Eugene City Council
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Eugene, OR 97401-2793
541-682-5010 • 541-682-5414 Fax
www.eugene-or.gov

EUGENE CITY COUNCIL AGENDA

July 27, 2016

12:00 p.m. **CITY COUNCIL WORK SESSION and**
MEETING OF THE EUGENE URBAN RENEWAL AGENCY
Harris Hall
125 East 8th Avenue
Eugene, Oregon 97401

Meeting of July 27, 2016;
Her Honor Mayor Kitty Piercy Presiding

Councilors

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

12:00 p.m. **CITY COUNCIL WORK SESSION and**
MEETING OF THE EUGENE URBAN RENEWAL AGENCY
Harris Hall, 125 East 8th Avenue

The Mayor convenes a meeting of the Eugene Urban Renewal Agency.

12:00 p.m. **A. URBAN RENEWAL AGENCY**
Eugene Water & Electric Board Riverfront Udpate

The Mayor adjourns the meeting of the Eugene Urban Renewal Agency and convenes a meeting of the Eugene City Council.

12:15 p.m.* **B. WORK SESSION**
Granite Properties – Application for Multiple-Unit Property Tax Exemption for Commercial/Residential Property Located at 844 Olive

City Council President: *I move to adopt the resolution in Attachment F to approve the tax exemption.*

Call for vote.

12:45 p.m.*   C.   WORK SESSION
Equity in Contracting Program

Adjourn.

**times approximate*

The Eugene City Council welcomes your interest in these agenda items. This meeting location is wheelchair-accessible. For the hearing impaired, 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.

El consejo de la Ciudad de Eugene agradece su interés en estos asuntos de la agenda. El lugar de la reunión tiene acceso para sillas de ruedas. Se puede proveer a un intérprete para las personas con discapacidad auditiva si avisa con 48 horas de anticipación. También se puede proveer interpretación para español si avisa con 48 horas de anticipación. Para reservar estos servicios llame al 541-682-5010. Las reuniones del consejo de la ciudad se transmiten en vivo por Metro Television, Canal 21 de Comcast y son retransmitidas durante la semana.

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

EUGENE CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session: Granite Properties – Application for Multiple-Unit Property Tax Exemption for Commercial/Residential Property Located at 844 Olive

Meeting Date: July 27, 2016 | Agenda Item: B
Department: Planning and Development | Staff Contact: Amanda Nobel
www.eugene-or.gov | Contact Telephone Number: 541-682-5535

ISSUE STATEMENT
The City Council is asked to consider the request for a Multi-Unit Property Tax Exemption (MUPTE) for Granite Properties LLC's Olive Lofts project, located at 844 Olive Street.

BACKGROUND
In April, the City received the first MUPTE application since council reinstated a modified program in July 2015. The application is from Granite Properties LLC for a proposed mixed-use, multi-unit housing development (Olive Lofts) located at 844 Olive Street. On April 13, the Urban Renewal Agency Board approved the disposition of property located immediately west of 844 Olive (of 2,000 square feet) to incorporate it into the proposed development.

MUPTE Program
MUPTE is an incentive program to encourage high quality, multi-unit downtown housing especially in areas well served by public transit. Both rental housing and multi-unit housing for home ownership are eligible; student housing is ineligible. Enabled by state law, 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 council. The objective strongly aligns with several of the pillars of Envision Eugene. Increasing the amount of multi-family housing in the downtown helps reduce pressure on urban growth boundary (UGB) expansion and protects existing neighborhoods, and takes advantage of existing infrastructure.

During the exemption period, property owners still pay taxes on the assessed value of the land and any existing improvements on the property. Council can deem commercial portions of a project to be a public benefit and include them as part of the exemption along with the residential portion.

In 2015, after a two-and-a-half year review, council revised the program criteria, process, and boundary. The program changes:
- Removed student housing as an eligible project type
- Increased the required energy efficiency
- Required higher quality design, with design at approval attached to the resolution
- Expanded neighborhood involvement

- Added a moderate-income housing contribution
- Added local economic impact plan
- Added demonstrated project need reviewed by an independent financial consultant
- Added a community member third-party review (MUPTE Review Panel described below)

See Attachment A for the program guide, which includes the process diagram and the boundary map. The Required Public Benefit criteria are:

- Compact Urban Development
- Green Building Features
- Local Economic Impact Plan *(including support for local businesses, minority and women business enterprises, and ensuring compliance with laws)*
- Moderate-Income Housing Contribution
- Project Design and Compatibility *(including scale, form, and quality of the building; mixture of project elements; relationship to the street and surrounding uses; and parking and circulation)*
- Historic and Existing Housing Sensitivity
- Project Need

MUPTE Review Panel

The 2015 MUPTE update established a Review Panel, tasked with providing a third-party review of individual applications for the City Manager. The Review Panel:

- Reviews the project applications, including the consultant's review of the project's financial projections.
- Reviews the applicant's conformance with the Required Public Benefits and making recommendations regarding approval/denial of the tax exemption to the City Manager.
- Reviews the project's conformance with approval requirements midway through construction, at completion of construction, and during the exemption period.
- Assists the City Manager in preparing an Annual Report on progress of the approved projects, program volume cap, and reporting documentation.

The Review Panel consists of two at-large neighborhood representatives selected by neighborhood association boards, an additional two representatives selected by the board of the neighborhood association in which the proposed project is located, and six technical professionals selected by the City Manager from the following six groups: architects/green building specialists; building trades union; developers; environmental professionals; public health professionals; and human rights representatives.

Project Overview

Olive Lofts is a proposed five-story, $5.4 million mixed-use project with four floors of housing units and ground-floor commercial space. The site formerly housed Rogue Public House and has been vacant since December 2014. The project includes the purchase of a second lot (of approximately 2,000 square feet) from the Urban Renewal Agency, which is directly behind the Rogue lot. (The Agency Board approved the deal points on April 13.) The proposed building is directly south of Starlight Lounge and is bordered by Olive Street on the east and by alleys on the west and south.

The project will have 36 units, made up of 24 studio apartments, and 12 one-bedroom apartments. The existing structure has 6,800 square feet of commercial space, which includes a basement area of 2,900 square feet suitable for storage. Granite has not requested that the existing commercial space be part of the MUPTE. The additional Urban Renewal Agency property would be incorporated into the development and used for new commercial space consisting of three commercial units, targeted at small, creative businesses with entrances off of the alley, in addition to area for servicing the residential units above. If the MUPTE is approved, construction would begin in 2017 with a proposed construction schedule of approximately 18 months.

Required Public Benefits
The MUPTE Review Panel considered the project application, including compliance with program criteria and the independent consultant's financial review, during three meetings held on June 27, June 30, and July 18. The Review Panel concluded that the project meets the Required Public Benefit criteria. Attachment B contains the Review Panel's conclusions and recommendation to the City Manager. The Report and Recommendation in Attachment C provides a summary of the project and the Required Public Benefits.

- *Compact Urban Development.* The project will be built in the C-3 Major Commercial Zone, which has no minimum requirements for residential density. The proposed project has a density of 257 units per net acre.

- *Green Building Features.* The project will utilize the City of Eugene Building and Permit Services pathway in order to exceed the 10 percent energy efficiency MUPTE required benchmark. Granite Properties will be required to submit an energy model with the permit application and a commissioning report due 18 months after the Certificate of Occupancy is issued.

- *Local Economic Impact Plan.* Granite Properties has a plan for an estimated 82.5 percent of the project's dollar volume of professional services and construction contracts to be local to Lane County. Granite will be required to promote open competitive opportunities for Minority, Women, and Emerging Small Businesses and to comply with wage, tax, and licensing laws. Granite Properties will a) provide the City with a list of all contractors, b) require that each contractor provide an affidavit attesting to not having any unpaid judgments for construction debt, including unpaid wages, and to being in compliance with Oregon tax laws, and c) post information about the City's Rights Assistance Program in English and Spanish on the job site during construction of the project.

- *Moderate-Income Housing Contribution.* Granite Properties has committed to maintaining a minimum of 30 percent of the units with rents that qualify as moderate-income units during the MUPTE period and intends for all units to qualify as moderate-income units when the project opens.

- *Project Design and Compatibility.* The project design is appropriate for its downtown context, suited to the particulars of the local climate, and with a ground floor that will foster a positive experience for people on the sidewalk. Although the height of the proposed development is less than half of the allowed height in this C-3 zone, without corrective action, the height of the project would block KLCC's existing line-of-sight studio transmitter, located atop KLCC's studios at 136 West 8th Avenue. There are solutions to address this issue and the MUPTE approval could be conditioned on holding KLCC harmless.

- *Historic and Existing Housing Sensitivity.* The project site does not have existing housing and is not adjacent to any historic locales.
- *Project Need.* Johnson Economics, an independent real estate consultant firm, provided a review of the financial information and pro-forma, including assumptions regarding rents, vacancy rates, operating costs, capitalization rate, lender underwriting criteria, interest rates, and reasonable rate of return. (See Attachment D for the analysis.) The consultant tested the financial assumptions used in the analysis and concluded that the tax exemption is needed for the project to qualify for conventional financing and to generate a return on investment sufficient to attract the required equity investment. The Review Panel noted that Project Need involves many variables that are hard to predict. The Review Panel concluded that project need was demonstrated in the application. The majority of the panel members agreed that a 10-year exemption was warranted. Two panel members agreed that only a five-year exemption was warranted and submitted a minority report that is included in Attachment B.

Tax Impact
844 Olive will continue to generate property tax revenue on the land and the existing structure. The estimated property tax paid will be approximately $10,200 in year 1. During the exemption period, the total taxes to be paid would be approximately $116,500 and the total estimated forgone revenue would be approximate $617,000. After 10 years, the entire development will be taxable, estimated at $86,000 in year 11.

Need for Tax Exemptions to Encourage <u>New</u> Ground Floor Commercial
Granite Properties requested an exemption on the proposed new commercial space consisting of three commercial units with entrances off of the alley (approximately 1,056 square feet). The ground floor commercial use off the alley is considered to provide public benefit as it will increase pedestrian activity and both real and perceived safety. 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 and timing issues related to building code requirements. Allowing the MUPTE to include the newly constructed commercial space will improve the financial feasibility of incorporating the space into the project and stimulate a desired form of mixed-use development.

Public Comments
A display advertisement was published in *The Register-Guard* on May 10, 2016, soliciting comments for 30 days. The period ended on June 9, 2016, at 5 p.m. All written comments received by staff through July 20 are included as Attachment E.

MUPTE requires applicants to contact the relevant neighborhood association to share project information and seek input. Doug Bulski, managing member of Granite Properties, attended the March 23 and May 25 Downtown Neighborhood Association general meetings and presented the proposal.

Timing
The application was submitted on April 27. The MUPTE ordinance requires the City Manager to provide council with his recommendation no later than 135 days after the application was submitted, which would be by September 9 for the Granite application. By state statute and code, if council has not acted within 180 days from the application date, the application is deemed approved, which would be October 25 for the Granite application.

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

1. Approve the exemption as presented in the resolution in Attachment F.
2. Approve the exemption with amended conditions.
3. Direct the City Manager to bring back a resolution denying the exemption because one or more specified criteria are not met.
4. Take no action at this work session.

CITY MANAGER'S RECOMMENDATION

Based on the MUPTE Review Panel conclusions, the independent financial consultant analysis, and the quality of the project and contribution it could make to downtown vibrancy and the City's planning goals, the City Manager recommends approval of the MUPTE with the terms and conditions in the resolution (Attachment F).

SUGGESTED MOTION

Move to adopt the resolution in Attachment F to approve the tax exemption.

ATTACHMENTS

A. MUPTE Program Guide
B. MUPTE Review Panel Conclusions
C. Report and Recommendation of the Planning and Development Director
D. Independent Financial Consultant Analysis
E. Written Comment Received by Staff through July 18
F. Resolution Approving the Property Tax Exemption

A copy of Granite Properties LLC's MUPTE application is available in the council office and online at www.eugene-or.gov/3281/MUPTE-Applications

FOR MORE INFORMATION

Staff Contact: Amanda Nobel Flannery
Telephone: 541-682-5535
E-mail: amanda.nobelflannery@ci.eugene.or.us

ATTACHMENT A

MUPTE PROGRAM GUIDE

CITY OF EUGENE

Community Development Division *Ordinance 20556 (adopted July 13, 2015)*

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OVERVIEW

Overview

The Multi-Unit Property Tax Exemption (MUPTE) is an incentive program to encourage high quality, multi-unit downtown housing. The ten-year exemption is enabled by state law; each project must be approved by the Eugene City Council. Both rental housing and multi-unit housing for home ownership are eligible; student housing is ineligible. The commercial portion of a project is eligible for an exemption if deemed a public benefit by City Council. Projects must be within an area generally bounded by Charnelton Street, 11th Avenue, Hilyard Street, the Willamette River, and Shelton McMurphy Boulevard. (See "Boundary" section below for more information.)

This Program Guide is designed for applicants and approved MUPTE project owners and covers the application process, eligibility, neighborhood engagement, Required Public Benefit criteria, other Program Requirements, the community review process, and the city-wide System Development Charges credit concept.

Failure to comply with the MUTPE program requirements and any subsequent individual project approval resolution may result in an administrative civil penalty [2.947(8)] or in termination of the tax exemption [2.947(1) - (7)].

RELATED CITY DOCUMENTS

City Council most recently revised the program with Ordinance 20556, adopted on July 13, 2015. Administrative Rule 53-15-12-F sets out additional program guidelines. The code and admin rule locations appear after each concept within brackets ("[   ]").

General Application Process

Prior to completing the application, arrange for and attend one public engagement opportunity with residents in the neighborhood, including the board of any City-recognized affected neighborhood association. At least one of the owners/principals needs to attend the meeting.

Submit completed applications to:

City of Eugene
ATTN: Amanda Nobel Flannery
99 West 10th Avenue
Eugene, OR 97401
amanda.nobelflannery@ci.eugene.or.us
541-682-5535

The non-financial materials included with the application will be reviewed by staff and a 30-day written comment period will start. The financial information will be reviewed by an independent professional consultant. The City Manager will then convene the Project Review Panel to review the application's conformance with program criteria and the consultant's financial conclusions. The Project Review Panel will make a recommendation to the City Manager on the application; the City Manager will provide the City Council with a recommendation on the application for Council consideration.

APPLICATION FEE INFORMATION

An application fee of $2,400 should be made payable to City of Eugene [Administrative Order 53-15-14F]. This is comprised of the $400 base fee plus $2,000 for the independent financial consultant. (Payment of other reasonable costs may be required, if incurred by the City or County in processing this application. Such costs must be paid prior to the granting of final approval.)

GENERAL APPLICATION PROCESS

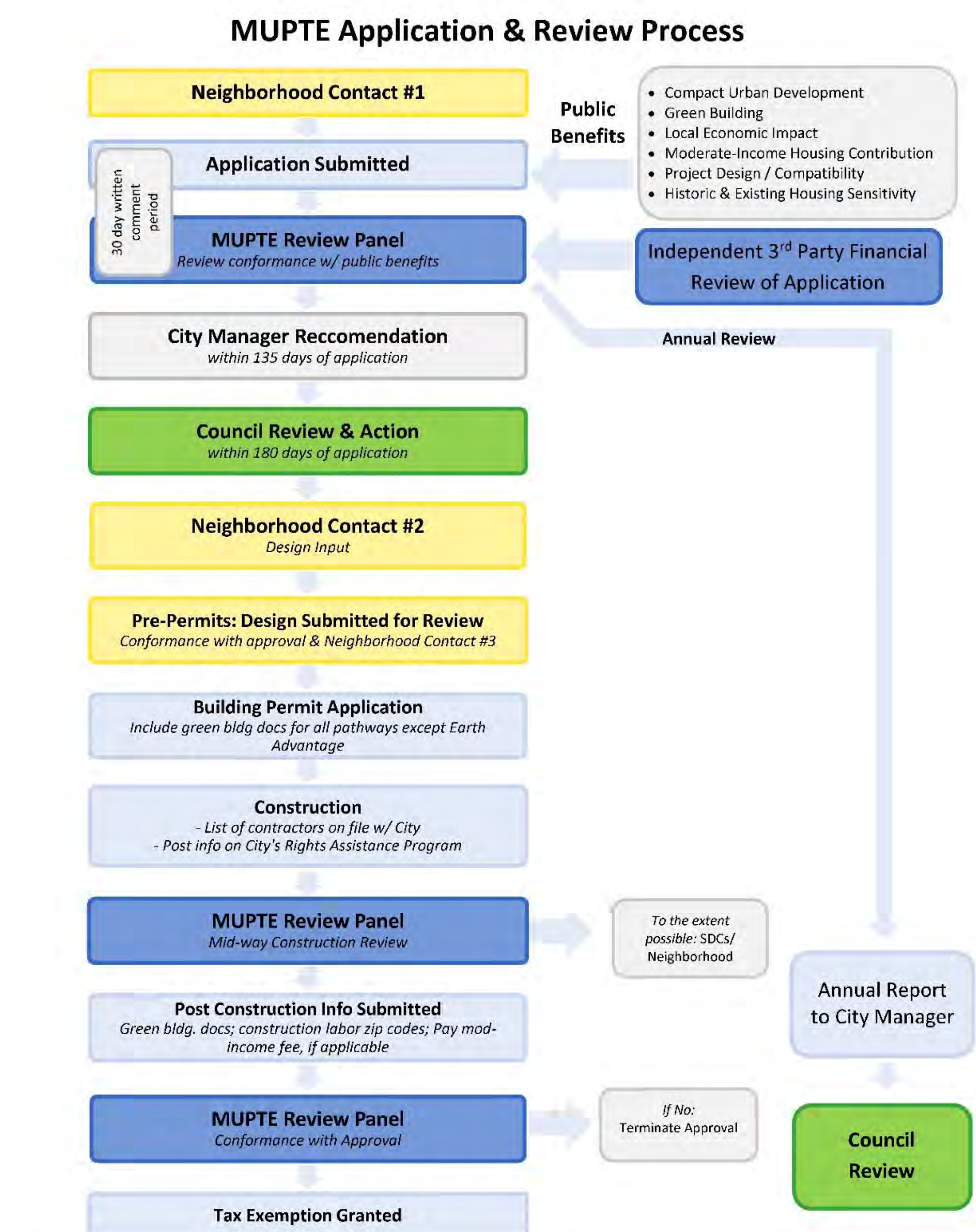
There will not be a substantial conflict of interest for MUPTE Review Panel members because of the minor role the Panel has (makes recommendation to City Manager, who then makes recommendation to City Council). A substantial conflict of interest exists if a public official has reason to believe or expect that he or she, his or her spouse, a dependent child, or a business with which he or she is associated will derive a direct monetary gain or suffer a direct monetary loss by virtue of his or her official activity.

TIMING

Within 135 days of submission of an application, the City Manager will recommend to the Council that the application be approved, approved subject to conditions, or denied. The written comments shall be forwarded to the City Council with the City Manager's recommendation [R-2.945-E].

GENERAL APPLICATION PROCESS

PROCESS DIAGRAM



Annually:

- Moderate-income housing: Pay fee in years 3 – 10 or update lease rates on mod-income units & submit docs.
- BPS pathway energy usage, if applicable.

BOUNDARY

Boundary

City Council activated MUPTE in the downtown area east of Charnelton Street in July 2015, which means projects within that boundary are eligible to apply [2.946(1)(a)].

BOUNDARY

FUTURE BOUNDARY EXPANSION

At a later date, City Council may expand the MUPTE boundaries upon approval of:

1. Amendments to the code that require that a percentage of the units in an approved tax exemption project must be workforce housing or that the developer must make a commensurate "in-lieu of" payment to the City that is based on workforce housing rental rates, and that those payments shall be used to facilitate or develop workforce housing [2.946(1)(b)1.]; and
2. Refinement plan policies that specifically provide for multiple-family and mixed use projects within that area, and that those policies are acknowledged pursuant to ORS 197.625 [2.946(1)(b)2.].

The areas that the City council may approve later include sections along the six Envision Eugene Corridors and primary core commercial areas: the downtown area west of Charnelton; Mid-town; South Willamette; West 11th; 6th/7th Trainsong Highway 99 Corridor; Valley River Center commercial area; North Franklin; South River Road; Mid-River Road; North River Road; South Coburg Road; Mid- Coburg Road; and North Coburg Road [2.946(1)(b)]. Council would need to adopt a resolution to activate an area [Ordinance section 5].

ELIGIBLE PROJECT TYPE

Eligible Project Type

Multi-unit redevelopment housing projects (excluding "student housing") with five or more units that are newly constructed, additions to existing multi-unit housing, or structures converted in whole or in part from other use to dwelling units [2. 2.946(2)(a)] are eligible for MUPTE. The commercial portion of a project is eligible for an exemption if deemed a public benefit by City Council [2.945(7)]. The land and improvements not exempted by City Council continue to be taxed during the MUPTE period.

"Student housing" is housing specifically built for living space for undergraduate and graduate students where the leasing unit is by room or bed (not an entire residential unit), and unit configurations take the form of several bedrooms with individual bathrooms and sparse common space. Project amenities and location are selected to appeal only to students and offer limited viability as potential housing for the general population, particularly families.

Neighborhood Engagement

Although neighborhood association support is not required for MUPTE approval, applicants must contact the appropriate neighborhood association to share project information and to seek input. Specifically, one or more of the principals (owners) of the applicant entity must attend two neighborhood engagement opportunities (discussions/presentations):

- One of the opportunities must be prior to MUPTE application submission [2.945(3)].
- The second opportunity must be during the design process and before the final design drawings are completed [2.946(3)(b)].
- Additionally, the neighborhood must have the opportunity to review and comment on the final design before the project is submitted for permits [2.946(3)(b)].

You will need to include evidence of the first opportunity in the MUPTE application along with a copy of the comments received from the neighborhood association or documentation of your attempt to solicit comments.

In addition to providing comments to the applicant, the neighborhood association will have two neighborhood representatives seated on the MUPTE Review Panel who can voice project specific neighborhood issues and concerns during the application review process [2.945(13)]. (See the “Community Review Process – MUPTE Review Panel” section for more information.)

The application review process also includes a community-wide 30-day written comment period.

REQUIRED PUBLIC BENEFITS

Required Public Benefits

To be considered for MUPTE approval, projects must provide the following public benefits.

COMPACT URBAN DEVELOPMENT

For the downtown area east of Charnelton, the project must include specific density based on zone [2.946(2)(c)]:

- *Residential zones*: at least 175% of minimum density for the zone.
  (e.g. R-4 High Density Residential)
- *Form-based zones with height limit of three or four stories*: at least 30 units per net acre.
  (e.g. S-DR Downtown Riverfront Special Area)
- *Mixed-use development* [1]: at least the minimum density in the zone.
  (e.g. C-2 Community Commercial, C-3 Major Commercial)
- *All other areas, including residential-only development in commercial or mixed use zones*: at least 50 units per net acre.
  (e.g. S-W Whiteaker Special Area, S-F Fifth Avenue Special Area, S-H Historic, C-2 Community Commercial, C-3 Major Commercial)

GREEN BUILDING FEATURES

The green building public benefit focus is on building energy performance, as prioritized within Envision Eugene and the Climate and Energy Action Plan. MUPTE projects must perform at least 10% more efficiently than the performance established in the Oregon Energy Efficiency Specialty Code [2.946(2)(f)1. & 2.]. Pathways for complying with the requirement are based on the number of floors for the project: 1-3 story projects and 4 or more story projects.

1-3 Story Pathways include:

- **LEED v4**: Obtain LEED v4 for Homes Low-rise Multifamily basic certification and modeled at least 10% above current OEESC or;
- **Earth Advantage**: Obtain Earth Advantage Multi-Family-Silver level certification and provide a commissioning report or;

[1] Mixed-use development incorporates both commercial and residential use in the same building.

- **EWEB**: Obtain NW ENERGY STAR certification through the Eugene Water and Electric Board (EWEB) program and provide a commissioning report.

4 Stories or more Pathways include:

- **LEED v4:** Obtain LEED for Homes Midrise basic certification and modeled at 10% above current OEESC or;
- **City BPS:** City of Eugene Building and Permit Services review of project. Model building energy performance, utilizing the LEED for Homes Midrise energy modeling methodology, showing the building performs 10% above current OEESC performance, construct to modeled plans, provide a commissioning report (prior to issuance of Certificate of Occupancy), and work with the City to report multi-family occupancy energy use data to the City for the life of the MUPTE tax exemption.

The following table shows the required documentation that you will need to provide to the City with the MUPTE application and, if the MUPTE is approved, with building permit application and after construction. The Green Building Fact Sheet located in the MUPTE application contains additional information on modeling and commissioning reports.

REQUIRED PUBLIC BENEFITS

Pathway	Submit with Application	Submit with building permit application	Submit after Construction[2]
LEED v4	• LEED Registration Number • Project Checklist • Narrative describing the project's green elements	Energy model	Within 18 months after receiving a Certificate of Occupancy, documentation of LEED certification (copy of USGBC Rating Certificate and final LEED review).
Earth Advantage	• Earth Advantage Points Worksheet • Narrative describing the project's green elements	n/a	Within 18 months after receiving a Certificate of Occupancy: • Documentation of Earth Advantage certification, and • Commissioning report.
EWEB	• Preliminary NW Energy Star Checklist • Narrative describing the project's green elements	• NW Energy Star checklist • EWEB confirmation letter	Within 18 months after receiving a Certificate of Occupancy: • NW Energy Star certificate, and • Commissioning report.
City BPS	Narrative describing the energy efficiency features and the project's green elements	• Signed Energy Release to enable the City to access multi-family occupancy energy use data for the life of the MUPTE • Energy model	• Within 18 months after receiving a Certificate of Occupancy, commissioning report. • Annually during exemption if Energy Release not signed, multi-family occupancy energy use data.

[2] If this documentation is not timely submitted, MUPTE may be revoked.

Additionally, all projects that provide onsite parking will be required to install conduit for future electric vehicle charging stations [2.946(2)(f)3.].

