

MUPTÉ from A1

The city's MUPTÉ program allows new multi-unit housing developments to avoid property taxes on the value of new residential construction for up to 10 years, though the property continues to generate taxes 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 that 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.

As of Monday, five projects have been approved through the program.

Cottage Village

Monday was the second time a Cottage Village proposal has come before the city council, having previously been discussed by the council during a March 22 meeting.

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

Many of the cooperative's resident's ability to pay rent

were on the line in the face of the increase.

At the time, the council directed staff to refine the presented memorandum and resolution.

Consideration of the approval was delayed due to councilors feeling that a previously existing unit on the property should be removed from the MUPTÉ application as it had already been taxable.

Councilors feared that approving the application with the inclusion of a structure without improvements may compromise the integrity of the program.

Concerns were also 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 at the March 22 meeting.

This past Monday, staff provided council with a packet to reflect different scenarios regarding the inclusion of the existing dwelling and without.

Under the first resolution, the 10-year tax abatement would be granted to all improvements on the property, based on a revision of the previous application.

The revision stated that the structure in question would be converted into a studio/1-bedroom apartment on one end of the building and a common meeting space for Cottage Village residents on the other.

The nonprofit had also previously stated that its

cash shortage would prevent the conversion of the structure into a common meeting space, further evincing the need for MUPTÉ assistance.

It was reasoned that the conversion would also apply to public benefit criteria, specifically "development or redevelopment of underutilized or blighted property."

The city's municipal code, however, does not provide for a definition of "blighted."

Oregon Revised Statute defines "blighted" as "areas that, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community."

The area may be characterized by the existence of one or more criteria on a lengthy list including the prevalence of depreciated values and defective design.

The nonprofit's application also included other public benefits such as open space, ADA facilities, on-site stormwater treatment, pedestrian oriented design and a common meeting space.

With rent prices between \$350 and \$500 a month, they also serve those most in need.

The second option presented to council excluded the existing structure from the MUPTÉ tax abatement.

Deliberation

Before council deliberations, Kelsh commented in favor of the first option and, while acknowledging the definition of "blighted" may be subjective for councilors, the building in question will require improvements as it can not be rented in its current state.

"Cottage Village is an innovative solution to housing, creating truly affordable safe housing for the community for those who are gravely in need," he said. "In addition, Cottage Village creates community, dignity and participation in a self-governing housing co-op."

He encouraged council to use MUPTÉ, but consider other options such as LIRHPTE, a program which is used in Eugene to provide a 20-year exemption for rental properties at 60 percent of the area median income based on household size.

The program focuses primarily on developments by nonprofits, though it is not a requirement.

Aislinn Blackstone, a resident of Cottage Village, provided an emotional testimony praising the positive impact of the tiny house cooperative and its potential to serve as a model for future housing options.

"It has changed my life in ways I never would have thought possible," said Blackstone, adding that, "more than half of us will not be able to live there" if rent raises.

Executive Director of SquareOne Villages Dan Bryant, too, commented and pointed to Blackstone's testimony.

"She is precisely why we are doing this work," he said.

He also posited that MUPTÉ is not the ideal tool for creating affordable housing and advised that the council consider LIRHPTE for future developments.

"Simply put, communities are healthier when their members are housed," he said. "So, affordable housing, when done right ... not only improves the lives of those who live in them, it adds value to a community."

City councilors were supportive of the Cottage Village project on the whole.

Councilor Mike Fleck agreed that MUPTÉ was not

ideal for affordable housing options but supported its use in the case of Cottage Village.

He also accepted that the building in question should be considered blighted and mentioned the prospect of establishing a committee to look at affordable housing.

Councilor Kenneth Roberts also supported the resolution granting tax exemption to the entire property, voicing his confidence in the nonprofit.

"I have watched this since when it was just a grass lot," he said. "These folks have raised a lot of money and have put a lot of work to get to where they are. I think they'll take this project across the finish line with our help."

The council voted unanimously for the first option.

Estimates performed by staff with support from Lane County Assessment and Taxation based on income/expenses to assessed value calculations showed that the city will be delaying approximately \$6,100 to \$7,959 per year over the 10-year period of the program.

At the completion of the 10-year period, the city will receive approximately \$8,198 annually on the improvement area.

Staff emphasized that the numbers are "just estimates" and that final values won't be available until tax roll certification in October.

Harrison Village Apartments

Councilors also approved a MUPTÉ application from Hi-Valley Development Corporation without discussion on Monday night.

Councilor Roberts was the sole dissenting vote.

Councilor Chalice Savage recused herself from the vote as her association with the property would have constituted an actual conflict of interest.

The Harrison property project has been the subject of public scrutiny since

its appearance in a Cottage Grove Planning Commission work session in February.

Dubbed the Harrison Village Apartments, the 80-unit project is a planned apartment complex on the undeveloped southern half of the old Harrison Elementary School property. The 6.84-acre parcel was recently partitioned into two lots to allow for the undeveloped portion to be used.

The South Lane School District sold the property to local developer Len Blackstone in January last year after the school board engaged in a lengthy back-and-forth about what to do with the old school building.

Though originally intended for reuse and recreational purposes, the discovery of previously unknown structural issues in the building astronomically shot up the cost of salvaging it and the board ultimately decided to sell the property with conditions.

The school board then voted to sell the property for a fixed amount of \$400,000 — though it was appraised around \$750,000 — under the stipulation that the developer "complete abatement, and/or removal of asbestos and lead paint in the building or demolition and removal of the building."

The building, however, still remains on the northern half of the partitioned space, a point of contention for some.

Members of the public and even Cottage Grove planning commissioners have expressed displeasure with the outcome and the way in which information was made available about the property throughout the process.

Blackstone addressed the city's planning commission during its March 17 meeting by stating that he understands the disappointment surrounding the property, but that "this development will be good for this town."

According to the city council's memorandum for Hi-Valley Development Corporation's application, without the MUPTÉ program, the 80-unit project would "likely" not be constructed and would result in the loss of \$13.8 million of construction jobs and services.

The developer has also proposed public benefits for the property including a pedestrian-oriented design, installation of new sidewalks along the frontage of partitioned parcel with ramps and mass transit support with the installation of a bus shelter and bench.

Staff estimated that approximately \$62,500 to \$81,550 per year over the 10-year period of the program would be abated. At the completion of the 10-year period, the city will receive approximately \$84,000 per year.

Again, staff emphasized that the estimates will not be known for certain until October as they are estimates based on declared values from the applicants.



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