



COUNCIL ORDINANCE NO. 20713

AN ORDINANCE CONCERNING MULTIPLE-UNIT HOUSING PROPERTY TAX EXEMPTION; AMENDING SECTIONS 2.945, 2.946 AND 2.947 OF THE EUGENE CODE, 1971; AND PROVIDING A SUNSET DATE.

ADOPTED: October 23, 2024

SIGNED: October 25, 2024

PASSED: 7:1

REJECTED:

OPPOSED: Zelenka

ABSENT:

EFFECTIVE: November 25, 2024



ORDINANCE NO. 20713

AN ORDINANCE CONCERNING MULTIPLE-UNIT HOUSING PROPERTY TAX EXEMPTION; AMENDING SECTIONS 2.945, 2.946 AND 2.947 OF THE EUGENE CODE, 1971; AND PROVIDING A SUNSET DATE.

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. Section 2.945 of the Eugene Code, 1971, is amended to provide as follows:

2.945 Multiple-Unit Housing – Property Tax Exemption.

(1) The provisions of ORS 307.600 to 307.637 enable cities to grant local property tax exemptions for multiple-unit housing located in core and transit oriented areas designated by the city. There is a need and demand for better housing at rental rates or sale prices accessible to a broad range of the general public in the core and transit oriented areas which is not likely to be produced without this incentive. This incentive is intended to:

- (a) Stimulate the construction of transit supportive multiple-unit housing in the city's core and transit oriented areas to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work;
- (b) Encourage the development of vacant or under-utilized sites in core and transit oriented areas, rather than sites where sound or rehabilitable multiple-unit housing exists;
- (c) Encourage the development of multiple-unit housing, with or without parking, in structures that may include ground level commercial space;
- (d) Encourage the development of multiple-unit housing, with or without parking, on sites with existing single-story commercial structures;
- (e) Encourage the development of multiple-unit housing, with or without parking, on existing surface parking lots; and
- (f) Preserve existing publicly assisted housing that is affordable to low income persons by providing the incentives authorized in ORS 307.600 to 307.637 to existing multiple-unit housing that is subject to a low income housing assistance contract with an agency or subdivision of this state or the United States.

(2) The provisions of ORS 307.600 to 307.637 are hereby adopted as the city's multiple-unit housing property tax exemption program.

(3) *Application Requirements.*

(a) Applications for property tax exemption hereunder shall be filed with the city manager and shall be accompanied by an application fee. The application shall contain the information required by, and be processed in accordance with, administrative rules adopted by the city manager in the manner described in section 2.019 of this code. The application shall clearly state whether the applicant elects to have the application evaluated under the Standard MUPTE criteria in EC 2.946(2)(d) or the Accelerated MUPTE criteria in EC 2.946(2)(e).

(b) Whether the applicant elects to proceed under either the Standard MUPTE criteria in EC 2.946(2)(d) or the Accelerated MUPTE criteria in EC 2.946(2)(e), prior to filing the application, the applicant, including at least one of the applicant's principals, must have arranged for and attended one public engagement opportunity with residents in the neighborhood, including the board of any city-recognized affected neighborhood association, and then included in the application copies of comments received from the meeting or documentation of the applicant's attempt to solicit comments.

(4) *Application Review and City Manager Recommendation.*

(a) If the applicant elects to proceed under the Standard MUPTE criteria in EC 2.946(2)(d), following receipt of a completed application, the city manager shall retain an independent outside professional consultant to review the project's financial pro-forma, with the costs of that review to be paid for by the applicant. The city manager shall also convene the review panel authorized by subsection (8) of this section to review the application and the independent consultant's conclusions. The review panel shall make a recommendation to the city manager about whether the application meets the criteria in section 2.946(2)(d) and provide any other comments about the project's financial projections. After the city manager receives the review panel's recommendation and comments, but in no event later than 135 days following receipt of the application, the city manager shall provide the council with the city manager's recommendation on the application and shall provide to the council the independent consultant's conclusions as well as the review panel's conclusions.

(b) If the applicant elects to proceed under the Accelerated MUPTE criteria in EC 2.946(2)(e), no later than 135 days following receipt of a complete application, the city manager shall provide the council with the city manager's recommendation on the application.

(5) *Council Consideration.*

(a) Upon receipt of the city manager's written recommendation on an application, the council shall consider the application, the city manager's written recommendation, and any written comments submitted on the application. If the council fails to act on an application within 180 days from the date it was filed, the application shall be deemed approved and processed thereafter in accordance with subsection (6)(b) of this section.

