



Eugene City Council

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www.eugene-or.gov

EUGENE CITY COUNCIL AGENDA

May 29, 2013

12:00 PM CITY COUNCIL WORK SESSION

Harris Hall

125 East 8th Avenue

Eugene, Oregon 97401

Meeting of May 29, 2013;
Her Honor Mayor Kitty Piercy Presiding

Councilors

George Brown, President	Pat Farr, Vice President
Mike Clark	George Poling
Chris Pryor	Claire Syrett
Betty Taylor	Alan Zelenka

CITY COUNCIL WORK SESSION

Harris Hall

12:00 p.m. A. **ACTION:**
Ordinance Suspending Multi-Unit Property Tax Exemption (MUPTE) Program

12:30 p.m. B. **WORK SESSION:**
Core Campus – Application for Multiple-Unit Property Tax Exemption for Residential Property Located at 505 East Broadway (The Hub in Eugene)

**time approximate*

The Eugene City Council welcomes your interest in these agenda items. This meeting location is wheelchair-accessible. For the hearing impaired, FM assistive-listening devices are available or an interpreter can be provided with 48 hours' notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hours' notice. To arrange for these services, contact the receptionist at 541-682-5010. City Council meetings are telecast live on Metro Television, Comcast channel 21, and rebroadcast later in the week.

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El Consejo de la Ciudad de Eugene aprecia su interés en estos asuntos de la agenda. El sitio de la reunión tiene acceso para sillas de ruedas. Hay accesorios disponibles para personas con afecciones del oído, o se les puede proveer un interprete avisando con 48 horas de anticipación. También se provee el servicio de interpretes en idioma español avisando con 48 horas de anticipación. Para reservar estos servicios llame a la recepcionista al 541-682-5010. Todas las reuniones del consejo estan gravados en vivo en Metro Television, canal 21 de Comcast y despues en la semana se pasan de nuevo.

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or visit us online at www.eugene-or.gov**

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Ordinance Suspending Multi-Unit Property Tax Exemption (MUPTE)
Program

Meeting Date: May 29, 2013
 Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: A
 Staff Contacts: Denny Braud
 Contact Telephone Number: 541-682-5536

ISSUE STATEMENT

The council is asked to consider an ordinance extending the suspension of the Multi-Unit Property Tax Exemption (MUPTE) program to July 31, 2013. The suspension would provide additional time for the council to consider options for modifying the MUPTE program criteria.

BACKGROUND

On February 27, 2013, the council approved an ordinance suspending the Multi-Unit Property Tax Exemption (MUPTE) program to provide the time needed for the council to conduct a detailed evaluation of the program and determine if modifications should be made. The ordinance expires on June 30, 2013. At the May 8 work session, the council provided direction to extend the suspension to July 31 to provide the additional time needed to finalize program modifications.

COUNCIL OPTIONS

1. Approve the ordinance extending the MUPTE suspension to July 31, 2013.
2. Do not approve the ordinance (MUPTE program reinstated on July 1, 2013).

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the proposed ordinance.

SUGGESTED MOTION

Move to adopt Council Bill 5093 extending the suspension of the MUPTE program to July 31, 2013.

ATTACHMENTS

Item A.

A. Ordinance

FOR MORE INFORMATION

Staff Contact: Denny Braud

Telephone: 541-682-5536

Staff E-Mail: denny.braud@ci.eugene.or.us

ATTACHMENT A

ORDINANCE NO. _____

AN ORDINANCE AMENDING ORDINANCE NO. 20508 TO EXTEND THE TEMPORARY SUSPENSION OF MULTIPLE UNIT PROPERTY TAX EXEMPTIONS UNDER SECTIONS 2.945 AND 2.947 OF THE EUGENE CODE, 1971, THROUGH JULY 31, 2013.

The City Council of the City of Eugene finds as follows:

A. The City's Multiple Unit Property Tax Exemption Program under Sections 2.945 and 2.947 of the Eugene Code, 1971 (the MUPTE program), which is enabled by state statute, was first implemented by the City in July of 1977. Since its initial implementation, the MUPTE program has been modified various times.

B. On February 27, 2013, Ordinance No. 20508 was adopted suspending the MUPTE program until July 1, 2013, to allow Council time to evaluate the MUPTE program and determine whether changes should be made to the program.

C. On April 24, 2013, Council held a Work Session and determined that the suspension should be extended an additional 30 days to allow Council more time to develop and adopt revisions to the program and have the revisions become effective before the suspension expires.

NOW, THEREFORE,

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. The findings set forth above are adopted.

