

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Public Forum: Low-Income Rental Housing Property Tax Exemption – River Road

Hearing Date: November 19, 2012
Department: Planning and Development
www.eugene-or.gov

Agenda Item Number: 5
Staff Contact: Becky L. Wheeler
Contact Telephone Number: 541-682-5532

ISSUE STATEMENT

This public forum is an opportunity for the public to provide comments to the City Council on a 20- year low-income rental housing property tax exemption for River Road Apartments, a \$26 million development with 216 units affordable to those at or below 60 percent Area Median Income (AMI).

BACKGROUND

The City of Eugene uses federal and local subsidies to promote public-private partnerships that create housing affordable to low-income persons. Affordable housing developers often utilize the 20-year low-income rental housing property tax exemption and the City's systems development charge waivers to create housing affordable to low-income residents. In October of 2012, Evergreen Housing Development Group, LLC applied for this tax exemption for a project located south of Beltline on River Road. No HOME or CDBG funds are anticipated to be used to assist in development of this project.

The Eugene-Springfield 2010 Consolidated Plan presents a strategic vision for housing and community development from July 2010 to June 2015. The goals, strategies, and activities outlined in the Consolidated Plan are based on priorities identified through an analysis of community needs and an extensive community outreach process. The 2010 Consolidated Plan identified a need for affordable housing for low-income persons (those at or below 80 percent AMI) in Eugene. In turn, the City set a goal of developing 500 new units of affordable housing by June 2015. To date, 136 units have been completed in three developments. An additional 107 units are anticipated to be complete prior to 2015 as part of Bascom Village and Stellar Apartments. The addition of the proposed 216 affordable units would move the City closer to the Consolidated Plan goal.

Eugene's Housing Needs

Eugene's poverty rate is more than 19 percent, and housing costs in the Eugene-Springfield area have risen sharply over the past 20 years. In addition, there are a growing number of seniors, persons with disabilities, and others who are unable to work given the highly competitive job market. These factors, combined with a relatively tight housing market, have resulted in a large number of households with moderate or severe housing cost burdens. The cost of housing, including utility costs is generally considered to be affordable when it equals no more than 30

percent of household income. More than 44 percent of Eugene households have a housing cost burden.

Eugene currently experiences a lack of housing that is affordable for people with low incomes. The March 2012 Envision Eugene recommendation includes expanding the variety of housing types and prices available by moving toward a housing mix of 55 percent single-family/45 percent multi-family in order to support the vision set out in the Envision Eugene pillars of providing housing that is affordable for all income levels. More than 6,300 new units of multi-family housing will be needed to accommodate the next 20 years of growth in Eugene.

Summary of requested tax exemption for River Road Apartments

Evergreen Housing Development Group, LLC has requested the low-income rental housing property tax exemption to build River Road Apartments. The project includes 216 apartments affordable to households earning 60 percent AMI or less, and will be located on a vacant 7.7 acre site south of Beltline on River Road (Attachment B). Lower income households can include full-time workers in jobs making minimum wage or slightly higher, new college graduates, young professionals, families with children, seniors on limited or fixed incomes, or people with disabilities, among others.

The project concept includes 13 three-story buildings consisting of 82 one-bedroom, 74 two-bedroom, and 60 three-bedroom units. The developer aims to use energy efficient appliances and water-saving features on site. The preliminary site plan (Attachment C) includes common and play areas, covered bike parking, a leasing office building that includes community and fitness rooms, and community garden areas. Rents are anticipated to range between \$606 and \$832 and will meet requirements of the Low-Income Housing Tax Credit (LIHTC) program. Current fair market rents for Eugene-Springfield are between \$637 and \$1,128. (See Attachment D for LIHTC rent data)

The vacant property Evergreen Housing proposes to build on was annexed into the city in 2006. In 2007, a land use decision was issued approving a zone change from R-1, low-density residential to R-2, medium-density residential, consistent with the Metro Plan. Medium-density residential lands have a density range of 10 to 28 units per acre. River Road apartments maximizes the allowable R-2 base density onsite by providing 216 units. Evergreen Housing has chosen not to take advantage of the Controlled Income and Rent Housing 150 percent density increase allowed in Eugene Code 9.2740 that would increase the total potential unit count by more than 100 units.

Based on the current proposal, no land use applications will be required to move forward with development. Final site and development plans will be reviewed at the time of building permit for compliance with the multi-family development standards and other applicable development standards, such as bicycle parking and landscaping.

