



Eugene City Council

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EUGENE CITY COUNCIL AGENDA

July 27, 2022

12:00 p.m. CITY COUNCIL WORK SESSION

As the state and community recover from the COVID-19 pandemic, City Council meetings will continue to be held in hybrid format using in-person and virtual meeting technology. Information about online or other options for access and participation will be available at <https://www.eugene-or.gov/3360/Webcasts-and-Meeting-Materials>

Meeting of July 27, 2022; Her Honor Mayor Lucy Vinis Presiding

Councilors

Claire Syrett, President
Mike Clark
Randy Groves
Jennifer Yeh

Matt Keating, Vice President
Greg Evans
Emily Semple
Alan Zelenka

12:00 p.m. CITY COUNCIL WORK SESSION

1. WORK SESSION: PUBLIC HEALTH OVERLAY ZONE

2. WORK SESSION: RIVERFRONT URBAN RENEWAL DISTRICT

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July 27, 2022 Work Session

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: Public Health Overlay Zone Concepts and Other Tools

Meeting Date: July 27, 2022
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Allie Camp
Contact Telephone Number: 541-682-5480

ISSUE STATEMENT

At this work session, City Council will be provided with an overview of public health overlay zone concepts and other related tools. Requested by City Council through a motion, this work session is intended to respond to the questions in the motion passed by Council. This is an informational item, and no Council action is requested.

BACKGROUND

At the February 28, 2022 City Council meeting, Council passed a motion made by Councilor Syrett to schedule a work session on the concept of a public health overlay zone, including

- what the benefits of creating an overlay zone might be, and
- how the City would develop criteria for deciding which areas might benefit from such a zone.

Subsequently, on May 23, 2022 Council reviewed the City's role in the regulation of pollutants, the role of other regulatory authorities, and then discussed potential opportunities for the City's role in regulation. The breadth of possible pollutants across air, water, land, and noise, makes the regulatory environment associated with pollutants complex and multi-layered as outlined in the following attachment provided at this work session (Attachment A). In this environment, the regulatory tool most available to the City is the Eugene Code. The City can regulate land use through Chapter 9, business regulations through Chapter 3 (license requirements, hours of operation, reporting requirements, fees), as well as Chapter 4 (offenses), Chapter 6 (nuisance), and Chapter 8 (structural and building requirements).

This Agenda Item Summary will review the concept of a public health overlay zone as applied in other communities. Since a traditional overlay zone is a land use regulatory tool, this summary will also identify additional tools, implementable at the local level. The information included demonstrates a ladder approach to addressing pollution concerns. This ladder begins at managing future pollution sources through land use regulations and can extend to remediating community health and wellbeing impacts through environmental justice policy and programs, spanning across a range of implementation tools. A summary of the range of land use regulatory tools is covered below. However, depending on the goals of the Council in addressing public health, the appropriate solution could be beyond the land use code.

Public Health Overlay Zone Concept

An overlay zone is a special zoning district applied over an existing base zone which contains additional regulations and/or incentives that guide development or protect a specific resource. The concept of public health overlay zones might be a tool to focus the regulations and incentives on reducing pollution in an area and establishing a process for disproportionate impacts to neighborhood and community members.

Examples of public health zones within the United States range in formal name but focus on cumulative pollution impacts to the community, livability, and equity.

- Newark, New Jersey developed policy direction in 2014 to better focus on the industrial legacy of the disproportionate siting of polluting facilities in low-income communities and communities of color. Newark, New Jersey developed a three-pronged approach: (1) to incorporate environmental justice goals into the city's Master Plan and Sustainability Action Plan, (2) to strengthen the existing zoning code to restrict or prohibit certain industrial uses, and (3) to amend the development process to ensure the consideration of environmental justice and cumulative impacts when new developments were reviewed.
- Los Angeles County, California implemented the Green Zones Program in 2015. The program seeks to enhance public health and land use compatibility in the unincorporated communities that bear a disproportionate pollution burden. The program establishes more stringent health standards for new industrial operations and requires new development to reduce the impacts of air pollution on community residents. A local ground truthing program was developed to capture data, impacts, and risks at the neighborhood level.
- Minneapolis, Minnesota, following Los Angeles County's model, implemented the Green Zone initiative in 2017. A green zone identifies a group of neighborhoods that face the combined impacts of environmental pollution and racial, political, and economic marginalization. The Green Zone initiative defines these seven goals-
 - Promote equity and prevent gentrification and displacement
 - Clean up soil and water contamination and redevelop brownfields
 - Improve air quality, livability, and pollinator habitat through vegetation, clean energy, and energy efficiency
 - Improve air and environmental quality in business and transport
 - Increase green job and career opportunities for residents through Green Zone activities
 - Improve affordability, availability, and environmental quality of housing
 - Create healthy, affordable food access by supporting a local system of growing, producing, and distributing

Programs at this scale are often described as environmental justice policy and action frameworks. These programs and policy approaches are towards the top of the ladder of policy building within the discussion of environmental impacts. Luckily, many of these types of livability and community wellbeing policy decisions are already captured in City of Eugene initiatives, outlined at the end of this AIS.

Traditional Overlay Zone

A traditional overlay zone falls in the middle of the ladder due to creating/use of land use processes beyond simple development standards. Locally, the /CL Clear Lake Overlay Zone was created and applied to Eugene's urban growth boundary employment expansion area to ensure

future development fulfills the community's desired outcomes for economic prosperity and increased employment opportunities, while addressing environmental justice concerns. This Clear Lake overlay regulations identify certain uses that are restricted or prohibited and is intended to avoid incompatibilities between odorous emissions or particulate discharges and nearby residences, schools, or parks. This overlay is unique in that it was applied to undeveloped properties and was crafted for a specific geographic area, as opposed to applying to existing industry more broadly.

Starter Tools

These examples have a common approach in that they start at the bottom rung of the ladder with land use development standards to manage public health impacts such as pollution. As discussed in the May 23, 2022 work session, regulatory agencies such as the Lane Regional Air Protection Agency (LRAPA) and the Oregon Department of Environmental Quality (DEQ) are agencies directly responsible for managing pollution in this area. The land use code is the tool the City has available to implement pollution reduction and other public health measures and could include;

- Increasing front, back, and side yard setback standards to require more physical distance between a pollution source and surrounding areas.
- Defining buffer areas between uses with pollution impacts to limit their density.
- Using solid wall and enclosure standards to require production, manufacturing, and/or storage is contained in order to limit impacts to surrounding areas.
- Increasing tree and landscaping requirements to build more natural screening, reduce heat, and absorb sound from pollution sources.
- Restricting the location of or prohibiting the siting of specific uses, which would result in no new development or expansion of those uses.

These development standards could apply geographically, by zone, or by use.

- Application to a specific geographic area would concentrate standards on proposed new development in a specific part of Eugene (like a traditional overlay zone).
- Application to specific base zones would concentrate standards on proposed new development in a base zone (like I-2 Light-Medium Industrial, I-3 Heavy Industrial, E-1 Campus Employment, or E-2 Mixed Use Employment). A base zone may exist throughout the community. Attachment B shows the Eugene zoning map.
- Application to specific uses (like specific types of production or manufacturing facilities) would concentrate development standards on these uses which may span across zones and across the community. This allows the most focused approach to assure application of these standards to sites with pollution concerns.

The use of development standards to address future pollution concerns works best as new development occurs. This solution may not work for existing uses, as they are typically considered legally non-conforming or which means they are allowed to continue operating in compliance with current land use standards. Additional clarity on the goals of this conversation can help in the identification of more applicable tools.

Criteria Examples

Criteria to consider when discussing location or focus of tools range from managing impacts of

future pollution sources to remediating community health and wellbeing impacts. Examples of criteria for public health regulation considerations are:

- Areas with higher pollution levels across air, water, land, and noise as measured and evaluated by LRAPA and DEQ.
- Areas with legacy pollution/exposure levels and contamination as measured by DEQ.
- Areas of pinpointed public health data points such as rates of asthma and heart disease, low life expectancy as measured by public health partners.
- Areas with marginalized community circumstances such as unemployment, housing cost burden, access limitations to transit and healthy food.
- Areas with equity needs such as locations where race, income, and level of educational attainment are marginalized.

Benefits and Drawbacks

The benefits of health overlay zones and other public health regulatory tools include the following:

- Improved health/equity for community residents
- Consistency with existing policy foundation for equity, housing, climate, and livability in Eugene's policy documents.
- Implementation of land use regulations for industry is possible and would move the community towards these policy goals.
- Provides an opportunity to address other Council conversations related to public health, such as gas stations and industry vibrations.

The drawbacks of health overlay zones and other public health regulatory tools include the following:

- Increase in regulations for industry/businesses. Feedback from local business representatives indicates that businesses are discouraged by a regulatory approach rather than starting with conversations, collaboration, and considering incentives for positive outcomes rather than regulations to address a few "bad actors."
- Established businesses that would remain unaltered would operate as existing nonconforming uses.
- Depending on scale of implementation, could require measurements of pollutants, formulation of new programs in the City, which require additional funding, additional staff, compliance considerations, and stronger coordination with current environmental stakeholders (LRAPA, DEQ). Further, legal analysis is necessary to determine what authority and/or limitations the City has in regulating pollutants that are already under regulation by agencies like LRAPA and DEQ.

Related policy direction and initiatives

The City of Eugene currently has policy direction to provide a framework for decisions on environmental impacts, community wellbeing, livability, and partnering with local partners in collaborative problem solving. These documents outline the goals and policies that serve as foundational items for other communities' environmental justice programs.

