

June 29, 2016

VIA EMAIL AND HAND DELIVERYPortland City Council Members
Council Clerk Karla Moore-Love
1221 SW 4th Avenue, Room 130
Portland, OR 97204Dana L. Krawczuk
DKrawczuk@perkinscoie.com
D. +1.503.727.2036
F. +1.503.346.2036**RE: CET Ordinance, Item 771**

Dear City Council Members:

This office represents Killian Pacific¹ (“Killian”), the owner and developer of several projects across Portland. Joining Killian in the concerns expressed in this letter are Cairn Pacific, Holland Partners, Green Light LLC,² Mill Creek Residential Trust, and Capstone Partners, collectively the owners and developers of many acres in the City (referred to herein as the “Coalition”). The Coalition recently learned that the City plans to adopt an Ordinance amending Chapters 6.08 and 5.04.530 to the City Code (“Code”), which establishes a Construction Excise Tax (“CET”) on residential and commercial construction (the “Ordinance”). The Coalition is actively in the development review process for many projects, and whether the CET applies to these projects is a significant issue for the Coalition because of the financial impact on projects; particularly those that have received financing based upon the pre-CET regulations.

The Ordinance is scheduled as Item 771 on the City Council’s June 29, 2016 Agenda. The Coalition submits the following comments and asks that these be added to the record for this proceeding.

Section 2 of the Ordinance states in full:

“The amendments to Chapter 6.08 and 5.04 shall be effective on and after August 1, 2016. The tax imposed under Chapter 6.08 shall apply to building permit applications submitted to the Bureau of Development Services on an after August 1, 2016.”

Based on a plain language reading of the Ordinance, the Coalition understands Section 2 to mean that any building permit application submitted to the Bureau of Development Services (“BDS”) on or before July 31 will not be subject the CET. Considering the express and unambiguous language of the Ordinance, the City’s current practice, the City Code and Oregon State law, the City is not allowed to apply the CET to a building permit application that is submitted prior to August 1, 2016, but is not given substantive review or issued until after August 1, 2016.

¹ Killian’s entities 120 SE Clay LLC, Belmont 44, LLC and Belmont 28, LLC own its projects currently in the permitting process and join in the comments in this letter.

² Greenlight’s entities Hoyt20 LLC, Belmont 44 LLC, Belmont 28 LLC, SE 6th Avenue Partners LLC own its projects currently in the permitting process, and join in the comments in this letter.

City Council Members
June 29, 2016
Page 2

Killian understands that a building permit is deemed “submitted” according to BDS’s usual course of business when all of the required items for that building permit type are filed with BDS and the permit intake fees are paid. This typically occurs in person at the permit counter. At the time an application is deemed “submitted” BDS has not conducted any review of the substance of the application, but has conducted an intake review at the counter and collected intake fees. BDS’s review of the substance of the application, including a Plan Examination Checklist process, occurs after submission of the application. The Coalition understand that certain fees, including school construction excise taxes and system development charges are calculated and paid at the time a permit is issued, but that the taxes and fees that apply and the rate of each are determined based on the date of “submission” of the application. The Coalition understands that the applicability of the CET will be consistent with the City’s current practice regarding these fees and taxes and will be applicable only to permits that are submitted on or after August 1, 2016. For example, if a building permit was submitted to the BDS intake counter with all necessary items and correct intake fees on July 15, 2016, but was not issued until August 30, 2016, the CET would not apply to that building permit.

Application of the CET to building permits based on their submission date is consistent with the City’s requirements for regulations applicable to building permits found in Code Section 33.700.080 and with the intent and language of Oregon State Senate Bill 1533, which authorizes the City to adopt the CET Ordinance.

The Coalition’s members have projects in various stages of review with the City. The timing of the new CET is crucial for these developers to properly plan for and notify their investors regarding increased costs. The Coalition appreciates the City’s attention to this important matter.

Sincerely,



Dana L. Krawczuk

DLK:rsr

cc: Lauren Jones (via email)
Noel Johnson (via email)
Adam Tyler (via email)
Mark Desbrow (via email)
Tom DiChiara (via email)
Dennis Allen (via email)
Samuel Rodriguez (via email)
Ben Walters (via email)
Shannon Callahan (via email)

Moore-Love, Karla

From: Benjamin Kerensa <bkerensa@gmail.com>
Sent: Tuesday, June 28, 2016 9:35 PM
To: Council Clerk – Testimony
Subject: Testimony on Agenda Item 771 (Establish a Construction Excise Tax to fund affordable housing initiatives)

Hello City Council,

I'm a renter, affordable housing advocate and board member of one of Portland's neighborhood associations today I write you with my concern regarding this agenda item. I'm concerned that adding new tax burden to property owners will raise renters even further and there is already upward momentum without the help of a new tax on properties.

While we do need more affordable housing I think funding should be found through alternative mechanisms including fees assessed on developers and perhaps increased code enforcement fines.

If we were not in a housing crisis already I could support a new tax like this but considering the already untenable position renters are in this really could on its own push hundreds of more renters out of the city.

--
Benjamin Kerensa

HOUSING TESTIMONY

Agenda Item 698

3:00 TIME CERTAIN

CONSTRUCTION EXCISE TAX

IF YOU WISH TO SPEAK TO CITY COUNCIL, PRINT YOUR NAME, ADDRESS, AND EMAIL.

