Downtown Commission
February 13, 2013, 5:30 p.m.
Madison Avenue Meeting Room

	Item	Estimated Time
I.	Call to Order	
II.	Approval of December 12, 2012 Meeting Minutes,	5 minutes
III.	Public Comment – (not related to items on agenda)	5 minutes
IV.	Discussion – Multiple Unit Limited Tax Exemption and Vertical Housing Tax Credit programs	50 minutes
V.	Discussion – Food Cart Policy - Committee review and recommendations to Urban Services Committee	20 minutes
VI.	Staff Updates • Community Development Update • Parking Committee Liaisons • DCA Liaison Report	5 minutes
VI.	Other Commissioner Updates	5 minutes
VII.	Other Business	
VIII.	Adjournment	

Next Meeting:
March 13, 5:30 p.m**.,** Madison Avenue Meeting Room

Upcoming Agenda Items:
Downtown Commission Work Program – Check-in
Policy Review – Permit to Occupy the Public Right-of-Way

Attachments: December 12, 2012, draft meeting minutes

Community Development
Planning Division
501 SW Madison Avenue
Corvallis, OR 97333

DRAFT

CITY OF CORVALLIS
DOWNTOWN COMMISSION MINUTES
Madison Avenue Meeting Room
December 12, 2012

Attendance
Liz White, Vice Chair
Elizabeth Foster
Mary Gallagher
Dee Mooney
Ken Pastega
Steve Uerlings
Mike Wiener

Excused
Heidi Henry, Chair
Kirk Bailey
Brigetta Olson
Donna Williams

Staff
Ken Gibb, Community Development Director
Sarah Johnson, Associate Planner
Mary Steckel, Public Works Director
Greg Gescher, City Engineer
Terry Nix, Recorder

Visitors
BA Beierle

SUMMARY OF DISCUSSION

	Agenda Item	Summary of Recommendations
I.	Call to Order	
II.	Approval of November 14, 2012, Meeting Minutes	Approved as drafted.
III.	Public Comment (not related to items on agenda)	
IV.	Policy Discussion – Private use of underground and overhead right-of-way	The Commission provided some feedback; there will be an opportunity for additional input at the next meeting.
V.	Discussion – City Council Goals Input	The Commission provided input to staff for use in drafting a recommendation regarding Council goals.
V.	Staff Updates	
VI.	Commissioner Updates	
VII.	Other Business	
VIII.	Adjournment – 6:50 p.m.	The next meeting will be held January 9, 2013, 5:30 p.m., Madison Avenue Meeting Room

CONTENT OF DISCUSSION

I. CALL TO ORDER

Vice Chair Liz White called the Corvallis Downtown Commission to order at 5:30 p.m.

II. APPROVAL OF MEETING MINUTES

November 14, 2012

MOTION: Commissioner Uerlings moved to approve the November 14 minutes as drafted. Commissioner Mooney seconded the motion and it **passed** unanimously.

III. PUBLIC COMMENT: None.

IV. POLICY DISCUSSION-PRIVATE USE OF UNDERGROUND AND OVERHEAD RIGHT-OF-WAY

Planner Sarah Johnson drew attention to the staff memo and draft policy regarding private development in the public right-of-way. The policy would apply to overhangs over the public sidewalk and underground parking that encroaches into the public right-of-way. She introduced Public Works and Engineering staff members who are present to discuss the proposed policy.

City Engineer Greg Gescher said the policy is being developed at the request of the City Council in response to requests in recent years to construct usable structures that extend over the public right-of-way. He reviewed the draft policy that regulates extension of private development into the public right-of-way overhead or underground as minor encroachments, intermediate encroachments, or major encroachments, which would be reviewed either as part of the building permit, administratively by staff, or would require City Council approval. The proposed policy applies to the Central Business Zone, the Riverfront Zone, and Major and Minor Neighborhood Centers. The proposed policy seeks to recover expenses for staff review as well as an amount (yet to be determined) that reflects the value of the use of public land for private development.