- *Envision Eugene Comprehensive Plan*: The Economic Development Chapter includes the

following relevant policies:

- **3.22 West Eugene industrial areas.** Protect industrial areas in west Eugene, while supporting their evolution into diverse places of commerce with a flexible regulatory approach that offers a broad mix of employment and industrial uses, thereby accommodating increased employment densities and services to surrounding neighborhoods.
- **3.23 Flexible campus employment areas.** Recognize changing market demands and accommodate land needs through flexible zoning for light industrial/campus employment areas, including Greenhill Technology Park, Willow Creek Circle and Chad Drive.
- **3.24 Environmental justice and compatibility.** To promote compatibility between industrial lands and adjacent areas, apply and maintain land use regulations to avoid the siting of new heavy industrial uses in areas that already accommodate a disproportionate amount of such uses or near residentially designated lands, schools, day care centers, and community recreational facilities such as athletic fields, pools and playgrounds; or, mitigate typical associated impacts when adjacency cannot be avoided.

The Administration and Implementation Chapter includes the following relevant policies:

- **10.4 Local planning coordination.** Collaborate with local planning partners, both among City staff and beyond, to enhance alignment between the Envision Eugene Comprehensive Plan and other planning efforts in the region.
- **10.5 Implementation tools.** Utilize a broad spectrum of tools to implement the policies of the Envision Eugene Comprehensive Plan, including facilitative, regulatory, and financial tools developed through a public planning process.
- **10.6 Community partnerships.** Continue to plan collaboratively with partner agencies to develop implementation and planning efforts that reflect the community vision and make efficient use of regional resources.

Additionally, this plan is slated to include a chapter on Community Health and Livability which will create the policy framework for public health considerations citywide.

- **Neighborhood Planning:** Several health-related aspects can be addressed through neighborhood planning, including walkability, transportation options, access to parks and open space and equitable opportunities for access to healthy food. The River Road-Santa Clara neighborhoods are currently undertaking a neighborhood planning effort. The University area, followed by Bethel, are slated to be the next efforts.
- **Climate Friendly and Equitable Communities Rulemaking Implementation:** The City will be required to undertake several land use and transportation comprehensive plan and regulatory changes to reduce greenhouse gas emissions.
- **Housing Implementation Pipeline:** At the core of the HIP are two pillars of Envision Eugene: provide housing affordable to all income levels; and promote compact urban development and efficient transportation options. The HIP looks to put these community values into action and results in an implementation plan that helps support more housing development across the continuum.
- **Picture. Plan. Play. A Vision and Implementation Plan for Eugene's Parks and Recreation System:** The plan's guiding principles respond to current challenges and look forward in anticipation of a growing population whose reliance on parks and recreation will become even more central to preserving Eugene's exceptional quality of life. It documents the relationship between the

residents of Eugene and their parks and recreation system and offers detailed recommendations for a healthier future for all.

- *Eugene 2035 Transportation System Plan*: This document establishes a system of transportation facilities and services that will serve the needs of Eugene residents over the next 20 years. The 2035 TSP is the transportation element of Eugene's comprehensive land use plan and was designed to support the Envision Eugene project, the community's evolving plan for how Eugene will grow for the next 20 years. The 2035 TSP's planned transportation infrastructure, goals, and policies support an economically vital, healthy, and equitable community
- *Climate Action Plan (CAP) 2.0*: The purpose of the CAP2.0 is to outline the actions needed to reach Eugene's community-wide Climate Recovery Ordinance (CRO) goals. These goals include a science-based projection that returning to 350 parts per million of carbon dioxide equivalent will limit the earth's warming to 1 degree Celsius. This plan, Eugene's Community Climate Action Plan 2.0 continues the momentum created by Eugene's CRO by identifying research-based actions that will help the community reach its climate goals most quickly. The CAP 2.0 connects readers to other plans and policies already in place that are foundational to achieving these goals to create an equitable and livable community for everyone.

PREVIOUS COUNCIL DIRECTION

[February 28, 2022 City Council meeting](#)

At the February 28, 2022 City Council meeting, Council passed a motion made by Councilor Syrett to schedule a work session on the concept of a public health overlay zone, including what the benefits of creating an overlay zone might be, and how the City would develop criteria for deciding which areas might benefit from such a zone. (PASSED 8:0)

[May 23, 2022 City Council work session- Addressing Chronic Toxic Polluters](#)

Council reviewed the City's role in the regulation of pollutants, the role of other regulatory authorities, and then discussed potential opportunities for the City's role in regulation.

COUNCIL OPTIONS

Information item only

SUGGESTED MOTION

Information item only

ATTACHMENTS

- A. Summary of Pollutant Regulator Authority & Programs in Eugene
- B. Eugene Zoning Map

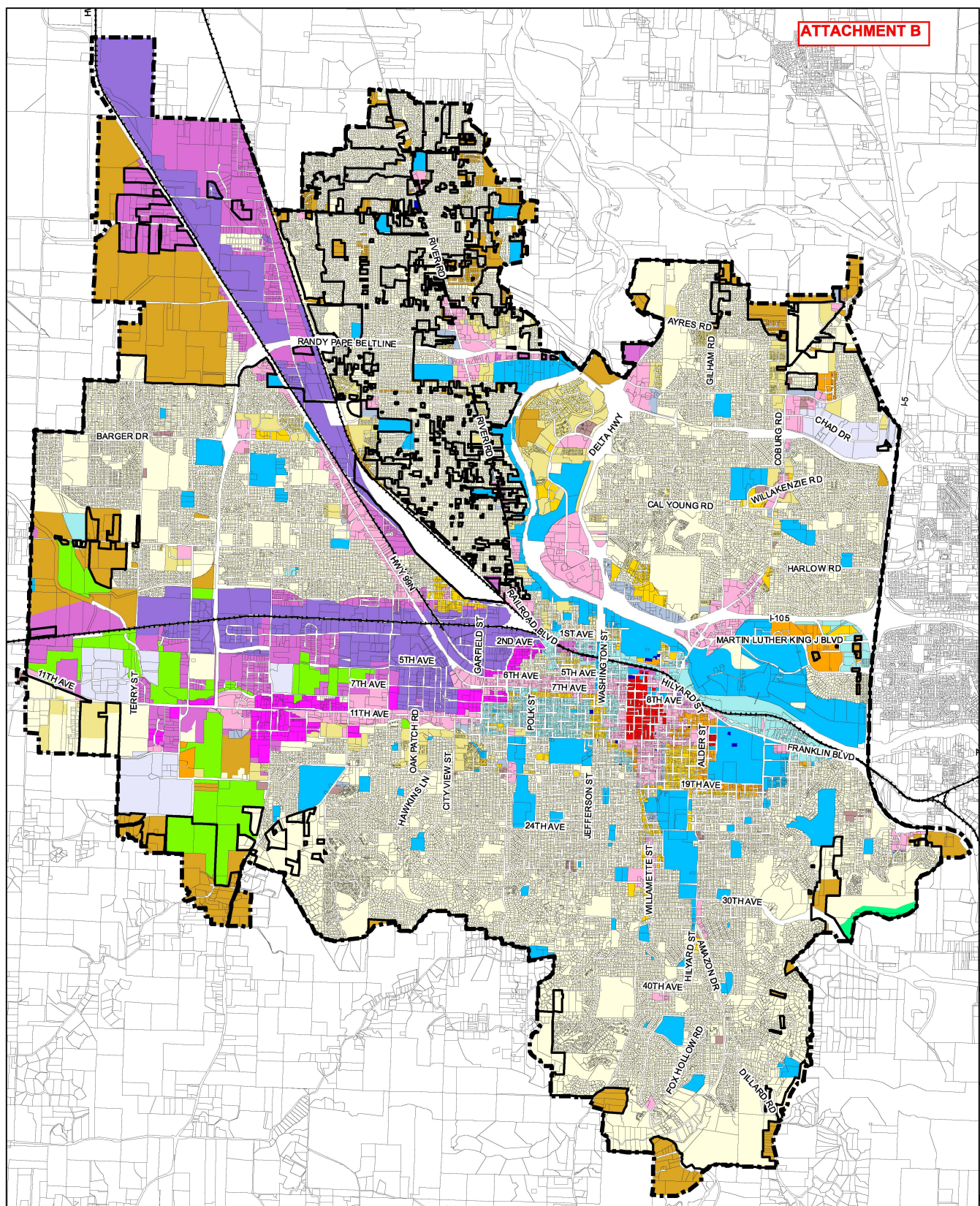
FOR MORE INFORMATION

Staff Contact: Allie Camp
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Staff E-Mail: acamp@eugene-or.gov

Pollutant	Lead Regulator in Eugene	Complaint Process	City of Eugene Related Regulations	City of Eugene Related Programs	Other Tools
Air	LRAPA (delegated by DEQ)	<ul style="list-style-type: none"> • Submit complaint to LRAPA (pollutants) • Submit complaint to City (land use) 	<ul style="list-style-type: none"> • Clear Lake Overlay Zone • Zoning/Planning (use adjacency, permitted uses, etc.) • Fireworks ban 	<ul style="list-style-type: none"> • Council-appointed LRAPA board members • Eugene Toxics Right-to-Know Program/Toxics Board • Climate Recovery Ordinance • EV strategy/electric mobility program (Council action) • TransPlan (transportation system plan) 	<p><u>Policy</u></p> <ul style="list-style-type: none"> • Lobbying (rules, staffing/funding, enforcement) • Particulate restrictions on poor air quality days (via LRAPA) • Economic development strategies (promote green businesses) • Risk Bonds/insurance requirements (future Council work session) <p><u>Operations</u></p> <ul style="list-style-type: none"> • Additional monitoring (\$/FTE) • Regulation of specific uses (i.e., gas-powered leaf blowers, fueling stations, etc.) • Inspections (Fire, Building, etc.) <p><u>Community Members</u></p> <ul style="list-style-type: none"> • Homeowner assistance (grants for HEPA filters) • Education and information (home wood heating, idling engines) • Community engagement (DEQ Site Assessment Program)