Section 2. Section 3 of Ordinance No. 20508 is amended by extending the sunset date to July 31, 2013.

Passed by the City Council this
_____ day of _____, 2013.

Approved by the Mayor this
_____ day of _____, 2013.

City Recorder

Mayor

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: Core Campus – Application for Multiple-Unit Property Tax Exemption for Residential Property Located at 505 East Broadway (The Hub in Eugene)

Meeting Date: May 29, 2013
 Department: Planning and Development
www.eugene-or.gov

Agenda Item: B
 Staff Contact: Amanda Nobel
 Contact Telephone Number: 541-682-5535

ISSUE STATEMENT

The work session will be an opportunity for the council to hear about and discuss the Core Campus proposal to build student housing at 505 East Broadway (see Attachment A).

BACKGROUND

In January, the City of Eugene received a Multi-Unit Property Tax Exemption (MUPTE) application from Core Campus for a proposed student housing development (The Hub in Eugene) on East Broadway and Ferry Street.

The council is currently discussing potential revisions to the MUPTE program and enacted a temporary suspension of the program in February 2013. Since the Core Campus application was submitted prior to the suspension, the existing program rules have been applied to this review.

Project Overview

The Hub in Eugene would be a 12-story, \$44 million project: 197 apartments with on-site parking, nearby parking, and commercial retail space. The site, which was a former Chevron service station, has been vacant for eight years and is a brownfield site. Directly to the west is a Korean/Japanese restaurant (formerly a Dunkin Donuts). To the east is a Pizza Hut. Due north is a storage facility, and south, across Broadway, are eating establishments (including Burrito Boy) and offices.

The project will have 501 bedrooms; 4,430 square feet of retail space; 34 on-site parking spaces; and 88 surface parking spaces in a nearby lot. The building would be designed to achieve LEED certification and would include a green roof among other features. The first-floor commercial spaces, sales center, and lobby, will have a clear floor-to-ceiling glass storefront. The commercial space would front East Broadway.

The development will have onsite staff and security: six to eight full-time jobs and six part-time jobs. The full-time staff will consist of a property manager, an assistant manager, a leasing director, a leasing professional, a chief building engineer, a maintenance technician, and porters.

The proposed construction schedule would be 14-16 months long and provide an average of 120-150 construction jobs. If the MUPTE is approved, construction would begin in February/March 2014.

Project Parking

The surface level secured parking on-site would be accessed from Ferry Street with a key card system. The parking will be fully enclosed as part of the architecture of the building and not readily apparent. A second parking area is proposed to be a surface parking lot nearby within ¼ mile at 901 Franklin. (See Attachment B for the location of the proposed surface parking.) The property is City-owned and currently used as surface parking. The City has been marketing this surplus property for sale since 2011. Core Campus has expressed an interest in leasing or acquiring the site.

MUPTE Program

The MUPTE program is enabled by state legislation and designed to encourage higher density housing and redevelopment in the core area and along transit corridors. The objective strongly aligns with several of the pillars of Envision Eugene. Increasing the amount of multi-family housing in the downtown and along transit corridors helps reduce pressure on urban growth boundary (UGB) expansion and protects existing neighborhoods.

The program provides a 10-year property tax exemption on qualified new multi-unit housing investments that occur within a specific, targeted area, that meet program requirements, and that are reviewed and approved by the council. During the exemption period, property owners still pay taxes on the assessed value of the land and any commercial portions of the project, except those commercial improvements deemed by the council to be a public benefit and included in the exemption. In September 2011, the council added the option to exempt the commercial portion of a multi-unit housing project to the extent that the commercial property is required or considered to be a public benefit. The council amended Eugene's code provisions in November 2008, to assist both staff and the council in evaluating a MUPTE application with: 1) adoption of approval criteria and 2) direction to the City Manager to adopt a public benefit scoring system (described below).

Staff's review of the Core Campus MUPTE proposal is based on the current program requirements. As ideas and potential revisions to the MUPTE program have emerged from the City Council's discussions, staff have had conversations with the developer about the possibility of incorporating elements of the MUPTE revisions into proposed conditions of approval.

Public Comments

A display advertisement was published in *The Register Guard* on May 4, 2013, soliciting comments for 30 days on the Core Campus MUPTE application. The period ends on June 3, 2013, at 5 p.m. All written comments received by staff through May 21 are included as Attachment C. The Downtown Neighborhood Association Steering Committee unanimously took a position of support

for the Core Campus project with specific points on safety for pedestrians and bicyclers (see Attachment D).