Ms. Gescher distributed and reviewed the following draft documents: *Right-of-Way Policy Implementation, Revocable License and Right to Use, Memorandum of License and Use of Right of Way*. He said that minor encroachments (less than 12 inches) are proposed to be reviewed administratively by staff and to have no application fee, annual fee, or insurance requirements. Intermediate encroachments (12 inches to 4 feet) are proposed to be reviewed administratively and to have an application fee of $500 to $750, as well as an annual fee (if occupied) and insurance requirements. Major encroachments (all other requests) are proposed to be reviewed by the City Council and to have an application fee of $1500 to $1750, as well as an annual fee and insurance requirements. All three types would be established by a revocable license or lease.

Mr. Gescher reviewed information from the Seattle Department of Transportation (SDOT) with the methodology they use in charging on a long-term basis for private use of the public right-of-way. The methodology uses land value, use area, rate of return (recently changed from 10% to 8%), and degree of alienation; this is consistent with how the City handled underground parking at the Renaissance Building.

Mr. Gescher said that input from the Downtown Commission and other stakeholders will be presented to the Urban Services Committee (USC) along with a revised draft policy for consideration and recommendation to the City Council.

Commissioner Wiener asked if the City Council would be giving up important control by allowing the administrative reviews. Public Works Director Mary Steckel said the USC was very comfortable with level of staff review in the draft policy. Community Development Director Gibb noted that any decisions by staff can be appealed to the City Council.

Commissioner Uerlings said he thinks this is a good policy. He suggested that the process should include protections for uses already in the right-of-way such as public utilities.

Commissioner White noted that the proposed policy prohibits alley encroachments. Mr. Gescher said the Land Development Code does not allow alley encroachments and staff has recommended that recent requests for alley encroachments not be approved due to the difficulty of making utility repairs in crowded alleys. Commissioner White noted that this Commission's Alley Improvements Committee will be working on recommendations regarding what can be done in alleyways.

Commissioner White asked if the use area used in the fee methodology would take into consideration the total square footage or only the shadow footage. Mr. Gescher said the SDOT uses shadow footage; however, he noted that construction that rises up over the overhang area would be more beneficial to the property owner and more impactful. It was agreed to suggest that this be part of the USC's consideration.

Director Gibb suggested that Commissioners bring any additional suggestions or comments to the next meeting.

V. DISCUSSION – CITY COUNCIL GOALS INPUT

Director Gibb drew attention to the staff memorandum. He said the City Council goal-setting process will begin in early January and the Council is inviting community stakeholders and commissions to provide any thoughts or suggestions for consideration. Council goals should be quantifiable, measurable programs or projects that can be accomplished or initiated within the Council term. For the previous Council term, the Downtown Commission encouraged the City Council to consider the implementation of an urban renewal program; the Council chose not to include urban renewal on their list of Council goals.

In response to inquiries from newer members of the Commission, Director Gibb briefly reviewed the urban renewal concept and the history of efforts to form an urban renewal district in downtown Corvallis.

Planner Johnson said that, in the past, the Commission considered whether there were any measurable, actionable items on its work program that would benefit from additional support from the City Council.

Commissioner Wiener said he likes the idea of encouraging downtown housing development.

Commissioner Pastega said there are many building facades downtown which don't fit with the original look. He would like a funding mechanism to help recreate the look of the old downtown.

Commissioner Gallagher said her concern is that is it difficult for downtown property owners to deal with needed seismic upgrades.

Director Gibb noted that a lack of discretionary general fund dollars has led many cities to utilize urban renewal programs to incentivize property owners to restore facades and make seismic upgrades to existing inventory.

Commissioner Uerlings said housing and urban renewal are the two work plan items that would make sense to put forward to Council.

Planner Johnson suggested that the recommendation might be to consider a broad range of financial incentives for the downtown, including urban renewal and housing incentives. She will draft a recommendation and email it to Commissioners for input directly back to staff.

