CORVALLIS
CITY COUNCIL WORK SESSION

September 7, 2016
3:30 pm -5:30 pm

Madison Avenue Meeting Room
500 SW Madison Avenue

I. Call to Order

II. Arts and Culture Advisory Board Annual Report

III. Visit Corvallis Fourth Quarter Report

IV. Downtown Corvallis Association Economic Improvement District Fourth Quarter Report

V. Housing Development Task Force Recommendations

VI. Community Comments (*Accepted on agenda items for this work session only. Members of the community wishing to offer advance written comments are encouraged to use the public input form at www.corvallisoregon.gov/publicinput.*)

VII. Adjournment

If you need special assistance to participate in this meeting, please contact the City Recorder at (541) 766-6901 (for TTY services, dial 7-1-1). Notification at least two business days prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting. (In compliance with the Americans with Disabilities Act, 28 CFR 35.102-35.104 ADA Title I and ORS 192.630(5)).

A Community That Honors Diversity

Annual Report of the

Arts & Culture Advisory Board

September 7, 2016

Members: KARYLE BUTCHER, DEBORAH CORREA, CYNTHIA SPENCER, MARCI SISCHO, PHIL DUNCAN, GREG LITTLE, BRIAN GOVATOS, WAYNE WIEGAND, partial year. New Appointee: Jonathan Kurten.

Staff: Karen Emery, Director, Parks and Recreation

Council Liaison: Frank Hann 2015-2016

Purpose/Mission summary

Section 1.16.336 - Arts and Culture Advisory Board.

1) An Arts and Culture Advisory Board is hereby created for the City.

2) The Advisory Board shall consist of nine voting members appointed by the Mayor. Appointments to the Advisory Board should be selected to represent the diverse nature of the community. Membership will be selected from the following fourteen categories, recognizing that members may represent multiple categories:

   a) Literary arts.

   b) Visual arts.

   c) Performing arts.

   d) Patrons of the arts.

   e) Venues.

   f) Cultural heritage.

   g) Art education.

   h) General cultural interests.

   i) General citizens-at-large.

   j) Fairs and festivals.

   k) Emerging artists.

   l) Oregon State University.

   m) Cultural expression of diversity.

   n) Business/economic vitality.

3) The Advisory Board shall advise the Council in all matters pertaining to Arts and Culture, ensuring that Arts and Culture are a civic priority. Such matters shall include, but not be limited to, the following:

a) Recommend policies and advise and propose strategies regarding Arts and Culture for approval by the City Council.

b) Promote outreach to and solicit involvement of the community to advocate, to inform and engage citizenry, and to demonstrate the economic impact of Arts and Culture.

c) Collaborate with other governmental agencies, volunteer organizations, nonprofit, for-profit and City-related organizations in the advancement of Arts and Culture planning and programming to build capacity, enhance educational opportunities and ensure comprehensive communications.

d) Advise on development of Art and Culture facilities, programs and improved City services.

e) Develop a comprehensive Arts and Culture vision and strategic plan for the City.

f) Recommend and support financing alternatives and resources for Arts and Culture.

g) Public art selection in compliance with City Council Policy 98-4.12 "Public Art Selection Guidelines."

(Ord. 2015-17, § 9, 10/19/2015; Ord. 2014-16, § 18, 11/17/2014; Ord. 2010-02 § 1, 02/01/2010)

Prior Year Report:
Activities and work completed:

- **Shared results of completed arts and culture study online with arts community and on the ACAB's webpage.** Study completed in 2014-15.
- **Welcomed** three new members to our Board, and said farewell to founding member Karyle Butcher.
- **1% Percent for Arts Ordinance Approved by City Council!** Long-time goal of Board finally realized, thanks to Council support.
- **New Public Art for Corvallis Benton County Library.** Peter Erskine's Solar Spectrum Environmental Art was approved for what is hoped is a 3- to 5-year installation. The artist is donating time and materials for this project. Celebration will be held later in August.
- **Survey of local businesses on behalf of local musicians RE: lack of live music opportunities.** Members of ACAB's marketing subcommittee surveyed local businesses to identify barriers to live music at their establishments. Licensing fees and changing customer demographics sited in survey. Results share via Social Media and on ACAB's web page. Local musicians expressed appreciation for efforts on their behalf.
- **Corvallis Arts For All (CAFA) program review completed.** Marking Committee did check-in with participants, and have renewed efforts publicizing program.
- **Public Arts Selection Committee** became advisory committee of Parks and Recreation, due to changes to the Public Arts Selection Commission. Volunteer members agreed to serve as an advisory committee as part of Parks and Recreation Department who then brings recommendations to ACAB.
- **Hosted the 5th annual "Connect" event --** networking for arts and culture organizations, with greetings from Mayor Biff Traber. This year's event was hosted by LaSells Stewart Center, Parks & Recreation, and members of the Board. We applauded City's adoption of 1% Percent for Arts Policy, shared information about the City's and State of Oregon's participation in the Arts & Economic Prosperity Survey 5 with Americans for the Arts. Approximately 50 people attended.

  Break-out groups met to discuss three topics:
  - Cross-promotion of arts events on an events calendar

- A Creative Corridor for our region
- Small Grants Program funding for community arts activities

Activities and work in progress:

- **City of Corvallis' Participation in Americans for the Arts' Economic Prosperity Survey 5 in partnership with State of Oregon.** American for the Arts is national organization with mission is to "serve, advance, and lead the diverse networks of organizations and individuals who cultivate, promote, sustain, and support the arts in America." (http://www.americansforthearts.org) With Oregon Arts Commission support, City of Corvallis Parks and Recreation Department is participating in year-long survey. Work includes 800 intercept interviews at local arts events, and financial information surveys completed by area non-profit arts and culture organizations. Data collected from organizations will support the case for increased public and private sector arts funding in our community and will generate significant visibility for our cultural industry.

  To date ACAB members have surveyed 11 local arts events and solicited 390 interviews for the study. They have included events at The Arts Center, College of Liberal Arts Events and others at LaSells Stewart Center, The Majestic Theatre, Whiteside Theatre, Riverfront music festivals.

Next Year Proposed Work Plan:

Regular activities and work (ongoing or annual):

- More Marketing Efforts on behalf of CAFA Program
- Continued work on cross-marketing efforts and a community calendar
- Re-granting program: need potential funding/narrower focused identified

Special activities and work for the year:

- Proceed with Arts & Economic Prosperity Survey 5
- Review of Board Goals with new members

Resources:

Prior Year:

- Funding for the Connect event ($366) shared by Parks & Recreation, Board members and sponsorship from LaSells Stewart Center
- Funding for the arts & culture study ($2500), Parks & Recreation Department; Co-sponsored by Oregon Arts Commission ($2500)

Needed for the next year:

- Stabilize funding for additional networking events: $1000
- Nimble response to requests for communications responses (website updates, print materials, etc.)

Feedback about the Annual Report Process:

None.