(b) At the meeting at which the city manager's recommendation on an application is considered, or at a subsequent meeting, the council shall adopt a resolution approving the application and granting the property tax exemption or adopt a resolution disapproving the application and denying the property tax exemption.

(c) The council shall approve an application if the council determines that the applicable criteria described in section 2.946(2) of this code have been met. The resolution approving the exemption shall set forth any specific conditions of approval. The exemption may not include the land or any improvements not a part of the multiple-unit housing. The exemption may include parking constructed as part of the multiple-unit housing construction, addition or conversion, and commercial property to the extent that the commercial property is a required design or public benefit element of a multiple-unit housing construction, addition or conversion approved by the city. In the case of a structure to which stories or other improvements are added or a structure that is converted in whole or in part from other use to dwelling units, only the increase in value attributable to the addition or conversion may be exempt from taxation.

(d) If the council determines that one or more of the applicable criteria in section 2.946(2) of this code are not met, the council shall deny the application. The resolution denying an application shall set forth the specific reasons for denial.

(6) *Resolution Filing.*

(a) The city manager shall forward to the applicant a copy of the resolution adopted by the council within 10 days following the date the council acts on the application. In addition, on or before the April 1st next following the approval, the city manager shall file with the county assessor a copy of the resolution approving an application.

(b) With respect to an application deemed approved through inaction of the council under subsection (5)(a) of this section, on or before the April 1st next following the expiration of the 180-day period, the city manager shall file with the county assessor an administrative order containing the same findings and information as required to be set forth in a resolution approving an application and forward a copy thereof to the applicant.

(7) Notwithstanding subsection (6) of section 2.947 of this code, if multiple-unit housing granted an exemption pursuant to subsection (5) of this section is or becomes subject to a low income rental assistance contract with an agency of this state or the United States, the city may extend the exemption through June 30 of the tax year during which the expiration date of the contract falls.

(8) *Review Panel.*

(a) The city manager shall create a review panel to provide third-party review of applications subject to the Standard MUPTE criteria under EC 2.946(2)(d). The panel shall be comprised of the following members:

1. Two at-large neighborhood representatives selected by neighborhood association boards;
2. An additional two representatives selected by the board of the neighborhood association from the neighborhood in which a proposed project is located; and
3. Six technical professionals from the following six groups: architects/green building specialists; building trades union; developers; environmental professionals; public health professionals; and human rights representatives.

In order to be eligible to serve on the review panel, members must sign a confidentiality agreement in a form approved by the city manager.

(b) The review panel shall:

1. Review project applications subject to the Standard MUPTE criteria under EC 2.946(2)(d). The review shall include compliance with the criteria contained in section 2.946(2)(d) and the independent outside professional consultant's review of the proforma as described in EC 2.945(4)(a);
2. For projects approved pursuant to the Standard MUPTE criteria in EC 2.946(2)(d), midway through construction, upon completion of construction, and during the tax exemption period, assist the city manager in reviewing the project's compliance with the requirements of section 2.946(2)(d) of this code, and the resolution approving the tax exemption; and
3. Assist the city manager in preparing annual reports to the council on the progress that will also include information about the program volume cap and review of the documentation required under subsection (3)(c) of section 2.946 of this code.

Section 2. Section 2.946 of the Eugene Code, 1971, is amended to provide as follows:

2.946 Multiple-Unit Housing – Threshold Criteria and Public Benefits.

(1) *Boundaries.*

(a) Except as provided in EC 2.946(1)(b), sections 2.945 through 2.947 of this code shall apply only to the following areas:

1. Properties located in the area depicted on Map 2.946(2)(d)2.; and
2. Properties located in the area depicted on Map 2.946(2)(e)2.

(b) The council may expand the boundaries covered by sections 2.945 through 2.947 of this code to include one or more of the areas listed in this subsection (b) upon city council's approval of:

1. Amendments to sections 2.945 to 2.947 of this code that require that a percentage of the units in an approved tax exemption project must be workforce housing as that term is defined in subsection (2)(d)9. of this section 2.946, 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; 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.

The areas that the council may approve pursuant to this subsection are: 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. Any Council approval of one or more of these areas shall include a map that identifies the precise boundaries of the area being approved and shall include the density required for approval of multiple unit tax exemptions in that area.

(2) *Criteria for Approval.* No exemption may be approved under subsection (5) of section 2.945 of this code unless the application complies with the approval criteria in EC 2.946(2)(a) through (c) and either all of the Standard MUPTE approval criteria in EC 2.946(2)(d), or all of the Accelerated MUPTE approval criteria in EC 2.946(2)(e).

