedicated to commercial use is not subject to the tax exemption.

C. The project is located within the boundaries of the core area as described in subsection (2)(a) of Section 2.945 of the Eugene Code, 1971.

D. The Report and Recommendation of Executive Director of the Planning and Development Department attached as Exhibit B to this Resolution recommends that the application be approved and the exemption granted. In making that recommendation, the Director found that the applicant submitted all required materials, documents and fees as set forth in Section 2.945 of the Eugene Code, 1971, and the Standards and Guidelines, and the applicant is in compliance with the policies contained therein.

E. Notwithstanding the Director’s recommendation to approve the application, the City Council has determined that granting the application is not in the public interest.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a Municipal Corporation of the State of Oregon, as follows:

Section 1. Having considered the above findings and the Report and Recommendation of the Executive Director of the Planning and Development Department attached as Exhibit B, the City Council finds that it would not be in the public interest to grant the application of First LEED LLC for an ad valorem property tax exemption under the City’s Multiple-Unit Property Tax Exemption Program for the residential units to be constructed at 740 East 13th Avenue, Eugene, Oregon. Therefore, the application is denied.

Section 2. The City Manager, or the Manager’s designee, is requested to forward a copy of this Resolution to the applicant within ten days.

Section 3. This Resolution shall become effective immediately upon its adoption.

The foregoing Resolution adopted and effective the ____ day of February, 2010.

AIC City Recorder

ATTACHMENT C – Report and Recommendation from Planning and Development Director

**REPORT AND RECOMMENDATION
of the
Executive Director of the Planning & Development Department**

First LEED LLC Application for Multiple-Unit Property Tax Exemption

The Executive Director of the Planning & Development Department of the City of Eugene Finds that:

1. First LEED LLC is the owner of real property located at 740 East 13th Avenue, Eugene, Oregon (Assessor's map 17-03-32-31; Tax Lot 6300). First LEED LLC has submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units to be constructed on the property.

2. As the City Manager's designee, I have reviewed the application and find that:

2.1 The project will provide 30 two-bedroom units and five three-bedroom units, for a total of 35 residential units. The area on the first floor of the project dedicated to commercial use is not subject to the tax exemption.

2.2 Construction is expected to be complete on or before January 1, 2012.

2.3 The project is located in the core area described in subsection (2)(a) of Section 2.945 of the Eugene Code, 1971.

2.4 The applicant has submitted all materials, documents and fees required by the City as set forth in Section 2.945 of the Eugene Code, 1971, and the Standards and Guidelines for Multiple-Unit Housing Property Tax Exemptions adopted by Administrative Order No. 53-09-01-F.

2.5 The applicant has responded to the public benefit criteria as follows:

2.5.1 Public Benefits:

·Density. The project is being built in the C-2 zone. The C-2 zone does not require housing. Therefore, all 35 residential units being provided will be in excess of density requirements.

·Green Building Features. The applicant plans to attain LEED certification and has submitted the LEED Registration Number, Project Checklist which

demonstrated an award of at least five points more than the minimum needed for certification, and a narrative describing the project's green elements.

·Mixed Income. The Danville will not include housing dedicated to controlled income.

·Homeownership. No units are designated for home ownership, however, the project is being constructed to quality standards that meet market expectations for condominiums and there is a possibility that condominium conversions will be undertaken at some point after completion of the project.

·Accessibility. All of the residential units will be ADA adaptable. None of the units will be ADA accessible.

·Historic Sensitivity. The project is not immediately adjacent or contiguous to a historic structure.

·Location. The project is not located in the Downtown Plan Area.

·Parking. The project is not in a Residential Parking Permit Zone, however, 10 on-site parking spaces and 20 off-site parking spaces will be provided. In addition, the applicant plans to contract with WeCar to provide a car sharing service to the residents of the building.

2.5.2 Longevity of Public Benefits. All of the public benefits listed above will extend beyond the period of the tax exemption.

2.5.3 Points Awarded. The applicant has been awarded 150 public benefit points.

2.6 The applicant has demonstrated that the project as proposed could not be built but for the benefit of the tax exemption. City staff and a City loan advisory committee have reviewed the proforma and have recommended approval of this application.