Pollutant	Lead Regulator in Eugene	Complaint Process	City of Eugene Related Regulations	City of Eugene Related Programs	Other Tools
Water	Oregon DEQ	<ul style="list-style-type: none"> • Submit complaint to DEQ • Submit complaint to City (stormwater, erosion) 	<ul style="list-style-type: none"> • NPDES permit (wastewater, stormwater) (regulated) • Stormwater drywells (regulated) • TMDL Plan/provisions (regulated) • Stormwater permit (1200- CA (construction) (regulated) • Erosion prevention (code/permits) (regulator) • Industrial stormwater (permits) (regulator) • Illicit discharge detection and elimination (regulator) • Stormwater standards for new and re-development (regulator) • Zoning/Planning (use adjacency, permitted uses, etc.) • Storage tank permitting 	<ul style="list-style-type: none"> • Industrial Wastewater Pretreatment Program • Stormwater Management and Monitoring plans (i.e., green infrastructure) • Water Quality (WQ) Overlay Zone • MWMC (biosolid management) • Eugene Toxics Right-to-Know Program/Toxics Board • COE outreach, information and education • ROW maintenance (street sweeping, leaf collection, etc.) 	<p><u>Policy</u></p> <ul style="list-style-type: none"> • Lobbying (rules, staffing/funding, enforcement) <p><u>Operations</u></p> <ul style="list-style-type: none"> • Additional monitoring (\$/FTE) • Development incentives and offsets for scaled stormwater approach

Pollutant	Lead Regulator in Eugene	Complaint Process	City of Eugene Related Regulations	City of Eugene Related Programs	Other Tools
Land	Oregon DEQ	<ul style="list-style-type: none"> • Submit complaint to DEQ 	<ul style="list-style-type: none"> • Zoning/Planning (use adjacency, permitted uses, etc.) • Storage tank permitting • Single Use Ordinances • Solid Waste Hauler regulation 	<ul style="list-style-type: none"> • Eugene Toxics Right-to-Know Program/Toxics Board • City of Eugene Emergency Management Plan • Waste Prevention Program (Love Food Not Waste) • Brownfields Assessment Grant • ESF Extremely Hazardous Substance Plan • Hazardous Substance Information System Survey (FMO) • Storage tank tracking 	<u>Policy</u> <ul style="list-style-type: none"> • Zoning/Planning • Risk bonds/insurance requirements (future Council work session)
Noise & Vibration	City of Eugene	<ul style="list-style-type: none"> • Submit complaint to City (Building/Zoning, Animal Services or Police) 	<ul style="list-style-type: none"> • Eugene Code (4.080-4.084; 6.750-6.755) (see Attachment B) • Clear Lake Overlay Zone (vibration) • Fireworks ban 	<ul style="list-style-type: none"> • Railroad Quiet Zone 	<u>Policy</u> <ul style="list-style-type: none"> • Adoption of vibration regulations <u>Operations</u> <ul style="list-style-type: none"> • Regulation of specific uses (i.e., leaf blowers, etc.) • Increased FTE/\$ for noise complaint response/enforcement



Eugene Zoning



Eugene Planning & Development
99 West 10th Avenue
Eugene, Oregon 97401



Lane Council of Governments
859 Willamette St., Suite 500
Eugene, Oregon 97401

- | | | | | | |
|---|-----------------------------|---|-----------------------------------|---|--------------------------------------|
|  | AG Agricultural |  | E-1 Campus Employment |  | R-2 Medium-Density Residential |
|  | C-1 Neighborhood Commercial |  | I-2 Light-Medium Industrial |  | R-3 Limited High-Density Residential |
|  | C-2 Community Commercial |  | I-3 Heavy Industrial |  | R-4 High-Density Residential |
|  | C-3 Major Commercial |  | NR Natural Resource |  | S-H Historic |
|  | E-2 Mixed Use Employment |  | PRO Park, Recreation & Open Space |  | S Special Area |
|  | GO General Office |  | R-1 Low-Density Residential |  | Eugene City Limits |
|  | PL Public Land |  | R-1.5 Rowhouse |  | Urban Growth Boundary |

This map does not show zoning overlays (such as site review, planned unit development, or density limitations) which can affect how property is developed.

All data layers current to date of map.

To verify zoning contact the Eugene Permit and Information Center.

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EUGENE AGENCY BOARD AGENDA ITEM SUMMARY



Work Session: Riverfront Urban Renewal District

Meeting Date: July 27, 2022
Department: Planning and Development
www.eugene-or.gov

Agenda Item Number: 2
Staff Contact: Amanda D'Souza
Contact Telephone: 541-682-5540

ISSUE STATEMENT

This work session is the second of two in response to a Council poll about Eugene's two Urban Renewal Districts. Council discussed the Downtown Urban Renewal District at the June 13, 2022 work session. This work session will provide the Urban Renewal Agency Board (Agency Board) with the opportunity to learn about the current financial status of the Riverfront Urban Renewal District (District) and discuss the status of outstanding Downtown Riverfront projects. The Agency Board will have an opportunity after break to provide direction on how to move forward.

BACKGROUND

Urban Renewal has been the primary tool used to realize the community's vision of transforming the former Eugene Water and Electric Board property into the new Downtown Riverfront neighborhood. The Agency purchased the 16-acre property in April 2018 and has made significant investments to spur the site's redevelopment. Most of the work to date has focused on the following elements: the Riverfront Park, infrastructure, public-private partnerships for market-rate housing development, and Steam Plant redevelopment. Staff provided an update on the status of Downtown Riverfront projects at the [May 18, 2022 Budget Committee meeting](#), including the Riverfront Park, infrastructure, and neighborhood development (see Attachment A for a summary of projects' status).

Remaining Riverfront Projects

The Agency Board had initial discussions about four projects in the District, the anticipated financial needs, and potential funding options at work sessions on October 28, 2019, and March 8, 2021. One of those projects, the Plaza, no longer needs additional funding from the Agency due to an award of \$5 million in State funds in July 2021. Below are summaries of the three other projects and their current status:

- 1) *Affordable Housing*: The Agency Board initially approved terms for the Downtown Riverfront Affordable Housing project in 2018 to consist of not less than 75 units of housing rented to households with income at or below 60% of area median income (this same term was carried forward in the updated terms approved in 2020). In the years since, there have been shifts in the Affordable Housing funding environment (mainly increased competition for State tax credits) and construction costs continue to increase significantly. Affordable Housing projects like this one require significant subsidy to be financially viable. The Council/Agency Board's

preference on which funding source(s) to use for this project is an important guide for staff and will impact the timing of the development and availability of resources for other projects in the community. Adding flexibility to the project requirements may make the project more competitive for funding and more feasible. (See Attachment B for more information, including a table of funding options.)

- 2) *Steam Plant Redevelopment*: The Agency Board approved terms for the sale and redevelopment of the Steam Plant on January 26, 2022 to the Dream Plant team. The terms included the use of Urban Renewal funds for asbestos abatement, systems development charges, and permit fees to support the project (estimated at \$1.5 million). The Dream Plant team estimates that even after accounting for the UR funds and their other sources of investment funds, the planned redevelopment has a remaining financial gap of \$5.2 million, due to significant cost escalations that impact the project feasibility. The approved terms state that the development team and Agency would continue to work together to identify funds to close the gap.

The Agency Board added a deal point indicating an understanding that neither City nor Agency funds would be used beyond the initial investment. At the time, State funding opportunities were being pursued. Since the January work session, the State Legislature opted not to allocate funds to the Steam Plant during its recent session. Staff continues to work with the Dream Plant team to identify funding for this gap, although at this time, both parties have exhausted all known potential leads for funding sources that could meaningfully reduce the gap. (See Attachment C for more information, including a table of funding options.)

Additionally, the Steam Plant has seen a significant increase in trespassing, vandalism, and burglary in the building in the past few months. With this uptick in criminal activity, the costs to maintain and protect the building are increasing at a significant rate. Staff expects maintenance costs to exceed \$100,000 to keep the building secure.

- 3) *Mobility Options and Parking*: The Downtown Riverfront redevelopment efforts will significantly increase the amount of people accessing the Downtown Riverfront area, creating a need for more mobility options and parking. The City's multi-modal strategy for community access to the Downtown Riverfront includes improved access for people walking, biking, riding transit and driving. Mobility enhancements that involve physical improvements within the district are eligible for Urban Renewal spending. Currently, the development plan incorporates parking for the private redevelopment and on-street parking is anticipated to meet most of the standard daily visitor needs. However, on-street parking will not accommodate high demand periods like nights, weekends, and special events. In addition, the Steam Plant parcel size is not sufficient to accommodate anticipated parking needs for its planned redevelopment. Currently, there are no specific projects in the category of Mobility Options and Parking. If opportunities to improve mobility options are identified, or if a location is available for parking investment, City Council/Agency Board will have an opportunity to discuss projects in more detail, including funding needs. (See Attachment D for more information, including a table of funding options.)

District's Financial Capacity

After taking into consideration anticipated tax increment revenue through FY24, property sales revenue, and accounting for already committed project costs, there is approximately \$1.5 million of anticipated funding available for future investments in the District. Unless the Agency Board chooses to augment those resources through a Plan amendment to increase the allowable total maximum indebtedness for the District, \$1.5 million is estimated to be the maximum amount that the Agency Board could spend on any remaining projects. That amount is insufficient, by itself, to cover the needed public investments for the remaining projects. In addition, there are a number of other potential investment opportunities within the District that the Agency Board has not previously discussed such as street improvements, additional housing opportunities, riparian restoration, and redevelopment of strategic under-utilized sites. If Council wishes to continue to use Urban Renewal as a redevelopment tool in the Riverfront area, the District's Urban Renewal Plan will need to be amended. (See Attachment E for the financial forecast. See Attachment F for additional information on the technical details of Urban Renewal, including the fiscal implications of the District and the plan amendment process.)

Next Steps

Given the funding available and the remaining projects, direction from the Agency Board is needed for the projects listed above to move forward. The Agency Board will have an opportunity after break to consider whether to:

1. Direct the Agency Director to return with draft options for the three projects that works within the current Agency funds (\$1.5 million) and either includes other funding sources or reduces the scope of projects as needed; or
2. Direct the Agency Director to initiate a Plan amendment to give the District the financial capacity for these or other eligible projects.

