

Metro Does Not Support SB 1533-B

Permanently undermines Metro's ability to support investments in affordable housing



Metro

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Metro has long supported efforts to remove the pre-emption on inclusionary zoning. We submitted testimony in support of SB 1533 at the beginning of the session. However, **the most recent amendments completely and permanently pre-empt Metro** from establishing a construction excise tax (CET) to support affordable housing. **This will seriously undermine efforts to provide equitable housing in the Portland metropolitan region.**

Metro currently has a tiny construction excise tax (0.12% of permit valuation) that can only be used for planning. Metro's tax was grandfathered in when the general statutory pre-emption against local CETs was adopted in 2007. That pre-emption, which prohibits Metro from increasing its existing tax or changing its use, is scheduled to sunset in 2018, but SB 1533-B removes the sunset, making the pre-emption permanent. It then provides authority for cities and counties, but not Metro, to impose a CET to support affordable housing.

For this reason, Metro is unable to support SB 1533-B. Like the pre-emption against inclusionary zoning, the permanent elimination of Metro's ability to use the CET is an unacceptable violation of local authority. More importantly, however, **it is counterproductive for efforts to address affordability in the Portland metropolitan region**, for the following reasons:

- **Metro is currently doing more work, and more effective work, on affordable housing than we ever have.** For example:
 - Since 1999, Metro's Transit Oriented Development (TOD) program has leveraged very limited resources to invest in 729 regulated affordable units at 60% of area median income or less. The TOD program recently acquired a former furniture store on SE Division St. in Portland across the street from Portland Community College, in the heart of the Jade District. We are partnering with ROSE CDC to construct 40-50 affordable units.
 - Over the last year, we have established a revitalized Equitable Housing program, and on February 1 hosted an Equitable Housing Leadership Summit attended by more than 200 regional leaders.
 - The Metro Council has just approved a \$500,000 program to help cities and counties consider site-specific planning, regulatory and code improvements, and to evaluate feasibility of incentives to facilitate housing development. However, because this funding comes from our existing CET, it cannot be used to implement any of these improvements.

As noted above, our current CET is not only very small, but is limited to being spent on planning. Under current law we cannot increase it, nor can we use it to actually implement anything in the affordable housing arena, like buying land or subsidizing construction. Even if we could, it is already fully subscribed for its existing purpose.

- **Going forward, eliminating a potential regional funding source for affordable housing undermines efforts to address problems of affordability in an equitable way.** For example:
 - **Pre-empting Metro from using a CET for affordable housing will ensure that existing patterns of regional inequity deepen and harden.** Our region has expressed a commitment to equitably sharing the burdens and benefits of growth. However, not all communities are equally

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inclined to step up to that challenge. The communities that are committed to addressing affordable housing needs will impose the tax and get to work. Other communities that have failed to provide affordable housing – or actively resisted doing so – will not. Still other cities might be eager to invest in affordable housing but be too small, or lack the volume of construction activity, to generate sufficient funding. A regional tool would enable Metro to fill the holes and make equitable housing available more broadly.

- **Pre-empting Metro will eliminate a tool that can facilitate solutions to disagreements about growth management in the Portland region.** Metro recently launched a regional conversation about potential improvements to the growth management process. The first suggestion from the region's mayors has been to look for ways to facilitate density transfers: allowing lower density in UGB expansion areas in exchange for higher density in city and town centers, along transit lines and main streets, etc. That kind of dense development often requires subsidy, especially if it is to include affordable units. Without a regional funding tool like the CET, it will be much more difficult to make this happen.
- **Pre-empting Metro will undermine efforts to implement responses to gentrification and displacement.** For example, we have invested CET dollars in helping Portland and Gresham identify strategies to deal with these issues, but will be unable to actually invest in solutions.
- **Other tools have already been taken off the table.** Measure 79 (2012), sponsored by the Oregon Association of Realtors, prohibits local governments from imposing a real estate transfer tax. Now the Realtors, along with the Oregon Association of Home Builders, are asking for another pre-emption. So one by one, potential local government tools for addressing development-related issues are being taken off the table.

For all of these reasons, Metro is unable to support SB 1533-B. We urge you to insist that the 2017 Legislature lift this pre-emption to support regional solutions to housing equity and affordability.