2.7 Presentations concerning the Danville project were given to the West University Neighborhood (WUN) Association at their October 8, 2009 and November 5, 2009 meetings. The Association has submitted a letter indicating that they would support the project under the following conditions: (1) At least 35 parking spaces are provided; (2) That the Danville be no taller than the Oregon Arts Supply store directly to the west; (3) That the Danville have on-site management; and (4) That the building qualify for at least Earth Advantage certification. Given that the number of parking spaces (initially represented to the WUN to be 35) has decreased to 30, it is inferred from WUN's letter that they would not support this project.

3. A display ad soliciting recommendations or comments from the public regarding this project was published in the Register-Guard on November 29, 2009. The period for comment expired on December 29, 2009. One comment was received in response to the ad. The comment was submitted by University Small Business Association which indicated its support of the project.

Therefore, based upon the above findings, the project is, or will be at the time of completion, in conformance with all applicable local plans and provisions of the Eugene Code, 1971, planning regulations, the Metropolitan Area General Plan, and the criteria set forth in the City's adopted Standards and Guidelines, and I recommend that the application be approved.

Dated this _____ **day of** _____, **2010.**

**Executive Director,
Planning & Development Department**



December 9, 2009

Mayor Piercy and City Council:

The University Small Business Association supports the Multi-Unit Property Tax Exemption (MUPTEx) requested for The Danville, Dan Neal's proposed development at 740 E 13th Ave.

Mr. Neal has planned a six story building, with five floors of residential units above a ground floor commercial space. This style of development will target university and medical professionals, and will lead to increased activity to the west university business district. The increased foot traffic to and from The Danville, combined with the addition of apartments along 13th Avenue will improve public safety in the area, and the construction will replace a dilapidated, unused building with attractive, secure, quality housing.

The Danville development will not only bring a superior project into the business district, but will do so in a very environmentally conscious way, and will be consistent with the City of Eugene's planning goals. Mr. Neal will pursue LEED certification of his building, and will provide thirty-five units of housing, mixed with commercial space; located close to the city's urban core, and near the workplaces of likely tenants, The Danville will allow for bike and pedestrian transportation, and help reduce the overall number of vehicle miles traveled.

We believe The Danville will be a good addition to our neighborhood and to our city, bringing dense, attractive, efficient housing options and prospective customers to the district. The MUPTEx request will play a determining factor in Mr. Neal's ability to move forward with the project. The University Small Business Association asks for Council support, to ensure that this project can move forward. Thank you for your consideration.

Sincerely,

Sheila Daughtry
Chair, University Small Business Association

FIRST LEED LLC

Dan E. Neal
dan@nealeng.com
(541)484-7311

1361 Pearl Street
Eugene, Oregon 97401

January 14, 2010

Ritchie Weinman
City of Eugene Planning & Development Department
99 West 10th Avenue
Eugene, OR 97401

Re: MUPTE Application for 740 East 13th Avenue---Amendment

Dear Mr. Weinman:

I am writing on behalf of First LEED LLC. As we go through our development process and consult with building officials and lenders, we realize that our application for MUPTE for The Danville project located at 740 East 13th Avenue needs to be amended in the manner described below. We would appreciate it if this letter could be accepted as our formal request to revise the application previously submitted. In this letter, I will explain the two revisions which are necessary and elaborate on the reasons for the amendments. One amendment involves the conflict between our recent plan to obtain LEED-Gold certification and our earlier plan to commit four of the units in this project to low income housing. The other amendment addresses unforeseen design changes which have reduced the amount of surface space available to accommodate parking for motor vehicles at this site which is located in a parking exempt zone.

FIRST AMENDMENT: This amendment involves the interrelationship between our commitment to obtaining LEED-Gold or possibly Platinum certification for the building, as opposed to the Earth Advantage plan described in our original application, and the earlier plan to dedicate four of the units if this project to low income housing. The increased incremental cost of obtaining LEED-Gold certification makes it economically unfeasible to guarantee that we will offer units at rental rates that are significantly discounted from market rents. We certainly would like to offer special rental rates to serve the low income population. However, given the current lending environment with all its attendant uncertainties, it is simply not possible to financially guarantee those rental rates. Therefore, we must amend our application accordingly. Since submitting our MUPTE application for this project, we have devoted several hundred hours with LEED consultants and design team members determining the financial feasibility of obtaining LEED-Gold certification for this building. We are genuinely excited to make

this project an historic example of green building practices and nothing demonstrates this commitment more convincingly than LEED certification, especially at the Gold or Platinum level. According to Eli Volem and Randy Hansell, Oregon's primary affiliates with the United States Green Building Council and the LEED-Homes and LEED Mid-Rise programs, this will be the very first LEED certified apartment building in the State of Oregon. For that matter, they indicate that there are no LEED apartment buildings constructed in the Pacific Northwest. We believe that with our community's commitment to sustainability, having this historic LEED project in Eugene strengthens our claim to leadership in this important area.

