

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Adoption of Resolution 5045 Extending the Completion Date for Construction of Residential Units Granted a Multiple-Unit Property Tax Exemption under Resolution No. 5032 (The Paradigm on Pearl)

Meeting Date: October 24, 2011
Department: Planning and Development
www.eugene-or.gov

Agenda Item Number: 4
Staff Contact: Nan Laurence
Contact Telephone Number: 541-682-5340

ISSUE STATEMENT

The City Council is asked to approve a resolution granting a four-month extension for the previously approved Multiple-Unit Property Tax Exemption (MUPTE) for “The Paradigm on Pearl” at 17th and Pearl.

BACKGROUND

On May 9, 2011, the council approved a MUPTE for The Paradigm on Pearl. The adopted resolution reflected a provision in the state statutes that required the project to be completed for occupancy by January 1, 2012, the scheduled sunset date for the MUPTE statute.

The 2011 state legislature has since adopted a statute that extends the sunset date by ten years. The developer of The Paradigm on Pearl project is now requesting a four-month extension of the required completion date. The City’s ordinance provides for the possibility of project extensions in the event of intervening circumstances beyond the control of the developer.

Request for Extension

This project has made good progress under construction, but has experienced delays for three reasons.

- First, the excavators encountered unexpected occurrences of solid rock in several locations, including the elevator shaft, which were not indicated in the comprehensive soil study performed before excavation. This required contracting with a Seattle firm to supply a highly specialized drill rig to complete excavation.
- Second, unseasonably heavy rainfall from May to July resulted in rainwater pooling in the excavated pit on the building site, which required a time-consuming water removal process on several occasions.
- Third, the closing of the construction loan was delayed for several months. This delay prevented the builders from ordering certain components and concluding other time-sensitive contracts until the construction loan was closed.

For these reasons, the developer of The Paradigm on Pearl requests an extension until April 30, 2012, to complete the project, which will allow construction to proceed under normal, reasonable, and safe working conditions. Council action on this request on October 24 will help determine the next steps for this project.

The developer has expressed an intention to invest the cost savings afforded by this extension in upgrading the project's environmental certification from LEED-Silver to LEED-Gold. They also intend to make other improvements to the building, including:

1. Replace wood finished wainscoting on the first-floor façade on Pearl Street with stone masonry.
2. Replace the wooden power pole and streetlight on 17th and Pearl with a new, architecturally appealing streetlight.
3. Include additional public seating on 17th Avenue adjacent to the courtyard entrance.
4. Improve the grand entrance to the building on the corner of Pearl and 17th with a more elaborate design than currently planned, in fabricated steel and other upgraded materials.

These project improvements have been added as requirements to the resolution extending the project completion date.

Financial and/or Resource Considerations

The MUPTE program provides tax exemptions for a limited time to encourage new, higher density housing in targeted areas. The City and other local taxing districts forgo revenue for 10 years when a property is approved for the exemption. The land, however, continues to be taxed during the exemption period. Once the tax exemption expires, taxes on the entire improved property result in substantially greater revenue for the taxing districts.

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 and strategies contained within it.

Eugene Counts

Increased downtown development is one of the desired outcomes identified under the Council Goal of Sustainable Development.

COUNCIL OPTIONS

The council may approve or deny the extension.

CITY MANAGER’S RECOMMENDATION

The City Manager recommends approving the resolution to grant the extension.

SUGGESTED MOTION

Move to adopt Resolution 5045 extending the completion date for construction of residential units granted a Multiple-Unit Property Tax Exemption under Resolution No. 5032, as amended under Resolution No. 5045 (The Paradigm on Pearl).

ATTACHMENTS

- A. Proposed Resolution
- B. Letter from Dan Neal, Manager, Pearl Street Sustainable Housing

FOR MORE INFORMATION

Staff Contact: Nan Laurence, Planning and Development Department
Telephone: 541-682-5340
Staff E-Mail: nan.laurence@ci.eugene.or.us

RESOLUTION NO. ____

A RESOLUTION EXTENDING THE COMPLETION DATE FOR CONSTRUCTION OF RESIDENTIAL UNITS GRANTED A MULTIPLE-UNIT PROPERTY TAX EXEMPTION UNDER RESOLUTION NO. 5032. (Paradigm on Pearl Project; Pearl Street Sustainable Housing LLC/Applicant).

