



**Eugene City Council**

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# **EUGENE CITY COUNCIL AGENDA**

**September 11, 2019**

**12:00 p.m. CITY COUNCIL WORK SESSION**  
**Harris Hall, 125 East 8<sup>th</sup> Avenue**  
**Eugene, Oregon 97401**

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**Meeting of September 11, 2019;**  
**Her Honor Mayor Lucy Vinis Presiding**

**Councilors**

Betty Taylor, President  
Mike Clark  
Chris Pryor  
Jennifer Yeh

Emily Semple, Vice President  
Greg Evans  
Claire Syrett  
Alan Zelenka

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**12:00 p.m. EUGENE CITY COUNCIL WORK SESSION**

- 1. WORK SESSION AND POSSIBLE ACTION: Ferry St. Manor – Application for Multiple-Unit Property Tax Exemption for Mixed-Use Property**
- 2. WORK SESSION: Rivers to Ridges Partnership - Fifteen Years of Accomplishments**

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# EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



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## Work Session and Possible Action: Ferry St. Manor – Application for Multiple-Unit Property Tax Exemption for Mixed-Use Property

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Meeting Date: September 11, 2019  
Department: Planning and Development  
[www.eugene-or.gov](http://www.eugene-or.gov)

Agenda Item: 1  
Staff Contact: Amanda D'Souza  
Contact Telephone Number: 541-682-5540

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### ISSUE STATEMENT

City Council is asked to consider the request for a Multi-Unit Property Tax Exemption for the Ferry St. Manor project, a proposed multi-unit housing development located at 1040 and 1050 Ferry Street.

### BACKGROUND

The City received a MUPTE application in March from RNS Management LLC (a local developer entity owned by the Bennett family), for a proposed multi-unit housing development (Ferry St. Manor). The application was deemed complete on April 8, 2019. *(A copy of the Ferry St. Manor MUPTE application is available in the council office and online at [www.eugene-or.gov/3281/MUPTE-Applications](http://www.eugene-or.gov/3281/MUPTE-Applications))*

#### ***Program Background***

MUPTE is an incentive program to encourage high-quality, multi-unit downtown housing especially in areas well served by public transit. Both rental housing and multi-unit housing for home ownership are eligible; student housing is ineligible. Enabled by state law, the program provides a 10-year property tax exemption on qualified new multi-unit housing investments that occur within a specific, targeted area that meet program requirements and that are reviewed and approved by City Council. During the exemption period, property owners still pay taxes on the assessed value of the land and any existing improvements on the property. Council can deem commercial portions of a project to be a public benefit and include them as part of the exemption along with the residential portion.

In 2015, after a two-and-a-half-year review, council revised the MUPTE program criteria, process and boundary. See Attachment A for a summary of the program criteria and the process diagram.

#### ***Review Panel***

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 is made up of two at-large representatives selected by neighborhood association boards, 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. A list of the Panel members that reviewed the Ferry St. Manor MUPTE application is in Attachment C.

### ***Project Overview***

Ferry St. Manor is a proposed five-story, \$8.2 million multi-unit housing project. The project is about 31,000 square feet divided amongst the five floors and is comprised of 50 residential units (35 studios and 15 one-bedrooms). The property is owned by the applicant, RNS Management, LLC, and the proposed project is located on an existing surface parking lot serving residents of Eugene Manor, an existing multi-unit housing development. See Attachment B for a map of the Ferry St. Manor project site.

### ***Project Required Public Benefits***

The Review Panel considered the project application, including compliance with program criteria and the independent consultant's financial review, during three meetings held on May 29, July 10 and July 29. The Review Panel concluded that the project meets the Required Public Benefit criteria. Attachment D contains the Review Panel's conclusions and recommendation to the City Manager and minority reports from two members. The Report and Recommendation in Attachment E provides a summary of the project and the Required Public Benefits.

*General Eligibility.* The project is located within the MUPTE boundary. The project is not designed to be student housing, meaning it will be leased by the unit (rather than by individual rooms or beds) and the unit configuration does not include several bedrooms with individual bathrooms and sparse common space or include amenities and location selected primarily for individuals attending college and offer limited viability as potential housing for the general population. Additionally, the project does not designate any of the units for transient use or vacation occupancy.

*Compact Urban Development.* The project parcel is in the R-4 High Density Residential Zone, which requires at least 20 housing units per acre and a maximum of 112 units per acre. Ferry St. Manor includes 50 dwelling units that would result in a density of 103 units per acre, which is more than 175% of minimum density required by the MUPTE program.

*Green Building Features.* The project will utilize the City of Eugene Building and Permit Services pathway in order to exceed the 10 percent energy efficiency MUPTE required benchmark. If council approves the MUPTE, RNS Management will be required to submit an energy model with the permit application and a commissioning report due 18 months after the Certificate of Occupancy is issued to validate energy performance.

*Local Economic Impact Plan.* RNS Management has a plan for an estimated 67 percent of the project's dollar volume of professional services and construction contracts to be local to Lane County. Their general contractor is John Hyland Construction. RNS Management will be required to promote open, competitive opportunities for Minority, Women, and Emerging Small Businesses and to comply with wage, tax and licensing laws. RNS Management will a) provide the City with a list of all contractors, b) require that each



contractor provide an affidavit attesting to not having any unpaid judgments for construction debt, including unpaid wages, and to being in compliance with Oregon tax laws, c) post information about the City's Rights Assistance Program in English and Spanish on the job site during construction of the project, and d) after construction, provide a report of the home city or zip code of all the construction labor workers.

*Moderate-Income Housing Contribution.* RNS Management has committed to maintaining a minimum of 30 percent of the units (15) with rents that qualify as moderate-income units during the MUPTE period. (Moderate income is defined in the MUPTE ordinance as affordable to households at 100 percent of the area median income.)

*Project Design and Compatibility.* The building is being constructed as an infill addition on an existing developed site. The project design is intended to harmonize with the scale, form and quality of on-site and adjacent development. The project meets the design intent of designing for the human scale, appropriate to the local climate and natural resiliency, promote transparency, help define a sense of place, fit the neighborhood, and employ high-quality materials and color.

*Historic and Existing Housing Sensitivity.* The project site does not have existing housing other than Eugene Manor, which will remain. The site is adjacent to one building that meets the MUPTE definition of "historic locale" (a building that has a historic, cultural and/or architectural significance). The City's historic preservation staff reviewed the project site and deemed the historic locale is not affected by the Ferry St. Manor redevelopment.

*Project Need.* Johnson Economics, an independent real estate consultant firm, provided a pro forma evaluation of the project's viability with a review of assumptions including income, lease rates, operating costs, permanent financing, construction costs and return. (See Attachment F for the analysis.) The consultant concluded that the project proforma used reasonable assumptions, the project would not be viable without the availability of the exemption, and that MUPTE is critical to the success of the project from a financial feasibility perspective. The Review Panel concluded that project need was demonstrated and a majority agreed that a 10-year exemption was warranted. Two members advocated for shorter exemptions, and one member advocated for no exemption.

### ***Tax Impact***

Ferry St. Manor will generate property tax revenue on the land. The estimated property tax paid will be approximately \$3,900 in year one. During the exemption period, the total taxes to be paid on the land would be approximately \$45,000. After the exemption period, it is estimated the entire development will generate \$113,000 in year 11.

### ***Public Comments***

A display advertisement was published in *The Register-Guard* on April 14, 2019, soliciting comments for 30 days. The period ended on May 14, 2019, at 5:00 p.m. All written comments received by staff through August 26 are included as Attachment G.

MUPTE requires applicants to contact the relevant neighborhood association to share project information and seek input. The proposed project is located in the West University Neighborhood,

which does not have an active neighborhood association. In order to meet this requirement, RNS Management held a meeting on December 18, 2018, to share information on their proposal. Notice of this meeting was provided to all tenants and property owners within a 500-foot radius of the project.

### ***Timing***

The MUPTE program requires the City Manager to provide council with his recommendation no later than 135 days after the application was deemed complete, which would be by August 21 for the Ferry St. Manor application. The City Manager provided his recommendation via email on August 19. By state statute and code, if council has not acted within 180 days from the application date, the application is deemed approved, which would be October 5, 2019, for the Ferry St. Manor application. If the MUPTE is approved, construction would begin in October with a proposed construction schedule of approximately one year.

The project is currently undergoing an adjustment review to reduce the minimum parking requirements for the development. As part of the adjustment review process, the applicant was required to submit a Transportation Demand Management program. This program describes how the applicant intends to reduce the quantity of required parking spaces by emphasizing active modes of transportation, such as walking, bicycling, and riding the bus. An update on the adjustment review process will be provided at the work session.

### **PREVIOUS COUNCIL DIRECTION**

#### **[July 13, 2015 Work Session](#)**

Council approved the ordinance amending and reinstating the Multi-Unit Property Tax Exemption program.

### **COUNCIL OPTIONS**

1. Approve the exemption as presented in the resolution in Attachment H.
2. Approve the exemption with amended conditions.
3. Direct the City Manager to bring back a resolution denying the exemption because one or more specified criteria are not met.
4. Take no action at this work session.

### **CITY MANAGER'S RECOMMENDATION**

Based on the MUPTE Review Panel conclusions, the independent financial consultant analysis, and the quality of the project and contribution it could make to downtown vibrancy and the City's planning goals, the City Manager recommends approval of the MUPTE with the terms and conditions in the resolution (Attachment H).

## **SUGGESTED MOTION**

Move to adopt a resolution approving a multiple-unit property tax exemption for residential property located at 1040 and 1050 Ferry Street, Eugene, Oregon (Applicant RNS Management, LLC).

## **ATTACHMENTS**

- A. Summary of MUPTE Program and Process Diagram
- B. Map of Ferry St. Manor Project Site
- C. MUPTE Review Panel Member List
- D. MUPTE Review Panel Conclusions and Minority Reports
- E. Report and Recommendation of the Planning and Development Director
- F. Independent Financial Consultant Analysis
- G. Written Comment Received by Staff through August 26
- H. Resolution Approving the Property Tax Exemption

*A copy of the Ferry St. Manor MUPTE application is available in the council office and online at [www.eugene-or.gov/3281/MUPTE-Applications](http://www.eugene-or.gov/3281/MUPTE-Applications)*

## **FOR MORE INFORMATION**

Staff Contact: Amanda D'Souza  
Telephone: 541-682-5540  
E-mail: [adsouza@eugene-or.gov](mailto:adsouza@eugene-or.gov)

## Summary of MUPTE Program & Process Diagram

### *MUPTE Program*

MUPTE is an incentive program to encourage high quality, multi-unit downtown housing especially in areas well served by public transit. Both rental housing and multi-unit housing for home ownership are eligible; student housing is ineligible. Enabled by state law, the program provides a 10-year property tax exemption on qualified new multi-unit housing investments that occur within a specific, targeted area, that meet program requirements, and that are reviewed and approved by council. The objective strongly aligns with several of the pillars of Envision Eugene. Increasing the amount of multi-family housing in the downtown helps reduce pressure on urban growth boundary (UGB) expansion and protects existing neighborhoods, and takes advantage of existing infrastructure.

During the exemption period, property owners still pay taxes on the assessed value of the land and any existing improvements on the property. Council can deem commercial portions of a project to be a public benefit and include them as part of the exemption along with the residential portion.

In 2015, after a two-and-a-half year review, council revised the program criteria, process, and boundary. The program changes:

- Removed student housing as an eligible project type
- Increased the required energy efficiency
- Required higher quality design, with design at approval attached to the resolution
- Expanded neighborhood involvement
- Added a moderate-income housing contribution
- Added local economic impact plan
- Added demonstrated project need reviewed by an independent financial consultant
- Added a community member third-party review (MUPTE Review Panel described below)

See below for the process diagram and boundary map. 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

### *MUPTE Review Panel*

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.

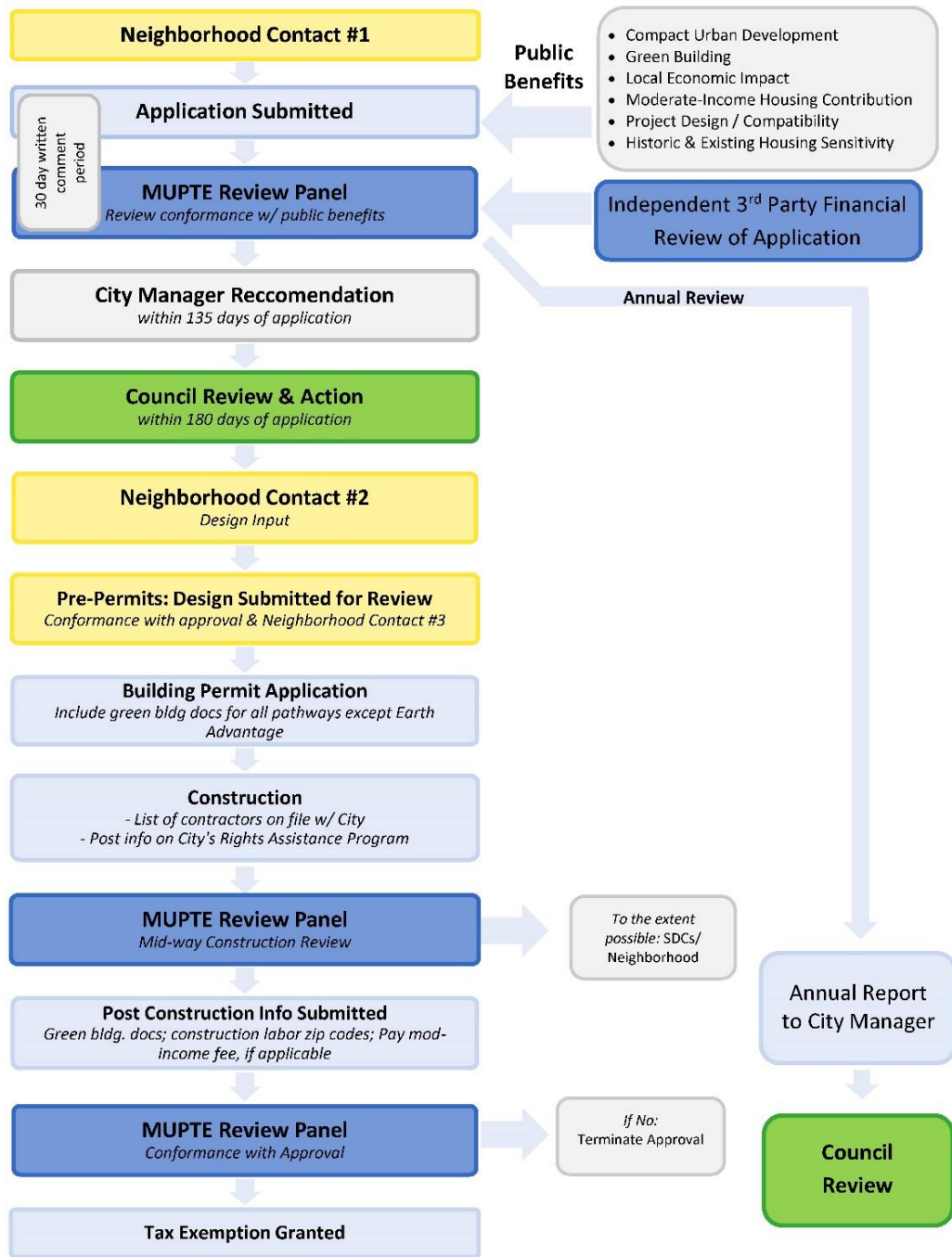
- Reviews the applicant's conformance with the Required Public Benefits and making recommendations regarding approval/denial of the tax exemption to the City Manager.
- Reviews the project's conformance with approval requirements midway through construction, at completion of construction, and during 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 union; developers; environmental professionals; public health professionals; and human rights representatives. Prior Review Panel reports can be found at [www.eugene-or.gov/MUPTE](http://www.eugene-or.gov/MUPTE)

### *MUPTE Boundary*



## 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.





## MUPTE Review Panel – Ferry St. Manor Application

<b>Seat</b>	<b>Member</b>
Developer	Hugh Prichard Prichard Partners, Inc. (Temporary substitute for Ferry St. Manor application only)
Building Trades (Chair)	Jeff Harms Pacific Northwest Regional Council of Carpenters
Environment Professional	Aaron Whitney 2fORM Architecture
Architect/Green Building (Co-Chair)	Larry Banks Pivot Architecture
Public Health	Amy Bleekman, REHS Lane County Environmental Health
Human Rights Representative	Ela Kubok Homes for Good
At-Large Neighborhood Representative	Lloyd Helikson
At-Large Neighborhood Representative	Bill Aspegren
West University Neighborhood Representative	Steve Baker (Ferry St. Manor application only)
West University Neighborhood Representative	Dan Lawler (Ferry St. Manor application only)



**MUPTE Review Panel Conclusions***Ferry St. Manor*

General Requirements	
Overall	Concerns
<p>The Panel agreed that the Project meets the general requirement criteria, including:</p> <ul style="list-style-type: none"> <li>• The proposed project is not student housing, has 5 or more units, and is within the boundary.</li> <li>• The required neighborhood engagement for this point in the process was met with the applicant hosting an engagement opportunity for surrounding neighbors in the West University Neighborhood to learn about the project.</li> </ul>	<p>None.</p> <p>It was noted that the proposed project is not student housing as defined by the adopted MUPTE regulations. Attendees at the Neighborhood meeting were told by the owner that 50% of the Eugene Manor apartments (in the existing building on the site) are currently rented to students.</p>

**REQUIRED PUBLIC BENEFITS**

1. Compact Urban Development	
Overall	Concerns
<p>The Panel agreed that the proposed project meets the minimum density required by the MUPTE program. The project is currently zoned as R-4 High Density Residential, which requires at least 20 housing units per acre and a maximum of 112 units per acre. Ferry St. Manor proposal includes 50 dwelling units, which would result in 103 units per acre.</p>	<p>None.</p>

2. Green Building Features	
Overall	Concerns
<p>In order to achieve the green building public benefit threshold of performing at least 10% more efficiently than the Oregon Energy Efficiency Specialty Code, the applicant chose the City of Eugene Building and Permit Services pathway. The Panel agreed that the applicant indicated their understanding of the post-award Green Building requirements, including the project would need to meet the energy efficiency and green building documentation requirements set out in the program (energy model at permit application and commissioning report 18 months after Certificate of Occupancy).</p>	<p>None.</p>

3. Local Economic Impact Plan	
<i>Local Conditions</i>	
Overall	Concerns
The Panel agreed that the applicant provided a plan that adequately demonstrates how the applicant will ensure that more than 50% of dollar volume of professional services and construction costs will be local to Lane County.	None.
<i>Minority and Women Business Enterprises</i>	
Overall	Concerns
The Panel agreed that the applicant provided a plan that adequately describes how they will provide an equitable opportunity for minority and women business enterprises to compete for development related contracts.	None.
<i>Compliance with Laws</i>	
Overall	Concerns
The Panel agreed that the applicant provided a plan that adequately describes how they intend to ensure that all parties involved, including contractors and subcontractors, will comply with wage, tax, and licensing laws.	None.

4. Moderate-Income Housing Contribution	
Overall	Concerns
The Panel agreed that the applicant plans to meet the moderate-income housing contribution requirement by including moderate-income housing units in the development. 15 of their 30 units will be moderate-income units.	None.

5. Project Design and Compatibility	
Overall	Concerns
<p>The Panel discussed the project’s overall design elements and agreed that the applicant provided a narrative and accompanying graphics that adequately demonstrate how the project addresses the basic design principles, including:</p> <ul style="list-style-type: none"> <li>• Scale, form, and quality of building;</li> <li>• Mixture of project elements;</li> <li>• Relationship to the street and surrounding uses; and</li> <li>• Parking and circulation.</li> </ul>	<p>The Panel concluded that based on the MUPTE decision criteria, the project meets the “parking and circulation” component. There were some parking concerns and the ordinance does not give the Panel the authority to evaluate parking impacts. Several members expressed concerns about the land use adjustment review process that would reduce the minimum required parking to the amount including in the MUPTE application and its potential negative impacts beyond the project site.</p>

6. Historic and Existing Housing Sensitivity	
Overall	Concerns
<p>The Panel agreed that the project does not impact historic locales or existing housing.</p>	<p>None.</p>

7. Project Need	
Overall	Concerns
<p>Based on Johnson Economics’ analysis, the majority (6 members) of the Panel concluded that the 10-year exemption is needed for the project. One member advocated for an 8-year exemption, which could be amended should the permanent loan have a 5% interest rate. One member advocated for a 5-year exemption. One member advocated for no exemption.</p>	<p>The Panel had a robust discussion about the project need, including evaluation of the pro-forma assumptions and the challenge of evaluating variables that are hard to predict.</p>

**Overall recommendation to the City Manager:**  
Provide a ten-year MUPTE.

TO: Eugene City Manager  
 RE: **Ferry Street Manor MUPTE Minority Report**  
 FROM: Lloyd Helikson, Bill Aspegren  
 At Large Neighborhood Members, Eugene MUPTE Review Panel

The above listed members of the Eugene MUPTE Review Panel voted against granting a ten year MUPTE for the Ferry Street Manor Project. Lloyd Helikson would have agreed to a five year MUPTE, while Bill Aspegren would not agree to any MUPTE due to an inadequate number of parking spaces. See separate Memorandum. This minority report focuses on the financial issue of whether the project could be built without the benefit of MUPTE, in the opinion of these members.<sup>1</sup>

### Summary

The attached Summary Table and Tables 1-7 include the data supporting the conclusions in this report.

