



City Council Work Session Agenda

Wednesday, November 17, 2021

6:00 p.m. – Work Session

EXECUTIVE SESSION – to immediately follow the Work Session Meeting (CLOSED TO THE PUBLIC)

Welcome! Civic Hall will be closed to the public. Until improvements of COVID cases in Yamhill County improve meetings will be held via Zoom and live broadcast ONLY.

*You can live broadcast the City Council Meeting on cable channels Xfinity 11 and 331,
Ziply Fiber 29 or webstream here:*

www.mcm11.org/live

You may join online via Zoom Meeting:

<https://mcminnvilleoregon.zoom.us/j/89034050946?pwd=MWpQU1Y5NU03SGJzaThyTWYrNnZlQT09>

Zoom ID: 890 3405 0946

Zoom Password: 807024

Or you can call in and listen via zoom: 1-253- 215- 8782

ID: 890 3405 0946

6:00 PM – COUNCIL WORK SESSION – VIA ZOOM AND LIVE BROADCAST ONLY

1. CALL TO ORDER
2. CONSTRUCTION EXCISE TAX FOR AFFORDABLE HOUSING
3. CONSOLIDATION STUDY UPDATE
4. ADJOURNMENT

**EXECUTIVE SESSION – IMMEDIATELY FOLLOW THE CITY COUNCIL WORK SESSION MEETING - VIA ZOOM
(NOT OPEN TO THE PUBLIC)**

1. CALL TO ORDER
2. **Executive Session pursuant to ORS 192.660(2)(h):** To consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.
3. **Executive Session pursuant to ORS 192.660(2)(e):** To conduct deliberations with persons designated by the governing body to negotiate real property transactions.
4. ADJOURNMENT

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice: Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702 or Claudia.Cisneros@mcminnvilleoregon.gov.

EXHIBIT X – STAFF REPORT

DATE: November 17, 2021
TO: Mayor and City Councilors
FROM: Tom Schauer, Senior Planner
SUBJECT: November 17 City Council Construction Excise Tax (CET) Work Session

STRATEGIC PRIORITY & GOAL:



HOUSING OPPORTUNITIES (ACROSS THE INCOME SPECTRUM)
Create diverse housing opportunities that support great neighborhoods.

OBJECTIVE/S: Collaborate to improve the financial feasibility of diverse housing development opportunities

Report in Brief:

This is a work session to discuss an Affordable Housing Construction Excise Tax (CET) in McMinnville as a recommendation of the Affordable Housing Committee. The work session will consist of a staff presentation and three presentations from other Oregon communities that currently have a construction excise tax program – Newberg, Bend and Tigard.

This work session is intended to provide: a brief overview of the state enabling legislation for an Affordable Housing CET, a summary of what that could look like in McMinnville, an opportunity to hear from cities who have adopted Affordable Housing CETs, the parameters for a CET recommended by the Affordable Housing Committee, and an opportunity for discussion. The agenda is provided as **Attachment 1**.

The Affordable Housing Committee recommends that City Council adopt an Affordable Housing CET.

The Budget Committee also recommended that City Council adopt Resolution 2021-55, preliminarily adopting a package of sustainable funding sources to evaluate as future resources for City of McMinnville programs. Included in that package of recommendations is the Affordable Housing CET as a funding source for affordable housing programs, with estimated revenue identified as \$160,000–\$560,000 per year after the first year.

The work session is intended to provide information needed for the City Council to move forward with consideration of an ordinance for adoption of an Affordable Housing CET at a future City Council meeting.

Background:

Prior to 2016, state law included prohibitions on cities adopting a construction excise tax for affordable housing. The City of Bend already had a legacy Affordable Housing CET that pre-dated the prohibition, but that option was not available to other cities. In 2016, SB 1533 was signed into law, authorizing cities and counties to adopt an affordable housing construction excise tax, subject to certain parameters specified in the law. The brief sheet provided as **Attachment 2** includes a summary of those parameters.

Numerous cities and some counties adopted affordable housing CETs shortly after SB 1533 provided the authorization in 2016.

The McMinnville Affordable Housing Task Force (now the Affordable Housing Committee) identified consideration of an Affordable Housing CET on its original 3-year action plan, and also conducted stakeholder outreach in 2018. Consideration of the CET was carried over into the current Action Plan.

In Spring 2021, the Affordable Housing Committee (AHC) established smaller work groups to discuss priority action items on the action plan and bring recommendations to the full committee. Based on that work, the Affordable Housing Committee identified information they thought would be helpful for consideration by the City Council in a work session. They felt it was important to hear from other cities with affordable housing CETs. The AHC had previously heard presentations from some cities regarding their affordable housing programs including their CET, and they found the information to be beneficial.

The AHC recommended that City Council adopt an Affordable Housing CET, and they specified the broad parameters for a recommended Affordable Housing CET. The general parameters recommended by the AHC are provided in **Attachment 3**.

