

# MUPTE FAQ

## MULTIPLE-UNIT PROPERTY TAX EXEMPTION FREQUENTLY ASKED QUESTIONS

Updated June 25, 2014

### What is MUPTE?

MUPTE is Eugene's implementation of a State statute that allows local jurisdictions to exempt property owners from a portion of the *ad valorem* (aka "property") taxes on apartments and other multiple-unit residential structures.

### What are examples of MUPTE projects?

The Tate condos on Olive St. and Capstone's "18<sup>th</sup> and Olive" student housing project are two examples.

### What's the current status of MUPTE?

City Council suspended the program through November 30, 2014.

### What are the plans for the program?

It appears a majority of City Councilors, as well as the Mayor and City Manager, want to approve a new MUPTE program. This involves the City Manager and staff recommending the structure and approval criteria and process that will be subject to a public hearing. Council will then vote on an ordinance to reinstate MUPTE.

If a new MUPTE ordinance is adopted, property owners and developers will be able to submit applications for tax exemption, which will ultimately be approved or denied by a City Council vote.

### Has the City Manager presented any recommendations yet?

Yes. You can review these by visiting the <http://trusttheneighbors.org/mupte-sdc/> website and following appropriate links. The City Council has not approved these recommendations, and several councilors have stated that they think the recommendations are lacking in various areas. (See below.)

### Has any alternative recommendation been presented?

Yes. A link to an early draft of an alternative proposal can be found on the <http://trusttheneighbors.org/mupte-sdc/> website.

### What is the purpose of MUPTE?

Good question! So far there hasn't been a clear statement of MUPTE's purpose by the City Manager or Council. However, the alternative proposal (mentioned above) recommends the following:

- A. To promote housing (and supporting commercial uses) that:
  1. Is affordable
  2. Is family-friendly
  3. Is compatible with surrounding uses
  4. Is supported by commercial uses
  5. Is served by transit
  6. Contributes to the livability, stability and vitality of the surrounding neighborhood(s)
  7. Supports the local workforce
  8. Does not significantly disadvantage local owners/investors of existing or new non-MUPTE residential developments.
- B. To provide tangible community benefits (including affordable housing) commensurate with the amount of the City's investment.
- C. To provide transparent and accountable stewardship of public investments.

The community deserves a clear statement of purpose from the City Manager, Mayor and Councilors before lending support to such a large tax giveaway.

**What role would city-chartered neighborhood associations, as well as neighborhood residents and business owners, have in which projects proposed in their neighborhoods are approved?**

Another good question. The most recent staff proposal to Council had no meaningful role for any neighborhood stakeholders. The *entire* extent of neighborhood involvement was: “*the applicant must make an effort to contact the appropriate neighborhood association to share project information and seek input.*”

A majority of City Councilors were unhappy with that, so City staff posted a short “concepts” document. On June 25 with three staff proposals:

- A. Have several neighborhood representatives on an advisory review panel that would provide a report (and maybe a recommendation) to City Council.
- B. Automatic (or all-but-automatic) approval if the neighborhood association approves of a project.
- C. Require that an “area plan” be completed before an area (other than downtown) is eligible for MUPTTE applications.

**How effectively would neighborhood representation on an advisory panel serve neighborhood interests?**

Perhaps to a limited degree. The staff proposes “equal representation from technical interests (architects, lenders, labor etc.) and neighborhoods.” That’s a reasonable *minimum*; any lesser proportion would leave developers, architects, builders and other committee members with a vested financial interest in spurring development in control of the panel’s report. In addition, if committee members were appointed by the City Manager, it’s likely that only compliant “representatives” would be on the committee. If this approach is used, the approval of City Councilor(s) representing affected neighborhood(s) should be required. It would be better to have the NLC and neighborhood organizations make the appointments. Finally, the panel would have a purely advisory role, and if they advise the City Manager, rather than City Council, the influence would be further diluted.