(a) *Project Completion.* In the case of the construction of, or the addition or conversion to, multiple-unit housing, the construction, addition, or conversion will be completed on or before January 1, 2032.

(b) *Multiple Unit Housing Subject to a Low Income Assistance Contract.* In the case of multiple-unit housing subject to a low income housing assistance contract with an agency or subdivision of this state or the United States,

1. The application for exemption was made on or before January 1, 2032;
2. It is important to the community to preserve the housing as low income housing and it is probable that the housing would not be produced as or remain low income housing without the exemption being granted.

(c) *No Transient Accommodations.* The multiple-unit housing is not designed for, and will not be used as, transient accommodations.

(d) *Standard MUPTE Approval Criteria.*

1. *Eligible Project Types.* The project will provide multiple-unit housing of five or more new units through new construction, an addition to an existing structure, or a conversion of a structure from another use to dwelling units. Notwithstanding the preceding sentence, no exemption may be granted for a project designed for the leasing of individual rooms or beds, rather than entire apartment units, or a project otherwise designed primarily for individuals attending college.

2. *Location.* The project must be located within the area depicted on Map 2.946(2)(d)2.

3. *Project Need.* The proposal could not financially be built “but for” the tax exemption. The burden is on the applicant to demonstrate that absent the exemption, the project would not be financially viable.

4. *Compact Urban Development.:*

- a. Residential zones: 175% of the minimum density applicable to the zone.
- b. Form-based zones with height limit of three or four stories: 30 units per acre.

5. *Historic Resources.* The project complies with any requirements in administrative rules adopted by the city manager related to proximity to historic resources.

6. *Project Design and Compatibility.*

a. The applicant has included a detailed description of the proposed project and graphic information including site plans and elevations containing sufficient detail to demonstrate that the project addresses a set of basic design principles in the context of the project location. The city manager shall adopt as part of the administrative rules to implement these sections a more detailed description of the required design principles, including the scale, form, and quality of the building; the mix of project elements; and the relationship to the street and surrounding uses.

b. Compliance with the project design elements that were reviewed at the time of council approval is a condition of approval of the exemption, except that the city manager may approve a deviation from those design elements if the city manager determines in writing that the deviations provide the same or greater degree of adherence to the design principles.

7. *Green Building.*

a. Green building requirements apply only to the residential occupancy areas and common areas such as hallways, stairwells, centralized HVAC or hot water heating, and laundry facilities. The requirements do not apply to the commercial areas or ancillary amenities such as parking garage, swimming pools, and recreation centers.

b. The project will perform at least 10% more efficiently than the performance established in the Oregon Energy Efficiency Specialty Code (OEESC).

(1) Green building requirements for one to three story multiple-family buildings are as follows:

(A) Obtain LEED v4 Homes Design and Construction or LEED v4.1 Residential BD+C Multifamily Homes certification and modeled at least 10% above current OEESC; or

(B) Obtain Earth Advantage Silver certification and provide a commissioning report.

(2) Green building requirements for four stories and above multiple-family buildings are as follows:

(A) Obtain LEED v.4 for Homes Design and Construction or LEED v4.1 Residential BD+C Multifamily Homes certification and modeled at 10% above current OEESC; or

- (B) Obtain Earth Advantage Silver certification; or
- (C) City review of the project demonstrates that:
 - (i) Model building energy performance shows that the building will perform 10% above current OEESC performance;
 - (ii) The building is constructed to modeled plans;
 - (iii) Commissioning report will be provided within 18 months following issuance of certificate of occupancy; and
 - (iv) Applicant commits to working with city to report multiple-family occupancy energy use data to city for the tax exempt period.
- (D) Projects that will provide onsite parking are required to install conduit for future electric vehicle charging stations.

8. *Local Economic Impact Plan.*

- a. The applicant must provide a plan that provides for more than 50% of the dollar volume of the combined professional services and construction contracts to include local firms. "Local firm" means a business that is based in Lane County.
- b. The applicant must ensure that qualified minority and women business enterprises have an equitable opportunity to compete for contracts and subcontracts.
- c. The city manager shall include in the administrative rules adopted to implement sections 2.945 through 2.947 of this code provisions that:
 - (1) Identify additional requirements for the local economic impact plan, including definitions and exceptions such as when trades are not available locally;
 - (2) Enable qualified minority and women business enterprises to have an equitable opportunity to compete; and
 - (3) Ensure that the developer and its contractors and subcontractors comply with wage, tax and licensing laws in the development of the project and posts information about the city's rights assistance program.