LOCAL ECONOMIC IMPACT PLAN

To ensure that a substantial portion of the local tax benefit yields a benefit to the local community, you need to provide a plan with your application to meet the following goal:

> Provide for more than 50% of the dollar volume of the combined professional services and construction contracts include local firms.

A local firm is one based in Lane County [2.946(2)(g)1.]. Trades not available locally will be exempted when appropriate, based on satisfactory evidence provided by the applicant [2.946(2)(g)3.a.].

Additionally, you will need to ensure that qualified Minority and Women Business Enterprises (MWBE) have an equitable opportunity to compete for contracts and subcontracts [2.946(2)(g)3.b.]. The City supports the utilization of Minority, Women, Emerging Small Businesses, local businesses, Disadvantaged Business Enterprises and Qualified Rehabilitation Facilities at both a prime and subcontracting level.[3]

The City encourages approved applicants to use the following practices to promote open competitive opportunities for MWBE businesses:

- Access lists of certified minority, women, emerging small business or disadvantaged business enterprises from the Oregon State Office of Minority, Women and Emerging Small Business (OMWESB) by visiting their website at: http://www4.cbs.state.or.us/ex/dir/omwesb/
- Visit the Oregon State Qualified Rehabilitation Facilities Program website at http://dasapp.oregon.gov/qrf/index.aspx to search for Qualified Rehabilitation Facilities from whom to procure products or services.
- Advertise in general circulation, trade association, and minority focused media about prime and subcontracting opportunities.

Awarded MUPTE projects must follow wage, tax, and licensing laws [2.946(2)(g)3.c.].

- As a condition of receiving MUPTE, you will need to ensure or exercise due diligence in ensuring that all the contractors performing work are licensed and in compliance with Oregon Revised Statutes Chapter 701 (Construction Contractors

[3] Admin Order No. 44-08-06-F, Exhibit A, Article 6, section 6.2.4

and Contracts). You must provide the City with a list of all contractors performing work on the project before a contractor performs any work on the project. You must confirm the proper licensing, insurance, bonding and workers comp coverage for each contractor.

- The contractor must provide an affidavit to you that the contractor, owner, or responsible managing individual of the contractor does not have any unpaid judgments for construction debt, including unpaid wages. The contractor affidavit should also attest that the contractor is in compliance with Oregon tax laws described in ORS 305.620 (local taxes) and ORS Chapters 316, 317, and 318 (state income taxes). The City can provide a template for the affidavit, if needed.

Awarded MUPTE projects must post information at the job site on the Rights Assistance Program in English and Spanish [2.946(2)(g)3.c.]. The City's existing Rights Assistance Program is an available resource for the community at large and MUPTE project related parties. For more information on the Rights Assistance Program, please contact Michael Kinnison, Human Rights and Neighborhood Involvement Manager, at 5541-682-5009 or Jennifer Van Der Haeghen, Human Rights Analyst at 541-682-5619. Online information is: http://www.eugene-or.gov/index.aspx?NID=2476 .

As noted in the introduction, failure to comply with these (and all MUPTE) requirements may result in an administrative civil penalty [2.947(8)] or termination of the tax exemption [2.947(1) - (7)].

MODERATE-INCOME HOUSING CONTRIBUTION

If City Council approves the MUPTE, the project will pay a fee to be dedicated to support moderate-income housing in the community. The fee will be 10% of the total MUPTE benefit for the 10-year benefit. You can choose to pay the fee annually during years three through ten (to accommodate the project stabilization period) or upfront with a 5% discount. Alternatively, you may include not less than 30% of the units as moderate-income housing [2.946(2)(h)3.].

- A moderate-income housing unit has rent that is affordable to a household earning the area median income (AMI). This means that the monthly rent is equal to or less than 30% of the area median income (AMI) divided by 12 months: AMI x 0.3 ÷ 12 = maximum rent per month.
- The relevant AMI is determined by the U.S. Department of Housing and Urban Development (HUD). AMI is the income which divides the income distribution of an area into two groups of equal size, half with incomes above the median and half with incomes below the median, as published on an annual basis by HUD for the Eugene-

Springfield metropolitan statistical area and used interchangeably by HUD as Median Family Income and HUD Area Median Family Income.

For **application purposes**, the maximum rental rates for the moderate-income housing units are listed in the application ("Moderate Income Housing Worksheet"). These rents should also be in the pro-formas submitted with the application.

For **setting moderate-income rental rates after construction**: The AMI is likely to change each year and along with it the maximum rental rates. Each year of the tax exemption, the moderate-income units will need to conform with the AMI in effect at the time each unit is leased and have rents at or below the maximum rates. Each year, City staff will make the maximum rental rates available. You will need to review the maximum rental rates before a lease is signed on the moderate-income units.

PROJECT DESIGN & COMPATIBILITY

MUPTE projects need to address basic design concepts in the context of the project location. The application needs to include a written narrative, with supporting graphics, renderings, or elevations of the proposed development that describes how the project will address the basic design concepts listed below. The draft *Community Design Handbook* describes and illustrates a complete summary of design principles for Eugene. Although not all principles will apply to a given project, the *Community Design Handbook* serves as the primary resource for achieving design outcomes. The Community Design Handbook can be found at www.eugene-or.gov/designhandbook or in hard copy at the Planning and Development Department.

- *Scale, form and quality of the building(s)*. Buildings are designed for the human scale, appropriate to local climate and natural resiliency, to engage the street, promote transparency, help define a sense of place, fit the neighborhood, and employ high-quality and contextually appropriate materials and colors.
- *Mixture of project elements*. The proposal employs a mixture of project elements that contribute to a walkable downtown, encourage biking and transit use, enrich the streetscape, and support community comfort and safety at all hours.
- *Relationship to the street and surrounding uses*. The proposal is designed to engage and enrich the streetscape, as well as respect and enhance the existing surrounding uses.

- *Parking and circulation*. Parking is designed to provide, to the greatest extent possible, locations for car sharing, integrated shared-parking strategies, electric car charging stations, and safe and attractive pedestrian/bicycle connections between parking and adjacent buildings and streets.

If City Council approves your MUPTE application, you will be required to adhere to the project design elements that were reviewed at the time of City Council approval [2.946(2)(e)].

HISTORIC & EXISTING HOUSING SENSITIVITY

Adjacent or Contiguous to Historic Locale.[4] Any project that is immediately adjacent or contiguous to a historic locale shall include a plan to mitigate impacts to the historic locale [2.946(2)(d)]. The concept plan needs to be reviewed by a PDD staff person. The MUPTE application needs to include a confirmation letter from PDD staff [R-2.945-C section 1.6.1].

Removal of Historic Structure or Potential Historic Structure. No exemption will be granted for any property where a historic structure or potential historic structure has been demolished or removed from the property within the two years immediately preceding the date of application for the exemption. This restriction shall be waived if the owner of the property gave notice of the intent to demolish or move the structure to Eugene Planning staff responsible for historic review issues at least 60 days before the owner's application for a demolition or moving permit from the City [R-2.945-C section 1.6.2].

Justification for Elimination of Existing Housing. No exemption will be granted for any property on which any housing unit has been demolished or removed from the property within the two years immediately preceding the date of application for the exemption. This restriction can be waived if the proposed project increases the number of dwelling units by 50% from what previously existed or if it replaces the old dwelling units by significantly larger dwelling units that will accommodate families [R-2.945-C section 1.6.3].

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 [2.946(2)(b)]. For the application, you will need to submit

[4] As defined in the Administrative Rule, an historic locale is a building that has historic, cultural and/or architectural significance, locally, regionally, or nationally. A historic locale can also include a building acknowledged by the Eugene Historic Review Board as strongly or possibly eligible for City Landmark or National Register listing. [R-2.945-A]

documentation, including a 10-year pro forma with MUPTE, a 10-year pro forma without MUPTE, an analysis of the projected overall rate of return (as measured by the Cash on Cash return) for the proposed project, a description of how the property tax estimate was determined, a development budget, and sources and uses of financing. The financial information will be analyzed by an independent outside professional consultant with conclusions provided to the MUPTE Review Panel, the City Manager, and City Council. [2.945(4)]

Other Program Requirements

REPORTING

During construction, you will need to submit a list of all contractors performing work on the project, before any a contractor performs any work on the project.

After construction, you will need to submit:

- a list of the home city or zip code of the construction labor workers, and
- documentation for the green building pathway (see the "Green Building" section).

During the exemption period, you will need to submit:

- annual documentation to evaluate compliance for projects that include moderate-income housing units [2.946(3)(c)] or pay the moderate-income housing fee.

PROGRAM VOLUME CAP

The program goal is to assist in the creation of 1,500 new, multi-family housing units through redevelopment (after adoption of the 2015 ordinance). Capping the cumulative number of units is aligned with Envision Eugene identified gap using updated information regarding the 20-year projection for multi-family homes and land capacity. The cap will be reviewed annually by the Review Panel as part of the Annual Report. At such time that the MUPTE-assisted number of dwelling units constructed reaches the cap, City Council will conduct a comprehensive review to determine if continuation of the program is desired. [Ordinance Section 6]

Community Review Process – MUPTE Review Panel

The MUPTE Review Panel meets on an annual basis and as needed to provide a third-party review of MUPTE applications and the MUPTE program for the City Manager. The Panel:

- Reviews project applications, including the consultant's review of the project's financial projections [2.945(4) & (13)(b)1.].
- Reviews applicant's conformance with the Required Public Benefits and makes recommendations regarding approval/denial of the tax exemption to the City Manager [2.945(4) & (13)(b)1.].
- Reviews the project's conformance with approval requirements midway through construction, at completion of construction, and during the exemption period [2.945(13)(b)2.].
- Assists the City Manager in preparing an Annual Report on progress of the approved projects, program volume cap, and reporting documentation [2.945(13)(b)(3)].

The Panel membership generally strives to represent the richness of the community's perspectives, neighborhoods, and technical expertise. The Panel includes ten members [2.945(13)(a)]:

- 2 at-large neighborhood representatives; selected by the neighborhood association boards;
- 2 neighborhood representatives from the specific neighborhood in which a proposed MUPTE project is located selected by the board of the neighborhood association in which a project is located; and
- 6 technical interests, selected by the City Manager:
    - architect/green building specialist,
    - building trades union,
    - developer,
    - environmental professional,
    - public health professional, and
    - human rights representative.

COMMUNITY REVIEW PROCESS – MUPTE REVIEW PANEL

OVERALL PROGRAM REVIEW

The six technical interest members and two at-large neighborhood representatives will review annually the efficacy of the program in reaching the City's desired goals [Ordinance Section 5].

REPORTING TO THE CITY COUNCIL & THE COMMUNITY

The Panel assists the City Manager in preparing annual reports documenting the progress of MUPTE projects. The City Manager will present the reports to the City Council. Staff will assist the Panel in compiling and distributing the report, including posting it to the City website.

SELECTION PROCESS

The neighborhood representatives selection process is assisted by the City's Human Rights and Neighborhood Involvement staff. For the **at-large positions**, staff will solicit nominations from neighborhood boards and follow up with an online voting process. Each board would be asked to nominate up to two individuals. Once nominations are received, each board would use a ranked choice voting system from the slate of nominations. The two candidates to receive the highest rankings will be seated on the panel for a 3-year or 4-year term.

For the **neighborhood specific positions**, staff will work directly with the specific neighborhood association board once a MUPTE application is received. Within one week of receiving an application, Community Development staff will notify Neighborhood Involvement staff who will contact the board. The board will have 30 days to provide staff with names of the two representatives. If no representatives are selected, the seats will be vacant until such time as representatives are selected. The term will be a minimum of one year.

The **technical members** will be selected by the City Manager. Interested parties will submit a letter of interest and provide evidence of their technical expertise. Applicants for the building trades union seat must be a union member or have a written recommendation from a building trades union. Applicants for the human rights representative seat must be a member of a human rights organization or have a written recommendation from a human rights organization. The term will be 3-years or 4-years.

Systems Development Charges Credit

Multifamily (5+ units) development within the City may receive a credit of up to 50% of the appropriate System Development Charges (SDCs) otherwise due under Section 7.720 in connection with the development if all of the following conditions are met:

- The developer constructs, pays for or contributes to the cost of a capital improvement on the Plan described in subsection (2) of section 7.715 of the Code, and the capital improvement would be eligible for SDC funding under the Plan;
- The improvement is located within the boundaries of the neighborhood association in which the development is being constructed;
- Credit for the construction of or contribution to the improvement is permissible under state law; and
- The City Council, the developer, and the applicable neighborhood association board of directors each:
    - Agree that the improvement will mitigate one or more impacts resulting from the multiple-family residential project in the neighborhood; and
    - Approve the grant of SDC credit in exchange for the construction of, or contribution to, the improvement.

The credit may be applied only toward the system development charge attributable to the same system (transportation, wastewater, stormwater, parks) as the improvement which the developer constructs or to the cost of which the developer contributes [code 7.731].

CONTACT INFORMATION

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MUPTE Review Panel Conclusions

Granite Properties – Olive Lofts

General Requirements	
Overall	Concerns
The Panel agreed that the Project has met the general requirement criteria, including: • The proposed project is not student housing, has 5 or more units, and is within the boundary. • The required neighborhood engagement for this point in the process was met with the applicant presenting the proposed project to the Downtown Neighborhood Association.	There was a concern raised about Granite Properties LLC's ability to apply for a MUPTE given that they are not yet an owner of the property. The City Attorney advised the Panel that the statute does not define "owner" and the code does not require that the applicant be the owner of the property being considered for the MUPTE.

REQUIRED PUBLIC BENEFITS

1. Compact Urban Development	
Overall	Concerns
The Panel agreed that the proposed project meets the minimum density required by the MUPTE program. The project is currently zoned as C-3 Commercial, which has no minimum requirements for residential density. Granite Properties LLC's proposal includes 36 units, which would result in 257 units per net acre.	None.

2. Green Building Features	
Overall	Concerns
In order to achieve the green building public benefit threshold of performing at least 10% more efficiently than the Oregon Energy Efficiency Specialty Code, the applicant chose the City of Eugene Building and Permit Services pathway. The Panel agreed that the applicant provided a plan that adequately demonstrates how the project will meet this threshold, including a description of the energy efficiency features and the project's green elements.	Several Panel members expressed concerns with the monitoring aspects of the Green Building Feature requirements. Staff explained how the monitoring process will work with MUPTE, including that the applicant will be required to submit an energy model that shows the 10% reduction with their permit application. The applicant has indicated they intend to work with EWEB to engineer the model. The applicant will also be required to submit a commissioning report 18 months after issuance of the certificate of occupancy, in order to get the MUPTE. Staff will monitor this threshold over the life of the MUPTE.

3. Local Economic Impact Plan	
Local Conditions	
Overall	Concerns
The Panel agreed that the applicant provided a plan that adequately demonstrates how the applicant will ensure that more than 50% of dollar volume of professional services and construction costs will be local.	None.
Minority and Women Business Enterprises	
Overall	Concerns
The Panel agreed that the applicant provided a plan that adequately describes how they will provide an equitable opportunity for minority and women business enterprises to compete for development related contracts.	None.
Compliance with Laws	
Overall	Concerns
The Panel agreed that the applicant provided a plan that adequately describes how they intend to ensure that all parties involved, including contractors and subcontractors, will comply with wage, tax, and licensing laws.	Panel members expressed concerns that the General Contractor and one of the vendors listed as having worked with Granite in the past are not commercially bonded. The applicant indicated that Anvil Construction, the listed likely General Contractor, will be commercially bonded before the end of the year (well before construction would start), and that Granite would implement a request for bid process to ensure all contracted vendors are in compliance with laws.

4. Moderate-Income Housing Contribution	
Overall	Concerns
The Panel agreed that the applicant has met the moderate-income housing contribution requirement by indicating that a minimum of 30% of the residential units will have rents that qualify as moderate-income units during the MUPTE period. The proposed rental rates are below maximum rental rates and 100% of the project's residential units meet the moderate-income threshold.	None.

5. Project Design and Compatibility	
Overall	Concerns
The Panel overall agreed that the applicant provided a narrative and accompanying graphics that adequately demonstrate how the project addresses the basic design principles, including: • Scale, form, and quality of building • Mixture of project elements • Relationship to the street and surrounding uses • Parking and circulation With regard to the KLCC tower/dish impact, the Panel recommends that KLCC not bear any financial cost for the solution. Specifically, the Panel recommends that holding KLCC harmless should be a required condition of the MUPTE approval, should City Council grant approval.	Panel members expressed concern about the potential KLCC tower/dish impact. Panel members indicated concern that the project include a convenient loading zone for residents.

6. Historic and Existing Housing Sensitivity	
Overall	Concerns
The Panel agreed that the project does not impact historic locales or existing housing.	None.

7. Project Need	
Overall	Concerns
The Panel reviewed the financial analysis performed by the independent financial consultant, Jerry Johnson Economics The Panel noted that project need involves many variables that are hard to predict. The Panel concluded that project need was demonstrated. The majority of the panel members agreed that a ten-year exemption was warranted. Some members agreed that only a five-year exemption was warranted.	More specific recommendation and standard format from the financial consultant would be helpful for the Panel for future applications.

Overall majority recommendation to the City Manager: Provide ten-year MUPTE.

TO: Eugene City Manager July 20, 2016
RE: **Olive Lofts MUPTE Minority Report**

FROM: Lloyd Helikson, Bill Aspegren
Members, Eugene MUPTE Panel

The above listed members of the Eugene MUPTE Panel voted against granting a ten year MUPTE for the Olive Lofts Project, and hereby submit a minority report explaining their position. The same panel members would have agreed to a five year MUPTE as a panel consensus, but opposed the 10 year MUPTE approved by a majority of panel members. The primary area of disagreement was on the issue of whether the project would be built without the benefit of a 10 year MUPTE, i.e, project need.

Financial Analysis: Will the housing project not otherwise be built without MUPTE?

A. Introduction

The applicant, Granite Properties LLC, submitted a MUPTE application for the proposed Olive Lofts project on or about April 27, 2016, based upon the signature date.[1] A notice was posted in the Register Guard on May 10, requesting public comments by June 9, 2016. On June 6, 2016, the MUPTE panel was notified that the application had been received, and the members were requested to respond to a poll to schedule the first meeting on the application.[2]

On June 23, the panel was provided with the financial consultant report dated the same date. The first and second panel meetings were held on June 27 and June 30. At the second meeting, the panel had the opportunity to question the financial consultant via video-conferencing. The final MUPTE panel meeting on the application was on July 18, 2016.

The financial consultant primarily used Return on Cost (ROC) in his report whereas the City MUPTE rule requires use of Cash on Cash ("COC"), Return on Equity. ROC, unlike COC, does not account for the effect of low interest rates. The consultant measured COC over 10 years at 6%, rather than a more appropriate 4-5% interest rate. The consultant used a 6.25% Cap rate whereas it appears the better Cap rate to use is 5.5%. The ROC analysis, using a 5.5% Cap rate, supports only 3 years of MUPTE. More recently, City staff proposed a new "Remaining Gap" analysis, which does not appear to make much sense as an analysis of whether MUPTE is necessary in this case. There appears to be a very adequate COC return for the project without MUPTE. See COC Summary.

These panel members are sensitive to the desire to have more housing downtown, and understand the benefit such housing will provide to downtown and to the City in general, as part of achieving the goals of Envision Eugene. Nevertheless, MUPTE should only be provided where the COC return show that the project will not be built without MUPTE. To the extent that Council believes some MUPTE is necessary, 5 years should be more than adequate.

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[1] The application apparently was not signed before a notary. See ORS 307.615 ("verified by oath or affirmation of the applicant"), ORS 194.230(2). The City Attorney apparently does not believe this is an issue.

[2] The applicant apparently is not currently the owner of the property. See ORS 307.618(1)(a); 307.618(3); 307.621(2); 307.615; EC 2.945(2); EC 9.0500. The City Attorney apparently does not believe this is an issue.

B. Financial Consultant Report

The financial consultant prepared a report which relied upon a 12 year review (10 years after stabilization) of the applicant's pro forma, without and with MUPTE, based primarily upon an ROC (not COC) analysis. The consultant assumed a 6.25% capitalization (Cap) rate based upon the range of Cap rates indicated by a local appraisal firm (5.5% to 6.5%). He determined that a risk factor of 115% should be used due to the project being redevelopment, and came up with a desired threshold ROC rate of return of 7.19%. The consultant prepared 10 year (after stabilization) charts showing ROC without and with MUPTE. His charts show that the 7.19% desired threshold, based upon the 6.25% Cap, is not reached until the 9th year without MUPTE, but that it is reached all ten years with MUPTE. The panel questioned the consultant. His position at that time was that the project was marginally not viable without MUPTE and too viable with MUPTE, as these members understand.

C. Appropriate Capitalization (Cap) Rate

The consultant used a 6.25% Cap rate from the range of 5.5-6.5%, based upon lack of controlled parking and rent restrictions. The use of a 6.25% Cap rate appears to be incorrect. City staff submitted a July 12 email to the panel stating "[a] 5.5% cap rate would indicate that the downtown housing market does NOT improve and that interest rates and investor confidence stay as they are (or decrease)." According to a presentation by a local appraisal firm on April 28, 2016, Cap rates for apartments are under 5.5%.[3] A 5.5% Cap rate results in a threshold ROC rate of return of 6.325% rather than 7.19% using a 6.25% Cap rate and a 115% risk factor. The 6.325% threshold ROC rate of return is achieved in year 4 without MUPTE.

D. City Rule Requiring Use of Cash on Cash Analysis

The consultant apparently was not provided with the Eugene MUPTE administrative rule which provides: "The applicant must submit documentation, including a ten-year pro-forma and an analysis of the projected ten-year **cash-on-cash** rate of return for the proposed project. This information will be reviewed by an independent professional consultant, at the applicant's expense, and the consultant will make a recommendation on the application for the Project Review Panel and the City Manager." R-2.945-C 4. (Emphasis added). We believe the City rule requires analysis of the developer's return based upon COC, rather than upon ROC.

The consultant and City staff (in the July 12 email) rely primarily on ROC, and not on COC, in advocating for a MUPTE. ROC simply measures Net Operating Income over the project cost. COC measures cash flow plus the payment to principal, over the developer equity, as we interpret the consultant's term definition. See Report at p. 7, App A. COC focuses more on what we perceive to be the issue in this MUPTE: Will the return on the investor's equity, as measured by COC, be adequate for the project to be built without MUPTE?

E. Appropriate Interest Rate

COC, unlike ROC, takes into account interest rates, which at current and anticipated levels, will be a significant advantage to the developer. The developer used 6% in its pro forma. The consultant said that the 6% rate was too high. He said, essentially, that interest rates are

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3 See: http://www.multifamilynw.org/uploads/4/1/3/6/41361463/eugene_springfield_msa_apartment_market_overview.pdf at page 15.

currently at about 4%, and could possibly reach 5% but probably not 6% for purposes of the project. It appears from a recent inquiry that current commercial interest rates are indeed roughly about 4%, based upon straight line amortizing advance rates plus the bank's margin.

F. Use of Developer Incentive

The applicant included as a cost a "Developer Incentive" of $256,997.46. Our understanding from the consultant's panel conference call was that the "Developer Incentive" appeared to duplicate the developer's return on equity incentive, and its inclusion in costs was not common. The July 12 email from City staff indicates that the applicant characterized the Developer Incentive as an "entrepreneurial incentive," parenthetically called in the email attachment "developer's profit and overhead." Emphasis added. City staff characterized the "incentive" as a "developer fee," and indicated the consultant believes this is appropriate.

Nevertheless, the developer will be receiving incentive and profit in the form of periodic cash flow plus payments to principal, which will be significant without MUPTE, particularly at a lower interest rate. The developer will also be receiving presumed appreciation in market value of the project. The developer is covering at least some of its development risk with Owner Contingencies of $351,523.56, as costs. The developer presumably also will be the property management company and have the opportunity to profit thereby. The developer and the contractor appear to be related entities and the contractor will have the opportunity to profit from the project. The pro forma includes "Contractor Profit and Overhead" of $167,362.98, as well as a "Contractor Contingency" (separate from the Owner Contingencies) of $139,469.15, and a cost item for "Supervision" of $139,469.15 (presumably project supervision by the contractor). The Developer Incentive of $256,997.46 would be in addition to these incentives. We believe the Developer Incentive should not be included in costs for determining MUPTE eligibility.

G. Loan to Value for Purposes of Required Developer Equity

The consultant pointed out that there may be an issue of qualifying for a loan with the developer wanting to limit initial investment to 25% equity, based upon Loan to Value (LTV) at a 5% interest rate. The analysis of LTV uses the simple formula of NOI divided by a Cap rate to determine assumed value. Value for bank LTV purposes is normally calculated using an appraised value of the proposed project (rather than NOI/Cap rate). The simple method, using first year NOI ($319,143) over the 6.25% Cap rate, results in a value of $5,106,288. The construction costs according to the developer are $5,396,947. It seems unlikely that the value of the property after construction will be almost $300,000 less than construction costs. The simple formula for LTV should thus be viewed cautiously. If the value was the asserted cost of construction, LTV would not be an issue. If the projected cost of construction was too high or the Cap rate was lower, LTV may not be an issue.

Using the simple LTV method at a 6.25% Cap rate and a cost including the Developer Incentive, there could be unsupported debt (First year LTV) of $217,994.25, which is 4.04% of the total cost, and would raise the equity required from 25% to 29%. See spreadsheets. When the Developer Incentive is excluded at a 6.25% Cap rate, the unsupported debt drops significantly to $25,246.16, which is 0.49% of the total cost. At a 6.2% Cap rate, there is no unsupported debt, when excluding the Developer Incentive. At a 6.0% Cap rate, the unsupported debt is only $58,422, even including the Developer Incentive. At a 5.9% Cap rate, there is no first year LTV unsupported debt, including Developer Incentive. At the 5.5% Cap rate referenced by the City in its July 12 email and in the local appraisal presentation, LTV would not be an issue.