As a rule, neighborhood representatives on an advisory panel would have only modest impact unless it’s clear that a majority of City Council wants these members to have strong influence on the panel’s recommendation.

**Would (nearly) “automatic approval” of proposed MUPTTE projects by neighborhood’s be a good idea?**

Probably so, for neighborhoods with good governance in place and active participation by residents and neighborhood businesses.

But unless this provision had strong safeguards, such as a minimum number of neighborhood residents voting in favor, this concept could backfire and provide strong motivation for some individuals or groups to “pack” the neighborhood board in order to make decisions favorable to development interests.

This provision also would do very little to enable neighborhoods to deter bad projects, which is even more important.

**How would the “area plan” concept work, and would it serve neighborhoods?**

This could be an excellent provision, but *only* if an “area plan” is an adopted refinement plan, as defined in the *Eugene-Springfield Metropolitan Area Plan*. This type of area plan is developed through a public process in which the affected community (e.g., a neighborhood or subareas of one or more neighborhoods) take the leading role to develop a recommendation that is then reviewed by the Planning Commission and subsequently reviewed and adopted by City Council.

The policies and other provisions in an area plan that Council adopts as a refinement to the *Metro Plan* have the force of law, and by statute all MUPTTE projects must comply.

However, citizens should be extremely careful of a “bait-and-switch” ploy with this idea. In recent years, staff has been touting “area plans” for other purposes, but so far has indicated their idea of an “area plan” is *not* an adopted refinement plan. Such “non-refinement” area plans would provide little or no protection for neighborhoods, and they could be put in place without the community-driven process that’s supposed to be used in developing refinement plan proposals.

In addition, the City Manager and staff have gone to great pains to avoid complying with the existing current statutory requirement that all MUPTTE projects conform to local plan policies. In response to legal challenges, the City has blatantly misrepresented that it complies with this requirement *after* a MUPTTE project is

approved. A comprehensive examination of all MUPTE approvals in the past several years found that not one MUPTE project had been evaluated, as the City claimed.

In net, the only way that the “area plan” concept would have any value is if two criteria were met:

- A. The “area plan” must be an adopted refinement plan, and
- B. The MUPTE approval process must determine that a proposed project would conform to local plan policies, including those in the area plan, in order to approve the project.

### **What ideas have neighborhood advocates come up with?**

A number of neighborhood leaders and other advocates have been discussing MUPTE. Among the suggestions that have been made is to first establish a set of principles, such as the following, that would guide implementation specifics:

- A. As Eugene’s democratically elected officials, City Council is the final decision maker in approving significant financial and land use decisions, such as approval of proposed MUPTE projects.
- B. Council approval of a proposed MUPTE project must comply with statutory requirements, including that such projects must conform to local plans, i.e., the *Metro Plan* and applicable refinement plans.
- C. MUPTE projects should not result in significant negative impacts on residents, property owners and businesses in proximity to the project, and should have clear and concrete benefits.
- D. The good-faith and well-informed assessment by residents, property owners and businesses in proximity to the project should carry substantial weight in decisions regarding approval and mitigation of MUPTE projects.

The most promising approach to a long-term solution is adopting or updating neighborhood refinement plan policies for development in areas where projects are eligible for MUPTE. This approach would engage much broader participation by potentially affected community members, and the result would provide much more certainty and fairness for developers, property owners and neighborhood residents and businesses.

### **Have neighborhood advocates suggested any interim approaches?**

Several ideas have been suggested for areas that don’t yet have an up-to-date refinement plan, including:

- A. Having neighborhood associations that would be impacted by a proposed MUPTE project provide a recommendation *directly* to City Council to “approve, deny, or approve-with-conditions” a proposed MUPTE project. The City Councilor in whose ward a proposed project was located would have to vote to approve a project that the neighborhood association had recommended to deny or approve with conditions. Otherwise the MUPTE would be denied.

This approach would provide a clear and meaningful role for the neighborhood association, but the elected official from the same area (and, in fact all the councilors) would not be bound by the neighborhood association’s recommendation. This approach is based on the common-sense perspective that if the elected official from the area *and* the city-chartered neighborhood association agree that a project doesn’t merit a discretionary tax break, then the project is almost certainly not a good candidate.

