

**MUPTÉ** *from A1*

on land value and any commercial portion of the property.

It was adopted as part of the Cottage Grove Municipal Code in December 2019 in order to increase the development of new multi-family housing in Cottage Grove.

Applicants must meet several requirements in order to be approved for the program, including the location be along a transit route, the development of three or more units, provision of a public benefit and an agreement to maintain residential use throughout the duration of the tax abatement.

Each applicant is subject to a public hearing and must be considered by the council.

The program's core theory rests on the idea that the tax exemption will generate more tax revenue in the long run by making projects financially feasible. Without financial feasibility, the projects may not be built and the city would ultimately miss out on the potential tax revenue.

In effect, the program helps reduce the opportunity cost of a stagnating development rate.

Similar programs have been implemented in Salem and Eugene with apparent success.

Since 1978, Eugene's MUPTÉ program has incentivized the creation of about 1,500 units to its housing stock in the city center. Salem has seen seven residential projects since 1976, creating around 750 units in its downtown core.

On Monday, the Cottage Grove City Council first considered an application from SquareOne Villages, a Eugene-based housing nonprofit which has overseen the development of the Cottage Village housing cooperative in Cottage Grove.

Cottage Village is a cluster of 13 tiny homes, four still under construction, on Madison Avenue. Another unit on the property serves as a community space. The project aims to elevate lives by offering affordable housing and self-governance for residents.

Completion of the project is scheduled to finish by June 30.

In meeting the public benefit qualifications, SquareOne submitted that two of the 14 units are fully ADA (Americans with Disabilities Act) accessible, there is a storm-water quality detention pond

in the northwest corner, and the project was designed so as to keep rents low enough to serve those who are most in need.

Estimates performed by city staff show that the city would be waiving approximately \$45,000 to \$52,000 over the 10-year period of the program. At the completion of the 10-year period, the city would receive approximately \$5,871 annually on the improvement area.

Due to its tax cycle and the timing of the construction process of the development, SquareOne was required to pay property taxes last year.

The nonprofit applied for the MUPTÉ this year after realizing that the property taxes would cause rent to go up in the tiny homes, thus nullifying the mission of the project to remain affordable.

"It provides a unique opportunity for people to be in community but also to prevent homelessness," testified Cottage Village Coalition Chair Bruce Kelsh at Monday's meeting. "From a financial point of view, I would hope that the city council would also view this as an investment in affordable housing and investments for people that are living at Cottage Village."

Councilors were highly supportive of the Cottage Village project, however concerns were raised about establishing a precedent that MUPTÉ could be awarded to construction projects that had already begun.

"My concern is that we're going to get applications for developments that have already been either completed or started and that we don't really have a basis to say 'no,'" said Councilor Greg Ervin.

It was also proposed that a previously existing unit on the property be removed from the MUPTÉ application as it had already been taxable.

Councilor Mike Fleck shared Ervin's sentiments.

"I am concerned about making sure that the MUPTÉ's intent and integrity is intact," he said. "And I also would not want to see a bunch of builders that had already been approved coming forward."

Councilors instructed staff to return to the next council meeting with data which re-

flects the removal of the existing unit from the application.

The next MUPTÉ application on the agenda, in contrast, passed unanimously after some discussion.

The application came from Double H Investment Group, the property owner of a 40-unit apartment project currently underway on Gateway Boulevard.

In meeting public benefit criteria, the company has proposed and is in the process of completing a four-lot land assembly to create the necessary square footage to develop the project.

One of the pieces of land contributing to this project is a remnant of a tax lot that the city declared surplus this February.

Land assemblies are listed among public benefit qualifiers as part of the program.

Additionally, the applicant is including ADA accessibility facilities in four of the units.

Estimates performed by staff show that the city will be waiving approximately \$230,000 to \$250,000 over the 10-year tax exemption period. At the end of the period, the city will receive approximately \$27,500 annually on the improvement area.

The project is slated to be fully completed around July 2024, at which time the MUPTÉ would begin and the property will be taxed only on its unimproved land for 10 years.

During public comment, resident Duane Taddei ques-

tioned the "true public benefits" of the apartment project.

"The ultimate public benefit from any application of the MUPTÉ is housing units," said Fleck, citing the city's 2018 Housing Needs Analysis, which states that Cottage Grove must add 69 dwelling units annually to meet the projected need of 1,379 more units by 2038.

Fleck added, however, that he is open to modifying the program down the road, including revising the public benefits or adding affordable housing provisions.

Councilor Candace Solesbee echoed Fleck's take on housing.

"Bottom line, we have a supply problem," she said, "and supply and demand are what drive our prices."

Councilor Jon Stinnett said he was a bit conflicted on the point.

"Obviously, our town needs these housing options, but I also think we have a MUPTÉ process that states that we need something from the applicant beyond just the benefit that the development can provide," he said. "The benefit to the general public beyond just the housing is a bit of a stretch in this sense."

Stinnett suggested there be more discussion over how lenient the city is willing to be regarding public benefits.

The application for Cottage Grove's MUPTÉ program lists 17 criteria to choose from in meeting public benefit qualifications, which include child

care facilities, open spaces, recreation facilities and dedication of land for public use.

Only one of these must be met to satisfy the public benefit requirement.

In initially creating the MUPTÉ program, councilors opted to model Cottage Grove's program after Salem's, which is less restrictive compared to Eugene's low-income housing focus. The council at the time reasoned that this model would attract more developers and help the city

meet its housing needs target. Public Works and Development Director Faye Stewart explained to council the inclusion of land assembly in Cottage Grove's public benefit criteria.

"This specific item was to encourage developers, if they purchase adjoining pieces of property, to make a larger one to build a larger development," he said.

Councilor Kenneth Roberts, too, recommended that

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