

The MUPTÉ Program

Eugene’s population is expected to grow, and that new population will need to be housed. The City’s 20-year growth management plan, known as *Envision Eugene*, shows that Eugene must redevelop land inside our urban growth boundary if we do not want to expand the boundary. The expected demand for housing inside the existing boundary will need to be built somewhere. Encouraging relatively dense housing in the downtown core is one way to provide housing for our growing community

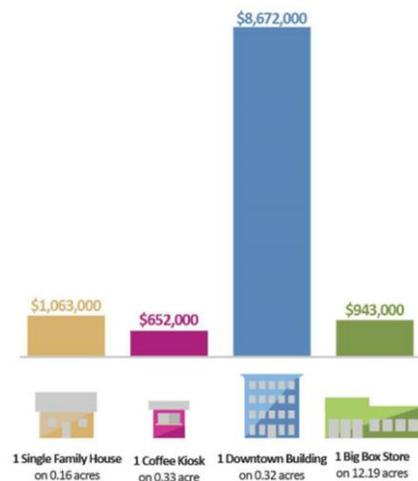
Increasing the number of housing units in the downtown achieves other policy goals:

- **Climate recovery.** A high priority action item within the *Eugene Climate and Energy Action Plan* is to increase density around the urban core and along high-capacity transit corridors. National data show that individuals living in city centers drive, on average, fewer miles than individuals in other parts of a community. Downtown is walkable, has good access to transit, and offers goods and services for residents’ daily needs. More residents in the downtown will result in lower per capita carbon emissions and other automobile emissions.
- **Vibrant downtown.** Housing in the downtown core also positively affects the economic activity in the city center. New residents in the downtown support local businesses because they increase demand for nearby goods and services. Also, an occupied building creates an active use, which enhances the overall vibrancy of the downtown. Residents help to establish a 24-hour neighborhood, putting more eyes and ears on the street, discouraging crime.
- **Fiscal sustainability.** Dense development in the downtown core generates substantially more tax revenue per acre than any other part of the city, as shown in the chart below. The dense development costs less to serve—the cost per resident for roads, water, and sewer are significantly lower.

Increasing the supply of housing in our downtown can help the community work towards these broad goals. However, new housing development has been shown to not be financially viable in the downtown.

It is more expensive to build downtown than on greenfield sites on the edge of town, because it is more complicated to build in an existing neighborhood. There is less elbow room for material and equipment to be stored and security costs are higher.

Taxable Value per Acre



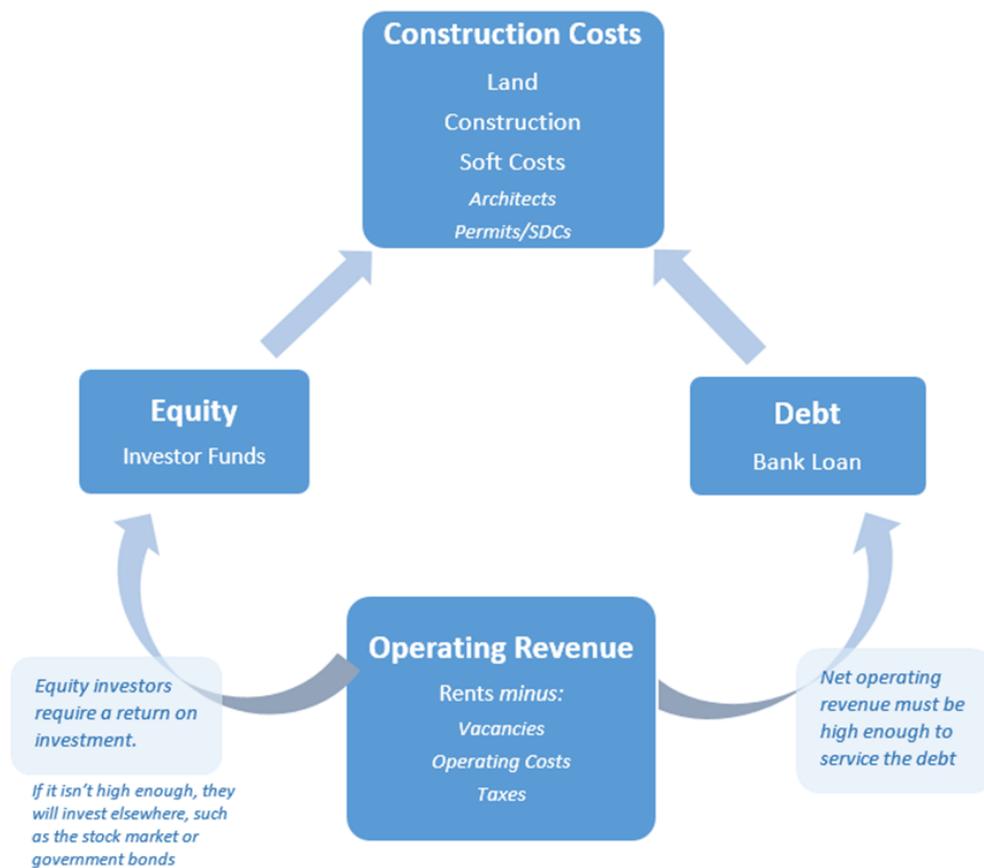
Source: City of Eugene. *Mapping Value in Eugene, Oregon*. May 2017

The role of MUPTE

The Multi-Unit Property Tax Exemption (MUPTE) is a tool that can shift a proposed housing development to being financially feasible. It is a state-enabled program designed to be an incentive of redevelopment of residential properties in city centers and along transit corridors. In Eugene, the City Council has authorized the use of MUPTE in the downtown area.

