

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



A Resolution Repealing Resolution No. 5074 Concerning a Low-Income Rental Housing Property Tax Exemption for Property Located Adjacent to 1410 River Road, Eugene, Oregon (Evergreen Housing Development/Owner)

Meeting Date: October 13, 2014
Department: Planning and Development
www.eugene-or.gov

Agenda Item Number: 3G
Staff Contact: Ellen Meyi-Galloway
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ISSUE STATEMENT

On November 26, 2012, the City Council approved Resolution 5074 to provide a 20-year Low-Income Rental Housing Property Tax Exemption (LIRPTE) for River Road Apartments, located near 1410 River Road, map/lot number 17-04-13-33/04601, Assessor's Property Tax ID 1837937. The developer of the project was Evergreen Housing Development Group, LLC (Evergreen). On June 4, 2014, Evergreen requested a termination of the LIRPTE granted for the site. The developer stated that the proposed development was no longer financially feasible as affordable housing.

BACKGROUND

The City of Eugene seeks to create a range of stable, safe, and affordable housing opportunities for area residents through a suite of funding, programs, and supportive policies. Eugene programs provide land, financial assistance, and regulatory incentives for the development of permanent, transitional and emergency housing by primary nonprofit partner organizations. Through the investments of the City of Eugene and many other organizations, the community has created over 3,000 units of permanent affordable housing.

City goals for the development of affordable housing are established every five years as a part of the Eugene-Springfield Consolidated Plan. The City Council adopted a goal of creating 500 units of affordable housing over a five-year period in the 2010 Eugene-Springfield Consolidated Plan. Goals for affordable housing development are also included in Envision Eugene.

Summary of requested tax exemption for River Road Apartments

In 2012, Evergreen Housing Development Group, LLC requested the 20-year exemption to build River Road Apartments. The project was to include 216 apartments affordable to households earning 60 percent Area Median Income (AMI) or less, on a vacant 7.7 acre site south of Beltline on River Road. In November 2012, the City Council granted the exemption.

In June 2014, Evergreen submitted a letter to the City requesting termination of the tax exemption for the property. The developer noted three reasons that the original project proposal was no

longer feasible that are summarized below:

- Decreases in revenue - The maximum rents allowed to be charged by the U.S. Department of Housing and Urban Development in 2014 decreased from the rents HUD allowed in both 2013 and 2012 when the project was first underwritten.
- Increasing debt costs - Interest rates almost doubled between the spring and summer of 2013.
- Rising construction costs.

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

The City adopted the Low-Income Rental Housing Property Tax Exemption program (LIRPTE) in 1990. Since then, Eugene has approved tax exemptions for more than 25 developments with over 1,100 units. In 2011, the council unanimously approved extending the tax exemption program for an additional 10 years. The approved ordinance also permits recipients to reapply for the tax exemption after the initial 20-year period has expired.

The council reviews each tax exemption request on a case-by-case basis. If an application meets the substantive criteria [EC 2.939(2)(a)-(i) or EC 2.939(3)(a)-(e)], 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.

The River Road Apartment project originally met the substantive criteria [EC 9.239(2)(a)-(i)] and was granted the tax exemption. At this time, it no longer meets the substantive criteria.

RELATED CITY POLICIES

The development is under construction, though not as affordable housing. Although it no longer supports the goals of the Eugene-Springfield 2010 Consolidated Plan by creating 216 units for low-income families and individuals, it still supports the following:

Eugene Adopted Growth Management Policies – the development of market rate units on the site support the Growth Management Policies.

- 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.

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) and increase residential development along key transportation corridors.

COUNCIL OPTIONS

City Council may repeal the Low-Income Rental Property Tax Exemption or take no action.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends repeal of the 20-year low-income rental housing property tax exemption for the property located adjacent to 1410 River Road, Eugene, Oregon (Assessor's Property Account Number 1837937).

SUGGESTED MOTION

Move to adopt a resolution repealing the 20-year low-income rental housing property tax exemption for the property located adjacent to 1410 River Road, Eugene, Oregon (Assessor's Property Account Number 1837937).

ATTACHMENTS

- A. Resolution to Appeal Resolution No. 5074
- B. Letter from Evergreen Housing Development Group LLC Requesting Termination of the Tax Exemption

FOR MORE INFORMATION

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