

# EUGENE CITY COUNCIL

## AGENDA ITEM SUMMARY



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Work Session: Multi-Unit Property Tax Exemption - Envision Eugene Implementation

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Meeting Date: July 20, 2011  
Department: Planning and Development  
*www.eugene-or.gov*

Agenda Item Number: C  
Staff Contact: Nan Laurence  
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### ISSUE STATEMENT

The City Council is asked to review the Multi-Unit Property Tax Exemption (MUPTE) program in the context of Envision Eugene implementation, consider a new sunset date for the MUPTE program to match that of the recently extended state legislation and discuss potential boundary changes.

### BACKGROUND

The Multi-Unit Property Tax Exemption program is enabled by state legislation and designed to encourage higher density housing and redevelopment in the core area and along transit corridors. The program provides a 10-year property tax exemption on qualified improvements; the land continues to be taxed during the exemption period.

The intent behind MUPTE is to support development of multi-unit housing as desired in the targeted area where that development would not occur “but for” the granting of the exemption. Over time, the completed developments create desired density in the target area and ultimately strengthen the tax base. The tax exemption is a tool used to offset real financial obstacles associated with developing multi-unit housing in the core or in transit oriented areas. The obstacles could be related to higher land cost, higher construction cost resulting from multi-story construction and higher quality urban design, parking constraints, code requirements, and environmental conditions related to prior uses. As property taxes are a major operating expense for a development project, the property tax exemption provided by the MUPTE program can play a significant role in allowing a project to move forward. The MUPTE can help create opportunities for financing and return-on-investment that are not otherwise achievable in core area multi-unit development.

The council has a nearly 30-year history of reviewing MUPTE proposals, which are considered on a case-by-case basis. To date, the council has approved 22 projects, resulting in 753 new multi-family units in the targeted areas. The council has also modified the implementation of MUPTE in ways that range from boundary adjustments and the evaluation method, to a program moratorium. In November 2008, the council approved an expanded boundary to include portions of the Trainsong and Whiteaker neighborhoods and a modified evaluation process. The new process includes a scored public benefit criteria and review by the Planning and Development Department’s Loan Advisory Committee. The eight scored public benefits are density, green building features, mixed income, homeownership, accessibility, historic sensitivity, location, and parking. The public benefit scoring criteria is another way of ensuring the desired benefits from this program. (See Attachment A for a list of the projects,

Attachment B for a map of the projects showing the current boundary, and Attachment C for a summary of changes over the last 15 years.)

### Envision Eugene

The Envision Eugene Draft Proposal identifies several strategies calling for more compact urban development and multi-family housing. The proposal specifically calls for meeting the 20-year multi-family housing and commercial lands needs within the existing Urban Growth Boundary through development of vacant lands and focusing new development and redevelopment on key transit corridors and core commercial areas (including downtown).

While past growth management strategies have mostly relied on regulation to achieve compact development, recent community discussions have recognized the need for incentives to help attract development to the targeted areas, overcome market challenges, and provide for adaptable, flexible, and collaborative implementation. A strategy under the Compact Urban Development pillar calls for making compact urban development within key transit corridors and core commercial areas easier through incentives such as infrastructure improvements, tax incentives, loan programs, and public/private lending partnerships.

In the context of implementing Envision Eugene, MUPTE is one of very few incentives that have measurable market impact. This program has been discussed as a potentially effective and flexible incentive for both housing and mixed-use development. The success of a mixed-use redevelopment strategy, especially along transit corridors, relies in part on creating more multi-family housing. Increasing multi-family housing also enables the community to take a meaningful step towards local and statewide goals for a denser, more sustainable form of residential development while maintaining community livability, compatibility and prosperity.

### Impact of State Legislation

The State Legislature recently extended the program sunset date from January 1, 2012, to January 1, 2022. The new legislation also allows the exemption to include the commercial portion of a multi-unit housing project to the extent that the commercial portion of the project is required in the design or is considered by the authorizing city to be a public benefit. In the downtown core, for example, ground floor retail or commercial services that support residents or pedestrian activity may be determined to create public benefit, and therefore included as tax-exempt improvements. This new commercial property provision would only be available in cases where public benefit is identified, and the council approves on a case-by-case basis the extension of the tax exemption to include the commercial component. The ability to include commercial uses has the potential to be a valuable tool, particularly in the downtown core where mixed-use housing projects have been difficult to realize.

