



May 7, 2019

Representative Nancy Nathanson, Chair
House Committee on Revenue
Oregon Legislature
Salem, Oregon

Re: Senate Bill 262: Extends sunset for property tax exemption for multiple-unit housing.

Chair Nathanson and Members of the Committee:

The City of Eugene **SUPPORTS SB 262** which would provide for an extension of the property tax exemption for multiple-unit housing.

As you know, under state law, the tax exemption program – known in Eugene as the Multi-Unit Property Tax Exemption (MUPTE) - waives property taxes for 10 years on approved residential construction in downtown areas of cities. However, developers continue to pay property taxes on the land.

The City of Eugene has participated in the MUPTE program since 1978. Since that time, 30 projects have been approved for this program. To date, the MUPTE has expired on 12 of the approved project developments, all of which are now taxed. The combined tax revenue of those 12 projects was about \$960,000 in 2017. In the absence of the residential developments, those 12 properties would have generated about \$74,000.

The aim of Eugene's MUPTE program is to encourage new, higher-quality housing in the core of our city, to encourage higher densities, and to encourage compact growth instead of urban sprawl. In addition, the statute's flexibility allows us to customize the tool so that it can help us achieve other community-wide goals. In 2013, the City suspended the MUPTE program and underwent an intensive 2-year review of the program, engaging with several community stakeholder groups to revise the MUPTE program. Since the program was relaunched in 2015, applicants are required to meet seven different public benefit criteria to receive the exemption.

These criteria include compact urban development, green building/energy efficiency features, local economic impact plan, moderate-income housing contribution, project design compatibility, historic and existing housing sensitivity, and project need. The revised program guidelines also include creation of a Review Panel, which provides a third-party review of the application, and reviews conformance with the required criteria over the course of the exemption period.

Increasing the supply of housing in our downtown can help the community work toward the City's broader community goals, including climate recovery, encouraging a vibrant downtown,

and fiscal sustainability. The downtown housing vacancy rate has been at or near zero for many years, but there has been virtually no new construction of housing units. New housing development in the downtown core is not financially viable; in fact, since 1990, all downtown market-rate housing developments have used a MUPTE to be completed.

In addition to the long-term fiscal impacts, MUPTE has also catalyzed innovative partnerships in our community, seen most recently with Homes for Good, our local housing authority, and Obie Companies, whose project was recently approved for a MUPTE. Their partnership is a clear example of how we have used MUPTE to achieve community-wide goals. We have also shared the program's impacts with 4J School District, who recently reaffirmed their support of the program with concurrence in January 2019. A ten-year extension of the statute would allow us to continue offering assistance to make proposed housing development financially feasible in the short term, while leveraging the tool to help achieve public benefits that will positively impact the broader community for years to come.

The City of Eugene appreciates the opportunity to present our position and we respectfully request your support for **SB 262**.

Sincerely,

Submitted electronically

Ethan Nelson
Intergovernmental Relations Manager