Public Benefits

After reviewing the Core Campus application against the public benefit scoring criteria in the Standards and Guidelines, staff determined that the proposed development earned 290 points. (A minimum of 100 points is required for the City Manager to recommend that council approve an application.) Points were awarded for the project through the following benefits:

- *Density*: 50 points (10 points per unit in excess of the minimum code requirement; 50 point max)
- *Green Building Features and Quality of Building Materials*: 100 points for planned LEED certification
- *Accessibility*: 40 points (10 points per accessible unit)
- *Location*: 100 points for being located within the Downtown Plan Area

Financial Analysis

The applicant demonstrated that the project as proposed could not be built but for the benefit of the tax exemption. Core Campus will need to provide 25 percent (\$11 million) of the project's financing in the form of equity, which is likely to come from an equity investor active in the nationwide market. Additionally, the proposed project will require the investor to assume some risk from the major redevelopment costs associated with the site and from the rate of absorption of the large number of proposed units brought into the local student housing market. Core Campus has indicated that their equity investor will require a minimum rate of return of 8.96 percent in the first year. Without the MUPTE savings, The Hub is projected to generate a 4.7 percent first-year rate of return, which is insufficient to attract the required equity investment. The MUPTE tax exemption would lower annual operating costs by approximately \$450,000, which produces higher net operating income and results in a projected 8.7 percent first-year rate of return. (See Attachment E for more detailed financial analysis.)

Staff and the Loan Advisory Committee reviewed the pro-forma, including assumptions regarding lease rates, operating costs, capitalization rate, lender underwriting criteria, interest rate assumption, and market expected rate of return. The committee confirmed the financial assumptions used in the analysis and unanimously concluded that the tax exemption is needed to generate a return on investment sufficient to attract the required equity investment.

Tax Impact

The Hub in Eugene will continue to generate property tax revenue on the land. Staff estimates the property tax paid will be \$11,200 in year 1. After 10 years, the entire development will be taxable, estimated at \$620,000 in year 11. Core Campus states that the MUPTE is vital to the development and, if it is denied, the 12-story housing development will not be built. The chronically underdeveloped site is zoned C-2, community commercial for medium-density commercial. The surrounding area is a mix of fast food and small format motels. If the Core Campus project does not move forward, the property is likely to develop in a similar manner as the surrounding area, which would produce less value and tax revenue.

Need for Tax Exemptions to Encourage Ground Floor Commercial

Core Campus proposes the potential inclusion of approximately 4,480 square feet of ground floor commercial space. The ground floor commercial use is considered to provide public benefit as commercial/retail uses in this area will support downtown vitality and the opportunity for project residents and others in the area to easily walk to the proposed commercial/retail services. There are risks associated with tenanting ground floor commercial at lease rates that can support the cost of constructing the space. Additionally, mixing uses within one building typically adds construction costs related to building code requirements. Mixed-use construction adds complexity and cost. Allowing the MUPTE to include the ground floor commercial/retail space will improve the financial feasibility of incorporating the space into the project and stimulate a desired form of mixed-use development.

Timing

June 10 is reserved for consideration of the Core Campus project. The City Manager's recommendation will be provided with the June 10 agenda item summary. This application was submitted on January 24. By state statute and code, if the council has not acted within 180 days from the application date, the application would be deemed approved.

RELATED CITY POLICIES

Utilization of the MUPTE program to stimulate new multi-unit housing development addresses many goals for Eugene and downtown, including:

Eugene Downtown Plan

- Stimulate multi-unit housing in the downtown core and on the edges of downtown for a variety of income levels and ownership opportunities.
- Downtown development shall support the urban qualities of density, vitality, livability and diversity to create a downtown, urban environment.
- Actively pursue public/private development opportunities to achieve the vision for an active, vital, growing downtown.
- Use downtown development tools and incentives to encourage development that provides character and density downtown.
- Facilitate dense development in the courthouse area and other sites between the core of the downtown and the river.

Envision Eugene Pillars

- Promote compact urban development and efficient transportation options.
 - Integrate new development and redevelopment in the downtown, in key transit corridors and in core commercial areas.
 - Meet the 20-year multi-family housing need within the existing Urban Growth Boundary.
 - Make compact urban development easier in the downtown, on key transit corridors, and in core commercial areas.
- Protect, Repair and Enhance Neighborhood Livability.
 - Implement the Opportunity Siting (OS) goal to facilitate higher density residential development on sites that are compatible with, and have the support of, nearby

residents. Implement a toolbox of incentives that support the achievement of OS outcomes.