The City Council of the City of Eugene finds that:

A. Pearl Street Sustainable Housing LLC is the owner of real property located at 1647 through 1689 Pearl Street and 231 through 235 East 17th Avenue, Eugene, Oregon and had submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units to be constructed on the property.

B. On May 9, 2011, the City Council adopted Resolution No. 5032 approving a multiple-unit property tax exemption for the construction of residential units on the property. That Resolution required that construction be completed on or before January 1, 2012, and provided that no extension was to be expected if the project was not completed by the deadline.

C. Subsection (5) of Section 2.947 of the Eugene Code, 1971 authorizes the Council to extend the deadline for completion of construction of multiple-unit housing for an additional 12 consecutive months if it finds that the failure to complete construction by the time specified in the resolution approving the tax exemption was due to circumstances beyond the control of the owner, and that the owner had been acting in good faith and with due diligence.

D. The property owner advises that circumstances beyond its control have resulted in construction delays and that completing construction by the January 2, 2012 deadline would require workers to work up to 60 hours per week. Therefore, the property owner has requested an extension of time until April 30, 2012, to complete construction of the residential units. An extension of the construction completion deadline will allow workers to work a normal 40 hour work week, which will result in labor cost savings. Those savings will be used to make additional improvements to the building that were not included in the original plan.

E. The Council finds that the property owner has been acting in good faith and with due diligence, and the inability to meet the January 1, 2012 construction deadline is due to circumstances beyond its control.

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 on the above findings which are adopted, Pearl Street Sustainable Housing LLC is granted an extension to April 30, 2012, in which to complete construction of the residential units for which a property tax exemption was granted under Resolution No. 5032, provided that the following improvements to the project are made:

- (a) Use of stone masonry on the first floor along the expanse of the Pearl Street side, rather than wood finished wainscoting.
- (b) Replace large wooden power pole and streetlight on 17th Avenue and Pearl Street with a new, architecturally appealing, metal streetlight.
- (c) Include additional public seating on 17th Avenue adjacent to the courtyard entrance.
- (d) Improve the grand entrance to the building on the corner of 17th Avenue and Pearl Street with a more elaborate design and fabricated steel and other more expensive building materials.
- (e) Take reasonable steps necessary to qualify for LEED-Gold certification.

Section 2. The City Recorder is requested to forward a copy of this Resolution to Pearl Street Sustainable Housing LLC, and to append a copy of this Resolution to Resolution No. 5032.

Section 3. This Resolution shall become effective immediately upon its adoption.

The foregoing Resolution adopted the _____ day of October, 2011.

Deputy City Recorder

PEARL STREET SUSTAINABLE HOUSING**1361 Pearl Street
Eugene, OR 97401****(541)484-7311
dan@nealeng.com**

August 18, 2011

Eugene City Hall
777 Pearl Street
Eugene, OR 97401

RE: MUPTE Extension Request

Dear Councilors and Mayor Piercy:

As you may recall, the City Council passed a resolution granting the MUPTE application for The Paradigm on Pearl on May 9, 2011. Beginning on May 10, we have been working feverishly to complete this LEED-certified, beautifully designed project by December 31. Although we are on pace to complete this Herculean task by that time, we feel that the interests of the community would be well-served by granting additional time to complete this project, as authorized by City Ordinance, based upon delays beyond our control. We have experienced delay due to unforeseen circumstances, as will be explained later in this letter. First, however, I would like to give you a report on our progress to date.

PROGRESS REPORT

We are pleased to report that in general, things have been going swiftly and well. Crews from Essex Construction and our subcontractors, almost all locally owned family businesses, have been working on The Paradigm on Pearl six days per week since May. We are close to hitting the ambitious benchmarks we set for completion of this progress by the first of the year. Our first task was to excavate the entire site, one third of a city block, to a depth of 14 feet to accommodate our proposed underground parking lot for 100 motor vehicles. Two thousand truckloads of dirt and rock were removed from the site in May and June. Next, we installed shoring materials for the safety of our workers. The next critical task was to pour the post-tensioned slab at grade for the large mixed use structure we have planned. The preparation for the pour is a highly technical and exacting task, and when the slab itself was poured in four stages over a period of two weeks, 2400 tons of concrete were required.

At this writing, the task of framing is underway and all of the major building trades will soon begin working on the interiors. It is problematic to have so many tradespeople

from different trades working in close physical proximity to one another over a prolonged time period. Such working circumstances are undesirable because they lead to inefficiency and because worker safety conditions become less than optimal. In addition, according to our construction professionals, working in cramped quarters on an accelerated schedule often leads to a lower quality of construction, as inevitably details are missed in the rush.