H. Project Return using Cash on Cash Analysis

The attached spreadsheets calculate COC return at interest rates of 4%, 4.5% and 5%, under various scenarios, without MUPTE and with MUPTE. Certain COC returns are summarized in the COC Summary. The COC return without MUPTE at a 4% interest rate is above 10% for all 10 years under three scenarios. The COC return without MUPTE at a 4.5% interest rate is above 10% for all 10 years except for the first year at 29% equity and a 6.25% Cap rate, and ranges from 10.25% in year 1 to 18.55% in year 10 for 25% equity at a Cap rate of 5.5% to 5.9%. The COC return without MUPTE at a 5% interest rate is above 10% after year 3 for 29% equity at a 6.25% Cap rate, after year 2 for 25% equity at a 5.5-5.9% Cap rate, and after year 1 for cost less developer incentive. The COC return without MUPTE at a 5% interest rate ranges from 8.75% in year 1 to 17.15% in year 10 for 25% equity at a 5.5-5.9% Cap rate. The COC returns without MUPTE seem at least adequate. See COC Summary; spreadsheets.

I. "Remaining Gap" Analysis

The July 12 email from City staff used a very questionable new "Remaining Gap" approach, provided to the panel just 6 days before its final MUPTE meeting on this application. The consultant mentioned discounting the property tax savings to present value in his Report at p. 5, but did not describe a "Remaining Gap" analysis. Despite the City rule specifying annual COC, and the prior annual ROC standard used in the consultant's Report, the panel was told in the email that "[t]he best evaluation method for determining if the MUPTE is needed and, if so, the number of years for the MUPTE, is to model the impact as a discounted cash flow, with annual property tax savings discounted to current dollars at an annual rate." July 12 email. The applicant did not submit a "Remaining Gap" analysis.

The "Remaining Gap" approach relies on ROC, where the City rule requires COC. The City rule calls for use of cash on cash return but does not call for a "Remaining Gap" analysis or for discounting MUPTE to present value. Cash on cash is an analysis of annual return on equity, but does not discount MUPTE to present value as a development cost offset. The "Remaining Gap" analysis is based upon ROC and not COC, and does not account for addition to equity through principal payments and appreciation to the property value. It does not account for cash flow, which is increased by taking advantage of low interest rates. If any discounting is done, why discount only MUPTE to present value, as opposed to also discounting to present value items such as future cash flow, payments to principal, and appreciation, for purposes of determining the "Remaining Gap"?

The "Remaining Gap" analysis in the July 12 email assumed an 8% annual discount rate, which is very high considering current steady low interest rates (e.g., 0.4% for money market and 2% for CDs, at local credit unions). The "Remaining Gap" analysis includes the Developer Incentive, which should be excluded. The "Remaining Gap" analysis in the email assumed a range of Cap rates; the "gap" is much less with a more appropriate 5.5% Cap rate.

The "Remaining Gap" analysis in the July 12 email was completely inconsistent with the 10 year annual ROC analysis in the consultant's Report. The consultant's use of ROC with MUPTE shows the project achieving the desired 7.19% threshold every year of MUPTE. Report at p. 5. He said, after referencing discounting MUPTE savings to present value, that "[i]nclusion of the MUPTE over a ten-year period would likely make this project viable." Report at p. 6. Yet the "Remaining Gap" analysis in the July 12 email indicates that the project is not viable even with MUPTE (positive remaining gap of $517,726 at the Cap rate used for the 7.19% threshold). Both analyses use ROC rather than COC, but end up with opposite conclusions.

The “Remaining Gap” analysis also has some logical flaws, at least to a lay person. The developer will presumably qualify for a loan for 75% of the projected costs of construction, and be required by the bank to provide the 25% equity anticipated by the developer, at least at a the indicated 5.5% Cap rate or at a Cap rate up to 5.9%. At a higher Cap rate, the Developer Incentive essentially covers the gap. These funds provide the total funds necessary to pay the projected construction costs, except the Developer Incentive at higher Cap rates. There is no “gap” in funding the construction costs. The existence of a “gap” appears to be artificially created by the analysis. Discounting the MUPTE to present value serves no purpose since MUPTE is received over time, and its asserted present value is not meaningful. It could be useful for other purposes such as evaluating the purchase or sale of property with MUPTE. The “Remaining Gap” analysis should not be relied upon to make the determination as to whether the MUPTE is financially justified in this case.

J. Five Year MUPTE Option

There is an understandable desire to promote the construction of housing downtown. City staff has pointed out that there has been a lack of such construction downtown, in the absence of incentives like MUPTE, despite a low vacancy rate. The project proposed as part of the MUPTE application seems like it would be a good addition to downtown. For these reasons, these dissenting panel members were willing to agree to a five year MUPTE as part of a panel consensus even though our financial analyses did not support any MUPTE.

If the Council decides to award MUPTE for the project, it should only be for up to five years. The COC returns. without MUPTE, exceed 10% for every year, under all scenarios, with just one exception, at an interest rate of 4% or 4.5%. At a 5% interest rate, which is the highest in the expected range of 4% to 5%, the COC return without MUPTE exceeds 10% in the 4th year at the original cost, 29% equity, at a 6.25% cap, which is a high cap rate, and exceeds 10% in the 3rd year at the original cost, 25% equity, at a 5.5-5.9% cap. At best, this COC range could arguably provide support for 3 years of MUPTE. The Loan to Value at a high 6.25% cap rate would essentially not be a problem in year 3 and would not be a problem for year 4, without MUPTE. The Loan to Value issue could arguably provide support for 3 years of MUPTE. Thus, at best, an argument could be made for 3 years of MUPTE based upon COC. In order to make the MUPTE application worthwhile for the developer, the Council could consider a 5 year MUPTE. Any MUPTE beyond 5 years is not justified by the COC return required by City rules.

A 5 year MUPTE will provide financial assistance to the Olive Lofts project during the years when it will provide the most benefit. It will bring the project onto the tax rolls in a reasonable time-frame, therefore providing the overall community with a measurable benefit. Allowing more than a 5 year MUPTE is overly favorable to the developer at a cost to the community both in dollars and trust.

K. Conclusion

The City should require compliance with the MUPTE statute, ordinance and rules in order to justify awarding a MUPTE. The rules require a cash on cash analysis. The project, based upon the pro forma, produces a cash on cash rate of return which appears to be more than adequate over the ten years to support the development without MUPTE. These dissenting panel members believe that if any MUPTE is awarded it should be for no more than five years.

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		Original	Less										
2			Developer										
3			Incentive	YR 1 (3)	YR 2 (4)	YR 3 (5)	YR 4 (6)	YR 5 (7)	YR 6 (8)	YR 7 (9)	YR 8 (10)	YR 9 (11)	YR 10(12)
4	Costs	$5,396,947	$5,396,947			**COC/ROE**							
5	DeveloperIncentive		$256,997			**Without MUPTE:**							
6	Net Costs	$5,396,947	$5,139,950			**29% Equity/71%Loan, 6.25% Cap, Original Cost**							
7	Loan Proceeds	$4,047,710	$3,854,962			**25% Equity/75% Loan, 5.5-5.9% Cap, Original Cost**							
8	Developer Equity	$1,349,237	$1,284,987			**25% Equity/75% Loan, 5.5-6.2% Cap, Cost Less Developer Incentive**							
9													
10	AnnualMUPTE	$53,834.00		COC;ROE = Principal Pmt+Cash Flow/Equity						Rounded to Nearest Dollar			
11	Interest Rate												
12													
13	4.0% W/O MUPTE	OriginalCost29%Equity6.25Cap		10.67%	11.35%	12.06%	12.78%	13.53%	14.29%	15.08%	15.90%	16.73%	17.60%
14	4.0% W/O MUPTE	Original Cost	5.5-5.9% Cap	11.75%	12.56%	13.39%	14.24%	15.12%	16.03%	16.96%	17.92%	18.90%	19.92%
15	4.0% W/O MUPTE	CostLessDeveloperIncentive		12.93%	13.77%	14.63%	15.51%	16.43%	17.36%	18.33%	19.32%	20.35%	21.40%
16	4.0% W/MUPTE	Original Cost	5.5-6.25% Cap	15.74%	16.55%	17.38%	18.23%	19.11%	20.02%	20.95%	21.91%	22.89%	23.91%
17	4.0% W/MUPTE	CostLessDeveloperIncentive		17.12%	17.96%	18.82%	19.70%	20.62%	21.55%	22.52%	23.51%	24.53%	25.59%
18													
19	4.5% W/O MUPTE	OriginalCost29%Equity6.25Cap		9.45%	10.14%	10.85%	11.58%	12.34%	13.12%	13.92%	14.75%	15.60%	16.48%
20	4.5% W/O MUPTE	Original Cost	5.5-5.9% Cap	10.25%	11.07%	11.90%	12.77%	13.66%	14.58%	15.53%	16.50%	17.51%	18.55%
21	4.5% W/O MUPTE	CostLessDeveloperIncentive		11.44%	12.28%	13.15%	14.04%	14.97%	15.92%	16.90%	17.91%	18.95%	20.03%
22	4.5% W/MUPTE	Original Cost	5.5-6.25% Cap	14.24%	15.06%	15.89%	16.76%	17.65%	18.57%	19.52%	20.49%	21.50%	22.54%
23	4.5% W/MUPTE	CostLessDeveloperIncentive		15.62%	16.47%	17.34%	18.23%	19.16%	20.11%	21.09%	22.10%	23.14%	24.22%
24													
25	5.0% W/O MUPTE	OriginalCost29%Equity6.25Cap		8.23%	8.92%	9.64%	10.38%	11.14%	11.92%	12.74%	13.58%	14.44%	15.34%
26	5.0% W/O MUPTE	Original Cost	5.5-5.9% Cap	8.75%	9.57%	10.42%	11.29%	12.19%	13.12%	14.08%	15.07%	16.09%	17.15%
27	5.0% W/O MUPTE	CostLessDeveloperIncentive		9.91%	10.76%	11.63%	12.53%	13.46%	14.43%	15.42%	16.45%	17.50%	18.60%
28	5.0% W/MUPTE	Original Cost	5.5-6.25% Cap	12.74%	13.56%	14.41%	15.28%	16.18%	17.11%	18.07%	19.06%	20.08%	21.14%
29	5.0% W/MUPTE	CostLessDeveloperIncentive		14.10%	14.95%	15.82%	16.72%	17.65%	18.62%	19.61%	20.63%	21.69%	22.79%

From: **NOBEL FLANNERY Amanda** Amanda.NobelFlannery@ci.eugene.or.us
Subject: MUPTE Review Panel Additional Information and Question
Date: July 12, 2016 at 11:15 AM
To: Lloyd Helikson lhelikson@gmail.com, MANNING Zachariah B Zachariah.MANNING@co.lane.or.us, Sherry Schaefers sherry.schaefers.jkhq@statefarm.com, Prknox@gmail.com, ASPEGREN Bill (SMTP) aspegren@comcast.net, CARRASCO Philip (SMTP) pcarrasco.hrc@gmail.com, Justin.overdevest@gmail.com, jharms@nwcarpenters.org, BENNETT Sarah (SMTP) sbennett@bmc-llc.com, SINGH Angelin Angelin.Singh@ci.eugene.or.us
Cc: NOBEL FLANNERY Amanda Amanda.NobelFlannery@ci.eugene.or.us, SINGH Angelin Angelin.Singh@ci.eugene.or.us, D'SOUZA Amanda M Amanda.M.DSouza@ci.eugene.or.us, FIFIELD Anne E Anne.E.Fifield@ci.eugene.or.us, BRAUD Denny Denny.Braud@ci.eugene.or.us, LAURENCE Nan Nan.Laurence@ci.eugene.or.us

NF

Hi MUPTE Review Panel,

I'm back from Yellowstone! Thank you for the MUPTE work you did at meeting #2.

It sounds like you reached conclusions on the public benefit requirements (other than Project Need, which is discussed below). Please review the attached summary of those conclusions.
Please also review the attached Action Summaries for meeting #1 and meeting #2. Let us know if changes are needed.
After reviewing the information below about Project Need, the main question is: **Do you want to weigh in with final thoughts via email or hold a third meeting?** Please let us know as soon as you can. If a third meeting is the preferred approach, the day and time that appears to work best for the most number of people is Monday, 7/18 from 4:30 – 6.

For **Project Need**, it sounds like the main remaining aspect was the "developer incentive" line item in the project budget of $256,997.46 (page 26 of the application). This is 4.8% of the total project cost. In talking with Granite, we have confirmed that this category is for costs commonly referred to as the "Developer Fee" and is earned for activities including conceptualizing the project, obtaining approvals, and financing and managing the construction process. Granite provided an excerpt from an appraisal done for a different project last year that explains this category, which Duncan and Brown called "Entrepreneurial Incentive" (see attached pdf). Developer fees can range between 5% and 20% of total cost. Jerry has confirmed that this category and the percentage of total cost is reasonable to be in the project budget. (As another point of reference, the National Development Council* training materials provide that a developer fee usually ranges between 6% and 15% of the hard costs. Granite's fee is 9.2% of the hard costs.)
Following the discussion at the second meeting, Jerry ran a simplified model to help inform considerations about the need for and duration of the MUPTE. (Described below in points A – D.) He found that the 10-year MUPTE is needed. He also looked at a scenario where market assumptions for 2018 are changed to reflect the downtown housing market not improving and interest rates and investor confidence staying as they are (or decreasing), which would mean using a cap rate assumption of 5.5% (instead of 6.25%). This scenario would result in a need for a 7-year MUPTE (see point D below). [I've attached a word version of this email in case there are formatting problems with the way the two tables below show up on your monitors.]

1. The best evaluation method for determining if the MUPTE is needed and, if so, the number of years for the MUPTE, is to model the impact as a discounted cash flow, with annual property tax savings discounted to current dollars at an annual rate. This will provide a net present value (the "NPV") that can be compared to the gap between the Supportable Costs and the Project Costs (the "Indicated Gap") to provide the Remaining Gap. The table below provides this model with the assumptions in used in the financial analysis memo (dated 6/23).

Net Operating Income (NOI) at 1st Stabilized Yr	$319,143	From developer (within market norms memo page 3), without MUPTE (memo page 4)
Cap Rate	6.25%	Judgement Call (memo page 2)
Threshold Rate Adjustment	115%	assumed minimum acceptable rate of return (memo page 2)
Assumed ROC Threshold Rate	7.19%	Calculation [Cap Rate X Threshold Rate Adjustment] (memo page 2)
Supportable Costs	$4,440,250	Calculation [NOI ÷ Assumed ROC Threshold Rate]
Project Costs	$5,396,947	From Developer
Indicated Gap	**$956,697**	Calculation [Supportable Costs - Project Costs]
Value of Abatement		
Assumed Discount Rate	8.00%	Judgement call (memo page 5)
Assumed Annual Escalation/Property Taxes	3.00%	Input
Savings from MUPTE (yr 1)	$53,834	Tax Assessor estimate
NPV Discounted	**$438,970**	Calculation for duration of MUPTE
Remaining Gap	**$517,726**	Calculation [Indicated Gap - NPV Discounted]

The **Remaining Gap** means that the project cost is above the supportable cost; the Assumed ROC Threshold Rate is NOT achieved. The MUPTE does NOT cover the indicated gap.

2. The primary judgement call for quantifying the Indicated Gap is the cap rate. Currently, the anticipated range for multi-family is 5.5% to 6.5%.
    - A low Cap Rate means strong demand for particular type of property or within particular market.
    - A high Cap Rate means weak demand for particular type of property or within particular market.
    - Cap Rates change as the cost of money (interest rates) change and as investor confidence changes.
        - Rising interest rates mean higher cap rates and lower values
        - Lower investor confidence means higher cap rates and lower values
        - Lower interest rates means lower cap rates and higher values
3. A cap rate of 6.25% was used in the memo, with a resulting Remaining Gap of $517,700.
4. Evaluating the outcomes within the 5.5% to 6.5% cap rate range, all but the very lowest cap rate would result in the MUPTE providing critical assistance for the filling or decreasing the Indicated Gap.
    - The table below shows the Remaining Gap for the cap rates range with a 10-year MUPTE.
        - If the **Remaining Gap is positive**, that means that the Project Cost is above the Supportable Cost; the Assumed ROC Threshold Rate is NOT achieved. The MUPTE does NOT cover the indicated gap.
        - If the **Remaining Gap is negative**, that means that the Project Cost is below the Supportable Cost; the Assumed ROC Threshold Rate is achieved. The MUPTE more than covers the gap.
    - With a 5.5% cap rate, the MUPTE more than covers the Indicated Gap, and the project would need a shortened 7-year MUPTE period (instead of 10 years). (This is because with a 5.5% cap rate the Remaining Gap is negative for a 10-year MUPTE, 9-year MUPTE, and 8-year MUPTE.) A 5.5% cap rate would indicate that the downtown housing market does NOT improve and that interest rates and investor confidence stay as they are (or decrease).

Cap Rate	Remaining Gap	
5.5%	**$ (87,762)**	7 year MUPTE gap is $22,852; 8 year MUPTE gap is -$15,780.
5.6%	$ 2,340	
5.7%	$ 89,281	
5.8%	$ 173,224	
5.9%	$ 254,322	
6.0%	$ 332,716	
6.1%	$ 408,540	
6.2%	$ 481,918	
6.25%	**$ 517,726**	Rate assumed in Jerry's analysis
6.3%	$ 552,966	
6.4%	$ 621,795	
6.5%	**$ 688,505**	

Thank you for your continued contribution to the success of the MUPTE Review Panel. We look forward to hearing from you.

Amanda

* The National Development Council (NDC) is a national nonprofit that has worked for almost 50 years fulfilling its mission to increase the flow of capital for investment in low-income communities. NDC acts as partner, teacher, advisor, investor, developer and lender, bringing together technical know-how and capital for community and economic investment. NDC's nationally-recognized training programs help build a professional workforce in economic and community development that can advance and sustain progress in their communities. (http://ndconline.org/)

Amanda Nobel Flannery
Economic Prosperity Programs Manager
Community Development Division
City of Eugene
(541) 682-5535

I am out of the office on Tuesday and Thursday afternoons.

[illegible]

[illegible] at **$20,000**. This figure includes four months of [illegible] expense. The rent loss is diminishing given that [illegible] with less vacant units as time progresses. In [illegible] the beginning of the month and others near the end of the [illegible] for. This figure also takes into consideration concessions [illegible] to lease-up the units which for analysis purposes have been factored as half-month free [illegible].

Entrepreneurial Incentive

Entrepreneurial incentive (developer's profit and overhead) compensates the developer for project risk and management. It is unlikely a developer will proceed with a development unless adequate profit is available to justify the effort. This cost component includes office overhead, staff and profit. Profit is also typically used to cover excess lease-up or holding costs if absorption does not meet expectations. Profit expectations range from less than 5% to over 20%, depending on the nature of the project and requirements of the investors. Recent apartment projects in the University of Oregon campus area that have been planned over the past 12 months are indicating developer profits of 5% to 10%. Based on the profits realized by and required for other projects, and considering the subject's risk characteristics, entrepreneurial incentive of 5% (of the total cost of the project) is estimated.

Depreciation

From the improvement replacement cost new, a dollar amount for depreciation may be deducted. Depreciation includes loss in value from three basic categories: *(1) physical deterioration; (2) functional obsolescence; and (3) external obsolescence.* All three types of depreciation have been considered. Physical deterioration is the result of physical wear and tear on the improvements. Functional obsolescence is the result of design or physical problems that reduce the income-producing ability or desirability of the subject property. External obsolescence is the result of outside influences (economic, neighborhood) that decrease the value of the property.

Physical Deterioration—
The proposed improvements will be new; therefore, no physical depreciation calculation is made.

Functional Obsolescence—
There are no items of functional utility noted that would penalize the property as proposed in its highest and best use. Therefore, no depreciation calculation is made for functional obsolescence.

External Obsolescence—
External obsolescence is an element of depreciation caused by negative influences outside a site. There are no items of external obsolescence noted that would penalize the property as proposed in its highest and best use. Therefore, no depreciation calculation is made for external obsolescence.

The market value for the subject property via the Cost Approach, including land and improvements, is concluded as follows:

Panel Summaries.docx

MUPTE-ActionSum…eLofts.docx

Panel email July 12.docx

	A	B	C	D	E	F	G	H
1		Original	Less Developer					
2			Incentive	YEAR 1 (3)	YEAR 2 (4)	YEAR 3 (5)	YEAR 4 (6)	YEAR 5 (7)
3	Costs	$5,396,947	$5,396,947					
4	LessDeveloperIncentive		$256,997					
5	Net Costs	$5,396,947	$5,139,950					
6	Loan Proceeds	$3,829,716	$3,829,716	@6.25% Cap	$3,989,288	@6.00% Cap	$4,047,710	@5.5-5.9%cap
7	Developer Equity	$1,567,231	$1,310,234					
8					ROE;COC = Principal Pmt+Cash Flow/Equity			
9	Interest Rate	**4.00%**						
10	Effective Gross Income			$461,985	$473,535	$485,373	$497,507	$509,945
11	Operating Expenses			-$142,842	-$146,413	-$150,073	-$153,825	-$157,671
12	Net Operating Income			$319,143	$327,122	$335,300	$343,682	$352,274
13	Permanent LoanBalance	6.25% Cap, $5,106,288 Value		$3,829,716	$3,762,273	$3,692,083	$3,619,033	$3,543,007
14	Annual Loan Payments			-$219,404	-$219,404	-$219,404	-$219,404	-$219,404
15	Cash Flow Leveraged	-$1,567,231	-$1,310,234	$99,739	$107,718	$115,896	$124,278	$132,870
16								
17	Permanent LoanBalance	6.20% Cap, $5,147,468 Value		$3,854,962	$3,787,075	$3,716,422	$3,642,890	$3,566,363
18	Annual Loan Payments			-$220,850	-$220,850	-$220,850	-$220,850	-$220,850
19	Cash Flow Leveraged	-$1,284,987		$98,293	$106,272	$114,450	$122,832	$131,424
20								
21	Permanent LoanBalance	5.5-5.9% Cap		$4,047,710	$3,976,428	$3,902,243	$3,825,034	$3,744,681
22	Annual Loan Payments			-$231,893	-$231,893	-$231,893	-$231,893	-$231,893
23	Cash Flow Leveraged	-$1,349,237		$87,250	$95,229	$103,407	$111,789	$120,381
24								
25	COC:29%Equity,6.25cap	Original Cost		10.67%	11.35%	12.06%	12.78%	13.53%
26	COC:25%Equity,5.5-5.9cap	Original Cost		11.75%	12.56%	13.39%	14.24%	15.12%
27	COC:25.5%Equity,6.25cap	Cost Less Developer Incentive		12.76%	13.58%	14.42%	15.29%	16.18%
28	COC:25%Equity,6.20cap	Cost Less Developer Incentive		12.93%	13.77%	14.63%	15.51%	16.43%
29								
30								
31	**Loan to Value**	Equity	$1,349,237	25.00%	**Loan to Value**	Equity	$1,284,987	25.00%
32	**Original Cost**	UnsupportedDebt	$217,994	4.04%	**Cost Less**	UnsupportedDebt	$25,246	0.49%
33		Supported Debt	$3,829,716	70.96%	**Dev Incentive**	Supported Debt	$3,829,716	74.51%
34	**6.25% Cap**	Total	$5,396,947	100.00%	**6.25% Cap**	Total	$5,139,950	100.00%

	I	J	K	L	M	N	O	P
1								
2	YEAR 6 (8)	YEAR 7 (9)	YEAR 8 (10)	YEAR 9 (11)	YEAR 10(12)	YEAR 11(13)		
3								
4								
5								
6								
7								
8	Rounded to Nearest Dollar		Value (Simple): NOI/Cap rate					
9								
10	$522,694	$535,761	$549,155	$562,884	$576,956			
11	-$161,613	-$165,653	-$169,794	-$174,039	-$178,390			
12	$361,081	$370,108	$379,361	$388,845	$398,566			
13	$3,463,883	$3,381,536	$3,295,833	$3,206,639	$3,113,812	$3,017,202		
14	-$219,404	-$219,404	-$219,404	-$219,404	-$219,404			
15	$141,677	$150,704	$159,957	$169,441	$179,162			
16								
17	$3,486,717	$3,403,827	$3,317,560	$3,227,778	$3,134,338	$3,037,092		
18	-$220,850	-$220,850	-$220,850	-$220,850	-$220,850			
19	$140,231	$149,258	$158,511	$167,995	$177,716			
20								
21	$3,661,053	$3,574,018	$3,483,438	$3,389,167	$3,291,055	$3,188,946		
22	-$231,893	-$231,893	-$231,893	-$231,893	-$231,893			
23	$129,188	$138,215	$147,468	$156,952	$166,673			
24								
25	14.29%	15.08%	15.90%	16.73%	17.60%			
26	16.03%	16.96%	17.92%	18.90%	19.92%			
27	17.10%	18.04%	19.02%	20.02%	21.05%			
28	17.36%	18.33%	19.32%	20.35%	21.40%			
29								
30								
31	**LoanToValue YR 1**	Equity	$1,284,987	25.00%	**LoanToValue YR 1**	Equity	$1,349,237	25.00%
32	**Cost Less**	UnsupportedDebt	$0	0.00%	**Original Cost**	UnsupportedDebt	$0	0.00%
33	**Dev Incentive**	Supported Debt	$3,854,962	75.00%		Supported Debt	$4,047,710	75.00%
34	**6.20% Cap**	Total	$5,139,950	100.00%	**5.5-5.9% Cap**	Total	$5,396,947	100.00%

