

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: May 11, 2022 **Approx. Start Time:** 10:30 AM **Approx. Length:** 30 Min

Presentation Title: Financial Incentives for Middle Housing

Department: Transportation and Development

Presenters: Dan Johnson, Director of DTD; Martha Fritzie, Principal Planner; and Diedre Landon, Administrative Service Manager

Other Invitees: Jennifer Hughes, Planning Director; Karen Buehrig, Long Range Planning Manager, and Lynn Longfellow, Appraisal Manager, Assessment and Taxation.

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

The intent of this policy session is to discuss the following tools that have been identified by House Bill 2001 (2019) as possible ways to increase the affordability of middle housing and get direction from the Board as to whether they are interested in pursuing any of the tools further.

- (1) Waiving or deferring Systems Development Charges (SDC)
- (2) Assessing a Construction Excise Tax (CET)
- (3) Adopting or amending criteria for Property Tax Exemptions

EXECUTIVE SUMMARY:

The Board is currently in the public hearing process to amend the County's Zoning and Development Ordinance (ZDO) to allow people to build middle housing -- duplexes, triplexes, quadplexes, cottage clusters, and townhouses -- in urban areas zoned for single-family detached housing (SFRs). Some of these development types have not previously been allowed in low-density residential zoning districts. In addition, the cottage cluster—four or more detached dwelling units with a common courtyard—is a new type of housing that is being integrated into the ZDO. Cottage cluster units are generally smaller than most SFRs (maximum first floor square footage of 900 and average max of all units in the cluster of 1400, which may include 200 square feet of attached garage).

In unincorporated Clackamas County, the middle housing requirements will apply to properties in urban zoning districts R-5, R-7, R-8.5, R-10, R-15, R-20, R-30, VR-5/7, and VR-4/5.

House Bill 2001 (2019), which required the amendments to the ZDO, also requires that local governments consider ways to increase the affordability of middle housing, specifically including considerations related to:

- (1) Waiving or deferring Systems Development Charges (SDC)
- (2) Assessing a Construction Excise Tax (CET)
- (3) Adopting or amending criteria for Property Tax Exemptions

- Attachment A outlines staff recommendations regarding the legislatively directed financial incentives related to SDCs AND a CET.

- Attachment B is Department of Land Conservation and Development guidance on compliance with the financial incentives piece of HB 2001
- Attachment C describes the residential CET
- Attachment D describes the Property Tax Exemptions

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? The cost would be dependent on the selected incentives. Further analysis would be a prerequisite to implementation and would occur after the Board provides direction on pursuing one or more of the incentives.

What is the funding source? Dependent on the selected incentive(s); General Fund reduction for the property tax incentives; Countywide System Development Charges Fund for SDC waivers/deferral; or new CET program.

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department’s Strategic Business Plan goals?
 - This policy session aligns with the Long Range Planning purpose of providing land use analysis to County decision-makers so they can plan based on a coordinated set of goals and policies that guide future development.
- How does this item align with the County’s Performance Clackamas goals?
 - Ensure Safe, Healthy and Secure Communities
 - Build a strong infrastructure

LEGAL/POLICY REQUIREMENTS:

HB 2001 requires local governments to consider ways to increase the affordability of middle housing, including specific considerations related to SDCs, property tax exemptions, and construction excise taxes.

PUBLIC/GOVERNMENTAL PARTICIPATION:

No public engagement has been conducted on these potential tools related to their use for middle housing.

Stakeholder involvement was critical to both the implementation of the recent TSDC methodology/project list and the subsequent adoption of the tiered detached residential TSDC rate structure.

OPTIONS:

1. Direct staff to take the necessary next steps for developing a draft program for any of the specific tools that the Board would like to consider for supporting the affordability of middle housing.
2. Direct staff to use existing tools, which includes tiered residential TSDC rate.

RECOMMENDATION:

Staff respectfully recommends Option 2: Direct staff to use existing tools, which includes tiered residential TSDC rate.