NAME (PRINT)	ADDRESS AND ZIP CODE (Optional)	Email (Optional)
✓ Felisa Hagins - SEIU		
✓ Ruth Adkins Jerome Brooks - Oregon		
✓ Anny Anny Chiao-Yun - IRCO		
✓ Tara Prince - Cully / oakleaf		
✓ Julie Massa - CASA of Oregon		
✓ John Schauer - oakleaf	Rhonda Polk	
✓ Brennen Meinke - MACG Meinke	5210 NE 22nd Ave PDX 97211	
✓ Brian Park - MACG	4231 SE 30th Ave PDX 97202	
Brian Logan - MACG		
✓ Kelly Ross		
✓ Nick Savvie	ROSE CDC 5215 SE Duke 97206	

CONSTRUCTION EXCISE TAX

IF YOU WISH TO SPEAK TO CITY COUNCIL, **PRINT** YOUR NAME, ADDRESS, AND EMAIL.

NAME (PRINT)	ADDRESS AND ZIP CODE (Optional)	Email (Optional)
DAVID DECK	112 NE 45th Portland 97213	DAVID DECK AFD@YMAIL.COM
Jerome Brooks	919 NE 19th Ave Ste A Portland, OR 97232	jerome@OregonON.org
✓ Lightning Watchdog PDX	—	—
Missy Baxter	Tigard, OR 97223	missybaxter4@gmail.com
✓ Bev Logan	328 SW Hamilton St, PDX 97239	bevloganpdx@gmail.com
SAM RODRIGUEZ	280 NW 2ND AVE SUITE 900	
Sarah Farmer	1500 SE Ash St. Portland, OR 97214	SarahFarmer18@gmail.com
✓ Marion Haynes		
✓ Emerald Bogue		
Bev Logan	328 SW Hamilton St PDX 97239	

June 16, 2016

Members of the Council,

Thank you for the opportunity to speak here today. My name is Brennan Meinke. I'm Co-Chair of the Affordable Housing Research Action Team with Metropolitan Alliance for Common Good. MACG is made up of more than two dozen labor, faith, non-profit, and health equity institutions that work together to bring about change in our community.

MACG members and leaders—will you please stand now?

Our members hail from all across Portland. They are as diverse as our city, but the one thing we've heard again and again, cutting across geographic and social boundaries, is that the cost of housing in Portland is too high. You know this as well as anyone. You have declared a State of Emergency, and we thank you for the commitment you have shown in taking concrete steps to ease our housing crisis.

But despite the gains made in the past year—locally with the increase in TIF funding, among other initiatives, and at the state level with the loosening of Inclusionary Zoning restrictions—the situation in Portland, here and now, continues to worsen. The water is still rising. The gap is still widening. And that State of Emergency continues.

There are other needs in Portland, beyond housing, and we readily acknowledge that. But in a crisis, one must address the most critical need first. In Portland, that need is clear, and so we strongly support the proposal to allocate 100% of the funds generated by the Construction Excise Tax to the development of affordable housing in Portland. The money generated by the CET cannot make up the difference between the supply and demand for affordable housing in our city, but it can help fill in gaps in our affordable housing infrastructure.

Many Portlanders cannot afford the workforce housing that Inclusionary Zoning is designed to provide. Most Portlanders do not live in an Urban Renewal Area eligible for TIF dollars. We need to provide housing opportunities for all Portlanders, and especially those making between 0 and 60% of Median Family Income. The CET will help with that.

We must explore innovative approaches to affordable housing—such as the one proposed by the members of Oak Leaf trailer park in northeast Portland, and allocating 100% of CET dollars to affordable housing is a step towards realizing those goals.

Thank you.

June 16, 2016

Dear Members of the Council,

My name is Brian Park, and I am a Family Medicine and Preventive Medicine resident physician at the Oregon Health and Science University. I work and train at OHSU's Richmond Clinic, a community health center that serves as a safety-net clinic for Southeast Portland, treating all patients regardless of insurance, income, or background.

I love what I do: the relationships I form with patients over months and years, and the privilege to work with them through some of the most difficult periods of their lives. As I progress in my residency training, however, I am struck repeatedly by how healthcare does not occur solely at the bedside or in the exam room, but largely outside the clinic walls.

I thought of this just last week, when I saw a patient of mine, David, at Richmond Clinic. I met David during my first month of residency, two years ago. In that time, David has been to the emergency department 14 times for a bad skin infection in his foot that he is predisposed to because of diabetes. I'm a little embarrassed to reveal that it wasn't until after his fourth emergency department visit that I thought to ask him point-blank what you're all likely wondering already: "David, why all these infections?"

"Brian," he said, you keep asking me to take my insulin and keep my leg elevated. How do I keep my insulin refrigerated and my leg up when I'm sleeping out on the streets?"

David is special, dear, and unique to me, but in a way, I also have countless patients like David that I see, whose life circumstances preclude them from living healthy and happy lives. In fact, these circumstances are so entangled with what we do in medicine – we call them the social determinants of health – that a colleague at the Richmond Clinic and I started an initiative to organize patients and community partners to better identify and address these social determinants of health. In organizing meetings with over 60 patients this past year, we quickly found that the most prevalent and significant influence on our patients' lives and health is the lack of secure and affordable housing.

This overwhelming need for stable housing in our community resonated with us, so much so that we asked the OHSU Department of Family Medicine to join MACG as a member institution, so that we residents could better address the social influences affecting our patients here in Portland. The department quickly agreed.

I understand the irony of a medical provider asking you, individuals outside the healthcare sector, to help keep our patients healthy. But I hope you'll see that your policy decisions directly impact the social determinants of health for many Portlanders. And I want to empower you with the truth: you shape policies that can forge and uphold a just society. And in a just society, we can all pursue health, wellness, and happiness. So here I sit, in front of you, asking you to help us, help David, help Portland by maximizing the funds for affordable housing. Thank you.