PREVIOUS COUNCIL DIRECTION

[April 15, 2019 Work Session](#)

The Agency Board approved funding for the Downtown Riverfront park of \$8 million, initial plaza funding of \$4 million, and directed the Agency Director to come back to discuss funding strategies for other potential projects within the Riverfront District.

[October 28, 2019 Work Session](#)

Staff presented information on remaining Riverfront District resources, and possible uses of those resources. The Agency Board asked for staff to come back with more information on four specific projects (Affordable Housing, Steam Plant, Plaza, and parking) and overall funding strategy information.

[March 8, 2021 Agency Board Work Session](#)

The Agency Board received an update on the current financial status of the Riverfront District and had an initial discussion of four projects that could be pursued in the future, as requested by the Agency Board: 1) Steam Plant, 2) Plaza, 3) Affordable Housing, and 4) Parking. No action was taken.

January 26, 2022 Agency Board Work Session

The Agency Board approved terms for the sale and redevelopment of the Steam Plant, with the addition of the deal point that the project shall be constructed with prevailing wage and continue working with the development team during the due diligence period to identify funding and strategies to cover the funding gap; and that it is understood that neither the Agency nor City funds will be used to fill this funding gap.

AGENCY BOARD OPTIONS

Informational only.

SUGGESTED MOTION

None. Informational only.

ATTACHMENTS

- A. Status of Current Projects
- B. Affordable Housing - Project Overview
- C. Steam Plant - Project Overview
- D. Mobility Options and Parking - Project Overview
- E. Riverfront District Financial Capacity
- F. Riverfront Urban Renewal Technical Information

FOR MORE INFORMATION

Staff Contact: Amanda D'Souza

Telephone: 541-682-5540

Staff E-Mail: adsouza@eugene-or.gov

Status of Current Projects

Most of the Riverfront Urban Renewal (UR) efforts have focused on the redevelopment of the Downtown Riverfront site, formerly EWEB's headquarters. Urban Renewal has been the essential tool in realizing the community's vision of transforming this former utility yard into a new neighborhood, as captured in the 2010 EWEB Riverfront Master Plan.

The Agency purchased the 16-acre site in 2018 and has made significant investments to spur the site's redevelopment. Most of the work to date has focused on four elements – the park, infrastructure, market-rate housing development, and Steam Plant.

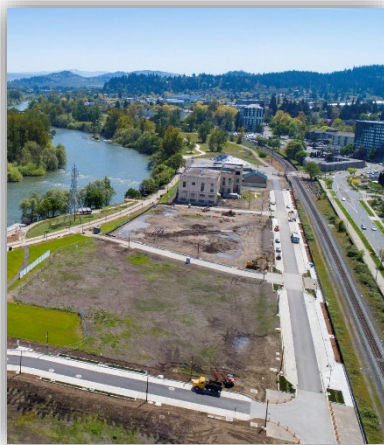
Riverfront Park & Plaza

The bulk of the Park development and construction work started in May 2020 and was substantially completed in June of this year. In April 2019, the Agency Board approved the use of \$8 million UR funds for a total park budget of \$14.3 million. The Park includes new walking and bicycle paths, stormwater treatment, new native vegetation, as well as river overlooks, decks, and seating areas. The Fifth Street Overlook includes an art pavilion, creating a gateway to fantastic views of the Willamette and establishing the long-envisioned connection between Downtown and the River.



Phase two of the Downtown Riverfront Park project will be the Riverfront Plaza project, a one acre addition which will serve as the heart of the new neighborhood and a place to gather and play for the whole community. A smaller portion of phase two is the Southern Plaza, proposed as a unique outdoor public seating area between the Steam Plant and the river path, including an additional river overlook on the historic water intake structure. \$2.1 million of UR funding is allocated for the Plaza in the FY23 budget and last year the state approved \$5 million for the project. The plaza is currently in the planning and design phase.

For more information on the Park and Plaza, visit www.eugene-or.gov/RiverfrontPark.



Infrastructure

In 2020, the City and Agency began construction of the infrastructure needed to bring Downtown to the river. UR funds were used to build out the street network, stormwater and wastewater systems, and the utilities needed to serve the Park and future development. Infrastructure was completed in June 2022.

UR funds have also been allocated for the 3 quiet zone crossings located in the Riverfront district. The City has completed the design for the crossings, and acquired the Manufactured Gas Plant, or MGP, property from EWEB, located next to the substation. The City is now waiting on permit approval from the railroad before construction can begin.

Market-Rate Housing Development

The UR investments in the infrastructure and park will play a vital role in the neighborhood's future development. The market-rate housing development will be led by Atkins Dame Inc., who, in 2020, entered into a development agreement with the Urban Renewal Agency. Their planned multi-use concept includes hundreds of new housing units and new retail spaces.



Overall, Atkins Dame will pay \$11.1 million for the parcels. They closed on the first set of parcels in October of last year and two more closings are set to occur in the fall of this year and next year.

Late last year, Atkins Dame submitted applications for the Multi-Unit Property Tax Exemption (MUPTE) program for the first three of their projects. Council approved these applications in March 2022. When built, these projects will result in the creation of 381 new market-rate units Downtown. Atkins Dame has submitted permit applications for their first two projects and plan to break ground this fall.

For more information visit www.eugene-or.gov/Riverfront

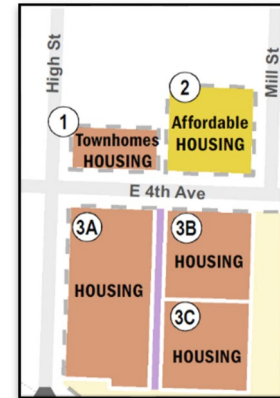
Steam Plant

See Attachment C for more information on the Steam Plant.

Affordable Housing – Project Overview

This attachment provides background information on the Downtown Riverfront Affordable Housing project, including estimated public investment and a summary of funding strategy information. Two examples of local projects supported by the City and built by local providers are included at the end of this attachment.

The Downtown Riverfront lot reserved for Affordable Housing (AH) is on the northwest corner of Mill Street and 4th Avenue (see map on right). In the [Housing Implementation Pipeline](#) (HIP), redevelopment of this site is part of goal #4 of the income qualified 5-year goals. The terms approved by the Agency Board in May 2020 for redevelopment of the Downtown Riverfront call for the AH project to consist of not less than 75 units of housing rented to households with income at or below 60% of area median income (AMI). Additionally, the term allows for sale of the property to either an affordable housing provider or Atkins Dame, who has since chosen not to pursue the development.



There are three key pieces needed in order for the Downtown Riverfront AH project to successfully move forward: 1) Council/Agency needs to decide whether to invest in the project; 2) the required project criteria needs enough flexibility to be competitive for State funding resources; and 3) Agency needs to partner with a developer. The following sections outline the AH landscape and financial considerations that impact these three pieces.

Affordable Housing Landscape

As with all AH developments, the project will need substantial public contribution to compensate for the low project rents to make it economically viable. AH subsidies often come from a combination of Federal, State, and local financial sources. AH developments are complex. The funding structure is not cut and dry – each funding source has its own preferences and set of regulations for eligibility criteria and AMI thresholds.

The main financial resource AH providers use is the Low Income Housing Tax Credit (LIHTC) program, awarded by the State through competitive processes. (See funding table below for more information on LIHTC.) Given the competitive nature of both LIHTC programs offered in Oregon, local AH providers would need to be strategic so that they would not be competing with another locally prioritized AH proposal in the same year. It is up to the developer to navigate the specific funding structure path for a particular site and project.

In Eugene, AH projects have typically had around 50 units and depended on three key financial mechanisms:

- a) the State's 9% LIHTC program;
- b) direct subsidy from the City (usually about \$1M-\$1.5M) in direct subsidy from the City;
- c) the City's Low-Income Rental Housing Property Tax Exemption (LIRHPTE).

In the years since the Agency Board originally established the 75-unit minimum for the Downtown Riverfront AH project, there have been shifts in the AH funding environment (mainly increased competition for State tax credits) and construction prices continue to significantly increase. The neighborhood character of the Downtown Riverfront, first articulated in the EWEB Master Plan and continued in subsequent City policy, includes high-quality, urban architecture. These denser, more durable buildings are a more expensive type of construction and higher cost-per-square foot than more suburban “garden-style” apartments. It is reasonable that any AH developer interested in this project would try to meet the 75-unit requirement in this context with a project consisting entirely of studio and 1-bedroom units. Current State priorities¹ for allocating tax credits favor projects with multi-bedroom units rather than a project accommodating the same number of occupants via studio units. That is, a project with 75 bedrooms with fewer total units may be more competitive for State funding than a project with 75 studio units. The City typically aims to include as much flexibility as possible in AH Requests for Proposals (RFPs) to let the developer determine the appropriate unit mix and other project details to include in their proposal so as to successfully navigate the funding structure complexity and secure the critical LIHTC funding.

Financial Considerations

With rising costs resulting from inflation, rising interest rates, site constraints, the desire for the building to be responsive to the urban design context of the Riverfront while keeping rents affordable, it is expected there will be a need for significant subsidy – likely in the range of \$1.5-\$5 million. The Funding Summary table on the following pages outlines the potential funding sources and tools the City/Agency could choose to use to support the Downtown Riverfront AH project. Some key considerations include:

- Typical contributions the City can offer to AH projects are these buckets:
 - Land bank site donated to the project
 - City fee assistance
 - Development funds with the City’s Federal HOME Funds or the Affordable Housing Trust Fund (AHTF)
- The [Housing Implementation Pipeline](#) (HIP) assumes that HOME and AHTF funds would not be used to support the Downtown Riverfront AH project, so that those funds would be available for other projects to maximize the number of units for the community overall. Given the other land plans in the HIP, putting the Downtown Riverfront AH project in the HOME or AHTF RFP would not be able to occur for three or more years.
- The Downtown Riverfront AH project will likely pursue the State’s LIHTC resources, but the programs are competitive and may not get funded the first time depending on other regional/local projects in the queue.