ATTACHMENTS:

Attachment A: Memo- Financial Incentive Considerations for Middle Housing: System Development Charges & Construction Excise Tax

Attachment B: HB 2001 Findings Guidance

Attachment C: Residential Construction Excise Tax

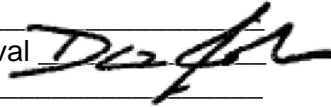
Attachment D: Memo-Financial Incentives: Adopting or amending Criteria for Property Tax Exemptions

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

A handwritten signature in black ink, appearing to be 'D. J. ...', is written over the signature lines for the Department Director/Head and County Administrator Approval.

For information on this issue or copies of attachments, please contact Karen Buehrig@ 503-742-4683

MEMO

TO: Dan Johnson, Director, Department of Transportation and Development

FROM: Karen Buehrig, Long Range Planning Manager
 Martha Fritzie, Principal Planner
 Diedre Landon, Administrative Services Manager

DATE: May 3, 2022

RE: Financial Incentive Considerations for Middle Housing: Systems Development Charges & Construction Excise Tax

As discussed in the attached Policy Session worksheet, House Bill 2001 (2019) requires the Board to consider financial incentives for the development of middle housing -- duplexes, triplexes, quadplexes, cottage clusters, and townhouses. Two of those incentives are Systems Development Charge (SDC) waivers/deferrals and assessment of a Construction Excise Tax (CET).

1. Waiving or deferring SDCs

Waiving SDCs - Local governments rely on SDCs to collect money for capital improvements on a variety of infrastructure systems, such as roads, water, sewer, storm drains and parks. With special districts providing many of these basic services in the unincorporated urban area, the only SDC that Clackamas County manages directly is the Transportation System Development Charge (TSDC).

The TSDC is a one-time fee assessed on new or expanded developments based on the number of vehicle trips a particular land use generates. The fee, paid by the applicant when the building permit is issued, covers part of the cost of building transportation capacity improvements to serve development—things like roads, sidewalks and signals that help move more traffic through the area efficiently. TSDC fees are based on the number of vehicle trips a particular land use generates.

In January 2018, the County adopted a new TSDC plan. At that time, many regional discussions were focused on tiered residential SDC rates, based on home size, as a way to provide lower rates for smaller homes, which could not be accomplished with the standard detached single family rate.

The Board of County Commissioners was also interested in the concept, but the County did not have the necessary data to decide whether actual behaviors and travel data would support a tiered residential rate. As a result, staff was asked to revisit the concept and determine whether there was a link between home size and number of transportation trips in Clackamas County.

In November 2018, the County hired a consultant to help analyze the data, and brought together a group of stakeholders to consider a tiered residential TSDC rate.

- The data supported a tiered residential TSDC rate structure for detached single-family homes, and the county adopted a three-tier rate structure for these units.
- There is little data available for smaller homes, such as accessory dwelling units. However, the group considered the smaller home size (200-900 square feet) compared to existing residential

rates, and the county adopted a two-tiered rate structure for accessory dwelling units using the ITE trip rates for Condo/Townhomes as a baseline.

- The group also discussed concerns with implementing the new program, like the implication of additions to single-family homes and the County exempted additions or detached units that are 199 square feet or smaller.

In July of 2020, the Board of County Commissioners adopted a tiered residential TSDC rate that modified the TSDC rate schedule for single family homes and accessory dwelling units, based on the size of the home.

Deferring SDCs – Currently development may be considered for deferral of the TSDC fee through an installment plan. This allows the cost to be spread out over a period of 10-years so the project can be completed before having large out of pocket expenses. There is no penalty for paying the account off early, and many developers have found this to be a beneficial program allowing the flexibility to use early funding toward other construction costs.

Clackamas County has been a leader in the region when it comes to our TSDC program, often taking the initiative to study regional data to identify connections between developments and transportation system impacts, ensuring our program reasonably captures reductions that particular developments may have on our transportation system. These studies have resulted in mixed use development, station area development and tiered residential rate structures.

