

MINUTES

Eugene City Council
McNutt Room—City Hall
777 Pearl Street—Eugene, Oregon

October 12, 2011
Noon

COUNCILORS PRESENT: Betty Taylor, George Brown, Andrea Ortiz, George Poling, Mike Clark, Chris Pryor, Alan Zelenka, Pat Farr.

Her Honor Mayor Kitty Piercy called the October 12, 2011, work session of the Eugene City Council to order.

A. WORK SESSION:
Multi-Unit Property Tax Exemption and Envision Eugene

City Manager Jon Ruiz introduced the item. He anticipated that the discussion was one of several the council would have in coming months on tools to facilitate the implementation of Envision Eugene. Eugene Planning Director Lisa Gardner and Senior Planner Nan Laurence were present for the item and Ms. Gardner led the council through a PowerPoint presentation entitled *Envision Eugene and MUPTE*. She highlighted the Seven Pillars and identified *Affordable Housing, Climate and Energy, Compact Development and Transportation, and Neighborhood Livability* as pillars that MUPTE (Multi-Unit Property Tax Exemption) helped move forward. She anticipated that MUPTE would help the City meet its need for multi-unit housing within the urban growth boundary (UGB) but that required removing some regulatory barriers and incentivizing desired development. Ms. Gardner emphasized the importance of the MUPTE to project financing.

Ms. Laurence then presented information about the application of MUPTE to areas outside the downtown. She reminded the council that it approved the extension of MUPTE for use in the Downtown Plan area. She shared a map showing the transportation corridors identified through Envision Eugene and suggested they were also likely candidates for the application of MUPTE. She said staff had considered development potential, the need for incentives, and recent area planning when identifying four likely areas for the use of MUPTE: 1) West University, 2) Trainsong/6th and 7th; 3) Franklin Corridor; and 4) Midtown/South Willamette. She shared a series of maps showing those areas.

Ms. Laurence noted that MUPTE would soon sunset in the West University Neighborhood (WUN) and proposed that the City hold a neighborhood forum so residents could discuss the benefits and disadvantages of MUPTE. The council could then decide to retain or modify MUPTE for the area.

Ms. Laurence recommended that the council retain the existing MUPTE boundaries in the Trainsong/6th and 7th area at this time and initiate a planning process to determine future MUPTE boundaries. She also recommended that the council include the Walnut Station Special Area Zone in the MUPTE boundaries of the Franklin Corridor area. Ms. Laurence recommended the council consider the use of MUPTE in the Midtown/South Willamette area after the area planning process was completed.

In response to earlier council questions, Ms. Laurence contrasted the average property tax for properties granted the MUPTE prior to exemption (\$3,125) with the average property tax after the exemption period

ended (\$47,500). Speaking to the issue of the effect of MUPTE on project quality, Ms. Laurence shared a photograph depicting the Coho Apartments, which received the MUPTE, and a photograph showing the Mallard Apartments, which did not, and acknowledged it might be difficult to gauge project quality in the cases shown. However, she pointed out that since 2008 the MUPTE had provided for neighborhood input into project design, and that requirement ensured the neighborhood group had a voice in the process and provided for a higher degree of compatibility. She suggested the City might revise the MUPTE approval criteria based on the needs and conditions in each individual area.

Ms. Laurence reported that there was one project awaiting council approval, the Paradigm at 17th and Pearl, which was approved by the council for MUPTE and was currently under construction. The project would not be completed by the date mandated in the resolution approving its MUPTE application and staff would ask the council to extend the deadline on October 24.

Ms. Laurence concluded the presentation by asking the council to consider where density should be increased, how the City could ensure that it was located and designed in a compatible manner, where MUPTE should be used as a tool, and if the identified areas were appropriate for the application of MUPTE.

Mayor Piercy asked if expedited planning and permitting processes could serve as an incentive to replace MUPTE. Ms. Laurence emphasized the importance of MUPTE in securing project financing and suggested some projects would not go forward in its absence. The expedited processes might speed up income streams, but would not be considered a “make it or break it” incentive in the same manner as MUPTE. Ms. Gardner emphasized the need for multiple tools, including those mentioned by Mayor Piercy, to incentivize the desired development.

Mayor Piercy asked if the City could require neighborhood association input for all new developments. Ms. Gardner said that the code could be amended to provide for such input.