Regional Prosperity Economic Development Plan

- Strategy 5: Identify as a Place to Thrive - Priority Next Step - Urban Vitality
As we foster a creative economy, dynamic urban centers are an important asset. Eugene, Springfield and many of the smaller communities in the region recognize the importance of supporting and enhancing vitality in their city centers. Building downtowns as places to live, work and play will support the retention and expansion of the existing business community and be a significant asset to attract new investment. The Cities of Eugene and Springfield will continue to enhance their efforts to promote downtown vitality through development and redevelopment.

City Council Goal of Sustainable Development

- Increased downtown development

COUNCIL OPTIONS

The work session is an opportunity to provide information and receive feedback on the proposed Core Campus development. No formal action is requested.

CITY MANAGER'S RECOMMENDATION

The City Manager will use the feedback obtained at this work session to inform his recommendation on the Core Campus MUPTE application.

SUGGESTED MOTION

No motion necessary at this time.

ATTACHMENTS

- A. Location of Proposed Project and Project Rendering
- B. Location of Proposed Surface Parking: 901 Franklin
- C. Written Comment Received by Staff through May 21
- D. Email from DNA Chair with Results from Steering Committee Vote
- E. Financial Analysis

A copy of the MUPTE application for Core Campus is available in the council office and online at www.eugene-or.gov/downtownprojects.

FOR MORE INFORMATION

Staff Contact: Amanda Nobel Flannery

Telephone: 541-682-5536

Staff E-mail: amanda.nobel@ci.eugene.or.us

ATTACHMENT A

Location of Proposed Project



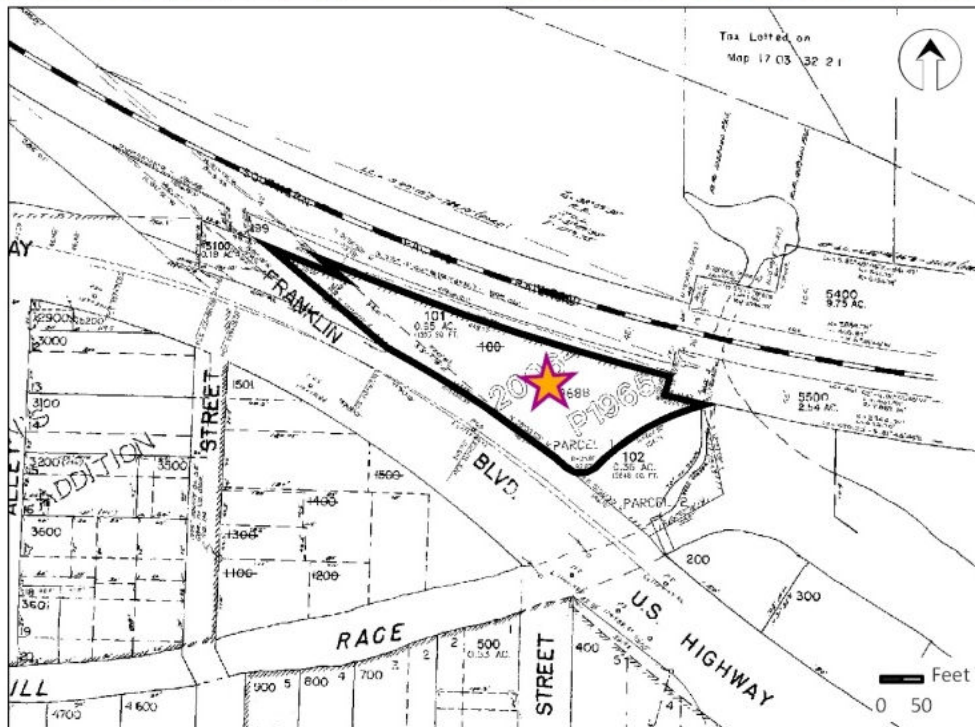
Map: 5/10/13; Pictometry International Corp 2011

Project Rendering



ATTACHMENT B

Location of Proposed Surface Parking: 901 Franklin



NOBEL FLANNERY Amanda

From: Rosemary Mulligan <mullymacd@gmail.com>
Sent: Saturday, May 04, 2013 5:32 PM
To: NOBEL FLANNERY Amanda
Subject: MUPTE program

We oppose the MUPTE application for the Hub. We feel the city is getting saturated with apartments.

Tax breaks for potential businesses that have good paying jobs to offer are a better investment for the city.

