

What Is the Construction Excise Tax?

In 2016, Oregon Legislature passed Senate Bill 1533 authorizing Oregon cities and counties to establish a construction excise tax (CET). In May of 2019, the Eugene City Council passed Ordinance 20609 establishing the tax in Eugene. The tax creates a dedicated source of funding for affordable housing. The law authorizes a city or county to tax new residential and commercial buildings, additions, and alterations. Specifically, it applies to all improvements which result in a new structure, additional square footage to an existing structure, or addition of living space to an existing structure.

Why is this tax needed?

Eugene City Council and State Legislature both recognize traditional funding sources for affordable housing – especially federal sources—have declined. Because of this decline, our community has fallen far behind in meeting the housing needs of Eugene residents with limited incomes. The money collected from the CET is put into the Affordable Housing Trust Fund. This fund provides critical funding and is one part of a larger effort to help address the housing challenge.

What does the CET pay for?

Money collected from the CET goes into the Affordable Housing Fund, which pays for projects and programs that increase availability and access to owner- and renter-occupied housing that is affordable to lower income community members. Examples of how these funds are used include:

- Gap financing for the development of new affordable housing
- Acquisition of existing housing that will become affordable
- Acquisition of land for future affordable housing development
- Down payment assistance for home buyers
- Rental or security deposit assistance for people who rent their homes.

CET resources are used to supplement the limited federal resources that support the City's existing federal affordable housing programs. Revenues are allocated to fund projects, programs, incentives, and services related to the housing of households earning 100% of area medium income and below, and in accordance with state law.

The Affordable Housing Trust Fund Advisory Committee advises staff on the use of Affordable Housing Trust Funds resources. The CET went into effect July 1, 2019. Funds were allocated to housing programs and projects starting in 2020.

Who needs to pay and when?

The CET is required to be paid by the developer or property owner who is developing property within Eugene city limits. The CET applies to certain improvements to property that result in additional square footage or improvements which create additional living space. The CET is paid when the permit is issued.

Who is exempt from paying the CET?

The following are exempt from the CET:

- Private school improvements
- Public improvements as defined in ORS 279A.010
- Residential housing that is guaranteed to be affordable, under guidelines established by the United States Department of Housing and Urban Development, to households that earn no more than 80% of the median household income for the city of Eugene, for a period of at least 20 years following the date of construction of the residential housing
- Public or private hospital improvements
- Improvements to religious facilities primarily used for worship or education associated with worship

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- Agricultural buildings, as defined by ORS 455.315(2)(a)
- Facilities operated by a not-for-profit corporation that are:
 - Long term care facilities, as defined in ORS 442.015
 - Residential care facilities, as defined in ORS 443.400
 - Continuing care retirements communities, as defined in ORS 101.020; or
 - Facilities for people experiencing homelessness, including but not limited to transitional housing and shelters
- Residential dwellings sold for \$250,000 or less
- Housing for low-income persons that is exempt, or is eligible to be exempt, from systems development charges (SDCs) pursuant to section 7.725(2) of this code
- Projects granted a multi-unit property tax exemption (MUPT) by the City.
- Residential housing being constructed on a lot or parcel of land to replace residential housing on the lot or parcel of land that was destroyed or damaged by wildfire or another event or circumstance that is the basis for a state of emergency declared under ORS 401.165 or 401.309 or for the exercise of authority under ORS 476.510 to 476.610.

To demonstrate a project is exempt from the CET a [Construction Excise Tax Exemption Form](#) must be completed, signed, and submitted with the building permit application identifying what exemptions are applicable to the project.

How much is the CET?

The CET is 0.5% of the value of permitted work for improvements which result in a new structure, additional square footage to an existing structure, or addition of living space to an existing structure.

How long is the CET active?

Based on legislation adopted in 2016, the City can continue levying the tax for an indefinite amount of time. Eugene City Council will review the overall management and outcomes of the program every two years.

Whom can I contact for more information?

If you have additional questions, you may contact the City of Eugene's Building and Permit Services by phone: (541) 682-5086.

Additional information on the affordable housing programs and the advisory committee can be found at:

eugene-or.gov/affordablehousingtrustfund

What is "affordable housing" and how can I learn more about City affordable housing programs and resources?

Across the United States, housing costs are considered "affordable" if the monthly rent or mortgage, plus utilities, add up to no more than one-third (or 30%) of gross household earnings. Affordable housing developments receive public subsidies in exchange for a commitment to provide homes with limited rents for people with limited incomes.

The City of Eugene has supported the creation of affordable housing using both federal and local funds for over 40 years.