While the project will primarily be funded with construction and permanent loans, the applicant has submitted an application to Oregon Housing and Community Services (OHCS) and anticipates funding the \$26 million development, in part, with four percent LIHTCs and proceeds from tax exempt bonds that will be issued by the State.

The Community Development Manager's proposed Report and Recommendation evaluating the exemption is attached (Attachment A).

Housing Policy Board Review

While not required by City Code or the adopted standards and guidelines, staff requested that the Housing Policy Board review the application for consistency with City Code and housing policies. A volunteer committee of the board held a public meeting on October 23, 2012. The meeting was attended by neighbors, neighborhood leaders, and the applicant. Committee members discussed each code criteria, the standards and guidelines, and the applicant's responses. The members of the Housing Policy Board Committee agreed the application met criteria set forth in City Code, yet ended the meeting with a request that staff follow up with the City Attorney regarding the applicability of the Housing Dispersal Policy (HDP). After review, the City Attorney advised that the HDP's policy of discouraging more than 60 units of "subsidized housing" is expressly limited by the HDP to housing for families at or below the 50 percent of median income. Since the Evergreen Housing project is for families at 60 percent of median income level, the City Attorney advised that the HDP policy is not applicable.

Summary of the low-income rental housing property tax exemption program

The City adopted the low-income rental housing property tax exemption program in 1990. Since then, Eugene has approved tax exemptions for more than 20 developments with over 1,000 units. In 2011, the council unanimously approved extending the 20-year low-income rental housing property tax exemption program for an additional 10 years. The approved ordinance also permits recipients to reapply for the 20-year low-income rental housing property tax exemption after the initial 20-year period has expired.

The council reviews each tax exemption request on a case-by-case basis. Most recently, the council approved a low-income rental housing tax exemption for St. Vincent de Paul's Stellar Apartments in July 2012.

Approval of the low-income rental housing property tax exemption

If an application meets the substantive criteria [EC 2.939(2)(a)-(i) or EC 2.939(3)(a)-(e)] as referenced in the Community Development Manager's Draft Report and Recommendation (Attachment A), the City must grant the exemption by resolution. A decision to deny the exemption cannot be made by simple motion or inaction; it would need to be made by a resolution that explains how the applicant has failed to demonstrate that the tax exemption meets applicable criteria for approval.

RELATED CITY POLICIES

The proposed tax exemption supports multiple City priorities and policies including the Eugene-Springfield 2010 Consolidated Plan, Growth Management Policies, the Housing Dispersal Policy, and Envision Eugene.

Eugene-Springfield 2010 Consolidated Plan - As noted previously, the proposed project directly supports the goals of the Plan by creating 216 units for low-income families and individuals.

Eugene Adopted Growth Management Policies - The City of Eugene affordable housing development programs and River Road Apartments support multiple Growth Management Policies including:

- Promote construction of affordable housing.
- Encourage in-fill, mixed-use, redevelopment, and higher density development.
- Provide for a greater variety of housing types.
- Support the existing Eugene Urban Growth Boundary by taking actions to increase density and use existing vacant land and under-used land within the boundary more efficiently.

Housing Dispersal Policy - While portions of the Housing Dispersal Policy do not apply to this development due to the income level of the population served, the policy seeks to maximize housing choices for low-income families and integrate subsidized housing throughout the City of Eugene. Evergreen Housing is providing an additional 216 units of affordable housing along a transit corridor, close to employment, schools, and services.

Envision Eugene – The Envision Eugene Community Vision was endorsed by the City Council on June 13, 2012. The vision identifies strategies and goals (pillars) that help the City of Eugene plan for growth over the next 20 years. The Housing Affordability pillar includes strategies to meet the growing and changing housing needs of Eugene residents by increasing the proportion of multi-family housing in the community (adjusting the housing mix), densifying residential development along key transportation corridors, and supporting subsidized affordable housing developments. Continuing to provide property tax exemptions to low-income rental housing developments was identified as an action to help successfully implement these strategies.

COUNCIL OPTIONS

No formal action is required at this time.

CITY MANAGER'S RECOMMENDATION

This is a public forum only; no action is required on this item.

SUGGESTED MOTION

None; action on this item is scheduled for November 26.