MUPTE allows new multi-family units (5 or more units) to avoid property taxes on the value of new residential construction for up to 10 years. The property continues to generate taxes for the land value during the exemption period.

The figure below shows how the costs of development and operating revenues are connected. The construction costs are all up-front and are made before the developer generates any revenue from the development. Typically, developers use a mix of equity (i.e., investor funds) and debt (i.e., bank loan). The developer estimates the future rents from the apartments and/or commercial space or sales from condominiums, to estimate if those expected revenues can cover the debt payments and provide investors with a return on their investment that is competitive with other investment opportunities.



By exempting property taxes, MUPTE lowers the operating costs in the early years of a housing development so that it becomes financially feasible.

Current MUPTE Program Requirements

In 2015, City Council revised the program boundary, criteria, and process. The 2015 MUPTE update established a Review Panel, tasked with providing a third-party review of individual applications for the City Manager. The Review Panel:

- Reviews the project applications, including the consultant’s review of the project’s financial projections.
- Reviews the applicant’s conformance with the Required Public Benefits and making recommendations regarding approval/denial of the tax exemption to the City Manager.
- Reviews the project’s conformance with approval requirements midway through construction, at completion of construction, and during the exemption period.
- Assists the City Manager in preparing an Annual Report on progress of the approved projects, program volume cap, and reporting documentation.

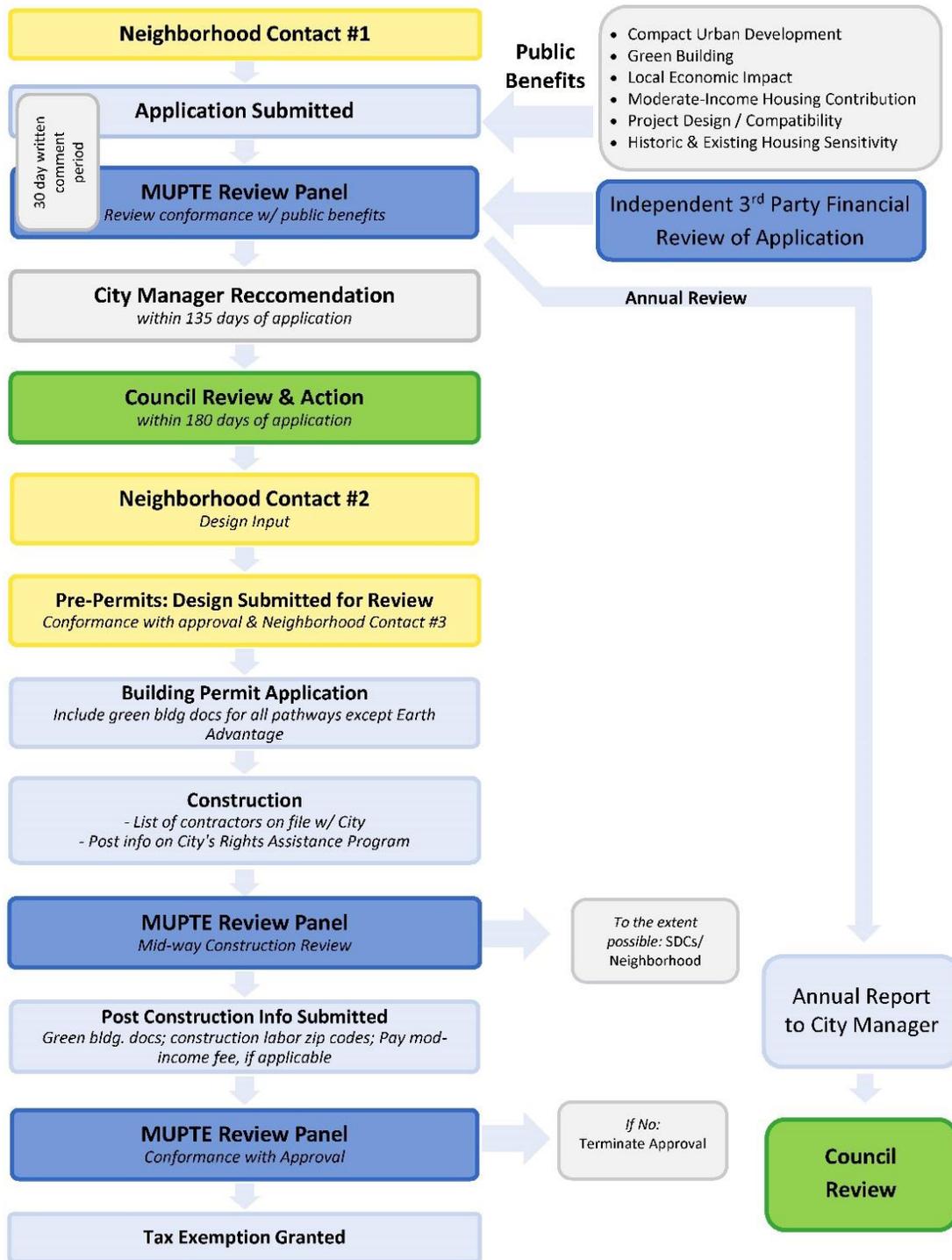
The Review Panel consists of two at-large neighborhood representatives selected by neighborhood association boards, an additional two representatives selected by the board of the neighborhood association in which the proposed project is located, and six technical professionals selected by the City Manager from the following six groups: architects/green building specialists; building trades unions; developers; environmental professionals; public health professionals; and human rights representatives. Prior Review Panel reports can be found at www.eugene-or.gov/MUPTE