SECOND AMENDMENT: The second amendment to our application deals with the number of parking spaces available. We had anticipated that we would have 35 parking spaces for motor vehicles but it now appears that the number we can depend on is instead, 30 spaces (consisting of 10 on-site and 20 off-site spaces across Hilyard Street). There is a possibility that this number will increase, and we will do everything in our power to create additional parking. As noted in our MUPTE application, this property is in a parking exempt zone; so the Eugene City Code requires no parking for this site. In spite of this, and the property's extremely close proximity to mass transit, the hospital and the university, we think it is important to provide ample parking for residents who choose to have motor vehicles and bicycles. We believe that with 30 parking spaces, this goal will be accomplished. To further address this issue, we plan to contract with WeCar so that a shared car will be available to serve the residents of the building. The WeCar will also be a complement to the commitment to sustainability we are demonstrating with this project.

Several unforeseen factors beyond our control contributed to a reduction in the amount of surface area available for motor vehicle parking. Specifically, input we have received from EWEB, the City of Eugene, our LEED consultants and our structural engineer forced us to make design changes which have reduced the surface space available for motor vehicles so that now, it appears that 10 or 11 parking spaces, rather than the 15 spaces shown in earlier plans, are available. To supplement our on-site parking, as noted in the MUPTE application, we have a 25 year lease with Peacehealth for 20 off-site parking spaces directly across Hilyard Street from The Danville. In the event that city staff or council members wish to understand the reasons EWEB, the City and LEED, among others, have reduced our parking lot envelope, a summary explanation of each cause is set forth below.

1. EWEB: EWEB has informed us that they are requiring a much larger room to house the electrical transformer which will serve this property than we had originally been told to anticipate. In addition, EWEB is requiring us to house the transformer for the University Center next door which is a large building. Currently the University Center's transformer is located on a utility pole but it is necessary to move the utility lines in the alley underground at this time and this is being done at our expense. We have had a number of meetings with EWEB staff in an effort to show that the storage facility as they have designed it is oversized, but they are unwilling to permit us to reduce the size of that space. They are also unwilling to reconsider their requirement that we provide physical space for the transformer which serves the large office building next door. Their decision to require us to place the transformer room adjacent to the alley made it necessary to move the stairway from the location where it was originally designed on the southeast corner of the building to the western side of the building which impacted the amount of surface space available for parking. These unforeseen decisions by EWEB's engineering staff have eliminated two parking spaces that were included in our earlier design.

2. Bicycle Parking Issue: We intend to provide an abundance of bicycle parking for this project with the hope that the City will allow a portion of the bicycle storage to be vertical rather than 100% horizontal. We did not anticipate that bicycle storage space would consume four parking spaces, and in the end, if some vertical storage is allowed by the City, one or perhaps two additional auto parking spaces will be created. However, at this stage, we cannot depend upon this being the case.

3. LEED Requirements: Some of the requirements for obtaining LEED certification have impacted the number and size of mechanical rooms on surface grade where the parking is located. For example, to achieve compliance with LEED's high indoor air quality standards, we need a robust HRV (heat recovery ventilation) system and the mechanical room in which we must store some of this equipment needs to be located in the parking area, thereby reducing its size.

4. Location of Support Columns: The structural engineer for this project has determined that the central load-bearing columns for this project must be located in such positions that we are unable to maximize the number of parking spaces which has resulted in a loss of one or two spaces. In two different locations, this creates additional

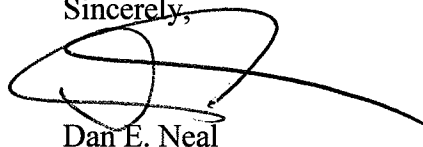
space which is not useable for parking, again shrinking the size of our parking space envelope.

5. Requirements of Enlarged Waste Handling and Recycling Facility: Our research on the requirements for trash chute receiving rooms as well as recycling and rubbish containment has revealed that the footprint of the waste handling facilities for The Danville is larger than we had anticipated resulting in further shrinkage of the area available for parking.

6. C-2 Zone Requirements Forbid Reduction of Commercial Space: Since this property is zoned C-2, by ordinance, we are required to have 20% of the footprint of the property used for commercial purposes. The amount of commercial space we have designed is already at the minimum so we are not able to create additional parking by reducing the size of the commercial area.