<b>Ferry Street Manor Adjusted Construction Budget Without MUPTE</b>		
\$8,274,950	Total Applicant Project Cost	See App at 44
\$322,929	Reduce Contingencies From Almost 10% to 5%HC;3%SC	See II. B.
\$283,465	Less Development Fee	See II. C.
\$7,668,556	Adjusted Total Project Cost	
\$1,533,711	Less Equity (20% - down payment)	See App at 42
\$6,134,845	Adjusted Construction Loan Amount (from \$6,619,960)	

<b>Debt Service (Principle &amp; Interest) 30 Year Amortization at 5% Interest</b>		
5%	Interest Rate Decreased from 5.5%	See II. D.
\$32,933	Monthly Payments from Amortization Table (from \$37,587)	
\$395,198	Annual Debt Service – Monthly Payments x 12 (from \$451,044)	

After reviewing the Applicant expenses, several areas were adjusted:

\$82,396	Property Tax Expenses Decreased from \$92,340	See II. E.
\$15,000	Reserves: Decreased from \$24,868 & Inserted After NOI	See II. F.

<sup>1</sup> All data, assumptions and analysis are subject to clarification, correction and revision by these panel members.

## I. Standards for MUPTE Panel Review

Eugene's MUPTE ordinance provides: "No exemption may be approved \* \* \* unless all of the following criteria are met: \* \* \* (b) The proposal could not financially be built 'but for' the tax exemption. The burden is on the applicant to demonstrate that absent the exemption, the project would not be financially viable \* \* \*." EC 2.946(2).

"The applicant must demonstrate that the project as proposed could not be built but for the benefit of the tax exemption. The applicant must submit documentation, including a ten-year pro-forma and an analysis of the projected ten-year cash-on-cash rate of return for the proposed project." R-2.945-C(4) (Administrative Order 53-18-03-F).

The City Manager is required to "retain an independent outside professional consultant to review the project's financial pro-forma \* \* \*." EC2.945(4). The consultant has responsibility "to review the project's financial proforma and report results to the Project Review Panel." R-2.945-E (3). The MUPTE review panel has responsibility "to review the application and the independent consultant's conclusions" and to "make a recommendation to the city manager about whether the application meets the criteria in section 2.946." The rules do not indicate that the panel should simply defer to the consultant. The City retained Johnson Economics as the Consultant for the Ferry Street Manor MUPTE application. The financial consultant prepared a "Report" dated May 15, 2019. The consultant prepared a "Memorandum" dated June 4, 2019.

The applicant uses a first year 6 month absorption assumption, which appears to result in first year expenses being about 82% (0.8171742) of second year expenses.

## II. Pro Forma Evaluation

### A. Project Cost: Overall Construction Costs

The new building area is planned to be 31,329 square feet (SF). Site Plan, A1 (7/10/19). The Applicant's Project Cost exclusive of land is \$7,682,534. App at 44. This calculates to a Project Construction Cost of \$245/SF. The Direct Costs (Construction Costs and Other Construction Costs) are \$6,299,212. App at 44. The Direct Costs are thus \$201/SF. The Square Feet per unit, for all 50 units, totals 24,325 SF (Net SF). See App at 2. The Direct costs per Net SF thus appear to be \$259/SF.

A study done for the City of Eugene indicated that the Direct Costs for a Low-Rise Apartment is \$160/Net SF. Eugene Housing Tools & Strategies Evaluation, Strategic Economics, prepared for City of Eugene (January 2019) at 38, Fig 28. A five story building would presumably cost more per SF than a low rise building, given the need for elevators, etc. However, the proposed building will be constructed of less expensive all wood, with no structured parking or underground space, and will not be overly complicated. The estimated costs of construction for the building appear to be too high. It may be that anticipated future higher building costs and contingencies are built into the cost.

The consultant stated that “[t]hose costs are not that high in the current market based on recent projects we have reviewed.” Memorandum at 3. He also stated that he did not have “Eugene data on costs, and that “[c]ost estimating is not my area of expertise and we relied on the applicants submitted materials.” Id. He pointed to the applicant’s cost per door being lower than the cost per door of recent projects he has seen in Portland, without equating square footage or number of bedrooms per unit. The applicant’s project has a mix of 35 studios and 15 1BR units, with the studios averaging 449 SF/unit and the 1BR units averaging 574 SF/unit. App at 2. The proposed MUPT building may have a significantly smaller unit mix and unit size than those apartment buildings in Portland referenced by the Consultant.

## **B. Project Cost: Contingency**

Applicant’s Project Cost lists a “Contractor Contingency” of 9.6% of “Construction Hard Cost,” or \$516,320. Applicant lists an “Owner’s Contingency” of \$125,000. The “Owner’s Contingency” is just under 10% of soft costs. Total contingencies by the applicant are \$641,320.

The Eugene Housing Tools & Strategies Evaluation, Strategic Economics, prepared for City of Eugene (January 2019) appears to identify Contingency as 5.00% of direct costs, with no contingency identified for soft costs. Report at 38, Fig 28. In Oregon, the Low Income Housing Tax Credit appears to limit the construction contingency to 5% of new construction costs (including hard construction costs, site work costs, general conditions and contractor profit and overhead). The Affordable Housing Investors Council underwriting guidelines appear to identify typical new construction contingencies as being 5% of hard construction costs and 2-3% of soft construction costs.

One explanation for the high estimated square footage direct costs of construction on the proposed project may be that such costs include escalators for potential increased costs as well as contingencies, before a percentage contingency is applied.

The developer would be required by the bank to have some contingency in the construction loan, and the developer would be prudent to do so. Although a particular contingency, such as 5% or 10% of hard construction costs might be considered appropriate for a multifamily construction loan, the contingency is not carried into the permanent loan unless actually utilized. The contingency for purposes of the construction loan, and the contingency for purposes of the permanent loan and MUPTE evaluation, are quite different. The construction loan contingency makes additional funds available, which may not be needed if the estimates were relatively close, whereas the permanent loan contingency reflects only what was actually used out of the contingency.

The contingency included in the construction loan would presumably have limits on how it could be used. The contingency is not an allowance and is not supposed to be used to change or increase the scope of work. A contingency is “contingent” and should not be assumed to be fully used. The portion of usage would range from 0% to 100% of the contingency amount. Thus, for purposes of the permanent loan, and for purposes of MUPTE, it would be reasonable to assume a percentage usage of the contingency.

A 5% hard construction cost contingency is more likely to have more of the contingency used than a 10% contingency. Very generally, for purposes of the permanent loan and MUPTE, one could assume on average 100% usage of a 5% contingency and 50% usage of a 10% contingency. Using 5% of hard construction costs as the contingency, or 10% of hard construction costs with a 50% usage, both result in a 5% of hard costs contingency for the permanent loan and for MUPTE evaluation. Using 10% or more contingency unnecessarily inflates the project cost for purposes of the permanent loan and for purposes of analyzing the need for MUPTE.

The applicant includes an “Owner’s Contingency,” consisting of a percentage of “Soft Costs.” “Soft costs,” by their nature, are more likely to be identified with more precision, and should not need a contingency. However, an argument could be made that some contingency should be allowed for items such as architect and engineering fees, and for construction period interest. Therefore, a 3% soft cost contingency, which is the upper range of the Affordable Housing Investors Council underwriting guidelines, could be used. As with the hard cost construction contingency, the 3% soft cost contingency could be assumed to have 100% usage for purposes of the permanent loan and MUPTE evaluation, whereas a 6% soft cost contingency could be assumed to have 50% usage, resulting in the same 3% contingency used for MUPTE evaluation.



For purposes of the permanent loan and MUPTE evaluation, there should be \$289,145 for a hard cost contingency (5% of direct costs including hard construction costs and other construction costs) and \$29,246 for a soft cost contingency (at 3% and excluding development fee), for total contingencies of \$318,391. This reduces the applicant contingencies of \$641,320 by \$322,929.

### **C. Project Cost: Development Fee**

Applicant lists a “Development Fee” of \$283,465 as part of “Soft Costs” in the Project Cost Summary.

The development fee or developer fee is somewhat of an anomaly in the MUPTE analysis. The owner in this case appears to be the developer. The developer may seek to have the development fee treated as a credit towards its required 20% equity, rather than as an amount paid out of the loan. However, the development fee is prospective only at the time the construction loan commences. The development fee presumably could not be used as equity until earned, which presumably would not happen until the development is completed, perhaps with stabilization. The bank may very well not count the prospective development fee as equity, allowing as equity only land, previously paid development costs, cash, etc.

The bank may agree to pay a developer fee to the developer out of the loan, if the 20% equity had been otherwise provided. The developer would be receiving potentially taxable funds from the bank as a developer fee, incurring the obligation to repay the developer fee, as part of the loan, with interest.

The developer as owner of market rate apartments receives compensation for its time and unreimbursed expenditures through cash flow profits, payments to principal as part of debt service, and property value appreciation. One report noted that for “MARKET-ORIENTED (multi-family) HOUSING DEVELOPMENT” the “Profit to developer [is] through cash flow over time from rents, or from appreciation upon sale of property,” and that an “AFFORDABLE / SUBSIDIZED HOUSING DEVELOPMENT” is “Not built for profit, but for longer-term affordability (developer’s fee in lieu of profit opportunity).” The Cost of Affordable Housing Development in Oregon, Meyer Memorial Trust Cost Efficiencies Work Group Final Report October 2015, at 11, Fig 1.

A development fee, credited as equity or borrowed as part of the loan, enlarges the project cost and thereby makes the project appear less viable for purposes of MUPTE. The development fee should not be used to support receipt of MUPTE. The Development Fee of \$283,465 should be excluded from the Project Cost for purposes of MUPTE evaluation.



#### **D. Debt Service: Interest Rate**

Applicant uses a 5.50% interest rate, based upon a loan amount of \$6,619,960 (80% of Project Cost), amortized over 30 years. This results in monthly debt service (principal and interest) of \$37,587.38, and annual debt service of \$451,049.

A better interest rate to choose would be 5.00%. The financial consultant hired by the City provided ranges of interest rates currently available, most of which were under 5.00%. Memorandum at 1-2. The Fannie Mae Large Balance Apartment Loans at 5 year fixed term ranges from 4.00% to 4.59%, while the 10 year fixed ranges from 4.09% to 4.63% (as of 6/4/19). Memorandum at 1-2. The Bank Apartment Mortgage Loans at 5 year fixed term ranges from 4.25% to 4.75%, while the 10 year fixed ranges from 4.50% to 5.00%. Memorandum at 2. The financial consultant indicated that “index rates such as treasuries, prime, and LIBOR have been trending downward in 2019,” and that “rates will likely not face much upward pressure.” Memorandum at 2. The Federal Reserve cut its overnight lending rate by a quarter point on July 31, 2019, as anticipated.

#### **E. Expenses: Property Tax and Exemption Amounts**

The applicant uses “Project Cost” \$8,274,950 as the estimated real market value (RMV) of land and improvements for tax purposes. The applicant multiplies this RMV by a Changed Property Ratio (CPR) of **0.5923** to get an assessed value (AV) of land and improvements of \$4,901,253. The applicant then multiplies the assessed value times the effective tax rate for 2018-19 of the land only of 0.01843. The applicant identifies “With-Out MUPTE” “Property Taxes of **\$92,340** and “With MUPTE” “Property Taxes” of \$0, after discount.

It appears from the County records that the County CPR for Multifamily property in 2018 is **0.5830**, rather than the **0.5923** used by applicant. Exhibit 1. Using the above calculation with a CPR of 0.5830 results in an AV of \$4,824,296, and “With-Out MUPTE” “Property Taxes of **\$88,912**.

Reducing contingencies by \$322,929 reduces the project cost to \$7,952,021. Using the above calculation with a CPR of 0.5830 results in an AV of \$4,636,028, and “With-Out MUPTE” “Property Taxes of **\$85,442**. Additionally removing the development fee of \$283,465 reduces the project cost to

\$7,668,556. Using the above calculation with a CPR of 0.5830 results in an AV of \$4,470,768, and “With-Out MUPTTE” “Property Taxes of **\$82,396.**<sup>2</sup>

## **F. Expenses: Reserves**

Reserves may be required by banks, particularly for longer term loans, to insure there will be some funds available for subsequent capital expenditures. Such expenditures are less likely in the early years for a new building.

The applicant uses first year reserves after stabilization of **\$24,868**, escalated annually by 2.5%, which would result in about \$267,941 after ten years. The applicant applies this as an expense to be included in Net Operating Income (NOI). The financial consultant defines NOI as “[i]ncome from property after operating expenses have been deducted, but before deducting income taxes and financing expenses.” Report at 6. Capital reserves are not an operating expense in the year they are withheld as reserves. They continue to belong to the owner until actually spent. They should not be included in NOI. They should instead be deducted after NOI so as to reduce Cash Flow.

The applicant determined the amount of the reserves by multiplying the total income by 3.5%. A better way to calculate the amount of reserves would be to multiply an amount by the number of units. Various amounts have been used, ranging from \$250/unit to \$350/unit. Using \$300/unit for the applicant’s 50 unit project results in an annual reserve of **\$15,000**.

## **III. Analysis**

### **A. Methodology**

The financial consultant emphasized Return on Cost (ROC) in its Report whereas the City MUPTTE rule requires use of Cash on Cash (“COC”). R-2.945-C 4. The consultant stated “[w]e will typically use return on cost as our preferred measure for acceptable returns, as it is least subject to variability in assumptions.” Report at 3.

ROC, unlike COC, does not account for leverage and the effect of low interest rates. ROC simply measures Net Operating Income over the project

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<sup>2</sup> Calculation of the estimated property taxes is based upon applicant’s formula, but changing the CPR. The new CPR is applied to applicant’s project cost (as Real Market Value), then to the project cost less the contingencies reduction, and finally to the project cost less the contingencies reduction and less the development fee. The applicant’s formula, with the CPR change, may be adequate for estimating property taxes, but does not necessarily include all factors affecting property taxes.

cost. ROC measures the return on the entire construction cost, in a situation where 80% of the return, as part of the loan, is limited to the bank's interest rate of return. COC, cash on cash and return on equity are better indicators of return with respect to the developer. COC, cash flow return measures the developer's return on its 20% equity in terms of the cash flow profit. COC, return on equity measures the developer's return on its 20% equity in terms of the cash flow profit and loan payments to principal. The developer's leveraged return on its 20% equity would be the return which incentivizes the developer to develop a project, not the return on cost (ROC). The return should not be limited to the NOI and project costs, and thus the ROC should not be used. Even if it was valid to use ROC in this situation, where the estimates of project costs are high, the ROC may be understated.

The applicant used COC, but based COC on cash flow rather than on Return on Equity (ROE). The financial consultant equated COC with Return on Equity and Equity Yield Rate, defining COC and ROE as "[t]he rate of return on the equity portion of an investment, taking into account periodic cash flow. In this analysis, the return on equity represents the initial rate of return, and is defined as the net cash flow after interest costs divided by the developer equity. It does not include payments toward principal as interest costs." Report at 6. The developer's return on the 20% equity contributed by the developer needs to include the cash flow profits, plus the payments to principal which reduce the amount of the loan. The developer's return should be measured by the Cash on Cash return, based upon the return on equity, including cash flow and payments to principal. Even this measure of return leaves out appreciation in value as a return on equity.

## **B. Application of Methodology to Alternative Scenarios**

The applicant's data and analysis results in a potential need for 10 years of MUPTE based upon 1) a Debt Service Coverage Ratio (DCR) which does not meet the threshold 1.2 ratio until after year 10, and 2) a 4.97% COC return in year 10 based upon cash flow. Although the COC, ROE has a modest rate of return after year 1 ranging from 5.4% to 14.2%, the project under applicant's data and analysis is not viable based upon not achieving the 1.2 DCR in 10 years. See Table 1.

The project becomes more viable based upon adjustments to the applicant's data and analysis. The first adjustment changes the interest rate from 5.5% to 5.0%. The interest rate change improves the viability such that a 1.2 DCR, 5.67 COC cash flow return and COC return on equity of 14.5% is achieved by Year 9 (potential 8 year MUPTE). See Table 2. Revising the property taxes to reflect 2018 CPR, in addition to changing the interest rate, results in 1.2

DCR, 5.14 COC cash flow return and COC return on equity of 13.5% being achieved by Year 8 (potential 7 year MUPTE). See Table 3.

Placing the applicant's stated capital reserves after NOI, and before cash flow, in addition to changing the interest rate and revising the property taxes, results in a 1.2 DCR by Year 6. The COC, cash flow rate of return is 5.14% and the COC, return on equity, is 13.5% in Year 8. See Table 4. This scenario could result in a potential need for a 7 year MUPTE.

Changing reserves to be \$300/unit/year, without escalation, in addition to changing the interest rate, revising the property taxes, and placing the capital reserves after NOI, and before cash flow, results in a DCR of 1.2 by year 6. The COC, cash flow return is 5.18% and the COC, return on Equity, is 13.1% in Year 7. See Table 5. This could justify a potential 6 year MUPTE.

Reducing contingencies from almost 10% of hard and soft costs to 5% of direct costs (hard and other construction costs) and 3% of soft costs, in addition to the other changes above, results in achieving a 1.2 DCR by Year 4, and 5.08% COC, cash flow return and COC, return on equity of 12.3% in Year 5. See Table 6. Year 6 has a 5.87% COC, cash flow return and a 13.4% COC, return on equity. This could justify a potential 4 or possibly 5 year MUPTE. Eliminating the Development Fee in addition to the other changes above, results in achieving a 1.2 DCR by Year 3, and 5.62% COC, cash flow return, and 12.5% COC, Return on equity in Year 4. See Table 7. This could justify a potential 3 year MUPTE.

SUMMARY OF ESTIMATED EFFECT OF ADJUSTMENTS TO APPLICANT’S DATA AND ANALYSIS

Item No.	Applicant’s Data and Adjustments DCR of 1.2 and COC, Cash Flow Return of 5%	Applicant Amount	Adjustment	Resulting Amount	Project Cost	Annual Debt Service	DCR of 1.2	COC, Cash Flow Return of 5%	COC, Return on Equity	Potential MUPTE Need
1	From Applicant’s Data				\$8,274,950	\$451,049	Not in 10 Years	Year 10: 4.97%	Year 10: 14.2%	10 Years
2	Adjust from 5.5 to 5.0% Interest Rate				\$8,274,950	\$426,449	Year 9: 1.220	Year 9: 5.67%	Year 9: 14.5%	8 Years
3	Revise Property Taxes, 2018 vs. 2017 CPR (and 2)	\$92,340	-\$3,428	\$88,912			Year 8: 1.200	Year 8: 5.14%	Year 8: 13.5%	7 Years
4	Place Applicant Reserves After NOI (and 2, 3)						Year 6: 1.206	Year 8: 5.14%	Year 8: 13.5%	7 Years
5	Reserves at \$300/unit, Not Escalated, After NOI (and 2, 3)	\$24,868	-\$9,868	\$15,000			Year 6: 1.206	Year 7: 5.18%	Year 7: 13.1%	6 Years
6	Reduce Contingencies from almost 10% to 5% Hard and 3% Soft Construction Costs (and 2, 3, 5)	\$641,320	-\$322,929	\$318,391	\$7,952,021	\$409,806	Year 4: 1.204	Year 5: 5.08%	Year 5: 12.3%	4 Years
	Further Reduce Property Taxes Reflecting Lower Project Cost	\$92,340	-\$6,898	\$85,442						
7	Remove Development Fee (and 2, 3, 5, 6)	\$283,465	-\$283,465	\$0	\$7,668,556	\$395,198	Year 3: 1.226	Year 4: 5.62%	Year 4: 12.5%	3 Years
	Further Reduce Property Taxes Reflecting Lower Project Cost	\$92,340	-\$9,944	\$82,396						
DCR: Debt Service Coverage Ratio: 1.2 Minimum										
COC, Cash Flow Return: Cash Flow ÷ Equity		COC, Return on Equity: (Cash Flow + Debt Service Payments to Principal) ÷ Equity								

Table 1: W/O MUPTE; Applicant’s Data.