VI. STAFF UPDATES

CD Update: Director Gibb said that staff is continuing to work on the City/OSU collaboration project. A fourth workgroup will be formed next spring to look at student housing, including downtown student housing. He said the Department has seen increased activity on the housing side including somewhat stronger single-family construction.

Parking Committee Liaison: The Commission had a brief discussion about downtown parking issues, costs and obstacles associated with a parking structure, and potential solutions.

DCA Liaison: Commissioner Foster said two downtown businesses are going out of business – Coleman Jewelers and Oregon Camera. The decrease in Economic Improvement District money is causing a budgetary shortfall which the Board will be

addressing during the coming year. The B2 Wine Bar is on track to open the first quarter of next year. Commissioner Foster and DCA Executive Director Joan Wessel will be attending the National Main Street Conference in April of next year.

VII. OTHER COMMISSIONER UPDATES: None.

VIII. OTHER BUSINESS: None.

IX. ADJOURNMENT

The meeting was adjourned at 6:50 p.m.

MEMORANDUM

Date: February 8, 2013

To: Downtown Commission

From: Sarah Johnson, Associate Planner

Ken Gibb, Community Development Director

Re: Downtown Housing Incentive Programs and Considerations

I. Background:

In September 2012, staff provided an update on housing incentive opportunities, including the Multi-unit Property Tax Exemption, the Vertical Housing Tax Credit, and Urban Renewal, which were recently discussed by the Collaboration Corvallis neighborhood planning work group. That group considered those programs with an eye toward alleviating pressures associated with higher density student-oriented housing in established neighborhoods, by means of directing student housing to desirable areas using those incentive tools. That group opted not to recommend pursuing any of those options for their purposes, but those options may be revisited again in the future with regard to student housing under the housing work group. After review of the staff memo and attached supporting documents (Attachment A, also attached to this memo for reference), the Commission reached consensus for two courses of action; to direct staff to further research and provide analysis regarding the tax incentive/credit programs; and to ask the City Council as part of their goal-setting exercise, to strongly consider using financial incentive tools to direct diverse housing opportunities downtown. The Commission also emphasized that urban renewal is a powerful tool that should be considered for use downtown. The Council received the input from the Commission, and staff have further researched the tax credit and incentive programs highlighted in the September memo. Because the Commission has extensively reviewed urban renewal opportunities, and asked Council to consider another potential implementation downtown, this memo will not further address urban renewal, but will focus on the Multi-unit Property Tax Exemption and the Vertical Housing Tax Credit.

I. Discussion:

Pros, Cons, Considerations

Staff have found information from several communities in Oregon that have used the Multi-unit Property Tax Exemption and/or the Vertical Housing Tax Credit to direct desired housing to specific areas of their community. Attachment A includes articles regarding projects that the City of Beaverton and the City of Eugene have recently approved or accomplished using tax incentive programs. The City of Portland uses the Multi-unit Limited Tax Exemption to direct housing in urban areas, and on their economic development website cites a number of program goals (see Attachment

B) that are generally in line with the City of Corvallis' stated goals for development downtown. These include "construction of transit-supportive multi-unit housing in core areas of urban centers to improve the balance between the residential and commercial nature of those areas"; and "construction of affordable housing and other public benefits where such housing or benefits may not otherwise be made available". Corvallis' Comprehensive Plan, Vision 20/20 document, and Downtown Strategic Plan all highlight downtown as the core of Corvallis, and call for a mix of high density housing and retail downtown that will complement one another and increase the vitality of downtown. Below is a list of benefits that could be gained by implementing a tax credit or incentive program for targeted housing development downtown.

- Advances Corvallis' stated goals in Comprehensive Plan, Vision 20/20, and Downtown Strategic Plan.
- Provides tools to direct housing to specific areas downtown. May positively impact economic development, business development, business types, hours of operation, and safety downtown.
- Allows the City leverage with new or redevelopment projects to control components of development or design elements, direct location of specific types of housing, and provide opportunities for partnerships with private developers to direct specific uses the City desires downtown (i.e., mixed use commercial space, parking, etc.).
- Could take some development pressure off of existing neighborhoods and allow opportunity for increased density in the urban core.