Discussion:

The affordable housing needs in the community have only increased since the committee began discussion of the Affordable Housing CET as a funding source to help meet McMinnville's affordable housing needs.

With the available time for this work session, the focus is on the CET itself, without fully revisiting McMinnville's affordable housing needs in depth.

The agenda provided as **Attachment 1** includes an outline for the information the AHC felt would be most valuable for consideration by City Council. The overview addresses

information provided in **Attachment 2** and includes a summary of the state enabling law that specifies the requirements and choices for cities and counties adopting CETs.

Attachment 2 also provides information about the revenue that would have been generated in McMinnville based on recent construction activity and an example of cost for a residential building permit. This information, and consideration of information from other cities, helped the Affordable Housing Committee evaluate a variety of options and make their recommendation for an Affordable Housing CET for McMinnville, as recommended in **Attachment 3**.

Critically, the Affordable Housing Committee thought it would be important for City Council to hear about the experiences of other cities. Specially, the AHC thought it would be most valuable to hear from Bend, Tigard, and Newberg. Bend has a unique experience with their extensive history with an Affordable Housing CET and affordable housing programs, with the ability to provide breadth and depth of lessons learned and opportunities afforded by the program. Tigard and Newberg have some unique characteristics relevant to McMinnville. They are both in our region on the Highway 99 corridor, with Newberg also being a Yamhill County city. McMinnville's population is between those of Newberg and Tigard. In addition, Tigard and Newberg are two of the most recent cities to adopt affordable housing CETs. Tigard's was adopted about two years ago, and Newberg's was adopted about a year ago. They have also adopted parameters similar to those recommended by the Affordable Housing Committee.

The Affordable Housing Committee felt it would be most valuable to hear from these cities regarding their CET rates and what value the CET has been to those communities. We have outreached to them to ask them to share information regarding this information, largely focused on the following items:

- CET rates (residential and non-residential)
- Value:
 - Revenue generated from the CET (residential and non-residential),
 - How much has been spent on affordable housing projects,
 - How CET funding was used
 - Funds leveraged by the CET
 - What have they been able to accomplish to address affordable housing needs
 - How has this benefited the local construction sector and trades

Attachments:

1. Work Session Agenda
2. Affordable Housing CET Brief Sheet
3. General Parameters of Affordable Housing Construction Excise Tax (CET)
Recommended by the Affordable Housing Committee

Fiscal Impact:

The fiscal implication is dependent on both what CET rate is adopted and the variability of construction activity in any given year. The background information presented to the Budget Committee for their recommendation to City Council on the Sustainable Funding Sources estimates annual revenues after the first year of between \$160,000 and \$560,000 per year.

Recommendation from the Affordable Housing Committee:

The Affordable Housing Committee made the following recommendations:

- Consistent with the Budget Committee's recommendation on Resolution 2021-55 for sustainable funding sources to include evaluating the CET, the Affordable Housing Committee recommended that City Council adopt an Affordable Housing CET.
- The Affordable Housing Committee recommends that City Council adopt an Affordable Housing Construction Excise Tax (CET) consistent with the general parameters summarized in **Attachment 3**.

ATTACHMENT 1

Agenda

November 17, 2021 City Council Work Session Affordable Housing Construction Excise Tax (CET)

Introduction and Overview: 10 minutes

- (No in-depth information re: Affordable Housing Needs)
- Overview of State Enabling Law SB 1533
- Cost/Revenue Data Examples
- Affordable Housing Committee Recommendation

What Value & Benefits has a CET Provided in Other Cities? (30 minutes)

- City of Bend (10 minutes)
- City of Tigard (10 minutes)
- City of Newberg (10 minutes)

Discussion and Q&A (20 minutes)

ATTACHMENT 2

BRIEF SHEET: CONSTRUCTION EXCISE TAX – SB 1533

1. CONSTRUCTION TAX (CET): SB 1533 allows cities to implement a construction excise tax

- The CET can't exceed 1% of valuation for residential construction. The law doesn't limit CET for commercial/industrial construction, but only Corvallis had adopted a commercial/industrial CET of more than 1%, (at 1.5%).
- Residential CET revenue disbursed per the following:
 - 4% = administration
 - 50% = developer incentives for affordable housing
 - 15% = Housing and Community Services Department (policy to use in community)
 - 35% = local affordable housing programs and city incentives

City can impose tax, based on permit valuation, on new construction and additions to square footages (incl. remodeling that adds living space) for residential (max 1% valuation) and/or commercial and industrial permits