	A	B	C	D	E	F	G	H
1		Original	Less Developer					
2			Incentive	YEAR 1 (3)	YEAR 2 (4)	YEAR 3 (5)	YEAR 4 (6)	YEAR 5 (7)
3	Costs	$5,396,947	$5,396,947					
4	LessDeveloperIncentive		$256,997					
5	Net Costs	$5,396,947	$5,139,950					
6	Loan Proceeds	$3,829,716	$3,829,716	@6.25% Cap	$3,989,288	@6.00% Cap	$4,047,710	@5.5-5.9%cap
7	Developer Equity	$1,567,231	$1,310,234					
8					ROE;COC = Principal Pmt+Cash Flow/Equity			
9	Interest Rate	**4.50%**						
10	Effective Gross Income			$461,985	$473,535	$485,373	$497,507	$509,945
11	Operating Expenses			-$142,842	-$146,413	-$150,073	-$153,825	-$157,671
12	Net Operating Income			$319,143	$327,122	$335,300	$343,682	$352,274
13	Permanent LoanBalance	6.25% Cap, $5,106,288 Value		$3,829,716	$3,767,934	$3,703,314	$3,635,725	$3,565,031
14	Annual Loan Payments			-$232,855	-$232,855	-$232,855	-$232,855	-$232,855
15	Cash Flow Leveraged	-$1,567,231	-$1,310,234	$86,288	$94,267	$102,445	$110,827	$119,419
16								
17	Permanent LoanBalance	6.20% Cap, $5,147,468 Value		$3,854,962	$3,792,773	$3,727,726	$3,659,692	$3,588,532
18	Annual Loan Payments			-$234,390	-$234,390	-$234,390	-$234,390	-$234,390
19	Cash Flow Leveraged	-$1,284,987		$84,753	$92,732	$100,910	$109,292	$117,884
20								
21	Permanent LoanBalance	5.5-5.9% Cap		$4,047,710	$3,982,411	$3,914,113	$3,842,677	$3,767,959
22	Annual Loan Payments			-$246,110	-$246,110	-$246,110	-$246,110	-$246,110
23	Cash Flow Leveraged	-$1,349,237		$73,033	$81,012	$89,190	$97,572	$106,164
24								
25	COC:29%Equity,6.25Cap	Original Cost		9.45%	10.14%	10.85%	11.58%	12.34%
26	COC:25%Equity,5.5-5.9Cap	Original Cost		10.25%	11.07%	11.90%	12.77%	13.66%
27	COC:25.5%Equity,6.25Cap	Cost Less Developer Incentive		11.30%	12.13%	12.98%	13.85%	14.76%
28	COC:25%Equity,6.20Cap	Cost Less Developer Incentive		11.44%	12.28%	13.15%	14.04%	14.97%
29								
30								
31	**Loan to Value**	Equity	$1,349,237	25.00%	**Loan to Value**	Equity	$1,284,987	25.00%
32	**Original Cost**	UnsupportedDebt	$217,994	4.04%	**Cost Less**	UnsupportedDebt	$25,246	0.49%
33		Supported Debt	$3,829,716	70.96%	**Dev Incentive**	Supported Debt	$3,829,716	74.51%
34	**6.25% Cap**	Total	$5,396,947	100.00%	**6.25% Cap**	Total	$5,139,950	100.00%

	I	J	K	L	M	N	O	P
1								
2	YEAR 6 (8)	YEAR 7 (9)	YEAR 8 (10)	YEAR 9 (11)	YEAR 10(12)	YEAR 11(13)		
3								
4								
5								
6								
7								
8	Rounded to nearest dollar		Value (Simple): NOI/Cap rate					
9								
10	$522,694	$535,761	$549,155	$562,884	$576,956			
11	-$161,613	-$165,653	-$169,794	-$174,039	-$178,390			
12	$361,081	$370,108	$379,361	$388,845	$398,566			
13	$3,491,089	$3,413,751	$3,332,860	$3,248,252	$3,159,758	$3,067,198		
14	-$232,855	-$232,855	-$232,855	-$232,855	-$232,855			
15	$128,226	$137,253	$146,506	$155,990	$165,711			
16								
17	$3,514,103	$3,436,255	$3,354,830	$3,269,665	$3,180,587	$3,087,417		
18	-$234,390	-$234,390	-$234,390	-$234,390	-$234,390			
19	$126,691	$135,718	$144,971	$154,455	$164,176			
20								
21	$3,689,808	$3,608,067	$3,522,572	$3,433,148	$3,339,616	$3,241,788		
22	-$246,110	-$246,110	-$246,110	-$246,110	-$246,110			
23	$114,971	$123,998	$133,251	$142,735	$152,456			
24								
25	13.12%	13.92%	14.75%	15.60%	16.48%			
26	14.58%	15.53%	16.50%	17.51%	18.55%			
27	15.69%	16.65%	17.64%	18.66%	19.71%			
28	15.92%	16.90%	17.91%	18.95%	20.03%			
29								
30								
31	**LoanToValue YR 1**	Equity	$1,284,987	25.00%	**LoanToValue YR 1**	Equity	$1,349,237	25.00%
32	**Cost Less**	UnsupportedDebt	$0	0.00%	**Original Cost**	UnsupportedDebt	$0	0.00%
33	**Dev Incentive**	Supported Debt	$3,854,962	75.00%		Supported Debt	$4,047,710	75.00%
34	**6.20% Cap**	Total	$5,139,950	100.00%	**5.5-5.9% Cap**	Total	$5,396,947	100.00%

	A	B	C	D	E	F	G	H
1		Original	Less Developer					
2			Incentive	YEAR 1 (3)	YEAR 2 (4)	YEAR 3 (5)	YEAR 4 (6)	YEAR 5 (7)
3	Costs	$5,396,947	$5,396,947					
4	LessDeveloperIncentive		$256,997					
5	Net Costs	$5,396,947	$5,139,950					
6	Loan Proceeds	$3,829,716	$3,829,716	@6.25% Cap	$3,989,288	@6.00% Cap	$4,047,710	@5.5-5.9%Cap
7	Developer Equity	$1,567,231	$1,310,234					
8					ROE;COC = Principal Pmt+Cash Flow/Equity			
9	Interest Rate	**5.00%**						
10	Effective Gross Income			$461,985	$473,535	$485,373	$497,507	$509,945
11	Operating Expenses			-$142,842	-$146,413	-$150,073	-$153,825	-$157,671
12	Net Operating Income			$319,143	$327,122	$335,300	$343,682	$352,274
13	Permanent LoanBalance	6.25% Cap, $5,106,288 Value		$3,829,716	$3,773,214	$3,713,821	$3,651,389	$3,585,763
14	Annual Loan Payments			-$246,705	-$246,705	-$246,705	-$246,705	-$246,705
15	Cash Flow Leveraged	-$1,567,231	-$1,310,234	$72,438	$80,417	$88,595	$96,977	$105,569
16								
17	Permanent LoanBalance	6.20% Cap, $5,147,468 Value		$3,854,962	$3,798,087	$3,738,303	$3,675,459	$3,609,401
18	Annual Loan Payments			-$248,694	-$248,694	-$248,694	-$248,694	-$248,694
19	Cash Flow Leveraged	-$1,284,987		$70,449	$78,428	$86,606	$94,988	$103,580
20								
21	Permanent LoanBalance	5.5-5.9% Cap		$4,047,710	$3,987,991	$3,925,218	$3,859,232	$3,789,871
22	Annual Loan Payments			-$260,748	-$260,748	-$260,748	-$260,748	-$260,748
23	Cash Flow Leveraged	-$1,349,237		$58,395	$66,374	$74,552	$82,934	$91,526
24								
25	COC:29%Equity,6.25Cap	Original Cost		8.23%	8.92%	9.64%	10.38%	11.14%
26	COC:25%Equity,5.5-5.9Cap	Original Cost		8.75%	9.57%	10.42%	11.29%	12.19%
27	COC:25.5%Equity,6.25Cap	Cost Less Developer Incentive		9.84%	10.67%	11.53%	12.41%	13.32%
28	COC:25%Equity,6.20Cap	Cost Less Developer Incentive		9.91%	10.76%	11.63%	12.53%	13.46%
29								
30	**Loan to Value YR1**	Equity	$1,349,237	25.00%	**Loan to Value YR1**	Equity	$1,284,987	25.00%
31	**Original Cost**	UnsupportedDebt	$217,994	4.04%	**Cost Less**	UnsupportedDebt	$25,246	0.49%
32		Supported Debt	$3,829,716	70.96%	**Dev Incentive**	Supported Debt	$3,829,716	74.51%
33	**6.25% Cap**	Total	$5,396,947	100.00%	**6.25% Cap**	Total	$5,139,950	100.00%

	I	J	K	L	M	N	O	P
1								
2	YEAR 6 (8)	YEAR 7 (9)	YEAR 8 (10)	YEAR 9 (11)	YEAR 10(12)	YEAR 11(13)		
3								
4								
5								
6								
7								
8	Rounded to Nearest Dollar		Value (Simple): NOI/Cap rate					
9								
10	$522,694	$535,761	$549,155	$562,884	$576,956			
11	-$161,613	-$165,653	-$169,794	-$174,039	-$178,390			
12	$361,081	$370,108	$379,361	$388,845	$398,566			
13	$3,516,780	$3,444,267	$3,368,044	$3,287,922	$3,203,701	$3,115,170		
14	-$246,705	-$246,705	-$246,705	-$246,705	-$246,705			
15	$114,376	$123,403	$132,656	$142,140	$151,861			
16								
17	$3,539,963	$3,466,972	$3,390,247	$3,309,596	$3,224,820	$3,135,706		
18	-$248,694	-$248,694	-$248,694	-$248,694	-$248,694			
19	$112,387	$121,414	$130,667	$140,151	$149,872			
20								
21	$3,716,961	$3,640,321	$3,559,759	$3,475,076	$3,386,061	$3,292,491		
22	-$260,748	-$260,748	-$260,748	-$260,748	-$260,748			
23	$100,333	$109,360	$118,613	$128,097	$137,818			
24								
25	11.92%	12.74%	13.58%	14.44%	15.34%			
26	13.12%	14.08%	15.07%	16.09%	17.15%			
27	14.26%	15.24%	16.24%	17.28%	18.35%			
28	14.43%	15.42%	16.45%	17.50%	18.60%			
29								
30	**LoanToValue YR1**	Equity	$1,284,987	25.00%	**LoanToValue YR1**	Equity	$1,349,237	25.00%
31	**Cost Less**	UnsupportedDebt	$0	0.00%	**Original Cost**	UnsupportedDebt	$0	0.00%
32	**Dev Incentive**	Supported Debt	$3,854,962	75.00%		Supported Debt	$4,047,710	75.00%
33	**6.20% Cap**	Total	$5,139,950	100.00%	**5.5-5.9% Cap**	Total	$5,396,947	100.00%

	A	B	C	D	E	F	G	H
1		Original	Less Developer					
2			Incentive	YEAR 1 (3)	YEAR 2 (4)	YEAR 3 (5)	YEAR 4 (6)	YEAR 5 (7)
3	Costs	$5,396,947	$5,396,947					
4	LessDeveloperIncentive		$256,997					
5	Net Costs	$5,396,947	$5,139,950					
6	Loan Proceeds	$4,047,710	$3,854,963					
7	Developer Equity	$1,349,237	$1,284,987					
8								
9	MUPTE Annual Savings	$53,834.00			ROE;COC = Principal Pmt+Cash Flow/Equity			
10	Interest Rate	**4.00%**						
11	Effective Gross Income			$461,985	$473,535	$485,373	$497,507	$509,945
12	Operating Expenses			-$89,008	-$92,579	-$96,239	-$99,991	-$103,837
13	Net Operating Income			$372,977	$380,956	$389,134	$397,516	$406,108
14								
15								
16	Permanent LoanBalance	Original Cost		$4,047,710	$3,976,428	$3,902,243	$3,825,034	$3,744,681
17	Annual Loan Payments			-$231,893	-$231,893	-$231,893	-$231,893	-$231,893
18	Cash Flow Leveraged	-$1,349,237		$141,084	$149,063	$157,241	$165,623	$174,215
19								
20	Permanent LoanBalance	Cost Less Developer Incentive		$3,854,962	$3,787,075	$3,716,422	$3,642,890	$3,566,363
21	Annual Loan Payments			-$220,850	-$220,850	-$220,850	-$220,850	-$220,850
22	Cash Flow Leveraged	-$1,284,987		$152,127	$160,106	$168,284	$176,666	$185,258
23								
24	COC:	Original Cost		15.74%	16.55%	17.38%	18.23%	19.11%
25	COC:	Cost Less Developer Incentive		17.12%	17.96%	18.82%	19.70%	20.62%

	I	J	K	L	M	N
1						
2	YEAR 6 (8)	YEAR 7 (9)	YEAR 8 (10)	YEAR 9 (11)	YEAR 10(12)	YEAR 11(13)
3						
4						
5						
6						
7						
8						
9	Rounded to Nearest Dollar		Value (Simple): NOI/Cap rate			
10						
11	$522,694	$535,761	$549,155	$562,884	$576,956	
12	-$107,779	-$111,819	-$115,960	-$120,205	-$124,556	
13	$414,915	$423,942	$433,195	$442,679	$452,400	
14						
15						
16	$3,661,053	$3,574,018	$3,483,438	$3,389,167	$3,291,055	$3,188,946
17	-$231,893	-$231,893	-$231,893	-$231,893	-$231,893	
18	$183,022	$192,049	$201,302	$210,786	$220,507	
19						
20	$3,486,717	$3,403,827	$3,317,560	$3,227,778	$3,134,338	$3,037,092
21	-$220,850	-$220,850	-$220,850	-$220,850	-$220,850	
22	$194,065	$203,092	$212,345	$221,829	$231,550	
23						
24	20.02%	20.95%	21.91%	22.89%	23.91%	
25	21.55%	22.52%	23.51%	24.53%	25.59%	

	A	B	C	D	E	F	G	H
1		Original	Less Developer					
2			Incentive	YEAR 1 (3)	YEAR 2 (4)	YEAR 3 (5)	YEAR 4 (6)	YEAR 5 (7)
3	Costs	$5,396,947	$5,396,947					
4	LessDeveloperIncentive		$256,997					
5	Net Costs	$5,396,947	$5,139,950					
6	Loan Proceeds	$4,047,710	$3,854,963					
7	Developer Equity	$1,349,237	$1,284,987					
8								
9	MUPTE Annual Savings	$53,834.00			ROE;COC = Principal Pmt+Cash Flow/Equity			
10	Interest Rate	**4.50%**						
11	Effective Gross Income			$461,985	$473,535	$485,373	$497,507	$509,945
12	Operating Expenses			-$89,008	-$92,579	-$96,239	-$99,991	-$103,837
13	Net Operating Income			$372,977	$380,956	$389,134	$397,516	$406,108
14								
15								
16	Permanent LoanBalance	Original Cost		$4,047,710	$3,982,411	$3,914,113	$3,842,677	$3,767,959
17	Annual Loan Payments			-$246,110	-$246,110	-$246,110	-$246,110	-$246,110
18	Cash Flow Leveraged	-$1,349,237		$126,867	$134,846	$143,024	$151,406	$159,998
19								
20	Permanent LoanBalance	Cost Less Developer Incentive		$3,854,962	$3,792,773	$3,727,726	$3,659,692	$3,588,532
21	Annual Loan Payments			-$234,390	-$234,390	-$234,390	-$234,390	-$234,390
22	Cash Flow Leveraged	-$1,284,987		$138,587	$146,566	$154,744	$163,126	$171,718
23								
24	COC:	Original Cost		14.24%	15.06%	15.89%	16.76%	17.65%
25	COC:	Cost Less Developer Incentive		15.62%	16.47%	17.34%	18.23%	19.16%

	I	J	K	L	M	N
1						
2	YEAR 6 (8)	YEAR 7 (9)	YEAR 8 (10)	YEAR 9 (11)	YEAR 10(12)	YEAR 11(13)
3						
4						
5						
6						
7						
8						
9	Rounded to Nearest Dollar		Value (Simple): NOI/Cap rate			
10						
11	$522,694	$535,761	$549,155	$562,884	$576,956	
12	-$107,779	-$111,819	-$115,960	-$120,205	-$124,556	
13	$414,915	$423,942	$433,195	$442,679	$452,400	
14						
15						
16	$3,689,808	$3,608,067	$3,522,572	$3,433,148	$3,339,616	$3,241,788
17	-$246,110	-$246,110	-$246,110	-$246,110	-$246,110	
18	$168,805	$177,832	$187,085	$196,569	$206,290	
19						
20	$3,514,103	$3,436,255	$3,354,830	$3,269,665	$3,180,587	$3,087,417
21	-$234,390	-$234,390	-$234,390	-$234,390	-$234,390	
22	$180,525	$189,552	$198,805	$208,289	$218,010	
23						
24	18.57%	19.52%	20.49%	21.50%	22.54%	
25	20.11%	21.09%	22.10%	23.14%	24.22%	

	A	B	C	D	E	F	G	H
1		Original	Less Developer					
2			Incentive	YEAR 1 (3)	YEAR 2 (4)	YEAR 3 (5)	YEAR 4 (6)	YEAR 5 (7)
3	Costs	$5,396,947	$5,396,947					
4	LessDeveloperIncentive		$256,997					
5	Net Costs	$5,396,947	$5,139,950					
6	Loan Proceeds	$4,047,710	$3,854,963					
7	Developer Equity	$1,349,237	$1,284,987					
8								
9	MUPTE Annual Savings	$53,834.00			ROE;COC = Principal Pmt+Cash Flow/Equity			
10	Interest Rate	**5.00%**						
11	Effective Gross Income			$461,985	$473,535	$485,373	$497,507	$509,945
12	Operating Expenses			-$89,008	-$92,579	-$96,239	-$99,991	-$103,837
13	Net Operating Income			$372,977	$380,956	$389,134	$397,516	$406,108
14								
15	Permanent LoanBalance	Original Cost		$4,047,710	$3,987,991	$3,925,218	$3,859,232	$3,789,871
16	Annual Loan Payments			-$260,748	-$260,748	-$260,748	-$260,748	-$260,748
17	Cash Flow Leveraged	-$1,349,237		$112,229	$120,208	$128,386	$136,768	$145,360
18								
19	Permanent LoanBalance	Cost Less Developer Incentive		$3,854,962	$3,798,087	$3,738,303	$3,675,459	$3,609,401
20	Annual Loan Payments			-$248,694	-$248,694	-$248,694	-$248,694	-$248,694
21	Cash Flow Leveraged	-$1,284,987		$124,283	$132,262	$140,440	$148,822	$157,414
22								
23	COC:	Original Cost		12.74%	13.56%	14.41%	15.28%	16.18%
24	COC:	Cost Less Developer Incentive		14.10%	14.95%	15.82%	16.72%	17.65%

	I	J	K	L	M	N
1						
2	YEAR 6 (8)	YEAR 7 (9)	YEAR 8 (10)	YEAR 9 (11)	YEAR 10(12)	YEAR 11(13)
3						
4						
5						
6						
7						
8						
9	Rounded to Nearest Dollar		Value (Simple): NOI/Cap rate			
10						
11	$522,694	$535,761	$549,155	$562,884	$576,956	
12	-$107,779	-$111,819	-$115,960	-$120,205	-$124,556	
13	$414,915	$423,942	$433,195	$442,679	$452,400	
14						
15	$3,716,961	$3,640,321	$3,559,759	$3,475,076	$3,386,061	$3,292,491
16	-$260,748	-$260,748	-$260,748	-$260,748	-$260,748	
17	$154,167	$163,194	$172,447	$181,931	$191,652	
18						
19	$3,539,963	$3,466,972	$3,390,247	$3,309,596	$3,224,820	$3,135,706
20	-$248,694	-$248,694	-$248,694	-$248,694	-$248,694	
21	$166,221	$175,248	$184,501	$193,985	$203,706	
22						
23	17.11%	18.07%	19.06%	20.08%	21.14%	
24	18.62%	19.61%	20.63%	21.69%	22.79%	

REPORT AND RECOMMENDATION
of the Planning & Development Department

Granite Properties Application for Multiple-Unit Property Tax Exemption

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

1. Granite Properties LLC intends to purchase the real property located at 844 Olive Street, Eugene, Oregon (Assessor's Map Tax Lot # 17-03-31-13-04400) and the southern half of Urban Renewal Agency owned property (approximately 2,000 square feet) that is directly west of 844 Olive Street (currently part of Assessor's Map Tax Lot # 17-03-31-13-04200). Granite Properties submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption ("MUPTE") Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential and commercial 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 12 one-bedroom units and 24 studio units, for a total of 36 residential units. The ground floor will contain a total of approximately 5,730 square feet of commercial space, of which 3,900 square feet is existing commercial space and approximately 1,830 square feet is new construction (approximately 1,056 square feet for 3 units of new commercial space and the remaining to service the residential portion of the building). The project will also include the existing basement of 2,900 square feet. The existing commercial space 6,800 is not part of the MUPTE request.

   2.2 The project is not designed to be student housing, meaning it will be leased by the unit (rather than by individual rooms or beds) and the unit configuration does not include several bedrooms with individual bathrooms and sparse common space or include amenities and location selected primarily for individuals attending college and offer limited viability as potential housing for the general population.

   2.3 Construction is expected to be complete on or before January 1, 2022.

   2.4 The project is located in the downtown area described in subsection (1) of Section 2.946 of the Eugene Code, 1971.

   2.5 The applicant submitted all materials, documents and fees required by the City as set forth in Section 2.945 of the Eugene Code, 1971, and the administrative rules adopted by Administrative Order No. 53-15-12-F.

   2.6 The applicant has responded to the **Required Public Benefit** criteria as follows:

      2.6.1 Compact Urban Development. The project will be built in the C-3 Major Commercial Zone, which has no minimum requirements for residential density. The proposed project includes 36 residential units, with a density of 257 units per net acre.

2.6.2 Green Building Features. The project will utilize the City of Eugene Building and Permit Services Pathway in order to meet MUPTE green building requirement and exceed the 10% energy efficiency benchmark. Granite Properties will be required to submit an energy model with their permit application and a commissioning report due 18 months after certificate of occupancy is issued. As the project does not include onsite parking, the project will not include installation of conduit for future electric vehicle charging stations.

2.6.3 Local Economic Impact Plan. A plan is in place for more than 50% of the project's dollar volume of professional services and construction contracts to be local to Lane County (estimated at 82.5%). The applicant is committed to promoting open competitive opportunities for Minority, Women, and Emerging Small Businesses, and is committed to complying with wage, tax, and licensing laws.

2.6.4 Moderate-Income Housing Contribution. The project will provide a minimum of 30% of the residential units with rents that qualify as moderate-income units during the MUPTE period. (The proposed rental rates in the application are below the moderate-income threshold maximum rental rates for 100% of the project's residential units.)

2.6.5 Project Design and Compatibility. The project will address basic design concepts in the context of the project location and will be designed and permitted for construction as shown in the resolution (should City Council approve the MUPTE). The basic design concepts include the scale, form, and quality of the building; the mix of project elements; the relationship to the street and surrounding uses; and parking and circulation.

The project design is appropriate for its downtown context, suited to the particulars of our local climate, and with a ground floor that will foster a positive experience for people on the sidewalk. The development will add a needed mix of uses, promote active transportation modes, support a more vibrant pedestrian realm, and increase safety through additional activity and "eyes on the street." The addition of three commercial studio units accessible from the alley will also increase pedestrian activity and real and perceived safety in that area.

Although the height of the proposed development is less than half of the allowed height in this C-3 zone, without corrective action, the height of the project would block KLCC's existing line-of-sight studio transmitter, located atop KLCC's studios at 136 West 8th Avenue. KLCC has determined that it can resolve the situation by relocating equipment on its roof and using a transmitter link via existing public fiber connections to route the broadcast signal to the Lane Community College Downtown Center, where a rooftop antenna will transmit the broadcast signal. KLCC estimates the relocation effort will cost up to $40,000. KLCC provides a valuable community service, which must be maintained. There are solutions to address this issue and a condition of the MUPTE approval could be conditioned on holding KLCC harmless from the added cost.

2.6.6 Historic and Existing Housing Sensitivity. The project is not adjacent to a historic locale. No historic structures or existing housing were demolished or removed from the property in the 2 years prior to the date of application.

2.6.7 Project Need. The project's pro-forma and financial information was analyzed by Johnson Economics, an independent, real estate economics consultant who found that the project as proposed could not be built but for the benefit of the tax exemption. The financial information Granite Properties submitted in their application is based on projections prior to finalizing financing, construction, and tenanting. It includes assumptions regarding rents, vacancy rates, operating costs, capitalization rate, lender underwriting criteria, interest rates, and reasonable rate of return. Johnson Economics, the Review Panel, and staff reviewed the assumptions. The Johnson Economics analysis concludes that the project would not be viable without the availability of the MUPTE, using the reasonable assumptions outlined and that "inclusion of the MUPTE over a ten-year period would likely make this project viable." Johnson Economics also looked at a scenario where market assumptions for 2018 are changed to reflect optimistic downtown housing market conditions. This scenario would result in a need for a seven-year MUPTE. See Section 4 below for the Review Panel's conclusions.

2.7 A presentation on the Granite Properties project was given to the Downtown Neighborhood Association on March 23, 2016.

2.7.1 Future Neighborhood Engagement. Granite also attended the May 25, 2016 Downtown Neighborhood Association meeting and reviewed project design. Prior to completing final drawings, Granite will meet with Downtown Neighborhood Association. Before submitting for permits, Granite will submit the design to staff to review conformance with the design attached to the resolution (should City Council approve the MUPTE). Staff will also allow the neighborhood an opportunity to review and comment on that final design.

3. A display ad soliciting recommendations or comments from the public regarding this project was published in the Register-Guard on May 10, 2016. The period for comment expired on June 9, 2016 and resulted in 17 written comments. Additional comments were submitted to staff or directly to City Council after the official comment period. All 22 comments received as of July 20 were provided to City Council with the materials for the July 27 work session.

4. The community member MUPTE Review Panel considered the project application, including compliance with program criteria and the independent consultant's financial review, during 3 meetings held on June 27, June 30, and July 18. The Review Panel concluded that the project

meets the Required Public Benefit criteria. The Panel noted that Project Need involves many variables that are hard to predict. The Panel concluded that project need was demonstrated. The majority of the panel members agreed that a ten-year exemption was warranted. Some members agreed that only a five-year exemption was warranted. See Attachment D of the July 27 Agenda Item Summary for the full Review Panel conclusions.

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 administrative rules, and I recommend that the application be approved conditioned upon the project moving forward as proposed and KLCC maintaining signal connection at no cost to KLCC.

Dated this 21 day of July, 2016.

