



Eugene City Council

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EUGENE CITY COUNCIL AGENDA

April 17, 2023

5:30 p.m. CITY COUNCIL PUBLIC HEARING

City Council meetings will continue to be held in hybrid format using in person and virtual meeting technology. Information about online or other options for access and participation will be available at <https://www.eugene-or.gov/3360/Webcasts-and-Meeting-Materials>

Meeting of April 17, 2023; Her Honor Mayor Lucy Vinis Presiding

Councilors

Randy Groves, President
Alan Zelenka
Greg Evans
Emily Semple

Matt Keating, Vice President
Jennifer Yeh
Mike Clark
Lyndsie Leech

5:30 p.m. CITY COUNCIL PUBLIC HEARING

1. PUBLIC HEARING: An Ordinance Concerning Construction Excise Tax Exemptions and Amending Section 3.734 of the Eugene Code, 1971

The Eugene City Council welcomes your interest in these agenda items. This meeting location is wheelchair-accessible. For the hearing impaired, an interpreter can be provided with 48 hours' notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hours' notice. To arrange for these services, contact the receptionist at 541-682-5010. City Council meetings are telecast live on Metro Television, Comcast channel 21, and rebroadcast later in the week.

El consejo de la Ciudad de Eugene agradece su interés en estos asuntos de la agenda. El lugar de la reunión tiene acceso para sillas de ruedas. Se puede proveer a un intérprete para las personas con discapacidad auditiva si avisa con 48 horas de anticipación. También se puede proveer interpretación para español si avisa con 48 horas de anticipación. Para reservar estos servicios llame al 541-682-5010. Las reuniones del consejo de la ciudad se transmiten en vivo por Metro Television, Canal 21 de Comcast y son retransmitidas durante la semana.

For more information, contact the Council Coordinator at 541-682-5010,
or visit us online at www.eugene-or.gov.

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Public Hearing: An Ordinance Concerning Construction Excise Tax Exemptions and Amending Section 3.734 of the Eugene Code, 1971

Meeting Date: April 17, 2023
Department: Planning and Development Department
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Laura Hammond
Contact Telephone Number: 541-682-5502

ISSUE STATEMENT

Eugene's Construction Excise Tax provides a dedicated source of funding for Affordable Housing. HB 2607 passed by the State legislature in 2021 added an exemption that Eugene is required to include in its code related to residential re-builds after a wildfire or other natural disaster. In addition, potential modifications to the Construction Excise Tax exemptions could improve the Construction Excise Tax's ability to support Affordable Housing and homelessness facilities. This public hearing is on amendments to section 3.734 of Eugene Code that would update Construction Excise Tax exemptions to comply with state law and align with the intent of the original ordinance. (See Attachment A for the draft ordinance.)

BACKGROUND

In 2016, the State of Oregon passed SB 1533, which enabled local jurisdictions to adopt a Construction Excise Tax to support the development of Affordable Housing. State law allows up to a 1% tax for residential construction projects; no limit is set for commercial construction. Jurisdictions that adopt the Construction Excise Tax are required to exempt specified categories of construction projects and can expand such exemptions.

On April 8, 2019, City Council passed [Ordinance No. 20609](#) establishing a local Construction Excise Tax to provide a dedicated source of funding for Affordable Housing in Eugene. Funds generated by the Construction Excise Tax go into the City's Affordable Housing Trust Fund. The Construction Excise Tax collects 0.5% of the value of permitted work on new residential and commercial buildings, additions, and alterations. Specifically, it applies to all improvements that result in a new structure, additional square footage to an existing structure, or addition of living space to an existing structure. The Affordable Housing Trust Fund supports local housing related programs, incentives and services for households earning 100% of area median income and below. See Attachment B for the Affordable Housing Trust Fund informational flyer.

Construction Excise Tax Exemptions

As required by State law, Eugene's code identifies exemptions for the Construction Excise Tax that do not require payment of the tax including educational, religious, or public improvements, and for certain non-profit owned facilities. Eugene's code also includes an exemption for projects

granted a multi-unit property tax exemption as the program requires a moderate-income housing contribution (either units as part of the project or payment of a fee).