Dick and Rosemary Mulligan 541-343-5393

NOBEL FLANNERY Amanda

From: Michael Russo <mrusso@uoregon.edu>
Sent: Sunday, May 05, 2013 4:05 PM
To: NOBEL FLANNERY Amanda
Subject: Comments on the MUPTTE for The Hub

Dear Mayor and City Councilors:

I have the following comments on the proposed project.

- First and foremost, the MUPTTE program, with its all-or-nothing approach to giving tax breaks to developers will be amended or discontinued shortly. And thank goodness for that. MUPTTE was ill-conceived and extremely poorly designed.
- Nonetheless, it would be desirable to have this project.
- I assume that the developers of this project realize what a "big ask" this stream of tax breaks is. The project document states "If MUPTTE isn't granted, this project will not be built." Well, what else would we expect them to say? Without a process of recapturing tax breaks if the project's economics turn out to be rosier than appear in their spreadsheets (a near certainty), the City is again—though its own doing—in a poor negotiating position.
- The City should reject the MUPTTE benefits for the project, and then sit down with the developers to try to make the project work. It will be important to provide some face-saving for the developers, perhaps by offering 1 or 2 years worth of tax breaks,
- Rather than providing tax breaks at all, the City should consider working with the developers to create some benefits that make sense to both parties. I have two ideas here:
- First, although the height is at the city limit, perhaps the city might consider a variance to allow for 1 or 2 more stories. This would boost the returns for the developers, and although this would exceed the city's height limit, the project might be sufficiently unique to do so. I understand from a councilor with which I spoke that there may not be support at this point for exceeding the height limit, but it might be worse to lose the project altogether.
- Second, and more preferable in my eyes, is to recognize how this neighborhood will evolve and provide some one-time public funding where it would make sense. Given the prospect of the Northwest Community Credit Union building nearby and other projects, I believe at some point the City will need to build an pedestrian bridge across Broadway/Franklin. Otherwise, a great many highly dangerous crossings will be made daily and also during evening hours. Why not offer to build this bridge in such a way that it offers a direct access (perhaps on the second floor) to the Hub building? This would be a significant amenity with long-lasting benefits to the project's owners and serve the City's interests as well.

I appreciate the opportunity to comment on the project.

Michael V. Russo
1975 Potter Street
Eugene, OR 97405

NOBEL FLANNERY Amanda

From: jennifer115@comcast.net
Sent: Monday, May 06, 2013 11:48 AM
To: NOBEL FLANNERY Amanda
Subject: Public Comments on The Hub

Saw your advertisement in The Register-Guard pertaining to public comments regarding yet another tax exemption for a new company.

We are strongly opposed.

As homeowners, we pay our share of taxes which according to the City of Eugene is not enough hence the measure in the current election asking for more money which we cannot afford, could make us and others homeless if this is passed.

We encourage new growth and businesses but feel ALL should pay their taxes to be part of our community. As it stands now, that is not happening and we feel it should. It's the "little guy" getting hurt once again.

Thank you for being the person to receive comments from "the public".

Jennifer Levenson

NOBEL FLANNERY Amanda

From: Stu Thomas <thomas@uoregon.edu>
Sent: Tuesday, May 07, 2013 4:53 PM
To: NOBEL FLANNERY Amanda
Subject: Re. MUPTTE application for The Hub student housing project on East Broadway

The City of Eugene is currently experiencing a terrible budget deficit. So bad that we've been asked to approve a ballot measure to raise money for necessary services.

From the number of "For Rent for Fall" signs, there appears to be a real overabundance of student housing all around the University of Oregon. And one only has to drive through the university neighborhoods to see many more student apartment buildings in the process of being built. And then there's Capstone!

Given all this, how can the City of Eugene even *consider* issuing another property tax exemption for student housing at this time?

Have you all gone completely mad??!!

Sincerely,

Stuart Thomas
1879 Olive St.
Eugene, 97401
541-344-6147

222 E Broadway # 210
Eugene, OR 97401
May 6, 2013

Amanda Nobel Flannery
City of Eugene Planning & Development Dept.
99 W 10th Ave
Eugene, OR 97401

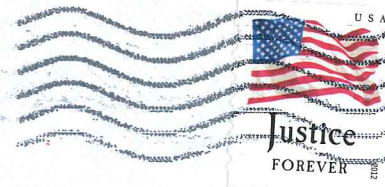
Dear Madam:

I am writing you in regards to a proposed apartment bulding at 505 East Broadway. I believe the time has come to discontinue the ten year property tax exemption. There has been several similar units constructed or approved around town namely The Pearl at 16th and Pearl, the Capstone project at 12th and Willamette, one proposed for 13th and Patterson (at site of Eugene Flower Home) one behind the Original Pancake House. Increase in the enrollment at the U of O requires more housing but there are several to the east of the main campus. It appears that many of these developments did not provide many jobs for local workers. It is possible the land tax on such developments would not be enough in return for city services they require. Taxpayers are on overload and need some consideration.