Sarah J. Medary
Executive Director, Planning & Development Department
Assistant City Manager

Eugene Community Development

Memorandum

Date: July 21, 2016

To: Mayor and City Council

From: Amanda Nobel Flannery, Economic Prosperity Programs Manager

Subject: Financial Analysis Materials from Johnson Economics

The Granite Properties project pro-forma and financial information was analyzed by Johnson Economics, an independent real estate economics consultant. Johnson Economics provided a memorandum dated June 23, 2016 with a review of assumptions including rents, vacancy rates, operating costs, capitalization rate, lender underwriting criteria, interest rates, and a review of cash-on-cash return and return on cost (Exhibit A). The memorandum was provided to the Review Panel in advance of the first meeting and was discussed at the second meeting.

Based on the Review Panel's discussion at the second meeting, Johnson Economics provided additional information and a model for considerations about the need for and duration of the MUPTE. This was provided to the Review Panel in advance of the third meeting in an email from staff along with other information for the third meeting (Exhibit B).

The Johnson Economics analysis concludes that the project would not be viable without the availability of the MUPTE, using the reasonable assumptions outlined and that "inclusion of the MUPTE over a ten-year period would likely make this project viable." Johnson Economics also looked at a scenario where market assumptions for 2018 are changed to reflect optimistic downtown housing market conditions. This scenario would result in a need for a seven-year MUPTE.

JOHNSON ECONOMICS

MEMORANDUM

DATE: June 23, 2016

TO: Amanda Nobel Flannery
Economic Prosperity Programs Manager
CITY OF EUGENE

FROM: Jerry Johnson
JOHNSON ECONOMICS, LLC

SUBJECT: Review of MUPTE Application, Granite Properties LLC

Johnson Economics was asked to provide an independent review of an application the City's Multi-Unit Property Tax Exemption (MUPTE). The application reviewed was submitted by Granite Properties LLC, and reflects a 36-unit rental apartment project with ground floor retail space. The purpose of our review was to establish whether or not the project would be expected to be built in the absence of the MUPTE.

The MUPTE is a ten-year property tax exemption. The net impact of the program is a reduction in annual costs for the period associated with property taxes, which provides a substantive boost to project viability. Our analysis included a pro forma evaluation of the project's viability with and without the MUPTE program. The information used in our analysis was largely derived from materials submitted as part of the application. Appendix A includes a glossary of terms.

A. PROGRAM

The proposed development program for the site would include 36 rental apartment units, with an average annual rent level of $926. Anticipated average lease rates are estimated at $926 per month in current dollars, reflecting per square foot rents of $2.04.

SUMMARY OF RESIDENTIAL PROGRAM AND PRICING (2016 $S)

APARTMENTS	Units	Avg. Size SF	Avg. Rent SF	Average Rent	Total Monthly
Studios	28	456	$2.02	$919	$25,745
One Bedroom	8	445	$2.13	$950	$7,600
Total/Weighted Avg.	36	454	$2.04	$926	$33,345

The project would also include ground floor commercial space, including four small art studios which would be leased as individual units. The amount of leasable commercial space is difficult to ascertain from the application, but it would appear to represent roughly 5,220 square feet of space in total. The program does not include onsite parking, with parking needs served by the existing Broadway Place parking garages.

B. Developer Perspective

Developers are typically profit maximizers. They utilize information and assumptions regarding achievable pricing, costs, financing, and risk to determine a development program that offers the best risk adjusted rate of return. This allows us to reliably model their behavior in most instances.

The characteristics of anticipated return are typically modeled using a pro forma. A developer will us this approach to estimate expected returns, and evaluate these against a threshold rate of expected return (profit) considered necessary to offset the assumed risk.

At a simplified level, a development should be worth more than it costs to develop. That differential is the “value added”, and is the primary source of a developer’s income. We find a simple return on cost figure to be the most useful return metric for income properties such as rental apartments. This figure reflects the Net Operating Income (NOI) divided by the total cost of development (Cost). As an example, a project with a net operating income of $600,000, and a cost of $10,000,000 would have a return on cost of 6.0%. If the capitalization rate[1] for that product was 5.0%, the estimated value of the product would be $12 million, reflecting 120% of cost.

Cost of Development	$10,000,000
Net Operating Income (NOI)	$600,000
Return on Cost (ROC)	6.00%
Capitalization Rate	5.00%
Capitalized Value	$12,000,000

A developer will not build a project if the value at completion is equivalent to the cost to construct. There are a number of risks that a developer incurs, including construction risks (costs higher than expected) as well as marketing risks (rents and/or absorption lower than assumed).

The threshold return is typically higher for redevelopment vis-à-vis new construction, as there is considerably more uncertainty in construction costs. For Olive Lofts, the minimum acceptable rate of return was assumed to be 115% of the current cap rate. In Eugene, current capitalization rates for multi-family rental properties were estimated at 6.25%.[2] As a result, the threshold rate of return at stabilization was assumed at 7.19% return on cost (Net Operating Income (NOI) divided by total project cost).

1 A capitalization rate, or cap rate, is the ratio of the NOI to a property's market value.

2 The current capitalization rate is based on information provided by Duncan and Brown, a Eugene-based real estate appraisal. Duncan and Brown have identified cap rates in for multi-family properties in Eugene to currently range from 5.5% to 6.5%.

C. Assumptions

A number of assumptions must be made in order to evaluate the viability of the development program. The applicant's income assumptions are viewed as reasonable within the downtown Eugene market. The average residential lease rate is assumed at $926 per month, escalated at an average annual rate of 2.5%. Commercial space lease rates were assumed to escalate at a more aggressive 3.5% annual rate. Operating cost assumption at 36% for residential and 8% for commercial are within market norms. Permanent financing that would occur in 2018 was assumed at 6.00%, which is higher than current rates but more consistent with historic rates. While we feel that this rate is above achievable rates, the return parameters used in our analysis to determine viability are not impacted by the rate used. In addition, the 5% interest rate does not make a meaningful difference in the project's ability to qualify for debt as the level of debt is also limited by debt to cost and loan to value ratios.

Construction costs were derived from the application, and reflect a total cost of just over $5.4 million for the project. The current capitalization rate for the project was assumed at 6.25%.

D. Viability of Project

Baseline Scenario

Our baseline scenario reflects the project, and does not assume any benefit from the MUPTE. The project would cost an estimated $5.4 million to develop, with an equity requirement of 25%. The amount of debt in this scenario is limited by the minimum debt coverage ratio of 1.20 (see page 9 "Static Pro Forma). If a lower interest rate was assumed, the amount of supportable debt would increase commensurately. As modeled, the project would be unable to support the assumed debt in the project pro forma. The unsupportable debt would likely have to be covered with either additional equity or higher cost mezzanine debt.

SOURCES AND USES

SOURCES:		
Equity	**$1,349,237**	**25%**
Unsupportable Debt	**$351,156**	**7%**
Supported Debt	**$3,696,554**	**68%**
Total	**$5,396,947**	**100%**
USES		
Acquisition	**$940,000**	**17%**
Hard Costs	**$3,565,123**	**66%**
Soft Costs	**$891,824**	**17%**
Total	**$5,396,947**	**100%**

SIMPLIFIED CASH FLOW - 12 YEAR - BASELINE PROJECT W/O MUPTE

PROJECT NAME: Olive Lofts, Baseline Project w/o MUPTE

TYPE: 36 Units, 5 Floors

	Year											
	1	2	3	4	5	6	7	8	9	10	11	12
COSTS												
Acquisition	($940,000)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Predevelopment	($14,075)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Construction	($3,565,123)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Soft Costs	($877,749)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
REVENUE												
Retail Space	$62,741	$64,350	$66,000	$67,650	$69,341	$71,075	$72,852	$74,673	$76,540	$78,453	$80,415	$82,425
Art/Small Business Studios	$17,111	$17,550	$18,000	$18,450	$18,911	$19,384	$19,869	$20,365	$20,874	$21,396	$21,931	$22,480
Market Rate Apartments	$382,436	$392,243	$402,300	$412,358	$422,666	$433,233	$444,064	$455,166	$466,545	$478,208	$490,163	$502,418
Gross Potential Rental Income	$462,289	$474,143	$486,300	$498,458	$510,919	$523,692	$536,784	$550,204	$563,959	$578,058	$592,509	$607,322
- Less: Vacancy & credit loss allowance	100.00%	52.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
- Less: Concessions	0%	0%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Effective Gross Income (EGI)	**$0**	**$225,218**	**$461,985**	**$473,535**	**$485,373**	**$497,507**	**$509,945**	**$522,694**	**$535,761**	**$549,155**	**$562,884**	**$576,956**
Operating Expenses	$0	($133,047)	($142,842)	($146,413)	($150,073)	($153,825)	($157,671)	($161,613)	($165,653)	($169,794)	($174,039)	($178,390)
Net Operating Income	**$0**	**$92,171**	**$319,143**	**$327,122**	**$335,300**	**$343,682**	**$352,274**	**$361,081**	**$370,108**	**$379,361**	**$388,845**	**$398,566**
PERMANENT LOAN												
Construction Loan Proceeds	$3,696,554		($3,696,554)									
Permanent Loan Proceeds			$3,696,554									
Permanent Loan balance (Jan 1)	$0	$0	$3,696,554	$3,649,797	$3,600,234	$3,547,697	$3,492,008	$3,432,978	$3,370,406	$3,304,080	$3,233,774	$3,159,250
Annual permanent loan payment	$0	$0	($265,952)	($265,952)	($265,952)	($265,952)	($265,952)	($265,952)	($265,952)	($265,952)	($265,952)	($265,952)
Cash Flow/Leveraged	**($1,700,393)**	**$92,171**	**$53,191**	**$61,169**	**$69,347**	**$77,730**	**$86,322**	**$95,129**	**$104,156**	**$113,408**	**$122,892**	**$132,613**
Reversion Sale Proceeds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0.00	$0	$2,142,333
Developer Cash Flow	**($1,700,393)**	**$92,171**	**$53,191**	**$61,169**	**$69,347**	**$77,730**	**$86,322**	**$95,129**	**$104,156**	**$113,408**	**$122,892**	**$2,274,946**
Project Return on Equity			**6.04%**	**6.69%**	**7.35%**	**8.04%**	**8.76%**	**9.50%**	**10.26%**	**11.05%**	**11.87%**	**12.72%**
Return on Cost (excl. Reserves)			**5.91%**	**6.06%**	**6.21%**	**6.37%**	**6.53%**	**6.69%**	**6.86%**	**7.03%**	**7.20%**	**7.39%**

The preceding table presents a twelve-year cash flow for the development assuming stabilization in year 3 and sale of the project in year 12. The model will not allow debt above the amount that meets underwriting standards. For this cash flow, the unsupported debt is added to equity. The construction financing is anticipated to be in place through year 2 with interest only payments. The permanent financing is anticipated for year 3. The program generates an estimated NOI of $319,000 at stabilization, which reflects a 5.91% return on cost. This is below the targeted threshold return of 7.19%, indicating that the project is not viable. The return on equity (cash-on-cash) is also 6.04.

While the project does generate anticipated positive returns on investment, we would consider these to be below what would be necessary to provide an acceptable risk adjusted rate of return, or said another way, what would be necessary to attract the required equity for the project.

MUPTE Scenario

The second scenario uses the same income and expense assumptions as the baseline scenario, with the addition of an assumed ten-year tax exemption. The use of the MUPTE reduces operating costs significantly during the first ten years (starting in year 2 in the cash flow table below), increasing the NOI to over $379,000 at stabilization. This is reflected in a return on cost of 7.60%, which is well above the threshold rate of 7.19%. The cash on cash return would by 10.00%. The higher NOI supports the assumed level of debt in the applicant's pro forma, assumed in this case at just over $4.0 million, reflecting 75% of total costs. (see page 10 "Static Pro Forma).

SOURCES AND USES

SOURCES:		
Equity	$1,349,237	25%
Debt	$4,047,710	75%
Total	$5,396,947	100%
USES		
Acquisition	$940,000	17%
Hard Costs	$3,565,123	66%
Soft Costs	$891,824	17%
Total	$5,396,947	100%

SIMPLIFIED CASH FLOW - 12 YEAR W/ MUPTE

PROJECT NAME: Olive Lofts w/ MUPTE
TYPE: 36 Units, 5 Floors w/MUPTE

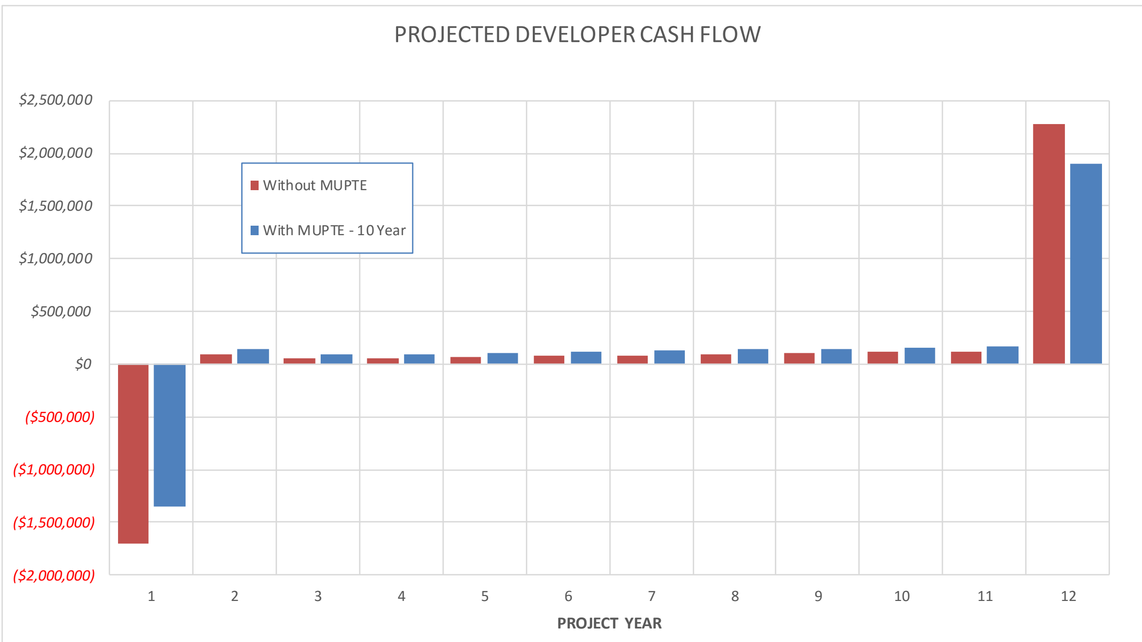
	Year											
	1	2	3	4	5	6	7	8	9	10	11	12
COSTS												
Acquisition	($940,000)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Predevelopment	($14,075)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Construction	($3,565,123)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Soft Costs	($877,749)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
REVENUE												
Retail Space	$62,741	$64,350	$66,000	$67,650	$69,341	$71,075	$72,852	$74,673	$76,540	$78,453	$80,415	$82,425
Office Space	$17,111	$17,550	$18,000	$18,450	$18,911	$19,384	$19,869	$20,365	$20,874	$21,396	$21,931	$22,480
Market Rate Apartments	$382,436	$392,243	$402,300	$412,358	$422,666	$433,233	$444,064	$455,166	$466,545	$478,208	$490,163	$502,418
Gross Potential Rental Income	$462,289	$474,143	$486,300	$498,458	$510,919	$523,692	$536,784	$550,204	$563,959	$578,058	$592,509	$607,322
- Less: Vacancy & credit loss allowance	100.00%	52.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
- Less: Concessions	0%	0%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Effective Gross Income (EGI)	**$0**	**$225,218**	**$461,985**	**$473,535**	**$485,373**	**$497,507**	**$509,945**	**$522,694**	**$535,761**	**$549,155**	**$562,884**	**$576,956**
Operating Expenses	$0	($80,558)	($82,624)	($84,690)	($86,807)	($88,977)	($91,201)	($93,481)	($95,819)	($98,214)	($100,669)	($178,390)
Net Operating Income	**$0**	**$144,659**	**$379,361**	**$388,845**	**$398,566**	**$408,530**	**$418,744**	**$429,212**	**$439,942**	**$450,941**	**$462,215**	**$398,566**
PERMANENT LOAN												
Construction Loan Proceeds	$4,047,710		($4,047,710)									
Permanent Loan Proceeds			$4,047,710									
Permanent Loan balance (Jan 1)	$0	$0	$4,047,710	$4,000,953	$3,951,390	$3,898,853	$3,843,164	$3,784,134	$3,721,562	$3,655,236	$3,584,930	$3,510,406
Annual permanent loan payment	$0	$0	($291,217)	($291,217)	($291,217)	($291,217)	($291,217)	($291,217)	($291,217)	($291,217)	($291,217)	($291,217)
Cash Flow/Leveraged	**($1,349,237)**	**$144,659**	**$88,144**	**$97,628**	**$107,349**	**$117,314**	**$127,527**	**$137,995**	**$148,726**	**$159,724**	**$170,998**	**$107,349**
Reversion Sale Proceeds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0.00	$0	$1,791,177
Developer Cash Flow	**($1,349,237)**	**$144,659**	**$88,144**	**$97,628**	**$107,349**	**$117,314**	**$127,527**	**$137,995**	**$148,726**	**$159,724**	**$170,998**	**$1,898,526**
Project Return on Equity			**10.00%**	**10.91%**	**11.85%**	**12.82%**	**13.83%**	**14.87%**	**15.94%**	**17.05%**	**18.20%**	**13.81%**
Return on Cost (excl. Reserves)			**7.60%**	**7.79%**	**7.99%**	**8.19%**	**8.39%**	**8.60%**	**8.82%**	**9.04%**	**9.26%**	**7.99%**

While the indicated return is adequate to induce development the first stabilized year, this does not account for the fact that the exemption is of limited duration. A more appropriate approach to evaluate the impact of the MUPTE is to model the impact as a discounted cash flow, with annual property tax savings discounted to current dollars at an 8.00% annual rate. When this was done for the subject project, the current value of the abatement exemption was about $406,000. If the value of the abatement is viewed as an adjustment to the cost of development, the net development cost would be $4,990,000. The NOI without the abatement exemption was $319,000, indicating a return on cost of 6.40%.

E. Conclusion

Our analysis indicates that the project would not be viable without availability of the MUPTE, using the assumptions outlined. The indicated returns are below what we would consider adequate to incur the development risk for this project. Inclusion of the MUPTE over a ten-year period would likely make this project viable. There is a significant differential between indicated returns depending upon the treatment of the tax abatement by the developer.

The primary impact of the MUPTE program is a reduction in operating costs for a set period of time, which helps the project meet the loan underwriting standards (1.20 DCR) and reduce the needed equity to an amount that can more reasonably be attracted to the project. As summarized in the following graph, initial equity requirements are higher without the MUPTE because the project cannot qualify for as much debt, and interim annual cash flows are lower. The net gain from an assumed sale in year 12 is lower with the MUPTE, as a higher level of debt is assumed to be supportable.



Many of the assumptions used are reliant upon the information provided by the applicant, but this information appears consistent with other projects we have reviewed. One variance is the assumed interest rate of 6.0% for permanent financing anticipated for 2018, which is well above current rates. Current pricing for multifamily debt is below 5.0%. The return parameter used to evaluate viability was return on cost (ROC), which is not influenced by the assumed interest rate. It does impact the ability to support debt though, by increasing the debt coverage ratio. Even if the rate was assumed at 5.00%, the project would not be able to support the full assumed debt level as the loan to value ratio would exceed 75% (Appendix C).

The assumed market capitalization rate is a key variable, which has a significant impact on the indicated viability of the project. A recent presentation by Duncan and Brown indicates that local rental apartment capitalization rates are between 5.5% and 6.5%. Our assumed current rate of 6.25% is in the upper portion of that assumption range, but we feel this is likely appropriate due to the project's lack of controlled parking and accepted limitations on rent escalation during the MUPTE period.

APPENDIX A: GLOSSARY OF TERMS

Capitalization Rate or Cap Rate – The rate of return used to derive the capital value of an income stream. The value of a real estate asset is commonly set on the basis of dividing net operating income (NOI) by a capitalization rate.

Debt Coverage Ratio – Defined as net operating income divided by annual debt service. This measure is often used as underwriting criteria for income property mortgage loans, and limits the amount of debt that can be borrowed. Standard minimum debt coverage ratios would be in the 1.20 to 1.30 range. A debt coverage ratio of 1.20 indicates that in your first year of stabilized occupancy, your net operating income (NOI, gross income less expenses) is equal to 120% of your debt service requirements (principal and interest).

Equity – The interest or value that the owner has in real estate over and above the liens held against it.

Net Operating Income (NOI) – Income from property after operating expenses have been deducted, but before deducting income taxes and financing expenses.

Return on Cost (ROC) – Net operating income in the initial year, divided by total project cost. This measure is also commonly referred to as the going-in cap rate.

Return on Equity or Equity Yield Rate or Cash on Cash – The rate of return on the equity portion of an investment, taking into account periodic cash flow. In this analysis, the return on equity represents the initial rate of return, and is defined as the net cash flow after interest costs divided by the developer equity. It does not include payments towards principal as interest costs.

APPENDIX B: PRO FORMAS

DEVELOPMENT COST SUMMARY

PROJECT NAME: **Olive Lofts, Baseline Project w/o MUPTE**
TYPE: **36 Units, 5 Floors**

Description	Per Sq. Ft.	Per Unit Cost	Cost	Total Cost
LAND				
Site Acquisition	$58	$26,111	**$940,000**	
SUBTOTAL				**$940,000**
CONSTRUCTION				
Site Work & Structural	$7	$3,333	**$120,000**	
General Conditions	$2	$1,111	**$40,000**	
Building Costs	$159	$71,983	**$2,591,383**	
Tenant Improvement	$5	$2,167	**$78,000**	
Insurance	$1	$292	**$10,500**	
Supervision	$9	$3,874	**$139,469**	
Contractor Profit and Fee	$10	$4,649	**$167,363**	
Contingency	$26	$11,622	**$418,407**	
SUBTOTAL	$218	$99,031		**$3,565,123**
PREDEVELOPMENT COST				
Appraisal	$0	$97	**$3,500**	
Environmental Survey	$0	$210	**$7,575**	
Testing	$0	$83	**$3,000**	
Misc	$0	$0	**$0**	
SUBTOTAL	$1	$391		**$14,075**
ARCHITECT/ENGINEER				
Architect	$7	$3,333	**$120,000**	
Engineering	$2	$772	**$27,783**	
Electrical	$1	$427	**$15,360**	
Survey/Foundation/testing	$0	$139	**$5,000**	
Owner Contingency	$1	$467	**$16,814**	
SUBTOTAL	$11	$5,138		**$184,957**
PERMITS & FEES				
SDCs	$13	$5,776	**$207,947**	
Permits	$5	$2,241	**$80,682**	
Other Fees	$2	$775	**$27,894**	
Water/Storm/Sewer	$2	$867	**$31,200**	
Electric	$1	$462	**$16,640**	
Owner Contingency/Incentive	$18	$8,151	**$293,433**	
SUBTOTAL	$40	$18,272		**$657,796**
FINANCE COST				
Construction Loan Fee	$1	$296	**$10,661**	
Title and Escrow	$0	$139	**$5,000**	
Owner Contingency	$1	$537	**$19,335**	
SUBTOTAL	$2	$972		**$34,996**
SUMMARY	**$331**	**$149,915**		**$5,396,947**

STATIC PRO FORMA AND RETURN SUMMARY

PROJECT NAME: **Olive Lofts, Baseline Project w/o MUPTE**
TYPE: **36 Units, 5 Floors**

AREA SUMMARY:				**EQUITY ASSUMPTIONS:**			
Site Size (SF):			5,900	**Total Development Cost**			**$5,396,947**
Building Size (SF):			24,800	(-) Permanent Loan			$3,696,554
FAR (Exluding Parking):			4.20	Tax Credit Percentage			**3.22%**
Building Efficiency:			99%	Tax Credit Discount Factor			**80.00%**
Saleable and Leasable Area (SF):			24,448	(-) Net Value of Tax Credits			**$0**
INCOME SUMMARY:				**Net Permanent Loan Equity Required**		**-85.2%**	**$1,700,393**
	Total SF/Units	**Average Rent/SF**	**Income**	**PERMANENT FINANCING ASSUMPTIONS:**	**DCR**	**LTV**	**LTC**
Retail Space	6,800	$9.71	$66,000	Interest Rate	6.00%	6.00%	6.00%
Art/Small Business Studios	1,320	$13.64	$18,000	Term (Years)	30	30	30
Market Rate Apartments	16,328	$24.64	$402,300	Debt-Coverage Ratio	**1.20**		
Affordable Apartments	0	$0.00	$0	Loan-to-Value		**75%**	**85%**
Parking - Structured	0	$0.00	$0	Stabilized NOI (Year 3)	$319,143	$319,143	
Operating Expenses		29.4%	($142,842)	CAP Rate		6.25%	
Vacancy/Collection		5.0%	($24,315)	**Supportable Mortgage**	**$3,696,554**	**$3,829,716**	**$4,587,405**
TOTAL	24,448	$13.05	**$319,143**	**Annual Debt Service**	**$265,953**	**$275,533**	**$330,046**
COST SUMMARY:				**MEASURES OF RETURN:**			
	Per SF		**Total**	Indicated Value @ Stabilization			$5,106,288
Property Acquisition	$38		$940,000	Value/Cost			95%
Direct Construction Cost	$144		$3,565,123	Return on Cost (ROC)			5.91%
Soft Costs	$36		$891,824	Internal Rate of Return/Leveraged			6.8%
Contingencies	$0	0%	$0	**ESTIMATION OF VIABILITY GAP**			
Sale of Tax Credits	$0	3.22%	$0	Targeted Return on Cost (ROC)			7.19%
TOTAL / NET	$218		**$5,396,947**	Calculated Gap-Income Components			$956,697
Annual CPI Adjustment			2.50%	Overall Gap as % of Development Cost			17.73%

STATIC PRO FORMA AND RETURN SUMMARY

PROJECT NAME: **Olive Lofts w/ MUPTE**

TYPE: **36 Units, 5 Floors w/MUPTE**

AREA SUMMARY:	
Site Size (SF):	5,900
Building Size (SF):	24,800
FAR (Exluding Parking):	4.20
Building Efficiency:	99%
Saleable and Leasable Area (SF):	24,448

INCOME SUMMARY:	Total SF/Units	Average Rent/SF	Income
Retail Space	6,800	$9.71	$66,000
Art/Small Business Studios	1,320	$13.64	$18,000
Market Rate Apartments	16,328	$24.64	$402,300
Affordable Apartments	0	$0.00	$0
Parking - Structured	0	$0.00	$0
Operating Expenses		29.4%	($142,842)
Vacancy/Collection		5.0%	($24,315)
TOTAL	24,448	$13.05	**$319,143**

COST SUMMARY:	Per SF		Total
Property Acquisition	$38		$940,000
Direct Construction Cost	$144		$3,565,123
Soft Costs	$36		$891,824
Contingencies	$0	0%	$0
NPV of MUPTE	($16)	8.00%	($406,454)
TOTAL / NET	$201		**$4,990,493**
Annual CPI Adjustment			2.50%

EQUITY ASSUMPTIONS:		
Total Development Cost		**$4,990,493**
(-) Permanent Loan		($4,047,710)
Tax Credit Percentage		**0.00%**
MUPTE Discount Factor		**8.00%**
(-) Net Value of MUPTE		**($406,454)**
Net Permanent Loan Equity Required	**11.7%**	**$536,329**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV	LTC
Interest Rate	6.00%	6.00%	6.00%
Term (Years)	30	30	30
Debt-Coverage Ratio	**1.20**		
Loan-to-Value		**75%**	**85%**
Stabilized NOI (Year 3)	$379,361	$379,361	
CAP Rate		6.25%	
Supportable Mortgage	**$4,394,044**	**$4,552,332**	**$4,241,919**
Annual Debt Service	**$316,134**	**$327,522**	**$305,189**

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$6,069,776
Value/Cost	122%
Return on Cost (ROC)	7.60%
Internal Rate of Return/Leveraged	14.8%

ESTIMATION OF VIABILITY GAP	
Targeted Return on Cost (ROC)	7.19%
Calculated Gap-Income Components	($287,573)
Overall Gap as % of Development Cost	-5.76%

APPENDIX C: IMPACT OF INTEREST RATE ASSUMPTION

The supportable level of first position debt for a project of this type is limited by several factors: Debt Coverage Ratio (DCR), Loan to Value (LTV), and Loan to Cost (LTC). This is reflected in the static portion of the models outlines in Appendix B. As each factor needs to be meet for the loan, the measure that supports the lowest supportable mortgage level controls what is supportable. At an assumed 6.00% interest rate, the minimum DCR of 1.20 limits the supportable loan level to $3,696,554.