The following map shows the current boundary of the MUPTE program.



The following page shows a diagram of the application and review process.

MUPTe Application & Review Process



Annually:

- Moderate-income housing: Pay fee in years 3 – 10 or update lease rates on mod-income units & submit docs.
- BPS pathway energy usage, if applicable.

The Required Public Benefit criteria are:

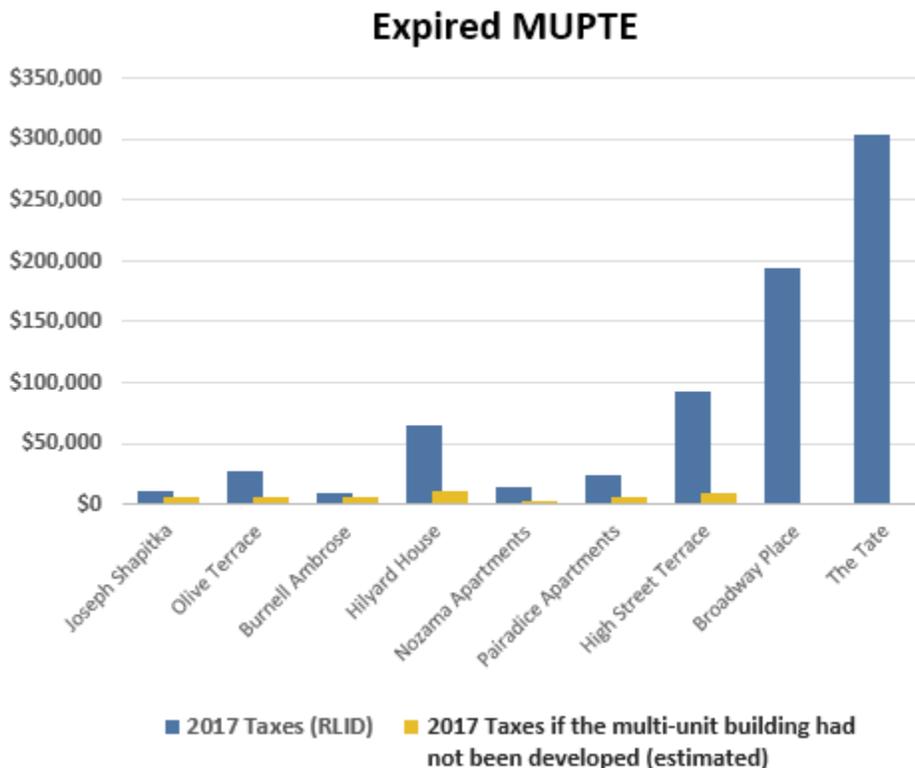
- Compact Urban Development
- Green Building Features (*ensuring building energy performance is 10% above code*)
- Local Economic Impact Plan (*including support for local businesses, minority and women business enterprises, and ensuring compliance with laws*)
- Moderate-Income Housing Contribution
- Project Design and Compatibility (*including scale, form, and quality of the building; mixture of project elements; relationship to the street and surrounding uses; and parking and circulation*)
- Historic and Existing Housing Sensitivity
- Project Need

How does MUPTE affect the City of Eugene?

The MUPTE program allows a new residential building to be exempt from property taxes for up to 10 years. The City and other overlapping taxing districts do not receive tax revenue from the new construction until the exemption period is over.

However, a new residential development will not be constructed if it is not financially feasible. So in the absence of the MUPTE exemption, some residential projects do not get built at all. The City and the overlapping taxing districts receive no new tax revenue in the 10-year exemption period and well into the future. By delaying tax collection, the City is incentivizing long-term increase of its tax base.

Since 1978, the MUPTE program has supported the development of 28 residential projects, creating about 1,500 units. Since at least 1990, all downtown market-rate housing developments have used MUPTE. Since 1990, the exemption period has expired for 9 of the projects and the combined tax revenue of those 9 projects was about \$740,000 in 2017. In the absence of the residential developments, those 9 properties would have generated about \$48,000 in 2017.



Map of MUPTE projects near the downtown

