

Multi-Unit Property Tax Exemption (MUPTE) Program

MINIMUM THRESHOLD CRITERIA

To be considered for MUPTE approval, projects must meet the following minimum threshold requirements. Terms and conditions not fully defined herein will be further defined by an updated administrative rule:

- **Eligible Boundary** – Projects must be located within the boundary illustrated on the map attached as Exhibit A.
- **Density** – For mixed-use projects (housing above commercial), the structure must have five or more dwelling units. For housing-only projects, the project must meet a density threshold that is greater than the minimum allowed in the Eugene code.
- **Project Need** – Analysis of the project pro forma must establish that the project would not be built but for the benefit of the tax exemption. The applicant must submit documentation, including a pro forma and an analysis of the projected rate of return for the proposed project demonstrating that the anticipated overall rate of return for the project (with MUPTE) for the maximum period of exemption (10 years) will not exceed 10 percent. The pro forma and assumptions will be reviewed and adjusted by a MUPTE review panel.
 - If the projected overall rate of return for the maximum exemption period is below 10 percent, and the Minimum Threshold Criteria is met, the project is eligible to receive the maximum 10-year exemption.
 - If the projected overall rate of return for the maximum exemption period is above 10 percent:
 - The term of the exemption will be decreased by the number of years necessary to bring the rate of return down to 10 percent, or
 - The applicant can add project elements included in the Additional Public Benefit Criteria to increase the term of the exemption up to 10 years
- **Green Building** – The project must be built to meet a minimum green building standard of LEED Silver or an equivalent standard acceptable to City.
- **Neighborhood Contact** – Although neighborhood association support is not required for MUPTE approval, the application must include evidence that the applicant made an effort

to contact the appropriate neighborhood association to share project information and seek input. Such effort shall be evidenced by providing a copy of the comments received from the neighborhood association, or documentation of the applicant's attempt to solicit comments.

- **Affordable Housing** – For rental projects, one of the following must be met:
 - During the period of exemption, a minimum of 20% of the number of dwelling units must be affordable to households earning between 80% and 100% of the area median family income upon initial occupancy of the unit by that household.
 - Applicant must pay an affordable housing fee equal to 10% of the projected first year tax exemption.
- **Local Hiring and MWESB Goals** – Applicants must provide a plan to meet the local hiring goals included in the Additional Public Benefit Criteria.
- **Financial Reporting** – During the exemption period, the project's owner must submit annual accountant-prepared financial information sufficient to evaluate a to-date rate of return for the project. The financial information will be used by the City Manager to analyze the overall effectiveness of the MUPTE program, and may be used in the aggregate to prepare an annual MUPTE report.

ADDITIONAL PUBLIC BENEFIT CRITERIA

The following Public Benefit Criteria (to be further defined in an updated administrative rule) shall be used to determine the extent of eligibility for extending the tax exemption for up to, but no longer than 10 years:

- **Local Hiring** – The extent to which the project meets the following local hiring goals:
 - Greater than __ percent of the dollar volume of the combined professional services and construction contracts include local firms (based in Oregon).
 - Greater than __ percent of the on-site construction jobs performed by local residents (reside in Oregon). Exceptions for specialty work not available in the local market will be review on a case by case basis.
 - Project demonstrates that it has made a good faith effort to solicit bids for professional services and construction contracts from qualified women and minority business enterprises.

- **Location** – Projects located within the Downtown Plan Area, within a HUD Low-Mod Income Area , on a brownfield site, or includes the redevelopment of a valuable historic resource.
- **Project Features** – The extent to which the project incorporates the following public benefit features:
 - Exceeds the affordable housing minimum threshold criteria (greater number of units or income threshold between 60%-80% median household income met), or increased affordable housing fee
 - Exceed the energy efficiency standards in the Oregon Energy Code
 - Number of ADA accessible dwelling units
 - Dwelling units available for home ownership
 - For projects in areas where student occupancy is expected, dwelling units designed as traditional apartment units available to a broad cross section of the community
 - Inclusion of open space/community gardens or gathering space that is accessible to the community
 - Inclusion of ground floor commercial/retail which addresses a neighborhood need
 - Design excellence and neighborhood compatibility
 - Embedded or structured parking
 - Transportation options, including bus passes, car share, bike share, bus shelter, and minimum parking where appropriate