SUMMARY: We believe that given the close proximity of this property to the University of Oregon and the hospital, and the fact that an abundance of mass transit options are available including an LTD stop outside the front door of the property, the University of Oregon LTD hub one block away and the EmX line two blocks away, in addition to the WeCar we will place on the property, the quantity of parking available will be ample to serve the needs of the residents. As noted earlier, the Eugene Zoning Code requires no parking in this particular location; residentially zoned multifamily projects have been required to have .75 parking spaces per unit, so this project would have needed 27 spaces under that standard, which this project exceeds by more than 10%. We appreciate your consideration and support of our MUPTE application for this historically significant development project. With its LEED-Gold or Platinum certification, the attractive architectural style of this project, as well as its outstanding location on the East 13th Avenue Corridor, we believe that The Danville will benefit the neighborhood and the community for many decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dan E. Neal', written over a horizontal line.

Dan E. Neal

DEN:sms

West University Neighbors
360 E. 15th Avenue
Eugene OR 97401
Tel: 541-683-7454

December 14, 2009

Richie Weinman
Planning and Development Department
City of Eugene
99 W. 10th Avenue
Eugene, OR 97401

Dear Richie,

Dan Neal asked that West University Neighbors (WUN), a City of Eugene neighborhood association, support his MUPTE application for The Danville at 740 E. 13th. The property is within the zone established for application of MUPTE. He presented his project at the November and the December general meetings. There was lively discussion at the December WUN general meeting on the topic. A majority of those present voted to support the application with certain caveats. Two WUN Board members were among those who opposed the application.

We were happy to hear that the design and quality are planned to be such that at least some of the units could potentially be converted to condos in the future. The artist's rendition of the building was very nice. It is also very good that video monitoring will be installed to enhance security for the tenants.

Providing public benefits is both a MUPTE requirement and essential to neighborhood support. West University Neighbors voted to support the application with four key elements as affirmed by the owner, Dan Neal, at the meeting:

1. Parking: Mr. Neal stated that there would be at least 35 spaces for tenant use, 15 on-sites and 20 offsite spaces on a 20-year lease from Peace Health in the nearby parking structure. There are 35 one-, two- and three-bedroom units with a total of 70-75 bedrooms planned in this structure. The 35 spaces for tenants would be a minimal amount of parking. Mr. Neal pointed out that the commercial zoning in this site does not require parking. Given the predominantly residential rather than commercial character of the building, at least that much parking for tenants is required for WUN support. We are happy to hear that the people targeted as tenants will be graduate students, Peace Health workers, and other professionals. From our extensive experience in the neighborhood, it is clear that these are people who will not be moving their cars during the day, so there is not a real option for using tenant parking during the day for retail customers.

2. Height: Mr. Neal stated that The Danville would be the same height as the Oregon Arts Supply building directly to the west. That it not be taller is another condition of WUN support. We note that The Danville will appear taller in any event since its upper story will be virtually the entire width of the lot, while the Oregon Arts Supply comes to a peak in the roof and is set back from the street at its highest point.

3. On-site manager: Mr. Neal confirmed that there will be an onsite manager. With 70-75 people in the building, an onsite manager is essential to ensure quality for tenants and neighbors. This is also a requirement for WUN support.

4. Sustainability features: Mr. Neal said that the building would qualify for at least Earth Advantage and potentially LEED silver ratings. He also said that without MUPTE, he would not be able to add the sustainability features that are appealing in this building. This is a strong consideration, especially since many “green” features are quite expensive to include. The sustainability features were also an element of WUN support.

There were some concerns raised, including that tenants on the west side of the building would not have much light with the 4-story Oregon Arts Building less than 7 feet away from the bays on that side. Overall, however, those present at the meeting were impressed by the project. Many in Eugene, including some on the Sustainability Commission, have expressed strong support for building residential over commercial. This is an opportunity to put such a project into place.

In sum, West University neighbors has given its support for MUPTE for this proposal, with the four conditions listed above.

Yours,

A large black rectangular redaction box covers the signature area, obscuring the name and any handwritten notes.

Deborah Healey
WUN Secretary on behalf of West University Neighbors

cc: Dan Neal

Proposed Development



740 E 13th Ave, Eugene, OR

MUPTE APPLICATION

Photo of Existing Property, 740 E. 13th Avenue