9. *Workforce Housing.*

a. Except as provided in EC 2.946(2)(d)9.b, following the city council's compliance with the requirements of subsection (1)(b) of this section 2.946 related to workforce housing and the council's activation of one or more areas listed in subsection (1)(b) of this section 2.946, a developer shall include as workforce housing units not less than the percentage of the units specified in those future code amendments, or alternatively shall pay to the city an equivalent workforce housing fee. "Workforce housing" is housing with rents equal to or less than 30% of the area median income. "Equivalent workforce housing fee" is a fee equal to the difference between the rent charged and workforce housing rents for the percentage of the units specified by the future code amendments

(1) If the developer chooses to include the workforce housing units, the application shall identify which units in the project will be the workforce housing units, and shall maintain those units as such for the duration of the tax exemption period. As part of the administrative rules adopted pursuant to section 2.019 of this code, the city manager may further define "workforce housing unit" and shall establish requirements to ensure that the units are maintained as such during the tax exempt period. For purposes of this subsection, "project" means all new development that occurs after approval of the application on one or more contiguous lots all owned by a single entity or covered by a city-approved master plan.

(2) If the developer chooses to pay the equivalent workforce housing fee, the fee may be paid annually in years 3 through 10 of the exemption or may be paid up front. Funds received by the city under this paragraph shall be used for workforce housing.

b. The provisions of EC 2.946(2)(d)9.a. do not apply to tax exemption projects that are located within the area depicted on Map 2.946(2)(d)2. or the area depicted on Map 2.946(2)(e)2. However, the owner of the property shall pay to the city an amount equal to 10% of the total property tax exemption and all such payments shall be dedicated to the facilitation or creation of workforce housing. The fee may be paid annually in years 3 through 10 of the exemption, or may be paid upfront. Alternatively, the owner may comply with the requirement to include not less than 30% of the units as workforce housing pursuant to EC 2.946(2)(d)9.a.

(e) *Accelerated MUPTE Approval Criteria.*

1. *Required Number of Units.*

a. Except as provided in subparagraph 1.b. of this subsection (2)(e), the project will provide at least the following number of new dwelling units:

(1) Four, if the dwelling units will be newly constructed.

(2) Two, if the building or portion of the building where the new dwelling units are located is converted from another use to housing.

b. If the project will cause existing dwelling units to become uninhabitable (for example, because the existing units are demolished or converted to another use) the project must result in a number of dwelling units that is at least 150% of the original number of dwelling units that were located on the site. (For example, if a building containing 10 housing units is demolished, in order for the new units to be eligible for an Accelerated MUPTE, the project must include at least 15 dwelling units.)

2. *Property Location.* The project must be located within the area depicted on Map 2.946(2)(e)2.

3. *Compact Urban Development.* Except in the case of the conversion of a building or portion of a building from another use to housing, the project must result in a minimum residential density of 25 units per acre.

4. *Eligible Project Types.* No exemption may be granted for a project designed for the leasing of individual rooms or beds, rather than entire apartment units, or a project otherwise designed primarily for individuals attending college.

5. *Project Need.*

a. Projects must demonstrate financial need by showing that, without the multiple-unit property tax exemption, either:

(1) Total project cost exceeds project value at stabilization; or

(2) The yield on cost at stabilization (net operating income divided by the total project cost) is less than 6.0%.

b. Total project cost may include imputed land cost and may include developer fees totaling up to 5% of hard costs, including land.

c. Project value is based on pro forma stabilized net operating income and current capitalization rate for multi-unit property in the region.

d. Stabilization is the period that the project is projected to be fully leased.

6. *Public Benefit Criteria.* The project complies with the criteria in EC 2.946(2)(d)5-9.

(3) *Additional and On-Going Obligations of Project Approved for Exemption.*

(a) Following approval of an exemption under section 2.945(5) of this code, the city manager shall monitor the development of the project to ensure that the project complies with the requirements of sections 2.945 through 2.947 of this code, including the provision related to workforce housing, the administrative rules adopted pursuant to this code, and any other conditions of approval of the exemption.

(b) During the developer's design process and before the final design drawings are completed, the developer shall hold at least one neighborhood engagement opportunity to allow members of that neighborhood to provide comments on the proposal. At least one of the applicant's principals must attend that meeting. In addition, once the final design is completed and before it is submitted for permits, the developer shall allow the neighborhood an opportunity to review and comment on that final design.