TO: City Council for September 7, 2016

FROM: Tom Nelson, Economic Development Manager

DATE: August 31, 2016

THROUGH: Mark W. Shepard, P.E., City Manager

SUBJECT: Visit Corvallis FY 2015-16 4th Quarter Report Review

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

Action Requested:

Staff submits the Fiscal Year 2015-16 Visit Corvallis fourth quarter report for Council review.

Discussion:

The City budgeted $453,550 for Visit Corvallis in Fiscal Year 2015-16. Funding is based on Transient Room Tax revenues and disbursed to Visit Corvallis on a monthly basis. The contractual agreement between Visit Corvallis and the City requires the agency to submit financial and activity quarterly reports. The attached report is the final report for Fiscal Year 2015-16.

Visit Corvallis financial statements were reviewed by the City's Finance Department staff and found to be in compliance.

Budget Impact:

None.

Attachments:

A. Visit Corvallis FY 2015-16 Financial Statements
B. Visit Corvallis FY 2015-16 Activity Report
C. City of Corvallis Financial Review

Attachment A

VISIT CORVALLIS
press play

Fourth Quarter Report

(April through June, 2016)

4:34 PM
07/29/16
Accrual Basis

Visit Corvallis

Balance Sheet

As of June 30, 2016

	Jun 30, 16
ASSETS	
Current Assets	
Checking/Savings	
Checking - OSCU	76,503.97
Money Market-OSCU	20,513.43
Paypal Checking	2,268.50
Savings - OSCU	5.00
Total Checking/Savings	99,290.90
Accounts Receivable	
Accounts Receivable	-566.43
Total Accounts Receivable	-566.43
Other Current Assets	
Inventory Asset	193.79
Petty Cash	40.00
Total Other Current Assets	233.79
Total Current Assets	98,958.26
Fixed Assets	
Accumulated Depreciation	-9,770.31
Office Equipment & Furniture	12,147.30
Total Fixed Assets	2,376.99
Other Assets	
Rent Deposit	1,700.00
Total Other Assets	1,700.00
TOTAL ASSETS	**103,035.25**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
OSCU Visa	2,445.79
Total Credit Cards	2,445.79
Other Current Liabilities	
Bounty of Benton Co Ticket Sale	-120.00
Corvallis Book Sales	843.80
HWW Ticket Sales	390.00
Payroll liabilities - Other	4,189.26
Payroll tax liabilities	6,640.64
Refundable Grant	1,000.00
Summer Solstice	27.00
Total Other Current Liabilities	12,970.70
Total Current Liabilities	15,416.49
Total Liabilities	15,416.49
Equity	
Net Assets	73,043.55
Opening Bal Equity	335.26
Temp Restricted Net Assets	-1,000.00
Net Income	15,239.95
Total Equity	87,618.76
TOTAL LIABILITIES & EQUITY	**103,035.25**

4:35 PM
07/29/16
Accrual Basis

Visit Corvallis

Profit & Loss

April through June 2016

	Apr - Jun 16
Ordinary Income/Expense	
Income	
City of Corvallis	113,387.53
Income/Misc	9.16
Interest Income	5.10
Membership	75.00
Relocation Packets	189.00
Souvenir Income	90.00
Total Income	113,755.79
Cost of Goods Sold	
Cost of Goods Sold	74.33
Total COGS	74.33
Gross Profit	113,681.46
Expense	
Administration	13,525.90
Conferences/Education	212.02
Marketing/Advertising	24,580.45
Marketing/Community Relations	277.99
Marketing/Contract Services	2,600.00
Marketing/Entertainment	228.89
Marketing/Fees	0.06
Marketing/Festivals	1,750.00
Marketing/Internet	1,716.14
Marketing/Postage-Shipping	8,037.62
Marketing/Printing	1,085.00
Marketing/Promotions	-210.80
Marketing/Sales Trips	1,039.42
Marketing/Sports Grants	550.00
Marketing/Visitor Services	847.40
Payroll Expenses	42.00
Personnel	59,652.12
Total Expense	115,934.21
Net Ordinary Income	-2,252.75
Net Income	**-2,252.75**

4:36 PM
07/29/16
Accrual Basis

Visit Corvallis

Profit & Loss Prev Year Comparison

April through June 2016

	Apr - Jun 16	Apr - Jun 15	$ Change	% Change
Ordinary Income/Expense				
Income				
City of Corvallis	113,387.53	107,084.00	6,303.53	5.9%
Income/Misc	9.16	0.00	9.16	100.0%
Interest Income	5.10	5.10	0.00	0.0%
Membership	75.00	29.16	45.84	157.2%
Relocation Packets	189.00	279.00	-90.00	-32.3%
Souvenir Income	90.00	0.00	90.00	100.0%
Total Income	113,755.79	107,397.26	6,358.53	5.9%
Cost of Goods Sold				
Cost of Goods Sold	74.33	0.00	74.33	100.0%
Total COGS	74.33	0.00	74.33	100.0%
Gross Profit	113,681.46	107,397.26	6,284.20	5.9%
Expense				
Administration	13,525.90	8,927.86	4,598.04	51.5%
Conferences/Education	212.02	1,679.29	-1,467.27	-87.4%
Depreciation	0.00	3,886.33	-3,886.33	-100.0%
Marketing/Advertising	24,580.45	22,441.20	2,139.25	9.5%
Marketing/Branding	0.00	3,152.80	-3,152.80	-100.0%
Marketing/Community Relations	277.99	216.00	61.99	28.7%
Marketing/Contract Services	2,600.00	2,600.00	0.00	0.0%
Marketing/Entertainment	228.89	110.82	118.07	106.5%
Marketing/Fees	0.06	0.00	0.06	100.0%
Marketing/Festivals	1,750.00	250.00	1,500.00	600.0%
Marketing/Internet	1,716.14	1,961.16	-245.02	-12.5%
Marketing/Postage-Shipping	8,037.62	6,065.90	1,971.72	32.5%
Marketing/Printing	1,085.00	112.50	972.50	864.4%
Marketing/Promotions	-210.80	1,286.18	-1,496.98	-116.4%
Marketing/Public Relations	0.00	40.90	-40.90	-100.0%
Marketing/Sales Trips	1,039.42	186.00	853.42	458.8%
Marketing/Sports Grants	550.00	850.00	-300.00	-35.3%
Marketing/Telephone	0.00	169.59	-169.59	-100.0%
Marketing/Visitor Services	847.40	1,895.50	-1,048.10	-55.3%
Payroll Expenses	42.00	38.40	3.60	9.4%
Personnel	59,652.12	50,724.78	8,927.34	17.6%
Total Expense	115,934.21	106,595.21	9,339.00	8.8%
Net Ordinary Income	-2,252.75	802.05	-3,054.80	-380.9%
Net Income	**-2,252.75**	**802.05**	**-3,054.80**	**-380.9%**

Attachment B

press play

Quarterly Community Report
April, May & June 2016

Executive Director's Report

Occupancy was up In April by 4.6% and ADR (Average Daily Rate) also increased by 15.3%. Occupancy and ADR were both down in May by 4.6% and 3.3% respectively. For June of 2016 occupancy was down 3.6 but ADR was up 5.2 % over the same time period last year.