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5.5%	0.055	Amortization (Years):		30		Monthly Debt Service:		\$37,587.38
		Equity (20%):	\$1,654,990		Loan Amount (80%):		\$6,619,960		Project Cost:		\$8,274,950
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes		\$147,588	\$180,454	\$184,965	\$189,589	\$194,329	\$199,187	\$204,167	\$209,271	\$214,503	\$219,866
Property Taxes-Improvements		\$75,523	\$92,340	\$94,649	\$97,015	\$99,440	\$101,926	\$104,474	\$107,086	\$109,763	\$112,507
Total Expenses		\$223,111	\$272,794	\$279,614	\$286,604	\$293,769	\$301,114	\$308,641	\$316,357	\$324,266	\$332,373
Net Operating Income		\$358,000	\$437,721	\$448,664	\$459,880	\$471,377	\$483,162	\$495,241	\$507,622	\$520,312	\$533,320
Debt Service 30YrAmort		\$451,049	\$451,049	\$451,049	\$451,049	\$451,049	\$451,049	\$451,049	\$451,049	\$451,049	\$451,049
Cash Flow		-\$93,049	-\$13,328	-\$2,385	\$8,832	\$20,329	\$32,113	\$44,192	\$56,573	\$69,264	\$82,271
Cash-on-Cash Return (CashFlow)		-5.62%	-0.81%	-0.14%	0.53%	1.23%	1.94%	2.67%	3.42%	4.19%	4.97%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,522,291	\$6,419,626	\$6,311,708	\$6,198,268	\$6,079,025	\$5,953,682	\$5,821,925	\$5,683,427	\$5,537,844	\$5,384,812
Payments to Principal		\$97,669	\$102,666	\$107,918	\$113,439	\$119,243	\$125,344	\$131,757	\$138,498	\$145,583	\$153,032
Cash Flow w/ Principal Payments		\$4,620	\$89,337	\$105,533	\$122,271	\$139,572	\$157,457	\$175,949	\$195,071	\$214,847	\$235,303
Cash-On-Cash (Return on Equity)		0.3%	5.4%	6.4%	7.4%	8.4%	9.5%	10.6%	11.8%	13.0%	14.2%
Debt Coverage Ratio	Goal 1.2	0.79	0.97	0.99	1.02	1.05	1.07	1.10	1.13	1.15	1.18

Table 2: W/O MUPTE; Applicant’s Data; 5% Interest

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5%	0.05	Amortization (Years):		30		Monthly Debt Service:		\$35,537.38
		Equity (20%):	\$1,654,990		Loan Amount (80%):		\$6,619,960		Project Cost:		\$8,274,950
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes		\$147,588	\$180,454	\$184,965	\$189,589	\$194,329	\$199,187	\$204,167	\$209,271	\$214,503	\$219,866
Property Taxes-Improvements		\$75,523	\$92,340	\$94,649	\$97,015	\$99,440	\$101,926	\$104,474	\$107,086	\$109,763	\$112,507
Total Expenses		\$223,111	\$272,794	\$279,614	\$286,604	\$293,769	\$301,114	\$308,641	\$316,357	\$324,266	\$332,373
Net Operating Income		\$358,000	\$437,721	\$448,664	\$459,880	\$471,377	\$483,162	\$495,241	\$507,622	\$520,312	\$533,320
Debt Service 30YrAmort		\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449
Cash Flow		-\$68,449	\$11,272	\$22,215	\$33,432	\$44,929	\$56,713	\$68,792	\$81,173	\$93,864	\$106,871
Cash-on-Cash Return (CashFlow)		-4.14%	0.68%	1.34%	2.02%	2.71%	3.43%	4.16%	4.90%	5.67%	6.46%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,522,291	\$6,419,626	\$6,311,708	\$6,198,268	\$6,079,025	\$5,953,682	\$5,821,925	\$5,683,427	\$5,537,844	\$5,384,812
Payments to Principal		\$97,669	\$102,666	\$107,918	\$113,439	\$119,243	\$125,344	\$131,757	\$138,498	\$145,583	\$153,032
Cash Flow w/ Principal Payments		\$29,220	\$113,937	\$130,133	\$146,871	\$164,172	\$182,057	\$200,549	\$219,671	\$239,447	\$259,903
Cash-On-Cash (Return on Equity)		1.8%	6.9%	7.9%	8.9%	9.9%	11.0%	12.1%	13.3%	14.5%	15.7%
Debt Coverage Ratio	Goal 1.2	0.839	1.026	1.052	1.078	1.105	1.133	1.161	1.190	1.220	1.251



Table 3: W/O MUPTE; Applicant’s Data; 5% Interest; Revised Property Taxes

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5%	0.05	Amortization (Years):		30		Monthly Debt Service:		\$35,537.38
		Equity (20%):	\$1,654,990		Loan Amount (80%):		\$6,619,960		Project Cost:		\$8,274,950
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes		\$147,462	\$180,454	\$184,965	\$189,589	\$194,329	\$199,187	\$204,167	\$209,271	\$214,503	\$219,866
Property Taxes-Improvements		\$70,455	\$88,912	\$91,135	\$93,413	\$95,748	\$98,142	\$100,596	\$103,111	\$105,688	\$108,331
Total Expenses		\$217,917	\$269,366	\$276,100	\$283,003	\$290,078	\$297,330	\$304,763	\$312,382	\$320,192	\$328,196
Net Operating Income		\$363,194	\$441,149	\$452,177	\$463,482	\$475,069	\$486,945	\$499,119	\$511,597	\$524,387	\$537,497
Debt Service 30YrAmort		\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449
Cash Flow		-\$63,255	\$14,700	\$25,729	\$37,033	\$48,620	\$60,497	\$72,670	\$85,148	\$97,938	\$111,048
Cash-on-Cash Return (CashFlow)		-3.82%	0.89%	1.55%	2.24%	2.94%	3.66%	4.39%	5.14%	5.92%	6.71%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,522,291	\$6,419,626	\$6,311,708	\$6,198,268	\$6,079,025	\$5,953,682	\$5,821,925	\$5,683,427	\$5,537,844	\$5,384,812
Payments to Principal		\$97,669	\$102,666	\$107,918	\$113,439	\$119,243	\$125,344	\$131,757	\$138,498	\$145,583	\$153,032
Cash Flow w/ Principal Payments		\$34,414	\$117,365	\$133,647	\$150,472	\$167,863	\$185,841	\$204,427	\$223,646	\$243,522	\$264,080
Cash-On-Cash (Return on Equity)		2.1%	7.1%	8.1%	9.1%	10.1%	11.2%	12.4%	13.5%	14.7%	16.0%
Debt Coverage Ratio	Goal 1.2	0.852	1.034	1.060	1.087	1.114	1.142	1.170	1.200	1.230	1.260



Table 4: W/O MUPTE; Applicant’s Data; Except: 5% Interest; Revised Property Taxes; Reserves after NOI

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5%	0.05	Amortization (Years):		30		Monthly Debt Service:		\$35,537.38
		Equity (20%):	\$1,654,990		Loan Amount (80%):		\$6,619,960		Project Cost:		\$8,274,950
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes, reserves		\$127,141	\$155,586	\$159,476	\$163,463	\$167,549	\$171,738	\$176,031	\$180,432	\$184,943	\$189,566
Property Taxes-Improvements		\$70,455	\$88,912	\$91,135	\$93,413	\$95,748	\$98,142	\$100,596	\$103,111	\$105,688	\$108,331
Total Expenses		\$197,596	\$244,498	\$250,610	\$256,876	\$263,298	\$269,880	\$276,627	\$283,543	\$290,631	\$297,897
Net Operating Income		\$383,515	\$466,017	\$477,667	\$489,609	\$501,849	\$514,395	\$527,255	\$540,436	\$553,947	\$567,796
Reserves		\$20,321	\$24,868	\$25,490	\$26,127	\$26,780	\$27,450	\$28,136	\$28,839	\$29,560	\$30,299
Debt Service 30YrAmort		\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449
Cash Flow		-\$42,934	\$14,700	\$25,729	\$37,033	\$48,620	\$60,497	\$72,670	\$85,148	\$97,938	\$111,048
Cash-on-Cash Return (CashFlow)		-2.59%	0.89%	1.55%	2.24%	2.94%	3.66%	4.39%	5.14%	5.92%	6.71%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,522,291	\$6,419,626	\$6,311,708	\$6,198,268	\$6,079,025	\$5,953,682	\$5,821,925	\$5,683,427	\$5,537,844	\$5,384,812
Payments to Principal		\$97,669	\$102,666	\$107,918	\$113,439	\$119,243	\$125,344	\$131,757	\$138,498	\$145,583	\$153,032
Cash Flow w/ Principal Payments		\$54,735	\$117,365	\$133,647	\$150,472	\$167,863	\$185,841	\$204,427	\$223,646	\$243,522	\$264,080
Cash-On-Cash (Return on Equity)		3.3%	7.1%	8.1%	9.1%	10.1%	11.2%	12.4%	13.5%	14.7%	16.0%
Debt Coverage Ratio	Goal 1.2	0.899	1.093	1.120	1.148	1.177	1.206	1.236	1.267	1.299	1.331

Table 5: W/O MUPTE; Applicant’s Data; Except: 5% Interest; Revised Property Taxes; Reserves below NOI @ \$300/unit

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5%	0.05	Amortization (Years):		30		Monthly Debt Service:		\$35,537.38
		Equity (20%):	\$1,654,990		Loan Amount (80%):		\$6,619,960		Project Cost:		\$8,274,950
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes, reserves		\$127,141	\$155,586	\$159,476	\$163,463	\$167,549	\$171,738	\$176,031	\$180,432	\$184,943	\$189,566
Property Taxes-Improvements		\$72,657	\$88,912	\$91,135	\$93,413	\$95,748	\$98,142	\$100,596	\$103,111	\$105,688	\$108,331
Total Expenses		\$199,798	\$244,498	\$250,610	\$256,876	\$263,298	\$269,880	\$276,627	\$283,543	\$290,631	\$297,897
Net Operating Income		\$381,313	\$466,017	\$477,667	\$489,609	\$501,849	\$514,395	\$527,255	\$540,436	\$553,947	\$567,796
Reserves		\$12,258	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Debt Service 30YrAmort		\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449	\$426,449
Cash Flow		-\$45,135	\$24,568	\$36,218	\$48,160	\$60,400	\$72,946	\$85,806	\$98,988	\$112,499	\$126,347
Cash-on-Cash Return (CashFlow)		-2.73%	1.48%	2.19%	2.91%	3.65%	4.41%	5.18%	5.98%	6.80%	7.63%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,522,291	\$6,419,626	\$6,311,708	\$6,198,268	\$6,079,025	\$5,953,682	\$5,821,925	\$5,683,427	\$5,537,844	\$5,384,812
Payments to Principal		\$97,669	\$102,666	\$107,918	\$113,439	\$119,243	\$125,344	\$131,757	\$138,498	\$145,583	\$153,032
Cash Flow w/ Principal Payments		\$52,533	\$127,233	\$144,136	\$161,599	\$179,643	\$198,290	\$217,563	\$237,485	\$258,082	\$279,379
Cash-On-Cash (Return on Equity)		3.2%	7.7%	8.7%	9.8%	10.9%	12.0%	13.1%	14.3%	15.6%	16.9%
Debt Coverage Ratio	Goal 1.2	0.894	1.093	1.120	1.148	1.177	1.206	1.236	1.267	1.299	1.331

Table 6: W/O MUPTE; Applicant’s Data; Except: 5% Interest; Revised Property Taxes; Reserves below NOI @ \$300/unit; Reduce Contingencies

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5%	0.05	Amortization (Years):		30		Monthly Debt Service:		\$34,150.54
		Equity (20%):	\$1,590,404		Loan Amount (80%):		\$6,361,617		Project Cost:		\$7,952,021
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes, reserves		\$127,141	\$155,586	\$159,476	\$163,463	\$167,549	\$171,738	\$176,031	\$180,432	\$184,943	\$189,566
Property Taxes-Improvements		\$69,818	\$85,442	\$87,578	\$89,768	\$92,012	\$94,312	\$96,670	\$99,087	\$101,564	\$104,103
Total Expenses		\$196,959	\$241,028	\$247,054	\$253,230	\$259,561	\$266,050	\$272,701	\$279,519	\$286,507	\$293,669
Net Operating Income		\$384,152	\$469,487	\$481,224	\$493,254	\$505,586	\$518,225	\$531,181	\$544,460	\$558,072	\$572,024
Reserves		\$12,258	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Debt Service 30YrAmort		\$409,806	\$409,806	\$409,806	\$409,806	\$409,806	\$409,806	\$409,806	\$409,806	\$409,806	\$409,806
Cash Flow		-\$25,655	\$44,680	\$56,417	\$68,448	\$80,779	\$93,419	\$106,374	\$119,654	\$133,265	\$147,217
Cash-on-Cash Return (CashFlow)		-1.61%	2.81%	3.55%	4.30%	5.08%	5.87%	6.69%	7.52%	8.38%	9.26%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,267,760	\$6,169,101	\$6,065,394	\$5,956,382	\$5,841,792	\$5,721,340	\$5,594,725	\$5,461,632	\$5,321,730	\$5,174,671
Payments to Principal		\$93,857	\$98,659	\$103,707	\$109,012	\$114,590	\$120,452	\$126,615	\$133,093	\$139,902	\$147,060
Cash Flow w/ Principal Payments		\$68,202	\$143,339	\$160,124	\$177,460	\$195,369	\$213,871	\$232,989	\$252,747	\$273,167	\$294,277
Cash-On-Cash (Return on Equity)		4.3%	9.0%	10.1%	11.2%	12.3%	13.4%	14.6%	15.9%	17.2%	18.5%
Debt Coverage Ratio	Goal 1.2	0.937	1.146	1.174	1.204	1.234	1.265	1.296	1.329	1.362	1.396

Table 7: W/O MUPTE; Applicant’s Data; Except: 5% Interest; Revised Property Taxes; Reserves below NOI @ \$300/unit; Reduce Contingencies; Remove Development Fee

		Year 1 - 2021	Year 2 - 2022	Year 3 - 2023	Year 4 - 2024	Year 5 - 2025	Year 6 - 2026	Year 7 - 2027	Year 8 - 2028	Year 9 - 2029	Year 10 - 2030
		Interest Rate:	5%	0.05	Amortization (Years):		30		Monthly Debt Service:		\$32,933.17
		Equity (20%):	\$1,533,711		Loan Amount (80%):		\$6,134,845		Project Cost:		\$7,668,556
Gross Revenue		\$599,809	\$747,910	\$766,608	\$785,773	\$805,417	\$825,553	\$846,192	\$867,346	\$889,030	\$911,256
Vacancy 5%		\$18,698	\$37,396	\$38,330	\$39,289	\$40,271	\$41,278	\$42,310	\$43,367	\$44,451	\$45,563
Effective Gross Income		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
Apartment Operating Expense, excluding property taxes, reserves		\$127,141	\$155,586	\$159,476	\$163,463	\$167,549	\$171,738	\$176,031	\$180,432	\$184,943	\$189,566
Property Taxes-Improvements		\$67,332	\$82,396	\$84,456	\$86,567	\$88,731	\$90,950	\$93,224	\$95,554	\$97,943	\$100,392
Total Expenses		\$194,473	\$237,982	\$243,932	\$250,030	\$256,281	\$262,688	\$269,255	\$275,986	\$282,886	\$289,958
Net Operating Income		\$386,638	\$472,533	\$484,346	\$496,454	\$508,866	\$521,587	\$534,627	\$547,993	\$561,693	\$575,735
Reserves		\$12,258	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Debt Service 30YrAmort		\$395,198	\$395,198	\$395,198	\$395,198	\$395,198	\$395,198	\$395,198	\$395,198	\$395,198	\$395,198
Cash Flow		-\$8,560	\$62,334	\$74,148	\$86,256	\$98,668	\$111,389	\$124,429	\$137,795	\$151,495	\$165,537
Cash-on-Cash Return (CashFlow)		-0.56%	4.06%	4.83%	5.62%	6.43%	7.26%	8.11%	8.98%	9.88%	10.79%
(Cash Flow/Equity)											
EOY Loan Balance		\$6,044,334	\$5,949,191	\$5,849,182	\$5,744,055	\$5,633,550	\$5,517,392	\$5,395,290	\$5,266,942	\$5,132,027	\$4,990,210
Payments to Principal		\$90,511	\$95,142	\$100,010	\$105,126	\$110,505	\$116,159	\$122,101	\$128,348	\$134,915	\$141,817
Cash Flow w/ Principal Payments		\$81,951	\$157,477	\$174,158	\$191,383	\$209,173	\$227,548	\$246,531	\$266,143	\$286,410	\$307,354
Cash-On-Cash (Return on Equity)		5.3%	10.3%	11.4%	12.5%	13.6%	14.8%	16.1%	17.4%	18.7%	20.0%
Debt Service Coverage Ratio	Goal 1.2	0.978	1.196	1.226	1.256	1.288	1.320	1.353	1.387	1.421	1.457

**Changed Property Ratio by Year**

<b>Tax Year</b>	<b>Description</b>	<b>CPR</b>	<b>Value</b>
2018			
	Changed Property Ratio - Miscellaneous	0	1.000000
	Changed Property Ratio - Residential	1	0.699000
	Changed Property Ratio - Commercial	2	0.646000
	Changed Property Ratio - Industrial	3	0.646000
	Changed Property Ratio - Tract Farm	4	0.687000
	Changed Property Ratio - Farm & Forest	5	0.687000
	Changed Property Ratio - Forest	6	0.687000
	Changed Property Ratio - Multiple Housin	7	0.583000
	Changed Property Ratio - Recreational	8	0.338000
	Changed Property Ratio - State Appraised	I	1.000000
	Changed Property Ratio - M&E	M	1.000000
	Changed Property Ratio - Open Space	P	0.619000
2017			
	Changed Property Ratio - Miscellaneous	0	1.000000
	Changed Property Ratio - Residential	1	0.739000
	Changed Property Ratio - Commercial	2	0.659000
	Changed Property Ratio - Industrial	3	0.659000
	Changed Property Ratio - Tract Farm	4	0.712000
	Changed Property Ratio - Farm & Forest	5	0.712000
	Changed Property Ratio - Forest	6	0.712000
	Changed Property Ratio - Multiple Housin	7	0.592000
	Changed Property Ratio - Recreational	8	0.608000
	Changed Property Ratio - State Appraised	I	1.000000
	Changed Property Ratio - M&E	M	1.000000
	Changed Property Ratio - Open Space	P	0.613000

**Exhibit 1**

August 12, 2019

TO: Eugene City Manager

RE: **Ferry Street Manor MUPTE Minority Report/Parking**

FROM: Bill Aspegren

At Large Neighborhood Member, Eugene MUPTE Review Panel

I voted against awarding the Ferry Street Manor project a Multi-Unit Property Tax Exemption (MUPTE) because it did not meet the off-street parking standards for the West University Neighborhood.

The applicant planned to reduce parking for the combined complex of Ferry Street Manor and Eugene Manor by 50%. This left 62 spaces for 123 dwelling units. The project, in its location, is not viable with this reduced level of off-street parking.

The Institute of Traffic Engineers<sup>1</sup> (ITE) has a graph that shows parking demand vs. dwelling units for a building like Ferry Street Manor (Exhibit A). From that graph the average peak period parking demand is 1.20 vehicles per dwelling unit. This seems excessive for this development given it is walkable, near transit, downtown and UO and 70% of the apartments are studios. Subtracting a standard deviation (.42, from ITE graph) should be enough to take this into account. The following table compares various options.

Eugene Parking Requirements Compared to ITE Recommendations And Ferry Street Manor Request			
Option	Number of Dwelling Units	Times Parking Factor	Total Spaces
Eugene Parking Requirements	123	0.75	93
ITE Recommended Spaces Per Dwelling Unit	123	1.20	148
ITE Rec Less a 0.42 Std Deviation	123	0.78	96
ITE Rec Low Range Vehicles Per Dwelling	123	0.66	81
Ferry Street Manor Requested Parking	123	0.50	62

The above comparisons show that the planned 62 off-street parking spaces are well below even the lowest range determined from ITE surveys. The standard Eugene discount of 25% (.75 factor) is a reasonable option, to the extent it applies to all 123 units. Further reduction is hard to justify for a residential development.

### **Residents won't need cars?**

To justify the reduction the argument can be made that the Ferry Street/Eugene Manor complex is walkable, near public transportation and bicycling and therefore, residents will not need or have cars. Eugene code already gives a 25% reduction as a right of development. Based on the ITE information, Eugene's standard reduction is enough to take these factors into account.

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<sup>1</sup> Information supplied by the Institute of Traffic Engineers is a standard used in Eugene Code for adjustments and other traffic and parking analysis.

## Students and cars

This complex of apartments does not fit the MUPTE definition of student apartments. However, it is near UO and 50% of the current units are rented to students. Previous experience has shown students bring cars to school even when there is limited parking at their residence. In fact, that is why special parking standards were put into effect for areas near the university. (See Ordinance 20447)<sup>2</sup>

## Millennials Love Cars

I have attached a study by some folks at MIT that is titled: *Turns out, millennials love cars as much as anyone else* (Exhibit B).

## Interesting Websites

Eugene puts a lot of faith in the idea that people will use their bicycles to run errands. There are reasons this may be a false hope. The first link is an article about Salem, Oregon planners finding people are not using their bikes as much as anticipated. The second link discusses the Vancouver, BC effort to meet the need for more bike friendly bicycle lanes.

### Salem commuters expected to stick with cars, skipping bikes and their own feet

<https://www.salemreporter.com/posts/856/study-projects-salems-greenhouse-gas-emissions-could-grow-by-2035>

### If only experienced cyclists feel safe in a bike lane, then is it a bike lane at all?

<https://www.fastcompany.com/90361034/if-only-experienced-cyclists-feel-safe-in-a-bike-lane-then-is-it-a-bike-lane-at-all>

## Final Words

Parking is at a premium where Ferry Street Manor is planned to be built. The 25% by right of development reduction fits in with ITE guidelines. Further reductions will only make the area parking problems worse. **No development in a residential zone has ever received a 50% reduction for off-street parking.** A request was made in 2013 but was withdrawn and the required parking was built. (See ARA 13-12 and ARA 13-16)<sup>3</sup>

Eugene's off-street parking standards are reasonable for the area near UO.

I stand by my vote not to grant a MUPTE to the current version of the Ferry Street Manor project.

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<sup>2</sup> Ordinance 20447 is available at <http://coeapps.eugene-or.gov/cmoweblink/0/doc/540191/Page1.aspx>

<sup>3</sup> These adjustment requests are available using the Eugene Land Use Search tool.