Ms. Taylor suggested neighborhoods other than just the affected neighborhood should be consulted when developers requested tax exemptions. She agreed with the mayor that all development proposals should be discussed by the affected neighborhood association. Ms. Taylor believed any tax exemptions granted should be for a clear benefit and she saw that happening only in the downtown. She suggested that another future developer might develop a property that the current owner could not afford to build without MUPTE. Speaking to the subject of neighborhood input, Ms. Taylor pointed out that in one case, the adjoining neighbors had opposed a project but the neighborhood association supported it.

Responding to a question from Ms. Taylor, Ms. Laurence shared data regarding the differences between property taxes paid prior to project construction and after the exemption expired.

Ms. Taylor said it appeared staff was already committed to the wider application of MUPTE. City Manager Ruiz said staff envisioned MUPTE as one of several tools to implement Envision Eugene. He said staff wanted to do more neighborhood outreach before returning with a final recommendation.

Ms. Taylor suggested if housing was needed and developers needed to make money they would build housing without a tax exemption. Ms. Laurence said Eugene had construction costs similar to those of Portland, but rents were lower so the community was not experiencing the type of development that Envision Eugene suggested was needed. She said staff was trying to integrate a development incentive with the City’s goals for livability, compatibility, and prosperity. Staff believed the City needed some development incentive to attract quality development and encourage it in the most appropriate locations.

Mr. Zelenka considered MUPTE to be a blunt tool that was not good at achieving the City's land use goals. While he acknowledged the economics of each project was different, Mr. Zelenka believed the determining factor in project profitability was the developer's equity rather than the MUPTE. If a project had sufficient equity, MUPTE was unnecessary. The circumstance of each builder was important, and he did not think it was the City's business to ensure that all builders could build what they wanted where they wanted. He suggested that rather than focus on the amount of taxes collected after the exemption ended, the council focus on whether the development would have happened anyway. He believed that it would have happened in the West and South University neighborhoods, particularly give the amount of non-incentivized construction that had been built.

Mr. Zelenka distinguished between neighborhood input that was heard and neighborhood input that was acted upon. He did not think the mere fact of being heard increased compatibility. He believed the City should consider a "cadre" of tools that included neighborhood consultation modeled on the City's requirements for planned unit developments.

Mr. Farr suggested to Mr. Zelenka that no one was saying that consultation equated to compatibility, but that it was a mechanism to increase compatibility. He asked when the proposed forum would occur. Ms. Laurence hoped it occurred later in the fall. Mr. Farr asked if the City tracked the transitory nature of neighborhood. Ms. Laurence said the City would soon release a neighborhood analysis that included the percentage breakdown of renters and homeowners. Mr. Farr asked if staff asked forum participants if they were home owners or renters. Ms. Laurence said the question could be asked. Mr. Farr encouraged that.

Mr. Farr suggested that the program could be considered successful if increasing taxes was a measure of success. He believed there was a conflict between the City's goals for more affordable housing and compact urban development because the regulations to increase compact growth slowed the development process down. He believed the community was leaving single-family dwellings in place in locations that were best for multi-family housing and that was also contrary to what it wanted in regard to compact growth. Speaking to the application of MUPTE in the WUN, Mr. Farr suggested that if the City delayed for-profit development in that area the University of Oregon would step in and provide its own tax-exempt development in the area.

Mr. Clark emphasized the lack of affordable housing in Eugene. He supported the staff recommendation because MUPTE supported the goals of Envision Eugene, created development along transportation corridors in accordance with Envision Eugene, and because more multi-family housing development could reduce local unemployment. Mr. Clark endorsed the proposed forum.

Mr. Clark expressed interest in more information about comparative land costs and the time value of land costs to inform the council's discussion about the question of whether construction would have happened in the absence of MUPTE. He questioned what percentage of land purchased at a lower price still existed, or if the community had exhausted the supply of land that could support more affordable housing.

Ms. Ortiz reiterated her opposition to any additional MUPTE applications in the West University area, and for that reason opposed any further work in that neighborhood. She encouraged that action be taken soon on the remaining MUPTE application. She advocated for Trainsong/6th and 7th as the first area for consideration of MUPTE because of the planning that was already occurring in adjacent areas. She thought it would be a good idea to do some outreach to the other areas identified by staff to gauge community interest.

