Title: Eliminate the Multi-Unit Property Tax Exemption (MUPTE) Program

Description: The MUPTE program provides a 10-year property tax exemption on qualified, new multi-unit housing projects that occur within a specific targeted area (currently the Downtown Plan Area), are determined to be infeasible without the exemption, meet program requirements, and are reviewed and approved by the City Council. Council has suspended the MUPTE program through July 2014 to provide time necessary to consider modifications to the program.

How could this idea help solve the FY15 budget gap? Terminating the MUPTE program would not generate revenue. The projects currently receiving or approved to receive tax exemptions cannot be terminated (except if the project becomes ineligible based on the approval conditions provided in the individual resolutions). To be eligible, a project must demonstrate that it would not be built but for the benefit of the tax exemption. As such, eliminating the MUPTE program would not provide new taxable value because it is assumed that new development would not occur.

What are some potential benefits from this approach? There are no financial or other public benefits.

What are some drawbacks? This approach would eliminate one of the primary tools designed to promote desired density that is not likely to occur within targeted locations if the market is left to its own devices. MUPTE is an identified tool for implementing Envision Eugene, for continued implementation of the Downtown Plan, and for the Climate and Energy Action Plan objectives related to increasing density in the urban core and along high-capacity transit corridors (20-minute neighborhoods). In the short-term, projects would not be built but for the tax exemption and many of the community's goals would not be realized.

In the long-term, the City would continue to collect property taxes on underdeveloped properties with little to no tax value and would not benefit from the long-term increased tax revenue from MUPTE projects. For the eleven MUPTE projects that are now paying full property taxes (the exemption has expired), total annual property taxes in excess of $500,000 are being paid. These properties paid a total of approximately $34,000 before they were redeveloped.

In the absence of MUPTE, new multi-unit housing would more likely locate on less expensive greenfield land on the periphery, resulting in the extension of new infrastructure and less efficient City service delivery costs. New construction dollars and construction jobs would be unrealized in cases where projects could not move forward in the absence of MUPTE.

What are the longer-term or indirect implications from this idea? Currently, 47% of all Eugene residential renters are experiencing a "housing cost burden", meaning they pay more than 30% of their income for housing and utilities. This percentage of burdened renters is much higher than the national average. Our community continues to experience low and stable vacancy rates that put upward pressure on housing costs. An increase in housing supply stimulated by MUPTE could help stabilize rents over time; therefore, helping with housing affordability generally.

The community has favored a more urban form of transit-oriented development focused along corridors, recognizing that more dense mixed-use, walkable neighborhoods provided numerous community, economic, and environmental benefits. By encouraging new, multi-unit housing within the downtown core area, and potentially along major corridors, the MUPTE program is designed to protect neighborhood livability and reduce pressure on future Urban Growth Boundary expansion for residential lands. The more compact, centralized pattern of development encouraged by MUPTE has positive environmental impacts that result from reduced vehicle miles traveled and positive impacts on the City's cost of providing infrastructure and delivering services that are more centrally located. Encouraging multi-unit housing along major corridors supports transportation infrastructure investments (for example, EmEX) that have been made or are planned to be made.

Title: Increase Transient Room Tax

Description: The city currently imposes a 4.5% tax under the authority of the City's Transient Room Tax Ordinance on all overnight stays in the city, including hotels and motels, campgrounds, retreat centers, RV parks, bed and breakfasts, and vacation rentals. The tax is collected by the lodging operator, who retains a collection fee of 5% of the amount collected and remits the balance to the city. City Code directs that all the revenue is placed in the Cultural Services Fund, which accounts for operation of the Hult Center, Community Events, Public Art and Cuthbert Amphitheater.

The amount of tax dollars available for any given period, approximately $1,600,000 annually, varies with the lodging occupancy rate. State law requires that 100% of the revenue from the City's current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.

