

"I'm puzzled that all this development is occurring in the area outside the MUPTE zone, far outstripping inside the MUPTE zone, yet we're continuing to give property tax exemptions for people to build inside that area when it's absolutely simply not needed."

With the council divided, Mayor Kitty Piercy's tie-breaking vote could decide the fate of millions of dollars of developer profits. Piercy has generally supported MUPTEs in the past, but did not take a clear stand on whether they should continue in the area near the UO.

"When I was in conversation with Mr. Neal about this project," Piercy said, "what he said to me was that they are going to build with or without MUPTE. It's a question of what they are going to build. It's a question of the quality of what they are going to build."

Piercy asked, "how do we incentivise the kind of building we want to have happen as opposed to just any kind of building? I have no doubt that Councilor Zelenka is correct, because I drive over in that area, and I see the multitude of multiple-unit housing being built over there. My only question is are we trying to create something that gets to a higher standard that meets all of our goals in Envision Eugene, and if we are not going to do it this way, how are we going to try to do it?"

One free option would be through infill standards in the city code, but the council has balked at regulating developers in the past.

Zelenka pointed out that buildings going up just outside the tax break zone also have good quality and meet environmental goals. "The Courtside housing that was just finished this last year near the Matt Knight Arena is seeking LEED (Leadership in Energy and Environmental Design) certified outside the MUPTE area zone without any subsidies," he said. "We should investigate how they can do it without any subsidies."

Kevin Matthews of Friends of Eugene testified that quality development in the city core was important. "If you build density without quality, there is a good chance you are building slums," he said. But Matthews criticized the 17th and Pearl project's quality. "This building is grotesque," he said, faulting the design for apartments lining long corridors and an in-facing U-shape design that lacks open space. "It really is a mistake as it stands now," he said.

City staff recommended passing the tax break for the Pearl project and awarded the building a high score under code criteria. But that score was mostly for adding parking for 105 cars — a questionable environmental measure.

The cars stored in an underground garage may reduce competition for parking spaces and won praise from the neighborhood association board. But the abundant parking will also increase traffic in the area and reduce the incentive to walk, bike or use transit, contrary to the goals of city plans and LEED's efforts to reduce carbon pollution.

Increasing transit use is listed in the state law authorizing MUPTE as a goal of the program. MUPTE has appeared to promote closer-in, less car-oriented student housing than the large apartment buildings near Autzen Stadium. Giving the subsidies in the UO area, however, may detract from

efforts to use MUPTE to attract student housing to Eugene's struggling downtown.

Councilor Taylor questioned the fairness of the tax break. "There are people who are having a real struggle to pay their taxes in other parts of the city, who when they hear about something like this, they say, well, you give me a tax break and maybe I can remodel my house."

"We run the city with taxes," Taylor said. "If we want people to build better buildings and give them tax relief, why don't we do it everywhere? It's certainly not needed in this (university) area."

Taylor said she heard from neighbors next to the Pearl building that oppose the

Portland requires 25 percent affordable housing for its MUPTE (called NMUH there) subsidies. Eugene required affordable housing payments from developers in the past but dropped them in 2004.

"It should be a real advantage to the city if we are going to give a tax exemption," Taylor said. She said developers already have enough incentives. "I would hope that they would want to build a good building because they want to attract buyers, renters, and because they want to do the right thing for the community," Taylor said.

Councilor Brown said that the council appears to have a "double standard" when it comes to developer subsidies. Brown

Clark questioned whether the Matt Court developers were able to make a profit without a city subsidy because they had more cost efficient, larger buildings. But the completed Courtside apartment building actually has fewer square feet than the 17th and Pearl building.

"I really like it," Councilor Poling said, arguing that the Pearl apartment was a big improvement over the older homes torn down to make room for it. "It looks like a great project."

Councilor Farr noted that the ground floor of the building will include some commercial space required by city code that will still be taxed. "This is a net increase in taxes" for the site, he said.

But that commercial revenue from such MUPTE projects could end in the future. The council approval for the 17th and Pearl project required the developer to rush to finish the project by the end of the year when the state MUPTE program was to sunset. But last month the Legislature voted to extend the program for another 10 years and include commercial space below apartments in the tax break.

While parents begged this year for money to save kids from brutal school budget cuts, the Legislature approved the developer subsidy overwhelmingly, costing \$4 million a year statewide, and Gov. John Kitzhaber quickly signed the handout into law.

Neal and his contractors lobbied the council forcefully for their tax break at 17th and Pearl.

Neal's project manager Mark Bruer of Essex construction told the council he had a "selfish reason" to support the subsidy. "I want to keep my job," Bruer said, "hundreds of others might work on this project."

"This project is awesome," said Neal's LEED consultant Eli Volem. If the council doesn't give the tax break, "the first things to go are the energy efficiency, the indoor air quality," he said.

Neal, who also got a MUPTE subsidy for Westgate and other student apartment projects, said his newest apartment building "will help transform the character of this area into a more vibrant place." He said, "without this (MUPTE) support we will need to build a very different project, certainly without LEED or underground parking."

But a project without LEED or underground parking could still generate many jobs without the subsidy. Just 10 blocks away at 18th and Alder, Neal's Paradigm company boasts "abundant" garage parking and high quality and environmental standards at its similar-sized new Sonja apartments without a MUPTE subsidy.

Councilor Pryor said he wanted to talk about changing MUPTE next month, but supported the \$1.5 million tax break. "Having the conversation about how we want the money spent is where we need to go, but we don't need to have that here around this project."

"I don't believe in changing the rules as people are playing the game," Ortiz said of the 17th and Pearl project.

But Zelenka pointed out that "the rules about MUPTE do not say once you put in an application and follow the rules, we'll give you the incentive. It says if it's in the public interest to do so. A long time ago for me, because this incentive was no longer needed to build in this area, it ceased to be in the public interest for me." **EW**



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— COUNCILOR ALAN ZELENKA

big structure shadowing nearby small houses and destroying privacy. "They are not pleased at all," she said. "They are going to have balconies looking into their back yard."

Taylor pointed out that the city is now struggling to provide basic services in the recession. At the same meeting, Willamette Family Services appealed to the city for help in funding a detox and sobering center threatened by county budget cuts. "This is a train wreck," said director Bob Richards, warning that drunks could flood streets and ER rooms.

The developer of the Midtown MUPTE on 12th has complained that the city already isn't doing enough about homeless people near his tax-free project.

said that when citizens trying to save Civic Stadium were asking for \$100,000 to help, "several councilors said, 'Oh my gosh, where are we going to find \$100,000? We would take that away from social services.'"

Brown called for a review of the MUPTE program. "It's outlived its usefulness and is no longer necessary, and I think the city really needs the money," he said.

But other councilors strongly supported the developer handout in the university area.

Councilor Clark, who has worked for a developer seeking a MUPTE exemption, supported the tax breaks. "One of the unintended consequences of building density is that we could end up with tenements or slums," he said, arguing that the subsidies "create the greatest quality possible."