Fourth Quarter Highlights

I worked with Liz Doyle from Diamond Woods Golf Course to help her secure a grant from Travel Oregon. With this grant the Tri-County Chamber of Commerce can produce three county videos that will showcase Lane, Linn and Benton Counties. We will have access to Benton County's video for our website and it may also be used for Economic Development.

I am on the steering committee for the creation of a Scenic Byway on Highway 34 from Waldport to 1-5. We held three public meetings in May. The meetings in Corvallis and Waldport went very well. The meeting in Alsea, though, did not. All three meetings will be part of the public record that will be presented to the Oregon Tourism Commission and to the Transportation Commission in late September or early October.

I was allowed a guest editorial in the Alsea Valley Voice to clarify some of the issues that arose during that meeting.

In case we do get the designation (which would benefit many of our rural locations throughout the county), I have applied for a matching grant from Travel Oregon to create a special web page and a marketing insert to go into the already (and recently) printed Scenic Byway Guide. The Scenic Byway guides are the number 1 response piece that is requested of Travel Oregon.

Another benefit of receiving the designation is that it will make safety concerns along Highway 34 a higher priority for ODOT to address.

I worked with a small committee to lead a Sister City tour of Corvallis. Stops included the Arts Center, the Whiteside, the Majestic, the Corvallis Hotel, the Courthouse and the Historical Museum.

I attended a CAMPO all-day meeting on planning transportation, jobs and housing scenarios for Corvallis in 2040.

Once again we are preparing to attend Feast Portland this year. Chef Ian from Luc's will be representing Corvallis.

I was asked to speak at the Chamber of Commerce's Annual Meeting.

We have begun filming our social media-only campaign for this summer, featuring T-Rex and the Woolly Mammoth. The first video was watched by 18,000 people and the next two were viewed over 8,000 times. Those are only Facebook views. We haven't counted Twitter or Instagram yet.

Last but not least I am serving on the legislative steering committee for the new statewide increase in lodging tax.

press play

Quarterly Community Report
April, May & June 2016

Visitor Information Report

During the months of April, May and June, 2016, in the Visitor Center we greeted 745 walk-in visitors and handed out 816 visitor guides. Upon request we distributed 4,148 visitor guides to event and conference organizers, Corvallis lodging properties, OSU and various other organizations throughout the city, county and state. We also distributed over 850 maps to the Corvallis lodging properties.

Lead requests received for our visitor guide through VisitCorvallis.com, OregonWineCountry.org and leads received in response to online and print advertisement placed by Visit Corvallis and/or the Willamette Valley Visitors Association totaled 7,408.

Relocation packet requests received through VisitCorvallis.com totaled 23 for the quarter.

We placed 905 table tents in local restaurants and other various businesses in the city and county promoting Corvallis and Benton County events occurring during the months of April through July, 2016.

During the months of July and August, Visit Corvallis will partner again with PreservationWorks and offer our annual Historic Homes Trolley tour. The first-ever tour was developed and offered during Corvallis' sesquicentennial celebration in 2007. Due to the overwhelming response, the tour has been running every summer since.

In 2015, Visit Corvallis was awarded a grant from the Benton County Cultural Coalition to develop a new tour route – Historic Homes Trolley Tour II. The new route begins at the Benton County Courthouse and ends at City Hall. The response from the riders has been very positive and we look forward to coordinating the tour for as long as it is still in demand.

Each tour is led by a different guide who follows a script but is also given the opportunity to share what they have learned and know of our Corvallis history. Survey results tell us that both visitors, current and new residents to Corvallis are interested in learning about Corvallis' history. We have also had groups from Newport and as far away as Vancouver come to experience Corvallis through our tour. Reservations are required by calling Visit Corvallis.

Throughout the years, little marketing outside of our website and social media channels has been needed. It is now known to be an annual event for Corvallis.

Social and Digital Media Report

VisitCorvallis.com had 59,640 sessions this quarter, with 45,035 users, both down very slightly from last year. Our total page views and pages viewed per session are up almost 60% from last year and our bounce rate is down almost 45% from last year. Overall, this is an excellent improvement.

Our top five traffic-referring sites this quarter were, in order from most to least, mobile Facebook, CorvallisOregon.gov, our Madden Media campaign, OregonState.edu and Facebook.

Our most popular pages, not including our home page, were the events calendar, Things To Do, and our 3 Madden Media campaign landing pages.

We sent 32,579 outclicks to our members and area businesses this quarter, an almost 45% increase from last year. Our top receivers of traffic this quarter were HeartOfWillamette.com, the Corvallis Best Western, Alder Creek Cottage, Brooklane Cottage, and CorvallisCalendar.org. This number doesn't include traffic sent directly to member sites and area businesses from our social media platforms, as we aren't currently able to track that kind of traffic.

This quarter Facebook sent 7,731 visitors back to our website, a 6% increase over last year. Twitter sent 451 visitors back to our site, a whopping 105% increase over last year. Our other social platforms send double-digit traffic back to VisitCorvallis.com, but we did see slight increases in traffic referral from Google+ and Pinterest.

We've had over one million impressions on our posts on Facebook this quarter, with 14,500 enagements on our posts and 12,000 click-throughs on links we posted.

On Twitter we received 219.3K impressions, with a 2% enagement rate and almost a thousand link clicks sent back to our site, member sites and area businesses.

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

Attachment C

Finance Department
500 SW Madison Avenue
PO Box 1083
Corvallis, OR 97339-1083
(541) 766-6990
Fax: (541) 754-1729

MEMORANDUM

8/22/2016

TO: Tom Nelson, Economic Development

FROM: Tom Johnston, Accountant TJ 8/22/2016

SUBJECT: Visit Corvallis Financial Report – Fourth Quarter, FY 15/16

This review consists of inquiries and analytical procedures and is very limited in nature. The financial statements have not been reviewed by a Certified Public Accountant and are the representation of the management of Visit Corvallis. Visit Corvallis uses the accrual method of accounting.

During the fourth quarter of fiscal year 2015/2016, Visit Corvallis reported net revenues of $113,681 and expenditures of $115,934, resulting in a net loss of $2,253. Visit Corvallis maintains a strong cash position with current assets totaling $98,958 and current liabilities of $15,416.

The City of Corvallis budgeted $453,550 for Visit Corvallis for fiscal year 2015/2016 in monthly payments of $37,796. The City has funded a total of $113,388 in the fourth quarter which has been accurately accounted for on the Visit Corvallis report. The City funding represents over 99% of all revenue for the quarter.

Acceptance of the Visit Corvallis quarterly report is recommended.

CORVALLIS 150 Celebrating Past • Present • Future

A Community That Honors Diversity

TO: City Council for September 7, 2016

FROM: Paul Bilotta, Community Development Director

DATE: August 8, 2016

THROUGH: Mark W. Shepard, P.E., City Manager

SUBJECT: Downtown Corvallis Association Economic Improvement District FY 15-16 4th Quarter Report Review

Action Requested:

Staff submits the FY 15-16 Downtown Corvallis Association Economic Improvement District fourth quarter report for Council review (Attachment A).