How could this idea help solve the FY15 budget gap? While all revenue from the current City Transient Room Tax must continue to go to the Cultural Services Fund, state law appears to permit an increase in the tax rate to generate additional revenue of which at least 70% shall be used for tourism promotion or tourism-related facilities, while a maximum of 30% may be used for city operations not directly related to tourism. An increase in the Transient Room Tax and assignment of increased revenues could be accomplished by ordinance; a vote would not be required. City Code would also need to be amended if part of the increased revenue were to be directed to city operations not directly related to tourism.

What are some potential benefits? An increase in the tax rate from 4.5% to 5.5% could net about $355,000 in revenue in a typical year. A maximum of 30% or about $105,000 would be available for city services unrelated to tourism promotion or tourism-related facilities. A minimum of 70% or about $250,000 would have to be used for tourism promotion or tourism-related facilities.

Since the room tax is primarily paid by visitors and not city residents, an increase may be more widely accepted by the community than would alternative tax proposals that primarily tax residents.

What are some drawbacks? Lane County also levies a transient room tax as does the State, making the current total tax rate within Eugene 10.5%. An increase to the City rate would make the total tax within Eugene the highest of any city within Lane County.

Lodging and other hospitality businesses have generally opposed increasing the tax or using the Transient Room Tax revenue for other than tourism-related industries. An ordinance adopted by Council increasing the tax could be subject to referendum by voters.

What are longer-term or indirect implications from this idea? Any increase in the tax rate would result in higher costs to persons renting lodging within the city. Depending on the size of any rate increase, this could make Eugene lodging less competitive and cause some visitors to obtain lodging outside the City. City revenue may not increase if our largest tourism related events and conventions go to more affordable cities. A possible negative economic effect may extend to our restaurants, retail stores, and small businesses throughout Eugene.

Title: Terminate the Urban Renewal Districts

Description: There are two existing urban renewal districts, the Downtown District and the Riverfront District. City Council could terminate one or both of the urban renewal districts which would increase revenue for the City's general fund, but decrease the overall revenue received by the City and Urban Renewal Agency combined. (See pages 359-387 of the FY14 Adopted Budget for more information on the Urban Renewal Agency.)

The Downtown District plan is nearly complete, with the primary activity limited to paying off remaining debt. The Riverfront District goals are to stimulate appropriate redevelopment in the EWEB Master Plan area; promote redevelopment of public and private properties in the area around the Wayne Morse Federal Courthouse; and improve connections between the core of downtown, the riverfront area and the University of Oregon. The Riverfront District is scheduled to expire in 2024.

How could this idea help solve the FY15 budget gap? If City Council were to terminate the districts, the City would receive approximately $840,000 (FY13 est.) for the Downtown District and $360,000 (FY13 est.) for the Riverfront District in annual property tax revenue. The City would also receive a one-time cash deposit of tax increment funds on-hand in both of the districts, as determined by the Lane County Treasurer. The City would receive approximately 39% for the General Fund and 7% for the G.O. Bond Fund. Any non-increment funds would be retained by the City. The timing of district termination and receipt of additional tax funds and one-time cash deposits will depend on the laws and rules governing district termination. It is not clear whether this could occur in time to help solve the FY15 budget gap.

What are some potential benefits from this approach? Provides increased general fund revenues (ongoing and one-time).

What are some drawbacks? Terminating the Downtown District would violate the bond contract the Agency signed to fund a portion of the Lane Community College Downtown Campus project and refinance the Broadway Place parking garages debt. In addition, it would eliminate funding for: a) $500,000 for improvements to the Park Blocks for the Farmers' Market, one of the yet to be completed specific projects approved in the 2010 Downtown Urban Renewal Plan Amendment, and b) administering the Downtown Revitalization Loan Program. The loan program is a primary tool used to stimulate redevelopment of properties and tenant storefronts within the Downtown District.

Terminating the Riverfront District would eliminate the primary financial tool to make critical public investments that will be needed to implement the EWEB Master Plan and connect downtown to the riverfront and University areas. In the long-term, redevelopment of the EWEB property, and areas adjacent to the property, have the potential to generate significant public benefit, including new, long-term property tax revenue. (See separate FIT summary "Develop the EWEB Site."). If public resources are not available through the Riverfront District, the future benefits of the EWEB property redevelopment would be at risk.