Brian Park, MD MPH
4231 SE 30th Avenue
Portland, OR 97202

June 16, 2016

Members of the Council,

My name is Beverly Logan and I am a leader with Metropolitan Alliance for Common Good, MACG. Other MACG leaders have testified about our position on the votes before you today and some of the reasons why we believe 100% of the commercial construction excise tax should be devoted to affordable housing.

I want to speak more directly to why the construction excise taxes should be established at no less than 1% for both residential and commercial construction, lest anyone suggest a lesser rate.

For 17 years a ban on Inclusionary Zoning (IZ) prevented construction of affordable housing on any meaningful scale in any city in our state. That ban has a large share of responsibility for the housing crisis we stagger under today. It was put in place in the interests of the Home Builders' lobby, at the expense of our communities.

This year, our legislature considered a bill to finally lift the ban on IZ. MACG testified in support of that bill, as did the City of Portland and every other jurisdiction in Oregon who testified, along with a broad spectrum of other community non-profits, all of whom feel the crushing effects of the housing crisis on the people and communities they serve. It's important to recognize here that a number of developers, responsible developers, also went out of their way to testify in support of lifting the ban.

But we were distressed to see a simple, decent bill loaded up with amendments, weakened and constrained from accomplishing the good that was intended. The final legislation seemed, according to testimony in those hearings and questioning from Senate Finance Committee members, to have been shaped largely, again, in the interests of the Home Builders' lobby, in back room deals without the presence of virtually any community voice.

Groups like ours were forced to hold our noses and urge passage of the legislation anyway, in favor of getting the chance for a little more affordable housing rather than no improvement at all. The bright spot, though, in the IZ compromises, was the ability to institute a construction excise tax and have some way to pay for affordable units for people earning below 80% of median family income, for whom the final IZ legislation made no provision at all.

We urge you to ensure that here in Portland, no powerful private interests will bring the CET rates to any level below 1%. The Home Builders' lobby already had its way with the state legislation, minimizing our ability to begin closing the gap of dire need for more affordable housing. We hope you will draw a line for Portlanders, and provide courage to other communities, by voting to establish both residential and commercial CET rates at no less than 1%.

Thank you.



June 16, 2016

Mayor Hales and Commissioners,

My name is Felisa Hagins and I am a Political Director with the Service Employees International Union, Local 49. SEIU Local 49 is a 12,000 member union in Oregon and SW Washington. We represent over 7,000 health care workers in hospitals and clinics, over 2,500 janitors and security officers in the Portland metro region, and a variety of allied industries such as laundries and light manufacturing, all in the private sector. Together with our sister local, SEIU Local 503, we are the largest union in Oregon and nationally SEIU is the largest union with 2.1 million members.

SEIU worked diligently on the inclusionary zoning legislation in Salem, and the ability to levy the construction excise tax was a key part of the resulting compromise. We know other cities are looking to the City of Portland to set a framework on both the construction excise tax and on inclusionary zoning. We strongly support levying a 1% tax on construction to pay for housing, along with creating an inclusionary zoning policy that promotes housing for a range of MFIs.

A report written by ECONorthwest and commissioned by the Portland Business Alliance last year found that few areas of close-in Portland are accessible to households making less than \$70,000 a year, and most of the metro area has grown less affordable over the last decade. Sandra McDonough, President of the PBA, hit the nail on the head in a 2015 Oregonian article where she said "Middle income jobs in Portland are declining at the same time housing is become more expensive. Where are the workers going to be? At some point, there has to be a real thoughtfulness about workforce housing."¹ We may not agree on the solution, but we can all acknowledge that now is the time to address this growing problem. The construction excise tax, along with a thoughtful inclusionary zoning policy, is how we are going to address this critical issue.

SEIU has been committed to working on issues related to affordable housing for many years, and the urgency of the topic continues to accelerate. Recently I was at a Port Commission meeting with Kasil who works at the airport for Huntleigh. Kasil was evicted through a no-fault eviction so that her landlord could increase her rent. After six months of homelessness she is now living with her children, and there are six people living in a two-bedroom apartment. Kasil earns the state minimum wage. Graselda, a janitor who works at Intel, has had her rent increase over \$200 per month in the last year. Her wages have not increased to match that amount; she makes a little over \$13.50 per hour. Both of these workers work in industries that are doing incredibly well in the current economy, but they themselves are struggling.

SEIU has over 2,500 janitors and security officers who work in the metro area, the majority of whom work in the downtown core. We also have over 900 health care workers who work at the area's two largest metro hospitals, and thousands of public workers, home health workers and nursing home workers whose income averages \$40,000 to \$50,000 per year. These industries

¹ *Portland business interests worry housing is growing out of reach for middle-wage earners*, The Oregonian, May 12, 2015, available at

http://www.oregonlive.com/business/index.ssf/2015/05/portland_business_interests_wo.html (last accessed June 16, 2016).

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operate 24 hours a day and have a lot of night workers. Their shifts can start at seven pm and end at three or four am or start at 6 am -making it impossible for them to take public transit- and they often live on the edges of our community unable to afford housing close to their jobs. These workers can be many of the middle income jobs in our community. They are 50%-80% of median family income (MFI) and on average these workers earn between \$33,000 and \$52,800 for a family of three. These numbers don't include the thousands of other low-wage workers in restaurants, bars, coffee shops, retail, and low-wage industrial work that take place in our city twenty-four hours a day, seven days a week. These workers are a critical part of making the city and downtown core a vibrant and safe community.