ATTACHMENTS

- A. Draft Report and Recommendation
- B. Area Map
- C. Site Plan
- D. LIHTC Rent Data

FOR MORE INFORMATION

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**PROPOSED
REPORT AND RECOMMENDATION
of the Community Development Manager
of the Planning and Development Department**

**Application of Evergreen Housing Development Group, LLC
For Low Income Rental Housing Property Tax Exemption
(Section 2.937 to 2.940 of the Eugene Code, 1971)
for Property adjacent to 1410 River Road, Eugene, Oregon**

The Community Development Manager of the Planning and Development Department of the City of Eugene finds that:

1. Evergreen Housing Development Group, LLC entered into a Purchase and Sale Agreement for the acquisition of real property located adjacent to 1410 River Road, Eugene, Oregon, 97404 (Assessor's Map 17-04-13-33; Tax Lot No. 04601; Assessor's Property Account Number 1837937). Evergreen Housing Development Group, LLC ("the applicant"), located at PO Box 31879, Seattle, WA 98103 has submitted an application pursuant to Subsection 2.939(2) of the Eugene Code, 1971, for an exemption from ad valorem taxes under the City's Low-Income Rental Housing Property Tax Exemption Program (Sections 2.937 to 2.940 of the Eugene Code, 1971).

2. I have reviewed the application and find that the applicant has submitted all materials, fees and documents required by the application, and is in compliance with the provisions of EC 2.939(2). Specifically I find:

- (a) The property, or portion thereof subject to the property tax exemption, will be occupied solely as a residence for low-income persons.
- (b) The required rent payment reflects the full value of the property tax exemption.
- (c) The housing units on the property are anticipated to be constructed in 2013.
- (d) The applicant has complied with the policies set forth in the Standards and Guidelines for Low-Income Rental Housing Property Tax Exemption adopted by council Resolution No. 5028.
- (e) The proposed development is consistent with the city's housing dispersal policy.
- (f) The proposed development does not cause the displacement of low-income persons.
- (g) The proposed development does not cause destruction of historic properties.
- (h) The proposed development is or will be required to be otherwise consistent with the Eugene Code and adopted city regulations and policies.

(i) The applicant has executed, and agrees to maintain in effect for the duration of the tax exemption period, a Rent Regulatory Agreement.

(j) The applicant has consented in writing that for the duration of the tax exemption period, the city may inspect the property for which the exemption is granted.

3. Comments have been solicited from interested City departments, agencies, and the affected neighborhood groups.

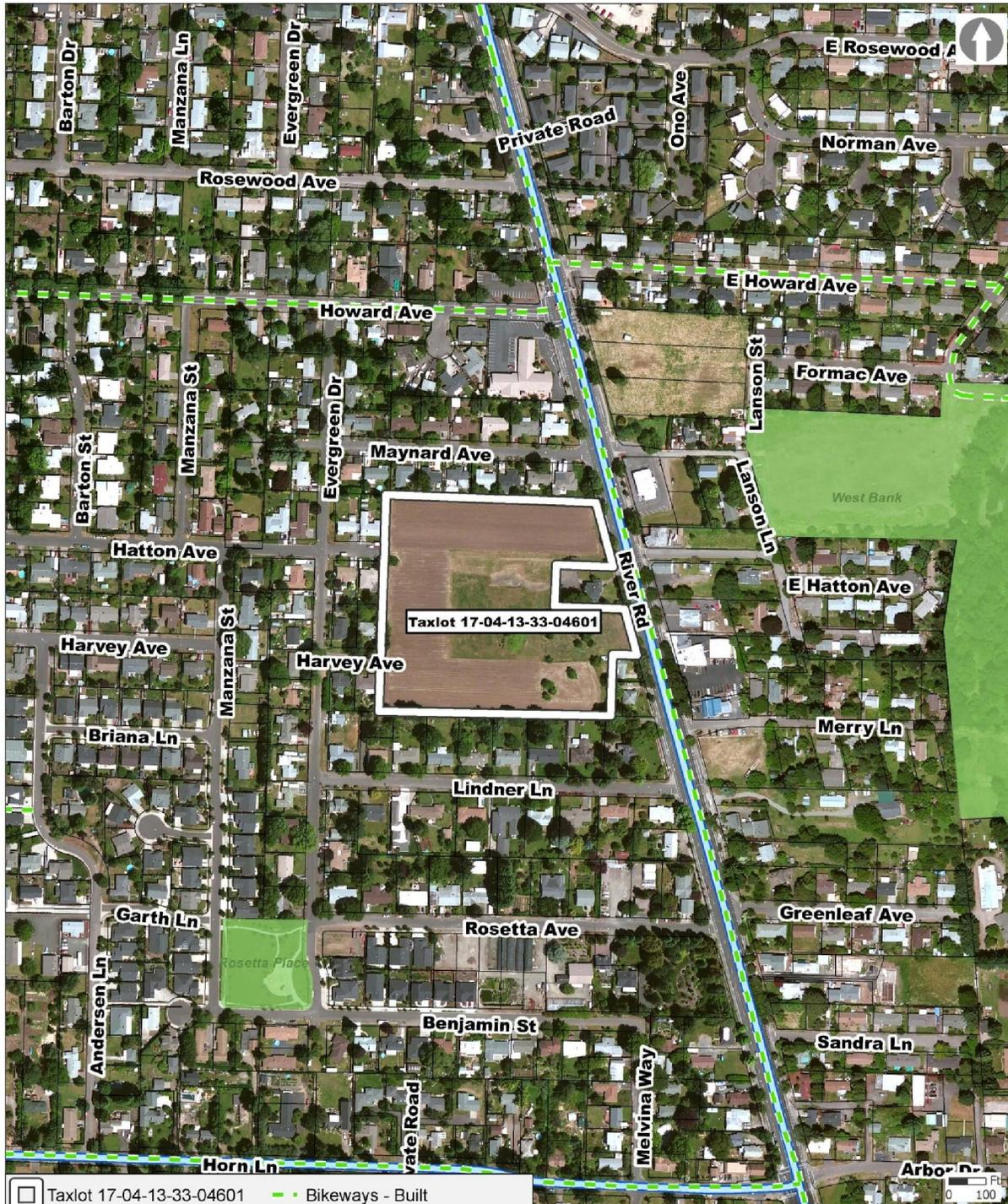
Therefore, based on the above findings, the proposed project conforms or will conform with all applicable City Code provisions, local plans, planning regulations, the Metropolitan Area General Plan, and the criteria set forth in the City's adopted Standards and Guidelines for Low-Income Rental Housing Property Tax Exemption, and I recommend that the application be approved.