Discussion:

The City Council, on July 16, 2012, approved Ordinance 2012-14, amending Municipal Code Chapter 10.07 (Economic Improvement District), establishing a boundary, and imposing assessments on property within the Downtown Voluntary Economic Improvement District (EID). The EID provides specific benefits to the members of the District by promoting commercial activity and public events in the Downtown district. Pass-through revenue billed for FY 15-16 was $92,885.65. Revenue received from FY 15-16 participants was $88,258.91, and revenue received from payoffs of liens applied in previous fiscal years was $4,570.92. The amount transferred to lien status in FY 15-16 for past due EID assessments was $6,327.78.

The Community Development Department administers the invoicing of EID participants, the "pass-through" payment of collected funds to the Downtown Corvallis Association (DCA), and the contract with the DCA. In support of these City services, the DCA pays an annual fee of $3,585. The contract requires that the DCA provide quarterly reports to the City that provide at a minimum:

1) a brief summary of services performed
2) a balance sheet as of the last day of the quarter
3) a comparison of actual revenues and expenses through the quarter

Attachment A includes DCA's summary of services performed in FY 15-16 and the 4th Quarter financials. The contract does not require a formal City Finance Department review of the agency's financial reports.

Budget Impact:

No budget impact.

Attachments:

A: DCA FY 15-16 Annual Report

DOWNTOWN CORVALLIS ASSOCIATION

A Main Street Community
460 SW Madison, Suite 9
Corvallis OR 97333
PO Box 1536
Corvallis OR 97339
(541) 754-6624
FAX (541) 758-4723
www.downtowncorvallis.org

To: City of Corvallis – Planning Department
From: Joan Wessell, Executive Director
Downtown Corvallis Association
Date: 1 August 2016
Subject: 2016-2017 4th Quarterly Report &
2012-17 Economic Improvement District

The Downtown Corvallis Association was formed to deliver economic development services for Downtown and to advocate for Downtown business and property owners. The DCA makes no charge for delivery of services whether for DCA Members, Downtown building or business owners, or community members.

The Downtown Corvallis Association receives countless requests from afar and locally including: helping locate appropriate space for prospective business (currently helping donut maker close on a space), listing vacancies for building owners (currently have 10 listings), interview with media for articles (with KLCC last week, resulting in a lovely article about Downtown Corvallis), assist property owners by writing leases for their tenants, collaborate with non-profits (currently working with the Chamber to offer workshops), create loan documents for Downtown businesses who have been approved for DCA Loans, assist business owners with remodeling inquiries, many, many requests for help with resources, and much more!

The quality economic development services provided by The Downtown Corvallis Association helps keep Downtown vibrant, beautiful and more livable. To enhance relationships between Downtown business owners/managers/employees, the DCA sponsors various monthly get-togethers allowing members of the Downtown business community opportunities to enhance their friendships. The gatherings include: monthly Membership meetings, Downtown After Hours at DCA Member businesses, and Downtown Red Carpet Welcomes to welcome new businesses to Downtown Corvallis. Members express their appreciation for the DCA delivering these benefits.

Since the last Quarterly report, The DCA has sponsored & hosted three each: Downtown After Hours networking socials, Membership Meetings, Board of Directors meetings, Design Committee, Economic Enhancement, & Promotions/Marketing Committee meetings, and Downtown Red Carpet Welcomes.

The Downtown Corvallis Association 4th Quarterly Report
Page 2
9 August 2016

The Downtown Corvallis Association is busy finalizing preparations for the 26th Rhapsody in the Vineyard Wine Walk on 10 September. The twice-yearly event attracts more than 2,000 attendees from throughout the State of Oregon! Restaurants and lodging establishments prosper each time the DCA presents Rhapsody in the Vineyard and the DCA is pleased to benefit those businesses and the community.

Downtown Corvallis will be well represented at the upcoming Main Street Conference in Astoria which will be held in mid-September. The DCA has nominated several businesses and buildings for honors/awards and we are feeling confident that Downtown Corvallis will receive some ‘hardware’ at the “Evening of Excellence Celebration” when awards will be presented.

Preparations are being made to establish a new 5-year Economic Improvement District with a new Task Force having been formed to assist with that all-important job. Downtown Corvallis Association supporters will join forces to conduct outreach and communicate with Downtown property and business owners to help establish this new 5-year Economic Improvement District with stable funding that will enable the Downtown Corvallis Association to continue focus on strengthening and enhancing our beloved Downtown. These funds are critical to the DCA’s work as they provide stable funds so the Downtown Corvallis Association can continue to provide Downtown businesses and building owners the valuable Economic Development assistance that so many have come to expect the Association to provide. And, as I’ve said so many times, ongoing professional management is critical to the life of Downtown…developers would never build a shopping center, then walk away and expect that it will take care of itself and neither should a Downtown be expected to take care of itself without professional management.

The Downtown Corvallis Association is extremely grateful to Downtown property owners who continue to voluntarily pay their Economic Improvement District assessments without which the DCA would have to close the office doors. The Downtown Corvallis Association expresses gratitude to City Staff for collecting and passing those funds through so we will be able to continue offering services to keep Downtown strong, healthy, vibrant, and on the receiving end of lovely compliments!

DOWNTOWN CORVALLIS ASSOCIATION
BALANCE SHEET
June 30, 2016

ASSETS	
Checking and Savings accounts	247,654.41
Other Current Assets	350.20
Fixed Assets	1,748.83
Façade Improvements loans	0.00
UF Residential loans	12,494.00
Interior Development Loans	40,711.21
TOTAL ASSETS	**302,958.65**
LIABILITIES & EQUITY	
Accounts Payable	0.00
Other Current Liabilities	29,958.50
Total Equity	273,000.15
TOTAL LIABILITIES & EQUITY	**302,958.65**

PROFIT AND LOSS
June 30, 2016

	Month	Year-to-Date	Budget 2015-2016	Remaining Budget
INCOME				
General Revenue	13,596.29	130,221.65	125,430.00	(4,791.65)
Program Revenue	110.00	1,425.00	4,000.00	2,575.00
Red, White & Blues	0.00	30,312.64	32,000.00	1,687.36
Rhapsody	65.00	24,564.60	35,000.00	10,435.40
Promotions	0.00	105.00	0.00	(105.00)
TOTAL INCOME	**13,771.29**	**186,628.89**	**196,430.00**	**9,801.11**
EXPENSE				
Personnel	9,617.80	112,579.09	117,252.00	4,672.91
Services and supplies	2,850.08	23,955.51	26,280.00	2,324.49
Programs	400.19	7,591.32	9,800.00	2,208.68
Red, White & Blues	0.00	25,810.36	20,000.00	(5,810.36)
Rhapsody	(86.18)	16,969.71	20,000.00	3,030.29
Promotions/OSU	0.00	3,487.03	2,000.00	(1,487.03)
TOTAL EXPENSE	**12,781.89**	**190,393.02**	**195,332.00**	**4,938.98**
NET INCOME	**989.40**	**(3,764.13)**	**1,098.00**	**4,862.13**

Plus: Beginning unrestricted cash balance	**(364.14)**
Checking/Money Market	**198,885.26**
Held in reserve - Contingency Fund	**3,000.00**
Total beginning cash	**201,521.12**
Net Excess (deficit) budgeted for 2015-2016	**202,619.12**

Downtown Corvallis Association, Inc.