Recommendation:

SDC fees are essential to funding key transportation system investments. The residents of new middle housing developments will increase the impact on the transportation system. During the Middle Housing hearing process, people identified the importance of having sidewalks and sufficient roadways for these developments. Waiving TSDC fees limits the funds available for these types of improvements.

The newest edition of the Trip Generation Manual makes reference to a new “patio home”. They have limited trip data surrounding this new use, but the studies indicate a slight reduction on the traffic impact when compared to a standard detached single family home rate. This supports our recommendation to apply the tiered structure to the cottage cluster units, reflecting the smaller unit size.

Instead of waiving TSDC fees, the County could clearly define a process to apply the appropriate rate for middle housing uses on the existing tiered TSDC rate table (duplexes, triplexes, quadplexes, townhouses and cottage clusters).

TSDC RATES FOR RESIDENTIAL USES		
Adopted TSDC Category	Rate / Dwelling Unit	Proposed Middle Housing Types
Detached Single Family Residential		
More than 3,000 square feet	\$4,886/dwelling unit	Cottage cluster unit.
1,700-3,000 square feet	\$4,622/dwelling unit	Cottage cluster unit.
1,699 Square feet or less	\$4,053/dwelling unit	Cottage cluster unit.
Condo/Townhome	\$2,828/dwelling unit	Duplex, triplex, quadplex, townhouse.

As noted above, Clackamas County has a process by which TSDC fees may be considered for deferral and paid over 10 years through an installment plan; and staff recommends continued use of this program.

Should the Board request a waiver of SDC's for certain development, such a reduction should be incorporated into a methodology update to ensure sufficient funding for needed transportation capacity improvements.

2. Assessing a CET

In 2016, the Oregon Legislature approved the use of a CET as a means to fund affordable housing ([SB-1533](#)). Assessment of a CET is not required, but is instead an optional affordable housing revenue source at the local level.

A report completed in September 2021 by Oregon Housing and Community Services identified that ten jurisdictions statewide have adopted a residential CET. One jurisdiction within Clackamas County, the City of Milwaukie, has adopted a residential CET.

Under ORS 320.195, a construction excise tax can be imposed on residential, commercial, and/or industrial construction, with certain parameters.

- Residential CET: A city or county may impose a construction excise tax set at 1% or less of the permit valuation on residential development, including both new structures and construction that results in additional square footage to an existing residential structure, including remodeling that adds living space. Attachment C "Residential Construction Excise Tax" is an overview of the Residential Construction Excise Tax Policy.
 - 50% of the funds to be used to fund developer incentives related to affordable multi-family developments;
 - 15% of the funds to be distributed to the Housing and Community Services Department to fund home ownership programs that provide down payment assistance; and
 - 35% for programs and incentives related to affordable housing as defined by the County
- Commercial CET: A city or county may also impose a CET on commercial and industrial development, including the commercial and industrial portions of a mixed-use property that results in a new structure or additional square footage. There is no cap on the rate of the tax.
 - 50% of the funds to be used to fund programs of the County related to housing; and
 - The use of the remaining funds is not prescribed by state law.

In January 2020, the Department of Health, Housing and Human Services was interested in better understanding the amount of revenue that could be generated by a CET in unincorporated Clackamas County. As a result, the Department of Transportation and Development generated such an assessment. If the BCC is interested in pursuing implementation of a CET program, staff will provide the more detailed analysis based on current development types and levels.

Recommendation:

It appears that residential CET funds could assist in the affordability of middle housing through the 15% of funds that are set-aside directly for home-ownership programs; and, possibly through the 35% for

programs and incentives related to “affordable housing”, which would need to be defined by the County.

Commercial CET funds offer more flexibility and could be used in a variety of ways, including the payment of SDC assessments (either paying the assessment in full, or reducing the rate) for certain types of developments. This would allow the County to reduce the impact of the SDC assessment for the qualifying development types, without compromising the methodology or making it more difficult to build the required infrastructure to service new development.

