



COUNCIL RESOLUTION NO. 5057

**A RESOLUTION APPROVING A MULTIPLE-UNIT
PROPERTY TAX EXEMPTION FOR RESIDENTIAL
PROPERTY LOCATED IN THE VICINITY OF OLIVE
STREET AND 13TH AVENUE, EUGENE, OREGON.
(Applicant: Capstone Collegiate Communities, Inc.)**

PASSED: 6:2

REJECTED:

OPPOSED: Brown, Taylor

ABSENT:

CONSIDERED: May 9, 2012

RESOLUTION NO. 5057

A RESOLUTION APPROVING A MULTIPLE-UNIT PROPERTY TAX EXEMPTION FOR RESIDENTIAL PROPERTY LOCATED IN THE VICINITY OF OLIVE STREET AND 13TH AVENUE, EUGENE, OREGON. (Applicant: Capstone Collegiate Communities, Inc.)

The City Council of the City of Eugene finds that:

A. PeaceHealth, located at 123 International Way in Springfield, Oregon, is the owner of real property located between Olive and Willamette Streets from just north of 12th to 13th Avenues and between Charnelton and Olive Streets from 12th to 13th Avenues, Eugene, Oregon (Assessor’s Map 17-03-31-42; Tax Lots 700, 800, 1000, 1100, 1200, 1600, 1700, 1800, 1900, 2000, 2100, 2200, 2300, and 2400), and David R. Lyons Revocable Trust, located at 433 Spyglass Drive, Eugene, Oregon, is the owner of real property located at 1210 and 1212 Willamette Street, Eugene, Oregon (Assessor’s Map 17-03-31-42; Tax Lot 900) (“the property”).

B. Capstone Collegiate Communities, Inc., (“the applicant”) located at 431 Office Park Drive in Birmingham, Alabama, intends to purchase the property, and has submitted an application pursuant to the City’s Multiple-Unit Property Tax Exemption Program (Sections 2.945 and 2.947 of the Eugene Code, 1971), with respect to residential units and possible commercial space to be constructed on the property.

C. The project will be constructed in two phases and is proposed to consist of the development of between 350 and 375 residential units, with at least six ADA accessible units. In addition, the project will include structured and surface parking spaces, and may include commercial space. On-site resident management and courtesy officers will be provided as described in Section 1, paragraph 2 below.

D. As part of the redevelopment of the site, the applicant proposes to realign and improve the public bicycle and pedestrian connection through the site, between Olive and Willamette Streets. The new public path will be within a 20-foot wide right-of-way that the applicant proposes to dedicate just south of the existing West 12th Avenue right-of-way. The applicant proposes to vacate the existing West 12th Avenue right-of-way to facilitate redevelopment of the site and realignment of the bicycle and pedestrian connection. The new right-of-way will not be open to vehicular use. To ensure that the proposed realignment of the public bicycle and pedestrian connection maintains the public interest, the applicant has agreed to the following:

The proposed 20-foot wide right-of-way will be dedicated and the following public improvements will be constructed:

- (1) A 10-foot wide two-way bicycle facility that is clear of obstructions and separated from pedestrians, within the new 20-foot right-of-way;
- (2) A bicycle crossing island at the intersection of West 12th Avenue and Olive Street that prohibits left turns for automobiles; and
- (3) A replacement crosswalk within Willamette Street that aligns the proposed bicycle connection through the site with the existing bicycle way east of Willamette Street.

All improvements will be subject to a more detailed review for design elements during the Privately-Engineered Public Improvement (PEPI) permit process, for which the applicant will pay all associated engineering, construction, and inspection costs. The design will be subject to the City Engineer's approval. As part of the PEPI permit process, the improvement cost will need to be bonded prior to issuance of the complete structure building permit for the housing north of the right-of-way to be vacated.

E. The project is located within the boundaries of the downtown area as described in subsection (2) of Section 2.945 of the Eugene Code, 1971.