PERMANENT FINANCING ASSUMPTIONS:			
	DCR	**LTV**	**LTC**
Interest Rate	6.00%	6.00%	6.00%
Term (Years)	30	30	30
Debt-Coverage Ratio	**1.20**		
Loan-to-Value		**75%**	**85%**
Stabilized NOI (Year 3)	$319,143	$319,143	
CAP Rate		6.25%	
Supportable Mortgage	**$3,696,554**	**$3,829,716**	**$4,587,405**
Annual Debt Service	**$265,953**	**$275,533**	**$330,046**
COC Return	6.04%		

If the interest rate is assumed at 5.00%, the DCR measure is met, but now Loan to Value (LTV) becomes the limiting factor. A higher level of debt is supported, but it is still less than what is assumed in the baseline pro forma of the applicant.

PERMANENT FINANCING ASSUMPTIONS:			
	DCR	**LTV**	**LTC**
Interest Rate	5.00%	5.00%	5.00%
Term (Years)	30	30	30
Debt-Coverage Ratio	**1.20**		
Loan-to-Value		**75%**	**85%**
Stabilized NOI (Year 3)	$319,143	$319,143	
CAP Rate		6.25%	
Supportable Mortgage	**$4,128,505**	**$3,829,716**	**$4,587,405**
Annual Debt Service	**$265,953**	**$246,705**	**$295,514**
COC Return	8.63%		

Any additional supportable debt will reduce the equity requirement, and typically increase the Cash on Cash (COC) return of the project. In the preceding example, the COC return increases from 6.04% to 8.63%. This reflects a lower level of equity, as well as a higher percentage of the debt service going to principal.

D'SOUZA Amanda M

From: NOBEL FLANNERY Amanda
Sent: Tuesday, July 12, 2016 11:15 AM
To: 'Lloyd Helikson'; MANNING Zachariah B; 'Sherry Schaefers'; 'Prknox@gmail.com'; ASPEGREN Bill (SMTP); CARRASCO Philip (SMTP); 'Justin.overdevest@gmail.com'; 'jharms@nwcarpenters.org'; BENNETT Sarah (SMTP); SINGH Angelin
Cc: NOBEL FLANNERY Amanda; SINGH Angelin; D'SOUZA Amanda M; FIFIELD Anne E; BRAUD Denny; LAURENCE Nan
Subject: MUPTE Review Panel Additional Information and Question

Hi MUPTE Review Panel,

I'm back from Yellowstone! Thank you for the MUPTE work you did at meeting #2.

It sounds like you reached conclusions on the public benefit requirements (other than Project Need, which is discussed below). Please review the attached summary of those conclusions.

Panel Summaries.docx

Please also review the attached Action Summaries for meeting #1 and meeting #2. Let us know if changes are needed.

MUPTE-ActionS...

After reviewing the information below about Project Need, the main question is: **Do you want to weigh in with final thoughts via email or hold a third meeting?** Please let us know as soon as you can. If a third meeting is the preferred approach, the day and time that appears to work best for the most number of people is Monday, 7/18 from 4:30 – 6.

For **Project Need**, it sounds like the main remaining aspect was the "developer incentive" line item in the project budget of $256,997.46 (page 26 of the application). This is 4.8% of the total project cost. In talking with Granite, we have confirmed that this category is for costs commonly referred to as the "Developer Fee" and is earned for activities including conceptualizing the project, obtaining approvals, and financing and managing the construction process. Granite provided an excerpt from an appraisal done for a different project last year that explains this category, which Duncan and Brown called "Entrepreneurial Incentive" (see attached pdf). Developer fees can range between 5% and 20% of total cost. Jerry has confirmed that this category and the percentage of total cost is reasonable to be in the project budget. (As another point of reference, the National Development Council* training materials provide that a developer fee usually ranges between 6% and 15% of the hard costs. Granite's fee is 9.2% of the hard costs.)

developer incentive descri...

Following the discussion at the second meeting, Jerry ran a simplified model to help inform considerations about the need for and duration of the MUPTE. (Described below in points A – D.) He found that the 10-year MUPTE is needed. He also looked at a scenario where market assumptions for 2018 are changed to reflect the downtown housing market not improving and interest rates and investor confidence staying as they are (or decreasing), which would mean using a cap rate assumption of 5.5% (instead of 6.25%). This scenario would result in a need for a 7-year MUPTE (see point D below). [I've attached a word version of this email in case there are formatting problems with the way the two tables below show up on your monitors.]

Panel email July 12.docx

A. The best evaluation method for determining if the MUPTE is needed and, if so, the number of years for the MUPTE, is to model the impact as a discounted cash flow, with annual property tax savings discounted to current dollars at an annual rate. This will provide a net present value (the "NPV") that can be compared to the gap between the Supportable Costs and the Project Costs (the "Indicated Gap") to provide the Remaining Gap. The table below provides this model with the assumptions in used in the financial analysis memo (dated 6/23).

Net Operating Income (NOI) at 1st Stabilized Yr	$319,143	From developer (within market norms memo page 3), without MUPTE (memo page 4)
Cap Rate	6.25%	Judgement Call (memo page 2)
Threshold Rate Adjustment	115%	assumed minimum acceptable rate of return (memo page 2)
Assumed ROC Threshold Rate	7.19%	Calculation [Cap Rate X Threshold Rate Adjustment] (memo page 2)
Supportable Costs	$4,440,250	Calculation [NOI ÷ Assumed ROC Threshold Rate]
Project Costs	$5,396,947	From Developer
Indicated Gap	**$956,697**	Calculation [Supportable Costs - Project Costs]
Value of Abatement		
Assumed Discount Rate	8.00%	Judgement call (memo page 5)
Assumed Annual Escalation/Property Taxes	3.00%	Input
Savings from MUPTE (yr 1)	$53,834	Tax Assessor estimate
NPV Discounted	**$438,970**	Calculation for duration of MUPTE
Remaining Gap	**$517,726**	Calculation [Indicated Gap - NPV Discounted]

The **Remaining Gap** means that the project cost is above the supportable cost; the Assumed ROC Threshold Rate is NOT achieved. The MUPTE does NOT cover the indicated gap.

B. The primary judgement call for quantifying the Indicated Gap is the cap rate. Currently, the anticipated range for multi-family is 5.5% to 6.5%.
   - A low Cap Rate means strong demand for particular type of property or within particular market.
   - A high Cap Rate means weak demand for particular type of property or within particular market.
   - Cap Rates change as the cost of money (interest rates) change and as investor confidence changes.
     - Rising interest rates mean higher cap rates and lower values
     - Lower investor confidence means higher cap rates and lower values
     - Lower interest rates means lower cap rates and higher values

C. A cap rate of 6.25% was used in the memo, with a resulting Remaining Gap of $517,700.

D. Evaluating the outcomes within the 5.5% to 6.5% cap rate range, all but the very lowest cap rate would result in the MUPTE providing critical assistance for the filling or decreasing the Indicated Gap.
   - The table below shows the Remaining Gap for the cap rates range with a 10-year MUPTE.
     - If the **Remaining Gap is positive**, that means that the Project Cost is above the Supportable Cost; the Assumed ROC Threshold Rate is NOT achieved. The MUPTE does NOT cover the indicated gap.
     - If the **Remaining Gap is negative**, that means that the Project Cost is below the Supportable Cost; the Assumed ROC Threshold Rate is achieved. The MUPTE more than covers the gap.
   - With a 5.5% cap rate, the MUPTE more than covers the Indicated Gap, and the project would need a shortened 7-year MUPTE period (instead of 10 years). (This is because with a 5.5% cap rate the Remaining Gap is negative for a 10-year MUPTE, 9-year MUPTE, and 8-year MUPTE.) A 5.5% cap rate would indicate that the downtown housing market does NOT improve and that interest rates and investor confidence stay as they are (or decrease).

Cap Rate	Remaining Gap	
5.5%	**$ (87,762)**	7 year MUPTE gap is $22,852; 8 year MUPTE gap is -$15,780.
5.6%	$ 2,340	
5.7%	$ 89,281	
5.8%	$ 173,224	
5.9%	$ 254,322	
6.0%	$ 332,716	
6.1%	$ 408,540	
6.2%	$ 481,918	
6.25%	**$ 517,726**	Rate assumed in Jerry's analysis
6.3%	$ 552,966	
6.4%	$ 621,795	
6.5%	**$ 688,505**	

Thank you for your continued contribution to the success of the MUPTE Review Panel. We look forward to hearing from you.

Amanda

* The National Development Council (NDC) is a national nonprofit that has worked for almost 50 years fulfilling its mission to increase the flow of capital for investment in low-income communities. NDC acts as partner, teacher, advisor, investor, developer and lender, bringing together technical know-how and capital for community and economic investment. NDC's nationally-recognized training programs help build a professional workforce in economic and community development that can advance and sustain progress in their communities. (http://ndconline.org/)

Amanda Nobel Flannery
Economic Prosperity Programs Manager
Community Development Division
City of Eugene
(541) 682-5535

I am out of the office on Tuesday and Thursday afternoons.

NOBEL FLANNERY Amanda

From: Simplyto@aol.com
Sent: Tuesday, May 10, 2016 6:35 AM
To: NOBEL FLANNERY Amanda
Subject: tax exemption

Why do we need another student housing property? Why should they receive a 10- year tax exemption? How about giving the ordinary citizens that pay enormous property taxes a 10-year break???? When is enough, enough???

Marlene Pearson

NOBEL FLANNERY Amanda

From:	jgsimoni@comcast.net
Sent:	Tuesday, May 10, 2016 8:49 AM
To:	NOBEL FLANNERY Amanda
Subject:	MUPTE FOR THE OLIVE LOFTS

This email is in reference to providing MUPTE tax exemption for the proposed Olive Lofts development.

I am STRONGLY OPPOSED to providing this tax exemption.

John G. Simoni
3331 Storey Blvd.
Eugene, OR 97405

(541) 484-5689

NOBEL FLANNERY Amanda

From: Karl Eysenbach <karenykarl@hotmail.com>
Sent: Tuesday, May 10, 2016 3:13 PM
To: amanda.nobleflannery@ci.eugene.or.us
Subject: Proposed MUPTE for 844 Olive Street

I would only be in favor of applying MUPTE for 844 Olive Street under certain conditions.

The recent history of applying MUPTE for housing has, in my opinion, done more harm than good for the City of Eugene. Developing the LCC Building, for example is wonderful. However, the wholesale approval of MUPTE overall has led to significant distortions in Eugene's housing market. By allowing tax exemptions for what is essentially luxury student housing, the city has distorted the market for private, low income housing. Landlords typically look at average or mean rents in deciding how to price their properties for tenants. And I believe that the premium rents charged by many new student apartments has led to upward pressure on all other rentals. Landlords see what prevailing market rates are, and they price their rentals accordingly.

What has happened is that a large percentage of low and moderate income rentals have now been priced outside of the range of what many people can afford. Among other things, the city's policy of liberal use of MUPTE has, in my opinion, been a contributing factor in increasing local homelessness.

For this reason, I believe that if a MUPTE is to be permitted for 844 Olive Street, the city must attach stipulations, not only on the percentage of low and moderate income housing to be made available by this development. But more importantly, the City of Eugene must stipulate the specific dollar amount of what constitutes lower and moderate income levels. It is my understanding that the city currently does not have a dollar amount or percentage amount based on US government statistics.

If and only when the city can come up with hard dollar amounts for lower and moderate income eligibility for 844 Olive, I would oppose the granting of any MUPTE for this project.

Karl Eysenbach
2415 Skyline Blvd.

Eugene, OR 97403

phone: 541 345 8263

5/11/16

Dear Amanda Flannery:

I don't write many letters and am out of practice so I am sorry for any errors or shortcomings. I am also unsure whether writing a letter will be of any use or impact.

I understand that MUPTE was created [illegible] years ago to promote downtown development. But aren't we past that? I don't understand why it continues when out of state developers have apparently taken unfair greed inspired advantage and over-built. They saw easy money and pounced on it, and are still trying. I am against any more MUPTE giveaways and wish we knew who is behind it and allowing it to still operate. If allowed I would certainly vote against it and the people involved.

Sincerely,

Dave Eshelman

cel. #541-852-8149
daveeshelman@hotmail.com

NOBEL FLANNERY Amanda

From: Denise Hinz <denisehinz@comcast.net>
Sent: Saturday, May 14, 2016 7:33 PM
To: NOBEL FLANNERY Amanda
Subject: MUPTE

Amanda,

Regarding the request by a developer for a tax exemption for the apartment development being planned for Olive Street, my opinion is that the MUPTE concept was successful at attracting development at a time that the city needed it. I don't believe we need to continue it any longer. There has been a remarkable addition of housing to the downtown area, but at this time it's almost as if the tide has turned. Perhaps now developers should be required to pay the city a fee for the opportunity to build downtown.

Denise Hinz

NOBEL FLANNERY Amanda

From: Nadine Batya <nadinebatya@yahoo.com>
Sent: Sunday, May 15, 2016 8:10 AM
To: NOBEL FLANNERY Amanda
Subject: 844 olive -no tax exemption!

I am so sick and tired of the city giving away multi unit tax exceptions of private housing. That structure is not at all beneficial to locals. They house students at exorbitant rent costs. There has been a total overbuild of these structures and it's time to stop.
I pay over $6000 in property tax. All the properties that have flipped into "private dorm" rental pay nothing. This is a terrible idea. That means less money into the city for infrastructure, first responders and city maintenance.
I am furious that Kitty Pierce has allowed for this misuse of the public trust. Look at 13 and Olive. It's a fiasco. And at the same time many of my friends can't find affordable rentals or houses to purchase. Stop giving away the baby with the bath water.

Don't allow for any more tax exempt construction. It's not good for the long residents in Eugene.

Nadine Batya
541-968-3849

NOBEL FLANNERY Amanda

From:	annettegurdjian@gmail.com on behalf of Annette Gurdjian <agurdjian@msn.com>
Sent:	Monday, May 16, 2016 7:16 PM
To:	NOBEL FLANNERY Amanda
Subject:	Olive Lofts MUPTE application

Dear Ms. Flannery:

I am writing to comment on the MUPTE application for Olive Lofts in downtown Eugene. If these multi-family apartments do not "pencil out" for the developer without a property tax freeze or MUPTE money, they should not be built. Please deny this MUPTE application.

Eugene taxpayers' money is better spent on other items that help all Eugeneans (expanding City Library hours for the main or neighborhood libraries, building homeless shelters, funding the Jacobs Gallery as a few examples). If the developer of Olive Lofts feels that this project cannot proceed without a City subsidy, then he or she should shelve it until such time that it might be feasible without a subsidy, or redesign it so that it will pencil out, or perhaps accept a smaller bottom line percentage profit.

Sincerely,

Annette Gurdjian
PO Box 50083
Eugene, OR 97405

NOBEL FLANNERY Amanda

From: Matt Peterson <mbp1111@yahoo.com>
Sent: Saturday, May 21, 2016 8:34 PM
To: NOBEL FLANNERY Amanda
Subject: Olive Lofts MUPTE application

I'm writing to let you know that I'm supportive of the proposed MUPTE for the Olive Lofts project. It makes sense to encourage density downtown by giving a short-term tax exemption.

Thanks,

Matt Peterson
860 E. 38th Ave
Eugene, OR 97405

NOBEL FLANNERY Amanda

From:	John Iglesias <JIglesias@nwcu.com>
Sent:	Friday, May 20, 2016 10:00 AM
To:	*Eugene Mayor, City Council, and City Manager
Cc:	amanda.nobleflannery@ci.eugene.or.us
Subject:	Letter of Support for Olive Lofts' MUPTE application

Dear Mayor Piercy and Members of the Eugene City Council:

I am writing to you on behalf of the staff, board of directors, and members of Northwest Community Credit Union to ask that you approve The Olive Lofts' application for a Multi-Unit Property Tax Exemption (MUPTE).

The Olive Lofts is an important redevelopment project in our downtown. The developers will convert a vacant building into a vibrant, attractive and well-managed five-story, 36-unit complex that will provide needed housing options in our downtown core for young professionals who want to live within walking distance to their jobs, shopping, entertainment, public transportation, our two universities and community college, as well as the University of Oregon's new Innovation Center to be housed in the former Bradford's building.

A MUPTE is an appropriate economic development tool to incentivize responsible private investment in our downtown core. The applicants are long-time Eugene residents. They have invested millions of dollars in our community through their other businesses; created the local craft beer industry; employ many local residents; led the resurgence of the Whitaker neighborhood; and contribute to the quality of life we enjoy through their philanthropy and sponsorships. They are the community-minded local developers whose real estate investment dollars need to be put to work to improve our downtown—not allowed to be invested in another community with more attractive economic development incentives.

Based on the quality of the project and the improvement it stands to make to the area; the integrity of the developers and investors; and the need to continue the economic development momentum in our downtown, I ask that the Eugene City Council carefully consider and approve the MUPTE application submitted by The Olive Lofts.

Sincerely,

John

John D. Iglesias, President/CEO
Northwest Community Credit Union
Administration

DIRECT (800) 452-9515, ext 9744

Support Center | Facebook | Twitter

NOBEL FLANNERY Amanda

From:	Margie James <margjam57@gmail.com>
Sent:	Monday, May 23, 2016 10:55 PM
To:	NOBEL FLANNERY Amanda
Subject:	Olive Lofts MUPTE application comments

Please submit this to the public record in regard to this MUPTE application... thanks.

The city of Eugene should not be using MUPTE for the construction of the Olive Lofts multi-use building.
These apts and accompanying commercial space need to be privately financed, no gov't subsidy.

I don't believe that this building, in this place, at this time, will appreciably make a difference in the transformation of downtown Eugene. I note that similar units in the Broadway Place are currently available.
To make the downtown a place that people want to live and to support, we have more pressing issues that need to be addressed prior to moving in the direction of making the downtown a place that people want to live.. (homelessness, public safety, ensuring that current city services like parks and open space, arts, library are maintained and accessible).

Vote NO on the Olive Lofts MUPTE application..

margie james
eugene, OR

NOBEL FLANNERY Amanda

From: Alex Bauman <alexpbauman@gmail.com>
Sent: Saturday, May 28, 2016 8:57 PM
To: NOBEL FLANNERY Amanda
Subject: 844 Olive St MUPTE project public comment

Dear Ms. Nobel Flannery,

I'm writing to provide public comment on the proposed tax expenditure under the MUPTE program for The Olive Lofts project. I am generally supportive of subsidy for this project as I believe that increasing residential units downtown is crucial for a successful downtown and to mitigate the negative effect of multiple decades of official suppression of residential land use in downtown Euguene. However, I would like the City to ask Granite Properties LLC to improve their project in the following ways:

1. Build a curb cut for the alley walkway along the southern edge of the project to meet the City's ADA obligations.
2. Add balconies to all residential units to maximize the project's contribution to CPTED (Crime Prevention Through Environmental Design) principles, otherwise minimized by the design decision to face the residential units away from Olive St. Additionally, balconies will increase the effective living space of the very small units proposed in the project.

I'd appreciate if you could include my comment as contextual information for any City board that considers this project. If this is impossible, I ask that you reply to this email with a list of any scheduled or tentative meeting dates for every City board that will consider this project.

Thanks,

Alex Bauman
1342 Chambers St

NOBEL FLANNERY Amanda

From: Marge Peavey <margepv@yahoo.com>
Sent: Monday, May 30, 2016 9:45 AM
To: NOBEL FLANNERY Amanda
Subject: Tax exemption

No more exemptions for businesses. The public ends up paying their share of property taxes. The Olive Lofts should not get an exemption for 10 years. Thank you. Marge Peavey

NOBEL FLANNERY Amanda

From:	Cindy Allen <cindyallen21@yahoo.com>
Sent:	Saturday, June 04, 2016 10:14 AM
To:	NOBEL FLANNERY Amanda
Subject:	not in favor of 10-year MUPTE exemption for Olive Lofts
Follow Up Flag:	Follow up
Due By:	Tuesday, June 07, 2016 9:00 AM
Flag Status:	Completed

I don't believe that this very valuable property in South Eugene
needs a 10-year MUPTE tax exemption.

Thank you.
Cindy Allen
858 Fox Glenn Avenue
Eugene, Oregon 97405

NOBEL FLANNERY Amanda

From: Ron-Janet Bevirt <beznys@gmail.com>
Sent: Monday, June 06, 2016 1:32 PM
To: *Eugene Mayor, City Council, and City Manager; NOBEL FLANNERY Amanda
Subject: Olive Lofts MUTPE Application

June 6, 2016

City Council Members, Mayor, City Manager/Project Review Panel and City Staff,

Deny giving a 10-year Multi-Unit Property Tax Exemption (MUPTE) to the applicant, Granite Properties LCC, John Bulski, the developer and his unnamed rich investors, for the "Olive Lofts" to be located at 844 Olive Street.

These wealthy people can afford building this large 5-story housing/commercial structure without MUPTE, (if not, build something smaller), they can make a little less profit, especially since they are not providing affordable housing which is needed in our community. MUPTE is a 10-year tax exemption for developers that assists their investors to make a larger profit, quicker.

The 28-Studio/Efficiency units with a "Proposed Average Monthly Rent Rate" of $919 each (totals $25,732/month), the 8-One Bedroom units with a "Proposed Average Monthly Rent Rate" of $950 each (totals $7,600/month), the Commercial unit with a "Proposed Monthly Rent Rate" of $5,500 and the 4-Art/Small Business Studio units with a "Proposed Average Monthly Rent Rate" of $375 each (totals $1,500/month) equals $40,332 per month or $483,984 per year. These proposed rental rates are "considered" moderate-income housing units, and are not affordable housing. These rental rates are projected to increase at 2.5% per year for Apartments and at 3.5% per year for Commercial. Affordable housing is needed, not $1,010/month one bedroom units.

This applicant's proposed site plan provides for no onsite parking to support the 36-units of housing, 1 large commercial business and 4 smaller studios. City parking rates would be an additional $50 per month per space. The narrow Olive Street and 8th Avenue infrastructure and on-street parking can not accommodate the added needs and traffic from the increased density of housing and businesses.

The City of Eugene needs tax dollars for their budget. There is no benefit to the City's budget or Lane County property taxpayers to provide MUPTE. It's unfair that most property taxpayers could have an annual 3% tax increase and get no tax exemptions. Please figure out what your ten-year property tax savings would be. (Use Prior Years Tax Statements at: http://apps.lanecounty.org/propertyaccountinformation/). I'd love to have my own 10-years of tax exemptions.

It seems like taxpayers are subsidizing the City's lost revenues from the MUPTE program. The City needs added financing, not less, and well-planned development to keep it attractive and functioning, that is true sustainability and livability.

The Multi-Unit Property Tax Exemption (MUPTE) is supported by the theory of trickle-down economics, that by giving tax cuts to developers and their wealthy investors, this will allow for building/growth which will benefit the "common people" by providing "desired density". After years of being told these "so-called facts", we now know the "true evidence" is that programs like MUPTE subsidize profits for already successful businesses, taking advantage of the middle and lower class taxpayer. MUPTE is an example of economic inequality. Capitalism doesn't need public assistance. The public should not be asked to cover community costs for developers and investors, who need to pay their fair share of taxes into the system.

MUPTE is being sold as a legitimate "socially desirable" plan, but it's really a way to get the tax-paying public to subsidize profits for unknown wealthy investors. This phony economic theory has no real basis. Developers and their investors need to be capitalists who are less greedy. There is no reason for MUPTE nor is there an economic necessity.