If the BCC is interested in pursuing adoption of a CET, DTD could work with H3S to develop a complete proposal for consideration which could also include subsidizing affordable housing and transitional shelter. Staff, however, does not recommend this option solely for the purpose of incentivizing middle housing, but instead when a program is developed, it should evaluate the full range of options for how best to invest the revenue to achieve community priorities.

Conclusion

It is difficult to know how much benefit the people purchasing or renting middle housing would receive from either an SDC reduction or a residential CET. It is possible that the developers would absorb the savings and pass these charges on to the buyer, negating any benefit from reductions through the permitting process or through down payment assistance. However, the flexibility of the commercial CET funding might allow for some type of voucher program that would ensure the savings are realized by the intended party.



House Bill 2001 Guidance – Affordability and Goal 10 Findings

Middle Housing Affordability Considerations

[House Bill 2001](#) requires local governments to consider ways to increase the affordability of middle housing, including considerations related to SDCs, property tax exemptions, and construction taxes.

Sections 3, chapter 639, Oregon Laws 2019:

(4) In adopting regulations or amending a comprehensive plan under this section, a local government shall consider ways to increase the affordability of middle housing by considering ordinances and policies that include but are not limited to:

- a) Waiving or deferring **system development charges**;*
- b) Adopting or amending criteria for **property tax exemptions** under ORS 307.515 (Definitions for ORS 307.515 to 307.523) to 307.523 (Time for filing application), 307.540 (Definitions for ORS 307.540 to 307.548) to 307.548 (Termination of exemption) or 307.651 (Definitions for ORS 307.651 to 307.687) to 307.687 (Review of denial of application) or property tax freezes under ORS 308.450 (Definitions for ORS 308.450 to 308.481) to 308.481 (Extending deadline for completion of rehabilitation project); and*
- c) Assessing a **construction tax** under ORS 320.192 (City or county ordinance or resolution to impose tax) and 320.195 (Deposit of revenues).*

Please note that this is not a requirement to adopt these measures, but to consider them and directly address them within the findings. We advise that local governments use this opportunity to consider the myriad of policies that affect middle housing development. The policies outlined within the bill are specific to the subsidization of middle housing development and affordable housing generally. We also advise the consideration of other policies that affect the feasibility and affordability of housing options, such as the provision and finance of public facilities, incentives for regulated affordable housing development, incentives for the retention or conversion of existing affordable housing supply, and incentives and barriers within the development code.

Starting these conversations will be helpful for local jurisdictions as they embark on their housing production strategy, a new planning requirement for cities above 10,000 implemented by [House Bill 2003](#) (now [ORS 197.290](#)). This document will require cities to identify and develop an implementation schedule for strategies that promote the development of housing.

Rulemaking for this new requirement included the compilation of a library of potential strategies local governments could consider as part of a housing production strategy. While this list is not exhaustive, it's a good place to start the conversation. You can access this document as an attachment on the Secretary of State webpage:

[<https://secure.sos.state.or.us/oard/view.action?ruleNumber=660-008-0050>](https://secure.sos.state.or.us/oard/view.action?ruleNumber=660-008-0050)



Goal 10 Findings

ORS 197.175(2)(a) requires cities and counties to prepare, adopt, amend and revise comprehensive plans in compliance with Oregon's statewide land use planning goals, including Goal 10. In any plan amendment or adoption of land use regulations, cities and counties must address via findings how the proposed plan amendments affect compliance with each applicable goal.

In adopting land use regulations to comply with House Bill 2001, local jurisdictions will need to consider how these regulations will affect their compliance with Goal 10, including how it affects an adopted Buildable Lands Inventory (BLI) and Housing Needs Analysis (HNA), to ensure the sufficient availability of buildable lands to accommodate needed housing types identified in the HNA.