F. The project could not financially be built "but for" the tax exemption.

G. The applicant solicited comments from city-recognized the affected neighborhood association.

H. The requirements in the Standards and Guidelines for Multiple-Unit Housing Property Tax Exemptions adopted by Administrative Order Nos. 53-09-01-F and 53-11-05 related to proximity to historic resources have been satisfied.

I. The applicant has complied with the provisions of the Standards and Guidelines as described in the Report and Recommendation attached as Exhibit A to this Resolution which was prepared by the Executive Director of the Planning and Development Department ("the Executive Director") as designee of the City Manager.

J. The project will be completed on or before January 1, 2022, and the owner has agreed to include in the construction one or more public benefits.

K. The proposed project will be in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS chapters 195, 196, 197, 215 and 227, that are applicable at the time the application is approved.

L. The project is not designed for, and will not be used as transient accommodations.

M. Granting the application is in the public interest. In making this determination, the City Council has considered the number of points awarded to the project based on the public benefit scoring system contained in the Standards and Guidelines.

N. The Report and Recommendation recommends that the application be approved and the exemption granted. In making that recommendation, the Executive Director found that the applicant submitted all required materials, documents and fees as set forth in Section 2.945 of the Eugene Code, 1971, and the Standards and Guidelines, and the applicant is in compliance with the policies contained therein.

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 the City Council's review of the Executive Director of the Planning and Development Department's Report and Recommendation which is attached as Exhibit A, the City Council approves the application of Capstone Collegiate Communities, Inc. for an ad valorem property tax exemption under the City's Multiple-Unit Property Tax Exemption Program for the residential units to be constructed on real property located between Olive and Willamette Streets from just north of 12th to 13th Avenues and between Charnelton and Olive Streets from 12th to 13th Avenues, Eugene, Oregon (Including some or all of Assessor's Map 17-03-31-42; Tax Lots 700, 800, 900, 1000, 1100, 1200, 1600, 1700, 1800, 1900, 2000, 2100, 2200, 2300, and 2400), subject to the following conditions:

1. Project Description:

- 1.1 Phase 1 of the project shall consist of development of approximately 230 units with a total of approximately 790 bedrooms, 603 structured parking spaces, and 48 surface parking spaces.
- 1.2 Phase 2 of the project shall consist of development of approximately 142 units with a total of approximately 514 bedrooms and 430 structured parking spaces. Phase 2 of the project must be completed within 36

months of the issuance of the Certificate of Occupancy for Phase 1 in order to be eligible for the multiple unit property tax exemption granted by this Resolution. If Phase 2 is not completed within 36 months, the property owners may reapply for the tax exemption.

- 1.3 At least 6 ADA accessible units will be included in either phase of the project.
 - 1.4 In no event will the total number of units for Phase 1 and Phase 2 exceed 375.
 - 1.5 Ground floor commercial space may be included in either phase of the project. If such commercial space is included, it shall be eligible for the tax exemption up to 5,000 square feet.
2. On-site management is required. On-site management functions shall include:
 - 2.1 Maintaining leasing, property/resident management office on-site that is staffed during normal working hours;
 - 2.2 Have at least one employee residing on-site;
 - 2.3 Have on-site one or more courtesy managers making nightly property inspections; and
 - 2.4 Providing information to residents about the sensitivities of neighboring properties, including Olive Plaza, as part of the lease documents.
3. As part of Phase 1, a 20-foot wide right-of-way south of the existing West 12th Avenue right-of-way shall be dedicated and the following public improvements shall be constructed:
 - 3.1 A 10-foot wide two-way bicycle facility that is clear of obstructions and separated from pedestrians, within the new 20-foot right-of-way;
 - 3.2 A bicycle crossing island at the intersection of West 12th Avenue and Olive Street that prohibits left turns for automobiles; and
 - 3.3 A replacement crosswalk within Willamette Street that aligns the proposed bicycle connection through the site with the existing bicycle way east of Willamette Street.
4. Both phases of the project shall be completed on or before January 1, 2022.
 5. No later than 18 months after receiving a Certificate of Occupancy for each phase, the applicant must demonstrate award of Earth Advantage Silver Certification by submitting to the City's Planning and Development Department Earth Advantage certification documentation.