Budget Comparison
As of June 30, 2016

	Month Of June	7/1/15 Through June 2016	7/1/14 Through June 2015	Annual Budget	Percent Annual Budget
Income					
General Revenue					
EID Receipts	12,474.63	87,433.59	79,705.12	80,000.00	109.3%
Improvement Contributions	0.00	1,000.00	800.00	0.00	0.0%
Membership Dues	700.00	36,466.69	38,618.34	40,000.00	91.2%
Interest Income	11.66	138.62	161.67	170.00	81.5%
Rental Income - Sublet	410.00	5,120.00	5,120.00	5,220.00	98.1%
Miscellaneous	0.00	62.75	40.00	40.00	156.9%
Reimbursed Expenses	0.00	0.00	0.00	0.00	0.0%
Program Fees	0.00	0.00	0.00	0.00	0.0%
Total General Revenue	**13,596.29**	**130,221.65**	**124,445.13**	**125,430.00**	**103.8%**
Program Revenue					
Membership Workshops	0.00	0.00	0.00	0.00	0.0%
Christmas Lights	0.00	0.00	0.00	0.00	0.0%
Website/Newsletter Advertising	0.00	0.00	0.00	0.00	0.0%
Group advertising	0.00	0.00	0.00	0.00	0.0%
Directory advertising	0.00	0.00	0.00	0.00	0.0%
Fund Raiser	0.00	266.00	2,132.00	2,000.00	13.3%
Fund Raiser - DT After Hours	110.00	1,159.00	1,289.00	2,000.00	58.0%
Design Aesthetics	0.00	0.00	0.00	0.00	0.0%
Red, White & Blue	0.00	30,312.64	31,877.97	32,000.00	94.7%
Total Program Revenue	**110.00**	**31,737.64**	**35,298.97**	**36,000.00**	**88.2%**
Promotions Revenue					
Promotions - Misc	0.00	105.00	0.00	0.00	0.0%
Rhapsody in the Vineyard	65.00	24,564.60	27,815.00	35,000.00	70.2%
Total Promotions Revenue	**65.00**	**24,669.60**	**27,815.00**	**35,000.00**	**70.5%**
TOTAL INCOME	**13,771.29**	**186,628.89**	**187,559.10**	**196,430.00**	**95.0%**

Expense					
Administration - Personnel					
Personnel	7,764.58	94,328.44	89,826.58	94,000.00	100.3%
Accrued Vacation Expense	0.00	0.00	0.00	0.00	0.0%
Director - Medical Benefit	726.00	5,417.40	4,551.60	4,552.00	119.0%
Director - Expense	0.00	67.83	67.52	2,000.00	3.4%
Contract Labor	0.00	0.00	0.00	500.00	0.0%
Staff Expenses	0.00	0.00	0.00	1,500.00	0.0%
Volunteer - Expense	330.19	2,309.85	2,334.15	2,000.00	115.5%
Staff Development	0.00	0.00	30.00	2,000.00	0.0%
Payroll taxes	604.44	7,895.28	8,070.46	8,100.00	97.5%
Workers Compensation	3.79	294.69	199.56	200.00	147.3%
IRA Expense	188.80	2,265.60	2,400.00	2,400.00	94.4%
Total Personnel	**9,617.80**	**112,579.09**	**107,479.87**	**117,252.00**	**96.0%**
Administration - Services & Supplies					
Accounting	220.00	2,765.00	2,455.20	2,500.00	110.6%
Accounting Review	945.00	945.00	945.00	1,000.00	94.5%
Bad Debt	0.00	0.00	0.00	0.00	0.0%
Bank Charges	(10.00)	28.06	0.00	0.00	0.0%
Subscriptions	0.00	322.09	228.23	350.00	92.0%
Insurance	0.00	500.00	423.00	1,200.00	41.7%
Equipment Replacement	0.00	0.00	0.00	3,000.00	0.0%
Equipment Lease	176.49	2,126.38	2,248.97	2,300.00	92.5%
Office Supplies	189.09	1,902.76	974.37	1,000.00	190.3%
Permits & Fees	95.00	798.00	682.00	620.00	128.7%
Postage	0.00	563.34	608.57	610.00	92.4%
Rent	810.00	9,720.00	9,720.00	9,000.00	108.0%
Utilities	55.66	719.44	792.56	800.00	89.9%
Miscellaneous	0.00	227.79	474.92	300.00	75.9%
Repair & Service Equipment	0.00	24.06	351.99	400.00	6.0%
Telephone/Cell	368.84	3,313.59	3,150.18	3,200.00	103.5%
Depreciation	0.00	0.00	0.00	0.00	0.0%
Total Services & Supplies	**2,850.08**	**23,955.51**	**23,054.99**	**26,280.00**	**91.2%**
Programs					
Membership Drive	0.00	272.21	82.33	200.00	136.1%
Red Carpet Welcome	0.00	8.00	39.69	200.00	4.0%
Downtown Updates	0.00	0.00	0.00	0.00	0.0%
Website Updates	0.00	0.00	0.00	0.00	0.0%
Meetings & Public Relations	330.20	1,836.49	1,457.85	1,400.00	131.2%
Design Committee	0.00	48.11	0.00	0.00	0.0%
Design Committee-Awards	0.00	0.00	40.00	300.00	0.0%
Mainstreet Expenses	0.00	141.18	831.01	800.00	17.6%
Mainstreet Dues	0.00	350.00	350.00	300.00	116.7%
EID Expense	0.00	0.00	123.44	0.00	0.0%
EID Task Force Expense	0.00	27.40	0.00	0.00	0.0%
EID Expense-City Collection Fee	0.00	3,585.00	3,585.00	4,000.00	89.6%
Annual Reports, proposal	0.00	0.00	0.00	0.00	0.0%
Misc. Printing	0.00	0.00	0.00	0.00	0.0%
Directory Printing	0.00	0.00	0.00	0.00	0.0%
OSU Relations	0.00	0.00	31.20	100.00	0.0%
Christmas Lights	0.00	0.00	0.00	0.00	0.0%
Flower Baskets	0.00	0.00	0.00	0.00	0.0%
Design Aesthetics	0.00	0.00	0.00	0.00	0.0%
Design Aesthetics-Reimbursement	0.00	0.00	0.00	0.00	0.0%
Fund Raiser	0.00	613.75	1,717.50	2,000.00	30.7%
Economic/Image Enhancement	69.99	709.18	1,294.59	500.00	141.8%
Total Programs	**400.19**	**7,591.32**	**9,552.61**	**9,800.00**	**77.5%**