¹ The state establishes its AH priorities through a 3-year Qualified Allocation Plan (QAP). The current 3-year QAP favors Permanent Supportive Housing and multiple bedroom units. This development will likely be under the next 3-year QAP, which means the State’s priorities could change.

Council/Agency Board Direction Needed

In order to move the Downtown Riverfront AH project forward, direction is needed from the Agency Board that will impact the three key pieces described at the beginning of this attachment (local funding, criteria flexibility, and development partner). These decisions will impact whether the project will be able to attract a development partner, who will only pursue the project if it is feasible. Specifically, the Agency Board needs to decide if they are:

1. Willing to invest in the Downtown Riverfront AH for the best chance of a successful project? If so, what sources?
2. Willing to give developers the option of proposing a project with either at least 75 units OR at least 75 bedrooms (via inclusion of multi-bedroom units). The latter option may make the project more competitive for State funding options, while ensuring the project will house at least 75 individuals.

Next Steps

- Once Agency Board/Council provide feedback on the source(s)/amount of subsidy for the site, staff will do a Request for Proposals (RFP) to collect development proposals for Downtown Riverfront AH project.² The funding source(s) will impact the timing of the RFP. (See the Funding Options table below for information on possible sources, including timing considerations.)
- Because the land is owned by the Agency, the Agency Board will select the developer/project to transfer the property to.
- Timing from transfer to completion is approximately 18 months.

² Per the property disposition process approved November 27, 2017, the Agency Board will need to provide direction on how it would like to dispose of the AH property. This attachment assumes the use of a competitive Request for Proposals (RFP), the standard process for AH landbank properties. Staff recommends this approach.

Summary of Funding Options for Affordable Housing

The table below provides categories of potential funding sources and a preliminary assessment of each funding source's advantages and disadvantages. Funding has not yet been identified. For some funding options, there are opportunity costs if those funds are allocated to the Downtown Riverfront AH project - those considerations are **bolded**.

Funding Type	Description	Summary of Issues to Consider
City of Eugene		
Affordable Housing Trust Fund (AHTF)	In May 2019, City Council passed Ordinance No. 20609 establishing a construction excise tax (CET) on commercial and residential improvements. The tax created a dedicated source of funding for housing programs and services affordable to people with incomes up to 100% of area median income, called the Affordable Housing Trust Fund (AHTF). Funding is collected annually. In May 2022, Council awarded just over \$1 million of the total \$1.6 million in the AHTF to two affordable housing projects: Peace Village and Green Lane Veteran's Housing. The AHTF available to be allocated in FY23 is estimated at \$1.3 million, which is a combination of General Fund (\$500,000) and a forecasted \$800,000 from the CET.	<p>Funds can be used throughout Eugene. There are a number of competing needs that the fund is be able to assist with. The development funds are offered through a Request for Proposals (RFP) process and can be used throughout Eugene. While it is difficult to fully predict future projects, the underlying assumption used to create the units pipeline in the HIP is that for every year of the AHTF RFP, 50 units of housing would be created. If a year of AHTF development funding is instead invested in the Downtown Riverfront AH project, that would be an estimated 50 fewer units elsewhere in the community.</p> <p><i>Timing:</i> If the property is put in the AHTF RFP, the soonest the Downtown Riverfront AH project would move forward would be in the spring 2026 RFP, with the developer selected the same year and estimated completion in 2028. Additionally, the land plan in the HIP is based on utilizing the AHTF RFP process for disposition of property for homeownership developments.</p>

Funding Type	Description	Summary of Issues to Consider
City Fee Assistance for Income-Qualified Housing Projects	<p>Housing for low-income persons is eligible for an exemption from paying local charges, but not regional Systems Development Charges (SDC). The SDC exemption is used in combination with other resources for larger multi-family rental developments but can also be used for small rental developments and low-income single-family homeownership development. Per Code, there is a capped exemption amount that is adjusted annually proportional to changes to the SDC base fee. Currently, approximately \$250,000 is available per year. The exemption may go to one project or be divided to support more than one project.</p> <p>For the past three years, City Council allocated General Funds or American Rescue Plan Act (ARPA) funds to pay SDC fees for affordable housing projects, most recently in the December 2021 Supplemental Budget. The City Fee Assistance with one-time General Fund and ARPA funds has been essential in supporting the timely development of local affordable housing projects including the Sarang (49 units, opened 2022), the Nel (45 units of permanent supportive housing, opening in 2022), the Grove on Garden Way (122 units, begins construction 2022), and Peace Village (70 tiny homes, begins construction 2022).</p>	<p>Funds can be used throughout Eugene. The local need for the SDC exemption program greatly exceeds the program's current capacity. There is a limit to the amount of exemptions available annually, so an exemption is not guaranteed for all developments that qualify. The annual exemption cap is not enough to cover the average SDC fees for a 50-unit project (estimated at \$300,000).</p> <p>The opportunity cost of using City Fee Assistance for the Downtown Riverfront AH project is that less will be available for other projects elsewhere in the community.</p>

Funding Type	Description	Summary of Issues to Consider
MUPTE – Moderate Income Housing Fee	As part of the 2015 update of the Multi Unit Property Tax Exemption Program (MUPTE) program, Council added a moderate-income housing contribution requirement. Applicants can meet this requirement through either providing moderate-income housing units or paying a moderate-income housing fee (10% of the total MUPTE 10-year benefit). The fee is intended to support moderate-income housing projects in Eugene. The program defines moderate income as up to 100% of area median income. The fee revenue from Gordon Lofts (estimated \$400,000) will be used as part of the subsidy for 1059 Willamette. The first 3 Atkins Dame projects with approved MUPTEs (lots 3BC, 7, and 9) are estimated to pay fees of about \$2 million.	<p>Funds can be used throughout Eugene. There are many competing needs that could be met through use of these funds and the Downtown Riverfront AH project does not align with the intent of the funds (the fee is intended to support moderate income housing, whereas the Downtown Riverfront AH project is targeted at 60% AMI or below).</p> <p><i>Timing:</i> The funds are not available until collected. Atkins Dame indicated they will pay the fee upfront, with a discount, in Year 1 of the exemption, and so the soonest we would expect available funds is FY25.</p>
MUPTE – HUB on Broadway’s payment ‘in lieu of affordable housing’	The 2014 resolution approving the MUPTE for this project included Council’s requirement that the project make a “payment in lieu of affordable housing” in years 6-10 of the exemption. By the end of FY26, a total of \$1.03 million will be collected. The total amount will be remitted to the City in increments from FY22 to FY26.	<p>Funds can be used throughout Eugene. The MUPTE resolution for the HUB states the intent at the time that at least a portion must be spent on an emergency or temporary shelter. The HIP 5-year financial forecast was modeled revenue payments from the HUB with 30% focused on unhoused/unsheltered (\$309,000) and 70% focused on Affordable Housing development (\$721,000).</p> <p><i>Timing:</i> The funds are not available until collected (incrementally from FY22 to FY26).</p>

Funding Type	Description	Summary of Issues to Consider
HOME Consortium Funds	<p>The HOME Investment Partnership Program is an annual federal program administered by the U.S. Department of Housing and Urban Development (HUD) to expand affordable housing opportunities for low-income persons. HOME funds are offered as a development subsidy through the annual Affordable Housing RFP process. The HOME Consortium Governing Board makes final decisions for use of HOME funds for development projects based on the input of an Evaluation Committee and direction of the City Council. Congress allocates a set amount of funds each year, which has been about \$700,000-\$900,000 for Eugene that the City typically applies to 1 or 2 projects each year.</p> <p>HOME-ARP (also called HARP) is a new one-time funding source provided to the Consortium through the American Rescue Plan Act of 2021. The funds are specifically for rental housing development serving people experiencing homelessness, at risk of homelessness, fleeing or attempting to flee domestic violence, and those at greatest risk of housing instability with attention to veterans meeting one or more of those categories. HARP funds would be offered like regular HOME funds through its own RFP process. Eugene will have approximately \$2.5 million available for two development projects.</p>	<p>Funds can be used throughout Eugene. These resources are competitive and limited. HOME funds or HARP funds would typically be paired with a land bank site and prioritized for that property in the HOME or HARP RFP.</p> <p>While it is difficult to fully predict future projects, the underlying assumption used to create the units pipeline in the HIP is that for every year of HOME RFP 80 units of housing would be created. If the Downtown Riverfront AH project is offered in the HOME RFP in fall 2025, that would be an estimated 80 fewer units invested in elsewhere in the community.</p> <p><i>Timing:</i> If Council decides to use the City's HOME funds to support the project, the soonest the Downtown Riverfront AH project would move forward would be in the fall 2025 RFP, with the developer selected in early 2026 and estimated completion in 2028.</p> <p>For HARP, the units pipeline is modeled on the assumption that those RFP(s) focus on development of Permanent Supportive Housing (PSH).</p>
Low-income Rental Housing Property Tax Exemption (LIRHPTE)	<p>Enabled by state statute, the LIRHPTE provides a 20-year tax exemption for rental properties constructed after 1990, or rental properties owned by 501c(3) non-profits. LIRHPTE is for properties that are offered for rent or held for the purpose of developing low-income rental housing. The income limit for the program is 60% of the area median income based on household size, as determined annually by the US Department of Housing and Urban Development.</p>	<p>LIRHPTE is not a source of development financing. The program helps property owners by reducing long term operating costs and assists owners to achieve lower rents affordable to households earning up to 60% of area median income.</p>