There are potential drawbacks to implementing such incentive programs. As Attachment C details, the City of Eugene is considering instituting a moratorium on their Multi-unit Property Tax Exemption, after a second large housing developer in two years applied for the exemption. The City of Eugene may decide to modify the tax incentive program, if they find the current program does not serve the public's best interest. Some of the drawbacks to implementing tax incentive programs are listed below.

- Property tax exemptions and credits reduce city revenue while potentially increasing density and demand for services.
- Incentives are sometimes seen as "giving away money" to developers. Also, some smaller, more local developers may see the benefit being reaped primarily by large-scale development projects, as has been the case in the two recent requests in Eugene.
- Perception of choosing some properties and property owners to benefit as opposed to others (i.e., properties downtown versus properties near campus or in other parts of the community).
- Could increase perceived parking crunch downtown without providing clear means to mitigate.

Overall, the decision whether to recommend implementation of a tax incentive program for downtown warrants careful consideration of long term service of public interest versus loss of funds over the specified time frame.

Requested Action:

The Commission should consider and discuss whether to make a recommendation to the City Council to implement one or both of these tax incentive programs in order to stimulate housing development downtown. If the Commission makes a preliminary decision to support this concept, staff recommends forming a committee to analyze the programs, the downtown area and other aspects, prior to making a final recommendation to the Commission regarding programmatic elements, boundaries and other considerations.

MEMORANDUM

DATE: **September 6, 2012**

TO: **Downtown Commission**

FROM: **Ken Gibb, Community Development Director**

RE: **Housing Incentives Opportunities - Update**

I. BACKGROUND:

In July, the neighborhood planning work group of Collaboration Corvallis reviewed some measures by which Corvallis could proactively direct student housing development to specific locations, including downtown, greenfield sites, and other locations, to minimize conflicts with traditional multi-family neighborhoods. Some of those measures include incentive programs, which the Commission has reviewed in the past. Below is a list of considerations, followed by a synopsis of potential incentive programs.

II. DISCUSSION:

Considerations and Implications:

- Actions to direct student-oriented housing projects to targeted locations could result in fewer concerns about compatibility with existing neighborhoods. For example, future projects in the downtown area and/or greenfield locations (sites that are not currently developed and/or are outside the nearby campus areas) may address this interest because they are in areas with more intensive development patterns, e.g. downtown area, or are sited in areas that provide more site design flexibility related to buffering and spacing, e.g. greenfield sites that are zoned for higher density residential development.
- Incentivizing projects in certain areas may help accomplish other goals such as the City's long time objective of having more housing development in the downtown area.
- It should be noted that any incentives that are available may not be sufficient to overcome other factors that influence development investment decisions. Factors that could be variable among potential locations include land availability and cost, construction cost and market demand.
- The City and OSU would need to carefully evaluate policy issues associated with incentives. Owners of property that has been long designated for multi-family development may have concerns about why some sites are eligible for public incentives if their property doesn't enjoy this benefit. Therefore, the City and OSU would need to carefully enunciate the public policy rationale for incentives being limited to certain areas, and also address the impact of incentives such as property tax exemptions on the revenue stream that supports local government services.

Potential Incentives:
On the City side, there are a few options that may be available depending on the type of project and locations. Briefly, these are described as follows:

Multi-Unit Property Tax Exemption – ORS 307.600
Allows for exemption from city or county property taxes for up to 10 years, within a defined boundary, for projects that conserve, rehabilitate, convert, or construct multi-unit housing. The city or county sponsor must adopt the ORS provisions, which requires a public hearing process. The defined boundary must be near a core area, light rail station, or transit-oriented area. Attachment A includes a newspaper article related to a student-oriented project in downtown Eugene that was recently approved for property tax exemptions by the City.