The MUPTE program should be ended, it's insulting to common sense and the tax-paying community. Lost taxes of $617,146 over 10-years is significant. Many large building projects have occurred without MUPTE. Deny the Olive Loft Applicant who can afford to pay their fair share of taxes especially since they are not providing affordable housing or parking.

Taxes **Saved by Developer/Investors** and **Lost by Lane County** per Year

1 $53,834.00

2 ($53,834 x 3% = $1,615.02) = $55,449.02

3 ($55,449.02 x 3% = $1,663.47) = $57,112.49

4 ($57,112.49 x 3% = $1,713.37) = $58,825.86

5 ($58,825.86 x 3% = $1,764.77) = $60,590.63

6 ($60,590.63 x 3% = $1,817.71) = $62,408.34

7 ($62,408.34 x 3% = $1,872.25) = $64,280.59

8 ($64,280.59 x 3% = $1,928.41) = $66,209.00

9 ($66,209.00 x 3% = $1,986.27) = $68,195.27

10 ($68,195.27 x 3% = $2,045.85) = $70,241.12

Total 10-Year Tax Exemption: $617,146.32

$64,000-$53,834=$10,166 Property Taxes to be Paid for 10 Years with a 3% Annual Increase.

Projected Rental Rates Increase 2.5% /year for Apartments & 3.5% /year for Commercial

(28-Studio/Efficiency units totals $25,732/month & 8-One Bedroom units totals $7,600/month = $33,332/month x 12 months = $399,984 Annual Rental Income with 2.5% Yearly Increase.)

(Commercial unit totals $5,500/month & 4-Art/Small Business Studio units totals $1,500/month = $7,000/month x 12 months = $84,000 Annual Rental Income with 3% Yearly Increases.)

1 $399,984 + $84,000 = **$483,984**

2 ($399,984 x 2.5% = $9,999.60) = $409,983.60, ($84,000 x 3.5% = $2,940) = $86,940, **$496,923.60**

3 ($409,983.60 x 2.5% = $10,249.59) = $420,233.19, ($86,940 x 3.5% = $3,042.90) = $89,982.90, **$510,216.09**

4 ($420,233.19 x 2.5% = $10,505.82) = $430,739.01, ($89,982.90 x 3.5% = $3,149.40) = $93,132.30, **$523,871.31**

5 ($430,739.01 x 2.5% = $10,768.47) = $441,507.48, ($93,132.30 x 3.5% = $3,259.63) =

$96,391.93, **$537,899.41**

6 ($441,507.48 x 2.5% = $11,037.68) = $452,545.16, ($96,391.93 x 3.5% = $3,373.71) = $99,765.64, **$552,310.80**

7 ($452,545.16 x 2.5% = $11,313.62) = $463,858.78, ($99,765.64 x 3.5% = $3,491.79) = $103,257.43, **$567,116.21**

8 ($463,858.78 x 2.5% = $11,596.46) = $475,455.24, ($103,257.43 x 3.5% = $3,614.01) =

$106,871.44, **$582,326.68**

9 ($475,455.24 x 2.5% = $11,886.38) = $487,341.61, ($106,871.44 x 3.5% = $3,740.50) =

$110,611.94, **$597,953.55**

10 ($487,341.61 x 2.5% = $12,183.54) = $499,525.15, ($110,611.94 x 3.5% = $3,871.41) =

$114,483.35, **$614,008.50**

Total 10-Year Rental Income: $5,466,610.15

Total Cost of Construction: $4,100,000

("5%" Vacancy & "8%" Operating Expenses are not calculated.)

Please place this in the public record.

Janet Bevirt 2915 Charnelton St, Eugene, OR 97405

NOBEL FLANNERY Amanda

From: LMDV <lmdv@efn.org>
Sent: Wednesday, June 08, 2016 1:21 PM
To: NOBEL FLANNERY Amanda
Cc: lm
Subject: Please deny Olive Lofts MUPTE

Dear Planning and Development Department staff,

I strongly oppose a MUPTE subsidy for the Olive Lofts apartments. Downtown has been sufficiently developed without sacrificing city tax income any longer.

From now on all developers should be responsible for designing buildings that include paying their fair share of property taxes, even if that means adjusting their profit expectations. In fact, new expectations need to be the norm, and this would be the perfect time to start setting a precedent.

I hope we can count on you to deny this application as a show of good faith to the citizens. I am among many who believe we need to restore greatly lost trust in city government, particularly in the MUPTE history that has been draining our city budget for so many years.

I appreciate your careful consideration on this.

Warm regards,
Lisa-Marie DiVincent
PO 24111
Eugene OR 97492

~~~~~~

Lisa-Marie DiVincent
Interpersonal Communication Consultant
Individual, Relationship, Family Counselor and Mediator
Compassionate (Nonviolent) Communication Coach
Empathy Cafe - "Evolve Your Talk!" Open group - Mondays 7-9 pm
541-484-7366
~~~~~~

NOBEL FLANNERY Amanda

From: jgsimoni@comcast.net
Sent: Wednesday, June 08, 2016 3:19 PM
To: NOBEL FLANNERY Amanda
Subject: MUPTE - OLIVE LOFTS

Dear Ms. Nobel Flannery

This email is to express my objection to the city offering any form of MUPTE to the developers of the proposed Olive Lofts. I feel strongly that all property owners should pay property taxes, and there is no reason to exempt any proposed project.

John Simoni
3331 Storey Blvd.
Eugene, 97405

NOBEL FLANNERY Amanda

From:	John Stark <StarkJ@lanecc.edu>
Sent:	Wednesday, June 08, 2016 4:28 PM
To:	NOBEL FLANNERY Amanda
Cc:	ASCHIM Joan (SMTP); Deborah Butler; Brian Kelly; Brett Rowlett
Subject:	Olive Lofts Public Comment from KLCC Radio
Attachments:	KLCC letter re Olive Lofts_060816.docx

KLCC Radio is making Public Comment on the MUPTE tax exemption for The Olive Lofts in Eugene. See the attached letter and thank you for your consideration.

John Stark
KLCC General Manager
Eugene, Oregon
(541) 463-6006

June 8, 2016

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

Re: Olive Lofts MUPTE Application

Members of Eugene City Council and Ms. Flannery,

As KLCC's general manager and a resident of Eugene, I write to express my concerns over the Olive Lofts housing project proposed at 844 Olive Street in Eugene. Without corrective action, construction of this project will effectively block KLCC's line-of-sight microwave studio transmitter, located atop KLCC's studios at 136 W. 8th Ave. Once constructed, the Olive Lofts would shut down KLCC broadcast transmission on its primary frequency of 89.7 FM.

KLCC, licensed to Lane Community College, is a vital community resource for news and information in Eugene and surrounding areas. The station location on Olive Street was chosen for its feasibility in receiving and sending broadcast signals, as well as its central location in Eugene's vibrant downtown neighborhood. KLCC is proud to provide programming from NPR, OPB and other sources, as well as local news and cultural offerings to approximately 93,900 listeners in the region. KLCC is deeply rooted in the Eugene community, and has been an active resident of the downtown neighborhood since 2007. We hope to remain and grow in the current location for years to come.

At Eugene City Council's April 13, 2016 meeting, the council expressed a desire to "hold KLCC harmless" by eliminating the fiscal impact of construction to the radio station. The most probable solution to avoid interference in the event the Olive Lofts project moves forward, would be to move the satellite dish from the SE to the NE corner of KLCC's roof, then reroute the line-of-sight microwave studio transmitter link via fiber optic from KLCC to the Eugene Public Library hub to the Lane Community College Downtown Center, where a rooftop antenna mounted on a pole would microwave the KLCC signal to its transmitter at Blanton Heights. KLCC's engineer, Chris Heck, has estimated the expense for this project at approximately $40,000. As a non-profit, listener-supported station, KLCC simply does not have the resources to make improvements of that size without significant planning and fundraising efforts.

KLCC respectfully requests that the Eugene City Council commit to use available resource options to cover the expense of re-engineering KLCC's signal path to avoid signal disruption, or that the potential expense be built into the development plans for the Olive Lofts project.

Thank you for your continued support of KLCC's mission to provide a unique, accessible source of local, national and international news and culture.

Sincerely,

John Stark
General Manager, KLCC
starkj@lanecc.edu
(541) 463-6006

NOBEL FLANNERY Amanda

From: Tenille Woodward <twoodward@ppnw.net>
Sent: Friday, June 10, 2016 4:23 PM
To: NOBEL FLANNERY Amanda
Subject: I support the Olive Lofts project

I am writing today to voice my support for the MUPTE application for the Olive Lofts project. As more people work downtown we need more places for them to live downtown. This project takes an empty storefront and creates new workforce housing. This is just what Eugene needs to increase our urban density and grow responsibly.

Thank you,

Tenille Woodward, CPA, CPC
Pension Planners Northwest
1600 Valley River Drive, Ste. 340
Eugene, OR 97401
twoodward@ppnw.net
Direct Dial Phone (541) 852-4880
Direct Dial Fax (541) 852-4881
Main Phone (541) 345-8404
www.ppnw.net

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In 2016, Pension Planners Northwest, Inc. proudly celebrates 30 years of retirement plan administration and consulting opportunity to serve your plan, business and employees. Thank you for your trust, confidence and partnership.

NOBEL FLANNERY Amanda

From:	Emily Secord <emily.a.secord@gmail.com>
Sent:	Monday, June 13, 2016 9:33 AM
To:	NOBEL FLANNERY Amanda
Subject:	Olive Lofts - Support!

Amanda,

I wanted to quickly send a note to share my support of the use of MUPTE for the Olive Lofts at 844 Olive Street. Eugene needs more housing and development of our downtown is essential to vibrancy and economic development. I hope many people will show support on this project, as I know many people I have talked with are supportive of the use of MUPTE for these types of developments.

Thank you,
Emily Secord

--
Emily A. Secord

Financial Advisor
(541) 868-4948 c.

NOBEL FLANNERY Amanda

From:	Brittany Quick-Warner <BrittanyW@eugenechamber.com>
Sent:	Monday, June 13, 2016 9:48 AM
To:	NOBEL FLANNERY Amanda
Subject:	FW: Olive Lofts

This letter went to Councilor Zelenka.

Brittany Quick-Warner
Director of Business Advocacy
Eugene Area Chamber of Commerce
541-242-2354 w
541-790-1304 c

Website | Facebook | Twitter

From: Milton Oilar [mailto:miltono@campbellre.com]
Sent: Monday, June 13, 2016 9:38 AM
To: Alan.Zelenka@ci.eugene.or.us
Subject: Olive Lofts

Councilor Zelenka,

I don't know where you stand on the "The Olive Lofts" development that have applied for MUPTE. In my opinion this is the poster boy for smaller developers that can also improve are downtown and make sense of the risks and challenges of development downtown by the use of the downtown development tool that will make this development possible. I believe this development meets or exceeds the new standards to receive the MUPTE and will be a great addition to our downtown providing moderate income housing.

Thanks you're your consideration of my thoughts on this topic,

Best Regards,

Milton D. Oilar
Campbell Commercial Real Estate
Phone: (541) 484-2214
Fax: (541) 484-0666
Cell: (541) 554-7220

NOBEL FLANNERY Amanda

From: Larry and Virginia Newby <lvnewby1@msn.com>
Sent: Monday, June 13, 2016 5:31 PM
To: NOBEL FLANNERY Amanda
Cc: QUICK-WARNER Brittany (SMTP)
Subject: Olive Loft project

Amanda,

For the following reasons I am encouraging the Council to support and approve the Olive Loft Project.

36 units (mix of one bedroom and studio)

Renovated commercial space

$3.7 Mil project costs for professional services and construction costs, $3.3 Mil of this will be local to Lane county

91% estimated use of local contractors (only requires 50%)

100% of the units fall under the "moderate-income" rental rates required for at least 30% of the units.

Please pass this support to the appropriate councilors.

Sincerely,

Larry Go Ducks Newby

NOBEL FLANNERY Amanda

To: Nicholas Frost
Subject: RE: Support of MUPTE use for the Olive Lofts

From: Nicholas Frost [mailto:nfrost@hershnerhunter.com]
Sent: Monday, June 13, 2016 8:21 AM
To: amanda.nobelflannery@ci.eugene.or.us <IMCEAINVALID-amanda+2Enobelflannery+40ci+2Eeugene+2Eor+2Eus@hershnerhunter.com>
Subject: Support of MUPTE use for the Olive Lofts

I am writing to express my support for the application of MUPTE to the Olive Lofts project. The project ticks many of the boxes for desirable downtown and development, and is exactly the type of project that should qualify for property tax exemption to insure a successful development.

The project will provide workforce housing, which is vitally needed in downtown. It will help with infill as it builds up, not out, to provide space. It will bring more residents to downtown to continue an influx of people to support commercial development in the area. And the proposed design suggests it will be thoughtful and not as aesthetically canned as some of the other projects in downtown or campus.

The goal for MUPTE is to encourage projects that make sense in the downtown core. This one is in line with so many of the goals of residential downtown development, that if MUPTE were rejected in this case, I can't see when or how it would ever be applicable.

I urge the city to make the tax exemption available for this Olive Lofts project and to continue the strong momentum of development in downtown.

HERSHNER HUNTER LLP
Nicholas M. Frost | Attorney

541-302-2482 direct | 541-344-2025 fax
180 East 11th Avenue, Eugene OR 97401
hershnerhunter.com

RESOLUTION NO. _____

A RESOLUTION APPROVING A MULTIPLE-UNIT PROPERTY TAX EXEMPTION FOR RESIDENTIAL PROPERTY LOCATED AT 844 Olive STREET, EUGENE, OREGON (APPLICANT: GRANITE PROPERTIES LLC).

The City Council of the City of Eugene finds that:

A. Granite Properties LLC (PO Box 50084, Eugene, Oregon, 97405) has entered into a Residential Real Estate Sale Agreement to purchase real property located at 844 Olive Street, Eugene, Oregon (Assessor's Map Number 17-03-31-13, Tax Lot 4400) owned by EUGOR LLC (2320 OSU Drive, Newport, Oregon, 97365), and intends to purchase the southern half of Urban Renewal Agency owned property (approximately 2,000 square feet) that is directly west of 844 Olive Street (currently part of Assessor's Map 17-03-31-13, Tax Lot 4200) ("collectively referred to as the property").

B. Granite Properties LLC has submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption Program (Sections 2.945 through 2.947 of the Eugene Code, 1971 ("EC")), with respect to residential units and commercial space to be constructed on the property.

C. The proposed project consists of the development of 12 one-bedroom units and 24 studio units, for a total of 36 residential units. The ground floor will contain a total of approximately 5,730 square feet, of which 3,900 square feet is existing commercial space, and approximately 1,830 square feet is new construction (approximately 1,056 square feet for commercial space and the remaining to service the residential portion of the building). The project will also include the existing basement of 2,900 square feet. The project is not designed for the leasing of individual rooms or beds, or otherwise designed primarily for individuals attending college.

D. An independent outside professional consultant was retained and reviewed the project's financial pro-forma. A Review Panel was convened and reviewed the independent consultant's conclusions, and also reviewed the application in order to make a recommendation as to whether the application met the criteria in EC 2.946. The Review Panel's recommendation was submitted for the City Manager's review.

E. After considering the Review Panel's conclusions and recommendation, the Executive Director of the Planning and Development Department ("the Executive Director") as designee of the City Manager, has prepared the Report and Recommendation attached hereto as Exhibit A and incorporated herein by reference. The Report and Recommendation sets forth findings demonstrating that the project meets the criteria described in EC 2.946 and the conditions set forth in Multiple-Unit Housing Property Tax Exemption Rule R-2.945 ("Rule R-2.945").

F. Based on the findings in the Report and Recommendation, the Executive Director recommends that the application be approved and the exemption granted. In making that recommendation, the Executive Director found that the applicant submitted all required materials, documents and fees as required in EC 2.945, EC 2.946, and Rule R-2.945, and the applicant is in compliance with the policies contained therein.

G. City Council has concluded that the criteria described in EC 2.946 and Rule R-2.945 have been met.

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 hereto as Exhibit A and incorporated herein by reference, the City Council approves the application of Granite Properties 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 844 Olive Street, Eugene, Oregon (Assessor's Map Number 17-03-31-13, Tax Lot 4400) and the southern half of Urban Renewal Agency owned property (approximately 2,000 square feet) that is directly west of 844 Olive Street (currently part of Assessor's Map 17-03-31-13, Tax Lot 4200), subject to the following conditions:

a. Compact Urban Development. The project will consist of the development of 12 one-bedroom units and 24 studio units, for a total of 36 residential units. The ground floor will contain a total of approximately 5,730 square feet of commercial space, of which 3,900 square feet is existing commercial space, and approximately 1,830 square feet is new construction (approximately 1,056 square feet for commercial space and the remaining to service the residential portion of the building). The project will also include the existing basement of 2,900 square feet. A schematic drawing showing the site plan and major features and dimensions of the proposed development, and a schematic drawing showing both a side and front elevation of the proposed development are attached to this Resolution as Exhibit B.

b. Green Building. The project will perform at least 10% more efficiently than the performance established in the Oregon Energy Efficiency Specialty Code. Granite Properties LLC or its successor (herein after referred to as "the owner") will provide to the City of Eugene's Building and Permit Services an energy model demonstrating compliance with this requirement at permit application.

Within 18 months after receiving a Certificate of Occupancy, the owner shall submit to the City a commissioning report pursuant to Section 1.2 of Rule R-945-C.

For the duration of the tax exemption, the owner will report multi-family occupancy energy use data to the City of Eugene's Building and Permit Services.

c. Local Economic Impact and Compliance with Laws. The owner submitted a plan for more than 50% of professional services and construction contracts be from a business organization or individual residing or doing business primarily in Lane County. After construction, Granite Properties will submit a list of the home city or zip code of the construction labor workers.

The owner will ensure that qualified minority and women business enterprises have been given an equitable opportunity to compete for development related contracts by: (1) accessing lists of such enterprises from the Oregon State Office of Minority, Women and Emerging Small Business Program website; (2) search for Qualified Rehabilitation Facilities from whom to procure products and services via the Oregon State Qualified Rehabilitation Facilities Program website; and (3) advertise in general circulation, trade association, and minority focused media about prime subcontracting opportunities.

The owner will have in place methods for ensuring that all contractors performing work are licensed and performing in compliance with state law.

The owner will provide the City's Building and Permits Services a list of all contractors performing work on the project. Prior to performing work on the project, contractors must have valid, current licensing, insurance, bonding and workers compensation coverage, and be on the list of contractors provided to the City.

The owner will require that each contractor provide an affidavit attesting to the fact that (1) the contractor, owner, or responsible managing individual for the contractor does not have any unpaid judgments for construction debt, including unpaid wages; and (2) the contractor is in compliance with Oregon tax laws.

The owner will post information about the City's Rights Assistance Program in English and Spanish on the job site during construction of the project.

The project shall be in conformance with wage, tax and licensing laws.

d. Moderate-Income Housing Contribution. At least 30% of the units included in the project will be moderate-income housing units.

During the exemption period, the project's owner must annually submit documentation to the City to evaluate compliance with moderate-income housing requirements that not less than 30% of the total units are moderate-income housing units.

e. Project Design and Compatibility. The design elements include a ground floor with commercial storefronts wrapping into the alley, a cornice line above the storefront that roughly corresponds to that of neighboring buildings, glazed "garage-style" doors in the alley and other openings, pronounced elevator shaft with glazing, residential units with large windows, and a series of canopies at each floor level. Building materials will include glass and stucco at the ground floor and fiber, cement, wood, stucco, and glass above. These design elements, as well as the actual square footages, reviewed at the time of approval of this application and included in Exhibit B shall be adhered to unless the City Manager approves a deviation from the plan pursuant to EC 2.946(2)(e)2. (See subsection i of this Section for information on the KLCC impact.)

During the design process and before the final design drawings are completed, the owner shall hold at least one neighborhood engagement opportunity to allow members of the Downtown Neighborhood Association to provide comments on the proposal. At least one of the applicant's principals shall attend that meeting.

After the final design is completed and before it is submitted for permits, the final design shall be submitted to the City to review for conformance with the design approved by Council resolution. In addition, the City shall allow the neighborhood an opportunity to review and comment on the final design. After the comment period, the City shall determine if the design is consistent with the requirements of this Resolution, and if not, whether the City Manager will approve a deviation pursuant to EC 2.946.

f. 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 Chapter 195, 196, 197, 215, and 227.

g. The project will be completed on or before January 1, 2022, unless an extension of the deadline is requested by the property owner and approved by Council resolution pursuant to EC 2.947(5).

h. The public benefits of the project that will extend beyond the period of the tax exemption include Green Building (energy performance), Project Design and Compatibility, and Compact Urban Development.

i. KLCC's signal connection shall be maintained at no cost to KLCC.

Section 2. Subject to the conditions in Section 1 of this Resolution, 100% of the residential units and newly constructed commercial space described in Section 1 are declared exempt from local ad valorem property taxation beginning July 1 of the year following issuance of a Certificate of Occupancy 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. Notwithstanding Section 2 above, the tax exemption shall not take effect unless or until closing occurs on the purchase of the property by Granite Properties LLC.

Section 4. The City Manager, or the Manager's designee, is requested to forward a copy of this Resolution to the applicant within ten days, and to cause a copy of this Resolution to be filed with the Lane County Assessor on or before April 1, 2017.

Section 5. This Resolution shall become effective immediately upon its adoption.

The foregoing Resolution adopted and effective the ___ day of ______________, 2016.

____

City Recorder

REPORT AND RECOMMENDATION
of the Planning & Development Department

Granite Properties Application for Multiple-Unit Property Tax Exemption

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

1. Granite Properties LLC intends to purchase the real property located at 844 Olive Street, Eugene, Oregon (Assessor's Map Tax Lot # 17-03-31-13-04400) and the southern half of Urban Renewal Agency owned property (approximately 2,000 square feet) that is directly west of 844 Olive Street (currently part of Assessor's Map Tax Lot # 17-03-31-13-04200). Granite Properties submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption ("MUPTE") Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential and commercial 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 12 one-bedroom units and 24 studio units, for a total of 36 residential units. The ground floor will contain a total of approximately 5,730 square feet of commercial space, of which 3,900 square feet is existing commercial space and approximately 1,830 square feet is new construction (approximately 1,056 square feet for 3 units of new commercial space and the remaining to service the residential portion of the building). The project will also include the existing basement of 2,900 square feet. The existing commercial space 6,800 is not part of the MUPTE request.

   2.2 The project is not designed to be student housing, meaning it will be leased by the unit (rather than by individual rooms or beds) and the unit configuration does not include several bedrooms with individual bathrooms and sparse common space or include amenities and location selected primarily for individuals attending college and offer limited viability as potential housing for the general population.

   2.3 Construction is expected to be complete on or before January 1, 2022.

   2.4 The project is located in the downtown area described in subsection (1) of Section 2.946 of the Eugene Code, 1971.

   2.5 The applicant submitted all materials, documents and fees required by the City as set forth in Section 2.945 of the Eugene Code, 1971, and the administrative rules adopted by Administrative Order No. 53-15-12-F.

   2.6 The applicant has responded to the **Required Public Benefit** criteria as follows:

      2.6.1 <u>Compact Urban Development</u>. The project will be built in the C-3 Major Commercial Zone, which has no minimum requirements for residential density. The proposed project includes 36 residential units, with a density of 257 units per net acre.

2.6.2 Green Building Features. The project will utilize the City of Eugene Building and Permit Services Pathway in order to meet MUPTE green building requirement and exceed the 10% energy efficiency benchmark. Granite Properties will be required to submit an energy model with their permit application and a commissioning report due 18 months after certificate of occupancy is issued. As the project does not include onsite parking, the project will not include installation of conduit for future electric vehicle charging stations.

2.6.3 Local Economic Impact Plan. A plan is in place for more than 50% of the project's dollar volume of professional services and construction contracts to be local to Lane County (estimated at 82.5%). The applicant is committed to promoting open competitive opportunities for Minority, Women, and Emerging Small Businesses, and is committed to complying with wage, tax, and licensing laws.

2.6.4 Moderate-Income Housing Contribution. The project will provide a minimum of 30% of the residential units with rents that qualify as moderate-income units during the MUPTE period. (The proposed rental rates in the application are below the moderate-income threshold maximum rental rates for 100% of the project's residential units.)

2.6.5 Project Design and Compatibility. The project will address basic design concepts in the context of the project location and will be designed and permitted for construction as shown in the resolution (should City Council approve the MUPTE). The basic design concepts include the scale, form, and quality of the building; the mix of project elements; the relationship to the street and surrounding uses; and parking and circulation.

The project design is appropriate for its downtown context, suited to the particulars of our local climate, and with a ground floor that will foster a positive experience for people on the sidewalk. The development will add a needed mix of uses, promote active transportation modes, support a more vibrant pedestrian realm, and increase safety through additional activity and "eyes on the street." The addition of three commercial studio units accessible from the alley will also increase pedestrian activity and real and perceived safety in that area.

Although the height of the proposed development is less than half of the allowed height in this C-3 zone, without corrective action, the height of the project would block KLCC's existing line-of-sight studio transmitter, located atop KLCC's studios at 136 West 8th Avenue. KLCC has determined that it can resolve the situation by relocating equipment on its roof and using a transmitter link via existing public fiber connections to route the broadcast signal to the Lane Community College Downtown Center, where a rooftop antenna will transmit the broadcast signal. KLCC estimates the relocation effort will cost up to $40,000. KLCC provides a valuable community service, which must be maintained. There are solutions to address this issue and a condition of the MUPTE approval could be conditioned on holding KLCC harmless from the added cost.

2.6.6 Historic and Existing Housing Sensitivity. The project is not adjacent to a historic locale. No historic structures or existing housing were demolished or removed from the property in the 2 years prior to the date of application.