For the Eugene MUPTE program to continue beyond January 1, 2012, the council would need to hold a public hearing and adopt a new authorizing ordinance, and the City Manager would then update existing Administrative Order 53-09-01-F. In addition to the extension of the sunset date, the ordinance could address boundary changes and public benefit criteria.

### Boundary Considerations

Currently, the MUPTE boundaries include nearly all of the property within the Downtown Plan area (see Attachment D). The boundaries also include the majority of the West University area, the Trainsong

neighborhood and portions of the 6th/7th corridor, as well as a small area within the Whiteaker neighborhood.

At the May 9, 2011, meeting, councilors expressed an interest in reviewing the MUPTE boundary, especially the area near the University of Oregon that was added in 2004, following recommendations from the West University Task Force. As has been done in the past, the council can modify the MUPTE boundary, as long as new areas meet state criteria.

The council may also want to consider MUPTE boundary modifications in the context of Envision Eugene. While the details of where and how MUPTE might be utilized as a tool to implement Envision Eugene will need to be discussed further, new MUPTE boundaries could potentially be established on identified key transit corridors and core commercial areas and through opportunity siting.

### Timing and Next Steps

In order for MUPTE to be continued as an economic tool, the council will need to take action in the form of adopting a new ordinance. To balance the need of supporting downtown development while still allowing sufficient time to discuss MUPTE in the context of Envision Eugene, staff is recommending a phased approach. The first step would be to extend MUPTE in the downtown plan area. The downtown is an area that has been a focus of both Envision Eugene and Eugene Counts. In addition, several potential housing projects would be affected if MUPTE were not available. Those include efforts to renovate the former Taco Time building and 858 Pearl Street.

In the fall, staff will return to the council in subsequent work sessions to discuss the remainder of the City and for what areas, if any, the council would like to extend MUPTE benefits.

## **RELATED CITY POLICIES**

MUPTE is enabled by state statute. The City of Eugene has participated in the MUPTE program since 1978. Encouraging housing in the core area is consistent with numerous adopted planning and policy documents. Examples include:

### *Growth Management Policies*

- Policy 1 Support the existing Eugene Urban Growth Boundary by taking actions to increase density and use on existing vacant land and under-used land within the boundary more efficiently.
- Policy 2 Encourage in-fill, mixed-use, redevelopment, and higher density development.
- Policy 3 Encourage a mix of business and residential uses downtown using incentives and zoning.

### *Refinement Plans*

The Downtown Plan and relevant neighborhood refinement plans include policies encouraging residential development at higher density as well as a variety or mix of structure types providing a range of housing opportunities.

### *Envision Eugene*

The MUPTE program is consistent with the current Envision Eugene work and, specifically, the “Promote compact urban development and efficient transportation options” pillar.

### *Eugene Counts*

Increased downtown development is one of the desired outcomes identified under the council goal of sustainable development.

### **COUNCIL OPTIONS**

- A. Direct the City Manager to proceed in two phases: 1) prepare an ordinance and hold a public hearing to extend the sunset date for the existing MUPTE boundary area in the downtown area, and 2) conduct additional work sessions in the fall to discuss other priority areas for council consideration and future action.
- B. Direct the City Manager to prepare an ordinance and hold a public hearing to extend the sunset date for the existing MUPTE boundary area.
- C. Let the current MUPTE program sunset January 1, 2012.

### **CITY MANAGER'S RECOMMENDATION**

The City Manager recommends Option A: Direct the City Manager to proceed in two phases: 1) prepare an ordinance and hold a public hearing to extend the sunset date for the existing MUPTE boundary area in the downtown area, and 2) conduct additional work sessions in the fall to discuss other priority areas for council consideration and future action.

### **SUGGESTED MOTION**

Move to direct the City Manager to proceed in two phases: 1) prepare an ordinance and hold a public hearing to extend the sunset date for the existing MUPTE boundary area in the downtown area, and 2) conduct additional work sessions in the fall to discuss other priority areas for council consideration and future action.