Vertical Housing Tax Credit – ORS 307.841
The program encourages mixed-use commercial/residential developments in areas designated by communities through a partial property tax exemption. The exemption varies in accordance with the number of residential floors in a project with a maximum property tax exemption of 80 percent over 10 years. An additional property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80 percent of area median income or below). Attachment B includes a newspaper description of a vertical housing tax credit project approved by the City of Beaverton.

Urban Renewal District (URD) – ORS 457
Urban renewal districts provide funding for projects within a defined boundary by diverting property taxes paid on increases in property values within that boundary for a specified period of time. Urban renewal districts can be an attractive financing tool because they raise funds for improvement projects without raising the overall tax rate. Urban renewal has been considered in the past for Downtown Corvallis, but Corvallis City Charter requires voter approval to enact a district, and in previous years, the citizens of Corvallis have not approved a district.

As noted in the descriptions above, all of these programs have eligibility criteria that will impact their applicability. The multi-family property tax and vertical housing tax credit programs provide tax benefits to the developer but need to be located in urban core or transit-oriented areas. Urban renewal districts can provide the resources necessary to support private development within the district, such as infrastructure and other public investment. Urban renewal districts must meet certain criteria to be designated as outlined in State law.

Collaboration Corvallis Consideration:
The neighborhood planning work group explored the above programs with an eye toward student housing and collaboration with OSU, but following their discussion, opted not to forward a specific recommendation to pursue any of these incentive programs for targeted student housing development. They did indicate that an incentives program that achieves multiple goals, and that includes a student housing component, would be appropriate. It also should be noted that the group was examining these programs with an eye primarily toward student housing development, not housing development in general.

III. REQUESTED ACTION:
The Downtown Commission is asked to review the above information with consideration of the neighborhood planning group's decision, and to determine whether the Commission wishes to make a recommendation to City Council on whether to pursue any of these programs as a means to incentivize and promote the City's goal of encouraging housing development downtown.

Capstone project: Yes

The City Council votes 6-2 to grant the developer a property tax waiver; construction may start as soon as June

BY EDWARD RUSSO
The Register-Guard

Appeared in print: Thursday, May 10, 2012, page A1

Aided by a hefty tax break, the developer of the largest proposed downtown construction project in Eugene's history could get started as early as next month.

As expected, the Eugene City Council on Wednesday voted 6-2 to grant Capstone Collegiate Communities a 10-year property tax waiver on its proposed $89 million student apartment complex.

The development for 1,200 students "will continue the rejuvenation of our downtown and add a mix of people to the center of our community," Mayor Kitty Piercy said after councilors voted.

The council's vote came after a 90-minute debate ignited by the objections of councilors Betty Taylor and George Brown, who voted against the tax break.

Brown, who unsuccessfully sought to limit the tax break to seven years, said he didn't believe that awarding the tax waiver was in the public interest.

Two councilors object

A mixed-use housing project with different types of residents would be superior to Capstone's plan to provide "transient" housing for a "monoculture" of 18- and 20-year-olds, he said.

Taylor unsuccessfully sought to require Capstone to comply with additional noise and air quality standards during construction to address the concerns of the elderly and disabled residents at Olive Plaza, a nearby high-rise.

But the council majority said existing regulations are enough to protect residents at Olive Plaza and elsewhere.

"We just don't pick out one particular project and say, 'You have to comply with rules that nobody else has to comply with,' " Councilor Alan Zelenka said.

Councilor George Poling said the proposals from Brown and Taylor were attempts at changing the rules, or moving "the goal posts again, again and again," for Capstone. "It's absolutely ludicrous," he said.

Nearby businesses happy

Near the 13th Avenue and Willamette Street development site on Wednesday afternoon, area merchants were glad the project is expected to proceed.

Keegan Gormley, owner of the Big City Gamin' computer game store, said students living nearby will help his business and fill empty spaces downtown.

"It's one less empty building, one less hole in the ground," he said.

A half-block east, Alison Albrecht, an owner of Cornucopia's Maize Lounge & Grill, said she's enthused about the development and how it would increase building density in the city center.