# Exhibit A

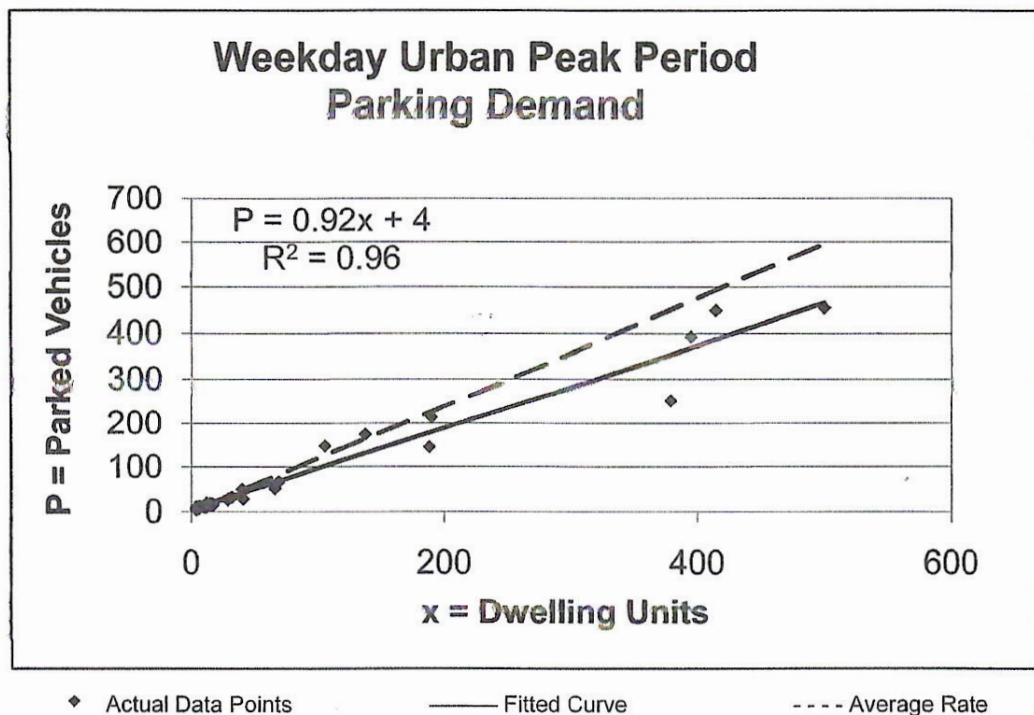
## ITE Parking Generation Graph



## Land Use: 221 Low/Mid-Rise Apartment

**Average Peak Period Parking Demand vs. Dwelling Units**  
On a: Weekday  
Location: Urban

Statistic	Peak Period Demand
Peak Period	10:00 p.m.–5:00 a.m.
Number of Study Sites	40
Average Size of Study Sites	70 dwelling units
Average Peak Period Parking Demand	1.20 vehicles per dwelling unit
Standard Deviation	0.42
Coefficient of Variation	35%
95% Confidence Interval	1.07–1.33 vehicles per dwelling unit
Range	0.66–2.50 vehicles per dwelling unit
85th Percentile	1.61 vehicles per dwelling unit
33rd Percentile	0.93 vehicles per dwelling unit



## Exhibit B

Turns out, millennials love cars as much as  
anyone Else

Opinion: Turns out, millennials love cars as much as anyone else

By Christopher Knittel

Published: May 17, 2019 9:38 a.m. ET

Their car choices are influenced by circumstances, new research shows

It is common these days to suggest that millennials have dramatically different preferences than other generations.

Whether it is the food they buy or the investments they make, the common consensus is that millennials are fundamentally disrupting a variety of industries due to their divergent preferences. However, such claims have not been explored rigorously and limited data have been used to support those hypotheses.

Recently, here at the Sloan School at MIT, my colleague Elizabeth Murphy and I set out to study the car preferences of those between ages 18 and 37 in a rigorous way, and found that millennials may not be expressing a lack of preference or enthusiasm for vehicles, per se. Instead, their car choices may be dominated more by situational forces — such as the economic problems this generation encountered due to the Great Recession or the likelihood that they live in a city as opposed to a suburb.

Understanding the true preferences of the millennial generation can provide insight into the future landscape of mobility, and thus provide both industry and policy makers with more information about what business practices and policies to implement. This is particularly true when it comes to our policies related to global warming.

Read: Behavioral finance experts say these things can make you richer in old age

#### Car ownership

The low vehicle ownership statistics that have been attributed to millennials — the ones we've been quietly hoping will solve climate change — are likely just an artifact of the economic conditions and general life cycles they've faced. Unfortunately, they do not represent some fundamental difference in their demand for cars and this fact will reverberate long and hard in our battle against climate change. Let's look at the research and let me explain.

Our study focused on two main facets of personal mobility: vehicle ownership, measured by how many vehicles a given household owns, and vehicle usage, measured by annual vehicle miles traveled (VMT). Each of those provides different insights; vehicle ownership gives a better understanding of the market for personal vehicles, while vehicle miles traveled provides insight on vehicle fleet usage as well as environmental footprints.

We found that although a simple comparison of average ownership and use would suggest a difference. But that is comparing apples to oranges, because those simple comparisons do not account for differences in age, income and other factors that may drive the demand for mobility.

## Two analyses

Our paper contains two sets of analyses. First, using data from various National Household Transportation Surveys (NHTS), we estimate vehicle ownership rates and annual miles traveled controlling for confounding variables such as income, household size, urbanity and education. We find there is no evidence of a difference in vehicle ownership. In contrast to conventional wisdom, millennials actually drive more miles per year. The most recent NHTS survey took place in 2017, implying the oldest millennial in the data was 37 years old.

Of course, a skeptic would respond to this first set of analyses believing them to be wrong because some of those confounding factors are actually life choices, and millennials are choosing to alter those life choices. To account for this, we also estimate to what degree millennials are altering those life choices, and here's the important part: by how much those alterations affect vehicle ownership.

Don't miss: Here are all the things millennials have been accused of killing — from dinner dates to golf

To do this, we use Census data and estimate how millennials are changing their marriage rates, urbanity, number of children and income levels. We then estimate how those changes affect vehicle ownership. While we find that millennials are altering life choices that affect vehicle ownership, the net effect of those endogenous choices is to reduce vehicle ownership by less than 1%. We can statistically rule out effects larger than 2%.

Many millennials report they prioritize environmentally friendly products, but our study shows that the so-called "Green Generation" does not exhibit significantly different preferences when it comes to transport. This does not inherently mean millennials do not consider the environment in their car-buying decisions, but for many millennials having a vehicle may not be a choice.

So, what's the upshot? While there are plenty of interesting ramifications to this for the auto industry, perhaps the most important take-away is for policy makers. Let's be clear: The U.S. cannot rely on millennials' preferences alone to reduce carbon emissions. They operate under many of the same constraints as previous generations, and they still have strong preferences for personal vehicles.

Christopher Knittel is the George P. Shultz Professor of Applied Economics at the MIT Sloan School of Management.

**REPORT AND RECOMMENDATION  
of the Planning & Development Department**

**Ferry St. Manor Application for Multiple-Unit Property Tax Exemption**

The Executive Director of the Planning & Development Department of the City of Eugene Finds that:

1. The Ferry St. Manor apartments will be developed on real property located at 1040 and 1050 Ferry St., Eugene, Oregon (Assessor's Map #17-03-32-23, tax lots 09400 and 09500). RNS Management, LLC is the current owner of the subject property. RNS Management, LLC submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption ("MUPTE") Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units to be constructed on the property.
2. As the City Manager's designee, I have reviewed the application and find that:
  - 2.1 The project will provide 35 studio units and 15 one-bedroom units, for a total of 50 residential units, none of which will be used for transient use or vacation occupancy. There is no commercial space in the building.
  - 2.2 The project is not designed to be student housing, meaning it will be leased by the unit (rather than by individual rooms or beds) and the unit configuration does not include several bedrooms with individual bathrooms and sparse common space or include amenities and location selected primarily for individuals attending college and offer limited viability as potential housing for the general population. Additionally, the project does not designate any of the units for transient use or vacation occupancy.
  - 2.3 Construction is expected to be complete on or before January 1, 2022.
  - 2.4 The project is located in the downtown area described in subsection (1) of Section 2.946 of the Eugene Code, 1971.
  - 2.5 The applicant submitted all materials, documents and fees required by the City as set forth in Section 2.945 of the Eugene Code, 1971, and the administrative rules adopted by Administrative Order No. 53-18-03-F.
  - 2.6 The applicant responded to the **Required Public Benefit** criteria as follows:
    - 2.6.1 Compact Urban Development. The project will be built in the R-4 High Density Residential zone, which requires at least 20 housing units per acre and a maximum of 112 units per acre. Ferry St. Manor includes 50 dwelling units that would result in a density of 103 units per acre which is more than 175% of minimum density as required by section 1.1.1.1 of Rule R-2.945-C.
    - 2.6.2 Green Building Features. The project will utilize the City of Eugene Building and Permit Services Pathway in order to meet the MUPTE green building requirement and exceed the 10% energy efficiency threshold. Ferry St. Manor

will be required to submit an energy model with their development permit application and a commissioning report due 18 months after certificate of occupancy is issued. The project's on-site parking will include installation of conduit for future electric vehicle charging stations.

- 2.6.3 Local Economic Impact Plan. A plan is in place for more than 50% of the project's dollar volume of professional services and construction contracts to be local to Lane County (estimated at 67%). The applicant is committed to promoting open competitive opportunities for Minority, Women, and Emerging Small Businesses, and is committed to complying with wage, tax, and licensing laws.
- 2.6.4 Moderate-Income Housing Contribution. The project will provide a minimum of 30% of the residential units (15 units) with rents that qualify as moderate-income units during the MUPTE period. (Moderate income is defined in the ordinance as affordable to households at 100% of the area median income.)
- 2.6.5 Project Design and Compatibility. The project will address basic design concepts in the context of the project location and will be designed and permitted for construction as shown in the resolution (should City Council approve the MUPTE). The basic design concepts include: the scale, form, and quality of the building; the mix of project elements; the relationship to the street and surrounding uses; and parking and circulation.

The building is being constructed as an infill addition on an existing developed site. The lot includes an existing residential building that will provide scale and proportion for the infill project. The new building is five floors of residential use providing 50 units of both market rate and moderate-income units. Placed at the back of the lot, neither the building nor the site has street frontage. The south facing lobby provides a highly visible connection to site circulation.

The design elements of the building include a lobby entry with abundant glazing. A prominent elevator tower provides accent against symmetrically proportioned bays punctuated with large windows. High quality, durable materials include, ground face CMU, stucco, and metal wall panel cladding over a wood framed structure. The cladding is accented with colored and matte finish metal detailing.

The building meets City requirements for vehicle parking and bicycle parking, and it provides pedestrian accommodations to access the site and surrounding street grid through internal pedestrian paths and an access gate to Ferry Alley.

The project design is intended to harmonize with the scale, form and quality of onsite and adjacent development. The project meets the design intent of designing for the human scale, appropriate to the local climate and natural



resiliency, promote transparency, help define a sense of place, fit the neighborhood, and employ high-quality materials and color.

2.6.6 Historic and Existing Housing Sensitivity. The project is adjacent to one historic locale, but it is not affected by the Ferry St. Manor redevelopment. The project includes no direct, structural impacts, such as alterations or demolitions, to any of the identified resources. No historic structures or existing housing were demolished or removed from the property in the 2 years prior to the date of application.

2.6.7 Project Need. The project's pro-forma and financial information was analyzed by Johnson Economics, an independent, real estate economics consultant who found that the project as proposed could not be built but for the benefit of the tax exemption. The financial information Ferry St. Manor submitted in their application is based on projections prior to finalizing financing, construction, and tenancing. It includes assumptions regarding rents, vacancy rates, operating costs, lender underwriting criteria, interest rates, and reasonable rate of return. Johnson Economics, the Review Panel, and staff reviewed the assumptions. The Johnson Economics analysis concludes that the project would not be viable without the availability of the MUPTE, using the reasonable assumptions outlined and concludes that MUPTE is critical to the success of the project from a financial feasibility perspective. See Section 4 below for the Review Panel's conclusions.

2.6.8 Public Benefit beyond Period of Exemption. The public benefits of the project that will extend beyond the period of the tax exemption include Green Building (energy performance), Project Design and Compatibility, and Compact Urban Development.

2.7 A neighborhood engagement meeting on Ferry St. Manor was held on December 18, 2018. As the West University Neighborhood is not currently active, the applicant provided notice of the meeting to adjacent property owners and tenants.


2.7.1 Future Neighborhood Engagement. Prior to completing final drawings, Ferry St. Manor will hold another neighborhood engagement meeting. Before submitting for permits, Ferry St. Manor will submit the design to staff to review conformance with the design attached to the MUPTE resolution (should City Council approve the MUPTE). Staff will also give interested parties an opportunity to review and comment on that final design.

3. A display ad soliciting recommendations or comments from the public regarding this project was published in the Register-Guard on April 14, 2019. The period for comment expired on May 14, 2019 and resulted in 21 written comments. Additional comments were submitted to staff or directly to City Council after the official comment period. All 21 comments received as of August 14 will be provided to City Council with the materials for the September 11 work session.

4. The community member MUPTE Review Panel considered the project application, including compliance with program criteria and the independent consultant's financial review, during 3 meetings held on May 29, July 10, and July 29. The majority of the Review Panel concluded that the project meets the Required Public Benefit criteria. The Panel noted that Project Need involves many variables that are hard to predict. The majority of the Panel concluded that project need was demonstrated. Six of the panel members agreed that a ten-year exemption was warranted. One member advocated for an eight-year exemption, another for a five-year exemption, and one member advocated for no exemption. See the enclosed Panel Conclusions document for a full summary of their conclusions.

**Therefore**, based upon the above findings, the project is, or will be at the time of completion, in conformance with all applicable local plans and provisions of the Eugene Code, 1971, planning regulations, the Metropolitan Area General Plan, and the criteria set forth in the City's adopted administrative rules, and I recommend that the application be approved conditioned upon the project moving forward as proposed.

Dated this 19 day of August, 2019.

  
\_\_\_\_\_  
Denny Braud *DB*  
Executive Director  
Planning & Development Department



## Memorandum

Date: August 19, 2019  
To: Mayor and City Council  
From: Amanda D'Souza, Business Development Analyst  
Subject: Financial Analysis Materials from Johnson Economics – Ferry St. Manor

The Ferry St. Manor project proforma and financial information was analyzed by Johnson Economics, an independent real estate economics consultant. Johnson Economics conducted a pro forma evaluation of the project's viability with a review of assumptions including income, lease rates, operating costs, permanent financing, construction costs, and return. The analysis was provided to the Review Panel in advance of the first meeting and was discussed at the second meeting (Exhibit A). The Panel provided questions to Johnson Economics to be addressed at the second meeting. The answers were provided to the Panel in a memo dated June 4, 2019 (Exhibit B).

The Johnson Economics analysis concludes that the project would not be viable without the availability of the MUPTE using the reasonable assumptions outlined and that "inclusion of the MUPTE over a ten-year period would likely make this project viable."

**MEMORANDUM**

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DATE: May 15, 2019

TO: Amanda D'Souza  
Business Development Analyst  
CITY OF EUGENE

FROM: Jerry Johnson  
JOHNSON ECONOMICS, LLC

SUBJECT: Review of MUPTA Application, RNS Management, LLC

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Johnson Economics was asked to provide an independent review of an application for the City's Multi-Unit Property Tax Exemption (MUPTA). The application reviewed was submitted by RNS Management, LLC, and is based on a proposed 50-unit market rate apartment project on an infill site at 1040-1050 Ferry Street. The site would be created through redevelopment of an overflow parking lot of an existing development that would remain adjacent to the proposed project.

The MUPTA is a ten-year property tax exemption. The net impact of the program is a reduction in annual costs for the period associated with property taxes, which provides a substantive boost to project viability. Our analysis included a pro forma evaluation of the project's viability with and without the MUPTA program. The information used in our analysis was largely derived from materials submitted as part of the application. Appendix A includes a glossary of terms.

**A. PROGRAM**

The proposed development program for the site would include 50 rental apartment units, with an average annual rent level of \$1,224 in current dollars. This reflects an average annual per square foot rent level of \$2.52.

**SUMMARY OF RESIDENTIAL PROGRAM AND PRICING (2019 \$s)**

	Units			Proposed Rents*	
	#	% Mix	Size/SF	Month	PSF
Studios	35	70.0%	449	\$1,156	\$2.57
One Bedroom	15	30.0%	574	\$1,384	\$2.41
Two Bedroom	0	0.0%	900	\$0	\$0.00
Total/Weighted Average	50	100.0%	487	\$1,224	\$2.52

The achievable rent levels assumed are quite high on a per square foot basis, and there is little precedent to support the rent levels. The unit sizes are smaller than typical in the market though, which places the absolute rents in a more competitive range. We view the rent assumptions to be very aggressive in this market.



## B. ASSUMPTIONS

Several assumptions must be made in order to evaluate the viability of the development program. The applicant's income assumptions are viewed as aggressive but defensible within the downtown Eugene market. The average residential lease rate is assumed at \$1,224 per month, escalated at an average annual rate of 2.5%. This assumption is pretty typical in recent proformas we have seen, with annual income escalations assumed at between 2.5 and 3.0%. Operating cost assumption at 38% for residential uses with property taxes assumed and are within market norms for a project of this scale with interior corridors. Permanent financing was assumed at 5.50% for a thirty-year term and a debt coverage ratio (DCR) of 1.20. This is somewhat aggressive, and a DCR of 1.25 may be required by a lender. The return parameters used in our analysis to determine viability are not impacted by the financing terms used.

Construction costs were derived from the application and reflect a total cost of just over \$8.274 million for the project. This reflects a per unit cost of \$165,500, which is below what we would expect in the current market. The applicant is using a local contractor with extensive local experience, and we are assuming the cost estimates are reliable.

### ASSUMED DEVELOPMENT COSTS

Land Acquisition	\$592,416
Hard Costs	
<i>Construction</i>	\$5,396,207
<i>Other Cost/Contingency</i>	\$903,005
Soft Costs	
<i>A&amp;E</i>	\$314,961
<i>SDC</i>	\$203,958
<i>Development Fee</i>	\$283,465
<i>Interest</i>	\$193,897
<i>Loan Fees</i>	\$64,632
<i>Taxes</i>	\$11,161
<i>Marketing</i>	\$65,000
<i>Legal</i>	\$25,000
<i>Other Fees</i>	\$96,248
<i>Contingency</i>	\$125,000
<b>Total Development Costs</b>	<b>\$8,274,950</b>

## C. VIABILITY OF PROJECT

### Baseline Scenario

Our baseline scenario reflects the development program based on the outlined assumptions and does not assume any benefit from the MUPTE. The project would cost an estimated \$8.275 million to develop, with a stabilized Net Operating Income (NOI) of \$437,720. The net operating income reflects income from property after operating expenses have been deducted, but before deducting income taxes and financing expenses.

Based on the revenue assumptions outlined the supportable debt on the project would be \$5.35 million, with required equity of over \$2.9 million. The applicant assumes they would contribute 20% equity, but under this scenario the projected net income of the project would not support enough debt, increasing the required equity contribution. A lending institution will typically use a debt coverage ratio (DCR) to calculate the amount of supportable debt on a real estate project. For our analysis we assumed a DCR of 1.20, which reflects net operating income in the first stabilized year after taxes at 120% of the scheduled debt service payment. While achievable in some cases, this is an aggressive assumption as DCR requirements will often be higher at 1.25 to 1.30.

When evaluating the viability of a project we use a series of financial return measures. The definition of these is included as a glossary at the end of this memorandum. Individual developers vary with respect to which returns they use in evaluating projects, so we include several alternative measures. The return on cost under the baseline scenario would be 5.29%, with the leveraged return on equity at only 5.03%. The internal rate of return assuming a 10-year hold and calculating the reversion value (sale of the asset at the end of the period) based on a terminal cap rate of 6.0% (the capitalization rate used to calculate the value at sale) would be 10.5%.

SOURCES	Total	%
Required Equity	\$2,921,344	35%
Serviceable Debt	\$5,353,606	65%
<b>Total</b>	<b>\$8,274,950</b>	<b>100%</b>
RETURN MEASURES	Total	
Development Costs	\$8,274,950	
Stabilized NOI	\$437,720	
Return on Cost	5.29%	
Return on Equity	5.03%	
IRR	10.5%	
Targeted Return on Cost	6.50%	
<b>GAP</b>	<b>\$1,540,804</b>	



These returns are assumed to be below what would be necessary for the market to develop this project. Assuming a targeted return on cost of 6.50%, the indicated viability gap as modeled would be \$1.54 million without the MUPTE tax abatement. We will typically use return on cost as our preferred measure for acceptable returns, as it is least subject to variability in assumptions. The 6.50% used reflects a 100-basis point premium over an assumed current capitalization rate of 5.5%. Using this assumption, the project is worth 118% of cost at stabilization if the development follows the proforma projections.

The following is a 10-year simplified pro forma for the project. As noted, a reversion value was assumed at the end of the period based on the projected NOI in year 11 divided by an assumed terminal cap rate of 6.0% and deducting the remaining principal balance from the primary loan. Under this scenario the net residual value is projected at \$7.0 million at the end of year 10.