Renewed development in the city has contributed towards the unique vibe and feel of Portland, and people in the development community have certainly realized a benefit from Portland's economic recovery. But aspects of the recovery have created an economic environment resulting in thousands of workers hanging on an economic cliff, where modest rent increases, medical emergencies, or a small change in assigned hours can send them over the edge and into homelessness. The squeeze on these families is tremendous and has a lot to do with the supply of housing in the market overall. The pressure on working families to find and keep housing is extreme, and we are seeing the consequences of this throughout our city: many of the unseen homeless are working families forced to live in their cars, with relatives, or couch surf. Increasing the supply of affordable housing is critical to keeping a vibrant and diverse city. Every part of our economy should take on that responsibility and that's why a construction excise tax on all development without a cap makes sense for a community in desperate need of affordable housing.

We hope that the city can take long-lasting actions now to support our community. Implementing a 1% construction excise tax is especially important as we know that other communities are looking to the city of Portland before taking action themselves.

Thank you I'm happy to answer any questions.



Testimony by Kelly Ross on Draft Ordinance to Adopt a Construction Excise Tax

June 16, 2016

Mayor Hales and Commissioners:

My name is Kelly Ross (6745 SW Hampton, Suite 101, Portland 97223) and I represent the Oregon Chapter of NAIOP and the Commercial Association of Brokers for Oregon and Southwest Washington.

After reviewing the Construction Excise Tax ordinance before you, we have a number of concerns and recommended amendments. We urge you to give serious consideration to these points and to take more time for additional analysis and work to address them.

I. Lack of Supporting Analysis for Rate

The proposed Construction Excise Tax represents a very significant new charge for all future commercial development. In some cases, the CET will be the highest amount of all government imposed charges. The CET is being presented, however, without any data or analysis to demonstrate whether it is fair or equitable. Some reasonable questions that should be asked include:

- What is the nexus between new office, retail, and industrial development and the cost of housing?
- What is the goal for annual revenue to be raised? Is the projected annual revenue from the tax based on all commercial construction permits, or only those that result in increased square footage?
- How will the revenue be spent?
- What is a fair cost burden to impose on different types of development?
- If the \$250 million affordable housing bond measure passes (a major portion of which will be paid through increased commercial property taxes), does that have any impact on the need for a construction excise tax or the rate charged?
- How much revenue will be raised by the new inclusionary zoning in-lieu fee? Does that have any impact on the need for a construction excise tax or the rate charged?
- How will the new minimum wage increases impact the nexus between employees who work in new commercial buildings and the need for housing assistance?

None of these questions or answers have been produced for the proposed CET.

Last October the Council gave unanimous approval for a resolution directing the Housing Bureau to contract with independent consults to do an independent study “on the nexus associated with the demand for housing affordable to low and moderate income households created as a result of jobs created by commercial development, and an assessment of the extent to which new market rate housing generates additional demand for affordable housing and the economic feasibility of an affordable housing linkage fee.”

An affordable housing linkage fee is for all practical purposes the same as the construction excise currently being proposed. The Housing Bureau was directed to present the study to the Council by April 27th of this year. Why isn't that study part of this discussion?

One of the supporting statements for the resolution was, “Whereas the City of Portland is in need of funding for affordable housing programming with a rationale [sic] nexus to the quantity of low and moderate income jobs that are created, and that an economic analysis and feasibility modeling are effective mechanisms to make this determination.”

Why aren't a rational nexus, economic analysis, and feasibility modeling still effective mechanisms in determining a construction excise tax?

Similarly, four months ago the Council adopted Resolution 37187 asserting “the City's intent to engage in a fair, deliberative, data-driven community discussion” of an inclusionary zoning ordinance.

Why not have a comparable discussion of a construction excise tax ordinance?

II. Current Context of City's Increased Fees, Proposed New Fees, and Proposed Changes to Zoning Code

The Council needs to be aware of the significant amount of total impact fees currently being paid by all commercial construction projects as well as additional fees being considered and new regulatory changes that also impose high costs.

Barring further action by Multnomah Circuit Court Judge Albrecht, the park SDC increase approved last year will go into effect on July 1st. The increases will more than double in the Central City, and triple or quadruple elsewhere for commercial construction.

The document from Commissioner Saltzman's office showing examples of SDC and CET amounts for various types of developments doesn't provide details on how they were calculated (looks like current rate for warehouses was used for retail and non-central city office for “commercial”), but numbers for the increased park SDC will be drastically higher.

- Instead of the \$4,978 shown for a new 42,610 square-foot retail building (\$.12 per sq. ft.), the actual amount will be **\$86,498** in the Central City (\$2.03 per sq. ft.) and **\$61,538** elsewhere (\$1.44 per sq. ft.).
- Instead of the \$19,371 shown for a new 42,610 square-foot “commercial” project (\$.45 per sq. ft.), the actual amount will be **\$100,986** for that size of an office building in the Central City (\$2.37 per sq. ft.) and **\$77,976** for a non-Central City location (\$1.83 per sq. ft.).

The document also shows a zero transportation SDC and zero water SDC for the 42,610 square-foot “commercial” project; in fact, the actual amount would be a **\$155,000** transportation SDC and a **\$5,842** water SDC for an office building.

Similarly, the document shows zero BES storm water and water SDCs for the 42,610 square-foot “big box retail” project. Actual charges would be approximately **\$48,000** for the storm water SDC and **\$5,842** for the water SDC.

We present these clarifications so that the Council has an accurate picture of the level of current impact charges. I hope you’ll agree that these are not insignificant amounts.