"It's great," she said. "We need to build up and not out. We need housing downtown."

Albrecht said some residents dislike tax breaks because computer chip maker Hynix closed its west Eugene plant in 2008 after receiving 12 years of reduced property taxes through a state-sanctioned enterprise zone program.

But Capstone's housing "is not going to disappear," she said.

David Mandelblatt, chairman of the Downtown Neighborhood Association, attended the council meeting.

"The project isn't perfect, but it is good for Eugene, and I'm very pleased with the outcome," he said.

Mandelblatt said the council later this year is going to consider an ordinance requiring on-site managers at large apartment complexes.

The ordinance could apply to Capstone's complex after the conditions attached to the property tax waiver expire in 10 years.

The neighborhood association "believes that the creation of an ordinance that will effectively ensure the ongoing quality of maintenance and supervision is of major importance," he said.

Fences to go up in June

In exchange for the tax break, Capstone had agreed to comply with several conditions governing how it will build and manage the complex.

Among other things, Capstone will provide on-site managers and collaborate with police on tenant behavior. The firm will build a new bicycle and pedestrian way through part of its development, construct new street crossings, pay for a Lane Transit District bus stop and construct its buildings to Earth Advantage energy standards.

The council's approval came four months after Capstone's proposal was first made public.

The conditions in the agreement were inspired by what the councilors heard about the project from residents, Piercy said.

"This is an example of how an engaged community like ours can really make a difference," she said. "In one sense this is about a project. In another sense it is about an investment in our community and our future."

Capstone, based in Birmingham, Ala., said it needed the tax waiver, worth an estimated $846,000 a year, or about $8.5 million for the life of the exemption period, to proceed with construction.

The 5-acre redevelopment site, spread over parts of three blocks near West 13th Avenue and Olive Street, is now owned by PeaceHealth, a nonprofit health care provider. The site includes the empty Eugene Clinic building and parking lots.

Eugene developer Steve Master previously had considered redeveloping the property with a Fred Meyer store.

But Master played a role in the Capstone development by securing an option to buy the property from PeaceHealth for an undisclosed amount.

As soon as Master buys the property in mid-June, Capstone will purchase the property from Master for $6.6 million and proceed with construction.

Capstone consultant Conrad Sick on Wednesday said construction fencing and a crane would be put on the site soon after the closing.

Demolition of the old clinic would take place after asbestos removal, he said.

The project would be built in two phases, starting with 227 apartments and a 600-car parking garage on the block bounded by 11th Avenue, Olive Street, 13th Avenue and Willamette Street.

The first phase is to be completed by September 2013, Sick said.

$89 million

Total estimated cost of the student apartment complex

1,200

Students expected to inhabit the apartments

227

Apartments planned for the first phase of development, to be completed by September 2013

600

Car spaces for the parking garage in phase one

City of Beaverton seeks state approval for Vertical Housing Development Zones

Published: Friday, July 20, 2012, 10:11 AM Updated: Friday, July 20, 2012, 10:13 AM

By City of Beaverton

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Beaverton City Council recently authorized the city of Beaverton's Community and Economic Development Department to apply for state approval of three Vertical Housing Development Zones (VHDZs). The zones are intended to provide financial incentive to promote mixed use development with housing in VHDZs.

"Building Vertical Housing in these zones aligns well with Metro's goals," said Mayor Denny Doyle. "By infilling our urban areas, we're able to increase our densities in areas where all levels of government have invested in Beaverton. These VHDZ's are all adjacent to light rail transit."

Under the state's program, a developer of a property within the VHDZs may apply for a partial property tax exemption as a tool to help finance their project. The exemption would apply for up to a ten year period.

The VHDZs may be located in light rail station areas, a transit oriented area, or a core area of an urban center. Three areas of the city have been identified as areas where the city can help incentivize mixed use development. The largest proposed VHDZ would be located within the city's central core area. The other proposed VHDZs are adjacent to the Sunset and the El Monica light rail stations.