**SIMPLIFIED CASH FLOW**  
**10-YEAR CASH FLOW WO/MUPTE**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUE</b>										
<b>Gross Rent Revenue</b>	\$734,640	\$734,640	\$753,006	\$771,831	\$791,127	\$810,905	\$831,178	\$851,957	\$873,256	\$895,088
Misc. & Commercial	\$13,270	\$13,270	\$13,602	\$13,942	\$14,290	\$14,648	\$15,014	\$15,389	\$15,774	\$16,168
Less Vacancy	(\$166,799)	(\$37,396)	(\$38,330)	(\$39,289)	(\$40,271)	(\$41,278)	(\$42,310)	(\$43,367)	(\$44,451)	(\$45,563)
<b>Total Income</b>	\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
<b>EXPENSES</b>										
<b>Operating Expenses</b>	\$155,587	\$155,587	\$159,477	\$163,464	\$167,550	\$171,739	\$176,032	\$180,433	\$184,944	\$189,568
Insurance	\$5,114	\$5,114	\$5,242	\$5,373	\$5,507	\$5,645	\$5,786	\$5,931	\$6,079	\$6,231
Admin & Management	\$40,901	\$40,901	\$41,924	\$42,972	\$44,046	\$45,147	\$46,276	\$47,433	\$48,618	\$49,834
Utilities and Garbage	\$38,456	\$38,456	\$39,417	\$40,403	\$41,413	\$42,448	\$43,509	\$44,597	\$45,712	\$46,855
Repairs & Maint.	\$58,205	\$58,205	\$59,660	\$61,152	\$62,680	\$64,247	\$65,854	\$67,500	\$69,187	\$70,917
Marketing and Advertising	\$12,911	\$12,911	\$13,234	\$13,565	\$13,904	\$14,251	\$14,608	\$14,973	\$15,347	\$15,731
<b>Subtotal</b>										
NOI Before Taxes and Reserves	\$425,524	\$554,928	\$568,801	\$583,021	\$597,596	\$612,536	\$627,850	\$643,546	\$659,634	\$676,125
Less Estimated Taxes	92,340	92,340	95,110	97,964	100,902	103,929	107,047	110,259	113,567	116,974
Less Required Reserves	\$24,868	\$24,868	\$25,490	\$26,127	\$26,780	\$27,450	\$28,136	\$28,839	\$29,560	\$30,299
<b>NOI Available for Debt Service</b>	\$308,316	\$437,720	\$448,201	\$458,930	\$469,914	\$481,157	\$492,666	\$504,448	\$516,508	\$528,852
Development Costs	(\$8,274,950)									
1st Mortgage Debt Service (1.20 DCR, 5.5%, 30 yrs)	\$5,353,606	\$294,448	\$364,766	\$364,766	\$364,766	\$364,766	\$364,766	\$364,766	\$364,766	\$364,766
Equity	\$2,921,344									
<b>Net Cash Flow</b>	(\$2,921,344)	\$13,868	\$72,953	\$83,435	\$94,164	\$105,147	\$116,391	\$127,900	\$139,681	\$151,741
DCR - 1st Mortgage	1.05	1.20	1.23	1.26	1.29	1.32	1.35	1.38	1.42	1.45

Based on these estimates and forecasts we would not consider the project to represent a viable development program without the MUPTE program.

### MUPTE Scenario

The second scenario uses the same income and expense assumptions as the baseline scenario, with the addition of an assumed ten-year tax exemption. The use of the MUPTE reduces operating costs significantly during the first ten years (starting in year 1 in the cash flow table), increasing cash flow available for debt service. With the increased cash flow to cover debt service, the serviceable debt increases to \$6.48 million, reducing the equity requirement to \$1.79 million (22% of costs).

The return on cost at stabilization is estimated at 6.41%, just below the targeted return on cost of 6.50%. This yields an indicated gap of \$120,188, or 1.4% of total cost. If a gap is this small relative to project cost, we typically assume that it can be addressed through value engineering and program refinement, and therefore we view the program to be viable under this assumption. The internal rate of return under this scenario is 15.8%, while

<b>SOURCES</b>	<b>Total</b>	<b>%</b>
Required Equity	\$1,791,963	22%
Serviceable Debt	\$6,482,987	78%
<b>Total</b>	<b>\$8,274,950</b>	<b>100%</b>
<b>RETURN MEASURES</b>	<b>Total</b>	
Development Costs	\$8,274,950	
Stabilized NOI	\$530,060	
Return on Cost	6.41%	
Return on Equity	9.92%	
IRR	15.8%	
Targeted Return on Cost	6.50%	
<b>GAP</b>	<b>\$120,188</b>	



the return on equity is 9.9%. While the project is considered viable, the indicated returns do not reflect a project providing above-normal returns.

The following is a ten- year summary pro forma of the development assuming the MUPTE:

**SIMPLIFIED CASH FLOW**  
**10-YEAR CASH FLOW W/MUPTE**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUE</b>											
Gross Rent Revenue		\$734,640	\$734,640	\$753,006	\$771,831	\$791,127	\$810,905	\$831,178	\$851,957	\$873,256	\$895,088
Miscellaneous		\$13,270	\$13,270	\$13,602	\$13,942	\$14,290	\$14,648	\$15,014	\$15,389	\$15,774	\$16,168
Less Vacancy		(\$166,799)	(\$37,396)	(\$38,330)	(\$39,289)	(\$40,271)	(\$41,278)	(\$42,310)	(\$43,367)	(\$44,451)	(\$45,563)
<b>Total Income</b>		\$581,111	\$710,515	\$728,277	\$746,484	\$765,146	\$784,275	\$803,882	\$823,979	\$844,578	\$865,693
<b>EXPENSES</b>											
<b>Operating Expenses</b>		\$155,587	\$155,587	\$159,477	\$163,464	\$167,550	\$171,739	\$176,032	\$180,433	\$184,944	\$189,568
Insurance		\$5,114	\$5,114	\$5,242	\$5,373	\$5,507	\$5,645	\$5,786	\$5,931	\$6,079	\$6,231
Admin & Management		\$40,901	\$40,901	\$41,924	\$42,972	\$44,046	\$45,147	\$46,276	\$47,433	\$48,618	\$49,834
Utilities and Garbage		\$38,456	\$38,456	\$39,417	\$40,403	\$41,413	\$42,448	\$43,509	\$44,597	\$45,712	\$46,855
Repairs & Maint.		\$58,205	\$58,205	\$59,660	\$61,152	\$62,680	\$64,247	\$65,854	\$67,500	\$69,187	\$70,917
Marketing and Advertising		\$12,911	\$12,911	\$13,234	\$13,565	\$13,904	\$14,251	\$14,608	\$14,973	\$15,347	\$15,731
<b>Subtotal</b>											
NOI Before Taxes and Reserves		\$425,524	\$554,928	\$568,801	\$583,021	\$597,596	\$612,536	\$627,850	\$643,546	\$659,634	\$676,125
Less Estimated Taxes		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Required Reserves		\$24,868	\$24,868	\$25,490	\$26,127	\$26,780	\$27,450	\$28,136	\$28,839	\$29,560	\$30,299
<b>NOI Available for Debt Service</b>		\$400,656	\$530,060	\$543,311	\$556,894	\$570,816	\$585,087	\$599,714	\$614,707	\$630,074	\$645,826
Development Costs		(\$8,274,950)									
1st Mortgage Debt Service (1.20 DCR, 5.5%, 30 yrs)		\$6,482,987	\$356,564	\$441,716	\$441,716	\$441,716	\$441,716	\$441,716	\$441,716	\$441,716	\$441,716
Equity		\$1,791,963									
<b>Net Cash Flow</b>		(\$1,791,963)	\$44,092	\$88,343	\$101,595	\$115,178	\$129,100	\$143,370	\$157,997	\$172,990	\$188,358
DCR - 1st Mortgage		1.12	1.20	1.23	1.26	1.29	1.32	1.36	1.39	1.43	1.46

Under this scenario the net residual value is projected at \$6.19 million at the end of year 10, reflecting a higher principal payment due to the greater level of debt supported. When property taxes are introduced in year 11, the project is still capable of meeting the debt service requirements of the primary loan due to assumed rates of escalation. The project does provide adequate cash flow to refinance in later years to reduce the equity requirement. This would increase the IRR but would not impact initial return on cost.

While the indicated return is adequate to induce development the first stabilized year, this does not account for the fact that the exemption is of limited duration. An alternative approach to evaluate the impact of the MUPTE is to model the impact as a discounted cash flow, with annual property tax savings discounted to current dollars at an 8.00% annual rate. When this was done for the subject project, the current value of the abatement exemption was about \$669,000. The impact on the “viability gap” is \$1.4 million, reflecting the ability of the abatement to reduce equity requirements through the forecast period. The discount rate reflects the cost of capital to the developer, which is significantly higher than that used by a public agency as the opportunity cost of that money is viewed as being higher.

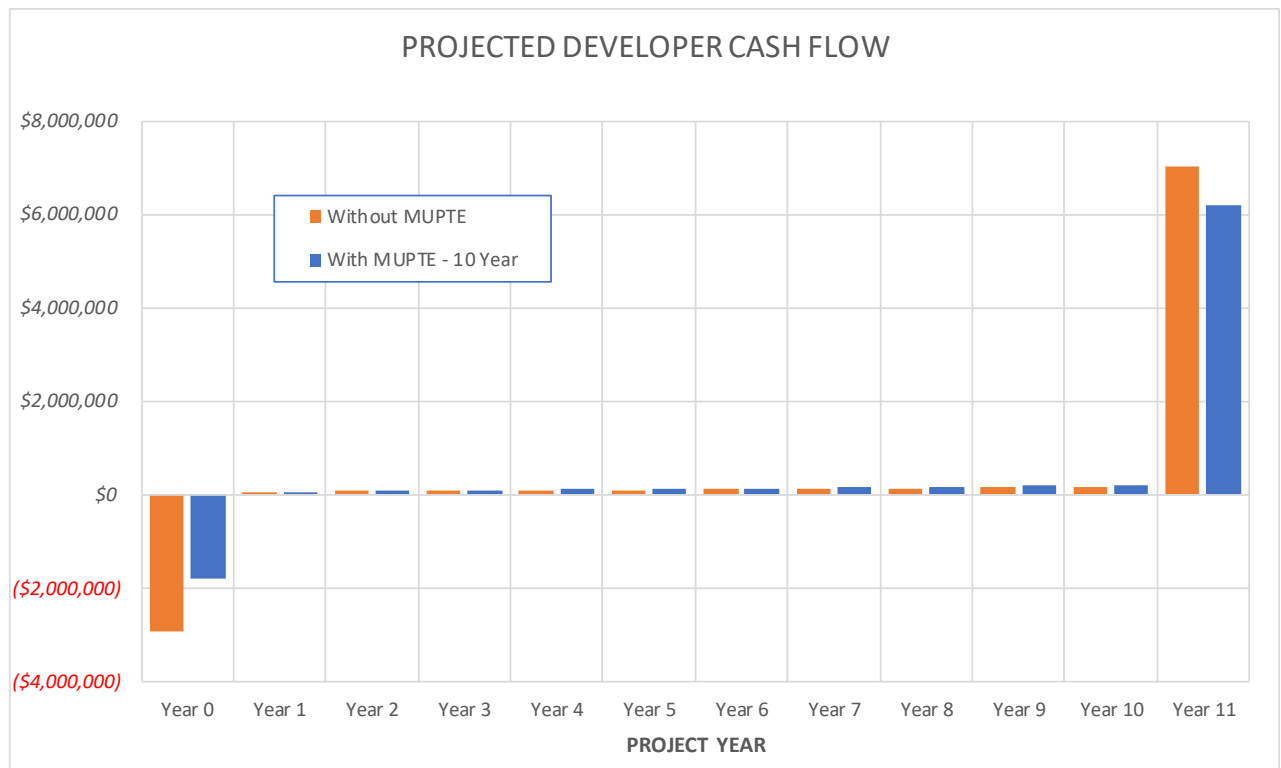




## D. CONCLUSION

Our analysis indicates that the project would not be viable without availability of the MUPTE, using the assumptions outlined. The indicated returns are below what we would consider adequate to incur the development risk for this project. Inclusion of the MUPTE over a ten-year period would likely make this project viable.

The primary impact of the MUPTE program is a reduction in operating costs for a set period of time, which helps the project meet the loan underwriting standards (1.20 DCR) and reduce the needed equity to an amount that can more reasonably be attracted to the project. As summarized in the following graph, initial equity requirements are higher without the MUPTE because the project cannot qualify for as much debt, and interim annual cash flows are lower. The net gain from an assumed sale in year 15 is lower with the MUPTE, as a higher level of debt is assumed to be supportable.



Many of the assumptions used are reliant upon the information provided by the applicant, but this information appears consistent with other projects we have reviewed. The pricing assumptions are aggressive, but the relatively small unit sizes will help keep absolute rents affordable. The debt coverage ratio assumed was 1.20, which we feel could be a bit low. The return parameter used to evaluate viability was return on cost (ROC), which is not influenced by the debt coverage ratio assumption.



## APPENDIX A: GLOSSARY OF TERMS

**Capitalization Rate or Cap Rate** – The rate of return used to derive the capital value of an income stream. The value of a real estate asset is commonly set on the basis of dividing net operating income (NOI) by a capitalization rate.

**Debt Coverage Ratio** – Defined as net operating income divided by annual debt service. This measure is often used as underwriting criteria for income property mortgage loans, and limits the amount of debt that can be borrowed. Standard minimum debt coverage ratios would be in the 1.20 to 1.30 range. A debt coverage ratio of 1.20 indicates that in your first year of stabilized occupancy, your net operating income (NOI, gross income less expenses) is equal to 120% of your debt service requirements (principal and interest).

**Equity** – The interest or value that the owner has in real estate over and above the liens held against it.

**Net Operating Income (NOI)** – Income from property after operating expenses have been deducted, but before deducting income taxes and financing expenses.

**Return on Cost (ROC)** – Net operating income in the initial year, divided by total project cost. This measure is also commonly referred to as the going-in cap rate.

**Return on Equity or Equity Yield Rate or Cash on Cash** – The rate of return on the equity portion of an investment, taking into account periodic cash flow. In this analysis, the return on equity represents the initial rate of return, and is defined as the net cash flow after interest costs divided by the developer equity. It does not include payments towards principal as interest costs.

**Internal Rate of Return (IRR)** – The internal rate of return is the true annual rate of earnings on an investment and equates the value of cash returns with cash invested. It reflects projected net cash flows throughout the duration of the investment period.

**Terminal Capitalization Rate** – The capitalization rate used to estimate the value of the asset at the end of the forecast period, in this case used to calculate a reversion value of the property.

**MEMORANDUM**

DATE: June 4, 2019

TO: Amanda D'Souza  
Business Development Analyst  
CITY OF EUGENE

FROM: Jerry Johnson  
JOHNSON ECONOMICS, LLC

SUBJECT: Questions Regarding our Review of MUPTE Application, RNS Management, LLC

The MUPTE Review Panel has forwarded a series of questions regarding our review of the RNS Management application. The following is our response to those questions.

**1. Would you classify the proposed building as Luxury Metro, Class AA, Class A, Class B, or Class C?**

The classification of projects varies widely between markets, and generally reflect the relative position of the project vis-à-vis the competitive environment. I would view this project and location as a Class A or AA. While assumed rent levels are at the top of the market, I am not sure that the location is among the best in the market.

**2. Are commercial multifamily loan fixed interest rates from banks, life insurance companies and credit unions currently in the range of 3.8% to 4.3%, for 5-year term, 30-year amortization loans greater than \$5 million?**

Permanent loan terms for rental apartment buildings are still quite favorable. For this project the construction loan may carry a somewhat higher interest rate due to perceived risk in achieving the assumed pricing. A 30-year fixed rate is only modestly higher than a five-year rate and is likely a better permanent loan decision in this market. The following tables summarizes some recent rate quotes:

**Fannie Mae Small Balance Apartment Loan - Rates Updated 06-04-2019**

Loan Product	Rate	Amortization
5 Year Fixed	4.20%-4.79%	Up to 30 years
7 Year Fixed	4.13%-4.70%	Up to 30 years
10 Year Fixed	4.29%-4.83%	Up to 30 years
15 Year Fixed	4.35%-4.88%	30 years
30 Year Fixed	4.85%-5.38%	30 years

☐ 55-80% LTV

☐ Loan amounts from \$1,000,000-\$3 million - up to \$5 million in major markets

☐ Loan to value ratios up to 80% on purchases and 75% on refinances

☐ Cash out refinances are acceptable

☐ Pricing based on loan-to-value and debt service coverage ratio:

- Tier 2 - 75-80%/1.25x
- Tier 3 - 65%/1.35x
- Tier 4 - 55%/1.55x

☐ Interest only loans are available

☐ Step down and yield maintenance prepayment penalties

☐ Nonrecourse loans are available

**Fannie Mae Large Balance Apartment Loan - Rates Updated 06-04-2019**



Loan Product	Rate	Amortization
5 Year Fixed	4.00%-4.59%	Up to 30 years
7 Year Fixed	3.93%-4.50%	Up to 30 years
10 Year Fixed	4.09%-4.63%	Up to 30 years
15 Year Fixed	4.15%-4.68%	30 years
30 Year Fixed	4.65%-5.18%	30 years

☐ 55-80% LTV

☐ Loan amounts from \$3 million and up

☐ Loans available for apartment buildings, cooperatives, affordable housing, student housing, senior housing, and manufactured home communities

☐ Loan to value ratios up to 80% on purchases and 75% on refinances

☐ Cash out refinances are acceptable

☐ Pricing based on loan-to-value and debt service coverage ratio:

- Tier 2 - 75-80%/1.25x
- Tier 3 - 65%/1.35x
- Tier 4 - 55%/1.55x

☐ Interest only loans are available

☐ Step down and yield maintenance prepayment penalties

☐ Nonrecourse loans are available

☐ Principal borrower must meet credit, net worth, liquidity and experience requirements

#### **Freddie Mac Small Balance Apartment Loan - Rates Updated 06-04-2019**

Loan Product	Rates (start as low as)	Amortization
5 Year Fixed	4.11%	Up to 30 years
7 Year Fixed	4.16%	Up to 30 years
10 Year Fixed	4.26%	Up to 30 years

#### **Bank Apartment Mortgage Loan - Rates Updated 06-04-2019**

Loan Product	Rate	Amortization
5 Year Fixed	4.25%-4.75%	Up to 30 years
7 Year Fixed	4.30%-4.80%	Up to 30 years
10 Year Fixed	4.50%-5.00%	Up to 30 years

#### **Commercial Mortgage Backed Securities Loan - Rates Updated 06-04-2019**

Loan Product	Rate	Amortization
10 Year Fixed	4.33%-5.13%	Up to 30 years

### **3. Are current interest rates trending down?**

The answer to this question varies by the day but index rates such as treasuries, prime, and LIBOR have been trending downward in 2019. With economic weakness expected in the next few years, rates will likely not face much upward pressure. They are close to historic lows though, and there isn't much room to drop either.

### **4. Are cap rates in the Eugene area for apartment/multifamily properties currently about 4.6 for Luxury Metro, 4.87 for Class A, 5.24 for Class B and 6.02 for Class C?**

I am not that familiar with the Eugene market, but those cap rates are generally consistent with what we have been seeing in Portland.

### **5. Have you, your firm or your prior firms worked on any projects involving Robert Bennett, Bennett Management Company, or RNS Management?**

No, as far as I know we haven't worked for either Mr. Bennett or RNS Management.

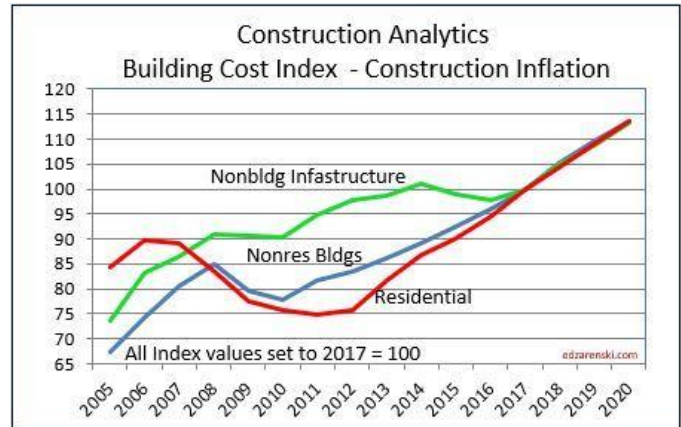


6. Were you aware that the development site is about 5-6 blocks from the University of Oregon campus, such that student housing rental rates rather than downtown rates may apply?

Yes.

7. The applicant's Project Cost Summary identifies Total Costs as \$8,274,950, and Land Costs as \$592,416. App at 44. Costs exclusive of land are thus \$7,682,534. The building square footage of the building is stated to be 31,195 sf (App. at 8). Dividing costs by square footage results in costs of \$246/sf. Are these square footage costs high?

Those costs are not that high in the current market based on recent projects we have reviewed. Construction cost escalation has been very high in the last few years.



8. What is the current average 2019 cost per square foot for this type of apartment building in Eugene, Oregon, and what are your sources? Do you have examples of the average cost per square foot from the Eugene market?

I don't have Eugene data on costs, and they can vary significantly based on the details of the design and construction type. Cost estimating is not in my area of expertise and we relied upon the applicants submitted materials. If you feel an independent review of the cost estimates is warranted there are firms that specialize in this.

9. Your report states that the total costs "reflect a per unit cost of \$165,500, which is below what we would expect in the current market." What information do you rely on for this conclusion, and do you have examples of the per unit cost of studio and 1BR apartments in the Eugene area, of the square footage proposed by the applicant?

While cost estimating is not my area of expertise, the delivered cost of units in the Portland area has been closer to \$200,000 per door in the last few years.

10. The proposed building seems well designed but fairly straight forward with no parking structure within the building, wood frame construction, no mixed use, and close proximity to the University to be able to attract student renters. What makes the proposed building unique such that it needs MUPTTE for construction when other multifamily buildings do not need MUPTTE?

The assumed costs relative to rents are somewhat high. Costs have risen at a greater rate than achievable rents over the last few years, altering the economics of new projects. I am not familiar with the financial assumptions or performance of recent projects in the area, and therefore am not in a position to assess the marginal differences.

11. How do you account for other apartment buildings being built in Eugene without the need for MUPTTE? What about 35 Club Road, 6 story building; Amazon Corner Apts, 5 story mixed use; 747 E. 32nd; 1 Chevy Chase Apts, 5 story, 3230 Kinsrow, etc.

I don't have any details on the financials of those projects and have no basis to evaluate them.



**12. Are buildings like the proposed building being built in Oregon without a 10-year property tax exemption?**

There are examples of similar developments being done without abatements, but abatements are common outside of central Portland.