### **ATTACHMENTS**

- A. List of Approved MUPTE Projects
- B. Map of Approved MUPTE Projects and Current Boundary
- C. Summary of MUPTE Program Changes
- D. MUPTE Boundary and Downtown Plan Area

### **FOR MORE INFORMATION**

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**APPROVED PROJECTS  
MULTI-UNIT PROPERTY TAX EXEMPTION (MUPTe)**

	<b>NAME</b>	<b>ADDRESS</b>	<b># OF UNITS</b>	<b>YEAR APPROVED</b>
1	Broadway Center	Washington & Broadway	107 units <i>12 studio; 71 One-Bedroom; 24 Two-Bedroom; 12 Studio</i>	1978
2	Lawrence Court	8th and Lawrence	50 One-Bedroom units <i>Low-income housing; tax exempt</i>	1980
3	Washington Abbey	10th and Washington	48 units <i>9 One-Bedroom/plus loft; Five Two-Bedroom; 34 One-Bedroom</i>	1984
4	Olive Terrace	15th Ave. & Olive St.	28 units <i>4 Studio; 12 One-Bedroom; 12 Two-Bedroom</i>	1989
5	Joseph Shapitka	445 W. 10th Ave.	8 Two-Bedroom Units	1990
6	Burnell Ambrose	17 & 35 Lawrence St.	7 One-Bedroom Units	1995
7	Nozama Apartments	525 & 541 E. 19th Ave.	14 units <i>12 Two-Bedroom; 2 Four-Bedroom</i>	1995
8	Hilyard House	701 & 725 E. 14th Ave. 1357 & 1377 Hilyard	53 units <i>44 Two-Bedroom; 9 One-Bedroom</i>	1995
9	Pairadice Apts	640 E. 15th Avenue	30 units <i>6 Studio; 8 One-Bedroom; 16 Two-Bedroom</i>	1996
10	High Street Terrace	1055 High Street	58 units <i>20 Studio; 26 One-Bedroom; 12 Two-Bedroom</i>	1996
11	Broadway Place	Broadway and Charnelton	170 units <i>74 Studio, 72 One-Bedroom, 24 Two-Bedroom</i>	1996
12	The Tate	1375 Olive	47 units – condominiums <i>14 one-bedroom, 27 two-bedroom, 6 three-bedroom</i>	2004
13	Patterson House	979 Patterson	27 units <i>3 studio, 12 One-bedroom, 12 two-bedroom</i>	2004
14	Parkside Place	1448 Hilyard	21 units <i>1 one-bedroom, 2 two-bedroom, 5 three-bedroom, 7 four-bedroom, 6 five-bedroom</i>	2006
15	Coho Townhouses	622 E. 13 <sup>th</sup> Alley, 631 E. 14 <sup>th</sup> Ave.	9 four-bedroom units	2007
16	Patterson Place	1364 Patterson	14 units <i>2 two-bedroom, 6 three-bedroom, 4 four-bedroom, 2 five-bedroom</i>	2007
17	The Steelhead	540 E. 14 <sup>th</sup> Avenue and 535 E. 14 <sup>th</sup> Alley	9 units <i>8 four-bedroom, 1 five-bedroom</i>	2007

	NAME	ADDRESS	# OF UNITS	YEAR APPROVED
18	The Fenway	450 E. 14 <sup>th</sup> , 455 E. 14 <sup>th</sup> Alley	7 units 1 one-bedroom, 2 two-bedroom, 2 four-bedroom, 2 five-bedroom	2008
19	The Pearl on Campus	683 E. 16 <sup>th</sup>	8 units 3 two-bedroom, 2 four-bedroom, 3 five-bedroom	2009
20	Midtown Terrace	362 E. 12 <sup>th</sup> Ave, 1254 Mill Alley	24 units 4 one-bedroom, 7 two-bedroom, 13 three-bedroom	2009
21	E. 15 <sup>th</sup> Townhouses (Newman)	429 & 502 E. 15 <sup>th</sup> Ave	6 two-bedroom units	2009
22	The Sequoia (Pearl on Campus LLC)	1367 High Street	8 units 2 two-bedroom, 4 three-bedroom, 2 four-bedroom	2009