Very truly yours,
Irene H. Fee
Irene H Fee

Ms. Irene H. Fee
222 E Broadway Apt 210
Eugene, OR 97401-8702

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*Amanda Nobel Flannery
City of Eugene Planning & Develop. Dept.
99 W. 10th Ave
Eugene, OR 97401*

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CITY OF EUGENE
BUILDING & PERMIT SVCS

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NOBEL FLANNERY Amanda

From: Camilla Pratt <camillapratt@live.com>
Sent: Wednesday, May 08, 2013 10:35 AM
To: NOBEL FLANNERY Amanda; *Eugene Mayor, City Council, and City Manager
Subject: The Hub

Regarding the proposed building of The Hub at 505 East Broadway

Amanda Nobel Flannery, Mayor Kitty Piercy and Members of Eugene City Council:

When I arrived in Eugene forty-seven years ago, Yapoah Terrace was a new reality. I was amazed at the incongruity of size and location. Now, almost 5 decades later, steadily growing trees and other plants have softened the effect, but it remains an eyesore and severely sun-shadows properties north of it.

As for the location of a 12-story building at 505 East Broadway on a relatively small footprint, the effect would be even more disconnected with the surrounding landscape.

If its intended purpose is student housing, pedestrian safety will always be a huge problem given the configuration of East Broadway/Franklin Boulevard traffic at this location. This would be the wrong side of the street in that regard.

In my view, a building of this height in this location would be a monument to:

- 1) the greed of some developer/builder; and
- 2) our City's lack of discernment about what is appropriate in terms of scale and function.

However, the bottom line is: City of Eugene residents cannot afford future MUPTE tax subsidies.

Camilla Pratt
120 Westbrook Way
Eugene

ATTACHMENT D

**Email from DNA Chair
with Results from Steering Committee Vote**

From: David Mandelblatt [<mailto:dmandelblatt@yahoo.com>]
Sent: Friday, March 01, 2013 4:32 PM
To: *Eugene Mayor, City Council, and City Manager
Subject: Downtown Neighborhood Association re: Core Campus

On Wednesday evening, Feb. 27, the DNA Steering Committee unanimously passed the following motion:

I move that the DNA Steering Committee take a position of support for the proposed Core Campus student housing project at 515 E. Broadway with the following understandings:

1. All Traffic Impact Analysis work done must include thorough examination of impact on bicycle and pedestrian traffic as well as automobile traffic. "Automobile" includes public transportation.
2. Safety concerns shall be addressed and mitigated.
3. Enhanced opportunities for pedestrian and bicycle traffic shall be included as part of the "Public Benefit" requirement of the MUPTE.

Our greatest concern about the project is safety issues that could arise for pedestrians and bicycles. Keeping in mind that this project intentionally plans to have pretty limited parking opportunities, with the expectation that it will encourage pedestrian and bike traffic, a Traffic Impact study has to include those aspects. We know that it is not common practice, but feel that this project uniquely needs the extra scrutiny.

In fact, given Envision Eugene and sustainability goals that the city has set, it is hard to imagine that inclusion of non-motorized traffic wouldn't be an automatic consideration in all future TIAs.

Given, also, the MUPTE requirement for a project to add something to the community, the Neighborhood Association has looked carefully at the kinds of things that would make the most sense from our point of view. Clearly enhancing opportunities for bike and pedestrian traffic would meet the criteria at the same time as responding to our concerns about safety.

Thank you for considering the DNA viewpoint on this.

Sincerely,

David

David Mandelblatt
Co-chair, Downtown Neighborhood Association
dmandelblatt@yahoo.com

Financial Analysis

The financial information Core Campus submitted in their application is based on projections prior to finalizing financing, construction, and tenanting. The financial assumptions included in Core Campus's MUPTe application pro-forma have been analyzed and adjusted as necessary to more accurately reflect the expected financial performance of the project.

Sources

	Total Cost		Annual debt service
Equity	\$ 11,001,149	25%	n/a
Conventional Debt	\$ 33,003,449	75%	\$ 2,491,522
Total project	\$ 44,004,598		\$ 2,491,522

The \$11 million in equity is anticipated to come from a single investor who has worked with Core Campus on other projects. A minimum of 8.96% return (Cash on Cash) is needed in year 1 to secure the proposed equity investment.