For 4j's local option levy, terminating the urban renewal districts would reduce annual school district revenues (in excess of $100,000 each year) due to the state property tax system (Measure 5 tax rate compression).

What are the longer-term or indirect implications from this idea? Compact urban development in the central core is a fundamental goal of Envision Eugene, the Downtown Plan, the Regional Prosperity Economic Development Plan, and the Climate and Energy Action Plan; and Urban Renewal is a primary tool that is used to advance this goal. If a district is terminated, the tool will not be available for future use and other public resources and tools would need to be considered to implement the community-wide objectives included in these plans.

Recent downtown redevelopment in excess of $200 million was stimulated by Downtown Urban Renewal investments. This is an example of how urban renewal can be used to create longer-term public benefits. With the exception of the $500,000 identified in the Downtown District for Farmer’s Market site improvements, the Downtown District Plan does not allow for any further capital expenditures or staffing (other than the loan program) costs for projects within the Downtown District. Although it is assumed that there will be additional projects and needs within the downtown core, no alternative funding source has been identified at this time.

Title: Develop the EWEB Site

Description: Implementing the EWEB Master Plan (developing that property in accordance with the plan) will provide additional property tax revenue in the long term. The EWEB Master Plan is the community's vision for the riverfront culminating from a comprehensive public input process. City Council held a work session on the Riverfront Urban Renewal District on September 11, 2013. A portion of that work session included a prospective cost-benefit analysis for implementation of the EWEB Master Plan based on a set of build-out assumptions. Specifically, the analysis considered the potential outcomes that might result from a theoretical investment of approximately $15 million in Riverfront Urban Renewal funds. The information below is based on that work.

How could this idea help solve the FY15 budget gap? There is no scenario that would provide immediate FY15 financial benefit.

What are some potential benefits from this approach? Based on a number of assumptions related to a mixed-use development scenario for the EWEB riverfront property, the following outcomes have been identified:

- $2 million new annual property tax revenue upon completion of the Master Plan
- Eight acres of new public open space
- Over 300 new housing units totaling $80 million in new construction
- 121,000 square feet of new commercial/office/retail totaling $30 million in new construction
- Adaptive reuse of historic buildings
- 650 construction jobs and 700 new permanent jobs
- Densely develops land within the existing Urban Growth Boundary, creating public service and public infrastructure cost efficiencies, alleviating development pressure on single-family neighborhoods, and limiting future Urban Growth Boundary expansion
- Significant cultural, educational, and health benefits from access to and open space along the Willamette River
- Environmental benefits provided through enhanced storm water treatment, riparian river edge enhancements, and reduction in vehicle miles traveled
- Advances the Regional Prosperity Economic Development Plan by enhancing the regions identity with an iconic waterfront development

What are some drawbacks? Implementation of the EWEB Master Plan will face significant financial challenges, and will require substantial public and private investment. It is not likely that development of the EWEB property will proceed without a commitment of resources from the public to remove redevelopment barriers (for example, access to the site, park space along the river, infrastructure, environmental contamination). The City does not own the EWEB property; therefore, timing of the sale and the selection of a purchaser/developer is not totally in the City's control. Additionally, current economic conditions will likely result in the private sector taking a more conservative approach regarding the pace of development on the property, which will create incremental new property tax revenue over time.

What are the longer-term or indirect implications from this idea? Implementing the EWEB Master Plan can advance many of the goals identified in Envision Eugene, the Downtown Plan, the Regional Prosperity Economic Development Plan, and other community-wide planning efforts. These include compact urban development, limiting future Urban Growth Boundary expansion, providing ample economic opportunities for all, climate change and energy resiliency, protection of neighborhood livability, and protection and restoration of natural resources. (Also, see outcomes identified above).