(c) During the exemption period, the project's owner must annually submit documentation to evaluate compliance with workforce housing requirements, unless the project's owner is paying the equivalent workforce housing fee or is exempt pursuant to EC 2.946(2)(d)9.b. of this section. The regular reporting shall include the home city or zip code of the construction labor workers, and any other information required by administrative rules adopted pursuant to section 2.019 of this code.

Section 3. Section 2.947(8) of the Eugene Code, 1971, is amended to provide as follows:

2.947 Multiple-Unit Housing – Termination of Approval, Review.

(8) Notwithstanding subsections (1) through (7) of this section, if applicant, developer or other owner of the project has failed to comply with the requirements of ORS 307.600 through 307.637, sections 2.945 through 2.947 of this code or the administrative rules adopted thereunder, or a resolution adopted pursuant subsection (5)(c) of section 2.945 of this code, in lieu of subsections (1) through (7) of this section, the city manager may impose penalties as set forth in section 2.1995 of this code. Each day in which a violation is caused or permitted to exist constitutes a separate violation. Failure to pay an administrative penalty authorized by this

subsection shall be grounds for terminating the exemption under subsections (1) through (3) of this section.

Section 4. Map 2.946 of the Eugene Code, 1971, is deleted from Chapter 2 of the Eugene Code, 1971.

Section 5. Map 2.946(2)(d)2. as referenced in this Ordinance and attached hereto as Exhibit A shall be numerically incorporated in Chapter 2 of the Eugene Code, 1971.

Section 6. Map 2.946(2)(e)2. as referenced in this Ordinance and attached hereto as Exhibit B shall be numerically incorporated in Chapter 2 of the Eugene Code, 1971.

Section 7. The City Council hereby designates the area shown on Map 2.946(2)(e)2. attached as Exhibit B to this Ordinance (the Accelerated MUPTE Area) as the area of eligibility for a multi-unit property tax exemption pursuant to the criteria in EC 2.946(2)(e)2. The City Council finds that multiple-unit housing meeting the approval criteria in EC 2.946(2)(e)2. would not be built or preserved in the Accelerated MUPTE area without the multi-unit property tax exemption. The Council's designation of the Accelerated MUPTE Area is consistent with the requirements of EC 2.946(1)(b), because:

1. The City Council has approved amendments to the Eugene Code, 1971, located in EC 2.946(2)(d)9.a. that require that a percentage of the units in an approved tax exemption project must be workforce housing as that term is defined in EC 2.946(2)(d)9. or the developer must make a commensurate "in-lieu of" payment to the city that is based on workforce housing rental rates (or, in the case of the areas shown on Map 2.946(2)(d)2. and Map 2.946(2)(e)2., a commensurate "in-lieu of" payment to the City that is 10% of the exemption amount), and that those payments shall be used to facilitate or develop workforce housing; and

2. The City Council has approved refinement plan policies that specifically provide for multiple-family and mixed use projects within the area shown on Map 2.946(2)(e)2. The applicable refinement plan policies are included in the Downtown Plan, an acknowledged refinement plan of the Eugene-Springfield Metropolitan Area General Plan, that is adopted by the Eugene City Council.

Section 8. On or before January 1, 2027, the City Council shall be provided with data related to performance metrics for the Accelerated MUPTE program for Council's review.

Section 9. This Ordinance shall sunset and be repealed on January 1, 2030, unless extended or made permanent by future Council action.

Section 10. The City Recorder, at the request of, or with the consent of the City Attorney, is authorized to administratively correct any reference errors contained herein, or in other provisions of the Eugene Code, 1971, to the provisions added, amended or repealed herein.

Section 11. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held invalid or unconstitutional by a court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions hereof.