House Bill 2001 will enable to development of housing types where they were previously prohibited, increasing the capacity of lands to accommodate identified housing need. However, local jurisdictions will still need to consider how these regulations impact capacity in greater depth. ORS 197.296(6)(b), as amended by House Bill 2001, allows jurisdictions to assume up to a three percent increase in zoned capacity, unless they demonstrate a quantifiable validation that the anticipated capacity will be greater. In developing Goal 10 findings, we recommend that local jurisdictions apply this assumption to the adopted buildable lands inventory. Additionally, we recognize that adopted inventories may be dated and the true development capacity may not be known at the time of adoption. In these cases, we recommend that jurisdictions note that they will further consider the impacts of middle housing ordinances on land capacity in the next Housing Needs Analysis, as required on a [regular schedule by House Bill 2003](#).

Residential* Construction Excise Tax

In 2016, the Oregon Legislature approved the use of a Construction Excise Tax (CET) as a means to fund affordable housing ([SB-1533](#)). The tax may not exceed one percent of the permit valuation for residential construction permits issued by a city or a county (local government). The tax may be imposed on improvements to residential real property that result in a new residential structure or additional square footage in an existing residential structure, including remodeling that adds living space. CET is not required but is instead an optional affordable housing revenue source that is decided at a local government level.

*Note: A CET for commercial and industrial construction is also optional under this legislation but there are no proceeds received by the State of Oregon through this local tax option.

- Local government agencies implementing a Residential Construction Excise Tax are instructed to utilize 4% of all proceeds for administrative fees to recoup expenses incurred from implementation of CET.
- The remaining proceeds are to be distributed by formula.
- Oregon Revised Statutes direct 15% of this formula to Oregon Housing & Community Services (OHCS) for the purposes of providing down payment assistance for homeownership programs.

Because funds are received through taxation at a local level, OHCS has determined it appropriate to return these dollars to the communities that implemented the program. Current OHCS homeownership programs in these communities are therefore augmented with additional down payment assistance dollars widening the scope and depth of eligible assistance for families pursuing the goal of homeownership.

OHCS has developed a policy to guide the utilization of these funds.

Additional Information:

[Homeownership Centers Page](#)



Oregon

Governor Kate Brown

ATTACHMENT C

Housing and Community Services

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725 Summer St NE, Suite B

Salem, OR 97301-1266

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State of Oregon

Oregon Housing & Community Services

Construction Excise Tax Policy

Revised September 3, 2021

Version 1

I. Purpose

In 2016, the Oregon legislature passed SB1533 authorizing cities and counties to implement a construction excise tax (CET) for the purpose of expanding the availability of affordable housing. Locally authorized construction excise taxes placed on residential construction are capped at one percent (1%) of the permit valuation for residential construction permits issued by the city or county. Receipts are to be distributed on a formula basis (ORS 320.195) after any refunds are paid and the deduction of four percent (4%) administrative fees have been taken by the local jurisdiction implementing the tax. Per ORS 320.195 Section 3, Subsection (b), a total of fifteen percent (15%) of the residential CET receipts are to be distributed to Oregon Housing and Community Services (OHCS) to fund homeownership programs that provide down payment assistance. This CET Policy is being implemented to provide guidance on how OHCS will execute its responsibilities as associated with the construction excise tax legislation.

II. Policies & Procedures

1. Overview

The construction excise tax is a local jurisdiction tax that each Oregon community may choose to implement. Tax jurisdiction is based upon construction permit responsibilities. CET may be implemented individually or in coordinated with other tools, such as with inclusionary zoning, to provide important affordable housing opportunities on a local level. Only receipts from residential construction are to be distributed to OHCS for homeownership programs providing down payment assistance. Receipts from commercial and industrial CET policies are to remain at the local level and distributed as required in ORS 320.195 (4). Therefore, collections at the local level should assure proper separation if both a residential and a commercial or industrial construction excise tax is implemented.