6. The applicant shall enter into a Memorandum of Understanding (“MOU”) with the City of Eugene which addresses the following issues:
 - 6.1 Coordinating with the Eugene Police Department’s expectations concerning courteous and safe behavior on the part of the residents.
 - 6.2 Minimizing parking impacts.
 - 6.3 Working with “Look Me In The Eye,” a disability advocacy organization, to identify opportunities to employ their clients as part of the housing development.
 - 6.4 Providing access to unused parking.
 - 6.5 Supporting alternative modes of transportation.
 - 6.6 Design and construction to include the use of qualified local contractors, suppliers and workers as much as possible; improvement of the existing sidewalks surrounding the project; expansion of circulation space and new streetscape elements; providing signage to improve enforcement of the prohibition of bikes and skateboards on the sidewalk near Olive Plaza; minimizing adverse impacts of the project on Olive Plaza during and after construction; and retention of as many existing street trees as possible.
 - 6.7 Applicant’s submittal of written semi-annual reports for the first two years detailing how the conditions in the MOU have been met.

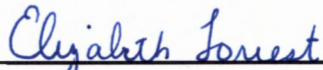
7. The project shall be in conformance with all local plans and planning regulations, including special or district-wide plans developed and adopted pursuant to ORS Chapters 195, 196, 197, 215 and 227.

Section 2. Subject to the conditions in Section 1 of this Resolution, 100% of the residential units and commercial space (up to 5,000 square feet) 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 for each phase 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 applicants within ten days, and to cause a copy of this Resolution to be filed with the Lane County Assessor on or before April 1, 2013.

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

The foregoing Resolution adopted and effective the 9th day of May, 2012.



City Recorder

Report & Recommendation of the Planning & Development Department

Olive & 13th Student Housing Application for Multiple-Unit Property Tax Exemption

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

1. Capstone Collegiate Communities (Capstone) intends to purchase the real property located between Olive and Willamette from just north of 12th to 13th Avenues and between Charnelton and Olive from 12th to 13th Avenues, Eugene, Oregon (Assessor's Map17-03-31-42; Tax Lots 700, 800, 900, 1000, 1100, 1200, 1600, 1700, 1800, 1900, 2000, 2100, 2200, 2300, and 2400). Capstone submitted an application pursuant to the City's Multiple-Unit Property Tax Exemption 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 be constructed in two phases. Phase 1 will include approximately 232 units with a total of approximately 790 bedrooms, 600 structured parking spaces and 48 surface parking spaces. Phase 2 will include approximately 142 units with a total of approximately 514 bedrooms and 430 structured parking spaces. The overall number of units will be between 350 and 375. The project may also include approximately 5,000 square feet of ground floor commercial space.

The project will include a new bicycle/pedestrian path that connects with the existing path along 12th Avenue. Additional details on the path are in Section 2.6.2.

Onsite management will be required during the MUPTE period even if the project is sold and Capstone is not retained as manager. Onsite management functions will include but are not limited to:

2.1.1 Maintaining leasing, property/resident management office onsite that is staffed by full-time and part-time managers during normal working hours;

2.1.2 Having one or more employees residing onsite;

2.1.3 Having onsite courtesy managers making nightly property inspections; and

2.1.4 Providing information to residents about the sensitivities of neighboring properties, including Olive Plaza, as part of the lease documents.

2.2 Construction is expected to be complete on or before January 1, 2022.

2.3 The project is located in the downtown area described in subsection (2) of Section 2.945 of the Eugene Code, 1971.

2.4 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 Standards and Guidelines for Multiple-Unit

Housing Property Tax Exemptions adopted by Administrative Order No. 53-09-01-F and 53-11-05.