- B. Another approach, based on the way Portland has recently revised their own version of “MUPTE,” would have a once-yearly *competitive* MUPTE award process. In addition to minimum qualification criteria, a substantial part of the scoring would be based on ratings by the neighborhood association(s) that would be impacted by a proposed MUPTE project. Such an approach wouldn’t provide a “veto” by a neighborhood association, but it would create a powerful incentive to developers to propose projects with clear benefits to the neighborhood community around the project.

### **Are there other aspects of MUPTE that neighborhood folks should be evaluating?**

There are numerous aspects to MUPTE that will impact neighborhoods, and many of the staff proposals are cause for concern. Here are a few to consider:

- A. Ensuring concrete benefits that are based on the *community’s* values and preferences.

The most recent staff proposal clearly was driven by two objectives:

1. Spur development by making it easy and attractive for developers to get tax exemptions.

2. Increase density by subsidizing apartments.

It's questionable that most of the Eugene community sees these two objectives as the first priority for giving up future tax revenue.

Of even more concern is that, in an effort to push high-density apartment development, proponents have been actively opposing adequate standards to ensure compatibility and avoid significant negative impacts.

Several councilors and a number of neighborhood leaders support the position that a MUPTE project must provide tangible benefits to the community around it; for example, by improvements to pedestrian and bicycle facilities, providing open space, providing community meeting facilities, and so forth.

B. Using legitimate methods to evaluate a proposed project's projected profitability.

City staff propose to continue using a financial method (i.e., "cash-over-cash") that tends to *understate* a residential project's profitability because this method doesn't take into account the money received when the development is sold. No lender would rely on this method, and it resulted in granting Capstone more than \$3 million *excess* tax exemption over what they needed to meet their target return on investment. Portland uses the appropriate method (i.e., "internal rate of return"). There isn't any real debate on this, but City staff persist in wanting to give away money that isn't necessary for a development to be economically viable.

C. Ensuring jobs that are created are filled by local residents to the greatest degree possible.

"Job creation" is touted by MUPTE proponents as a major benefit of the MUPTE program, but without real teeth (such as "certified payroll"), the actual result is an influx of lower-paid, out-of-state workers, as has occurred with the Capstone project.

D. Ensuring the subsidized project that gets built helps reduce Eugene's "housing affordability" gap.

Although there are some dedicated subsidized housing programs, these haven't come close to adequately addressing Eugene's shortage of affordable housing. The cost of housing relative to household income in Eugene not only hurts families, it also fuels "sprawl" as families locate in outlying towns with less expensive housing.

There are two ways that a MUPTE program can help:

1. Create more, better-paying local jobs. (See C, above); and
2. Encouraging the construction of affordable housing, especially "family-friendly" housing.

There are two ways that MUPTE help provide additional affordable housing:

1. Require proposed projects to provide a percentage of subsidized units. (Portland requires that 20% of a MUPTE project be below-market rate for at least ten years.)
2. Build "family-friendly" housing types.

As a general rule, families with children do not want to live in high-density, multi-story apartments. Preference surveys indicate that most families still would like a single-family, detached home if they could afford it. But cities like Portland are encouraging affordable "family-friendly" alternatives, such as low-rise, "courtyard" development. MUPTE could help provide more housing that would appeal to families with kids.

However, City staff and people pushing density without regard to housing type or impacts have been opposing meaningful requirements that MUPTE projects provide some measure of affordable housing.

Instead, they propose requiring the developer to "give back" a small percentage of the amount of tax exemption. Frankly, this is a ludicrous proposal. Who wouldn't take a million dollar cut in cost in return for a \$50,000 "give back"? This proposal should be dropped entirely.

*For more information on MUPTE, visit the "Trust the Neighbors" website at [trusttheneighbors.org](http://trusttheneighbors.org)*