2. OHCS Collection Process

CET is authorized throughout Oregon but is not required. Therefore, OHCS must rely on local jurisdictions to self-report and pay residential CET distributions to OHCS as required by law. To educate local governments about their requirements under this law, OHCS will market the homeownership down payment assistance program benefits in coordination with local responsibilities associated with residential CET program receipts. This will be done electronically where possible (through website or e-mail) but also may be done in other ways as determined appropriate by OHCS. OHCS will track local jurisdictions that implement residential CET policies and target these communities from time to time in an effort to remind them of the benefits and requirements associated with the OHCS role in this program.

Local Government Payments

By statute, a city or county that imposes a construction excise tax is to deposit these receipts in their general fund as soon as practical after the end of each fiscal quarter. From the residential portion of the CET, fifteen percent (15%) of these funds are to be distributed to OHCS to fund homeownership programs providing down payment assistance. To assure fulfillment of the OHCS role and to provide guidance to the OHCS homeownership partners, Oregon Housing & Community Services will anticipate regular deposits from participating jurisdictions consistent with statute. Authorized uses of CET receipts are prescribed in ORS 320.195. OHCS plays a limited but important role as related to enhancing homeownership opportunities. To fulfill that role, OHCS relies on local government to submit receipts accurately and consistently.

3. Community Receipt Tracking & Targeting

Because CET receipts are limited to the communities that have established a residential construction excise tax, OHCS has determined that homeownership benefit distribution should reflect receipts as much as possible. To that end, OHCS has committed to tracking CET receipts on a local level and re-distributing this amount to partners servicing these communities on a like basis. At such time that three or more jurisdictions within a county adopt a residential CET, OHCS will combine funds and award distributions on a county level to partners covering that geography as awarded through existing Down Payment Assistance (DPA) solicitation.

4. Homeownership Network

OHCS will utilize its current homeownership partner network of providers for CET distribution. Local providers will be responsible to track CET funding separately from other funding sources (including other OHCS funding) for legislative and outcome-based tracking purposes. OHCS will generally use current service providers within the current OHCS homeownership partner network. However, OHCS reserves the right to use providers that are not within their current homeownership network provided the CET distributions can be targeted to the CET jurisdiction by the provider (i.e., the provider can service the CET community).

5. No Administration Fees

Legislation authorizing the construction excise tax provided administrative funding for the collection jurisdiction only. OHCS and its homeownership partner network were not authorized administrative fees for distribution services within the statute which may result in limited participation by current network providers. In the event that current providers are unable or unwilling to use CET funding due to this lack of administrative offset, OHCS may utilize providers that will provide services to the CET jurisdiction. OHCS reserves the right to provide administrative funding for its homeownership distribution partners should any come available.

6. CET - Homeownership Down Payment Assistance Requirements

CET homeownership down payment assistance may be used independently or in conjunction with other down payment assistance homeownership funding. CET eligibility is restricted to low-income families (below 100% of the area median income for the county in which the housing is located) purchasing a home within the construction jurisdiction of the CET generation entity. CET is limited to down payment assistance. Program rules will align with OHCS' HOAP program as much as possible (contact OHCS Homeownership Staff for additional information). CET funds received from a County jurisdiction and a City in the same County jurisdiction can be layered as two funding sources at the maximum HOAP per household amount to one household, (i.e., maximum \$15,000 HOAP per household, City CET and County CET total allowed \$30,000 per household)

7. OHCS Homeownership Partner Distribution

Upon receipt of funds from a local CET participatory governing agency OHCS will align distribution with established solicitation partners. OHCS will align distribution networks with HOAP DPA grant agreement whenever possible.

III. Reporting

OHCS will require homeownership distribution partners to report CET fund uses consistent with HOAP DPA. Reporting information may include, but is not limited to the following information:

Down Payment Assistance Program Update:

- Summary of Program Status
- Challenges
- Program Changes
- Data Element Spreadsheet

Work Plan / Timeline Status

- Provide a narrative of work plan status to date, include accomplishments and setbacks

Outcomes

- Successes
- Measurable benefits Status
- Outreach Activities

Additional Information about your Down Payment Assistance Program

Residential Construction Excise Tax – Participating Communities

<u>Name of City/County</u>	<u>Date Residential CET Passed</u>
1. City of Portland	6/29/2016
2. City of Corvallis	11/7/2016
3. City of Cannon Beach	6/6/2017
4. County of Hood River	6/19/2017
5. City of Hood River	7/24/2017
6. City of Newport	8/7/2017
7. City of Milwaukie	11/21/2017
8. City of Medford	2/15/2018
9. City of Bend*	2006
*CET established under previous legislative authority and not subject to the provisions of SB-1533	
10. City of Eugene	5/1/2019

For additional information on local Construction Excise Tax policy ([link](#)).