Funding Type	Description	Summary of Issues to Consider
SDC Credits from former EWEB facilities	The Agency has roughly \$350,000 in SDC credits available for the retained Downtown Riverfront properties (Affordable Housing, Steam Plant, and the ground lease parcels 6 & 8).	Opportunity cost of not preserving SDC Credits for the other projects (Steam Plant and parcels 6 & 8).
Urban Renewal Agency		
Existing Urban Renewal Funds	After taking into consideration anticipated tax increment revenue through FY24, property sales revenue, and accounting for already committed project costs, there is approximately \$1.5 million of anticipated funding available for future investments. Unless the Agency Board chooses to augment those resources, \$1.5 million is estimated to be the maximum amount that the Agency Board could spend on any remaining projects.	The forecasted \$1.5 million of property sale revenue available for projects is insufficient to fill the anticipated financial gap for the Downtown Riverfront AH project. Additionally, opportunity cost of not preserving these limited funds for one or more of the other outstanding Riverfront projects.
Extend Existing Urban Renewal	The Riverfront District's receipt of tax increment revenue from property taxes will cease at the end of FY24 on June 30, 2024.	<p>To support development of the Downtown Riverfront AH project using Urban Renewal funds, Council would need to amend the Riverfront Urban Renewal Plan to increase the spending limit for the District.</p> <p>A plan amendment requires a public process and takes approximately six months. (See Attachment F for more information.) There is risk that the plan amendment ordinance would not be supported by the overlapping taxing districts or would be referred by voters. For larger public investments, this could provide significant funding without raising taxes.</p> <p>If Urban Renewal funds are used, the community will benefit from more units overall in the long-run and will be able to invest in more projects with the City's HOME and AHTF dollars.</p> <p><i>Timing:</i> If Council chooses this route, timing of the Downtown Riverfront AH project RFP would depend on when the amendment is initiated. Urban Renewal funding for the site would be the fastest path for RFP and development, given the other land plans in the HIP.</p>

Funding Type	Description	Summary of Issues to Consider
State or Federal Sources		
4% Low-income Housing Tax Credits (LIHTC)	4% LIHTC were previously non-competitive. However, the State currently awards 4% tax credits in combination with State Local Innovation Fast Track (LIFT) or other State funds through a competitive process. Projects using 4% LIHTCs are typically larger (50-100 units). LIFT funds are currently focused on larger size housing units (aka those with multiple bedrooms). The development timeline to start construction is typically 18 months, including public engagement, Housing Request for Proposals (RFP) process, Council action, application/decision/allocation of State tax credits and potential gap funds, and finalizing financing.	4% LIHTC are now highly competitive due to their combination with LIFT and other State funds. ³ 4% LIHTC cover a smaller percentage of the construction costs, leaving a larger gap to be filled by local subsidies or other funds. That gap can be partially covered by the LIFT funds. The 4% LIHTC are awarded with (LIFT) funds are currently for developments focused on larger size (i.e. many bedroom) units. (See “Considerations for State Tax Credits” below.)
9% Low-income Housing Tax Credits (LIHTC)	The State awards the tax credits through a competitive process. Projects using 9% LIHTCs are typically 35-60 units. Developers choose the type of housing based on the State’s priorities, per the Qualified Allocation Plan. The development timeline to start construction is typically 18 months, including public engagement, Housing Request for Proposals (RFP) process, Council action, application/decision/allocation of State tax credits and potential gap funds, and finalizing financing.	<p>9% LIHTCs are highly competitive at the State level. Typically, only one local project a year is awarded. If a project proposal is not selected for LIHTCs or State funding in a particular year, the developer re-applies in the following year, shifting the timeline of the project.</p> <p>The number of units that have been discussed for the Downtown Riverfront thus far has been 75 units – however projects that receive 9% LIHTC are typically 60 units or fewer. To be competitive, developers will determine the type of housing per the Qualified Allocation Plan (QAP). The current 3-year QAP favors Permanent Supportive Housing and larger size units. This development will likely be under the next 3-year QAP, which means the State’s priorities could change. (See “Considerations for State Tax Credits” below.)</p>
Considerations for State Tax Credits: <ul style="list-style-type: none"> Both State tax credits are now competitive (before only the 9% was), which means that all AH projects compete against other local and regional projects for the limited tax credits that are awarded each year. In response to the pandemic, more federal development resources are available (e.g. HARP), but the State tax credits have remained the same. So, there is/will be even more competition for the tax credits, which means projects could be delayed waiting to be awarded the tax credits. Delay likely means the project costs will increase as construction prices continue to rise. 		

³ The State made this change in 2022, which significantly alters the assumptions staff made when the 75 units deal point was approved.

Two examples of financing for recently completed projects

- *Market District Commons (9% tax credits; completed October 2020):*
 - 5-story building with first floor commercial and residential above
 - 50 one and two-bedroom apartments
 - **City Contribution** (5.9% of total project):
 - HOME funds: \$700,000 permanent loan, \$700,000 construction loan⁴
 - SDC Exemption: \$224,829
 - Other State or Federal Funds:
 - Housing Trust Funds through OHCS \$2,000,000
 - OHCS gap financing \$400,000
 - Tax Credits: \$10,606,939 in equity
 - Project has a private bank loan, deferred developer fee loan, and will sell the first-floor commercial space to finance the building.
 - Total development cost: \$15,731,761
- *The Commons on MLK (4% tax credits; completed January 2021):*
 - 4-story building for permanent supportive housing with first floor 24/7 services
 - 51 studio apartments
 - **City Contribution** (9% of total project):
 - HOME Funds: \$749,534
 - Low-Income Housing Fund: \$150,466
 - SDC Exemptions: \$269,466
 - Other State or Federal Funds:
 - \$3,000,000 in state Mental Health Housing funds
 - \$540,000 from Oregon Health Authority
 - \$500,000 in Lane County funds
 - Lane County property donated to the project
 - Tax Credits: \$4,543,070 in equity
 - Project received private grants from health care providers (\$2,000,000); grant from the Federal Home Loan Bank of Des Moines (\$750,000); deferred developer fee loan
 - Total development cost \$12,874,011

⁴ The City rarely has enough funding to provide a construction loan.

Steam Plant – Project Overview

This attachment provides background information on the Steam Plant project, including a summary of the Agency Board approved terms, an update on the effort to fill the remaining financial gap, and a summary of funding strategy information.

The Steam Plant is part of the 16+acres of Downtown Riverfront property purchased from EWEB in April 2018. The building was the oldest of EWEB's operational buildings and is the only remaining structure. Constructed in 1931, the 28,000 square foot multi-story masonry building was used to generate standby electrical power and provide heat to downtown businesses. Steam Plant operations ceased in 2012 and the building is currently vacant. Located prominently on the banks of the Willamette River, the building is designed in the Art Deco style, typical of industrial buildings at the time. Built in three phases, the Steam Plant reflects the growth of the City of Eugene and has the potential to be an important landmark that connects Eugene's future to its past – and anchor the southern end of the Downtown Riverfront redevelopment.



Following a Request for Qualifications/Proposals process, in 2019 the Agency Board directed the Agency Director to enter into negotiations with the development team led by Mark Miksis and Mark Frohnmayer (Dream Plant LLC) for the redevelopment of the Steam Plant. The team proposes to save and adaptively re-use the Steam Plant, transforming it into an iconic community destination that connects people with downtown and the Willamette River. The team envisions the ground floor as a gathering place where people come to work and play, collaborate, and experience a setting for arts and culture amidst Eugene's world-class beer, wine, coffee, and food. The upper levels would provide the fiscal foundation to make the redevelopment financially feasible. The team's initial proposal in 2019 depended exclusively on office space in the upper floors. Market shifts and COVID-related impacts led the team to adjust their proposal to a hotel.

Adaptive re-use of the existing building is ambitious, facing extraordinary challenges that include environmental, seismic, and financial obstacles. Because of those obstacles and the cost to address them, the Steam Plant has a negative value and the project is only feasible with the financial support of the Agency/City. At the January 26, 2022 work session, the Agency Board approved terms for the sale and redevelopment of the Steam Plant that allocates \$1.5 million of Urban Renewal funds for asbestos abatement, system development charges, and permit fees and provides the land at no cost.

The Dream Plant team estimates that even after accounting for the UR funds and their other sources of investment funds, the planned redevelopment has a remaining financial gap of \$5.2 million, due to significant cost escalations that impact the project feasibility. The

approved terms state that the development team and Agency would continue to work together to identify funds to close the gap. The Agency Board added a deal point indicating an understanding that neither City nor Agency funds would be used beyond the initial investment. At the time, State funding opportunities were being pursued. Since the January work session, the State Legislature opted not to allocate funds to the Steam Plant during its recent session. Staff continues to work with the Dream Plant team to identify funding for this gap, although at this time, both parties have exhausted all known potential leads for funding sources that could meaningfully reduce the gap. If the remaining funding can be secured, construction start is estimated for FY24 or later (within 2 years of deal points approval).

Additionally, the Steam Plant has seen a significant increase in trespassing, vandalism, and burglary in the building in the past few months. With this uptick in criminal activity, the costs to protect the building has significantly increased. Staff expects security and maintenance costs to exceed \$100,000.

The trespassing and vandalism have not only increased costs to secure the building, the destructive activity has caused physical damage. That damage could increase the rehabilitation work needed to renovate the structure and many items of historical interest have been stolen. The longer it takes for the renovation project to start, the structure will continue to be vulnerable to costly damage. There is a risk that the historic architectural features will be permanently damaged.



Summary of Funding Options for the Steam Plant

The table below provides categories of potential funding sources and a preliminary assessment of each funding source's advantages and disadvantages. Urban renewal is not included based on the direction the Agency Board provided when the terms were approved in January 2022. Funding has not yet been identified.

