

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: Multi-Unit Property Tax Exemption (MUPTE) Program Revisions

Meeting Date: January 14, 2015
Department: Planning & Development
www.eugene-or.gov

Agenda Item: C
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ISSUE STATEMENT

This work session is a continuation of the discussion on potential Multi-Unit Property Tax Exemption (MUPTE) program reforms. The council will review and discuss the draft ordinance with an opportunity to take action. (The draft ordinance is provided in Attachment A.)

BACKGROUND

The MUPTE 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 tax exemption for up to 10 years on qualified, new multi-unit housing investments that occur within a targeted area, meet program requirements, and are reviewed and approved by the council.

MUPTE works by lowering the operating cost enough to make a project financially feasible. The MUPTE program requires all proposed projects to undergo a “but-for” analysis to determine if the project would not go forward but for the tax exemption. The fundamental question has two parts: without the benefit of the tax exemption, would the project 1) qualify for the bank debt, and 2) attract needed equity. For the bank, the important factors are value to secure the loan and cash flow to cover repayment. For the equity, the important factor is the level of return to the investor. Exempting the property taxes reduces the operating costs for the project, which ultimately improves the financial feasibility of a project by either putting the project in a position to qualify for bank financing or to attract the needed investor equity, or both in some cases.

The MUPTE program is currently suspended through February 28, 2015. MUPTE is a critical component to Envision Eugene. Coupled with Area Planning, it is the primary strategy for addressing the future multi-family housing need. Envision Eugene is moving towards completion, with the formal adoption process anticipated for the spring of 2015.

In 2013, the council met to discuss the MUPTE program on April 22, May 13, June 24, July 24, and November 18. The council received input from key stakeholders at a workshop on May 22, 2013. In July 2013, the council highlighted the importance of:

- Aligning the MUPTE tool and availability of the tool with the goals of Envision Eugene.

- Consideration of affordable housing needs and the role that MUPTE can play in advancing this goal.
- Local hiring and the need to support local businesses and talent.
- Identifying community benefits and the need for MUPTE projects to advance community goals.
- Thoughtful and timely reforms that can be implemented to support redevelopment opportunities.

On November 18, 2013, the council added the West 11th area to the potential boundary and identified the following areas for further discussion: local hiring practices, financial gain cap, affordable housing (fee vs. providing units within the project), energy-efficient buildings, application scoring system, and percentage-of-median-income housing qualification. The council also expressed support for seeking stakeholder and community input opportunities.

At the April 14, 2014, work session, staff presented revised criteria based on input from these several stakeholder groups:

- Housing Policy Board committee for feedback specifically related to Affordable Housing criteria;
- Development related fields including three developers, an appraiser, and a banker;
- Construction industry including general contractors, specialized trades, and union representatives;
- Human Rights Commission subcommittee; and
- Technical Resource Group (TRG) comprised of community members with expertise in real estate, land use, and business. This group provided independent review and a technical analysis that informed the March 2012 Envision Eugene Recommendations.

The council provided direction to reach out to the neighborhood organizations for input on the various program revisions under consideration. In May, staff held two meetings to collect feedback from neighborhood leaders on the changes the council reviewed in April. Based on those discussions, staff had several individual meetings with neighborhood leaders and then held a meeting on June 25 to collect feedback on a further revised concept. Neighborhood leaders were also able to complete two online surveys.

Following the April work session, the TRG invited councilors to learn more about the technical analysis and met with Mayor Kitty Piercy, Councilor George Brown, Councilor Mike Clark, Councilor Greg Evans, and Councilor Claire Syrett.

At the July 30 work session, the council reviewed the neighborhood leader feedback and continued the discussion. Staff provided an overview of a draft concept to activate the downtown area first, subject to new criteria, and proceed with other areas after neighborhood planning processes.

On October 15, the council directed the City Manager to schedule a public hearing on the draft program revisions. A public hearing on the ordinance was held on November 17, 2014: 16 people spoke.

Additions to Draft Ordinance for Council Consideration

In addition to the provisions included in the draft ordinance, the council is asked to consider the following concepts based on public input:

- Regarding the MUPTE Review Panel, the two standing neighborhood representatives on the panel would be selected by the neighborhood associations. The two representatives from the MUPTE impacted neighborhood would be selected by the impacted neighborhood association.
- In addition to the project financial due diligence and annual reporting provided by the MUPTE Review Panel, an independent outside professional review of the project's financial pro-forma and annual financial statements will be required. This independent review will be incorporated into individual project application recommendations provided to the council and incorporated into the annual report to the council.
- The "opportunity siting" option which allows neighborhoods to come forward with a supported project for council consideration would be established as a three-year pilot program that would be reviewed by the council prior to the end of the three-year period.
- A proportional affordable housing fee waiver would be provided to projects that include affordable units within the project.
- Waiving the affordable housing fee for projects in the West 11th or 6th/7th Trainsong Highway 99 Corridor areas as additional incentive for multi-unit housing.
- To the extent possible, inclusion of a provision that System Development Charges generated from a MUPTE project are used within the project's neighborhood.

The potential MUPTE boundary is in Attachment B. Background information on the ordinance, including a comparison between the draft and the suspended program, the rationale, and where various aspects are found in the ordinance is Attachment C. Follow-up information on several topics is included in Attachment D.

RELATED CITY POLICIES

Utilization of the MUPTE program to stimulate new multi-unit housing development addresses many goals for Eugene and downtown, including:

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.
- Provide housing affordable to all income levels.
- Plan for Climate Change and Energy Resiliency.
 - Make energy efficiency in buildings and vehicles the first line of action in reducing energy dependence and greenhouse gas emissions.
 - Align incentives, costs and city processes to promote resource efficient buildings, smaller homes and development towards the city core.

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

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.

Climate and Energy Action Plan

- Buildings & Energy Section:
 - Objective 2: Reduce greenhouse gas (GHG) emissions from new construction by 50 percent by 2030.
 - Action 2.2: Increase incentives for highly energy-efficient new buildings aiming toward net zero energy and carbon neutral buildings.

COUNCIL OPTIONS

Council may consider the following options

1. Adopt the ordinance as proposed in Attachment A.
2. Consider changes to the ordinance included in Attachment A, and direct staff to bring back an updated ordinance for council consideration.
3. Take no action at this time, and continue discussions at a future work session.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends that the additions to the draft ordinance as outlined above, and other changes supported by the council at this work session, be brought back in an updated ordinance for council consideration.

SUGGESTED MOTION

Move to direct the City Manager to bring back the draft ordinance included in Attachment A with the proposed additions outlined in this agenda item summary.

ATTACHMENTS

- A. Draft Ordinance
- B. Potential MUPTE Boundary
- C. Background Information on Draft Ordinance
- D. Follow-Up Information

FOR MORE INFORMATION

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