"The establishment of the zones will encourage the construction of mixed use projects," said Mayor Doyle. "The development would create new housing and employment opportunities that could stimulate important economic, social, and cultural growth in those areas."

Since 2001, when the Vertical Housing Program was established, 14 communities in Oregon have received state approval of a VHDZ. Four of those communities are located in the Metro areas: Gresham, Hillsboro, Milwaukie and Wood Village.

The city of Beaverton is not the only public agency which may be affected by a partial property tax exemption by a project that takes advantage of the VHDZ program. Metro and Tualatin Hills Park & Recreation District are two examples of special service agencies supported by property taxes that could be affected by the VHDZs. Both districts have indicated their support for the city's VHDZ proposal and have committed to not "opt-out" of

the VHDZs once approved by the state. The city and these two agencies see this program as an investment tool to strengthen their future budgets by encouraging new development and redevelopment of existing property.

Mixed use development in the areas the city has identified for VHDZs is encouraged within the city's Comprehensive plan, as well as the Civic Plan.

For more information, please contact Steven Sparks, principal planner, at 503-526-2429.

City of Portland Administrative Rules on MULTE – Portland Housing Bureau

Program Goals

The Legislative goals of the Multiple-Unit Limited Tax Exemption Program include:

- Stimulate the construction of transit supportive multiple-unit housing in the core areas of urban centers to improve the balance between the residential and commercial nature of those areas;

- Ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work;

- Promote private investment in transit supportive multiple-unit housing in light rail station areas and transit oriented areas in order to maximize transit investment to the fullest extent possible; and

- Establish and design programs to attract new development of multiple-unit housing and commercial and retail property, in areas located within a light rail station area or transit oriented area.

The City of Portland and Multnomah County have established these additional core goals:

- Stimulate the construction of affordable housing and other public benefits where such housing or benefits may not otherwise be made available;

- Leverage market activities to advance housing and economic prosperity goals by aligning those activities with the goals of the Portland Plan and the PHB's Strategic Plan; and

- Provide transparent and accountable stewardship of public investments.

Benefit of the Tax Exemption

The Multiple-Unit Limited Tax Exemption Program provides a ten year property tax exemption on the residential portion of the structural improvements as long as program requirements are met. During the exemption period, property owners are still responsible for payment of the taxes on the assessed value of the land and any commercial portions of the project, except for those commercial improvements deemed a public benefit and approved for the exemption.

The value of the exemption cannot exceed 100 percent of the real market value. In the case of a structure converted in whole or in part from other uses to multiple-family, only the increase in value attributed to the conversion is eligible for the exemption.

The property is reassessed when the exemption is either terminated for noncompliance or expires after the ten years, and owners begin paying full property taxes.

- **Commercial portions of a project** – For exemption of the commercial portion of a mixed use development, the developer must demonstrate through community engagement and/or a market analysis that the commercial space meets a community identified need for a good or service that is not currently available within walking distance, does not compete with a similar established business within walking distance, and advances Portland Development Commission's (PDC) Neighborhood Economic Development Goals.

- **Parking** – The exemption may include parking constructed as part of the multiple-unit housing construction, addition or conversion; any parking available shall not be required as payable rent.

- **Extensions for low income housing** – Extensions beyond the ten year exemption period will be granted only for projects subject to a low income housing assistance contract with an agency or subdivision of Oregon or the United States.

Applications for extensions must be submitted under the same application timeline as new applications prior to the exemption expiring. Extensions may be granted only for the portion of units which meet the affordability requirements through June 30 of the tax year during which the termination date of the low income housing assistance contract falls. Projects that propose to make changes to the affordability mix must reapply through the competitive process.

The Register-Guard
http://www.registerguard.com/

Eugene to reassess developer tax breaks

The City Council wants a moratorium in order to consider changes

BY EDWARD RUSSO
The Register-Guard

Published: *Midnight,* Jan. 31

The Eugene City Council appears ready to suspend and then change the rules for granting tax breaks for housing developments in the downtown area.