2.5 The applicant has responded to the public benefit criteria as follows:

2.5.1 Public Benefits:

- o Density. The project will be built in the C-3 zone and has no minimum or maximum for residential units. Since the minimum density is zero, the applicant was awarded 50 points, the maximum allowed.
- o Green Building Features. At a minimum, Capstone plans to qualify for Earth Advantage Silver, with LEED Silver Certification as the goal.
- o Mixed Income. The project will not include housing dedicated to controlled income.
- o Homeownership. No units are designated for home ownership.
- o Accessibility. A minimum of six units will be ADA accessible.
- o Historic Sensitivity. The project is adjacent to the Florence Apartments, a primary ranked historical structure at 1272 Willamette Street, and in the vicinity of the Kennell Ellis Building which is a City of Eugene Historic Landmark at 1280 Willamette Street. The project does not physically alter either of these structures and will be setback from these existing buildings by an alley and a proposed driveway access.
- o Location. The project is located in the Downtown Plan Area.
- o Parking. The project is not located in a Residential Parking Program zone.

2.5.2 Longevity of Public Benefits. All of the public benefits listed above will extend beyond the period of the tax exemption.

2.5.3 Points Awarded. The applicant has been awarded 210 public benefit points. (The building documents are not far enough along at this time to complete either the Earth Advantage or LEED worksheets; as a result, no points were awarded in the Green Building Features category. The applicant did not seek public benefit points for historic sensitivity.)

2.6 Other Benefits Provided by the Project. Based on the comments heard at council work sessions and the public engagement opportunities, a number of issues or possible concerns emerged. Below are the relevant issues and Capstone's responses, which provide additional benefits.

2.6.1 Management and Coordination with EPD. In addition to providing on-site management for the project, including live-in managers and courtesy officers, Capstone has agreed to coordinate closely with Eugene Police Department (EPD) to promote pro-social, courteous, and safe behavior on the part of the residents. This coordination will include:

- 2.6.1.1 Meeting with EPD Crime Prevention Unit regarding successful strategies utilized in other parts of our community, including Crime Prevention Through Environmental Design and crime victim awareness strategies, and to discuss opportunities for support from Crime Prevention Unit and any enforcement actions taken.
 - 2.6.1.2 Working with EPD to align renter code of conduct with social host regulations.
 - 2.6.1.3 Working with EPD to develop a protocol for responding to nearby residents and surrounding property owner complaints on a timely basis.
- 2.6.2 Bike Path. Capstone has agreed to create and dedicate a bicycle/pedestrian path connecting with the existing route along 12th Avenue. This facility is designed specifically to promote connectivity, create a straighter alignment, and improve the crossing at Willamette and Olive Streets to ensure safe and convenient movement for pedestrians and bicycles. The bike path will include a 10-foot wide two-way bicycle facility that is clear of obstructions and separated from pedestrians, within the new 20-foot right-of-way; a bicycle crossing island at the intersection of West 12th Avenue and Olive Street that prohibits left turns for automobiles; and a replacement crosswalk within Willamette Street that aligns the proposed bicycle connection through the site with the existing bicycle way east of Willamette Street. In addition, Capstone has agreed to provide signage to improve enforcement of the prohibition of bikes and skateboards on the sidewalk near Olive Plaza.
- 2.6.3 Neighborhood Impact. Capstone has agreed to:
- 2.6.3.1 Work closely with Olive Plaza. Capstone is in the process of negotiating a letter committing them to an agreed upon level of mitigation and assistance for during and after construction.
 - 2.6.3.2 Work with Look Me In The Eye, a disability advocacy organization, to identify opportunities to employ their clients as part of the housing development.
 - 2.6.3.3 Work to provide additional parking at market rates for general public use or for Olive Plaza, if the surface and structured parking is not fully utilized by the project.
- 2.6.4 Support for "Alt" Modes. Capstone has agreed to:
- 2.6.4.1 Include more bike parking and secured storage than required by code, in addition to a shared public car facility (such as "WeCar") and one electric vehicle charging station. Capstone will promote these alternative modes to the residents of the development. Capstone will present the additional bike parking for City of Eugene staff review.
 - 2.6.4.2 Construct a new bus stop on Willamette Street located south of the 12th Avenue crossing at Willamette Street. The sheltered bus stop location will be integrated with the new student buildings. This stop is anticipated to minimize the impact upon the downtown station which has been a concern

of Olive Plaza residents. The design of the stop will be coordinated with LTD and City of Eugene staff.