Source – Neighborhood Partnerships-Oregon Housing Alliance

MEMO

TO: Dan Johnson, Director, Department of Transportation and Development

FROM: Lynn Longfellow, Appraisal Manager, Assessment & Taxation

DATE: May 2, 2022

RE: Financial Incentive Considerations for Middle Housing: Adopting or amending Criteria for Property Tax Exemptions

As requested, to assist the Board in determining if they want to consider a resolution for one of the financial incentives listed in HB 2001 under "Property Tax Exemptions" I have provided a brief description of the Exemption Statutes: ORS 307.515 to 307.523, 307.540 to 307.548 or 307.651 to 307.687 and the property tax freeze under ORS 308.450 to 308.481.

ORS 307.515 to 307.523

Requirements: Resolution adopted by the Governing Body: City or County
 Taxing Districts making up 51% of the rate must opt in
 Owner of property must meet certain criteria
 Governing body may adopt additional criteria for exemption
 Governing body to implement regulatory and enforcement provisions.

Purpose: To provide exemption for new construction/rehabilitation that provides Low Income Housing (LIH) for *tenants* with income of 60% or less of median income. (Cannot be owner occupied.) Also provides exemption for land that is being held for future development of LIH.

Application Process: Submitted to governing body with description of the new construction. Construction cannot begin until application is approved and must be completed within 2 years. Governing body certifies continued qualification to the Assessor.

Application Fee: Application Fee is submitted by applicant for the administration of the exemption. Fee is forwarded in part to the Assessor for administration of the exemption.

Exemption Period: 20 year exemption

Current Status in County: None - The Assessor's office has no knowledge of any governing body within the County that has adopted this resolution.

Cost to Administer: Unknown

ORS 307.540 to 307.548

Requirements: Resolution adopted by the Governing Body: City or County
 Taxing Districts making up 51% of the rate must opt in
 Governing body may adopt additional criteria for exemption
 Owner must be a non-profit corporation or partnership pursuant to IRC 501(c)(3) or (4)

Tenants must be at or below 60% of median income the first year and no more than 80% in subsequent years.

Purpose: To provide exemption for existing, new and rehabilitated property owned by a non-profit corporation/partnership that provides Low Income Housing (LIH) for *tenants* with income of 60% or less of median income in their first year of occupancy and 80% thereafter. (Cannot be owner occupied.) Also provides exemption for land that is being held for future development of LIH.

Application Process: Annual application submitted to governing body with description of project and prospective tenants. Governing body certifies continued compliance to the Assessor.

Application Fee: None

Exemption Period: Year to year with approved application/certification. No limit on years.

Current Status in County: Two cities have adopted Resolutions for this program. They provide annual certifications to the Assessor.

City of Wilsonville:

Passed their first resolution April 6, 2004.

Currently there are 5 multi-family complexes ranging in size from 30 to 144 units with a total exempt assessed value of \$17,855,520 for the 2021-22 tax year.

City of Milwaukie

Passed resolution March 3, 2020

Currently there is one complex with 28 units with an exempt assessed value of \$3,175,268 for the 2021-22 tax year.

Cost to Administer: Because application is made to the governing body who then certifies to the Assessor, the administration cost of these exemptions is relatively low. **However**, if the County should adopt such a resolution and the annual application/certification be assigned to the Assessor's office, the cost could increase dramatically due to the need to ensure compliance and oversight.