The EWEB property in its current condition is primarily a tax-exempt, vacant, industrial brownfield immediately adjacent to the Willamette River. Although there are many challenges associated with redevelopment, the fact that it is the only downtown property immediately adjacent to the river creates the potential for high-value uses. Additionally, transformation of the property consistent with the EWEB Master Plan has the potential to stimulate other private development in the surrounding area. Similar to the transformational Urban Renewal Agency investments recently made in the Downtown District, the Riverfront Urban Renewal District's financial resources have the capacity to remove barriers to redevelopment as an incentive for private investment. Elimination of the Riverfront Urban Renewal District (a topic discussed in a separate FIT summary) would require that other sources of public funds be used to make the investments necessary to achieve the outcomes associated with private development of the EWEB property. No other source of public funds is identified at this time.

Title: Capital Improvements Funded with Bonds

Description: Capital improvements include land, structures, facilities, machinery, equipment or furnishings having a useful life of longer than one year. Most medium to large size governments finance capital improvements through a combination of "pay-as-you-go" financing and issuing debt.

Pay-as-you-go financing allows an organization to avoid incurring interest and debt issuance costs while preserving financial flexibility. Under this approach, the organization sets aside cash balances to fund future capital improvements. There are no annual debt payments in the organization's operating budget, leaving more flexibility to respond to unexpected events and scale capital expenditures if needed. Eugene pays for most of its routine capital expenditures using this method.

The City could fund capital improvements with bonds that are paid from existing revenues. This approach requires a funding source to repay the bonds, as well as to pay for debt issuance costs. This type of borrowing spreads out the project's cost over several years which may make some high cost projects attainable in the short term. This was the approach the City used for the Eugene Public Library. It would not make financial sense to replace current pay-as-you-go capital financing with non-voter approved bonds as that would only serve to increase the cost of the projects without any other benefits.

For certain large projects, such as acquisition of parks and street repairs, Eugene has used general obligation bonds (G.O.) that are approved by voters. These bonds allow the organization to accomplish a greater amount of capital projects by using additional property taxes authorized by the voters to repay bonds. Instead of contributing to future capital improvements through annual general fund capital transfers, the City could ask voters to approve general obligation bonds for these improvements.

How could this idea help solve the FY15 budget gap? If G.O. bonds were approved by voters, this idea would provide up to $2.5 million in annual revenue towards the budget gap, and could potentially offset the $900,000 that may be available for capital from unanticipated year-end carryover funds (Marginal Beginning Working Capital). The capital improvements to be G.O. bond funded would meet the definition of costs that could be funded with G.O. bonds under state laws.

What are some potential benefits from this approach? This approach could free up annual, on-going revenues to be used for other general fund purposes.

What are some drawbacks? Voter approval would be required for general obligation bonds in order to receive additional funding for capital projects. There is a cost associated with issuing debt as most transactions require the use of financial advisors, bond counsel and rating agencies. This would entail incurring election costs as well. The City has debt policies that limit the amount of debt that can be outstanding, so the ability to fund routine capital improvements would have to be weighed against other potential borrowing needs to ensure that policy limits were not exceeded.

What are the longer-term or indirect implications from this idea? General capital improvements are typically comprised of smaller projects instead of a single project that voters can connect with; therefore, it may be difficult to pass the bond measure to pay for these projects. In addition, Moody's Investors Service, the City's bond rating agency, cites the City's low debt burden as one of the positive factors in assigning the current Aa1 bond rating. Adding significant amounts to the City's debt burden by starting to fund routine capital projects with bonds could be a red flag to the rating agency and might have future negative rating impacts.

Title: Increase Parking Funds to Solve Budget Gap

Description: The City of Eugene's Municipal Parking program manages eight off-street parking garages and three surface lots and parking meters and time limited zones from downtown to the campus area. All revenue and expenses associated with parking, including citation revenue and adjudication expenses, are accounted for in the Parking Enterprise Fund. To generate more revenue, the City could continue to systematically increase all parking rates across the board and install more metered parking spaces in the downtown and campus areas. The additional revenue generated could then be added to the existing transfer of funds from the Parking Fund to the General Fund.

How could this idea help solve the FY15 budget gap? Provide the General Fund with more revenue.