Core Campus plans to use conventional bank construction financing, with the permanent, take-out financing anticipated from a large commercial bank. Underwriting for the permanent financing is based on a maximum 75% loan-to-value and minimum 1.25 debt service coverage ratio.

Pro-Forma Without MUPTe

The pro-forma without MUPTe in this memo is derived from applying market-based assumptions (described below) to the information provided by the developer.

<i>Without MUPTe</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rent Income	\$ 4,227,360	\$ 4,269,634	\$ 4,312,330	\$ 4,355,453	\$ 4,399,008	\$ 4,442,998	\$ 4,487,428	\$ 4,532,302	\$ 4,577,625	\$ 4,623,401
Parking Income	\$ 88,920	\$ 89,809	\$ 90,707	\$ 91,614	\$ 92,531	\$ 93,456	\$ 94,390	\$ 95,334	\$ 96,288	\$ 97,250
Retail Income	\$ 110,573	\$ 111,679	\$ 112,795	\$ 113,923	\$ 115,062	\$ 116,213	\$ 117,375	\$ 118,549	\$ 119,734	\$ 120,932
Misc. Income	\$ 222,239	\$ 224,461	\$ 226,706	\$ 228,973	\$ 231,263	\$ 233,575	\$ 235,911	\$ 238,270	\$ 240,653	\$ 243,060
- Vacancy (5%)	\$ 232,455	\$ 234,779	\$ 237,127	\$ 239,498	\$ 241,893	\$ 244,312	\$ 246,755	\$ 249,223	\$ 251,715	\$ 254,232
= Effective Gross Rent	\$ 4,416,600	\$ 4,460,800	\$ 4,505,400	\$ 4,550,500	\$ 4,596,000	\$ 4,641,900	\$ 4,688,300	\$ 4,735,200	\$ 4,782,600	\$ 4,830,400
- Operating Exp (32%)	\$ 1,413,312	\$ 1,427,456	\$ 1,441,728	\$ 1,456,160	\$ 1,470,720	\$ 1,485,408	\$ 1,500,256	\$ 1,515,264	\$ 1,530,432	\$ 1,545,728
= NOI	\$ 3,003,288	\$ 3,033,344	\$ 3,063,672	\$ 3,094,340	\$ 3,125,280	\$ 3,156,492	\$ 3,188,044	\$ 3,219,936	\$ 3,252,168	\$ 3,284,672
- Debt Service	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522
= CF	\$ 511,766	\$ 541,822	\$ 572,150	\$ 602,818	\$ 633,758	\$ 664,970	\$ 696,522	\$ 728,414	\$ 760,646	\$ 793,150
Cash on Cash Return	4.7%	4.9%	5.2%	5.5%	5.8%	6.0%	6.3%	6.6%	6.9%	7.2%
Value	\$42,904,000	\$43,333,000	\$43,766,743	\$44,204,857	\$44,646,857	\$45,092,743	\$45,543,486	\$45,999,086	\$46,459,543	\$46,924,000
DCR	1.21									

Rents & Vacancy

Income for the pro-forma is based on the following:

- Residential rents from \$1.83 - \$2.23 per square foot per month (based on unit type)
- Commercial rent \$2.08 per square foot per month
- Parking \$65 per space
- Miscellaneous (vending, fees, & cleaning) at 6% of residential income

The pro-forma uses market assumptions for vacancy of 5%. An 1% annual income escalation rate is used.

Operating Expenses

For most multi-family projects, the standard assumption for operating expenses is 25% to 30%. Operating expenses assumed for the proposed Core Campus project are estimated at 32% of effective gross rental income. Slightly higher operating cost are expected from enhanced on-site management personnel costs and the operation and maintenance costs associated with higher than standard amenities such as open space, structured parking, hot tub, and furnished units. Information from a local appraiser indicates an acceptable range up to 35%. An 1% annual operating expense escalation rate is assumed.

Debt & Interest Rate

Debt service is based on a 30-year fixed loan at 5.75%.

Return & Value

Without the MUPTE savings, the year 1 return on equity is forecasted to be 4.7% (Cash on Cash). The projected market value for the completed project is \$42.9 million, as determined by the Net Operating Income (NOI) divided by the capitalization rate. The estimated capitalization rate is 7% based on information from a local appraiser who indicated an acceptable range up to and including 7.25%.