In addition to incorporating new exemptions required by the State legislature as part of [HB 2607](#) related to residential re-builds after a wildfire or other natural disaster, Ordinance No. 20609 ([EC 3.743](#)) could be modified with three specific updates to the Construction Excise Tax exemptions to improve the Construction Excise Tax's ability to support Affordable Housing and homelessness facilities. The proposed changes would adjust the following sections:

- *Affordability Period (draft ordinance section C):* Reduce the required affordability period from 60 years to 20 years, which aligns with the affordability periods for funds the City awards, including the HOME program, Low Income Rental Housing Property Tax Exemptions and Affordable Housing Trust Fund. Currently, this exemption only applies to certain Affordable Housing projects that have been awarded limited, competitive state funds. Under current code, Affordable Housing developments that receive local subsidies only (such as HOME funds, Low Income Rental Housing Property Tax Exemptions, and Affordable Housing Trust Fund) that have 20-year periods of affordability, would not meet this exemption and must pay the Construction Excise Tax.
- *System Development Charge Exemptions (draft ordinance section I):* Change the wording to include housing that is eligible for Systems Development Charge exemptions for low-income housing, which would include rental housing for households earning no more than 60% area median income and homeownership housing for households earning no more than 80% AMI. Systems Development Charge exemptions are capped each year and often have more eligible projects applying for the exemption than the City has exemptions to award. Not every eligible Affordable Housing project receives an exemption, so under the existing Code language those Affordable Housing projects that are eligible for but not awarded a Systems Development Charge exemption must pay the Construction Excise Tax.
- *Exempt Facilities (draft ordinance section G):* Add to the list of exempt facilities that are operated by a not-for-profit corporation to include facilities for people experiencing homelessness, including transitional housing and shelters. Without this change, newly created shelter facilities serving people experiencing homelessness must pay the Construction Excise Tax.

The development of Affordable Housing and shelter facilities face significant financial challenges. The proposed updates would provide clarity about the City's assistance to support these types of projects.

RELATED CITY POLICIES

Housing Implementation Pipeline - In January 2022, Council approved the Housing Implementation Pipeline. The Housing Implementation Pipeline estimated the Affordable Housing Trust Fund (funded by the collection of Construction Excise Tax) could support the creation of approximately 320 income-qualified units including 220 rental units and 100 homeownership units for low- and moderate-income households that would be occupied during the 5-year Housing Implementation Pipeline period. To date, \$1.3 million from Affordable Housing Trust

Fund has leveraged more than \$14 million to support the creation of 80 new affordable homes in Eugene.

PREVIOUS COUNCIL DIRECTION

[April 8, 2019 Meeting](#)

Council approved the Construction Excise Tax ordinance with the following motion:

Move to adopt an ordinance concerning the imposition of a construction excise tax on commercial and residential improvements consistent with the City Manager's recommendation of December 2018 (Motion passed 5:3).

COUNCIL OPTIONS

This is a public hearing only and no action is required at this time. Deliberation and action are scheduled for Monday, April 24, 2023.

ATTACHMENTS

- A. Proposed Ordinance amending Sections 3.734 of the Eugene Code
- B. Affordable Housing Trust Fund Fact Informational Flyer

FOR MORE INFORMATION

Staff Contact: Laura Hammond
Telephone: 541-682-5502
Staff E-Mail: LHammond@eugene-or.gov

ORDINANCE NO. _____

**AN ORDINANCE CONCERNING CONSTRUCTION EXCISE TAX EXEMPTIONS
AND AMENDING SECTION 3.734 OF THE EUGENE CODE, 1971.**

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. Section 3.734 of the Eugene Code, 1971, is amended to provide as follows:

3.734 Construction Excise Tax - Exemptions.

- (1) The construction excise tax shall not apply to any of the following improvements:
- (a) Private school improvements;
 - (b) Public improvements as defined in ORS 279A.010;
 - (c) Residential housing that is guaranteed to be affordable, under guidelines established by the United States Department of Housing and Urban Development, to households that earn no more than 80 percent of the median household income for the city of Eugene, for a period of at least ~~60~~ **20** years following the date of construction of the residential housing;
 - (d) Public or private hospital improvements;
 - (e) Improvements to religious facilities primarily used for worship or education associated with worship;
 - (f) Agricultural buildings, as defined in ORS 455.315(2)(a);
 - (g) Facilities that are operated by a not-for-profit corporation and that are:
 - 1. Long term care facilities, as defined in ORS 442.015;
 - 2. Residential care facilities, as defined in ORS 443.400; ~~or~~
 - 3. Continuing care retirement communities, as defined in ORS 101.020; **or**
 - 4. ***Facilities for people experiencing homelessness, including but not limited to transitional housing and shelters.***
 - (h) Residential dwellings sold for \$250,000 or less;
 - (i) Housing for low-income persons that is exempt, ***or is eligible to be exempt***, from systems development charges pursuant to section 7.725(2) of this code; ~~and~~,
 - (j) Projects granted a multi-unit property tax exemption (MUPTE) by the city; ***and***
 - (k) ***Residential housing being constructed on a lot or parcel of land to replace residential housing on the lot or parcel of land that was destroyed or damaged by wildfire or another event or circumstance that is the basis for a state of emergency declared under ORS 401.165 or 401.309 or for the exercise of authority under ORS 476.510 to 476.610.***
- (2) Any person seeking an exemption may be required to demonstrate that the improvements are eligible for an exemption and to establish all facts necessary to support the exemption.

