

# LOCAL OPTIONS FOR AFFORDABLE HOUSING FUNDING THROUGH SENATE BILL 1533

APRIL 9, 2018

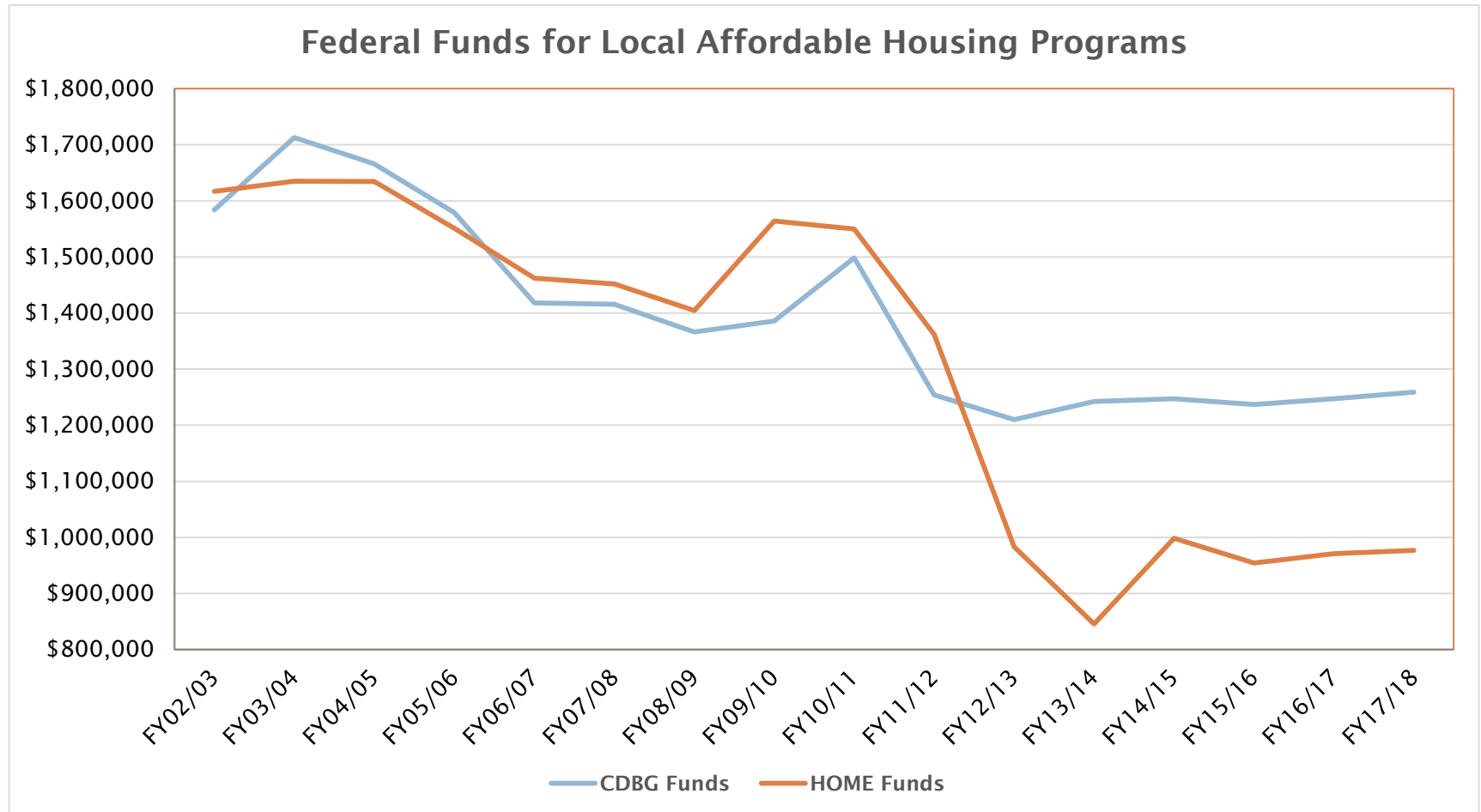
City of Eugene

# Presentation Summary

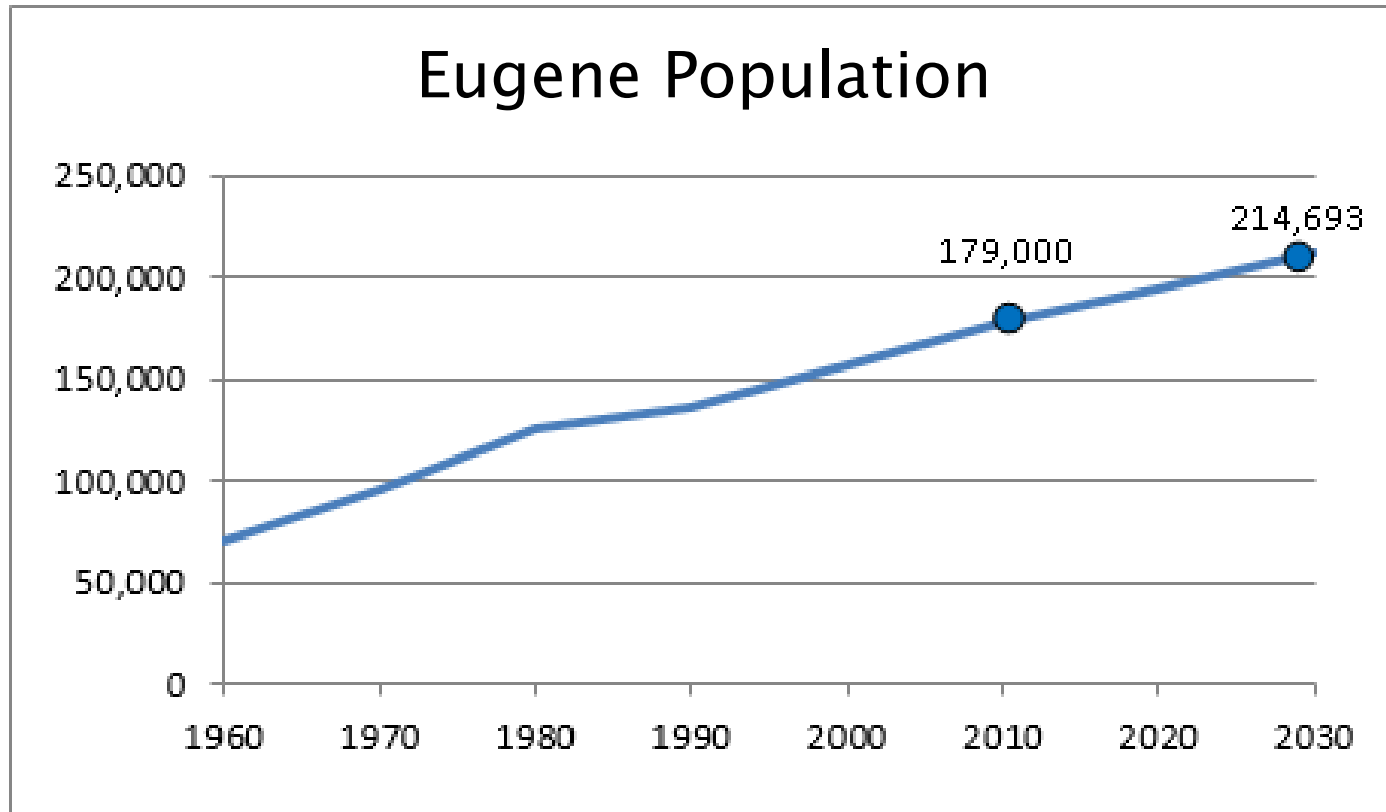
- ❑ Process to Date
- ❑ Overview of Affordable Housing Funding
- ❑ SB 1533/Construction Excise Tax (CET)
- ❑ Oregon Jurisdictions with CETs
- ❑ Recommendations
- ❑ Discussion and Action



# Affordable Housing Funding 2002-2017



# Eugene Population Growth



Affordable Housing funding has decreased while the population served has and continues to increase

