

April 26, 2022 City Council Meeting

**Agenda Item 8.b. Page 36. Ordinance No. 5112
Affordable Housing Construction Excise Tax (CET)**



Ordinance No. 5112

Legislative Action, Public Hearing – Not Land Use

**Amend Municipal Code
Title 3, Revenue and Finance:**

**Add Chapter 3.30:
– Affordable Housing Construction Excise Tax**

Ordinance No. 5112

Recommendation:

- The **Budget Committee** recommended a package of sustainable funding sources, including a recommendation for City Council to consider the Affordable Housing CET.
- The **Affordable Housing Committee** recommended adoption of the Affordable Housing CET.

Criteria:

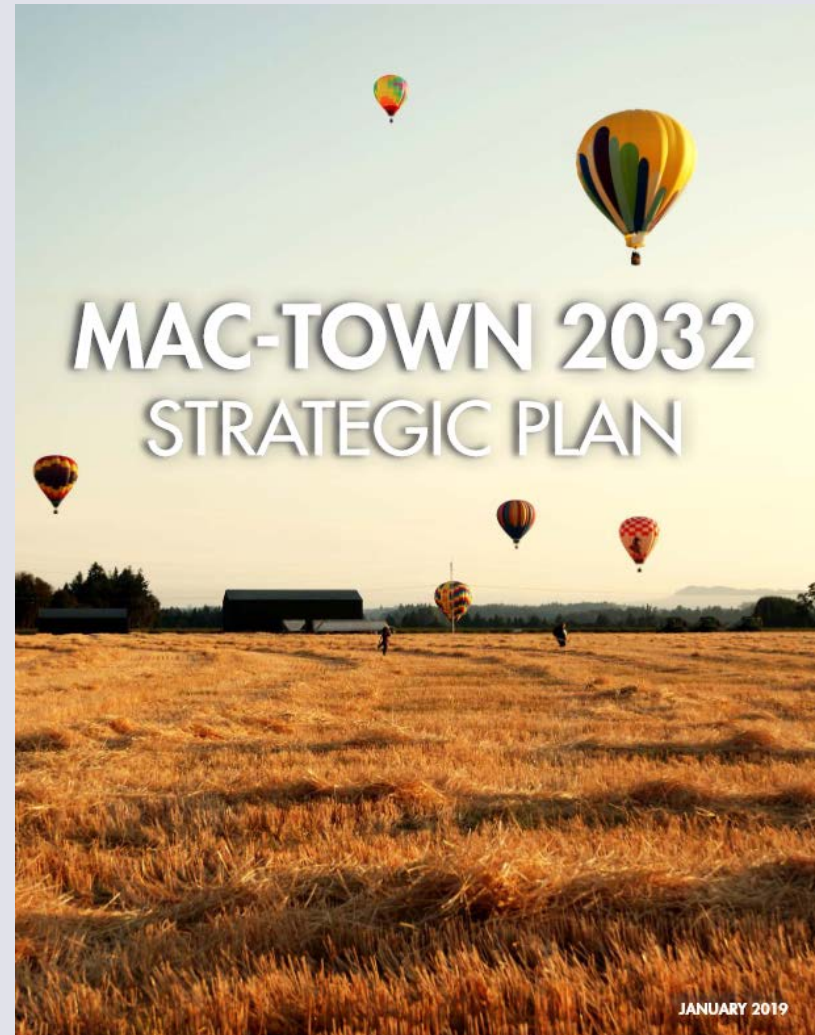
The Affordable Housing Construction Excise Tax must be consistent with the applicable provisions of state law in ORS 320.170–320.195, *Local Construction Taxes*. **Satisfied.**

Ordinance No. 5112

Strategic Priorities:

The following strategic priorities require special focus by the City in the next fifteen years.

In order to move McMinnville toward its Vision, the City believes it will need to make disproportionate investments in time and financial resources in these areas.