2.6.5 Design and Construction. Capstone has agreed to:

2.6.5.1 Improve the existing sidewalks surrounding the project to provide for a more inviting pedestrian environment. Capstone will expand the circulation space, and will work with City of Eugene staff to see if expansion of the existing right-of-way is desired in this location.

2.6.5.2 Create a sidewalk design that incorporates strategic tree and root pruning to enable retaining as many trees within Olive Street and 13th Avenue rights-of-way as possible. The trees within the right-of-way are in the process of review with the City arborist with specific pruning and care instructions to be established to minimize the impact to the trees. In the case an existing tree is required to be removed then it will be replaced with a like species.

2.6.5.3 Consistent with Capstone policy, encourage the use of local contractors, suppliers, and workers for the project as much as possible.

2.7 The financial information Capstone submitted in their application is based on projections prior to finalizing financing, construction, and tenancing. This analysis is based on the conservative approach that the project is built at one time. (Phasing would increase the cost of the project due to mobilization, lost economies of scale, and increased design and other soft costs; and reduce the return on investment.)

The financial assumptions included in Capstone's MUPTE application pro-forma have been analyzed and adjusted as necessary to more accurately reflect the expected financial performance of the project. Of particular note, the projected tax savings in Capstone's pro-forma were overstated by their assumption that the full construction value of the project would be used for tax assessment purposes. The changed property ratio used in assessing real property would result in a lower taxable value and lower tax savings than projected in their pro-forma. The result of this adjustment is an increased projected return on investment in the "without MUPTE" scenario. Capstone's originally submitted pro-forma forecasted a 3.2% return on investment without MUPTE. With the more accurate tax savings figure, the projected return on investment without MUPTE has been adjusted to 6%. There are no adjustments made that result in a lowering of the projected return.

The applicant demonstrated that the project as proposed could not be built but for the benefit of the tax exemption. The financing for the project will be required to meet a specific Loan-to-Value underwriting criteria which is expected to be 70%. The Loan-to-Value assumption appears to be consistent with today's tighter real estate lending standards. For this large scale project, Capstone will need to provide 30% (\$27 million) of the project's financing in the form of equity. Unlike typical MUPTE projects financed with local equity, the proposed scale of the Capstone development will require institutional sources of equity to be attracted to the project. Additionally, the proposed project will require the investor to

assume some risk from the major redevelopment costs associated with the site and from the rate of absorption of the large number of proposed units brought into the local student housing market.

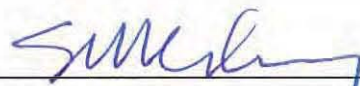
Capstone has indicated that their primary equity investor (Kayne Anderson Real Estate Advisors) will require a minimum rate of return of 9% in the first year. Without the MUPTE savings, the project is projected to generate a 6% rate of return, which is insufficient to attract the required equity investment. The MUPTE tax exemption lowers annual operating costs by approximately \$846,000, which produces higher net operating income and results in a projected 9% Cash on Cash rate of return. Staff and the Loan Advisory Committee reviewed the pro-forma, including assumptions regarding lease rates, operating costs, capitalization rate, lender underwriting criteria, interest rate assumption, and market expected rate of return. The Committee confirmed the financial assumptions used in the analysis and unanimously concluded that the tax exemption is needed to generate a return on investment sufficient to attract the required equity investment.

2.8 Presentations concerning the Olive & 13th Student Housing project were given to the Downtown Neighborhood Association on January 25 and March 26. The Association submitted a letter indicating support for the project with stated reservations and recommendations.

3. A display ad soliciting recommendations or comments from the public regarding this project was published in the Register-Guard on February 5, 2012. The 30-day period for comment expired on March 6, 2012 at 5pm. Staff received 29 written comments within that period. Additional comments were submitted to staff or directly to City Council after the official comment period. All comments received as of April 13 were provided to City Council with the materials for the April 23 Public Hearing.

Therefore, based upon the above findings, the proposed project is 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 Standards and Guidelines, and I recommend that the application be approved.

Dated this 20 day of April, 2012.



Sarah J. Medary
Executive Director, AIC
Planning & Development Department