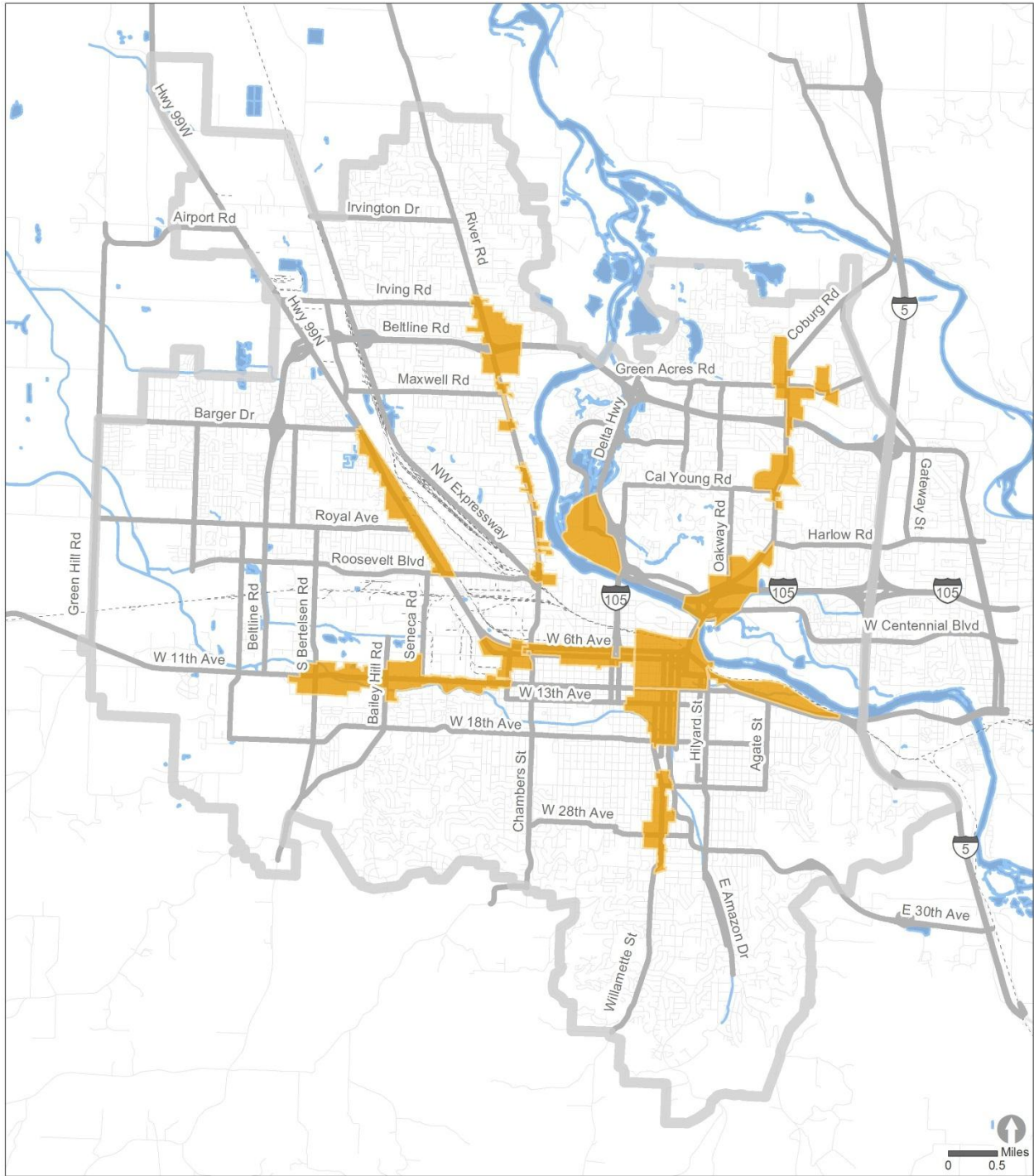
OTHER PROGRAM FEATURES

- **MUPTE Review Panel** - A newly formed MUPTE review panel appointed by the City Manager will provide a third-party review of the MUPTE program, including:
 - Review of MUPTE project applications, with emphasis on analyzing the project's financial projections.
 - Review applicant's conformance with the Minimum Threshold Criteria and Additional Public Benefit Criteria, and make recommendations regarding the granting of the tax exemption.
 - Assist the City Manager in preparing an Annual Report on the MUPTE program.
- **Program Volume** – The MUPTE program has set a goal of assisting in the creation of 1,600 new multi-family housing dwelling units. At such time that the MUPTE-assisted

number of dwelling units constructed reaches this goal, the program shall undergo a comprehensive council review to determine if continuation of the program is desired.