Dated this ____ day of November, 2012.

Print: Michael C. Sullivan Sign: _____
Community Development Manager of the Planning and Development Department

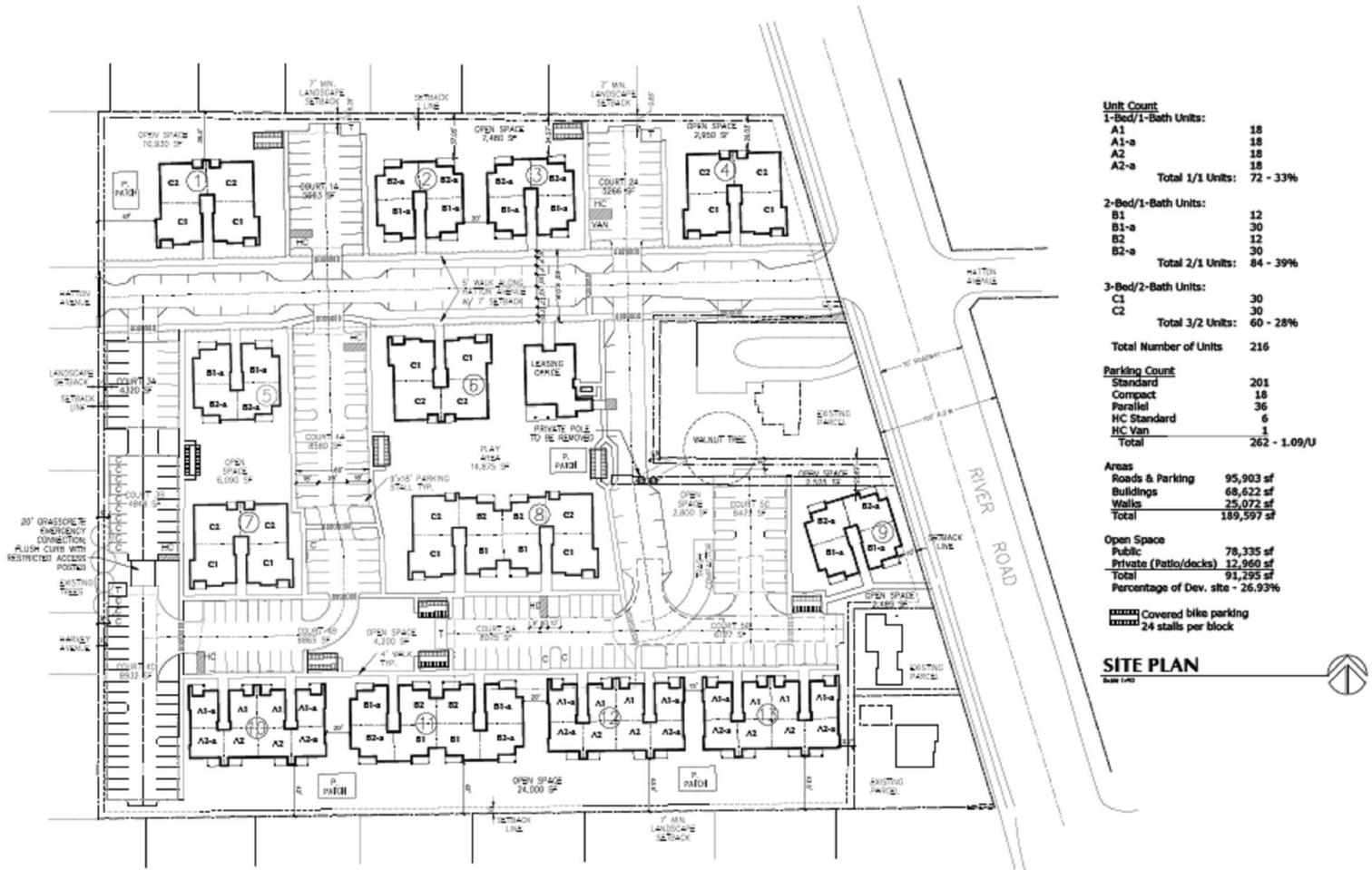
ATTACHMENT B – River Road Apartments Area Map