Promotions					
Red, White & Blue	0.00	25,810.36	19,840.23	20,000.00	129.1%
Promotions - Misc	0.00	3,487.03	4,062.44	2,000.00	174.4%
Rhapsody in the Vineyard	(86.18)	16,969.71	19,950.98	20,000.00	84.8%
Total Promotions	**(86.18)**	**46,267.10**	**43,853.65**	**42,000.00**	**110.2%**
Total expense	**12,781.89**	**190,393.02**	**183,941.12**	**195,332.00**	**97.5%**
Excess (deficit) income over expense	**989.40**	**(3,764.13)**	**3,617.98**	**1,098.00**	

Plus: Beginning restricted/unrestricted cash balance	**(364.14)**
Checking/Money Market	**198,885.26**
Held in reserve-Contingency Fund	**3,000.00**
Total beginning cash	**201,521.12**
Net Excess (deficit) budgeted for 2015-2016	**202,619.12**

08/10/16

Downtown Corvallis Association, Inc.
Balance Sheet
As of June 30, 2016

		Jun 30, 16
ASSETS		
Current Assets		
Checking/Savings		
1010 · Cash - Umpqua Bank		26,744.89
1015 · MMF - Umpqua Bank		160,463.70
1050 · Cash - US Bank-Rhapsody		17,185.49
1104 · MMF-Citizens-Design Committee		2,647.55
1106 · Cash-Citizens-RW&B		22,301.37
1109 · MMF-Citizens-Facade/Upper Floor		
1109-1 · Designated City Funds	18,094.79	
1109-2 · Undesignated Funds	216.62	
Total 1109 · MMF-Citizens-Facade/Upper Floor		18,311.41
Total Checking/Savings		247,654.41
Other Current Assets		
1116 · Prepaid Expenses		
1120 · Rent	350.20	
Total 1116 · Prepaid Expenses		350.20
Total Other Current Assets		350.20
Total Current Assets		248,004.61
Fixed Assets		
1258 · Fixed Asset		13,750.39
1259 - Accumulated depreciation		-12,001.56
Total Fixed Assets		1,748.83
Other Assets		
1700 · UF Residential Loans		
1738 · Reynolds Law Firm	12,494.00	
Total 1700 · UF Residential Loans		12,494.00
1800 · Interior Development Loans		
1810 · Reynolds Law Firm	12,494.00	
1811 · Kassatkin	15,324.00	
1812 · Meers or Scott Major	12,893.21	
Total 1800 · Interior Development Loans		40,711.21
Total Other Assets		53,205.21
TOTAL ASSETS		**302,958.65**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
2111 · Pass-thru money		198.70
2113 · Deferred RW&Blue		
2113-1 · Revenue		
2113-13 · Sponsors	1,250.00	
2113-14 · Vendor	4,985.00	
Total 2113-1 · Revenue	6,235.00	
2113-2 · Expenses		
2113-21 · Advertising	-169.25	
2113-22 · Entertainment	-4,000.00	
2113-24 · Miscellaneous	-152.00	
2113-27 · Gate Expense	-1,059.95	
2113-28 · DCA Booth	-51.48	
Total 2113-2 · Expenses	-5,432.68	
Total 2113 · Deferred RW&Blue		802.32
2115 - Gift certificates o/s		2,163.03

08/10/16

Downtown Corvallis Association, Inc.
Balance Sheet
As of June 30, 2016

	Jun 30, 16
2125 · Compensated Absences	23,520.00
2142 · Federal/FICA/Medicare	2,439.23
2143 · State Withholding	583.00
2144 · Federal Unemployment	8.48
2145 · State Unemployment	222.17
2146 · Workers Compensation	21.57
Total Other Current Liabilities	29,958.50
Total Current Liabilities	29,958.50
Total Liabilities	29,958.50
Equity	
3312 - Reserved - City loan $	71,300.00
3318 - Undesignated funds	-3,835.80
3311 · Designated - Christmas	3,471.66
3900 · Retained Earnings	205,828.42
Net Income	-3,764.13
Total Equity	273,000.15
TOTAL LIABILITIES & EQUITY	**302,958.65**

08/10/16

Downtown Corvallis Association, Inc.
Income Statement
June 2016

	Jun 16		Jul '15 - Jun 16	
Ordinary Income/Expense				
Income				
General Revenue				
4110 - EID Receipts		12,474.63		87,433.59
4111 · Improvement Contributions		0.00		1,000.00
4120 - Membership dues		700.00		36,466.69
4141 - Interest income		11.66		138.62
4160 - Miscellaneous		0.00		62.75
4195 · Rental Income - Sublet		410.00		5,120.00
Total General Revenue		13,596.29		130,221.65
Program Revenue				
4260 - Fund Raiser				
4260-1 · Fundraiser	0.00		91.00	
4260-2 · Snowflakes	0.00		175.00	
Total 4260 - Fund Raiser		0.00		266.00
4265 · Fund Raiser - DT After Hours				
4265-1 · Entry Fees	110.00		870.00	
4265-2 · Bucket of Bucks	0.00		289.00	
Total 4265 · Fund Raiser - DT After Hours		110.00		1,159.00
4310 - Red, White & Blue				
4310-1 · Beer	0.00		6,438.55	
4310-2 · Gate	0.00		9,517.70	
4310-3 · Sponsors	0.00		7,880.40	
4310-4 · Vendor	0.00		6,392.99	
4310-6 · DCA Booth	0.00		83.00	
Total 4310 - Red, White & Blue		0.00		30,312.64
Total Program Revenue		110.00		31,737.64
Promotions Revenue				
4450 - Promotions		0.00		105.00
4460 · Rhapsody in the Vineyard		65.00		24,564.60
Total Promotions Revenue		65.00		24,669.60
Total Income		13,771.29		186,628.89
Expense				
Administration				
Personnel				
5105 · Personnel	7,764.58		94,328.44	
5120 - Director-Medical Benefit	726.00		5,417.40	
5130 - Director-Expense	0.00		67.83	
5150 - Volunteer expense	330.19		2,309.85	
5180 - Payroll Taxes	604.44		7,895.28	
5190 - Workers Compensation	3.79		294.69	
5195 · IRA Expense	188.80		2,265.60	
Total Personnel		9,617.80		112,579.09
Services and supplies				
5410 - Accounting	220.00		2,765.00	
5415 - Accounting Review	945.00		945.00	
5430 - Bank charges	-10.00		28.06	
5440 - Subscriptions	0.00		322.09	
5450 - Insurance	0.00		500.00	
5460 - Office supplies	189.09		1,902.76	
5470 - Permits & fees	95.00		798.00	
5480 - Postage	0.00		563.34	
5490 - Rent	810.00		9,720.00	
5600 - Utilities	55.66		719.44	
5610 - Miscellaneous	0.00		227.79	
5620 - Repair & service equip.	0.00		24.06	
5630 - Telephone/Cell	368.84		3,313.59	
5456 · Equipment Lease	176.49		2,126.38	