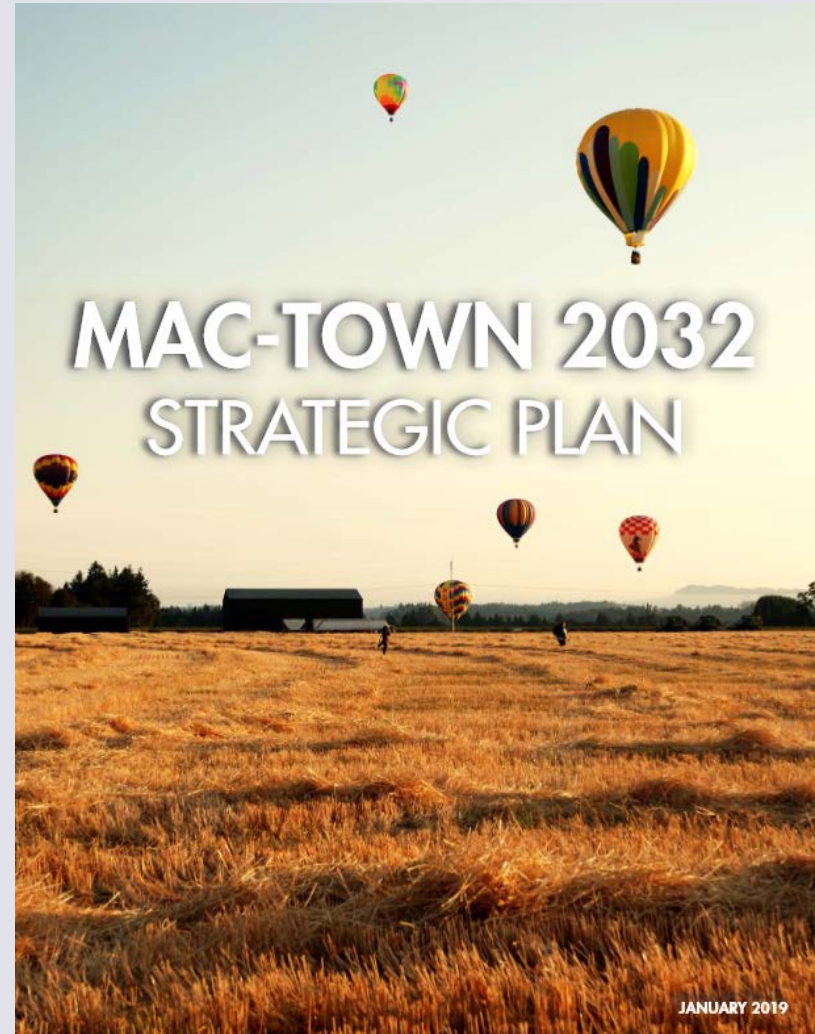


Ordinance No. 5112

Housing Opportunities (Across the Income Spectrum):

Goal: Create diverse housing opportunities that support great neighborhoods

Objective: Collaborate to improve the financial feasibility of diverse housing opportunities.



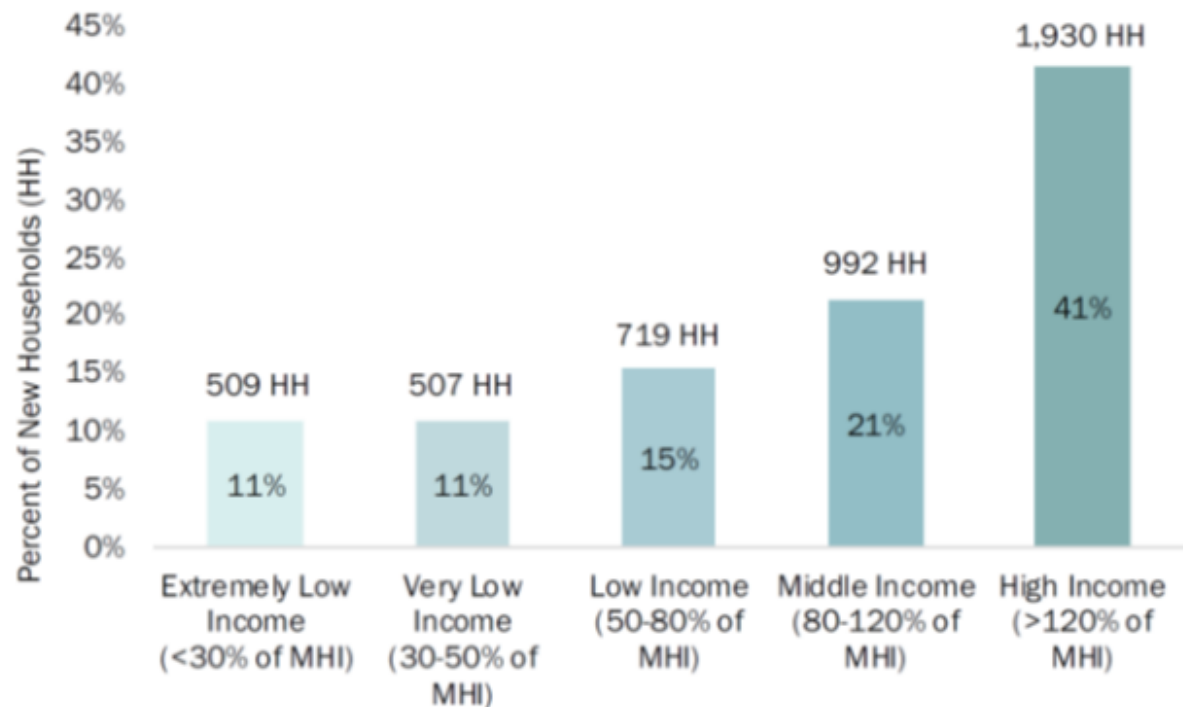
Ordinance No. 5112

Exhibit 92. Future (New) Households, by Median Household Income (MHI) for McMinnville (\$50,300), McMinnville UGB, 2021 to 2041

Source: US Department of Housing and Urban Development and US Census Bureau, 2012-2016 ACS Table 19001 and B25119.