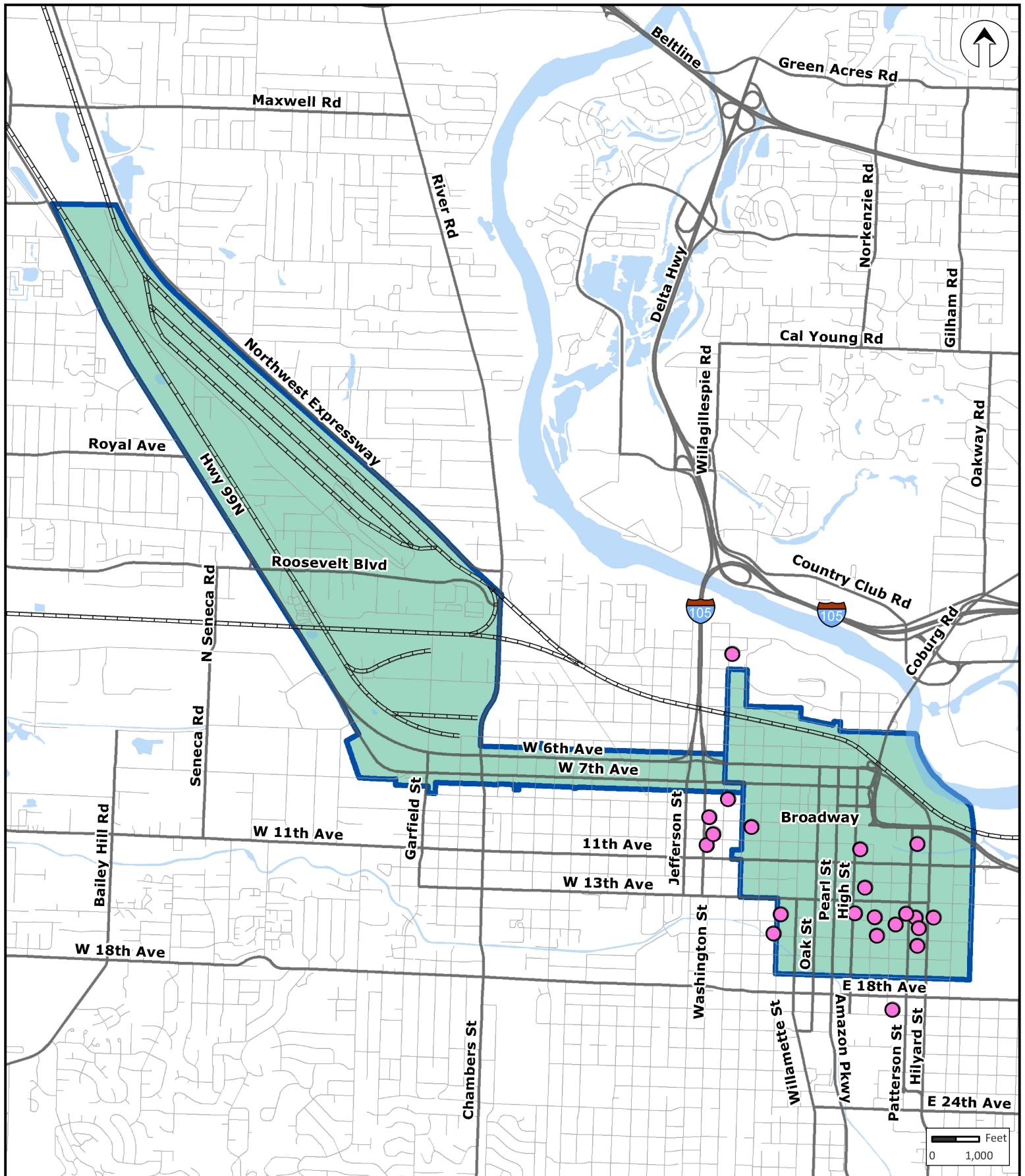
### **PROJECTS NOT YET COMPLETED**



	NAME	ADDRESS	# OF UNITS	YR APPROVED or STATUS
1	Eugene Downtown Cohousing	990 Lincoln	24 ownership 2 one-bedroom units, 10 two-bedroom units, 11 three bedroom units, and 1 four-bedroom unit; 7 additional rental units (tentative)	2007 (not started yet)
2	North Park Apartments	14 <sup>th</sup> & Hilyard (WUN)	40 units 6 studios, 16 one-bedroom, 18 two-bedroom	2008 (not started yet)
3	The Danville	740 E. 13 <sup>th</sup> Ave. (WUN)	35 units 30 two-bedroom, 5 three-bedroom	2010 (under construction)
4	Paradigm on Pearl	17 <sup>th</sup> & Pearl (WUN)	100 units 40 studios, 32 one-bedroom units, 18 two-bedroom units, 10 three-bedroom units	2011 (under construction)