- **Application Fee** – The City Manager shall establish an updated application fee to be established by the City Manager by Administrative Rule.

Exhibit A – Boundary



Alternative MUPTE Criteria

The following were not included in the City Manager’s recommendation, but were mentioned in previous council discussions. They are listed for reference as alternative criteria which could be substituted or added to the recommendation.

MINIMUM THRESHOLD CRITERIA

- **Eligible Boundary**
 - Downtown Plan Area only
 - Limited, targeted area expansion (Examples: Trainsong, S. Willamette, Walnut Station)
 - Eliminate Downtown Plan Area and focus MUPTE in economically disadvantaged areas

- **Project Need**
 - Cap the rate of return for the project exceed at 9 percent
 - Claw-back at the end of the tax exemption in the event that the overall rate of return exceeds the cap, and dedicate claw-back funds to affordable housing
 - Use third-party professional (instead of panel) to review financial pro forma

- **Green Building**
 - Do not include as Minimum Threshold Criteria, but include in Additional Public Benefit Criteria

- **Affordable Housing**
 - During the period of exemption, a minimum of 20% of the number of dwelling units must be affordable to households earning 60% of the area median family income upon initial occupancy of the unit by that household.
 - Increase the affordable housing fee to ___% (substitute percentage)

- **Local Hiring and MWESB Goals**
 - Require that a specific percentage of local hiring be met to be eligible for the tax exemption

- **Financial Reporting**
 - The financial information will be used to calculate a claw-back payment at the end of the tax exemption.

Minimum Threshold Criteria: Tax Exemption Benefit

- Applicants meeting the Minimum Threshold Criteria will be eligible for consideration of a 5 year property tax exemption on the eligible portion of the project. Applicants may qualify for an extension of the tax exemption for of up to ten years based on the Additional Public Benefit Criteria.

ADDITIONAL PUBLIC BENEFIT CRITERIA

- **Local Hiring**
 - Increase the percentage for dollar volume of the combined professional services and construction
 - Increase the percentage of the on-site construction jobs performed by local residents
- **Location**
 - Do not give extra consideration for projects located within Downtown Plan Area
- **Project Features**
 - Public safety (lighting, design elements)
 - No tax exemption on commercial space that competes with neighboring businesses

OTHER PROGRAM FEATURES

- **MUPTE Review Panel**
 - Do not include a MUPTE review panel
- **Program Volume**
 - Cap the annual dollar amount of tax exemptions approved (Example: \$500,000/year)
 - Rolling Cap (suspend the program when a specific dollar amount of tax exemptions is reached, then reopen when project come onto the tax rolls)
- **Application Period**
 - Limit the application period to create competitive process

MUPTE Project Score Card – EXAMPLE

5/22/2013

Part 1: Minimum Threshold Criteria (MTC) - Required

	Application	Project Completion
Boundary	✓	
Density	✓	
Project Need	✓	
Green Building	✓	
Neighborhood Contact	✓	
Affordable Housing	✓	
Local Hiring Plan	✓	

Part 2: Additional Public Benefit Criteria

	Points	Weight	Application	Project Completion
Local Hiring	1	2	2	
Location	1	2	0	
Affordable Housing - Additional	1	2	0	
Project Features				
<i>Exceeds Energy Efficiency Standards</i>	1	1	1	
<i>ADA Accessible Units</i>	1	1	0	
<i>Housing Type</i>	1	1	1	
<i>Open / Gathering Space</i>	1	1	0	
<i>Design Excellence / Neighborhood Compatability</i>	1	1	1	
<i>Neighborhood Commercial/Retail Need</i>	1	1	0	
<i>Embedded/Structured Parking</i>	1	1	1	
<i>Transportation Options Encourage Alt. Modes</i>	1	1	1	
Total	14 possible		7	
			50%	

Part 3: Eligibility Score

	Extension Length	Results
MTC + 31 - 60% of total possible Additional Public Benefit Criteria	Up to 2 Additional Years	✓
MTC + 61 - 100% of total possible Additional Public Benefit Criteria	Up to 3 Additional Years	-

Part 4: Financial Reporting

<i>Cash on Cash Return</i>	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Projected Without MUPTE	1%	0%	1%	1%	1%	1%	2%	2%	2%	3%
Projected With MUPTE	5%	5%	5%	6%	6%	6%	7%	7%	7%	8%
Actual vs. Cap (10%)	Under	Under	Under							