37% of McMinnville's future housing needs to accommodate households that are 80% of MHI or less.

1735 homes



Source: Draft 2019 Housing Needs Analysis

Ordinance No. 5112

Background:

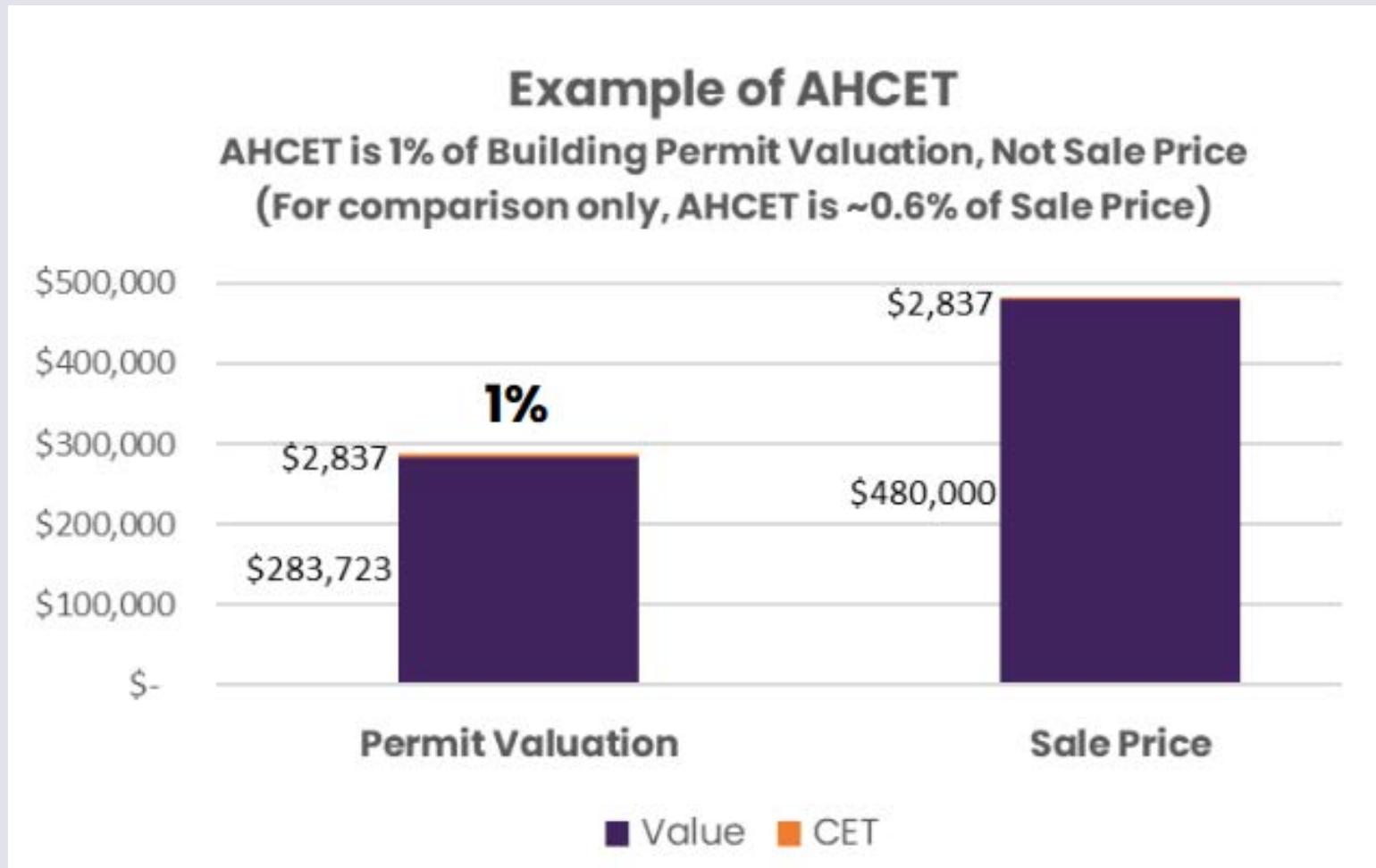
- **2016.** Local Affordable Housing CET enabled by SB 1533
- **2016–2022.** Affordable Housing Task Force Action Plan – Evaluation and Outreach
- **10/2021.** Budget Committee Recommendation
- **10/2021.** Affordable Housing Committee Recommendation
- **11/2021.** City Council Work Session
- **3/2022 & 4/2022.** Outreach to Development Community
- **4/2022.** City Council Public Hearing