### **Additional Downtown Housing Tax Exemptions (not MUPTE)**

Lincoln School	58 units	Historic Exemption (15 years)
Tiffany Building	28 units	Historic Exemption (15 years)
Aurora Building	54 units	Low-income Exemption (20 years)
WestTown on 8 <sup>th</sup>	102 units	Low-Income Exemption (20 years)

# MUPTE Current Boundary and Previously Approved Projects



-  MUPTE Current Boundary
-  MUPTE - Approved Projects



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



## ATTACHMENT C

### Council History/MUPTE Program Changes

In 1975, the Oregon legislature adopted the enabling statutes for the MUPTE program as an incentive tool to complement the state land-use laws approved in 1973. The intent was to “stimulate the construction of rental housing in the core areas of Oregon’s urban centers.” In July 1977, council adopted the provisions of the state-authorized tax exemption program through a resolution that determined to complement the Eugene Community Goals and Policies adopted in 1974: “High density dwellings should be encouraged close-in to accommodate those people who prefer to live near the center of activity.” Since that time, both the state statutes and Eugene’s implementation of them have been amended. For instance, the statutes now allow multi-family ownership in addition to rental housing. The following is a summary of related council actions during the last 15 years.

*1996 Moratorium:* Council redesigned the selection criteria for the program and then placed a moratorium on accepting MUPTE applications until the impact analysis was complete on the passage of Measure 47 (a property tax limitation and redesign).

*2002 Program Restarted:* In January 2002, council reinstated MUPTE with revised guidelines and adopted a boundary area that was limited to the heart of downtown, substantially smaller than what had previously existed. [No multi-family development occurred in the core area during the moratorium. Broadway Place and High Street Terrace were approved prior to the moratorium and constructed during the moratorium period.]

*2003 Boundary Expansion (Tate):* In July, council approved a small expansion of the MUPTE boundary to include the City’s development site at 14<sup>th</sup> and Olive, the future home of The Tate Condominiums. Also during 2003, council discussed a) Downtown Vision implementation tools and b) the City and University co-sponsored West University Task Force report on livability and safety that was created following the 2002 riot. MUPTE was part of both discussions; council asked staff to return with additional program amendments.

*2004 Boundary Expansion & Quality Standards Amendment:* In April 2004, council debated the merits of setting more specific and strict quality standards for approval and settled on a range of options to be evaluated by council prior to individual project approval. Council voted to expand the boundary area for the co-housing project (11<sup>th</sup> and Lincoln) and to include areas within walking distance of downtown already zoned for multiple-family housing and represented areas in which housing development would be likely to occur. The expansion included parts of the West University Neighborhood and excluded the East Butte District. Council also amended the program rules to include desired quality standards and increased public notification requirements. Additionally, the amendments eliminated an annual fee that was paid to a low-income housing fund, if at least 50% of the housing was not low-income. (This was done after some members of council asserted that charging the fee reduced the incentive and ability to construct higher quality housing.)





*2005 Sunset Extension:* In October, council extended the sunset date from 2006 to 2012 to bring the City's ordinance in compliance with the State Statutes that were amended earlier that year.

*2007 Program Review:* In October, council reviewed the program and asked for an additional work session. A motion to consider shrinking the boundary to the downtown, but including both The Tate and Co-Housing sites was approved 5-4, with the Mayor specifically expressing a willingness to continue the discussion about the boundary once more information was received from staff. Other council comments included an interest in expanding the boundary and options to make the selection criteria more objective than subjective.

*2008 Boundary Expansion & Public Benefit Scoring Amendment:* Council most recently amended Eugene's MUPTE code provisions and boundary in November 2008. To assist both staff and council in evaluating a MUPTE application, the code amendments included 1) adoption of approval criteria and 2) direction to the City Manager to adopt a public benefit scoring system. Council also added a transit-oriented area to the boundary (the Trainsong Neighborhood).

# MUPTE boundary and Downtown Plan area



-  Downtown Plan Area
-  MUPTE