Passed by the City Council this

23rd day of October, 2024



City Recorder

Approved by the Mayor this

25 day of October, 2024

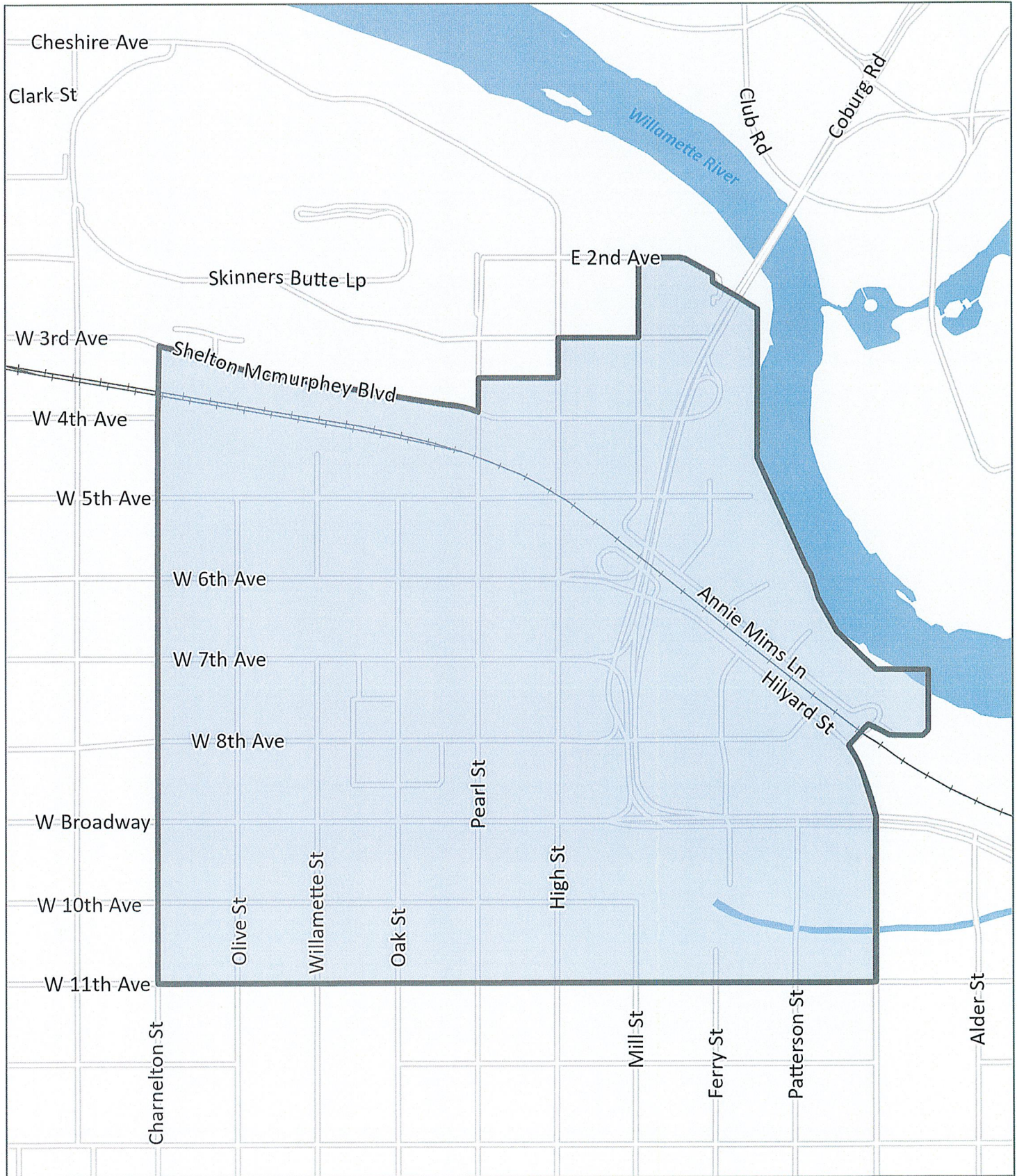


Mayor



Map 9.946(2)(d)2

Standard MUPTE Program Boundary



Standard MUPTE Program Boundary





Map 9.946(2)(e)2

Accelerated MUPTe Program Boundary



 Accelerated MUPTe Program Boundary





Memorandum

Date: October 23, 2024

To: Katie LaSala, City Recorder

From: Lauren A. Sommers, Assistant City Attorney *LAS*

Subject: Correction to Ordinance No. 20713

It has come to our attention that a reference error exists in certain maps that were added to the Eugene Code by Ordinance No. 20713, which was approved by the City Council on October 23, 2024. Specifically, the maps attached to Ordinance No. 20713 are mislabeled. Please effect the following scrivener error corrections:

1. Map 9.946(2)(d)2, which is attached as Exhibit A to Ordinance No. 20713 should be labeled as Map 2.946(2)(d)2.
2. Map 9.946(2)(e)2, which is attached as Exhibit B to Ordinance No. 20713 should be labeled as Map 2.946(2)(e)2.

This correction is authorized by Section 10 of Ordinance No. 20713. Please attach a copy of this memo to Ordinance No. 20713.