Ordinance No. 5112

CET Key Provisions:

- **1% of permit valuation** on residential & nonresidential construction (not sale price).
- For Affordable Housing: Households earning **≤80%** Yamhill County **median household income**
- Use of funds for purposes specified in state law
- Exemptions as specified in state law
- 5-6 years after effective date: review/report analyzing impacts, City Council may call for public hearing

Ordinance No. 5112



Ordinance No. 5112

Residential CET \$ Distribution	Commercial CET \$ Distribution
4% of Revenue: Administration	4% of Revenue: Administration
50% of Balance: Developer Incentives for Affordable Housing	50% of Balance: To Fund Programs Related to Affordable Housing
15% of Balance: OHCS	50% of Balance: Unrestricted by State Law
35% of Balance: Local Affordable Housing Program	

Ordinance No. 5112

Who could qualify to use the AHCET funds?

- There is **nothing in the ordinance that limits** who could apply to use CET funds.
- Funds could be used by **for-profit** or **non-profit developers** and housing providers as long as the funds are used to meet the applicable affordable housing criteria.
- Use of AHCET funds for construction of affordable housing also **helps support the construction trades.**

Ordinance No. 5112

A few examples of ways AHCET funds **could** be used:

- **Developer incentives** and **buy-down of costs** as part of a development so some lots/homes can be made available to households earning less than 80% median household income.
- **Revolving loans** for low-cost financing of affordable housing.
- **Local match to leverage other funding sources.** This helps ensure McMinnville's housing partners are competitive when applying for housing funds so McMinnville doesn't lose out to other communities.
- **Acquisition and holding of land** to be available for affordable housing.

Ordinance No. 5112

**See Page 44:
Exempt Per
ORS 320.173**

3.30.040 Exemptions

- A. The following are exempt from the Affordable Housing Construction Excise Tax, which are specifically exempt under ORS 320.173:
 - 1. Private school improvements.
 - 2. Public improvements as defined in ORS 279A.010 (Definitions for Public Contracting Code).
 - 3. 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 percent of the median household income for the area in which the construction tax is imposed, for a period of at least 60 years following the date of construction of the residential housing.
 - 4. Public or private hospital improvements.
 - 5. Improvements to religious facilities primarily used for worship or education associated with worship.
 - 6. Agricultural buildings, as defined in ORS 455.315 (Exemption of agricultural buildings, agricultural grading and equine facilities) (2)(a).
 - 7. Facilities that are operated by a not-for-profit corporation and that are:
 - a. Long term care facilities, as defined in ORS 442.015 (Definitions);
 - b. Residential care facilities, as defined in ORS 443.400 (Definitions for ORS 443.400 to 443.455); or
 - c. Continuing care retirement communities, as defined in ORS 101.020 (Definitions).
 - 8. 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.



Ordinance No. 5112

See Page 44: Additional Exemptions

B. The following are also exempt from the Affordable Housing Construction Excise Tax:

1. Any improvements that are now or hereafter exempt from the construction excise tax under state law.
2. Any improvement funded by Construction Excise Tax proceeds, or other dedicated affordable housing funding through the City of McMinnville. Such exemption is limited to the amount of the city's investment in the improvement unless the improvement is otherwise exempt under Subsection (A) of this Section.
3. Accessory non-living space located on residential property (e.g., shop buildings, garages, unenclosed covered patios and decks, etc.)

Ordinance No. 5112

Annual Revenue Estimate:

- Variable based on construction activity
- Estimate after first year of \$160,000–\$560,000 based on historic construction activity

Ordinance No. 5112

Outreach:

HBA of PDX:

- Met via zoom meeting
- As noted in Staff Report:
 - HBA requested deferral of SDCs
 - Key staff met and discussed, outreached to other cities
 - Not recommending at this time as discussed in Staff Report and shared with HBA

Local Homebuilders:

- Sent invitation with “Quick Facts”
- Invitees did not elect to attend zoom meeting

Ordinance No. 5112

- **Recommendation: Approve Ordinance No. 5112**
- **Thank you! Questions for staff?**

Strategic Priorities:

The following strategic priorities require special focus by the City in the next fifteen years.

In order to move McMinnville toward its Vision, the City believes it will need to make disproportionate investments in time and financial resources in these areas.