UNFORESEEN DELAYS

Since construction began in May, we have encountered three circumstances beyond our control which caused delay in our construction schedule. First, during the process of excavating, we encountered solid rock in a few locations including the elevator shaft. Prior to commencement of construction, we hired geotechnical consultants from PSI, a well-respected international geotechnical firm, to perform a comprehensive soil study. It was their opinion that we would be highly unlikely to encounter solid rock. Once we struck rock, it became necessary to contract with a Seattle firm to mobilize a highly specialized drill rig for excavation at our site. Although we were successful in arranging for this to be done, delays occurred in the process.

A second source of delay was due to the unseasonably high amount of rainfall from May to July. Record level precipitation was widely documented in the local media. Because of the large pit we excavated, rain often pooled up on the building site necessitating a de-watering process on several occasions. Every time de-watering was required, delay was the result.

A third and final source of delay was due to problems obtaining financing. Initially, our lenders told us they could close our loan in May, then June, then July, and finally August. Our construction loan did not close until August 8, and although the principals of Pearl Street Sustainable Housing LLC personally provided the funding necessary to pay for construction activities to the point of closing the construction loan, we were precluded from ordering certain expensive components and concluding other time-sensitive contracts until the construction loan was actually closed. Many financial experts inform us that delays in construction funding are currently at an all time high. The lending environment, already weak for construction financing, was worsened this summer by fears over the debt ceiling issue and the tremendous uncertainties in national and international financial markets. We are fortunate to have obtained funding for such a large project at all, but the delays in closing our construction loan were certainly not within our control and did contribute to some delay in the project. Whenever our lender asked for additional documents or had questions about the project, we made it a practice to provide immediate turnaround, never more than 24 hours. From the outset, we acted diligently and in the best of faith to close our construction loan and to push this project forward with all the resources at our command.

The combined impact of these three factors, all beyond our control, has created delay in our project, and for that reason, we are requesting that the City Council grant us additional time to complete the project. Eugene City Ordinance 2.947 (5) authorizes the Council to grant up to one year of additional time for completion of a MUPTE-approved project. We do not need anything close to a full year extension and would appreciate any additional time the Council may be willing to grant us. Ideally, we would like to have until April 30, 2012 to complete the project. This would not only allow our workers to perform their services in a safer environment, it will also permit them to work normal 40 hour work weeks, rather than having to endure the hardship of working six days a week and perhaps 60 hours week. It will ensure that our workers, nearly all local citizens, can enjoy time with their families on evenings, weekends and holidays.

BENEFITS TO THE CITY

If the Council will allow us an additional three to four months beyond the first of the year to complete The Paradigm on Pearl, we can afford to make the project more desirable for the community. First, we would pledge our best effort to qualify the property for LEED-Gold certification rather than LEED-Silver, as is currently anticipated. Expanding our window for completion will not only reduce personal hardships and potential safety issues for our workers, it will enable us to save on labor costs. We intend to pass a portion of these savings along to the City by attempting to increase the quality of our environmental certification. In addition, we can afford to make other improvements to the building, including:

1. Replace wood finished wainscoting on the first floor along the expanse of the Pearl Street side with stone masonry.
2. Replace the large wooden power pole and streetlight on 17th and Pearl with a new, architecturally appealing metal streetlight.
3. Include additional public seating on 17th Avenue adjacent to the courtyard entrance.
4. Improve the grand entrance to the building on the corner of Pearl and 17th Avenue with fabricated steel and other more expensive building materials than currently planned and a more elaborate design.

CONCLUSION

We feel that it is reasonable for the City to grant us a short extension of time to finish The Paradigm on Pearl. The sole reason for the original deadline was that the MUPTE statute was scheduled to sunset on January 1, 2012 (subject to the one-year extension option contained in the statute), but since the 2011 Oregon Legislature extended the sunset date for ten years, there is no compelling reason to adhere to this artificial

deadline. Moreover, we can construct a better project with less hardship and improved safety for our workers, as well as additional community benefits, if the City Council will grant us at least three or (preferably) four additional months to complete The Paradigm on Pearl. Thank you for your time and attention to this important request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dan Neal', with a long horizontal line extending to the right.

Dan Neal
Manager, Pearl Street Sustainable Housing LLC