What are some potential benefits? Sustaining General Fund services.

What are some drawbacks? A systematic, across the board parking rate increases may run counter to business prosperity and neighborhood livability. There is a tipping point where higher rates to enhance the revenue stream of another fund will deter customers and shift employee parking into the residential neighborhoods. In the parking literature, it is suggested that if a city has a paid parking system, then the hourly rate should be set to where it achieves an average of 85% occupancy rate of the parking area and parking revenue is invested directly back into the area where it is collected for tangible items, such as business loans, amenities, and street improvements.

The Parking Fund has its own current financial challenges similar to the General Fund shortage. The Parking Fund has reduced balance available from $2,500,000 in FY10 to about $120,000 in the FY14 Adopted Budget. In order to achieve a positive ending working capital in FY12 and FY13, the General Fund transfer was reduced significantly in both years.

The Parking Fund makes three contributions to the General Fund: (1) Central Service Allocation to pay for a share of organization-wide overhead services, (2) Downtown Police, and (3) General Fund transfer.

In FY11, the Parking Fund increased rates on campus to enable an additional $560,000 to be transferred to the General Fund, above the existing transfer of 12.86% of the prior year revenue. The Parking Fund was able to meet this commitment in FY11 but has not been able make the full transfer in FY12 (reduced by $568,000) and FY13 (reduced by $430,000) to maintain a positive ending fund balance

In FY12, the Parking Fund began to contribute to a new downtown Police Program. This was accomplished by using Urban Renewal to pay the debt service on the Broadway Garages debt that had been paid from the Parking Fund. In return, the Parking Fund would maintain a transfer to the General Fund to pay for downtown Policing Services.

Parking Fund Debt Service & Transfer Activity

	FY09	FY10	FY11	FY12	FY13	FY14
Debt Service	696,513	717,663	740,507	---	---	---
Downtown Police	---	---	---	759,913	771,053	783,575
Central Service Allocation	191,000	247,000	255,000	207,000	268,000	273,000
General Fund Transfer	560,900	617,000	1,128,793	568,759	736,200	928,000
Total Contribution	1,448,413	1,581,663	2,124,300	1,535,672	1,775,253	1,984,575

The Parking Fund has also participated in downtown development through the sale of surface lots. Surface lots generate significant revenue and are relatively inexpensive to operate compared to parking structures. Over the last few decades the City has successfully developed or sold parking lots that include Lane Community College's Downtown Campus, 5th and Oak parking lot, Westtown on 8th, The Tate, Downtown Library, LTD Downtown Station, The Broadway Apartment complexes, and the US Bank Building and parking lot. A quarter block parking lot is currently under sales negotiation to The Shedd Institute of Performing Arts. Additionally, the temporary closure of City Hall and disbursing of services there has reduced the number of employees parking in City locations. The net result of the development of parking lots is to shift the City's downtown parking portfolio from one that was evenly weighted between inexpensive (surface lots) and expensive (garages) assets to maintain to one that is heavily weighted towards more expensive assets to maintain.

The Parking Fund currently has a $5 million backlog of capital needs in the downtown parking structures. The Parking Fund was able to absorb the cost of converting its commercial spaces heating from steam to natural gas. However, little else has been done in the parking structures. The Overpark Garage still operates 2 elevators from when it was constructed in 1969, the Parcade still has its original deck coating from 1976 in half of the garage, and all the garages have cracks forming throughout their concrete infrastructure that are not being addressed for asset maintenance and structural integrity.

What are longer-term or indirect implications from this idea? The Parking Fund is a municipal enterprise fund that has the responsibility to maintain its assets and deliver a service that encourages economic prosperity and enhances neighborhood livability. As downtown continue to revitalize, the City's parking garages become a more valuable tool to assist with downtown's growth. The ability to rebrand the parking structures to present an inviting and pleasant experience to our current and future downtown visitors is critical. The ability to maintain the City's parking assets is also critical. Increasing, or simply just maintaining, the Parking Fund's General Fund contribution will be a challenge over the next several years.