A number of other new or increased fees are currently under consideration by the Department of Transportation, including:

- Transportation SDC increase
- New 1.5% of assessed value fee for traffic signal modifications
- New Traffic Demand Management fee in Central City

In addition, substantial regulatory changes will soon be considered by the Planning & Sustainability Commission for the Central City Zoning Code, which, if adopted, could impose dramatic cost increases to all future commercial development.

Taken all together, the changes described above will have significant impacts on new commercial development and, indeed, the entire Portland commercial real estate market. There will be tremendous upward pressure on rents for new construction, which will in turn put upward pressure on all commercial rental rates.

We’ve been hearing statements from members of this City Council for the last three years—the last time in May of 2015 when the park SDC increase was approved—that a comprehensive study of the full range of development fees was very much needed and would be initiated soon. Now comes a new 1% of value tax without any cap (unlike all other construction excise taxes) that could amount to millions of dollars for larger projects.

Please be aware of the economic development environment you are creating. Commercial buildings represent housing for jobs—new, higher paying jobs are one of the most effective ways of addressing the lack of affordable housing.

III. 100% of Revenues Devoted to Affordable Housing Units at or Below 60% of Median Income

Similar to the previous point, there is no supporting analysis to justify dedicating all of the revenues generated by the construction excise tax to the 60% or below median income level. In other cities that have implemented taxes or fees on commercial development to generate funds for housing, the goal has been to assist employees who work at jobs in commercial buildings who have trouble with their housing expenses. Why not devote at least a portion of commercial construction excise tax revenues to workforce housing—perhaps “missing middle” housing types—that would assist this employment demographic.

Also, we recommend that consideration be given to devoting a portion of the revenues to infrastructure or other expenses (e.g., brownfield remediation costs) that will benefit and spur commercial development.

IV. No Cap on Maximum Tax That Can Be Charged

Unlike other construction excise taxes allowed by state law for Metro and school districts, the proposed ordinance does not establish a maximum amount that can be charged for an individual commercial project.

For the Metro CET, the maximum is \$12,000 per building permit; for schools, the maximum is \$25,000 (indexed to increases in construction costs).

Such limitations are based on a recognition that it is unfair and unequitable to impose what could easily be a tax amounting to hundreds of thousands, and in some cases, millions of dollars, on projects that have very little or no connection to the problem that is being targeted. A 200,000 square-foot warehouse distribution facility valued at \$11,650,000, for example, would have very few employees needing housing, but would be charged \$116,500 for the CET (it would pay \$40,000 for the park SDC).

We strongly urge the Council to amend the ordinance with a maximum cap for commercial construction.

V. Technical Amendments

The ordinance defines “improvement” to be “any improvements to real property resulting in a new structure, additional square footage added to an existing structure, or the addition of living space to an existing structure.” How will situations of fire and other natural disasters be treated, when a structure is completely destroyed? Will the replacement structure be treated as “new”?

We urge that the definition be clarified to exempt reconstruction and replacement when an original building’s total square-footage isn’t enlarged, and if it is enlarged, to tax only the additional square-footage.

Also, in renovation projects, it’s often possible to add usable square-footage by structural enhancements, removal of walls, etc. We also urge that additional square footage that occurs during renovations be exempt when floor footprints don’t change.

Thank you for your consideration of these comments and please let us know if we can provide any additional information.



PORTLAND HOUSING BUREAU

Dan Saltzman, Commissioner
Kurt Creager, Director

Proposed Construction Excise Tax for Affordable Housing

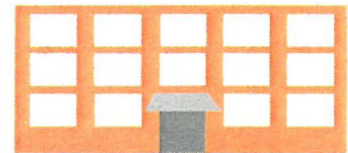
Single Family
New Construction
3,844 Sq. Ft.



Transportation SDC	\$ 2,814
Parks SDC	\$ 8,523
BES Sanitary SDC	\$ 5,867
BES Storm SDC	\$ 884
Water System SDC	\$ 3,505
School CET	\$ 3,530
Metro CET	\$ 436

Affordable Housing CET Proposal \$ 3,636

Multi-Family
New Construction
122,619 Sq. Ft.



Transportation SDC	\$ 21,557
Parks SDC	\$ 649,682
BES Sanitary SDC	\$ 453,479
BES Storm SDC	\$ 2,447
Water System SDC	\$ 0
School CET	\$ 120,977
Metro CET	\$ 12,000

Affordable Housing CET Proposal \$ 114,032

Big Box Retail
New Construction
42,610 Sq. Ft.

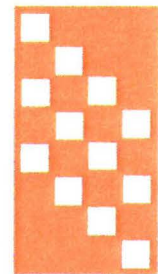


\$86,498 for a 42,610 sq. ft. Central City retail building after July 1st

Transportation SDC	\$ 512,638
Parks SDC	\$ 4,978
BES Sanitary SDC	\$ 26,617
BES Storm SDC	\$ 0
Water System SDC	\$ 0
School CET	\$ 25,000
Metro CET	\$ 11,790

Affordable Housing CET Proposal \$ 110,568

Commercial
New Construction
42,610 Sq. Ft.