Funding Type	Description	Summary of Issues to Consider
State or Federal Sources		
State or Federal Grants	Possible funding source, depending on what type of funding is released and what eligibility requirements are involved.	Grants can be uncertain in terms of timing and amount. So far, this project has not been a good fit for CARES or other recent State/Federal funding opportunities. The State legislature declined to award funding to the project in the 2022 session. It is unlikely there will be State funds available to support the Steam Plant during the upcoming session. Should other funds become available for which the Steam Plant would be eligible, the City could pursue the opportunity but there are no guarantees that the City would be able to secure it.
Opportunity Zone / Opportunity Funds	<p>An Opportunity Zone (OZ) is a federally designated, economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. The Downtown Riverfront is in an OZ.</p> <p>The program incentivizes investment in OZs by lowering the federal income tax burden on a qualified investment. Because their tax burden has been reduced, investors are willing to accept a relatively low rate of return on their investment.</p>	The development team has already incorporated Opportunity Funds into their funding structure.

Funding Type	Description	Summary of Issues to Consider
Federal Historic Tax Credits	The Federal Historic Preservation Tax Credits program encourages private sector investment in the rehabilitation and re-use of historic buildings. The income tax credit is administered in Oregon by the State Historic Preservation Office and is available for the rehabilitation of income-producing National Historic register buildings.	The development team has already factored Historic Tax Credits into their structure. The team anticipates using the maximum amount of tax credits available for the project (20% of the project cost).
Additional private financing and/or equity	<p>Typically, developers use a mix of equity (i.e., investor funds) and debt (i.e., bank loan) for development projects. Assembling a funding structure is a balancing act. Equity investors require a return on investment – if the rate of return is not high enough, they will invest their funds elsewhere. A real estate developer must attract equity investors by offering a competitive rate of return (OZs, discussed above, are a tool to attract equity willing to accept a lower rate of return).</p> <p>Debt financing is a commercial bank loan, and the debt must be serviced. For a developer to receive a bank loan, they must show that the completed project can generate enough revenue to cover debt payments.</p> <p>A development must balance between meeting both investor expectations and debt payments.</p>	The development team has already factored equity and debt financing into their funding structure.

Mobility Options and Parking- Project Overview

This attachment provides background information about anticipated needs related to mobility options and parking in the Downtown Riverfront area, including estimated public investment and a summary of funding strategy information.

The east end of downtown has seen significant redevelopment in recent years, including the Wayne L. Morse U.S. Courthouse, Northwest Community Credit Union, Gratitude Brewing in the Foundry Building, and the 515 (the 500-unit student housing formerly known as the HUB), creating a need for residents, employees, and visitors to access this area. This need is expected to continue increasing with the recent opening of the Riverfront Park, the construction of the Downtown Riverfront neighborhood, and the redevelopment of the Steam Plant. As activity in the area continues to increase, there is a need to evaluate how these areas are accessed and how to accommodate the new demands on the transportation system.

Mobility Options

At the March 8, 2021 work session, Council expressed a desire to explore providing access to the Downtown Riverfront via methods that would not require building more parking.

The City's multi-modal strategy for community access to the Downtown Riverfront includes improved access for people walking, biking, riding transit and driving. Mobility enhancements that involve physical improvements within the district are eligible for Urban Renewal spending. Below is a summary of the City's multi-modal strategy:

- Recent and current projects for walking and mobility device access include the new wayfinding program, the Railroad Quiet Zone intersection upgrades, and the new alignment of the South Bank Path.
- The Quiet Zone and South Bank Path improvements are also important projects for the bicycling system, as are the locating of PeaceHealth Rides bikeshare stations within the district and the non-Urban Renewal funded 4th Avenue and High Street Bikeways.
- To improve transit access to the Downtown Riverfront, the City has collaborated with Lane Transit District (LTD) to bring a bus stop to the intersection of 4th and Mill, serving most of the park and development. The two agencies are also working together to study downtown transit needs (including the Downtown Riverfront) and the appropriate solutions for our community.
- The infrastructure project gives drivers and pedestrians access to the site from the north and south; the current status of parking is described below.

Parking

To support businesses in the Courthouse district area and the associated new parking demand, the City leased a gravel lot from EWEB (formerly the manufactured gas plant (MGP) site), located just over the railroad tracks at 8th Avenue and Hilyard Street. The City ultimately purchased the site in 2021 in order to reconstruct the railroad crossing at 8th and Hilyard and provide southern access to the Downtown Riverfront as part of the Railroad Quiet Zone project. As part of those improvements, the City will provide additional pedestrian access to the Downtown Riverfront and will preserve about 66 parking spaces on the site.

The Downtown Riverfront redevelopment and new Park will significantly increase the need for parking in this area. The planned housing in the area includes parking to serve the needs of the private redevelopment. On-street parking is anticipated to meet most of the standard daily needs of people accessing public amenities, such as the Park, restaurant, and commercial spaces. However, on-street parking will not accommodate all of the parking needs during high demand periods such as nights and weekends, and during special events. In addition, the Steam Plant parcel size is not sufficient to accommodate anticipated parking needs for its future redevelopment into a mixed-use center.

While implementation of other mobility options may reduce the need for parking, it is still expected more parking is needed, at least in the medium term. The surface lot on the MGP site will help address some anticipated needs during the day (as a standard permitted parking lot) and would be open for additional public parking during the nights and weekends to serve the broader Downtown Riverfront area. In anticipation of the increased demand for parking, staff have been exploring opportunities for additional parking in the vicinity, including potential collaboration with nearby property owners. Staff estimates a 75-stall surface lot¹ would cost up to \$1.2 million (preliminary cost estimate of \$300,000 to \$450,000 for construction combined with potential land acquisition cost). Staff is still working to determine the feasibility of this option.

Next Steps

At this time, there are no specific projects in the category of Mobility Options and Parking. If opportunities to improve mobility options are identified, or if a location is available for parking investment, City Council/Agency Board will have an opportunity to discuss projects in more detail, including funding needs.

¹ Underground or structured parking would likely be cost prohibitive to pursue.

Summary of Funding Options for Mobility Options & Parking

The table below provides categories of potential funding sources and a preliminary assessment of each funding source's advantages and disadvantages. Funding has not yet been identified.

Funding Type	Description	Summary of Issues to Consider
City of Eugene		
Parking Fund	The Parking Fund can build, own, and operate parking. It can borrow funds for construction and repay them with parking permit revenue.	Due to the impacts of COVID-19, at this time the Parking Fund is financially unbalanced and does not have funds to build additional parking lots. The Parking Fund could repay an interfund loan over a 5-10-year period given that a new parking lot will be revenue generating with the sale of parking permits and daily parking.
Urban Renewal Agency		
Existing Urban Renewal Funds	After taking into consideration anticipated tax increment revenue through FY24, property sales revenue, and accounting for already committed project costs, there is approximately \$1.5 million of anticipated funding available for future investments. Unless the Agency Board chooses to augment those resources, \$1.5 million is estimated to be the maximum amount that the Agency Board could spend on any remaining projects.	The forecasted \$1.5 million of property sale revenue available for projects is insufficient to fund the remaining Downtown Riverfront projects, including mobility options and parking. Use of these limited urban renewal funds for this project could make it more difficult to find funds for other projects.
Extend Existing Urban Renewal	The Riverfront District's receipt of tax increment revenue from property taxes will cease at the end of FY24 on June 30, 2024.	Council could choose to pursue a plan amendment to increase the spending limit. A plan amendment requires a public process and takes approximately six months. (See Attachment F for more information.) There is risk that the plan amendment ordinance would not be supported by the overlapping taxing districts or would be referred by voters. For larger public investments, this could provide significant funding without raising taxes.

Riverfront District Financial Capacity

Note: The figures provided in this Attachment are projections based on information available as of July 2022. These estimates may change (up or down) as actual events unfold.

Prior to sale of any Downtown Riverfront Property

- Projects funded
 - Phase 1 infrastructure (including borrowing costs, principal, and interest on the City's \$12 million bond issuance)
 - Quiet Zone three eastern crossings
 - MGP property acquisition from EWEB
 - Riverfront Park
 - Initial design work for Plaza
- Updated forecast assumptions for projection of remaining current resources \$ 0.6M

After sale of property to developer

Expected sales proceeds	\$11.1M
Other miscellaneous revenues (e.g., additional property taxes)	\$ 0.1M

Funding previously designated from sales proceeds to other Riverfront projects¹

Repay phase 1 loan from City funds	\$ 2.0M
Replenish initial Plaza construction	\$ 2.1M
Replenish River Loans program	\$ 1.0M
Phase 2 infrastructure	\$ 3.7M
Steam Plant deal points	\$ 1.5M

Projected urban renewal resources available for new projects \$ 1.5M

Current urban renewal property tax projections through FY24 show that tax increment revenues will be sufficient to repay the City's phase 1 infrastructure borrowing. However, it is important to note that expected land sale revenues are a potential source of repayment funds for this borrowing in the unlikely event that tax increment revenues come up short. The Intergovernmental Agreement between the City and the Agency sets out the terms of the construction and financing of the phase 1 infrastructure. The Agency agreed to provide the City with tax increment revenues, as available, to pay the principal, interest, and other costs of the City borrowing. If tax increment revenues are insufficient, the Agency will use proceeds from the sale of one or more of the lots in the redevelopment site to provide the City with the funds to repay the borrowing.

¹ May 2020 Supplemental Budget decision for phase 1 infrastructure and December 2020 Supplemental Budget for phase 2 infrastructure.

The forecast considers the estimated property tax revenues through the termination of the District's receipt of property taxes (scheduled in the District's plan for June 30, 2024), plus the anticipated proceeds from the sale of property to Atkins Dame, summarized below.

- Under the signed agreement, Atkins Dame will pay approximately \$11.1 million to purchase the parcels. Those payments are scheduled to occur during three separate closings, the first of which occurred in October 2021 (approximately \$4.8 million). The second closing is scheduled for December 2022 (approximately \$3.8 million); and the third for December 2023 (approximately \$2.5 million). In March 2021, Atkins Dame paid a non-refundable deposit of \$4.5 million that will be applied to the three closings.
- Part of the Atkins Dame property sales proceeds have been used to pay for phase 2 of the infrastructure project, which was necessary to make parcels 9 and 10 and the Steam Plant development ready. In addition, some of the property sales proceeds will be used for the Agency's portion of the Steam Plant redevelopment (estimated \$1.5 million) and some are needed to replenish initial funds for construction of the Riverfront Plaza and the River Loans program, and for repayment of the \$2 million loan from two City assessment funds that Council approved to enable phase 1 of the infrastructure to move forward in May 2020.

