



# Affordable Housing: Construction Excise Tax (CET)

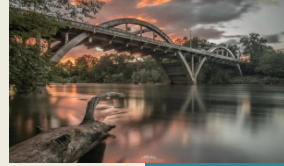
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City Manager  
July 24, 2017





# Affordable Housing: CET

- Subject and Summary: Council's consideration of a CET to assist with the development of affordable housing
- Relationship to Council Goals: Facilitate Sustainable, Manageable Growth
  - Create and sustain city of diverse neighborhoods where all residents can find and afford the values and lifestyles they seek
    - Encourage an environment which provides for the growth of affordable housing opportunities for the variety of Grants Pass resident's needs \*\*\*





# Affordable Housing: CET

- Oregon's Legislature passed Senate Bill 1533 which:
  - Authorizes cities and counties to allow inclusionary zoning for affordable housing
  - Provides the option to implement construction excise taxes (CET) to help pay for affordable housing programs
- CET is a fee assessed based on a percentage of “permit value” or the approximate value added to a structure by new construction





# Affordable Housing: CET

- SB 1533 stipulates
  - Vast majority of CET incomes are to be spent on the provision of affordable housing
  - Allows jurisdictions to use up to 4% of all CET revenues to fund the administration of the program





# Affordable Housing: CET

- Several types of construction are exempt from the CET
  - Development of guaranteed affordable housing (60-year guarantees, ensuring that units will be kept affordable to families making 80% or less of median household income)
  - Private school improvements
  - Public improvements as defined in ORS 279A.010 (which include public schools, government buildings and facilities, etc.)
  - Public and private hospital construction





# Affordable Housing: CET

- Several types of construction are exempt from the CET
  - Religious facilities
  - Agricultural buildings
  - Certain non-profit facilities (long-term and residential care facilities and retirement communities)
  - Mass shelters for those experiencing homelessness



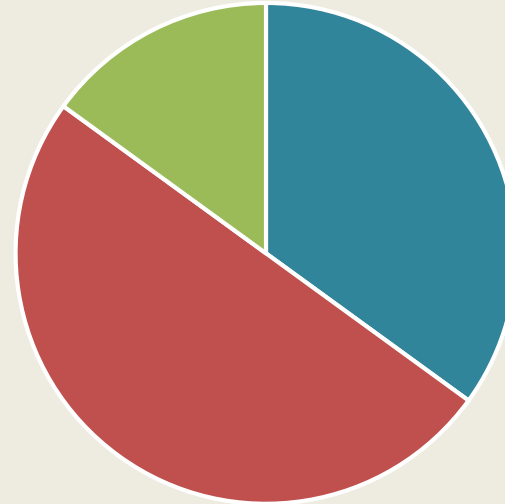




# Affordable Housing: CET

- SB 1533 limits residential CET to 1% of permit value of a new development and construction that results in additional square footage of an existing structure
- Revenues net of the 4% for administration of the CET must be divided into three expenditure categories

CET Residential Expenditures



■ Other ■ Dev. Incentives ■ Down Pmt assist.





# Affordable Housing: CET

- 50% = development incentives for affordable housing: Investment must result in increased affordable housing supply or reduced sales or rental prices
  - Whole or partial fee waivers or reductions
  - Whole or partial waivers of System Development Charges
  - Finance based incentives
  - Full or partial exemption from property taxes







# Affordable Housing: CET

- 35% = other affordable housing programs
  - Use of CET (in combination with other funding) to purchase land that could be conveyed to affordable housing developers
  - Providing grants to developers of affordable housing
  - Providing affordable housing rehabilitation grants
- 15% = must be sent to Oregon Housing and Community Services
  - Funds Down Payment Assistance Program (no local control)

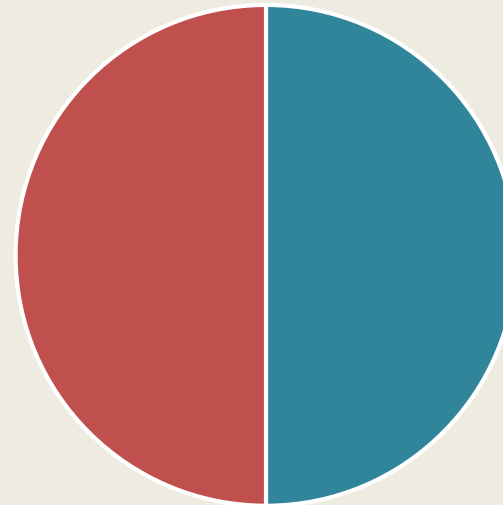




# Affordable Housing: CET

- SB 1533 does not limit commercial CET to 1% of permit value of a new development and construction that results in additional square footage of an existing structure
- Revenues net of the 4% for administration of the CET must be divided into two expenditure categories

CET Commercial Expenditures



■ Unrestricted ■ Dev. Incentives





# Affordable Housing: CET City Programs

- Portland
  - 1% Residential and Commercial
  - 4% Administration
  - Revenues produce and preserve housing affordable to families making 60% of median family income rather than 80%
  - Exempted improvements valued less than or equal to \$100k as well as accessory dwelling units until July 2018
  - 100% of commercial/industrial allocated for production and preservation of affordable housing
  - No info at this time as to whether it has/will impact developer behavior





# Affordable Housing: CET City Programs

- Corvallis
  - 1% Residential
  - 1.5% Commercial
  - 4% Administration
  - Addition to state exemptions: any improvement funded by CET proceeds, CDBG or other affordable housing programs
  - Proposals will be reviewed by their Housing and Community Development Advisory Board





# Affordable Housing: CET City Programs

- Bend
  - .33% Residential and Commercial
  - Fee is assessed on all building permit processed by the city regardless of value or square footage
  - Program implemented in 2006 before SB 1533 therefore does not have same allocation requirements
  - Leveraged over \$60 million in Fed. and State funding as well as over \$14 million in private funding
  - Developed over 500 multi-family units and 76 single-family homes







# Affordable Housing: CET Permit Statistics

Res. Permit	Valuation	# Structures	Comm. Permit	Valuation	# Structures
Addition	\$ 1,323,034	36	Addition	\$ 935,147	7
Alteration	\$ 1,147,592	47	New	<u>\$ 18,078,238</u>	<u>31</u>
Manufactured	\$ 1,000,000	8	<b>Total</b>	<b>\$19,013,385</b>	
New	<u>\$ 29,451,014</u>	<u>162</u>			
<b>Total</b>	<b>\$32,921,640</b>	253			38

Scenario	CET Rates		Annual CET Revenue		
	Residential	Commercial	Residential	Commercial	Total
A	0.5%	0.5%	\$ 164,608	\$ 95,066	<b>\$ 259,674</b>
B	1%	1%	\$ 329,216	\$ 190,133	<b>\$ 519,349</b>
C	1%	1.5%	\$ 329,216	\$ 285,200	<b>\$ 614,416</b>







# Call to Action

- Call to Action Date: At Council's discretion
  - Presentation for Council information and to determine interest in the further study and possible implementation of a Construction Excise Tax (CET) for Affordable Housing
- Alternatives:
  - Move forward with the development of an CET
  - Forward topic to City's Housing Advisory Committee for a recommendation
  - Take no further action on a CET