# Who are We Talking About?

Median Household Income: \$43,000



Retiree on Social Security  
\$18,000



Full-time Minimum Wage Employee  
\$21,000



Preschool Teacher  
\$28,000

Annual Household Income  
\$0 - \$34,999



Two Full-time Minimum Wage Employees  
\$42,000



Carpenter  
\$50,000



Computer Programmer  
\$67,000

Annual Household Income  
\$35,000 - \$74,999



Registered Nurse  
\$84,000



Two Income Household Mail Carrier  
\$49,500



Police Officer  
\$69,000

Annual Household Income  
\$75,000 or over

42%

of Eugenians have a household income under \$34,999

31%

of Eugenians have a household income between \$35,000 and \$74,999

27%

of Eugenians have a household income over \$75,000

\$625-\$875

\$875-\$1875

\$1875+

Affordable housing = 30% of income

# What Kind of Housing is Available in Eugene?



Surplus: More units in the market that are affordable to this income range

Deficit: Fewer units in the market that are affordable to this income range

# Housing Trust Funds

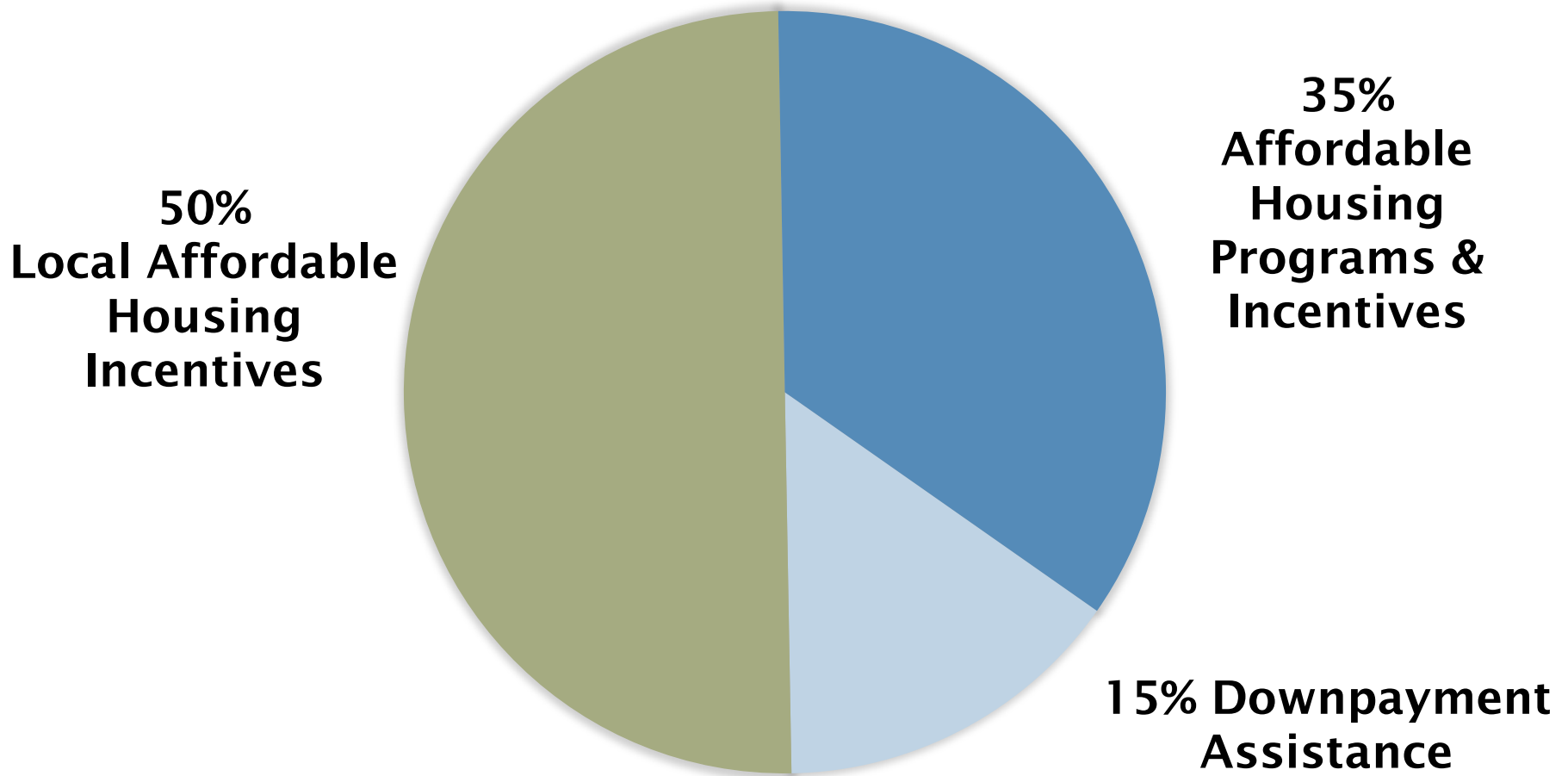
- ❑ Over the past 30 years, hundreds of state and local Housing Trust Funds have been formed to create ongoing, dedicated sources of public funds for the development of affordable housing.
- ❑ These resources are used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation.
- ❑ Resources are frequently coupled with other private and public funding sources.