Section 2. The City Recorder, at the request of, or with the consent of the City Attorney, is authorized to administratively correct any reference errors contained herein, or in other provisions of the Eugene Code, 1971, to the provisions added, amended or repealed herein.

Passed by the City Council this

_____ day of _____, 2023.

City Recorder

Approved by the Mayor this

_____ day of _____, 2023.

Mayor



City of Eugene Affordable Housing Trust Fund (AHTF)

Fact Sheet

Investing in Affordable Housing

A dedicated source of funding for affordable housing in Eugene

Eugene's AHTF pays for projects and programs that increase availability and access to owner and renter occupied housing that is affordable to middle- and low-income community members.

The AHTF is funded by a local Construction Excise Tax (CET). The Eugene City Council passed [Ordinance No. 20609](#) establishing the CET for affordable housing in 2019. The CET collects 0.5% on the construction of new structures and additions to existing structures in Eugene.

The Ordinance also created a community member advisory committee to advise City staff on the use of the AHTF.

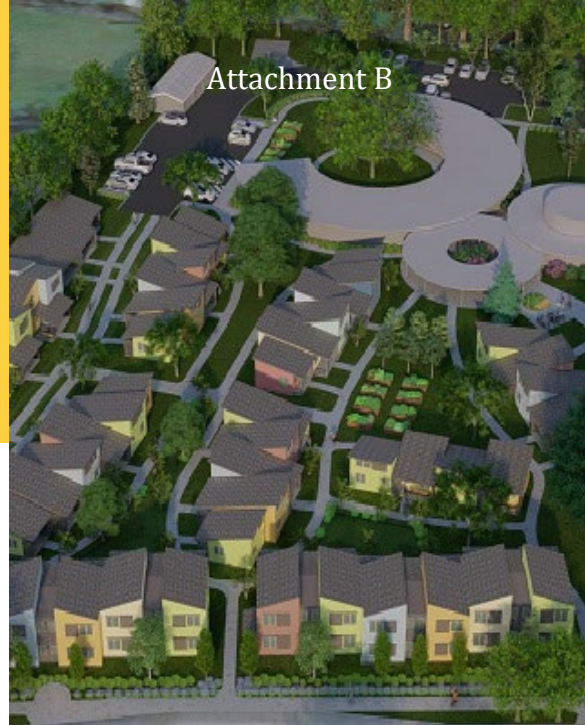
CET revenue changes from year to year based on demand for construction. The City Council also makes annual general fund contributions to the AHTF.

	CET	Council General Fund	Total AHTF
FY21	\$300,000	\$500,000	\$800,000
FY22	\$1,140,000	\$500,000	\$1,640,000

Most of the AHTF (75%) goes toward housing development; 25% goes toward direct assistance to renters and homeowners to help increase access to housing.

AHTF Highlights 2020 – 2022

- **\$1.3 million from AHTF will leverage more than \$14 million to support new affordable housing in Eugene**
- **Supporting creation of 70 new owner-occupied tiny homes and 10 supportive units for Veterans exiting homelessness**
- **Kept over 100 local families and individuals in their homes in the wake of the pandemic with rental assistance and foreclosure prevention funds**



AHTF Funded Projects

- **Peace Village – 70 owner-occupied tiny homes**
- **Green Lane Veteran's Housing – 10 transitional units and services for homeless Veterans**
- **Rental assistance – 93 households assisted**
- **Foreclosure prevention – 13 households (33 people) assisted to avoid foreclosure and keep housing**
- **Homeownership assistance – starting in 2022, down payment assistance affirmatively marketed to Black, Indigenous and People of Color**
- **Rental access/support – starting in 2022, supporting tenant hotline and rental housing navigation services**