08/10/16

Downtown Corvallis Association, Inc.
Income Statement
June 2016

	Jun 16	Jul '15 - Jun 16
Total Services and supplies	2,850.08	23,955.51
Total Administration	12,467.88	136,534.60
Programs		
6110 - Membership Drive	0.00	272.21
6180 - Meetings & public relati	330.20	1,836.49
6185 · Red Carpet Welcome	0.00	8.00
6190 - Design Committee	0.00	48.11
6410 - Main Street Expense	0.00	141.18
6420 - Mainstreet Dues	0.00	350.00
6450 · EID Task Force Expense	0.00	27.40
6590 - Fund Raiser		
6590-1 · Fundraiser	0.00	10.00
6590-2 · Snowflakes	0.00	603.75
Total 6590 - Fund Raiser	0.00	613.75
6445 · EID Expense-City Collection Fee	0.00	3,585.00
6580 · Economic/Image Enhancement	69.99	709.18
Total Programs	400.19	7,591.32
Promotions		
7110 - Red, White & Blue		
7110-1 · Advertising	0.00	4,035.40
7110-2 · Entertainment	0.00	8,375.00
7110-3 · Infrastructure	0.00	3,195.75
7110-4 · Miscellaneous	0.00	4,545.50
7110-5 · Beer	0.00	2,914.98
7110-6 · T-Shirts	0.00	1,278.85
7110-7 · Gate Expense	0.00	1,030.88
7110-10 · Volunteer Expense	0.00	434.00
Total 7110 - Red, White & Blue	0.00	25,810.36
7120 - Promotions	0.00	3,487.03
7125 · Rhapsody in Vineyard	-86.18	16,969.71
Total Promotions	-86.18	46,267.10
Total Expense	12,781.89	190,393.02
Net Ordinary Income	989.40	-3,764.13
Net Income	**989.40**	**-3,764.13**

TO:	City Council for September 7, 2016
FROM:	Paul Bilotta, Community Development Director
DATE:	August 30, 2016
THROUGH:	Mark W. Shepard, P.E., City Manager
SUBJECT:	Housing Development Task Force Recommendations

Action Requested:

Staff request that the City Council discuss the Housing Development Task Force (HDTF) work to date and pending recommendations, and provide direction on desired next steps.

Discussion:

The HDTF has been meeting since June 2015 to address the City Council's Housing Development Goal:

Housing Development Goal

> The city will analyze policy and programmatic tools suggested by the 2014 ECONorthwest Housing Policy Options Study, including funding/resource requirements, and by December 2016, select and implement strategies to facilitate creation of additional transitional, low-income, and workforce housing. In addition, the City will develop strategies to sustain or increase service levels in order to continue the programs currently in place to build and maintain affordable housing.

Work to date has focused on:

- A review of the policy and program concepts that were presented to the City Council in the 2014 ECONorthwest Housing Policy Options study.
- Receiving input on policies and programs from market rate housing developers, affordable housing developers, housing assistance agencies, City planners, and community members.
- Reviewing policy options and developing a preliminary, prioritized list for further investigation. This information was presented to the City Council during a work session on March 8, 2016.
- Conducting further research on top priority policy concepts, and adding Inclusionary Zoning and a Construction Excise Tax to the near-term priority list.
- Finalizing the prioritized list of policy options and formulating specific action recommendations for City Council consideration. The list and recommendations are attached as Exhibit 1.

With completion of the recommendations in Exhibit 1 the HDTF is delivering them for Council consideration and action during a regular meeting. To do so the Task Force requests that the Council consider whether it feels the recommendations are ready for consideration and if so, when they should be scheduled.

Recommendation:

Staff recommend that the Council place the HDTF housing policy recommendations on a future Council meeting agenda for further consideration. If after consideration of the HDTF recommendations the Council is prepared to move forward with one or more of the five recommended near-term options, staff recommend that the City's Housing and Community Development Advisory Board (HCDAB) be directed to develop more detailed implementation plans for the approved concept options. The HCDAB will also be working with staff and other partners on housing-related actions being contemplated in the development of the Imagine Corvallis 2040 Vision and Action Plan. If City Council is comfortable accepting the HDTF recommendations as presented, staff recommend that the Council consider the work of the Task Force to be complete. Acceptance of the recommendations does not obligate the Council to implement all the recommendations but would complete the work of the Task Force.

Staff further recommends that if the Council supports moving forward with the implementation of a Construction Excise Tax, Council direct staff to develop an ordinance for consideration during a future City Council public hearing.

Budget Impact:

The five policy concepts the HDTF is recommending for near-term implementation will have positive, neutral, and negative budget impacts.

Concept 1: Inclusionary Zoning and Construction Excise Tax

The implementation of a Construction Excise Tax (CET) is expected to generate between $350,000 and $500,000 annually to support City housing efforts. As noted in the attached Exhibit 1, after deducting 4% to cover collection costs, 15% of the remaining revenue derived from residential construction must be passed through to the Oregon Housing and Community Services Department. Some of the remaining revenues must be used in specific ways under an Inclusionary Zoning or housing assistance umbrella, and others carry greater flexibility. The staff report attached as Exhibit 2 provides a detailed overview of the Construction Excise Tax and how its revenues must/may be applied.

Concept 2: Accessory Dwelling Unit Incentives

The HDTF recommendation is that System Development Charges (SDCs) for Accessory Dwelling Units (ADUs) be deferred, or that CET revenues be used to front the costs of SDCs. If the SDCs are deferred, the SDC funds would see less short term revenue and less overall revenue; if SDCs are funded with CET revenues this activity would be revenue neutral. As CET-based loans are repaid to the City, a revolving fund could continue to support this and other housing-related activities.

The budget impacts related to 1) removing the requirement that owners occupy either the primary or accessory unit when an ADU exists, and/or 2) that multiple ADUs be allowed on a single property, would in the near-term be reflected in the costs for staff efforts to amend the City's Land Development Code.

Concept 3: System Development Charge Waivers

SDC waivers would impact all five of the City's SDC funds, and could leave a fund short as capital project or property acquisition needs emerge. In this case another source, likely the General Fund, would need to backfill that need. An overview of likely impacts was provided to the Housing Development Task Force for discussion during their August 17 meeting; the report containing that discussion is attached as Exhibit 3.

Concept 4: Convene Potential Partners for a Non-profit Donation Recipient Entity

Other than staff time, no direct budget impacts are anticipated with this concept.

Concept 5: Add Affordable Housing Planning

Personnel and related costs for dedicated affordable housing planning and program administration would be funded with revenues from the CET, so this concept would be revenue neutral.

As mid- and longer-term policy and program concepts are brought forward in the future for City Council consideration, budget impacts will be assessed and described at that time.