# Senate Bill 1533

- ❑ SB 1533 created a new funding mechanism for the creation of local affordable housing trust funds as well as a limited form of inclusionary zoning.
- ❑ Under SB 1533, a Construction Excise Tax may be placed on permit valuations:
  - ❑ Residential CET – up to 1%
  - ❑ Commercial/Industrial CET – no limit
- ❑ Under SB 1533, a mandatory inclusionary zoning requirement may be placed on buildings with 20 or more units. Additional incentives must be provided.



# How Residential CET Revenue Must be Spent



# How Commercial CET Revenue Must be Spent



**50%**  
**Flexible Dollars**

**50%**  
**Programs  
Related to  
Housing**

# Oregon Jurisdictions with CETs

Jurisdiction	CET Adopted	Residential CET	Commercial CET	Annual Revenue Estimate
Bend	2006	.33%	.33%	\$1,100,000
Portland	June 2016	1%	1%	\$8,085,385
Corvallis	Nov 2016	1%	1.5%	\$662,246
Cannon Beach	June 2017	1%	1%	\$96,000
Hood River County	June 2017	1%	1%	\$472,237
Hood River City	July 2017	1%	1%	\$165,000
Newport	August 2017	1%	1%	\$181,000
Milwaukie	November 2017	1%	1%	-
Medford	February 2018	.33%	.33%	\$493,000

# Recommendation for CET Ordinance



- Rate and Effective Date
- Exemptions
- Allowed Uses of Funds

# Rate and Effective Date

- 1% for all types of construction starting on July 1, 2019
- Projected Revenue of almost \$3 million per year (based on the last 2 years)

Commercial @ 1%	Residential @ 1%	Total @ 1%
\$1,949,342	\$1,055,778	\$2,924,013

# 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.

# Use 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.

**Income and Housing Payments for a Household earning 100% of Area Median Income**

	Household Size					
	1	2	3	4	5	6
<b>Income at 100% AMI</b>	<b>\$41,300</b>	<b>\$47,200</b>	<b>\$53,100</b>	<b>\$59,000</b>	<b>\$63,800</b>	<b>\$68,500</b>
<b>Monthly Housing Payment</b>	<b>\$1,032</b>	<b>\$1,180</b>	<b>\$1,328</b>	<b>\$1,475</b>	<b>\$1,595</b>	<b>\$1,712</b>



# Potential Types of Housing Programs

- ❑ Fund range of projects including:
  - ❑ Permanent Affordable Rental Housing
  - ❑ Affordable Homeownership Housing
  - ❑ Transitional Housing
  - ❑ Mobile Home Parks
  - ❑ Tiny Homes
- ❑ Examples of uses
  - ❑ Construction costs
  - ❑ Land purchase
  - ❑ Acquisition costs
  - ❑ Rehabilitation and repair assistance



# Potential Leveraging Impact

Based on the last three years, \$3.58 million in public funds for five projects has been used to leverage an additional \$19.55 million in private and public resources for a leverage ratio of **5.5 to 1**.



# Recommendation #1

- 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.