On a 5-3 vote Wednesday, councilors indicated they could temporarily end the controversial multiunit property tax exemption program in the next several weeks so that they can modify the rules.

“We need to rework it,” said Councilor George Brown, who pushed for the moratorium. “I’m not saying get rid of it, by any means. I’m saying we need a serious makeover.”

The council’s focus on the breaks has intensified with the submittal last week of a Chicago developer’s application for a 10-year waiver on a total of about $4.8 million in property taxes on a proposed $44 million, 12-story student-apartment tower on East Broadway near Patterson Street.

The council is expected to hold a public hearing on a suspension in late February, followed by a vote at a later date to enact the moratorium. The council would make any rule changes in the months after that.

City Attorney Glenn Klein told councilors that the city will still process the application by Chicago-based Core Campus under the program’s existing rules, but that the council has broad latitude in deciding whether to approve the tax waivers. Under the city ordinance, the council can approve a waiver if it is in the public interest.

“Ultimately, you decide whether it’s in the public interest or not,” Klein said.

Under the breaks, developers get a decade of tax waivers on the value of new apartments and condos in designated areas.

The new buildings are exempt from taxes, but the land underneath them remains taxed during the exemption period.

The city since 1978 has used the state-sanctioned tax breaks to encourage redevelopment in certain areas in and around downtown.

Housing developments that have received the tax breaks include Washington Abbey, Broadway Place, High Street Terrace and The Tate condominiums, plus a number of apartment projects for students near the University of Oregon.

The council’s recent tax break approvals for downtown include Capstone’s under-construction

Attachment C

student housing complex, and two redevelopments by Eugene developer Steve Master, one on Pearl Street; the other at Broadway and Willamette Street.

Over the years, the council has changed the boundaries where
it could award breaks, and has added new rules, though the matter always boils down to whether the council thinks the waivers will benefit the public in the long run.

The incentives are controversial, disliked by those who think they are unnecessary tax giveaways that divert money from cash-strapped local governments. Others support the breaks, claiming they lead to redevelopment and creation of higher quality or more energy-efficient housing than would be built without the incentives.

Brown and other councilors on Wednesday said the council should change the rules so that the city gets more public benefit in exchange for the tax breaks.

Councilor Alan Zelenka is interested in having the city get a share of the profits if a development exceeds a certain rate of return, similar to what is required by the city of Portland. He also wants developments to meet or exceed silver Leadership in Energy and Environmental Design, or LEED, certification. And the waivers should be granted to low-income, mixed use, or “other desired housing,” not more student apartments, he said.

Councilors Betty Taylor, Greg Evans and Claire Syrett joined Brown and Zelenka in requesting an ordinance for a moratorium.

Voting against the motion were Councilors Mike Clark, Chris Pryor and George Poling.

“I didn’t see any harm in accepting applications until the review of the (tax waiver) program is completed,” Poling said in an interview.

If councilors ultimately agree to the moratorium, it would be the second time the city put the program on hold.

The council had a moratorium on applications for five years, between 1996 and 2001, before reinstating the breaks with new rules and reducing the waiver area to the downtown core.

Brown had placed the proposal to suspend the program before the council a couple of weeks ago, but councilors put it off until Wednesday.

Meanwhile, in the first 60 minutes of the 90-minute meeting, councilors were briefed on the ongoing work related to the south Willamette Street Improvement Plan, which is meant to make the street between 24th and 32nd avenues more accessible to bicyclists, pedestrians and bus riders.

By the time the council started its tax waiver discussion, the normally mild-mannered Brown became upset because his motion to suspend the program had not been presented as part of the agenda, and city staff were prepared to launch into an overview of the tax break program.

On the advice of Klein, who said the council was required to take up the matter, Mayor Kitty Piercy and the councilors agreed to forgo the staff presentation so they could consider Brown’s motion to suspend the program.

“This is a hugely important subject,” Brown said.

> *“I’m not saying get rid of it, by any means. I’m saying we need a serious makeover.”*

Attachment C