\$100,986 for a 42,610 sq. ft. Central City office building after July 1st

Transportation SDC	\$ 0
Parks SDC	\$ 19,371
BES Sanitary SDC	\$ 46,595
BES Storm SDC	\$ 2,839
Water System SDC	\$ 0
School CET	\$ 24,288
Metro CET	\$ 7,200

Affordable Housing CET Proposal \$ 60,000

Moore-Love, Karla

From: Danell Norby <danellnorby2@gmail.com>
Sent: Thursday, June 16, 2016 1:05 PM
To: Moore-Love, Karla
Cc: Jennifer Bragar; Commissioner Saltzman; Elmore-Trummer, Camille; Hales, Mayor
Subject: Letter on proposed construction excise tax
Attachments: HLA - Construction Excise Tax.pdf

Dear Karla,

Please accept this letter from Housing Land Advocates as part of public testimony for today's hearing on the construction excise tax.

Thank you,

Danell Norby



June 16, 2016

Via E-Mail

Mayor Hales and City Council Members
c/o Council Clerk
1221 SW 4th Avenue, Room 130
Portland, Oregon 97204

Re: Construction excise tax for affordable housing

Dear Mayor Hales and City Council Members,

Housing Land Advocates (HLA) submits this testimony with respect to the proposed construction excise tax to fund affordable housing. HLA's mission is to advance the cause of fair and affordable housing through intelligent land use planning. We offer our support for the construction excise tax ordinance to be brought forward by Commissioner Saltzman at today's public hearing. As written, the policy would significantly increase the City of Portland's capacity to address current and future affordability challenges and should be adopted without delay.

We commend the City's leadership and decisive action to create a mandatory inclusionary zoning program following the recent passage of state enabling legislation. To maximize the benefit of this important new tool, Portland needs additional incentives that create affordability for households below the authorized threshold of 80% of median family income.

At the recommendation of the Portland Housing Advisory Committee and the panel of experts tasked with developing the new inclusionary zoning program, the proposed ordinance would dedicate 100% of construction excise tax revenue from commercial development to a new Inclusionary Housing Fund. By using this fund to incentivize deeper affordability, the City would greatly increase its ability to assist households earning 60% MFI and lower. Families at that income level are currently underserved by Portland's housing market, and the City's existing regulatory and exemption programs are seldom able to reach households at 0-30% MFI. The Inclusionary Housing Fund would help to fill this critical gap.

We understand that general fund needs compete with housing as priorities for construction excise tax revenue. However, with 123,000 additional households anticipated between 2010 and 2035, Portland will need to employ multiple tools and strategies to ensure that an adequate supply of housing remains available to lower-income families over the long term. In the face of dwindling federal resources, expanding local tools for affordable housing will be critical to success.



Housing Land Advocates applauds the Council's commitment to providing all Portland residents with decent housing. We endorse adoption of the proposed construction excise tax ordinance to bolster the City's ability to serve families at the lowest end of the income spectrum.

Sincerely,

A handwritten signature in black ink that reads "Danell Norby".

Danell Norby, Board Member
On behalf of Housing Land Advocates

Moore-Love, Karla

From: Ellen Wax <ellen.wax@workingwaterfrontportland.org>
Sent: Thursday, June 16, 2016 9:12 AM
To: Moore-Love, Karla
Subject: [Approved Sender] CET letter submittal from WWC
Attachments: final WWC CET ltr 6_16_16.pdf

Please see attached letter addressed to Commissioner Saltzman regarding the proposed Construction Excise Tax. Thank you.

Ellen M. Wax
Executive Director

Working Waterfront Coalition

503.220.2064 | 503.295.3660 fax
200 SW Market Street, Suite 190
Portland, OR 97201
ellen.wax@workingwaterfrontportland.org
www.workingwaterfrontportland.org

Working Waterfront



C O A L I T I O N

The Honorable Dan Saltzman
City of Portland
1221 SW Fourth Avenue, Room 230
Portland, OR 97201

June 16, 2016

Subject: Construction Excise Tax

Dear Commissioner Saltzman,

The Working Waterfront Coalition (WWC) applauds your attention to the affordable housing crisis in the City of Portland and we understand the interest in identifying a funding source to begin to seriously address this issue. As a coalition of businesses that provide more than 30,000 largely middle income jobs with low barriers to entry we know how important it is to address both affordable housing as well as the jobs that pay a living wage. We are also committed to doing our part to continue to grow that middle income job base, creating ladders of opportunity for residents, particularly for those close-in residential areas.

Our ability to grow our job base is dependent on external forces such as market demand, but as companies that frequently have operations in other areas, it also depends upon the cost and ease of doing business in the City of Portland. The harbor lands upon which the working waterfront businesses are located today are challenging to develop. Industrial lands are lower cost per square foot and our investment calculus must consider the ultimate return that the investment will yield.

The proposed Construction Excise Tax would add an additional cost of one percent to new projects in the working waterfront creating substantial additional cost to major projects in the harbor but it may also deter the upgrade or redevelopment of brownfields that are critical for the improvement of the harbor area.

For these reasons we urge the exemption of "prime industrial" lands from the Construction Excise Tax proposal. We appreciate your consideration of our request.

Sincerely,

Ellen M. Wax, Executive Director
Working Waterfront Coalition

CC: Mayor Charlie Hales/City Commissioners

Established in 2005, the Working Waterfront Coalition, with its extensive knowledge of harbor industry needs and active industry participation, is dedicated to working with its partners to ensure an appropriate balance between environmental concerns and the needs of river-related, river-dependent employers. Portland's Harbor is a vital employment area: home to thousands of valuable high-wage, high-benefit jobs. In addition, WWC members are conscientious stewards of the environment, making significant investments in the harbor consistent with state and federal laws and regulations to reduce the impacts of human activity on the harbor's ecological resources.

