

The building going up at 17th & Pearl got a \$1.5-million tax break



DOES MUPTE MAKE SENSE?

City may sunset subsidy for booming apartment developers

BY ALAN PITTMAN

While many families struggle to pay their tax bills during the Great Recession and government struggles to afford basic services, the city of Eugene last month gave a booming student apartment developer a 10-year tax exemption worth an estimated \$1.5 million.

Why? It wasn't low income housing. It wasn't to help Eugene's struggling downtown. It wasn't just for energy efficiency, good design or jobs. It was MUPTE.

Whupte? MUPTE is the city's controversial but little known Multiple-Unit Property Tax Exemption that gives 10-year tax breaks to developers of five or more apartments in a zone stretching from west of the UO to all the way out Highway 99 nearly to Beltline Highway (see map on next page).

The city has handed out two dozen tax breaks under the program at an estimated cost of about \$1.3 million every year, according to a recent City Club of Eugene study. Other examples of recipients include an estimated \$1 million break for a new six-story, 70-bedroom Westgate project on 13th near the UO; \$400,000 for the four-story, 54-bedroom new Midtown Terrace apartments near the White Bird clinic on 12th; and \$500,000 for *The Register-Guard's* 58-unit High Street Terrace built downtown in 1996.

The developer giveaway has been hotly debated for decades and was suspended from 1996 to 2001 amid criticism it was depleting tight city budgets. The city loses roughly 40 percent of the subsidy money, state school funding loses about 50 percent and the county about 10 percent.

Supporters argue that the tax break is needed to stimulate high quality housing in the city's core and prevent urban sprawl. But critics charge that many of the breaks just increase developer profits and go to housing that would be built anyway to serve rising student demand.

The debate over the \$1.5 million tax break last month was similar to the debate over other projects. The break went to developer Dan Neal for a four-story, 138-bedroom, \$13 million apartment building at 17th and Pearl, kitty-corner from Hirons Drug (see design drawing). At the May 9 meeting last

month, councilors voted 5-3 to approve the developer subsidy for "Paradigm on Pearl," but at least half the council said they may seek changes in the giveaway at a meeting scheduled for July 20.

"I'm getting to the point where we have more than our share of MUPTEs in the university area," said Councilor Andrea Ortiz, a key swing vote on the issue. "I will support this MUPTE today, but from here on out, unless they are on the west part of town where I want to see business growth, people investing in my side of town, I probably won't be supporting them any longer."

Almost all the MUPTEs in recent years have gone into the university area where demand is high for student housing. The area out Highway 99 in Ortiz's ward, with many low-income homes, hasn't gotten any new development from the program. The area outside the city core is supposedly "transit-oriented" but lacks an EmX line.

Councilors Ortiz, Mike Clark, George Poling, Pat Farr and Chris Pryor supported the tax break. Councilors Alan Zelenka, Betty Taylor and George Brown voted against the giveaway.

Zelenka said he supported MUPTE downtown and on Highway 99, but questioned whether the city was giving away money for nothing from its general fund to developers in the university area. Just outside the MUPTE zone near campus, "we have seen multiple units redeveloped between 19th and 20th, about 500 bedrooms." On the other side of campus next to the new basketball arena, two other apartments with 500 units are going up or are completed, Zelenka noted.

"Those are outside the MUPTE zone, and got no property tax exemption, and they dwarf the number of units inside MUPTE," Zelenka said. "Over a thousand units have been developed in the last couple years in the area, just outside the zone," he said.