



## 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 an ordinance establishing the tax in Eugene. The tax will create 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 will be put into the Affordable Housing Trust Fund. This fund will provide 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 will go into the Affordable Housing Fund, which will pay 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 may be 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 will be used to supplement the

limited federal resources that support the City's existing federal affordable housing programs. Revenues will be 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 City is in the process of forming a citizen advisory committee that will advise on the use of Affordable Housing Trust Funds resources. It is anticipated that funds will be allocated to housing programs and projects starting in early 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.

The CET goes into effect July 1, 2019. For the first two years of implementation, the CET will be offset by a reduction in system development charges (SDC) equal to the amount of the CET. If the SDCs are less than the total of the CET, permit fees will be reduced to offset the total of the CET. This means, for the first two years, there will be no additional cost to development.

## 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 to households that earn no more than 80% of the median household income for a period of at least 60 years following the date of construction
- Public or private hospital improvements
- Improvements to religious facilities



primarily used for worship or education associated with worship

- Agricultural building as defined by ORS 455.315
- Long term care facilities operated by a not-for-profit corporation, as defined in ORS 442.015
- Residential care facilities operated by a not-for-profit corporation, as defined in ORS 443.400
- Continuing care retirement communities operated by a not-for-profit corporation, as defined in ORS 101.020
- Residential dwellings sold for \$250,000 or less
- Housing for low-income persons that is exempt from systems development charges (SDCs) pursuant to section 7.725c
- Projects granted a multi-unit property tax exemption (MUPT) by the city.

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?

For the first year, the CET will be 0.33% of the value of permitted work and will increase to 0.5% the following year. It is

projected to remain at 0.5% for every year thereafter.

### 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](http://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.

[www.eugene-or.gov/bps](http://www.eugene-or.gov/bps)