Moore-Love, Karla

From: Robinson, Michael C. (Perkins Coie) <MRobinson@perkinscoie.com>
Sent: Wednesday, June 15, 2016 3:00 PM
To: Moore-Love, Karla
Subject: Portland City Council June 16, 2016 Agenda Item 698
Attachments: Jeff West Hales Letter 6_15_2016.pdf

Dear Ms. Moore-Love,

Would you please place this letter in the official file for Agenda Item 698 scheduled to be considered by the Portland City Council on June 16 at 3:00pm? Please add me and Mr. West to the list of those persons receiving notice of the City Council's decision on this ordinance.

Thanks very much.

Michael C. Robinson | Perkins Coie LLP**PARTNER**

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Selected as 2014 "Law Firm of the Year"
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U.S. News – Best Lawyers® "Best Law Firms"

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Providence Health & Services
4400 N.E. Halsey, Building 2, Suite 190
Portland, OR 97213
tel: 503.215.3188
fax: 503.893.6791
www.providence.org/oregon

187855

June 15, 2016



VIA EMAIL

Charlie Hales, Mayor
Portland City Council
1221 SW Fourth Avenue, Room 130
Portland, Oregon 97204

Re: Proposed Ordinance 698 to Establish a Construction Excise Tax to Fund Affordable Housing Initiatives from an Inclusionary Housing Fund

Dear Mayor Hales and Members of the Portland City Council:

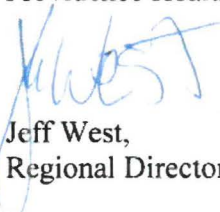
I am the Regional Director for Providence Health & Services—Oregon. I am writing to you concerning proposed Ordinance 698, which will be considered by the City Council in a public hearing on June 16 at 3 pm.

Providence has not had an opportunity to review this Ordinance or its impact on Providence's commercial real estate properties. Notwithstanding the need to assist affordable housing in the City, this Ordinance may have adverse impacts to employment in the City. The Ordinance proposes to adopt a commercial construction excise tax without any analysis of how or why commercial construction is related to affordable housing and, if so, what an appropriate rate should be.

Providence has a number of questions that are appropriate to ask about the Ordinance. We would appreciate the City Council continuing the public hearing and providing a work session so that questions can be asked and answered about the Ordinance.

Please place me on a mailing list for notice of the City Council decision on this Ordinance.

Very truly yours,
Providence Health and Services


Jeff West,
Regional Director

cc: Commissioner Nick Fish (via email)
Commissioner Amanda Fritz (via email)
Commissioner Dan Saltzman (via email)
Commissioner Steve Novick (via email)
Mr. David Elkins (via email) Ms. Karla Moore-Love (via email)
Ms. Krista Farnham (via email)

187855

May 6, 2016

Portland City Council
1221 SW 4th Avenue, Room 130
Portland, OR 97204

AUDITOR 05/16/16 AM 9:44

Dear Council Members,

I am a senior at Jesuit High School currently studying social issues in our local area. I am writing you today to ask for your support in creating more affordable housing in the Portland area.

As a student studying local poverty, it is hard not to notice the impact of Portland's housing crisis on the issue of poverty. Homeownership is becoming hard with the dramatic increases in prices and government intervention is needed. Families are being priced out of living in neighborhoods simply because of cost and lack of affordable housing. From what I have seen, more affordable housing means job creation, preserving neighborhoods, and giving opportunities to low-income Portlanders who are struggling. The benefits of affordable housing are justice and dignity, two things that the city of Portland has been promoting for years. The city now has an opportunity to live up to what their citizens expect of them and take action on an issue that isn't going away any time soon.

I am asking for your support in raising the construction excise tax, utilizing SB-1533 to create inclusionary zoning, and creating just code waivers to lower the price of making affordable housing. Portlanders are facing a crisis and we need action from our city council to help those most vulnerable in our communities. If you would like to see a more detailed and evidence based argument, I have attached a position statement that details the problem and how we can try to improve it.

Sincerely,



Dugan Marieb
715 N Blandena St.
Portland, OR 97217

Dugan Marieb
4 May 2016

Position Statement

1. The Issue: Affordable Housing

- We are voicing support for inclusionary zoning, code waivers, and a construction excise tax that would support the construction of more affordable housing in the Portland metro area. The Portland area is experiencing a housing crisis that is pushing those who make the least out of our communities. As the State of Housing report from October states, "Average rents across the city have increased between 8-9%, or roughly \$100 per month, since this time last year" (Oregon 9). Our request is for the city council to utilize recently passed SB-1533 to enforce inclusionary zoning that requires big-scale developers to also provide affordable housing. We are also requesting a construction excise tax to bring in more money for affordable housing project and code waivers to reduce the price of affordable housing construction.

2. What we see today:

- In Portland it now costs an estimated \$1,182 a month (8.7% increase) to rent a single bedroom accommodation and about 47% of the Portland population rents (Oregon 28). Almost half of Portlanders are experiencing massive increases in rent prices that are simply not sustainable.
 - In a recent KGW article the author pointed to the statistic that, "Over the last few years, 22,000 new apartments were built in the Portland area, but only 3 percent are affordable to low income families" and "Advocates say the city needs an estimated 100,000 affordable housing units" (Dooris).
- According to the State of Housing report minorities are feeling the rising prices the highest. "Housing cost and income disparities have limited housing opportunity for the average Black, Native American, and Alaska Native households in every neighborhood in Portland. Updated data since the last report shows that in addition to these populations, housing affordability is increasingly impacting Latino households and single mothers as well" (Oregon 9). We should be a city committed to diversity of background and thought but housing affordability is affecting our ability to sustain and grow diversity.
-
- Homeownership is becoming hard with the dramatic increases in prices and government intervention is needed. "Between 2011 and 2014, the median home sales price in Portland rose 32%—an increase of roughly \$75,000 in the price of buying a home" (Oregon 42). Families are being priced out of living in neighborhoods simply because of cost and lack of affordable housing.
- A recent report from the city club said this: "Portland does not have acceptable housing affordability for a city of its size, demographics, sensibilities and priorities. Our laws, policies

