

PRELIMINARY STAFF MEASURE SUMMARY**Senate Committee On Finance and Revenue**

Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Action Date:**Action:****Meeting Dates:** 02/18, 02/22**Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Allows city or county to adopt land use regulation or functional plan provision, or impose as a condition of approving permit, requirements that effectively establish sales or rental price for multifamily structure or require multifamily structure to be designated for sale or rent to particular class or group of purchasers or renters based on income. Limits adopted city or county regulation, provision or requirement to requiring no more than 20 percent of housing units within a multifamily structure to be sold or rented at below-market rates. Specifies that adopted regulation, provision or requirements apply only to multifamily structures containing at least 10 or 20 housing units depending upon whether city or county has a population equal to or less than 600,000 or greater than 600,000 respectively. Requires city or county to offer affected developers in-lieu payments and other incentives.

Eliminates construction tax preemption upon local governments and local service districts. Creates structure and limitations of construction taxes imposed by local governments and local service districts. Limits tax to one percent of the permit valuation of improvements to residential, commercial and industrial real property. Requires revenue from construction tax to be used to fund developer incentives, programs related to needed housing, home ownership down payment assistance programs as administered by Housing and Community Services Department and general fund of local government or local service district imposing tax. Takes effect 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Expectation of amendments being placed on OLIS during committee meeting
- What language is potentially part of any package that will be part of later amendments and each testifying stakeholders position on the additional language being discussed
- Expectation of more amendments beyond the -A4 being discussed
- Metro's current construction excise tax (CET) and how the revenues are allocated or have been allocated
- Possibility of overlapping CET's imposed by various local governments
- Other bills relating to housing moving through 2016 legislature
- Balancing of incentive to avoid effects on market rates for housing
- Mathematics behind housing development
- Participants of the "agreement" as the term was used during testimony and their support or opposition to discussed language
- Experience of Bend in using grandfathered local construction tax revenues to support affordable housing programs.

EFFECT OF COMMITTEE AMENDMENT:

-A5 Replaces content of A-engrossed measure

Allows city or county to adopt land use regulation or functional plan provision, or impose as a condition of approving permit, requirements that effectively establish sales or rental price for multifamily structure or require

multifamily structure to be designated for sale or rent as affordable housing. Defines affordable housing. Limits adopted city or county regulation, provision or requirement to requiring no more than 20 percent of housing units within a multifamily structure to be sold or rented as affordable housing and apply only to multifamily structures containing at least 20 housing units. Requires city or county to provide developers the option to pay an in-lieu fee in amount determined by city or county. Requires city or county to offer developers that do not elect to pay in-lieu fee one or more of specified incentives. Allows city or county to offer other incentives to developers as part of regulation, provision or condition adopted. Requires city or county, with specified exceptions, that adopts regulation, provision or condition to adopt and apply clear objective standards regulating development of housing units and prohibits standards from discouraging development of housing units through unreasonable cost or delay.

Allows city or county to impose a construction tax that conforms to requirements provided in amendment. Specifies distributions of construction tax receipts. Prohibits local government or local service district, or a special government body from imposing construction tax with exception for city, county or school district. Allows existing construction taxes to continue being imposed under specified limitations.

-A6 Replaces content of A-engrossed measure (SMS description only includes additional language contained in amendment as compared to -A5. All other language remains the same.)

Requires adopted incentives, to be related in a manner determined by city or county, to the required percentage of affordable housing units.

BACKGROUND:

Inclusionary zoning, also called inclusionary housing, involves land-use regulations that direct a certain amount of housing development be made available to people of low and moderate incomes. Currently, Oregon law prohibits local governments from imposing regulations or conditions on residential development that have the effect of setting a sales price or of designating a certain class of individuals as purchasers.

SB 1036 (2007) allowed school districts to impose a tax on new construction based upon the square footage of the new construction improvements and required revenue from the tax to be used for school district capital improvements. SB 1036 also preempted local governments from imposing a construction tax until 2018, but grandfathered in local government construction taxes that were either in effect as of May 1, 2007 or in the process of being adopted.