

FROM THE DESK OF SAL PERALTA

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TESTIMONY IN SUPPORT OF SB 595

3/19/2019

Chair Hass & members of the committee,

My name is Sal Peralta. I am a member of the McMinnville City Council and an executive committee member of the Mid-Willamette Valley Council of Governments (MWVCOG).writing in support of this legislation which would allow local jurisdictions to allocate up to 30% of their transient lodging tax to help pay for affordable housing, resulting in a 30-40-30 allocation.

Much of the testimony from the lodging industry has complained that their industry should not solely bear the burden of helping local communities address housing affordability needs. In fact, most of the burden for these projects is currently solely born by the developer and housing communities. Allowing cities to re-allocate a portion of the TLT would create burden-sharing across industries that have “skin in the game” with respect to housing affordability.

There is a strong nexus between this bill to incentivize the construction of workforce housing and the function of the transient-lodging tax.

Although tourism is a net economic plus for McMinnville, it also carries with it increased housing costs and decreased supply as hotels and other short-term lodging options compete for scarce housing and land resources.

Many tourism-related jobs do not pay a wage that allows working people to live in our city where the median home price is \$320,000 while the median family income is only \$44,000. Many people are forced into long commutes for work, which is contrary to both our city’s strategic plan and Oregon’s climate and land-use goals.

According to a recent report by Eco-Northwest, one of the main groups most at risk of homelessness in Oregon are low wage workers such as those who are often employed in the tourism and hospitality industries.

Why our city needs this tool:

McMinnville is heavily constricted for land supply. Although we are committed to re-zoning, infill and redevelopment as core parts of our housing strategy, those come at a generally higher cost than greenfield

development. **If we want housing products that are affordable for people seeking workforce housing, we need to incentivize it.**

As the data below demonstrates, this legislation scales better than current tools in terms of allowing cities like ours to provide seed money for affordable housing projects.

In 2018-19 budget, our city's transient-lodging tax is estimated to bring in \$1,209,000 in new revenue. Under the provisions of this legislation, we could allocate \$362,000 towards affordable housing projects on an annual basis. **That would have a *huge* impact on our city's ability to move such projects forward.**

To put those numbers into context, in 2017, the legislature passed SB 1533, which allows cities to adopt an excise tax. The terms under which the excise tax can be used are somewhat restricted (our city has introduced a legislative concept in the house LC 1302 intended to make it easier to use). But even without the restrictions, in practical terms, it does not do as much as this legislation would to allow a city like ours to incentivize affordable housing.

By way of comparison: Here is our city's staff analysis of how the excise tax from SB 1533 could be applied in McMinnville:

Based upon a 2000 sf home plus 440 sf garage (\$113.85 valuation per sf) = \$247,539 building permit valuation.

CET Imposed	Cost to Developer	City Admin (4%)	Developer Incentives (50%)	OHCS (State) (15%)	Affordable Housing Programs (35%)
1%	\$2,475	\$10,870	\$130,437	\$39,127	\$91,295
0.5%	\$1,238	\$5,435	\$65,219	\$19,563	\$45,648
0.33%	\$817	\$3,587	\$43,044	\$12,911	\$30,127

PS - Note that this would be added to a current building permit fee (including SDCs) of approximately \$9,700.

PPS – Note that this house would sell on the current market for approximately \$350,000. The 1% CET would represent 7/10 of 1% of the total costs of the market value of the house to the consumer.

Under the 1% assessment of the tax, SB 1533 (2017) would only generate \$280,000 in revenue, of which \$220,000 could be allocated to developer incentives -- many of which are not really usable in smaller communities -- and housing programs on an annual basis whereas SB 595 would generate more than \$360,000 per year.

The \$360,000 that this legislation would allow a city like ours to re-allocate, would help our city and others like ours, to meet a significant emergency demand for affordable housing. I believe with certainty that our city would take advantage of this legislation, as would several in the Willamette Valley.

While I am sympathetic to the concerns that DMO's and some chambers of commerce have for their marketing budgets, I have a difficult time as a policy-maker justifying a \$700,000 per year allocation for marketing in our city when there are so few tools or funds that can be dedicated to affordable housing and given revenue/expenditure constraints that local jurisdictions are currently operating under with SB 5&50 and SB 100.

I urge a the committee to move this legislation forward to the floor with a “do pass” recommendation.

Respectfully,

Sal Peralta