# Recommendation #2

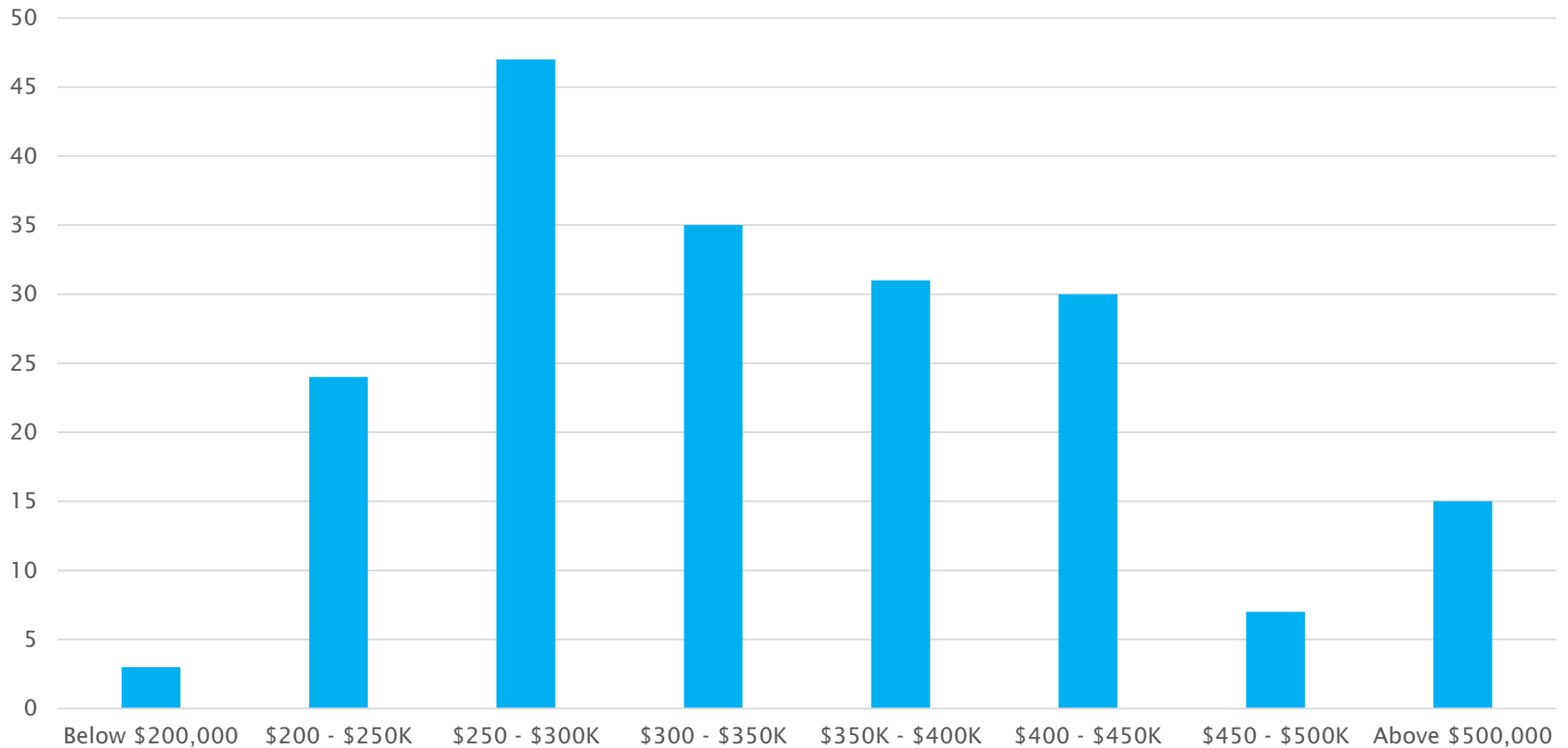
- Move to direct City Manager to bring back to Council for consideration a recommended process and the necessary funding to allow staff to identify existing barriers to building missing middle and moderately priced housing within the City of Eugene.

# Questions and Comments



# Single Family Development

Sale Prices of Newly Constructed Homes  
In Eugene for 2017



# CET Impact on Single Family Home

	Base	With CET	CET
Sale Price	\$ 300,000	\$ 301,803	\$ 1,803
Downpayment at 20% of Sale Price	\$ 60,000	\$ 60,361	\$ 361
Mortgage for 80% of Sale Price	\$ 240,000	\$ 241,443	\$ 1,443
Monthly Mortgage Payment	\$ 1,289	\$ 1,296	\$ 7