ANALYSIS

The without MUPTE pro-forma appears to fall short of qualifying for the needed debt (with debt coverage ratio of 1.21 and loan-to-value of 77%). Additionally, the project lacks the ability to attract the needed equity. The proposed project will require the investor to assume some risk from the major redevelopment costs associated with the site and from the rate of absorption of the large number of proposed units brought into the local student housing market. Core Campus has indicated that their primary investor will require a minimum first year return of 8.96%. Without the MUPTE savings, the project generates a 4.7% first year return, which is insufficient to attract the required \$11 million equity investment. The Cash on Cash only reaches 7.2% by year 10 in the absence of the MUPTE.

Pro-Forma With The MUPTE

With MUPTE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income	\$ 4,649,100	\$ 4,695,600	\$ 4,742,500	\$ 4,790,000	\$ 4,837,900	\$ 4,886,200	\$ 4,935,100	\$ 4,984,500	\$ 5,034,300	\$ 5,084,600
- Vacancy	\$ 232,500	\$ 234,800	\$ 237,100	\$ 239,500	\$ 241,900	\$ 244,300	\$ 246,700	\$ 249,200	\$ 251,700	\$ 254,200
= Effective Gross Rent	\$ 4,416,600	\$ 4,460,800	\$ 4,505,400	\$ 4,550,500	\$ 4,596,000	\$ 4,641,900	\$ 4,688,400	\$ 4,735,300	\$ 4,782,600	\$ 4,830,400
- Operating Exp	\$ 1,413,300	\$ 1,427,500	\$ 1,441,700	\$ 1,456,200	\$ 1,470,700	\$ 1,485,400	\$ 1,500,300	\$ 1,515,300	\$ 1,530,400	\$ 1,545,700
- Property Tax (saved by MUPTE)	\$ (449,000)	\$ (462,500)	\$ (476,400)	\$ (490,700)	\$ (505,400)	\$ (520,600)	\$ (536,200)	\$ (552,300)	\$ (568,900)	\$ (586,000)
= NOI	\$ 3,452,300	\$ 3,495,800	\$ 3,540,100	\$ 3,585,000	\$ 3,630,700	\$ 3,677,100	\$ 3,724,300	\$ 3,772,300	\$ 3,821,100	\$ 3,870,700
- Debt Service	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522
= CF	\$ 960,778	\$ 1,004,278	\$ 1,048,578	\$ 1,093,478	\$ 1,139,178	\$ 1,185,578	\$ 1,232,778	\$ 1,280,778	\$ 1,329,578	\$ 1,379,178
Cash on Cash Return	8.7%	9.1%	9.5%	9.9%	10.4%	10.8%	11.2%	11.6%	12.1%	12.5%
Value	\$49,319,000	\$49,940,000	\$50,573,000	\$51,214,000	\$51,867,000	\$52,530,000	\$53,204,000	\$53,890,000	\$54,587,000	\$55,296,000
DCR	1.39									

The pro-forma above shows the impact of the MUPTE. The Cash on Cash return reaches 8.7% in year 1 and 12.5% in year 10. **The average return for the project over the ten-year period is 10.6%.** This is within the market expectation for Cash on Cash return. The project valuation is 67% loan to value.

Tax Savings Calculation

The property tax savings from the MUPTE is calculated from the estimated value of the project:

$$\text{Assessed Value} \times \text{Tax rate} - \text{Land Property Tax} = \text{MUPTE Savings}$$

Assessed Value = Value X Changed Property Ratio = \$44,034,000 X 0.5898 = \$25,971,300

Tax Rate = \$18.18 per \$1,000 in assessed value

Land Property Tax = \$11,200

The land property tax must be subtracted out from the total tax because the MUPTE only applies to the value of the new improvements. The estimated property tax for the land is \$11,200, which was estimated by the current assessed value of the land (\$639,816).

The estimated property tax savings from the MUPTE in year 1 is \$450,000.

The property tax estimate is based on two key assumptions:

1. The current tax rate stays the same for the 10 year period.
2. Assessed value increases annually by 3%, which would mean that there is no significant change in the way assessed value is calculated; also the property will be reassessed when the exemption expires.

Core Campus states in the application that the MUPTE also allows for higher quality finishes and building to LEED standard. Examples of the finishes include stainless steel appliances and granite counter tops, which allow the project to position itself for the possibility of converting the structure to a non-student focus in the future as added flexibility and to mitigate vacancy risk. (Shared walls between bedrooms can be removed to provide larger master suites and reduce the bedroom count to accommodate a more typical market rate renter.) Construction is steel and concrete (\$140 per square foot hard costs building only; \$130 per square foot hard costs building and parking).