2.6.7 Project Need. The project's pro-forma and financial information was analyzed by Johnson Economics, an independent, real estate economics consultant who found that the project as proposed could not be built but for the benefit of the tax exemption. The financial information Granite Properties submitted in their application is based on projections prior to finalizing financing, construction, and tenanting. It includes assumptions regarding rents, vacancy rates, operating costs, capitalization rate, lender underwriting criteria, interest rates, and reasonable rate of return. Johnson Economics, the Review Panel, and staff reviewed the assumptions. The Johnson Economics analysis concludes that the project would not be viable without the availability of the MUPTE, using the reasonable assumptions outlined and that "inclusion of the MUPTE over a ten-year period would likely make this project viable." Johnson Economics also looked at a scenario where market assumptions for 2018 are changed to reflect optimistic downtown housing market conditions. This scenario would result in a need for a seven-year MUPTE. See Section 4 below for the Review Panel's conclusions.

2.7 A presentation on the Granite Properties project was given to the Downtown Neighborhood Association on March 23, 2016.

2.7.1 Future Neighborhood Engagement. Granite also attended the May 25, 2016 Downtown Neighborhood Association meeting and reviewed project design. Prior to completing final drawings, Granite will meet with Downtown Neighborhood Association. Before submitting for permits, Granite will submit the design to staff to review conformance with the design attached to the resolution (should City Council approve the MUPTE). Staff will also allow the neighborhood an opportunity to review and comment on that final design.

3. A display ad soliciting recommendations or comments from the public regarding this project was published in the Register-Guard on May 10, 2016. The period for comment expired on June 9, 2016 and resulted in 17 written comments. Additional comments were submitted to staff or directly to City Council after the official comment period. All 22 comments received as of July 20 were provided to City Council with the materials for the July 27 work session.

4. The community member MUPTE Review Panel considered the project application, including compliance with program criteria and the independent consultant's financial review, during 3 meetings held on June 27, June 30, and July 18. The Review Panel concluded that the project

meets the Required Public Benefit criteria. The Panel noted that Project Need involves many variables that are hard to predict. The Panel concluded that project need was demonstrated. The majority of the panel members agreed that a ten-year exemption was warranted. Some members agreed that only a five-year exemption was warranted. See Attachment D of the July 27 Agenda Item Summary for the full Review Panel conclusions.

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 administrative rules, and I recommend that the application be approved conditioned upon the project moving forward as proposed and KLCC maintaining signal connection at no cost to KLCC.

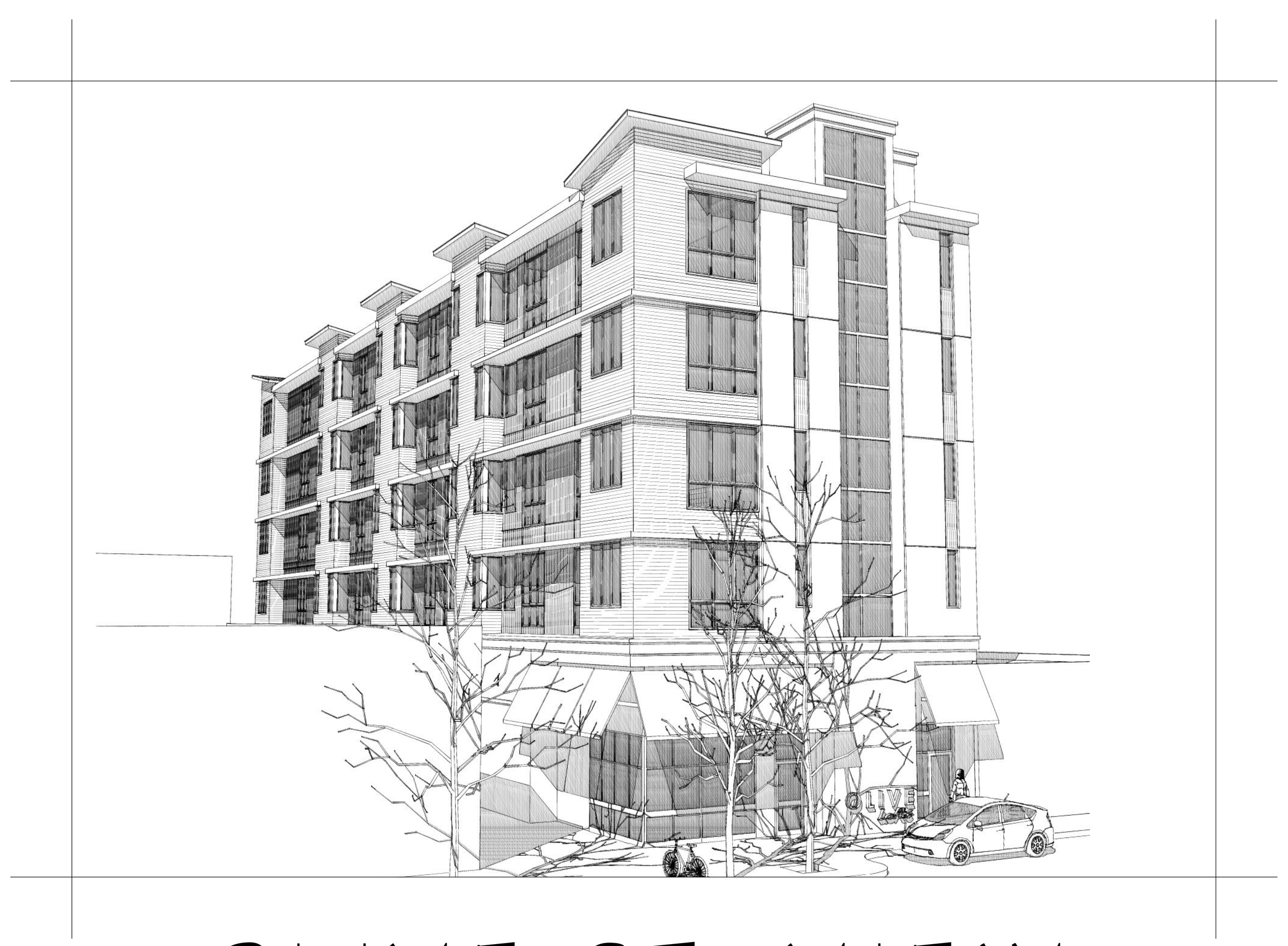
Dated this 21 day of July, 2016.

Sarah J. Medary
Executive Director, Planning & Development Department
Assistant City Manager

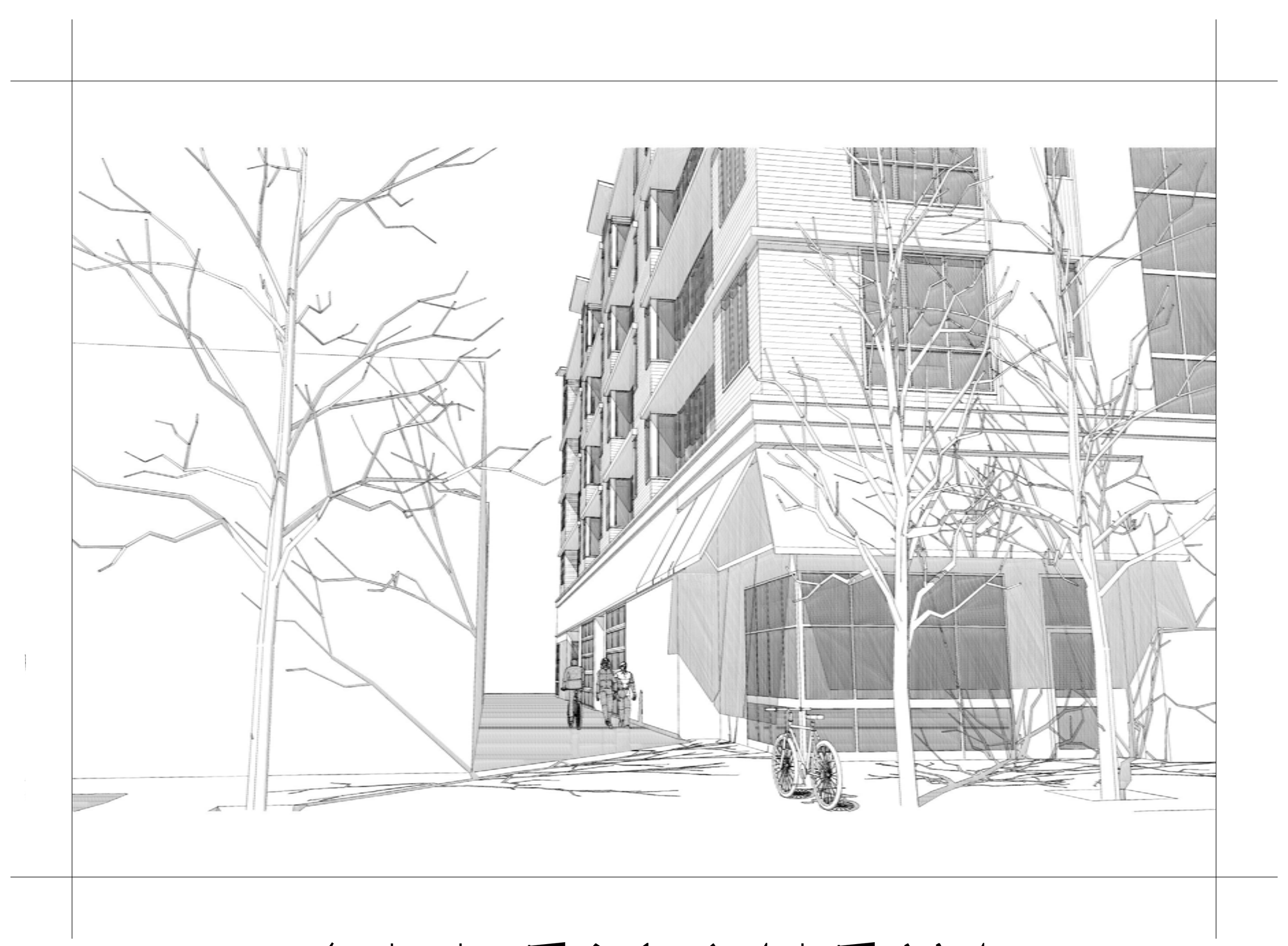
380 Lincoln Street
P O Box 11350
Eugene, Oregon 97440-3550
Phone: 541-344-3332
Fax: 541-344-1597
www.arborsouth.com
PROJECT
The Olive Lofts
844 Olive Street
Eugene, Oregon
INDEX
Design
Development
JOB NO
2815
DATE
21 June 2016
DRAWN BY
Steve
Tyler
CHECKED BY
Bill
REVISION
REGISTERED ARCHITECT
STATE OF OREGON
MEMBERS,
AMERICAN INSTITUTE
OF ARCHITECTS
SHEET NO
1
EAST STAIRS
LOBBY
ELEVATOR
STREET ENTRY
COMMERCIAL SPACE
ALLEY ENTRY
OVERHEAD DOORS
PEDESTRIAN ALLEY
EXISTING BACK WALL
TENANT
TENANT
TENANT
HALL
LAV
TRASH/RECYCLE
WEST STAIRS
VEHICLE ALLEY
GROUND FLOOR
SCALE: 1/8" = 1'-0"
5,730 SQ.FT TOTAL
LAUNDRY ROOM
1- BEDRM
(TYP. 3 UNITS PER FLOOR)
GLASS BLOCK
HALLWAY
TRASH ROOM
STUDIO
(TYP. 6 UNITS PER FLOOR)
SECOND - FIFTH FLOORS
SCALE: 1/8" = 1'-0"
TYPICAL FLOORS 2 THRU 5
5,839 SQ FT PER FLOOR w/ STAIRWELL

OLIVE STREET
EAST ELEVATION
SCALE: 1/8" = 1'-0"

ALLEY VIEW
SOUTH ELEVATION
SCALE: 1/8" = 1'-0"



OLIVE ST. VIEW



ALLEY VIEW

WEST VIEW

Arbor South Architecture
380 Lincoln Street
P O Box 11350
Eugene, Oregon 97440-3550
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PROJECT
The Olive Lofts

844 Olive Street
Eugene, Oregon

INDEX
Elevations

JOB NO
2815

DATE
21 June 2016

DRAWN BY
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Tyler

CHECKED BY
Bill

REVISION

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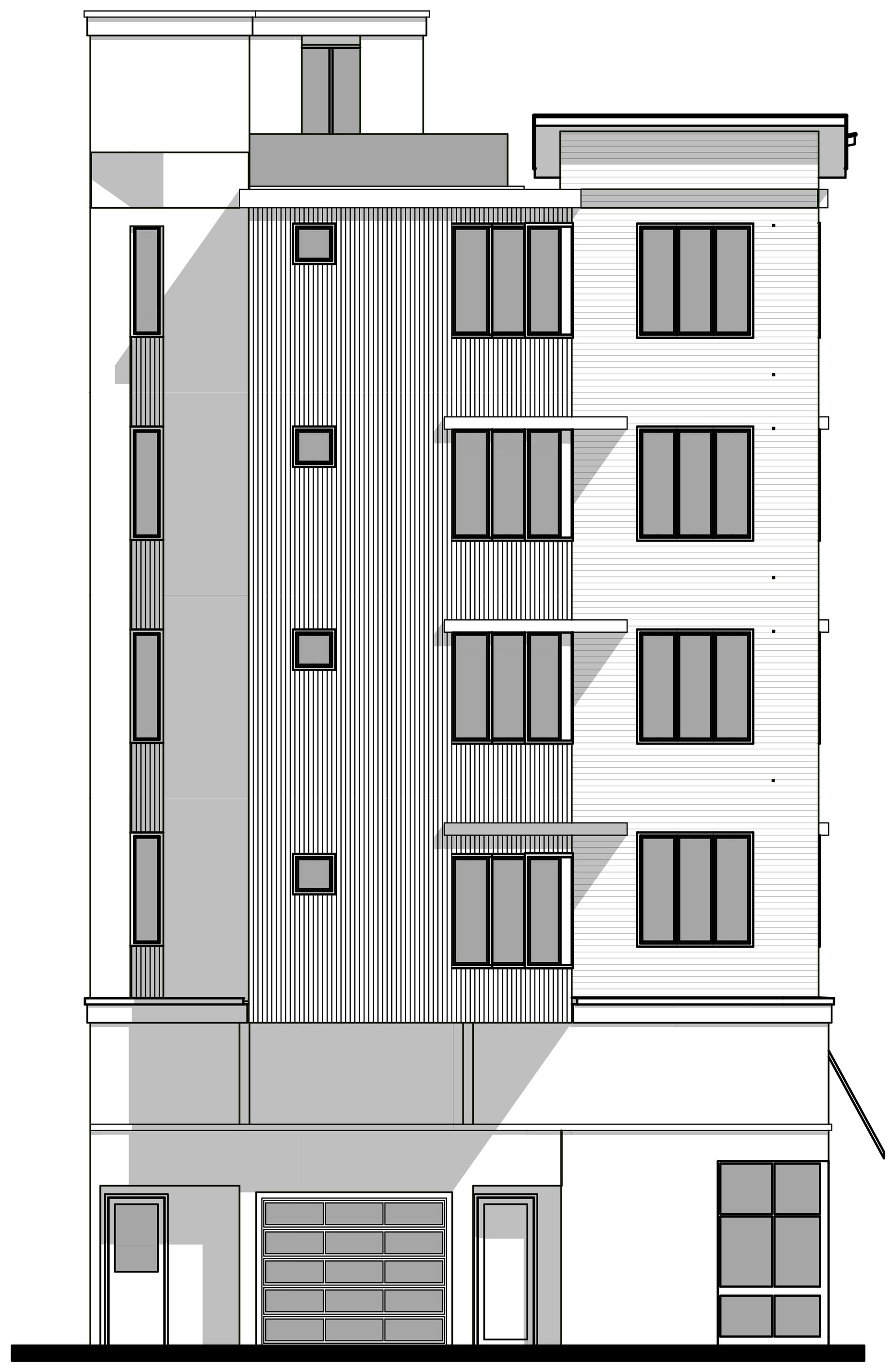
WILLIAM A. RANDALL
EUGENE, OREGON
STATE OF OREGON

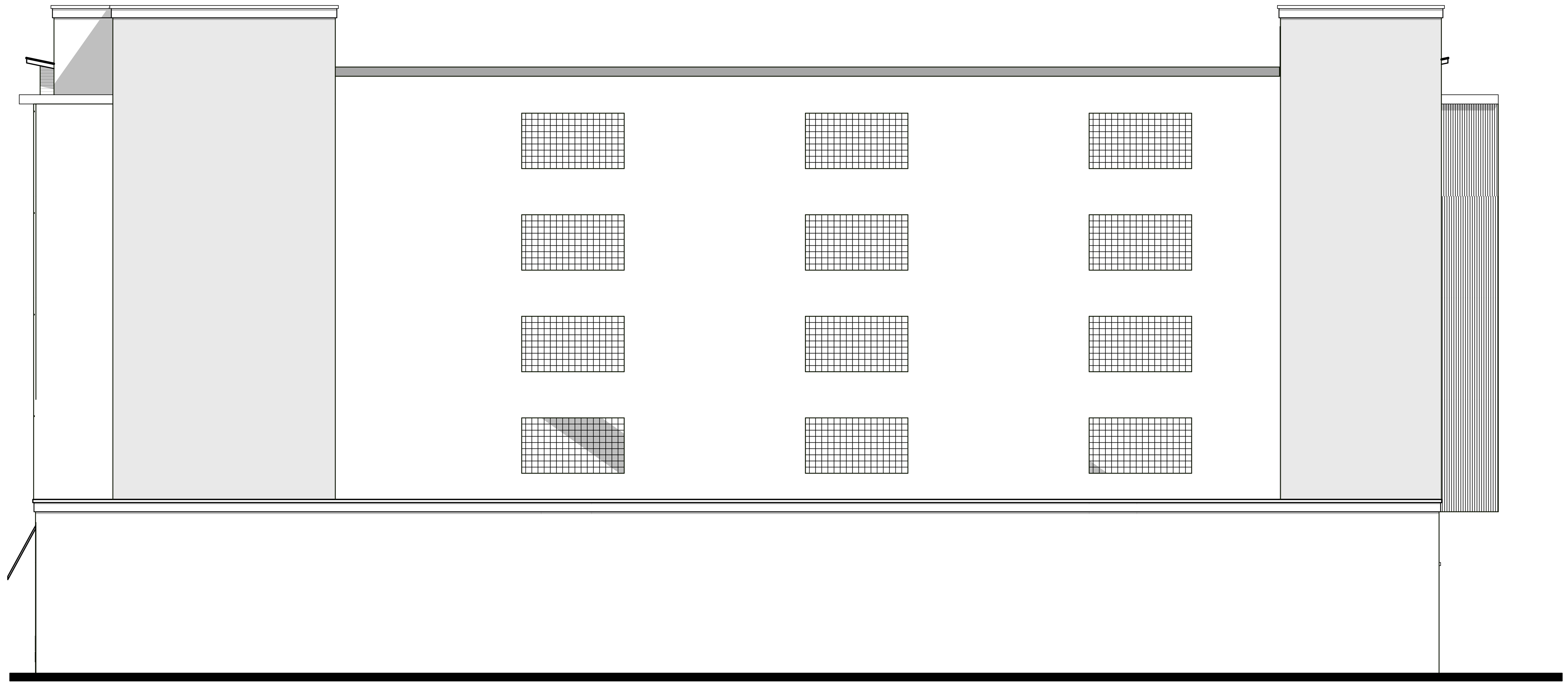
MEMBERS,
AMERICAN INSTITUTE
OF ARCHITECTS

SHEET NO
2



WEST ELEVATION

SCALE: 1/8" = 1'-0"



NORTH ELEVATION

SCALE: 1/8" = 1'-0"

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3

EUGENE CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session: Equity in Contracting Program

Meeting Date: July 27, 2016	Agenda Item Number: C
Department: Central Services	Staff Contacts: Vicki Silvers and Clay Stilwell
www.eugene-or.gov	Contact Telephone Number: 541-682-5082 or 541-682-5051

ISSUE STATEMENT
The purpose of this agenda item is to update the City Council on actions taken and planned to develop an Equity in Contracting Program to increase equity and opportunities for Minority and Women Business Enterprises (MBEs and WBEs) in City contracting.

BACKGROUND
Many historic barriers have limited the scope of the marketplace of MBEs and WBEs and similar barriers impede equitable utilization rates of Minority and Women-owned businesses for public contracts. The issue of equitable utilization of MBEs and WBEs is something many agencies grapple with and for which they come under public scrutiny. It is a multi-faceted and complex issue that requires agencies to invest many resources into the development of policies, methods, and programs.

As of June 2016, the City has implemented a formal Equity in Contracting Program, and this statement and accompanying presentation will serve as an update on the efforts, both thus far and planned, of the program. The program will increase and institutionalize proactive efforts related to contracting diversity and equity. This program will align with other state programs that have recognized the value of leveraging public buying to diversify the pool of vendors available for public contracts. Such diverse markets promote innovation, community vitality, and improve the overall economic health of the community, thereby advancing both the economic and equity values expressed in the City of Eugene's Triple Bottom Line approach. The tools developed to help improve equity in contracting will help a wide variety of vendors, beyond just certified MBEs and WBEs, to understand how to do business with and have access to opportunities afforded by the City's significant purchasing power.

In 2015, Councilor Greg Evans initiated a Council work session to discuss improving opportunities for Minority and Women-owned businesses to do business with the City. At that session there was general support by all councilors to consider ways for the City to increase its utilization of Minority and Women-owned businesses in contracts. Subsequently, the Executive Team issued a letter of support to the organization to encourage everyone to participate in the program. See Attachment A for the Executive Team letter.

To develop and support this effort, the Purchasing Office has hired a Program Analyst who recently began work on the Equity in Contracting Program. Staff has already made great progress in the program by attending a training by the Business Diversity Institute in Portland, and several meetings with diversity and equity professionals in the Portland area to understand their equity programs, policies, and best practices. Additionally, staff has attended various Oregon Association of Minority Entrepreneurs (OAME) events including a Vendor Trade Show in May of 2016. Along with the recent outreach and networking activities, the Public Works department continues to adhere to required data collection for federally funded projects. Staff will outline more of the recent efforts and future activities of the initiative in the Council presentation.

Successful equity in contracting efforts demonstrate a measurable change in their respective organization or agency's contracting equity. The early goals of the City's program will be to create a robust data set with which to track progress over time, while simultaneously implementing proven best practices adopted from other successful contracting equity programs.

RELATED CITY POLICIES
Triple Bottom Line framework: Social Equity and Economic Prosperity. Eugene's City Vision statement states to "Value all people, encouraging respect and appreciation for diversity, equity, justice, and social well-being" and "Encourage a strong, sustainable and vibrant economy, fully utilizing our educational and cultural assets, so that every person has an opportunity to achieve financial security."

COUNCIL OPTIONS
No council options; this is for informational purposes only.

CITY MANAGER'S RECOMMENDATION
No recommendation; this is for informational purposes only.

SUGGESTED MOTION
No suggested motions.

ATTACHMENTS
A. Executive Team Letter of Support

FOR MORE INFORMATION
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Attachment A

A message from the Executive Team

Our organization is grounded in the principles of equity and human rights. Because of the City's commitment to these principles, it is important that we promote and advance these values in our organization, our community, and beyond. The new Equity in Contracting Program is an opportunity to make additional strides in this direction.

National and regional studies show that significant systemic barriers to participation in the marketplace has led to historic underutilization of minority and women-owned businesses in public contracting. This underutilization has a dual impact: it limits the marketplace of vendors, thereby reducing market competition and innovation; and it limits business opportunities to minority and women-owned businesses, which perpetuates the barriers.

The City first prohibited discrimination in contracting based on race or gender through City Code in 1975. Despite taking this action, barriers still exist for minority and women-owned businesses to participate fully in serving the community through contracting with the City. City purchasing activities equal about $124 million per year, and can be a powerful tool to help create a level playing field for all vendors. Improving minority and women owned vendors' access to business opportunities with the City develops and strengthens these organizations and in turn improves the economic prosperity and vitality of our community.

The City has been working on various fronts to understand utilization of minority and women owned business and improve access to contracting opportunities for those firms. Purchasing staff have been networking with other public agencies gaining guidance on best practices, while for federally funded capital projects, Public Works adheres to requirements for collecting utilization data. These are all good steps toward our goals and we know we can do more.

In order to create equitable opportunities for all vendors, the City implemented an Equity in Contracting Program. The program has three focus areas: data collection and analysis, organizational engagement, and external outreach.

1. Conducting critical, systematic, and comprehensive reviews of the data will:
    - Help identify and understand barriers faced by minority and women-owned businesses competing for contract opportunities;
    - Remove barriers that have impaired access by minority and women-owned businesses to contracting opportunities and,
    - Help develop a better understanding of minority and women-owned businesses in the vendor marketplace.

    The Equity in Contracting Program provides the tools and data management to ensure collection and comprehensive review of available data.

2. The success of the Equity in Contracting Program requires active participation amongst project managers and associated City staff involved in the contracting process and related decisions. Engaging these key stakeholders in the Equity in Contracting Program increases awareness of the purpose and importance of the program, and connects City staff with the tools they need to conveniently access potential new vendors.

3. The Equity in Contracting Program engages in targeted outreach to minority and women-owned businesses to facilitate greater participation in City contracts by those businesses. Outreach includes a building of partnerships between community stakeholders and toolkit materials for minority and women-owned businesses to ensure all available resources and programs are put to the best use. Local businesses are a particular focus of the effort to educate vendors about City processes and the value of becoming an MBE or WBE certified organization.

The Purchasing Office in Central Services is coordinating the effort, but it takes leadership, effort and commitment from across all departments to reach our goals. The vision of having a barrier-free contracting environment with a level playing field depends on all of us participating in this important work and striving to create a different environment for our vendors.

Thank you for all that you do to promote the values of equity and inclusion. By doing this work we all benefit.

Eugene Executive Team:

Jon Ruiz, City Manager
*Sarah Medar*y, Assistant City Manager/Planning & Development
Glenn Klein, City Attorney
Kristie Hammitt, Central Services
Chief Joe Zaludek, Fire and EMS
Renee Grube, Library, Recreation and Cultural Services
Chief Pete Kerns, Police
Kurt Corey, Public Works