- **for residential construction:**
 - 4% of revenue goes to city as admin fee, then the rest is divided as follows:
 - 50% of balance goes to fund developer incentives for affordable housing
 - 15% goes to OHCS (state) for down payment assistance for home ownership, and
 - 35% for affordable housing programs (using 80% AMI)
- **for commercial or industrial development:**
 - 4% of revenue goes to city as admin fee, then the rest is divided as follows:
 - 50% of balance "to fund programs related to housing"
 - 50% of balance unrestricted by the bill.
- **Example (based on Current Permit Valuations from ICC Table)**
 - **Cost to Developer is based on this permit valuation:**
 - Assume 2,000 sf home @\$130.58/sf and 440 sf garage @\$51.28/sf, for total permit valuation of \$283,723.
 - **Where Construction Tax Revenue would go (based on FY20/21 Total Permit Valuations)**
 - FY 20/21 Permit Valuations: Total: \$62,729,711
 - Residential: 96 (new) residential permits were issued with a total permit valuation of \$23,309,494.
 - Commercial/Industrial: \$39,420,217

Based upon a 2,000 sf home (@\$130.58/sf) plus 440 sf garage (@\$51.28/sf) = \$283,723 permit valuation and total FY 20/21 new residential valuations of \$23,309,494:

Residential							
CET Imposed	Individual Home Cost to Developer	Total CET FY 20/21	City Admin (4%)	Balance	Developer Incentives (50%)	OHCS (State) (15%)	Aff. Housing Programs (35%)
1%	\$2,837	\$233,095	\$9,324	\$223,771	\$111,886	\$33,566	\$78,320

PS - Note that this would be added to a current building permit fee (including SDCs) of approximately \$12,410 (which includes sewer SDCs of \$3,547, Parks SDCs of \$2,617, and Transportation SDCs of 2,801). The School District collects a 1% CET, not included in this total.

PPS – Note that this house would have sold on the market for approximately \$480,000 at \$240/sf. The 1% CET would represent 6/10 of 1% of the total costs of the market value of the house to the consumer.

Interestingly, the commercial CET is not held to the same distribution standards. 50% needs to go “to fund programs related to housing.”

Based upon FY 20/21 commercial/industrial permit valuation of \$39,420,217:

Commercial/Industrial					
CET	Total	City	Balance	Aff. Housing	General
Imposed	CET	Admin		Incentives	Fund
	FY 20/21	(4%)		(50%)	(50%)
1%	\$394,202	\$15,768	\$378,434	\$189,217	\$189,217

Exemptions (ORS 320.173). Construction taxes may not be imposed on (same list as school CET):

- Private school improvements.
- Public improvements.
- Residential housing that is guaranteed to be affordable to households at or below 80% AMI for at least 60 years.
- Public or private hospital improvements.
- Improvements to religious facilities primarily used for worship or education associated with worship.
- Agricultural buildings
- Facilities that are operated by a not-for-profit corporation and that are:
 - Long term care facilities,
 - Residential care facilities, or
 - Continuing care retirement communities

ATTACHMENT 3:

Discussion Draft – Affordable Housing Construction Excise Tax (CET) Key Provisions

Recommendations from Affordable Housing Committee (AHC) to City Council

Recommendation – Broad Parameters:

- **General.** The AHC recommended that the City Council adopt an Affordable Housing Construction Excise Tax (CET).
- **Rate.** The AHC recommended a CET on both residential and non-residential construction as authorized by statute, with a 1% CET on residential and at least a 1% CET on non-residential, except for categories which are exempted by statute.
- **Use of Funds.** The AHC recommended that any parameters for use of funds specified in the adopting ordinance not be more prescriptive than the categories specified in state law. This is similar to ordinances recently adopted by other cities, providing the opportunity to determine needs and priorities for use of funds and project selection during funding cycles.
- **Other.** Beyond the provisions addressed in the statute, the workgroup supported inclusion of a provision specifying the City Council would review the CET after a period of time, such as a 5-year period, to evaluate continuation of the CET.



STAFF REPORT

DATE: November 8, 2021
TO: Mayor and City Councilors
FROM: Amy Hanifan, Operations Chief
SUBJECT: Fire Department Consolidation Update



COMMUNITY SAFETY & RESILIENCY

Proactively plan for & responsively maintain a safe & resilient community.

OBJECTIVE/S: Provide exceptional police, municipal court, fire, emergency medical services EMS), utility services and public works

Report in Brief:

The Fire Department Standards of Cover Report has been completed. ESCI Consultants will lead the discussion on summary of work done to date and update on Standards of Cover/financial analysis. A review of the next steps and implementation plan will also be provided.

Background:

The City of McMinnville and its partners have completed the Fire Department Consolidation Feasibility Study. The plan identified that consolidating departments is feasible. The Standards of Cover and financial analysis were updated with current data for the departments that are committed to the current phase of the process.

Discussion:

The purpose of the presentation is for the Consultant to present a review of work done and provide a status update to the Council on the implementation meeting and the current fiscal and standards revisions being incorporated into the Standards of Cover.

Attachments:

Fiscal Impact: No changes