Mr. Brown shared Mayor Piercy's interest in neighborhood consultation for all developments to ensure greater compatibility. He suggested the presentation was incomplete because it lacked information about the value of non-MUPTE projects completed in the same period, their previous taxes, and the taxes from the increased value of development. He also requested information about how much in property taxes the City had forgone for MUPTE projects.

Mr. Pryor endorsed Mr. Brown's information requests. He believed it was more challenging to quantify the benefits of MUPTE than its costs. He suggested the benefits included intangible benefits such as project quality, neighborhood livability, and compatibility with growth plans and also spoke to the question of what else would have happened in the absence of the MUPTE.

Mr. Pryor did not think it would be an efficient use of staff time to do further work on the WUN given the apparent lack of council support for further applications in that area. He suggested the council could reinstate MUPTE in the WUN in the future. Mr. Pryor supported the extension of the existing MUPTE application in the WUN because he believed the project delays were legitimate.

Mr. Poling agreed with Mr. Pryor. He said MUPTE had run its course in the WUN and it was time to move on. He agreed with Ms. Ortiz about the Trainsong/6th and 7th area as the next priority area to apply MUPTE in. However, he preferred to hear additional input from residents in the other identified transportation corridors before making a final decision. He also supported the extension of the existing MUPTE application in the West University area.

Mayor Piercy supported the direction the council appeared to be taking in regard to the WUN. The WUN was unique for its lack of owner-occupied housing and that spurred the need for a discussion about the type of neighborhood input that would be most meaningful. She encouraged staff to reach out to the residents of the South University Neighborhood.

City Manager Ruiz requested formal council action about staff's focus as it regarded the WUN. He pointed out that the first neighborhood planning effort initiated through Envision Eugene would focus on the West and South University neighborhoods and suggested the council could revisit the topic when it considered those plans.

Ms. Taylor, seconded by Mr. Brown, moved to direct staff not to spend any more time on the MUPTE in the West University Neighborhood.

Mr. Farr believed that MUPTE supported the Seven Pillars and could help conditions in the WUN. He believed it was premature to drop the use of MUPTE in that neighborhood and agreed with the manager that the council could revisit the topic in the future. He preferred to retain the tool and seek additional community input.

Mr. Clark wanted to proceed in the most effective manner and suggested the council refrain from taking options off the table at this time. He suggested the potential a project could come up in the WUN that the council wanted to support with MUPTE. He believed the council needed more empirical evidence to determine whether a project would or would not proceed without MUPTE.

Mr. Poling suggested if council's future discussions about the implementation of Envision Eugene pointed it back to MUPTE, it should not hesitate to revisit it. At this point, he preferred to move on to another area.

Ms. Ortiz maintained that MUPTE in its current form had done its work in the WUN. She was not unwilling to talk about its application in the future, but was hearing from constituents and councilors representing the area that it was not working.

Mr. Brown said the City's resources were shrinking because of tax abatements. He supported tax abatements for low-income housing and thought more such projects were needed, but the projects being supported by MUPTE were market-rate developments. The percentage of renters in the WUN seemed to increase each year and they were increasingly rent-burdened and were not helped by such projects. He supported the motion because the City needed the money involved.

Mr. Brown agreed with Mr. Zelenka that most of the projects would have been built anyway, although they might have been slightly different. He advocated for the application of MUPTE in areas where, but for the MUPTE, no development would otherwise occur. He suggested that the council direct staff not to spend time on the Franklin Corridor or Midtown/South Willamette because development would happen in those areas without tax rebates. He supported spending staff time on the Trainsong/6th and 7th area.

Mr. Pryor did not support the motion because he wanted to see the input staff proposed to gather from WUN residents.

Mr. Zelenka agreed MUPTE had run its course in the WUN. He reiterated the lack of owner-occupied housing in the WUN and said it was a very dense neighborhood that was experiencing redevelopment through consolidation of single-family lots. It was a very different area than the other areas under discussion both because of the nature of its housing and its tenants. He agreed with Mr. Farr that the pillars were sometimes conflicting and said the pillar *Protect Neighborhood Livability* was in conflict with some of the values expressed by the other pillars.