**13. Is the Contractor overhead and profit normally included in Construction Hard Costs?**

Yes

**14. Do banks normally allow an entity which is both owner and developer (“owner/developer”) to claim a developer fee as part of financing for construction costs for market rate multifamily housing construction? Do banks normally finance developer fees for construction of market rate multifamily housing?**

Banks allow developer fees in this context, and it is a usual practice. The lending limit will be driven by debt coverage ratios, and the cost is only a factor in the loan if the resulting loan to cost ratio is too high.

**15. Do developer fees normally arise in the context of affordable housing where the public or nonprofit owner is compensating the developer for developing the housing where the developer does not own the development and won’t have the opportunity to profit through ownership of the housing or where the profit is limited due to substantial rent limitations?**

Developer fees are usually charged whether the developer is part of the ownership group or hired to manage the project. Managing the development process entails real expenses in terms of time and overhead dedicated to a complicated process. Often within an ownership group a development fee will be charged to recognize these costs prior to the distribution of any profits.

**16. Are the rents in the pro forma in line with market rate rents in the West University neighborhood?**

The rents are quite high relative to the existing product, but the proximity to the university probably justifies the rent levels.

**17. How did you calculate the serviceable debt, based on required equity?**

The serviceable debt level is calculated based on a 1.20 debt coverage ratio. This just reflects that the net operating income at stabilization is 120% or more of the debt service.

I hope this is helpful. Not all of the questions are within my area of expertise, particularly construction cost estimating. While I cannot speak with any authority regarding the economics of the other projects discussed, my guess would be that the primary difference in viability may be explained by marginal shifts in construction costs.

# Written Comments on Ferry St. Manor MUPTE Application

Received through August 26  
(Official 30-day public comment period was April 14 through May 14)



**From:** [ellen.furstner](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** "No tax breaks for Ferry Street Manor"  
**Date:** Tuesday, May 14, 2019 1:36:06 PM

---

As a resident of Marcola who visits (and spends a good amount of my money) in Eugene for the past 34 years, I have noticed an increase in the deplorable condition of homelessness in the city. I have volunteered in many organizations and events supporting homelessness solutions (Occupy Medical, cleaning up camps, Highway 99 move, Egan Warming Center, etc.) and things are not getting any better.

Eugene does not need any more high rent/upscale housing. Eugene needs to focus on low income housing and caring for those left out on the streets. If the city is going to try and make Eugene more palatable for tourists, and visitors to the track meets, I suggest you do something humane and show the world what this city really is made of. Eugene has a reputation for being progressive and forward thinking; people expect great things when they come to visit. So, give them that.

Instead of fancy, expensive housing and giving tax breaks to those who need it least, put your money where the real need is, and work on that. Show your humane and caring side to the world.

FYI. Hiding the homeless for the future games is not going to work; it will be your worst nightmare to come. Not a threat, just a fact.

Ellen Furstner

93995 Marcola Rd. Marcola, OR 97454

541-933-2246

**From:** [Peter Knox](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Ferry St Manor MUPTE  
**Date:** Monday, May 13, 2019 12:04:34 PM

---

I am writing to say that I support this project and granting the MUPTE.

Pete Knox

**From:** [Victoria Whitman](#)  
**To:** [BERNARD Dana M](#)  
**Cc:** [tiffanve@eugenechamber.com](mailto:tiffanve@eugenechamber.com)  
**Subject:** Ferry St Manor's Mupte application  
**Date:** Monday, May 13, 2019 5:43:25 PM

---

I want to convey my support of the City working with the Bennetts by granting them Mupte. The project is an excellent example of the program achieving its goals.

If their Mupte application is approved 50 units will be built downtown that would NOT happen otherwise. It will provide rental homes within easy walking distances of downtown and campus. This project is owned by a family who has contributed to our community for years and intends to remain a vital part of it. They personally care for their investments and for our community. I hope the council will support the Bennetts in this undertaking.

Best Regards,

Victoria Whitman  
Whitman Properties  
Windermere Real Estate  
541-954-7171

Sent from my iPhone

May 13, 2019

City of Eugene Planning and Development Department  
Attention: Dana Bernard  
99 W. 10<sup>th</sup> Ave.  
Eugene, OR 97401

Dear Dana Bernard:

I am writing to you in support of the Bennett Development Group's (BDG) Ferry Street Manor MUPTE application. As I'm sure you are aware, this project will support the City's goals for more compact (read vertical) housing in an area (downtown core) that is sorely in need of additional housing. Adding 50 units of high-quality, desirable, market-rate and work force housing in this area will provide relief to Eugene's extremely tight housing market and the project's location near public transportation, food markets, restaurants, entertainment is ideal for attracting residents.

Fiscally, approving the MUPTE for this project now will allow the City to realize significant tax revenue over the life of the building when the exemption expires. My understanding is that the tax revenue to be realized exceeds \$9 MM. This is far in excess of the revenue on the existing parking lot on the site and, without the assistance of the MUPTE, this site will surely remain a parking lot for an extended period given that the increase in construction costs over the last two years has been dramatic and is one of the main reasons that a MUPTE is needed to allow this project to pencil out.

I'd also like to highlight that the applicant, BDG, is a known and respected local entity with an easily discoverable track record of ethically-run projects, savvy business acumen, and community-spirited leadership.

Finally, I understand that the proposed project meets or exceeds all the criteria established to qualify for a MUPTE. This, combined with the tangible and intangible benefits listed above, should make the decision an easy one. I encourage you to recommend in the strongest terms possible the approval of the Ferry Street Manor MUPTE application.

Thank you;

Jerry Harris  
Environmental Consultant, Ret.  
500 E. 36<sup>th</sup> Avenue  
Eugene, OR 97405  
541 521-3966

**From:** [Pamela Krause](#)  
**To:** [BERNARD Dana M](#)  
**Cc:** [P K](#)  
**Subject:** Ferry Street Manor  
**Date:** Tuesday, May 14, 2019 3:45:44 PM

---

Dear Ms Bernard,

i find that the proposed build of Ferry Street Manor will NOT serve most of the Eugene Residents with less income.

Please refer to repeated testimony at City Council and Board of Commissioners which identifies the danger zone income strata, in which Lane County Residents not privileged to have housing within their means.

Personally, i was three days from not having housing last Summer; that was the most rattling experience of my well-sustained life of 71 years.

So, I signed a one year lease for only i could find in my two month search, which i could pay for: \$730. + Electricity Cost per month; my income is less than \$1100 per month.

I invite you to please do the math.

Can we please look at options for housing to approve and invest in, which are transitional, LOW income affordable and will provide better health, less housing Classism and a more settled community?

I do not support approving Ferry Street Manor.

I appreciate your passing this on to the decider/voters.

Thank You,

Pamela Krause  
764 Mill St #8, Springfield 97477

**From:** [Steve Dear](#)  
**To:** [BERNARD Dana M](#)  
**Cc:** [Karl Eysenbach](#); [zondie zinke](#)  
**Subject:** Ferry Street Manor MUPTE Application -- Against  
**Date:** Tuesday, May 14, 2019 4:58:38 PM

---

To City of Eugene  
c/o Dana Bernard

Dear City of Eugene,

You recently approved the Olive Lofts. You recently approved the Gordon Lofts. Is there any reason to assume you will not approve the Ferry Street Manor MUPTE application? You seem poised to give a ten-year tax exemption to this developer with proposed rents over \$1,000 for 449 sq. ft. studios and \$1,384/mo. for 574 sq. ft.

It's graft. Is there anyone with a conscience in Eugene anymore? Is there any functionality left at all? Could you please ostensibly do something ethical towards to goal of actually reducing the poverty and homelessness in our community?

You could start by denying this giveaway and using the tax funds towards truly low-income housing.

"MUPTE robs ordinary citizens and small property owners so big time developers can get major tax breaks! You pay because they don't have to!" – Eugene's Karl Eysenbach

Sincerely,

Stephen Dear

88865 Lois Ln.  
Elmira, OR 97437

**From:** [John Thielking](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Ferry Street Manor MUPTE Comment  
**Date:** Tuesday, May 14, 2019 2:24:10 PM

---

Hello,

Please do not grant any kind of a tax break to the kind of market rate development represented by the likes of the Ferry Street Manor. \$1100/month for a studio apartment and \$1340/month for a 1br is outrageous and is not in any way affordable.

John Thielking

[Sent from Yahoo Mail on Android](#)



**From:** [Reese Travers](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Ferry Street Manor  
**Date:** Tuesday, May 14, 2019 2:26:12 PM

---

Dear Dana,

Please include this in the public testimony for the Ferry Street Manor MUPTE .

Projects like the proposed Ferry Street Manor keep the local building trades hard at work. Labor wages are higher than they've ever been and it's getting harder and harder to build when construction costs are so high. The community wins in the long run when there is a way to get these projects built, allowing the city to collect considerably more property tax revenue in the future.

Please support a full MUPTE for the Ferry Street Manor project. Thank you.

**Reese Travers**

Owner

**Polaris Electrical, Inc.**

P.O. Box 50295

Eugene, OR 97405

(541) 343-0824

[rtravers@polariselectrical.com](mailto:rtravers@polariselectrical.com)

[www.polariselectrical.com](http://www.polariselectrical.com)



**From:** [Darcy Phillips](#)  
**To:** [BERNARD Dana M](#)  
**Cc:** [Tiffany Edwards](#)  
**Subject:** Ferry Street Manor: MUPTE  
**Date:** Tuesday, May 14, 2019 9:51:02 AM  
**Attachments:** [image011.png](#)  
[image012.png](#)  
[image013.png](#)  
[image014.png](#)  
[image015.png](#)

---

Hello Dana,

I'm writing to encourage the support of the Ferry Street Manor MUPTE application. This project meets the criteria use to determine MUPTE qualifications and will promote a vibrant downtown.

The Ferry Street Manor will add 50 additional housing units to the downtown core, where there is currently a significant need. Additionally, this project will create 9 million dollars in additional tax revenue over the next 50 years.

The Bennett development group has a longstanding history in Eugene and are proven partners who manage and develop quality projects that enhance our community. Without the approval of MUPTE, this project will likely not be feasible and Eugene will lose the opportunity to add additional housing stock in downtown.

Thank you for your consideration.

Sincerely,  
Darcy Phillips

**Darcy Phillips**

**Executive Director**

Cell: 541.521.5571

Office: 541.683.1751 ext. 105



**From:** [John and Peggy Doty](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Ferry Street Manor's MUPTE application  
**Date:** Monday, May 13, 2019 7:24:53 PM

---

Good Evening Ms. Bernard,

I am writing in support of the Ferry Street Manor's MUPTE application.

As I continue to gain knowledge about affordable and work-force housing, I have come to the conclusion that these projects often need some support offered by programs like MUPTE.

This is even more critical with the rising costs of construction and development, and the funding requirements by lenders.

The Bennett family has been investing in our community for many years providing housing, commercial space, and jobs.

Who better to use the MUPTE program...

John Doty

Ward 8

**From:** [SELSER Lindsay R](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** FW: Support: Ferry Street Manor / MUPTE  
**Date:** Tuesday, April 30, 2019 1:49:12 PM

---

MUPTE email

**From:** Thomas Pettus-Czar <thomas@thebarnlightbar.com>  
**Sent:** Monday, April 29, 2019 11:40 AM  
**To:** \*Eugene Mayor, City Council, and City Manager <MayorCouncilandCityManager@eugene-or.gov>  
**Subject:** Support: Ferry Street Manor / MUPTE

Hello All,

I'm writing this letter in support of the MUPTE application for the Ferry Street Manor project at 1040 Ferry St. At this time, I'm supportive of just about any project that creates additional housing in our community and the tools available to make it happen. Beyond that, I'm encouraged by the possibility that this project may strengthen the connection between campus and downtown.

Thank you for your consideration and the work that you all do.

Best,  
Thomas

**From:** [Michael DeLuise](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** In support of the Ferry Street MUPTE application  
**Date:** Monday, May 13, 2019 12:49:09 PM

---

Dear Dana. The Downtown Neighborhood Association supports the MUPTE application being made by the Bennett Corporation on behalf of their proposed Ferry Street Manor Project.

We like this project very much. The 50 much needed new residences, along with the millions of tax dollar revenue that will be added, make this well planned addition to our community essential. The DNA encourages the City to utilize the MUPTE program to help make this dream of community strength a reality.

Please keep us informed of the progress of the application and let us know what else we can do to help move it forward as smoothly as possible.

Thank you,  
Michael DeLuise  
Chair, Downtown Neighborhood Association  
251 West Broadway #171  
Eugene, OR 97401

Cell: 631-513-6719  
[deluisem@me.com](mailto:deluisem@me.com)

**From:** [Stephanie Larsen](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** MUPTE for Ferry Street Manor  
**Date:** Tuesday, May 14, 2019 4:55:43 PM

---

NO!

May 13, 2019

Mayor and City Councilors  
City of Eugene  
Eugene, Oregon

RE: Ferry Street Manor MUPTE

Dear Mayor and City Councilors:

Thank you for taking a moment to read this opinion about supporting the MUPTE Application for the Ferry Street Manor project that is proposed by the Bennett family.

You don't need me to enumerate the extra costs associated with development in the Downtown, or to even talk about the cost of the land or the higher risk to the developer to see that no matter the reason, housing has not been built at any level Downtown that would have an impact on the shortage.

The younger people that are employed by our office often ask why there is no place for them to live Downtown. Their desire is urban living, not living in single family homes with property. These very same people bring life to our Downtown and support the small businesses (i.e. entertainment, food, retail) that also bring a level of welcome activity to our streets.

There really is no time like the present for supporting this application. The city of Eugene is currently experiencing a severe lack of housing, especially in the Downtown area. One only needs to try and name housing projects that have been built in the core of the city in anyone's recent memory to realize that there needs to be financial support for these types of projects.

The Bennetts are a local family with aspirations to continue to support and contribute to our community. More housing will do just that. The Bennett's project is worthy of all of our support and I urge you to vote to approve their MUPTE application.

Thank you for considering these comments.

Sincerely,  
Schirmer Satre Group



Carol Schirmer  
Principal





**From:** [Andrew Otis Haschemeyer](#)  
**To:** [BERNARD Dana M](#)  
**Cc:** [\\*Eugene Mayor, City Council, and City Manager](#)  
**Subject:** No on MUPTE  
**Date:** Tuesday, May 14, 2019 1:14:02 PM

---

Dear Dana Bernard,

I do not support a Multi-Unit Tax Exemption for Ferry St. Manor. I would like to see an end to the MUPTE program entirely.

Thank you,

Otis Haschemeyer  
Eugene, OR 97402

**From:** [zondie zinke](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** No on MUPTE  
**Date:** Tuesday, May 14, 2019 12:20:16 PM

---

Dear Dana Bernard,

I do not support the MUPTE program for Ferry Street Manor. I would like to see the MUPTE program ended entirely.

We should not subsidize market rate housing.

Thank you,

Zondie Zinke  
Eugene, OR

Sent from my iPhone

**From:** [Todd Boyle](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Opposing MUPTE grant to Ferry Street Manor  
**Date:** Tuesday, May 14, 2019 12:43:02 PM

---

I oppose MUPTE tax exemptions on Ferry Street Manor, or any other project that is not aimed at the lowest income people, in most need (the first and second deciles of income)

There's 20% of this city living on less than \$1000/ month and they can't afford the Ferry St Manor or any other construction currently being done here in Eugene. They can afford \$350/ month or less, and the equivalent capital cost is \$50,000 per unit, not \$300,000 per unit like this current middle-class housing project.

The money is more badly needed for lower income people.

No public money should be going to the 3rd and 4th deciles of income until the first decile has housing security.

Right now they are being continually displaced. and causing big expenses as homeless. Come to your senses, Eugene!

ToddFBoyle@gmail.com 2971 Alder St., Eugene, OR 97405  
<http://www.youtube.com/user/ToddBoyle/videos>  
<http://www.facebook.com/toddfboyle> (541) 337-6681

**From:** [Tenille Woodward](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Please support MUPTE for Ferry Street Manor  
**Date:** Friday, May 10, 2019 3:23:13 PM

---

Hello,

I am writing in support of using MUPTE for the Ferry Street Manor project. More housing downtown is badly needed, and 15 of these units are designated as living wage/moderate income units, which is huge. In addition, without MUPTE this piece of property will remain a parking lot and the city will lose out on \$9,000,000 in property taxes over the next 50 years. Please support this application which lines up with the goals of Envision Eugene in terms of increasing density and development in our core and near transit lines.

Thank you,

*Tenille Woodward, CPA, CPC*

Pension Planners Northwest  
1600 Valley River Drive, Ste. 340  
Eugene, OR 97401  
[twoodward@ppnw.net](mailto:twoodward@ppnw.net)  
Direct Dial Phone (541) 852-4880  
Direct Dial Fax (541) 852-4881  
Main Phone (541) 345-8404  
[www.ppnw.net](http://www.ppnw.net)

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**From:** [Liz Cawood](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** Support for Ferry Street Manor MUPTE applicatoin  
**Date:** Friday, May 10, 2019 2:36:42 PM

---

The need for housing in the downtown area is well-known. The Bennett's proposal to build on property they've owned for years provides housing in a very walkable area close to downtown. It is also well-served by transit and bike lanes.

This development will make good use of space that has historically been a parking lot by converting it into 50-unit apartment building that includes workforce housing. Certainly, the project meets MUPTE criteria, while supporting compact urban growth.

The Bennett family has a long-history of managing residential properties in our area; they take a long-term approach and build to hold, not to sell. That ensures quality construction, as well as a long-term commitment to the well-being of our community.

I salute the Bennett family for proposing a way to increase downtown housing and support the MUPTE application for Ferry Street Manor.

**Liz Cawood**, APR, President  
541.484.7052, Ext. 1



1200 High Street, Suite 200  
Eugene, OR 97401  
[Facebook](#) | [CAWOOD.com](#)

**From:** [Tiffany Edwards](#)  
**To:** [BERNARD Dana M](#)  
**Cc:** [Tiffany Edwards](#)  
**Subject:** Support for Ferry Street Manor  
**Date:** Monday, May 13, 2019 6:22:40 PM

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To Whom it May Concern,

I'm writing on behalf of my employer, the Eugene Area Chamber of Commerce to convey support for the multi-unit property tax exemption application for Ferry Street Manor apartments.

The Eugene Chamber continues to support building all types of housing, especially workforce housing, in our community. Furthermore, the Chamber supports the city's climate goals, transportation planning goals, and density within the downtown core and this project strongly supports progress in those efforts.

The developer, Bennett Management Company, is family owned and managed and has been for over 50 years. Their dedication to investing in the community has been demonstrated, as has their commitment to creating housing for current and future residents of Eugene.

The Eugene Chamber of Commerce strongly supports granting the multi-unit property tax exemption for this project and asks for your support as well.

Kind regards,

**Tiffany Edwards**

Director of Business Advocacy

Eugene Area Chamber of Commerce

541.242.2352 w

541.678.3370 c

[Website](#) | [Facebook](#) | [Twitter](#) | [Instagram](#) | [LinkedIn](#)

April 15, 2019

It is my understanding that our community has pushed back against the MUPTE ten year tax exemption. I also believe other Oregon cities have declined to use MUPTE judging it has negative results. (Please research that history in other cities)

Who will be housed in this 50 unit building? Why should those residents be tax free while the rest of us pay?

Cindy Kokis  
65 West 30<sup>th</sup> Ave #3309  
Eugene OR 97405



**From:** [SELSER Lindsay R](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** FW: MUPTE for Bennett Mgmt  
**Date:** Wednesday, August 21, 2019 8:44:59 AM

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**From:** SELSER Lindsay R  
**Sent:** Wednesday, August 21, 2019 8:28 AM  
**To:** CAMP Allison K <ACamp@eugene-or.gov>; D'SOUZA Amanda M <ADSouza@eugene-or.gov>; NOBEL FLANNERY Amanda <ANobelFlannery@eugene-or.gov>  
**Cc:** KINNISON Michael J <MKinnison@eugene-or.gov>  
**Subject:** FW: MUPTE for Bennett Mgmt

---

**From:** Tenille Woodward <[twoodward@ppnw.net](mailto:twoodward@ppnw.net)>  
**Sent:** Sunday, August 18, 2019 5:55 PM  
**To:** \*Eugene Mayor, City Council, and City Manager <[MayorCouncilandCityManager@eugene-or.gov](mailto:MayorCouncilandCityManager@eugene-or.gov)>  
**Subject:** MUPTE for Bennett Mgmt

I am writing to ask you to support the MUPTE application for the new apartment building proposed for East 11<sup>th</sup> and Ferry St. We need more housing downtown and this location is ideally located near transit lines. Not to mention the increase in property taxes to the city after the 10 year period has ended. This is not student housing and it is a perfect vehicle for MUPTE – creating development where otherwise none would occur.

Thank you,

*Tenille Woodward, CPA, CPC*  
Pension Planners Northwest  
1600 Valley River Drive, Ste. 340  
Eugene, OR 97401  
[twoodward@ppnw.net](mailto:twoodward@ppnw.net)  
Direct Dial Phone (541) 852-4880  
Direct Dial Fax (541) 852-4881  
Main Phone (541) 345-8404  
[www.ppnw.net](http://www.ppnw.net)

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**From:** [SELSER Lindsay R](#)  
**To:** [CAMP Allison K](#); [D'SOUZA Amanda M](#); [NOBEL FLANNERY Amanda](#); [BERNARD Dana M](#)  
**Cc:** [KINNISON Michael J](#)  
**Subject:** FW: Ferry Street Manor  
**Date:** Wednesday, August 21, 2019 8:33:27 AM

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-----Original Message-----

From: Sue Prichard <[sue@prichardpartners.com](mailto:sue@prichardpartners.com)>  
Sent: Thursday, August 15, 2019 3:34 PM  
To: \*Eugene Mayor, City Council, and City Manager <[MayorCouncilandCityManager@eugene-or.gov](mailto:MayorCouncilandCityManager@eugene-or.gov)>  
Subject: Ferry Street Manor

Dear Mayor Vinis, City Manager and Eugene City Councilors,

I am writing to express my complete support for granting the MUPTE to the Ferry Street Manor project. This is exactly the kind of project we want and need in our central core and the location creates no negative impacts in the area.