ORS 307.651 to 307.687

Requirements: Resolution adopted by the Governing Body: City

This statute defines governing body as a "City" thus does not apply to the County.

Purpose: So that cities can establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing for homeownership by low and moderate income families by means of a limited property tax exemption.

Current Status in County: None - The Assessor's office has no knowledge of any governing body within the County that has adopted this resolution.

Cost to Administer: Unknown

ORS 308.450 to 308.481

Requirements: Resolution adopted by the Governing Body: City or County

Governing body to define boundary of “distressed area”

The “distressed area” not to cover an area greater than 20% of total area of jurisdiction

The “distressed area” must include improvements that are at least 25 years old and fail to comply with one or more building code requirements at time of application.

Purpose: To encourage the rehabilitation of existing units (either single family dwellings or multi-family) in substandard condition and the conversion of transient accommodation to permanent residential units and the conversion of nonresidential structures to permanent residential units in order to make these units sound additions to the housing stock of the state.

Application Process: Submitted to governing body with annual statements of compliance and progress of rehabilitation. Submit proof that improvements are not meeting current building code standards at time of application and then proof that all rehabilitation was done with permits and meets current code.

Application Fee: Governing body to establish an application fee to cover the administrative costs by the governing body and the Assessor.

Assessment limitations: This is a freeze on assessed value that remains for 10 years from time of application.

Current Status in County: None - the Assessor’s office has no knowledge of any governing body within the County that has adopted this resolution.

Cost to Administer: Unknown **However**, if the County should adopt a resolution under this statute the administrative costs will be substantial due to the annual filing and compliance oversight requirements and would need to include involvement by DTD, Building Codes as well as the Assessor’s office.

Conclusion: The role of the Assessor’s office is to administer the exemption statutes – we strive to remain neutral on policy issues. This is a *very general overview* of the financial incentive programs under consideration. These programs are very complex and without additional research we do not have adequate information to fully address all the benefits/impacts (both known and unforeseen) since the County is not currently the “Governing Body” on any of the above programs. If the Board would like more information on any of the options under consideration, we are happy to gather more information to assist the Board in making an informed decision.

Written testimony received by County Administration as of 05/10/2022

**Dear Honorable Chair Smith; Vice Chair Schrader; Commissioners Savas, Fischer, and Shull;
Administrator Schmidt:**

Date: 5/10/22

Re: Financial Incentives for Middle Housing

**I very much Oppose the County enacting a Construction Tax on the building of new housing.
I also oppose Property Tax exemptions. System Development Fee reductions also must be
treated with diligence, so as to not burden existing residents.**

Construction Tax. Here are the problems with the concept of taxing new housing:

First, taxing housing, which is much needed overall, will likely result in **less of it being built.**

Second, **a chunk of these construction tax program dollars will go back to a state
bureaucracy**, which the government class ends up getting a share for its own financial interest.
(This is what I recall from the City of Milwaukie's documentation regarding its construction tax
imposed on new housing and construction exceeding \$100,000).

Third, this construction tax is really about redistributing income, whereby the Government and
elected officials and staff get to play a version of "Robin Hood."

Fourth, since Milwaukie enacted its construction tax, **the cost of housing has accelerated
higher than in the years just before its enactment.**

Property Tax Exemptions. These exemptions come at the near- and medium-term cost of
existing residents, as they take money away from City and County general funds, or at least
partially so - as to not fully cover the cost share of the new arrivals occupying the new housing.

System Development Fee Reductions. Here again if additional people and their automobiles
arrive in the County they can become a burden on the existing County residents if they do not
also pay their commensurate share of their system costs. This to some degree depends on the
circumstances of the new housing. For instance, on neighborhood streets with poor roads and
lack of sidewalks, the County ends up forgoing system development funds and becomes
lacking of the funds necessary to invest in better roads and sidewalks, leaving existing
residents in an even worse off position as to immediate neighborhood livability.

Sincerely,

Elvis Clark

Milwaukie, Oregon 97222