Mr. Zelenka suggested that the City could accomplish some of the benefits of MUPTE by instituting a requirement for neighborhood consultation for all multi-family developments, expedited planning and permitting processes, green building or quality incentives, examination of livability impact such as the Floor Area Ratio (FAR) requirements, parking requirements, number of bedrooms, number of unrelated occupants per unit, and design review were all "non-dollar" tools the City could employ in place of MUPTE.

Mr. Clark suggested that neighborhoods should be allowed to weigh in on all types of development. He believed the council would send a mixed message if it dropped MUPTE now and decided to reinstate it later. He did not support the motion.

Mr. Zelenka wanted staff to talk to residents of the WUN about elements of the MUPTE process they would like to see implemented in the future. He did not think that was precluded by passage of the motion.

The vote on the motion was a 4:4 tie; councilors Taylor, Ortiz, Zelenka, and Brown voting yes, and councilors Poling, Pryor, Clark, and Farr voting no. Mayor Piercy cast a vote in support of the motion and it passed on a final vote of 5:4.

Mayor Piercy agreed that the issue could be revisited in the future.

Mr. Brown reiterated his opposition to the application of MUPTE in the Franklin Corridor area. He thought it should be used only in economically distressed areas as it could induce developers to invest in

areas they might otherwise avoid. He did not think MUPTE was appropriate for the Franklin Corridor or Midtown/South Willamette, neither of which were economically distressed.

Responding to a question from Mr. Zelenka about next steps, City Manager Ruiz envisioned staff would do more work on the three areas remaining and return to the council for direction about where to apply MUPTE. Mr. Zelenka asked about the status of “non-dollar” tools. Ms. Gardner anticipated that staff would return with such incentives as part of the Envision Eugene implementation process. Mr. Zelenka believed the “non-dollar” tools and MUPTE were linked and should be moved forward together.

Mr. Zelenka expressed support for the application of MUPTE in Trainsong/6th and 7th but objected to its application in its current form to the Franklin Corridor. Large multi-family housing developments such as the one behind Market of Choice had a huge impact on the community and dramatically affected neighborhood livability. The neighborhoods in the area were not supportive of such developments. He was unsure MUPTE was needed in the area given that recent development had occurred without it. Mr. Zelenka advocated for more neighborhood outreach in that area. He suggested staff consider focusing on the north side of Franklin Boulevard and incorporate that area into a revised MUPTE area that accomplished some of the things he mentioned.

Mr. Zelenka advocated for discussion of MUPTE in the Midtown/South Willamette area in the context of the current City planning process aimed at that area. He recommended that the West 11th Corridor be considered as one of the next areas to apply MUPTE.

Mr. Brown, seconded by Ms. Taylor, moved to direct staff to not spend time on MUPTE planning for the Franklin corridor.

Mr. Brown declined to accept a friendly amendment from Ms. Taylor to include Midtown/South Willamette in the motion.

City Manager Ruiz suggested that staff’s research could provide data that informed the council’s future discussions.

The motion failed, 5:3; Mr. Zelenka, Ms. Taylor, Mr. Brown voting yes.

While he acknowledged the information provided by staff might result in the council deciding against the application of MUPTE in certain areas, Mr. Pryor believed the council could benefit from the information provided by staff. He did not want the community to receive the impression that councilors had already made their minds up without information.

Ms. Taylor shared the mayor’s concerns about the timing of the process as it related to planning for Envision Eugene.

Mr. Zelenka said that although he could not support MUPTE in the Fairmount neighborhood as it was currently configured he might be able to support a revised MUPTE.

Mr. Zelenka, seconded by Ms. Taylor, moved to direct staff to bring back information on non-dollar tools as part of the current process. The motion failed, 5:3; Ms. Taylor, Mr. Zelenka, and Mr. Brown voting yes.

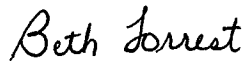
Mr. Farr and Mr. Pryor indicated they could not support the motion because they were unsure what it meant.

Ms. Ortiz expressed support for data gathering that informed the council's future discussions.

Mayor Piercy suggested the council should first decide if it wanted to use MUPTE and then decide under what conditions it wished to use it. She continued to be concerned about the order of the council's decisions and their impact on the implementation of Envision Eugene. She believed the only reason to employ MUPTE was to realize the City's land use goals.

Mayor Piercy adjourned the meeting at 1:28 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth Forrest".

Beth Forrest
City Recorder

(Recorded by Kimberly Young)