I hope you, too, will support this request.

Sue Prichard

**From:** [SELSER Lindsay R](#)  
**To:** [CAMP Allison K](#); [D'SOUZA Amanda M](#); [NOBEL FLANNERY Amanda](#); [BERNARD Dana M](#)  
**Cc:** [KINNISON Michael J](#)  
**Subject:** FW: Ferry Street Manor  
**Date:** Wednesday, August 21, 2019 8:30:00 AM

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**From:** Kali Kardas <kalikardas@gmail.com>  
**Sent:** Friday, August 16, 2019 9:59 PM  
**To:** \*Eugene Mayor, City Council, and City Manager <MayorCouncilandCityManager@eugene-or.gov>  
**Subject:** Ferry Street Manor

Hello City of Eugene,

I am writing as a resident of downtown in support of passing MUPTE approval for the Ferry Street Manor project.

I believe it is extremely important to our community to increase the urban density. The less we have to travel to work and the closer we are to downtown businesses, the more we can keep reducing carbon emissions while supporting our local economy.

From personal experience, I am tired of people who say they don't come downtown. There is so much entertainment and food and life happening and I would love to see it continue to grow and thrive. Not to mention housing is already very stressed in this area.

Please vote yes. Thank you.

**From:** [SELSER Lindsay R](#)  
**To:** [BERNARD Dana M](#)  
**Subject:** FW: Ferry Street Manor MUPTE Request  
**Date:** Wednesday, August 21, 2019 8:45:09 AM

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**From:** SELSER Lindsay R  
**Sent:** Wednesday, August 21, 2019 8:22 AM  
**To:** CAMP Allison K <ACamp@eugene-or.gov>; D'SOUZA Amanda M <ADSouza@eugene-or.gov>; NOBEL FLANNERY Amanda <ANobelFlannery@eugene-or.gov>  
**Cc:** KINNISON Michael J <MKinnison@eugene-or.gov>  
**Subject:** FW: Ferry Street Manor MUPTE Request

FYI...who is tracking the MUPTE emails?

---

**From:** Andy Vobora <[andyduck51@gmail.com](mailto:andyduck51@gmail.com)>  
**Sent:** Tuesday, August 20, 2019 5:08 PM  
**To:** \*Eugene Mayor, City Council, and City Manager <[MayorCouncilandCityManager@eugene-or.gov](mailto:MayorCouncilandCityManager@eugene-or.gov)>  
**Subject:** Ferry Street Manor MUPTE Request

[EXTERNAL 

I strongly support approval of the multi-unit property tax exemption for the development of the Ferry Street Manor project. Eugene is struggling to add enough multi-family housing and this project helps fill this need. With the lending environment these types of projects won't get built without a tax exemption. Taking the long view is important and the long view results in no loss in current tax receipts and millions of dollars of tax receipts once the exemption period ends. All while supporting needed housing.

I've heard an argument, against granting the exemption, that the property's location near the University means this is simply another student housing complex. I think this argument lacks merit. Students live throughout the community and no one can be excluded from choosing a rental unit that meets their needs if they meet the criteria of the housing development.

The size and character of this development seems to be a good fit for the community. Unlike the challenges faced when trying to get higher densities in neighborhoods like south Willamette Street.

Let's take wins when we can get them and make a move toward achieving the densities the city desires. Plus, it's right on high capacity transit line and is within walking distance of downtown and the new Riverfront development. Seems like a win all the way around.

Please support MUPTE for Ferry Street Manor

--

Andy Vobora  
232 Chimney Rock Lane  
Eugene, OR 97404

**RESOLUTION NO. \_\_\_\_\_****A RESOLUTION APPROVING A MULTIPLE-UNIT PROPERTY TAX EXEMPTION FOR RESIDENTIAL PROPERTY LOCATED AT 1040 AND 1050 FERRY STREET, EUGENE, OREGON (APPLICANT RNS MANAGEMENT, LLC).****The City Council of the City of Eugene finds that:**

**A.** RNS Management, LLC (980 Willamette Street, Suite 200, Eugene, Oregon), is the owner of real property located at 1040 and 1050 Ferry Street, Eugene, Oregon (Assessor's Map Number 17-03-32-23 Tax Lots 9400 and 9500) ("the Property").

**B.** RNS Management, LLC ("the applicant") submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption Program (Sections 2.945 through 2.947 of the Eugene Code, 1971 ("EC")), with respect to residential units to be constructed on the property ("the project").

**C.** The proposed project consists of the development of 35 studio units and 15 one-bedroom units, for a total of 50 residential units. As proposed, the project is not designed for the leasing of individual rooms or beds, for transient or vacation uses, or otherwise designed primarily for individuals attending college.

**D.** An independent outside professional consultant was retained and reviewed the project's financial pro-forma. A Review Panel was convened and reviewed the independent consultant's conclusions, and also reviewed the application in order to make a recommendation as to whether the application met the criteria in EC 2.946. The Review Panel's recommendation was submitted for the City Manager's review.

**E.** After considering the Review Panel's conclusions and recommendation, the Executive Director of the Planning and Development Department ("the Executive Director") as designee of the City Manager, prepared the Report and Recommendation attached to this Resolution as Exhibit A and incorporated herein by reference. The Report and Recommendation sets forth findings demonstrating that the project meets the criteria described in EC 2.946 and the conditions set forth in Multiple-Unit Housing Property Tax Exemption Rule R-2.945 ("Rule R-2.945").

**F.** Based on the findings in the Report and Recommendation, the Executive Director recommends that the application be approved and the exemption granted. In making that recommendation, the Executive Director found that the applicant submitted all materials, documents, and fees required by EC 2.945, EC 2.946, and Rule R-2.945, and the applicant is in compliance with the policies contained therein.

G. City Council has concluded that the application meets the criteria described in EC 2.946 and Rule R-2.945.

**NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a Municipal Corporation of the State of Oregon, as follows:**

**Section 1.** Based upon the above findings which are adopted, and upon the City Council's review of the Report and Recommendation of the Executive Director of the Planning and Development Department attached to this Resolution as Exhibit A and incorporated herein by reference, the City Council approves the application of RNS Management, LLC for an ad valorem property tax exemption under the City's Multiple-Unit Property Tax Exemption Program for the residential units to be constructed at 1040 and 1050 Ferry Street, Eugene, Oregon (Assessor's Map Number 17-03-32-23 Tax Lots 9400 and 9500), subject to the following conditions:

- 1.1 **Compact Urban Development.** The project will consist of the development of 35 studio units and 15 one-bedroom units, for a total of 50 residential units, none of which may be used for transient use or vacation occupancy. The Property is located in the R-4 High Residential Zone, which requires a density of at least 20 units per acre and a maximum of 112 units per acre. The applicant will develop 50 dwelling units on the property which will result in a density of 103 units per acre and which meets the requirements of section 1.1.1.1 of Rule R-2.945-C. The development will be constructed in accordance with the schematic drawing showing the site plan and major features and dimensions of the proposed development, and schematic drawings showing side, front, and back elevations of the proposed development which are attached to this Resolution as Exhibit B.
- 1.2 **Green Building.** The project will perform at least 10% more efficiently than the performance established in the Oregon Energy Efficiency Specialty Code. Applicant will provide to the City of Eugene's Building and Permit Services an energy model with applicant's permit application.

Within 18 months after receiving a Certificate of Occupancy, the applicant shall submit to the City a commissioning report pursuant to Section 1.2 of Rule R-2.945-C demonstrating compliance with this requirement.

For the duration of the tax exemption, RNS Management, LLC will report multi-family occupancy energy use data to the City of Eugene's Building and Permit Services.

The project's on-site parking will include installation of conduit for future electric vehicle charging stations.

- 1.3 **Local Economic Impact Plan and Compliance with Laws.** The applicant submitted a plan demonstrating that more than 50% of the dollar volume of professional

services and construction contracts will be from a business organization or individual residing or doing business primarily in Lane County. After construction, the applicant will submit a list of the home city or zip code of the construction labor workers.

RNS Management, LLC will ensure that qualified minority and women business enterprises have been given an equitable opportunity to compete for development related contracts by: (1) accessing lists of such enterprises from the Oregon State Office of Minority, Women and Emerging Small Business Program website; (2) search for Qualified Rehabilitation Facilities from whom to procure products and services via the Oregon State Qualified Rehabilitation Facilities Program website; and (3) advertise in general circulation, trade association, and minority focused media about prime subcontracting opportunities.

The applicant will post information about the City's Rights Assistance Program in English and Spanish on the job site during construction of the project.

The applicant shall ensure that the developer, its contractors and subcontractors comply with wage, tax and licensing laws.

The applicant will have in place methods for ensuring that all contractors performing work are licensed and performing in compliance with state law.

The applicant will provide the City's Building and Permits Services Department with a list of all contractors performing work on the project. Prior to performing work on the project, contractors must have valid, current licensing, insurance, bonding and workers compensation coverage, and be on the list of contractors provided to the City.

The applicant will require that each contractor provide an affidavit attesting to the fact that (1) the contractor, owner, or responsible managing individual for the contractor does not have any unpaid judgments for construction debt, including unpaid wages; and (2) the contractor is in compliance with Oregon tax laws.

- 1.4 Moderate-Income Housing Contribution. The applicant will include 15 moderate income studio housing units (30% of the total number of units) with rents less than or equal to 30% of Area Median Income as defined in Rule R-2.945-A.

- 1.5 Project Design and Compatibility.

The applicant shall adhere to the following design elements, as well as the actual square footages included in Exhibit B unless the City Manager approves a deviation from the plan pursuant to EC 2.946(2)(e)2:

The design elements of the building include a south facing lobby entry with abundant glazing. A prominent elevator tower provides accent against



symmetrically proportioned bays punctuated with large windows. High quality, durable materials include, ground face CMU, stucco, and metal wall panel cladding over a wood framed structure. The cladding is accented with colored and matte finish metal detailing.

During the design process and before the final design drawings are completed, the owner shall hold at least one neighborhood engagement opportunity to allow members of the West University neighborhood and others to provide comments on the proposal. At least one of the applicant's principals shall attend that meeting.

After the final design is completed and before it is submitted for permits, the final design shall be submitted to the City to review for conformance with the design approved by this resolution. The neighborhood shall also have an opportunity to review and comment on the final design. After the comment period, the City shall determine if the design is consistent with the requirements of this Resolution, and if not, whether the City Manager will approve a deviation pursuant to EC 2.946.

- 1.6 At the time of completion, the project shall conform with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS Chapter 195, 196, 197, 215, and 227 that are applicable at the time the application is approved.
- 1.7 During all phases of development, the project shall comply with wage, tax and licensing laws.
- 1.8 The project shall not contain any units for transient use or vacation occupancy.
- 1.9 The project will be completed on or before January 1, 2022, unless an extension of the deadline is requested by the property owner and approved by Council resolution pursuant to EC 2.947(5).
- 1.10 The public benefits of the project that will extend beyond the period of the tax exemption include Green Building (energy performance), Project Design and Compatibility, and Compact Urban Development.

**Section 2.** Subject to the conditions in Section 1 of this Resolution, 100% of the residential units described in Section 1 are declared exempt from local ad valorem property taxation beginning July 1 of the year following issuance of a Certificate of Occupancy and continuing for a continuous period of ten years unless earlier terminated in accordance with the provisions of Section 2.947 of the Eugene Code, 1971.

**Section 3.** The City Manager, or the Manager's designee, is requested to forward a copy of this Resolution to the applicant within ten days, and to cause a copy of this Resolution to be filed with the Lane County Assessor on or before April 1, 2020.

**Section 4.** This Resolution shall become effective immediately upon its adoption.

**The foregoing Resolution adopted and effective the \_\_\_\_ day of \_\_\_\_\_, 2019.**

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**City Recorder**

## REPORT AND RECOMMENDATION of the Planning & Development Department

### Ferry St. Manor Application for Multiple-Unit Property Tax Exemption

The Executive Director of the Planning & Development Department of the City of Eugene Finds that:

1. The Ferry St. Manor apartments will be developed on real property located at 1040 and 1050 Ferry St., Eugene, Oregon (Assessor's Map #17-03-32-23, tax lots 09400 and 09500). RNS Management, LLC is the current owner of the subject property. RNS Management, LLC submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption ("MUPTE") Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units to be constructed on the property.
2. As the City Manager's designee, I have reviewed the application and find that:
  - 2.1 The project will provide 35 studio units and 15 one-bedroom units, for a total of 50 residential units, none of which will be used for transient use or vacation occupancy. There is no commercial space in the building.
  - 2.2 The project is not designed to be student housing, meaning it will be leased by the unit (rather than by individual rooms or beds) and the unit configuration does not include several bedrooms with individual bathrooms and sparse common space or include amenities and location selected primarily for individuals attending college and offer limited viability as potential housing for the general population. Additionally, the project does not designate any of the units for transient use or vacation occupancy.
  - 2.3 Construction is expected to be complete on or before January 1, 2022.
  - 2.4 The project is located in the downtown area described in subsection (1) of Section 2.946 of the Eugene Code, 1971.
  - 2.5 The applicant submitted all materials, documents and fees required by the City as set forth in Section 2.945 of the Eugene Code, 1971, and the administrative rules adopted by Administrative Order No. 53-18-03-F.
  - 2.6 The applicant responded to the **Required Public Benefit** criteria as follows:
    - 2.6.1 Compact Urban Development. The project will be built in the R-4 High Density Residential zone, which requires at least 20 housing units per acre and a maximum of 112 units per acre. Ferry St. Manor includes 50 dwelling units that would result in a density of 103 units per acre which is more than 175% of minimum density as required by section 1.1.1.1 of Rule R-2.945-C.
    - 2.6.2 Green Building Features. The project will utilize the City of Eugene Building and Permit Services Pathway in order to meet the MUPTE green building requirement and exceed the 10% energy efficiency threshold. Ferry St. Manor

will be required to submit an energy model with their development permit application and a commissioning report due 18 months after certificate of occupancy is issued. The project's on-site parking will include installation of conduit for future electric vehicle charging stations.

- 2.6.3 Local Economic Impact Plan. A plan is in place for more than 50% of the project's dollar volume of professional services and construction contracts to be local to Lane County (estimated at 67%). The applicant is committed to promoting open competitive opportunities for Minority, Women, and Emerging Small Businesses, and is committed to complying with wage, tax, and licensing laws.
- 2.6.4 Moderate-Income Housing Contribution. The project will provide a minimum of 30% of the residential units (15 units) with rents that qualify as moderate-income units during the MUPTE period. (Moderate income is defined in the ordinance as affordable to households at 100% of the area median income.)
- 2.6.5 Project Design and Compatibility. The project will address basic design concepts in the context of the project location and will be designed and permitted for construction as shown in the resolution (should City Council approve the MUPTE). The basic design concepts include: the scale, form, and quality of the building; the mix of project elements; the relationship to the street and surrounding uses; and parking and circulation.

The building is being constructed as an infill addition on an existing developed site. The lot includes an existing residential building that will provide scale and proportion for the infill project. The new building is five floors of residential use providing 50 units of both market rate and moderate-income units. Placed at the back of the lot, neither the building nor the site has street frontage. The south facing lobby provides a highly visible connection to site circulation.

The design elements of the building include a lobby entry with abundant glazing. A prominent elevator tower provides accent against symmetrically proportioned bays punctuated with large windows. High quality, durable materials include, ground face CMU, stucco, and metal wall panel cladding over a wood framed structure. The cladding is accented with colored and matte finish metal detailing.

The building meets City requirements for vehicle parking and bicycle parking, and it provides pedestrian accommodations to access the site and surrounding street grid through internal pedestrian paths and an access gate to Ferry Alley.

The project design is intended to harmonize with the scale, form and quality of onsite and adjacent development. The project meets the design intent of designing for the human scale, appropriate to the local climate and natural

resiliency, promote transparency, help define a sense of place, fit the neighborhood, and employ high-quality materials and color.

2.6.6 Historic and Existing Housing Sensitivity. The project is adjacent to one historic locale, but it is not affected by the Ferry St. Manor redevelopment. The project includes no direct, structural impacts, such as alterations or demolitions, to any of the identified resources. No historic structures or existing housing were demolished or removed from the property in the 2 years prior to the date of application.

2.6.7 Project Need. The project's pro-forma and financial information was analyzed by Johnson Economics, an independent, real estate economics consultant who found that the project as proposed could not be built but for the benefit of the tax exemption. The financial information Ferry St. Manor submitted in their application is based on projections prior to finalizing financing, construction, and tenancing. It includes assumptions regarding rents, vacancy rates, operating costs, lender underwriting criteria, interest rates, and reasonable rate of return. Johnson Economics, the Review Panel, and staff reviewed the assumptions. The Johnson Economics analysis concludes that the project would not be viable without the availability of the MUPTE, using the reasonable assumptions outlined and concludes that MUPTE is critical to the success of the project from a financial feasibility perspective. See Section 4 below for the Review Panel's conclusions.

2.6.8 Public Benefit beyond Period of Exemption. The public benefits of the project that will extend beyond the period of the tax exemption include Green Building (energy performance), Project Design and Compatibility, and Compact Urban Development.

2.7 A neighborhood engagement meeting on Ferry St. Manor was held on December 18, 2018. As the West University Neighborhood is not currently active, the applicant provided notice of the meeting to adjacent property owners and tenants.


2.7.1 Future Neighborhood Engagement. Prior to completing final drawings, Ferry St. Manor will hold another neighborhood engagement meeting. Before submitting for permits, Ferry St. Manor will submit the design to staff to review conformance with the design attached to the MUPTE resolution (should City Council approve the MUPTE). Staff will also give interested parties an opportunity to review and comment on that final design.

3. A display ad soliciting recommendations or comments from the public regarding this project was published in the Register-Guard on April 14, 2019. The period for comment expired on May 14, 2019 and resulted in 21 written comments. Additional comments were submitted to staff or directly to City Council after the official comment period. All 21 comments received as of August 14 will be provided to City Council with the materials for the September 11 work session.

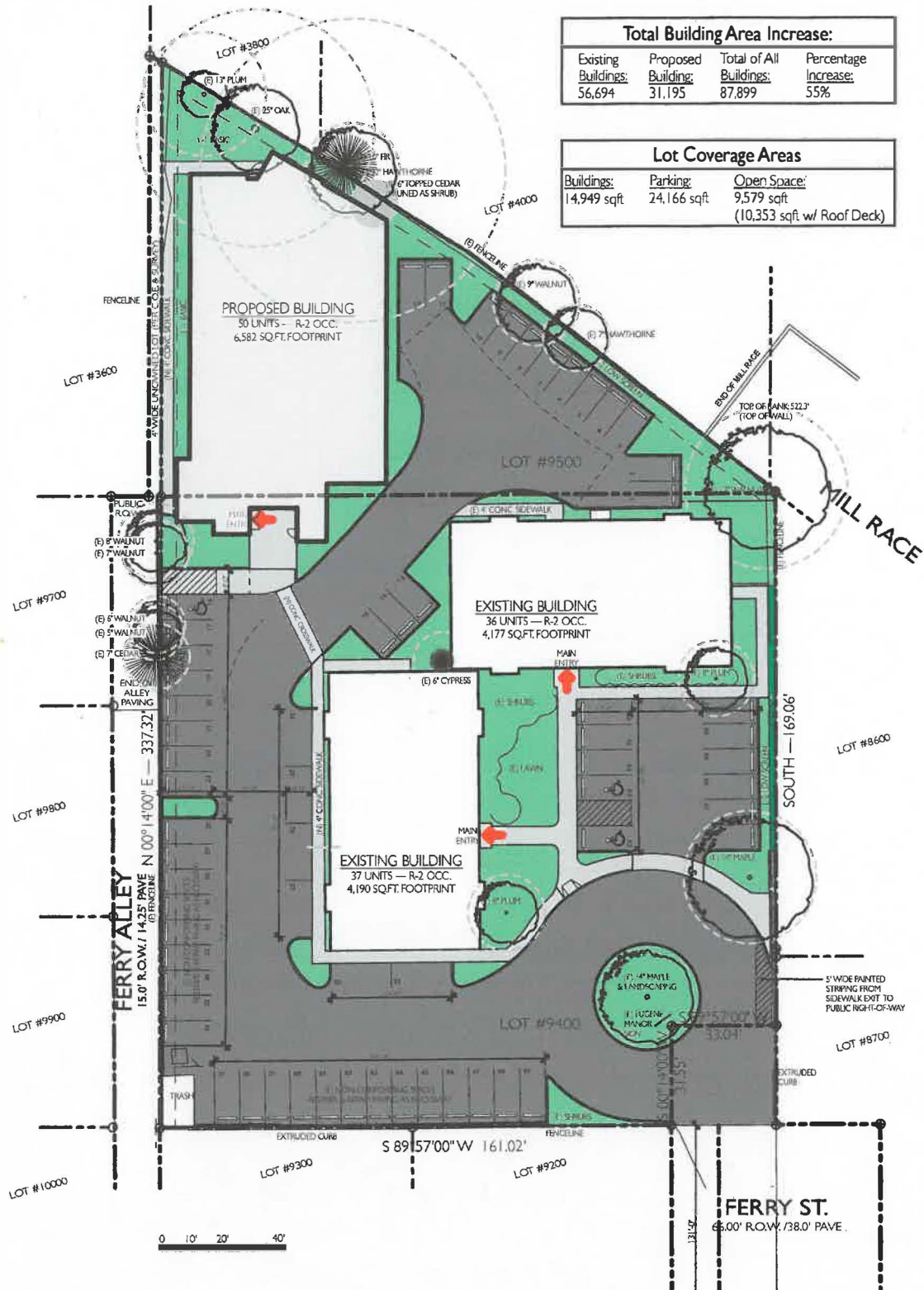
4. The community member MUPTE Review Panel considered the project application, including compliance with program criteria and the independent consultant's financial review, during 3 meetings held on May 29, July 10, and July 29. The majority of the Review Panel concluded that the project meets the Required Public Benefit criteria. The Panel noted that Project Need involves many variables that are hard to predict. The majority of the Panel concluded that project need was demonstrated. Six of the panel members agreed that a ten-year exemption was warranted. One member advocated for an eight-year exemption, another for a five-year exemption, and one member advocated for no exemption. See the enclosed Panel Conclusions document for a full summary of their conclusions.