Riverfront Urban Renewal District - Technical Details

Urban Renewal Basics

In Oregon, Urban Renewal is enabled by ORS 457 and is used to help cities and counties implement plans to revitalize specified areas within their jurisdiction. An Urban Renewal district has a Plan that documents planned investments and infrastructure improvements that stimulate private investment, leading to economic vitality and livability. Urban Renewal districts have an Agency Board and in Eugene, the City Council has the role of the Agency Board.

The primary revenue source for urban renewal is tax increment revenue. Tax increment revenue comes from property value increases since that district was created. To be eligible for tax increment revenue funds, projects must be included in the Urban Renewal District Plan. The identified projects in the Plan, however, can be specific (such as 'high-speed fiber'), or broad (such as 'infrastructure'). Urban Renewal funds can be used for purchase of real property, rehabilitation or construction of buildings, site improvements and costs related to those things, and improvements to streets, sidewalks, and utilities.

Tax Increment Revenue

The primary revenue source for Urban Renewal is tax increment revenue. Tax increment revenue comes from taxable property value increases since the district was created. These increased property values generate tax increment revenue, which is directed to the district. When an Urban Renewal district is first created, the assessed value within the district boundaries is established as the "frozen base." If any boundary expansions subsequently occur, the assessed value within the expansion area is added to the district's existing frozen base. Any new property taxes generated within that area through increased taxable value is called the "incremental" or "excess" value. Overlapping taxing jurisdictions continue to receive property taxes on the frozen base, while the Urban Renewal Agency receives property taxes related to the incremental value. This is called the "division of tax" method of raising revenue in an urban renewal district.

An Urban Renewal Plan identifies planned investments, their estimated costs, and expected tax increment revenue. The Plan sets a spending limit, known as the "maximum indebtedness." When an Urban Renewal district is established, taxing jurisdictions that overlap the district forgo some of the tax revenue they would otherwise collect from that area. Overlapping jurisdictions regain that revenue stream once the district expires. To the extent that the district increases assessed value over what would otherwise have occurred without Urban Renewal investment, the taxing districts should see an increase in tax revenues in the long term.

Although school property taxes are reduced as a result of urban renewal division of tax, in Oregon the net impact on an individual school system's operating budget is minimal because schools are funded by the state on a per-pupil basis. The state determines how much money must be allocated for the education of each pupil across the state. If the money is not available from local property taxes, the state will make up the difference.

Eligible Uses of Tax Increment Revenue Funds

To be eligible for tax increment funds, projects must be included in the Urban Renewal plan. The identified projects in the Plan, however, can be specific (such as 'high-speed fiber'), or broad (such as 'infrastructure').

The Urban Renewal agency must determine the scope and types of projects that are included in the Urban Renewal plan. Oregon statutes (ORS 457.170) govern the types of projects that may be funded with tax increment funds:

- Plan and implement neighborhood development programs;
- Rehabilitation or conservation work;
- Repair and rehabilitation of buildings and improvements;
- Acquisition, sale, and lease of real property;
- Clearance or rehabilitation of property acquired by the URA;
- Construction or reconstruction of streets, utilities, and site improvements;
- Relocation of individuals living in the URA; and
- Carry out work which a housing authority is authorized to perform (under ORS 456.055 to 456.235).

Some Urban Renewal agencies use tax increment funds to pay all or some system development charges, building permit fees, or local improvement district assessments. These costs are part of 'site improvements,' which are allowed under state statute.

Process to Amend the Riverfront Urban Renewal Plan

If Council wishes to continue to use Urban Renewal as a redevelopment tool in the Riverfront area, it will need to approve a substantial Plan amendment, known as a "Type 1" amendment. A Type 1 amendment requires multiple steps and public outreach, which would take approximately four to six months from when Council starts the amendment process. The steps include:

1. Agency Board directs the Agency Director to prepare a draft of an amendment to the District Plan. This step initiates the staff work to draft the Plan and to conduct an analysis of blight in the District.
2. Agency Board holds a work session to start the Plan amendment process. Staff provides a draft Plan amendment for the work session.
3. Notify overlapping taxing districts and the general public.
 - Notify overlapping taxing districts that amendments are proposed and inform them of the proposed hearing date. Districts receive a copy of the draft Plan and are given 45 days to provide written comments.
 - Solicit concurrence from OR consult and confer with overlapping districts. (Depends on content of the amendment.)
 - Mail out postcards to the general public and place materials and proposals on the City website.
4. Planning Commission reviews and comments on the proposed amendment.
5. City Council Public Hearing on the ordinance amending the Plan.
6. Council work session to review overlapping taxing district recommendations, comments from the public, and the Planning Commission recommendation.
7. Concurrence may be required from overlapping taxing districts.
8. Council meeting to consider the ordinance amending the Plan.

In order to amend the Riverfront Urban Renewal Plan to retain the current level of tax increment revenues, Council would need to approve any amendment by January 2024. This estimate would allow for the 30-day referral period and, if referred, the necessary amount of time for the amendment to be placed on the May 2024 ballot.

Fiscal Implications – *If the Riverfront Urban Renewal Plan is amended with an increase to the spending limit*

The Riverfront District currently generates approximately \$3.1 million in tax revenue per year. The \$3.1 million in tax increment revenue will continue to be directed to the District, and that increment revenue will continue to grow. Table 1 below shows estimates of tax revenue from the overlapping districts.

Table 1. Division of Tax Impact on Overlapping Taxing Jurisdictions in FY22, Estimate of Current Property Taxes, Net of Discounts and Delinquencies

Taxing District	Type of Tax	Riverfront
Education Taxes		
Eugene School District 4J	Permanent Rate	\$880,000
Eugene School District 4J	Local Option Levy	0
Lane Community College	Permanent Rate	115,000
Lane Education Service District	Permanent Rate	40,000
Total		\$1,035,000
General Government Taxes		
City of Eugene	Permanent Rate	\$1,300,000
City of Eugene	Library LOL	0
City of Eugene	Parks & Rec LOL	0
Lane County	Permanent Rate	235,000
Lane County	4-H/Extension LOL	0
Lane County	Public Safety LOL	0
Upper Willamette Soil & Water	Permanent Rate	10,000
Total		\$1,545,000
Bonded Debt Taxes		
City of Eugene	Bonded Debt	\$155,000
Eugene School District 4J	Bonded Debt	280,000
Lane Community College	Bonded Debt	60,000
Total		\$495,000
Total Taxes		\$3,075,000

Source: Lane County Assessment & Taxation, Table 4e, Detail of Urban Renewal Plan Areas by Taxing District, Tax Year 2021-22.

Note: Although local property taxes to schools are reduced as a result of the division of taxes, school budgets are only minimally reduced, all else being equal, because schools are funded through a per-pupil formula from the state, and any loss in local property taxes is made up by an increase in state funding. This chart does not take into account any effects of Measure 5 compression on education taxes.

If the Riverfront Urban Renewal Plan is amended with an increase to the spending limit, the annual collection of tax increment revenue will eventually hit a cap per a newer state-mandated requirement in ORS 457.470. This annual cap does not affect the overall spending limit of the Plan, but rather it's a cap on the amount of tax increment revenue the District can collect in any one year. When the cap is reached, the annual tax increment revenue will plateau and remain flat in each subsequent year until the total spending limit of the Plan is realized (tax revenue beyond the annual cap would be directed to the overlapping taxing districts). The practical impact of the annual cap is that it would take longer to collect enough tax increment revenue to reach the spending limit of the Plan. One additional point to consider is that the annual cap can be waived if written concurrence is obtained from taxing districts imposing at least 75% of the amount of taxes imposed under permanent rate limits in the urban renewal area.

Fiscal Implications – *if the District no longer collects revenue from the division of tax*

The tax increment revenue (currently approximately \$3.1 million per year) will be directed to the overlapping taxing districts. Under this scenario, the City's General Fund would receive approximately 42% of what the Riverfront District currently collects (approximately \$1.3 million per year). The actual revenue received by the overlapping districts may not match the amounts shown in Table 1, due to 'compression.' Compression occurs when the tax amount calculation for an individual property exceeds the Measure 5 limits of \$5 per \$1,000 of Real Market Value (RMV) for education taxes and/or \$10 per \$1,000 RMV for general government taxes. A property in compression pays a lower tax rate than the sum of all applicable tax rates. The Riverfront Urban Renewal District diverts permanent tax rate dollars out of the education category and into the general government category, which causes reduced compression in the education tax rate category for some properties.

It is important to note that under this scenario the impact to School District 4J's overall budget *would be negative*:

- **4J's permanent rate.** Schools in Oregon are primarily funded on a statewide per-pupil funding formula, rather than by the level of tax dollars generated within school district boundaries. If the local property tax revenue does not meet the per-pupil level, the state makes up the difference. If we assume a constant school funding formula and all else remains equal, staff estimate that 4J loses around \$20,000 annually as a result of permanent rate tax dollars diverted to the City's Riverfront Urban Renewal district, much less than the amount of property tax revenue that flows to the District.
- **4J's Local Option Levy.** The Riverfront District generates no revenue from the local option levy. However, it indirectly impacts the revenue generated by the levy, due to compression. The Urban Renewal District diverts permanent rate tax dollars out of the education category and into the general government category, which causes reduced compression in the education tax rate category for some properties. The end result is that 4J receives around \$170,000 more revenue from the local option levy annually because of the compression relieved by the Riverfront Urban Renewal District. The state funding formula does not apply to local option levies, so 4J realizes the full benefit of this increase.

The net impact to 4J of the District ceasing to collect revenue from the division of tax is a decrease of \$150,000.