Taxlot 17-04-13-33-04601



Caution: This map is based on imprecise source data, subject to change, and for general reference only.

ATTACHMENT C – River Road Apartments Site Plan



Unit Count

1-Bed/1-Bath Units:	
A1	18
A1-a	18
A2	18
A2-a	18
Total 1/1 Units:	72 - 33%
2-Bed/1-Bath Units:	
B1	12
B1-a	30
B2	12
B2-a	30
Total 2/1 Units:	84 - 39%
3-Bed/2-Bath Units:	
C1	30
C2	30
Total 3/2 Units:	60 - 28%
Total Number of Units	216

Parking Count

Standard	201
Compact	18
Parallel	36
HC Standard	6
HC Van	1
Total	262 - 1.09/U

Areas

Roads & Parking	95,003 sf
Buildings	68,622 sf
Walls	25,072 sf
Total	188,697 sf

Open Space

Public	78,335 sf
Private (Patios/decks)	17,960 sf
Total	96,295 sf
Percentage of Dev. site	26.93%

Covered bike parking
 24 stalls per block

SITE PLAN
Scale 1/8" = 1'-0"



20 Year Low-income Rental Housing Property Tax Exemption

LOW-INCOME HOUSING TAX CREDIT PROGRAM RENTS

The following Median Family Income (MFI) information for Lane County was excerpted from the State of Oregon's Low-income Housing Tax Credit Program Rents website.

This information is updated annually by the State of Oregon and is based on HUD's published Section 8 Income Limits.

Using 1 person for 0 bedroom and 1.5 persons per bedroom for 1-4 bedroom units, deduct utility allowances from these rents to get gross allowable rents. Consult tax advisor to assure your management plan's compliance with program Section 8 income limits by county.

Rents based on Actual Income Limits 2012						
% MFI	0 Bdrm	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm
30%	\$311	\$333	\$399	\$462	\$515	\$568
35%	\$363	\$388	\$466	\$539	\$601	\$663
40%	\$415	\$444	\$533	\$616	\$687	\$758
45%	\$466	\$500	\$599	\$693	\$772	\$853
50%	\$518	\$555	\$666	\$770	\$858	\$948
55%	\$570	\$611	\$732	\$847	\$944	\$1,042
60%	\$622	\$666	\$799	\$924	\$1,030	\$1,137
80%	\$830	\$889	\$1,066	\$1,232	\$1,374	\$1,517

See the State of Oregon's Low-income Housing Tax Credit Program website for more information about the rent level information:

http://www.ohcs.oregon.gov/OHCS/APMD/HPM/docs/2012/Lane_2012IncomeLimits.pdf