

TAX: Builders are concerned about impact

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for long-term rental, Council acknowledges that workforce and middle-income residents are being priced out of the market.

State regulations limit the CET on residential building permits to no more than one percent of the value. There is no cap on the percentage that can be charged on commercial construction.

At this point in time, staff has created draft language for a suggested CET ordinance, based on what has been done in other cities. No decision has been made.

City Manager Brant Kucera assured citizens in Council chambers last week that there is "no done deal."

"The one percent tax amount was put into the 2018-19 City budget strictly for planning purposes," explained Mayor Chuck Ryan.

This concept began being discussed when Chris Frye was mayor.

City Attorney Alan Dale explained the state regulations regarding a CET. For a residential CET, four percent

of the money can go to the City for administration of the program. Voluntary builder incentives can account for 50 percent of the funds with 35 percent aiding City programs for affordable housing. Fifteen percent has to go to the state for housing and community services.

The commercial CET funds have the same four percent for City administration. Fifty percent can fund City programs for affordable housing like system development charge waivers. The remaining money can be used for programs assisting purchasers who make up to 120 percent of the county AMI, allowing help for middle-income workers.

After meeting with City Manager Brant Kucera and Community Development Director Patrick Davenport on June 1, Karna Gustafson of the Central Oregon Builders Association sent a letter to the City Council in which she asserted the City had not used "an inclusive collaborative effort and discussions with the building industry to make sure all impacts, viewpoints, potential unintended consequences" of the CET were considered. COBA also notified area builders about the CET without adequate

information.

The City's intention for the June 1 meeting was simply to inform COBA that the City was beginning to investigate the possibility of instituting a CET to help address the problem of affordable housing. Gustafson appeared to assume that the CET was a "done deal."

Mayor Chuck Ryan took exception to the letter, stating that "we will have a plan" for how the CET would be used, in answer to Gustafson's assertion that the City had proceeded with a draft ordinance with no plan for how the money would be used and what programs would be created.

When plans are formulated, the City intends to meet with the building community to discuss exactly what would be done with funds raised by a CET.

Local builder Curt Kallberg told Council he makes a five percent profit on his houses. Having to pay a 1 percent CET would mean he would lose 20 percent of his profit.

"If we go out of business, you are hurting the people

who work for us, the very people you are trying to help," Kallberg said.

Council President Nancy Connolly likes the idea that a commercial CET can invest in workforce housing for those who earn too little to pay market rate for housing but too much to qualify for subsidized housing.

Councilor David Asson expressed concern about the COBA letter. He said, "Affordable housing is important, but one percent CET is too high for both residential and commercial construction." He believes there could be unintended consequences. He would like to "delay the whole process." His suggestion was to spend more money on economic development.

Council reached consensus that they would like staff to

do more research on the subject. They agreed that money is needed to help with local housing issues but they are not locked into a 1 percent tax on all construction.

They agreed to talk with the key organizations that would be affected by the CET and plan to do another workshop.

Connolly asked if the CET could be phased in over a period of time. Attorney Dale said that could probably be done; he will investigate.

Eight other Oregon communities have already adopted a CET, and Bend has a special excise tax in place.

Kucera thanked the Council for addressing "critical stuff that needs to have action taken and not kicking it down the road. We appreciate you taking action."



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