and accepted practices regarding zoning, lending, and the rights of renters and owners of single-family homes no longer serve the population well. Tied in with the city's housing concerns are issues of employment, transportation and equality, making housing one of the most complex issues the Portland community faces. There is no one single answer that will improve the overall picture, but there are steps we can and should take without further delay. And that's the key: Portland doesn't have to become unlivable for all but the few. In fact, because of our size, population composition, sensibilities and priorities, Portland is in a perfect position to be able to make real change now" (Thiel 13).

- A Portland Tribune article pointed out the crux of the issue for developers which is the regulation of affordable housing. Right now, the requirements in place for affordable housing price out many developers who would be willing to construct good affordable housing otherwise. One developer said he could make adequate units for \$70,000 each but the restrictions necessitate affordable housing to cost \$200,000 per unit. The article states that economist Mark Meckler would implement a "secondary code [that] would require low-rent buildings to meet minimum safety and liability standards, but forgive a lot of the extras that current building code now requires of new structures. The goal, Meckler says, has to be to incentivize developers to build for the homeless and minimum wage earners" (Korn).

3. What our community and faith tells us:

- In the Catholic faith we are taught to give everyone justice and dignity. That dignity includes people having an affordable place to live. Low income Portlanders are losing their dignity as they are forced to move elsewhere and homeless Portlanders start losing hope to find an affordable place to stay. The lack of affordable housing in Portland is an injustice and must be addressed by our local government.

- On the website of the United States Conference of Catholic Bishops they state, "The Catholic bishops believe decent, safe, and affordable housing is a human right. Catholic teaching supports the right to private property, but recognizes that communities and the government have an obligation to ensure the housing needs of all are met, especially poor and vulnerable people and their families" ("Housing..."). Charities and the church can help in this issues, but as the bishops say, the government has a responsibility as well.

4. The benefit of change - bringing hope to those suffering injustice:

- According to the City Club report, "Dedicated local funding with fewer regulatory restrictions could more effectively fund the development of affordable housing units" (Thiel). That means more housing for those who are now being pushed out of their own neighborhoods.

- Adding affordable housing contributes to communities both economically and culturally. A 2011 national housing report states, "As with market-rate housing, research consistently shows that developing affordable housing creates jobs — both during construction and through new consumer spending after the homes have been occupied. The impacts of building certain kinds

of affordable rental housing are on par with the impacts of comparable market-rate units" (Wardrip).

-From what we have seen, more Affordable housing means job creation, preserving neighborhoods, and giving opportunities to low-income Portlanders who are struggling right now. The benefits of affordable housing are justice and dignity, two things that the city of Portland has been promoting for years. The city now has an opportunity to live up to what their citizens expect and take action on an issue that isn't going away any time soon.

5. What we would like you, the Portland City Council, to do to fight this injustice:

- First, we ask you, our city council, to utilize Oregon SB 1533. This means moving forward on modest inclusionary zoning (15-20%) on developments over 20 units and an increased construction excise tax to raise money for further affordable housing projects. As the City Club report says, "While inclusionary zoning will not meet the total need for affordable housing in Portland on its own, it is an important policy tool that can play a role in increasing the number of affordable units available in desirable neighborhoods. In a hot real estate market, inclusionary zoning can help make affordable units available in areas with better schools and transportation" (Thiel). By putting your support behind these to policies, you are supporting the creation of affordable housing for thousands of Portlanders who desperately need it. The current construction excise tax is at 0.12 percent through 2020 and we are requesting a gradual increase in this tax over the next 10 years. There is no goal percentage but any increase will mean more money for affordable housing.
- We would secondly ask you to consider code waivers for developers as they attempt to build more affordable housing. We would like to see the city council pare down the extras that are required for affordable housing units while still requiring basic health and safety standards. Changes could be as small as not requiring as many electrical outlets in low-income units. In providing these waivers, a balance must be reached between cutting costs for developers while still requiring good living conditions for tenants. These waivers would also put less pressure on developers if inclusionary zoning was implemented as their overhead costs would not increase as much.

Works Cited

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Parsons, Susan

From: Washington, Mustafa
Sent: Wednesday, June 22, 2016 9:10 AM
To: Council Clerk – Testimony
Subject: FW: Permit fee 1% tax

Mustafa Washington

Constituent Services Specialist
Office Of Mayor Charlie Hales
P: 503-823-4120
mustafa.washington@portlandoregon.gov

From: Dan Bozich [mailto:dbozich@urbanworksrealestate.com]
Sent: Monday, June 13, 2016 2:07 PM
To: Hales, Mayor <mayorcharliehales@portlandoregon.gov>
Subject: Permit fee 1% tax

Mayor Hales I rarely reach out to express my opinion on city tax proposals but since I'm in the Commercial Real Estate business I strongly encourage city council to slow down and give more thought to potential impacts that your proposed new permit fee could have on our job-producing commercial real estate market. Extreme care should be taken in adding a new 1% tax that could, in some cases, be one of the largest government charges for new projects.
Respectfully,



Dan bozich

SENIOR VICE PRESIDENT

DIRECT (503) 228-3135 | MAIN (503) 228-3080

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