

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Local Options for Affordable Housing Funding – Construction Excise Tax

Meeting Date: April 9, 2018
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: A
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ISSUE STATEMENT

On December 13, Council reviewed a set of recommendations from the Housing Policy Board (HPB) for implementation of a local Construction Excise Tax (CET) to support affordable housing. At that time, staff proposed to further explore policy options for structuring a CET, engage with stakeholders, and bring a recommendation back to Council. During this work session, staff will present options for implementing a CET.

BACKGROUND

Residents of communities throughout Oregon are experiencing challenges related to housing affordability, quality, and stability. Multiple local, state, and national trends have resulted in increased challenges for both renters and homeowners. There have also been multiple shifts in the supply of housing units as well as the needs of residents.

In response to these challenges, the State of Oregon passed a suite of legislative measures in 2016 including SB 1533. Through SB 1533, the State of Oregon enabled local jurisdictions to adopt a CET to support the development of affordable housing. SB 1533 also enables Oregon jurisdictions to adopt a limited form of inclusionary zoning. See Attachment A for SB 1533.

Council received an introductory presentation on SB 1533 during a work session on April 12, 2017. At the conclusion of this session, Council voted 6:1 to pursue development of policy options for a CET, mandatory inclusionary zoning, and voluntary inclusionary zoning. Council asked staff to work with HPB and also consult with the Human Rights Commission and other impacted parties regarding policy options and market conditions. Given the complexity of inclusionary zoning, HPB decided to focus first on the development of CET recommendations. HPB will commence development of options for voluntary and mandatory inclusionary zoning following the completion of the CET discussions.

Between April and December, staff worked with the HPB to explore options for a dedicated source of funding for affordable housing through a CET and the HPB developed a set of recommendations for Council consideration (see Attachment B).

Following the December work session, staff engaged in multiple conversations with stakeholders and interested parties including specific outreach to the Eugene Chamber of Commerce,

Homebuilders Association of Lane County, Realtors, affordable housing developers, and others. There were several specific concerns raised during these discussions regarding the possible financial impacts of a CET along with other increasing costs for system development charges, land, and construction costs. Concerns were also expressed regarding zoning and regulatory requirements that limited flexibility and make it difficult for developers to build and offer moderately priced dwellings.

RECOMMENDED ELEMENTS OF A CET ORDINANCE

Following consideration of community input as well as a continuing need to expand affordable housing options, staff recommend the following elements for inclusion in a CET ordinance for Eugene.

Rate	1% for residential and commercial construction
Effective Date	Delayed implementation of July 1, 2019
Additional Exemptions	Affordable Housing Developments eligible for System Development Charge Waivers under Eugene Code 7.725
	Developments exempted from property taxes through the Multi-Unit Property Tax Exemption Program under Eugene Code 2.945
	Newly constructed single family homes or condominiums sold to homebuyers for \$250,000 or less. Target price to be indexed and adjusted annually.
Allowed Uses of Funds	Range of housing programs for households earning 100% of Area Median Income and below
	Administrative costs for CET collection as well as costs to staff program implementation

RECOMMENDED ELEMENTS OF AN ALLOCATION AND PROJECT SELECTION PROCESS

The City of Eugene currently undertakes an extensive process to assess community housing needs and priorities through the Eugene-Springfield Consolidated Plan every five years. Council adopts five-year strategies and goals and subsequently adopts a budget for use of funds through the annual Action Plan. Staff work with a Departmental Advisory Committee to develop recommendations for Council consideration. Staff propose to mirror these processes for identification of priority needs, strategy identification, annual budgeting, program development, and project selection.

ADDITIONAL ACTIONS TO ADDRESS DEVELOPMENT CONCERNS

A number of concerns regarding financial and regulatory barriers to building housing were raised by the business and development community during this process. The proposed CET elements seek to ease impacts by delaying implementation for one year and expanding the recommended exemptions. Exemptions include MUPTE projects, which must provide moderately priced units or contribute to a fund for affordable housing, as well as moderately priced homes sold to homebuyers.

There are a number of additional activities underway to address regulatory barriers. Staff recently reviewed these actions with Council during the Housing Affordability work session that occurred on February 26. These projects and activities are described in Attachment C.

In response to the concerns of stakeholders in the building community, Council is asked to consider a process and the resources needed to take a timely and comprehensive look at identifying existing barriers to building missing middle and moderately priced housing.

RELATED CITY POLICIES

There are multiple City plans and policies related to affordable housing including the Eugene-Springfield 2015 Consolidated Plan, Envision Eugene, and the Eugene City Code. Each related plan and policy is briefly summarized below.

Eugene-Springfield 2015 Consolidated Plan

The Consolidated Plan provides an assessment of local housing, homelessness, and community development needs, identifies priority needs for use of funds received from HUD, and presents strategies to address the priority needs. The Consolidated Plan adopted by Eugene City Council in 2015 identifies low-income renters and homeowners as priority populations and includes five specific strategies for expanding affordable housing options and access for people with limited incomes.

Envision Eugene Community Vision

Related pillars of the Envision Eugene Community Vision include the pillars “Provide housing affordable to all income levels” and “Provide ample economic opportunities for all community members.” Housing strategies in the 2012 recommendation include planning for a higher proportion of multi-family housing in the future, expanding housing variety and choice, assessing the applicability of a housing and transportation affordability index, supporting subsidized affordable housing projects, and continuing existing programs that support preservation and rehabilitation of existing housing stock.

COUNCIL OPTIONS

Direct City Manager to prepare a draft ordinance for Council consideration to create a Construction Excise Tax.

Direct City Manager to bring back for consideration a recommended process and the necessary funding to allow staff to identify existing barriers to building missing middle and moderately priced housing within the City of Eugene.

CITY MANAGER'S RECOMMENDATION

Prepare a draft ordinance for Council consideration to create a Construction Excise Tax.

Bring back for Council consideration a recommended process and the necessary funding to allow staff to identify existing barriers to building missing middle and moderately priced housing within the City of Eugene.

SUGGESTED MOTIONS

Move to direct City Manager to prepare a draft ordinance to create a Construction Excise Tax including the rate of the tax, the effective date of the tax, any exemptions from the tax, and the allowed uses of the tax revenues.

Move to direct City Manager to bring back to Council for consideration a recommended process and the necessary funding to allow staff to identify existing barriers to building missing middle and moderately priced housing within the City of Eugene.

ATTACHMENTS

- A. SB 1533
- B. HPB Memorandum – The Affordable Housing Trust Fund and How to Fund It – 12/4/2017
- C. City of Eugene Housing Initiatives

FOR MORE INFORMATION

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