



City of Oregon City

625 Center Street
Oregon City, OR 97045
503-657-0891

Staff Report

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Status: Agenda Ready

To: City Commission

Agenda #: 17a.

From:

File Type: Report

SUBJECT:

Construction Excise Tax (Goal 3)

RECOMMENDED ACTION (Motion):

Staff will provide an overview of the construction excise tax and request that the City Commission review and discuss the proposed goal.

BACKGROUND:

Goal 3: Enhance the Livability of the Community Affordable Housing

** Review the potential implementation of an affordable housing construction excise tax and how any revenues could be distributed and invested into programs and projects to reduce housing costs and provide affordable housing opportunities.*

Senate Bill 1533 enabled jurisdictions to impose a construction excise tax (CET) on residential, commercial, and/or industrial construction, with certain parameter for affordable housing.

- Residential Construction: Local jurisdictions may levy a tax of up to 1% of the permit value on residential construction including both new structures and construction that results in additional square footage to an existing residential structure. The revenue is required to be allocated toward: 50% Incentives for developers to create affordable housing 35% Affordable housing programs 15% Oregon Housing and Community Services to be used for programs providing down payment assistance
- Commercial and Industrial: Local jurisdictions may levy a limitless tax on the permit value of 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. At least half of revenues must go toward the jurisdiction's housing-related programs.

Revenue from implementation of a CET could be distributed and invested into programs and projects to reduce housing costs and provide affordable housing opportunities, such as those identified by the Planning Commission in their policy advisory letter. The City Commission held work sessions discussing CET on May 16, 2018 and June 6, 2018. Implementation of the goal includes continuing to learn more about the ways in which other jurisdictions have used CET funding and the efficiencies of those investments before providing further direction.