**Therefore**, based upon the above findings, the project is, or will be at the time of completion, in conformance with all applicable local plans and provisions of the Eugene Code, 1971, planning regulations, the Metropolitan Area General Plan, and the criteria set forth in the City's adopted administrative rules, and I recommend that the application be approved conditioned upon the project moving forward as proposed.

Dated this 19 day of August, 2019.

  
\_\_\_\_\_  
Denny Braud *DB*  
Executive Director  
Planning & Development Department

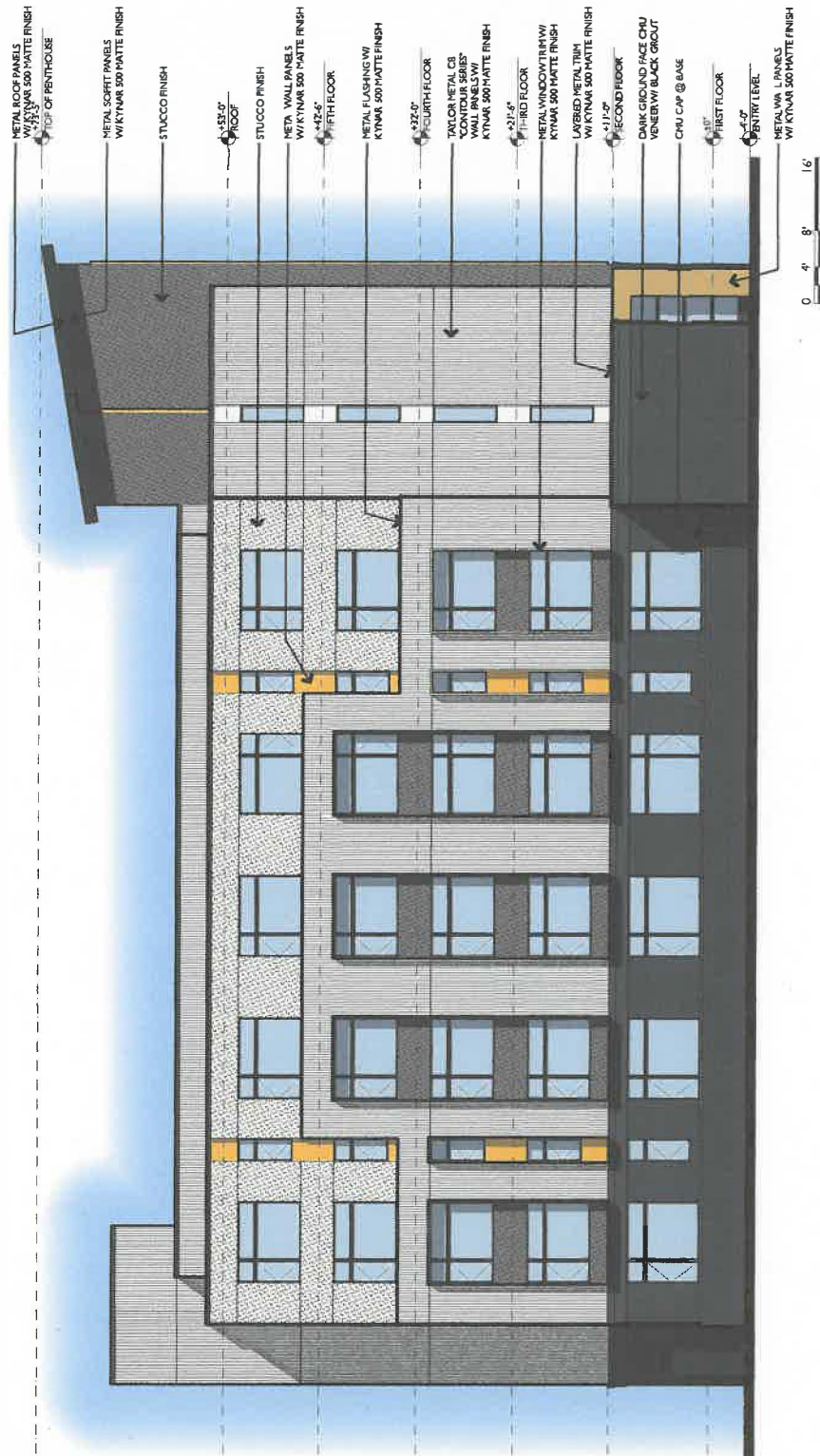




# ARCHITECTURAL SITE PLAN

# FERRY STREET MANOR

MUPTE Application  
20 March 2019



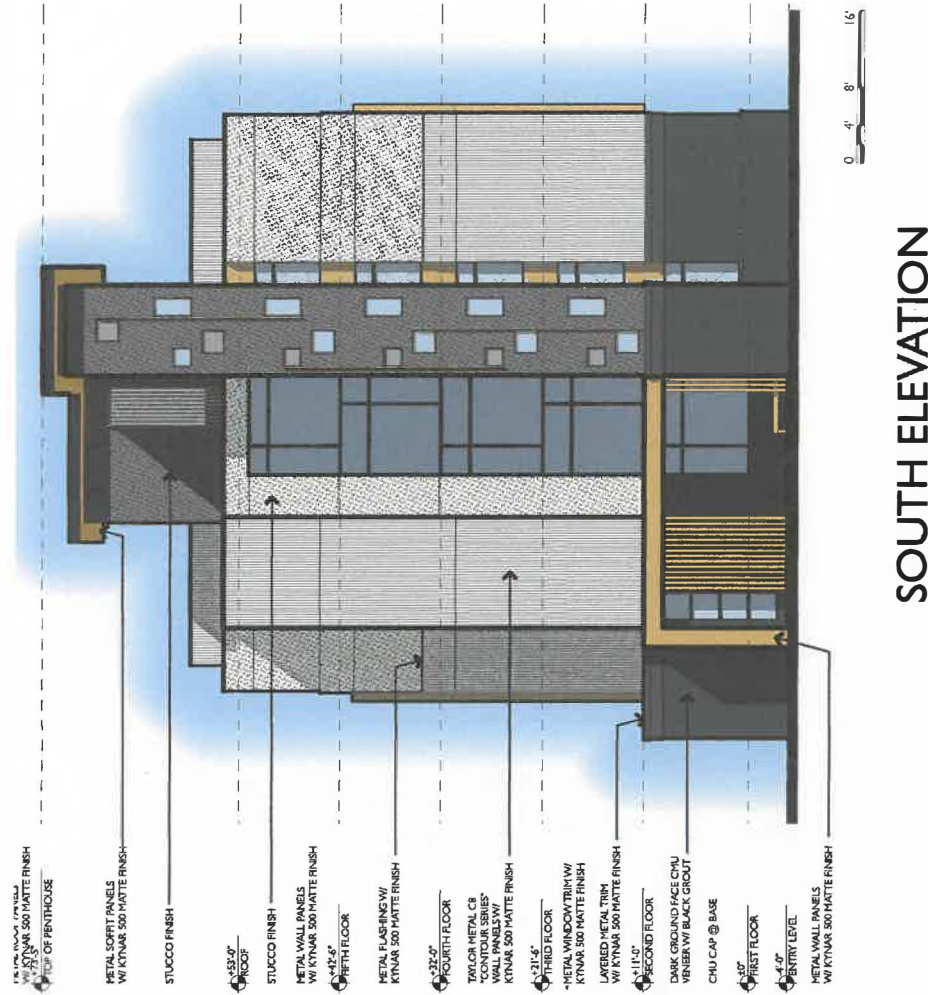
WEST ELEVATION

# FERRY STREET MANOR

MUPTA Application  
20 March 2019

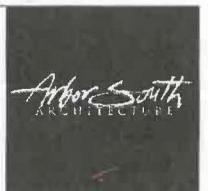
Arbore South  
ARCHITECTURE





# FERRY STREET MANOR

MUPTA Application  
20 March 2019

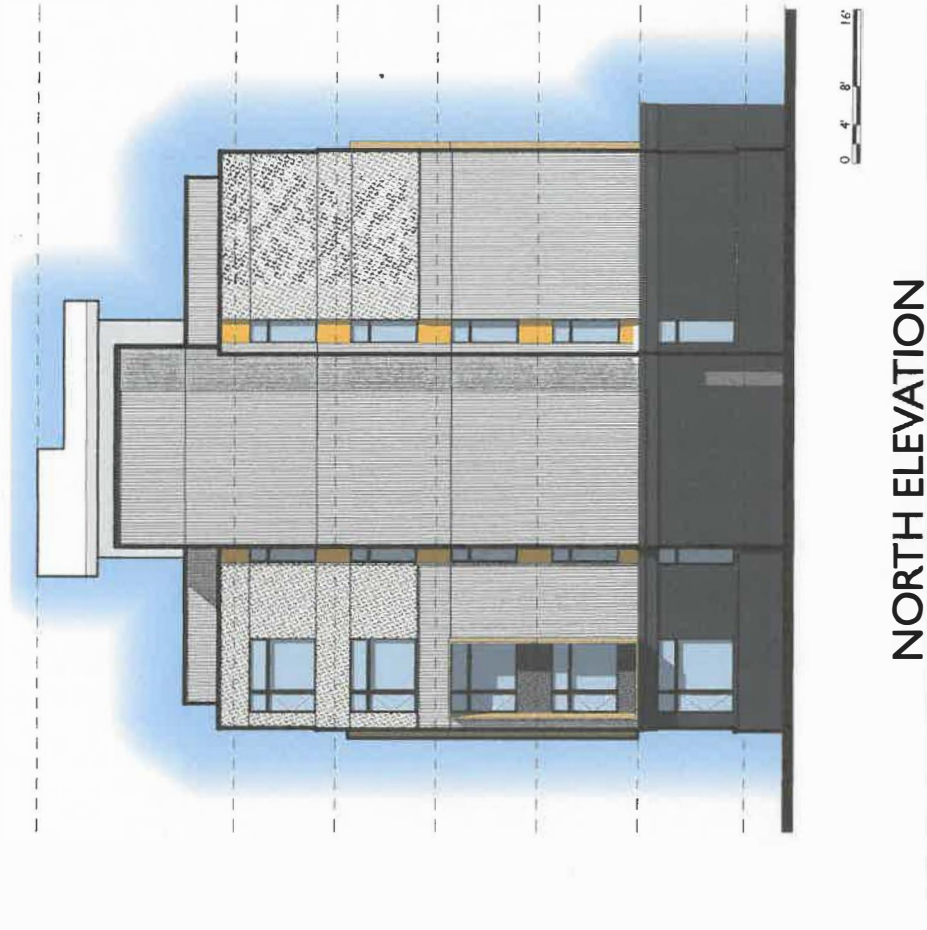




# FERRY STREET MANOR

MUPTA Application  
20 March 2019

Arbor South  
ARCHITECTURE



# FERRY STREET MANOR

MUPTE Application  
20 March 2019



# EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



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## Work Session: Rivers to Ridges Partnership - Fifteen Years of Accomplishments

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Meeting Date: September 11, 2019  
Department: Public Works  
[www.eugene-or.gov](http://www.eugene-or.gov)

Agenda Item Number: 2  
Staff Contact: Craig Carnagey  
Contact Telephone Number: 541-682-4930

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### ISSUE STATEMENT

This work session will provide an update on the accomplishments of the Rivers to Ridges partnership over the past 15 years as it works to implement a 20-year vision to improve the quality of life for residents in the Upper Willamette Valley by working together to protect and enhance the region's land and water resources. This update also includes planning work recently started to renew this vision moving forward into the next 20 years.

### BACKGROUND

The Rivers to Ridges Partnership and Twenty-Year Vision were established in 2003 from two goals:

1. Create a regional parks and open space vision
2. Identify long- and short-term strategies for implementing the vision.

These goals were laid out in the Rivers to Ridges Metropolitan Parks and Open Space Study. Prior to the development of this study, parks and open space planning for the Eugene-Springfield Metropolitan Area had occurred primarily at the local level without the benefit of a broader regional perspective. Lack of such a vision resulted in lost funding opportunities and difficulties with local coordination. To address this issue, the Eugene and Springfield City Councils, the Lane County Board of Commissioners, and the Willamalane Park and Recreation Board met in November 2000 and agreed unanimously to proceed with—and jointly fund—a Metropolitan Regional Parks and Open Space Study, which became the Rivers to Ridges Vision.

The Vision was developed based on extensive input received between December 2001 and May 2003 from citizens, elected officials, and staff from local, state and federal agencies.

Since 2003, the partnership has grown to include 17 partners representing federal, state and local governments; non-profit education and conservation-focused organizations; and all four regional watershed councils. This partnership has made great strides in recognizing the endorsed vision and accomplishing the partner mission to improve the quality of life for residents in the upper Willamette Valley by working together to protect and enhance the region's land and water resources as well as their ecosystem functions and values; and to provide environmental education and compatible outdoor recreation opportunities.

**PREVIOUS COUNCIL DIRECTION**

As a confirmation of the cooperative effort that created this regional vision, the following elected and appointed bodies endorsed the Vision by unanimous consent:

Eugene City Council  
Eugene Planning Commission  
Lane County Board of Commissioners  
Springfield City Council  
Springfield Planning Commission  
Willamalane Park and Recreation District

**COUNCIL OPTIONS**

This update is informative only and no council action is requested

**CITY MANAGER'S RECOMMENDATION**

This item is informational only.

**SUGGESTED MOTION**

This item is informational only.

**ATTACHMENTS**

A. Rivers to Ridges - Fifteen Years of Accomplishments Report

**FOR MORE INFORMATION**

Staff Contact: Shelly Miller, Natural Resources Planning Supervisor  
Telephone: 541-682-4888  
Staff E-Mail: [smiller@eugene-or.gov](mailto:smiller@eugene-or.gov)



# Rivers to Ridges

Fifteen Years of Accomplishments

2003 - 2018

Acres of  
habitat  
restored

**6,736**

Acres  
of land  
protected

**6,241**

Number of  
plants planted

**2**  
over  
**MILLION**

Miles of  
trail or path  
built

**29**

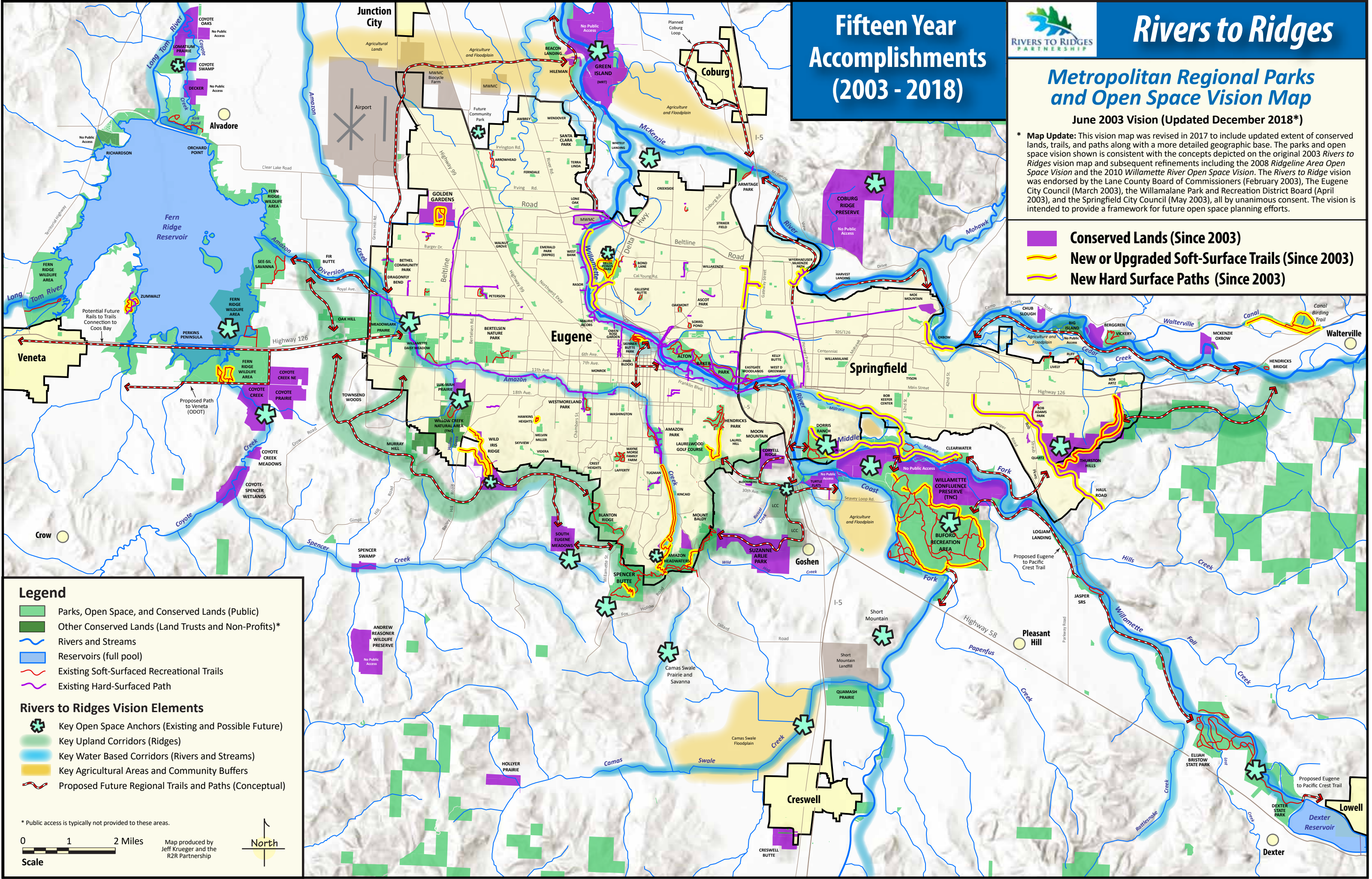
Stream  
miles opened  
for fish passage

**59**



**RIVERS TO RIDGES**  
**PARTNERSHIP**





# Fifteen Year Accomplishments (2003 - 2018)



## Rivers to Ridges







### Metropolitan Regional Parks and Open Space Vision Map

June 2003 Vision (Updated December 2018\*)






\* **Map Update:** This vision map was revised in 2017 to include updated extent of conserved lands, trails, and paths along with a more detailed geographic base. The parks and open space vision shown is consistent with the concepts depicted on the original 2003 *Rivers to Ridges* vision map and subsequent refinements including the 2008 *Ridgeline Area Open Space Vision* and the 2010 *Willamette River Open Space Vision*. The *Rivers to Ridges* vision was endorsed by the Lane County Board of Commissioners (February 2003), The Eugene City Council (March 2003), the Willamalane Park and Recreation District Board (April 2003), and the Springfield City Council (May 2003), all by unanimous consent. The vision is intended to provide a framework for future open space planning efforts.

-  Conserved Lands (Since 2003)
-  New or Upgraded Soft-Surface Trails (Since 2003)
-  New Hard Surface Paths (Since 2003)


### Legend

-  Parks, Open Space, and Conserved Lands (Public)
-  Other Conserved Lands (Land Trusts and Non-Profits)\*
-  Rivers and Streams
-  Reservoirs (full pool)
-  Existing Soft-Surfaced Recreational Trails
-  Existing Hard-Surfaced Path

### Rivers to Ridges Vision Elements

-  Key Open Space Anchors (Existing and Possible Future)
-  Key Upland Corridors (Ridges)
-  Key Water Based Corridors (Rivers and Streams)
-  Key Agricultural Areas and Community Buffers
-  Proposed Future Regional Trails and Paths (Conceptual)


\* Public access is typically not provided to these areas.



0 1 2 Miles

Scale

Map produced by Jeff Krueger and the R2R Partnership



North





## Our Mission

The Rivers to Ridges Partnership is dedicated to improving the quality of life for residents in the upper Willamette Valley by working together to protect and enhance the region's land and water resources and their ecosystem functions and values; and to provide environmental education and compatible outdoor recreation opportunities.

## Priorities for the next 5 years

- Improved trail connectivity
- Improved habitat connectivity and quality
- Expanded educational opportunities
- Revisiting the vision
- Increased access to water for recreation
- Safety in parks



## The Partnership

- Bureau of Land Management
- City of Eugene
- Coast Fork Willamette Watershed Council
- Friends of Buford Park and Mount Pisgah
- Lane County Parks
- Long Tom Watershed Council
- McKenzie River Trust
- McKenzie Watershed Council
- Middle Fork Willamette Watershed Council
- Mount Pisgah Arboretum
- The Nature Conservancy
- Oregon Dept. of Fish and Wildlife
- Oregon Parks and Recreation Department
- U.S. Army Corps of Engineers
- U.S. Fish and Wildlife Service
- Willamalane Parks and Recreation District
- Willamette Resources and Education Network

Photo credits: cover, Jeff Krueger; back cover from left to right, top to bottom: City of Eugene, Ed Alverson, Meadowlark Imagery, WREN, City of Eugene, Philip Richardson, WREN



[rivers2ridges.org](http://rivers2ridges.org)

