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

Federal Funds for Local Affordable Housing Programs

- CDBG Funds
- HOME Funds
Affordable Housing funding has decreased while the population served has and continues to increase.
Who are We Talking About?

Median Household Income: $43,000

- **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

- Retiree on Social Security $18,000
- Full-time Minimum Wage Employee $21,000
- Preschool Teacher $28,000
- Two Full-time Minimum Wage Employees $42,000
- Carpenter $50,000
- Computer Programmer $67,000
- Registered Nurse $84,000
- Two Income Household Mail Carrier $49,500
- Police Officer $69,000

Affordable housing = 30% of income

- $625-$875
- $875-$1875
- $1875+
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

- 50% Local Affordable Housing Incentives
- 35% Affordable Housing Programs & Incentives
- 15% Downpayment Assistance
How Commercial CET Revenue Must be Spent

- 50% Flexible Dollars
- 50% Programs Related to Housing
## Oregon Jurisdictions with CETs

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

<table>
<thead>
<tr>
<th>Commercial @ 1%</th>
<th>Residential @ 1%</th>
<th>Total @ 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,949,342</td>
<td>$1,055,778</td>
<td>$2,924,013</td>
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</table>
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

<table>
<thead>
<tr>
<th>Household Size</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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</thead>
<tbody>
<tr>
<td>Income at 100% AMI</td>
<td>$41,300</td>
<td>$47,200</td>
<td>$53,100</td>
<td>$59,000</td>
<td>$63,800</td>
<td>$68,500</td>
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<tr>
<td>Monthly Housing Payment</td>
<td>$1,032</td>
<td>$1,180</td>
<td>$1,328</td>
<td>$1,475</td>
<td>$1,595</td>
<td>$1,712</td>
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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
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
### CET Impact on Single Family Home

<table>
<thead>
<tr>
<th></th>
<th>Base</th>
<th>With CET</th>
<th>CET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Price</td>
<td>$ 300,000</td>
<td>$ 301,803</td>
<td>$ 1,803</td>
</tr>
<tr>
<td>Downpayment at 20% of Sale Price</td>
<td>$ 60,000</td>
<td>$ 60,361</td>
<td>$ 361</td>
</tr>
<tr>
<td>Mortgage for 80% of Sale Price</td>
<td>$ 240,000</td>
<td>$ 241,443</td>
<td>$ 1,443</td>
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<tr>
<td>Monthly Mortgage Payment</td>
<td>$ 1,289</td>
<td>$ 1,296</td>
<td>$ 7</td>
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