Attachments: Exhibit 1 – HDTF Policy/Program Recommendations for 9/7/16 Council Work Session
Exhibit 2 – June 9, 2016 Staff Memorandum to Housing Development Task Force
Exhibit 3 – August 10, 2016 Staff Memorandum to Housing Development Task Force

Exhibit 1

Corvallis Housing Development Task Force

Housing Development Policy/Program Recommendations for 9/7/16 City Council Meeting

INITIAL RECOMMENDATIONS FOR IMPLEMENTATION IN FY 16-17:

Original Concept 1: Implement Inclusionary Zoning and a Construction Excise Tax

Description: With the Legislature's recent passage of SB 1533 local jurisdictions may now implement Inclusionary Zoning (IZ) provisions and collect a Construction Excise Tax (CET) to support housing development. Under IZ, the City could require that certain new housing development include a minimum percentage of affordable units, or offer incentives to achieve broader affordability on a voluntary basis. The CET would provide funding to supplement the City's current federal housing resources, allowing for a higher level of investment in affordable housing projects, a broader range of affordability, or both.

Difficulty: In the short term, establishing mandatory IZ standards would require a Land Development Code Text Amendment process which would include public hearings and approval by the Planning Commission and City Council. IZ projects would then require both a Planning review and a financial review. Establishing a voluntary IZ program would not require the same level of legislative action, and could be operated under the same or similar parameters as the City's current HOME Investment Partnerships (HOME) and Community Development Block Grant (CDBG) programs. Projects built with IZ would require long term monitoring throughout an established period of affordability.

Impacts: Likely small to moderate. The use of CET revenues to incentivize and subsidize IZ projects has promise, could build on the City's seasoned CDBG and HOME programs, and could leverage existing staff and administrative infrastructure.

Budget Impacts: Likely neutral if CET revenues are tied to IZ projects. Revenues from CETs may be used to pay the costs of their collection, up to 4% of the total collected; a portion of the collected CETs could also be used to pay staff costs for affordable housing program development and delivery.

Task Force Recommendations:

1. The HDTF recommends that the City Council direct staff to bring forward an ordinance to establish a CET with the following characteristics:
    a. A CET for residential construction to be set at 1% of valuation as required by SB 1533.
    b. A CET for commercial and industrial construction to be set at 1.5% of valuation.
    c. 4% of CET revenues will be allocated to the costs of collecting and administering the CET.
    d. After the 4% allocation, 15% of the CET collected for residential development will be transferred to the Oregon Housing and Community Services Department as required by SB 1533.
    e. After the 4% allocation, 50% of the CET collected for residential development will be allocated for use as financial incentives for a voluntary inclusionary housing program.
    f. After the 4% allocation, 35% of the CET collected for residential development will be allocated for use to provide affordable housing incentives, including those provided under a voluntary inclusionary housing program, and to affordable housing planning and program administration.

   g. After the 4% allocation, 100% of the CET collected for commercial and industrial development will be allocated to affordable housing incentives, including those provided under a voluntary inclusionary housing program, and to affordable housing planning and program administration.
   h. Exemptions: all as required under SB 1533, and in addition, new residential or commercial development receiving assistance through the City's HOME Investment Partnerships and Community Development Block Grant programs, and residential improvements valued at less than $25,000.
   i. Hold a public hearing prior to adopting an ordinance to implement a Construction Excise Tax.
2. The HDTF also recommends that the City Council direct staff to develop an inclusionary zoning program with the following characteristics:
   a. The development of affordable units should be voluntary rather than mandatory.
   b. Set affordability for assisted development at 80% of Area Median Income (AMI) or below for home ownership projects, and at 60% AMI or below for rental projects.
   c. Establish a minimum period of affordability at 60 years for rental projects and 20 years for home ownership projects.
   d. Utilize CET resources to provide financial incentives under the voluntary IZ program.
   e. Require that rental units be maintained to the U.S. Department of Housing and Urban Development's Housing Quality Standards.
   f. Consider providing incentives for other specific development types, i.e., Accessory Dwelling Units (Concept 2 below).

Original Concept 2: Loosen Accessory Dwelling Unit development restrictions.

Description: Accessory Dwelling Units (ADUs) are second, individual living units on a single parcel, sometimes separate from the primary dwelling and sometimes incorporated into the primary dwelling, e.g., an apartment above an attached garage. Corvallis currently allows the development of Accessory Dwelling Units (ADUs) in all residential zones; either the primary or accessory unit must be owner occupied. The HDTF has discussed loosening ADU requirements and/or facilitating ADU development by:

- Eliminating the requirement that one unit be owner-occupied;
- Allowing multiple accessory units on a single parcel;
- Doing both of the above; and/or
- Reducing or eliminating System Development Charges (SDCs) and/or providing development subsidies for ADUs.

Difficulty: The first three concepts above would require Land Development Code Text Amendments, which would be considered in a public hearing setting by both the Planning Commission and City Council. Depending on the details of a Text Amendment proposal and public perceptions of that proposal, gaining approval could prove difficult. The elimination of system development charges and related difficulties are discussed in Concept 3. below.

Impacts: Likely small. The impact might become more significant by implementing more than one of the approaches above.

Budget Impacts: Likely no increased revenues; SDC reduction/waiver issues are described in 3. below.

Task Force Recommendations:

1. The HDTF recommends that the City Council approve the provision of financial incentives for the development of Accessory Dwelling Units (ADUs). Incentives would include:
    a. Waive SDCs for the development of ADUs that are guaranteed to be affordable and to be rented to households with a specified low income level as described in recommendation 2 in Concept 3 below.
    b. Offer a low interest or interest-free SDC payment deferral option, with full payment due to the SDC funds within ten years, to developers of ADUs who do not intend to guarantee affordable rents.
2. Amend the Land Development Code Section 4.9.40 to remove the requirement that a property's owner must occupy either the primary residence on a lot with an ADU, or the ADU.
3. Amend the Land Development Code to allow for the creation of more than one ADU on a single lot.
4. Evaluate the impacts of these ADU incentives annually, and consider altering them after three years based on the productivity level achieved and/or on unanticipated community impacts.

Original Concept 3: System Development Charge waivers, offsets, reductions; changes in calculation methodology to scale SDCs to the size of the home being constructed.

Description: The HDTF has heard from developers and others in the real estate community that while SDCs in Corvallis are not necessarily higher than in other communities, the methodology used to calculate them does not incentivize the construction of smaller, more affordable homes. This concept would explore establishing a program of offsets and/or reductions or waivers under the current calculation methodology when low income affordable housing is constructed, or changing the methodology to scale the cost of SDCs to the size of the home being built.

Difficulty: When asked for SDC waivers on a few occasions to support affordable housing projects, past City Council practice has been to use another source of City funding (typically from the General Fund) to pay those costs rather than waive them. Because SDCs are based on the projected future costs of needed infrastructure, waiving them altogether has not been seen as a responsible approach. In order to move forward with this concept a better understanding of state law as it applies to SDC calculation methodologies would be needed before considering any local programs or policy changes that would be generally applied.

Impact: Likely small as a stand-alone tool with restricted applicability. If combined with other tools (density bonuses, ADU incentives) the impact could be increased.

Budget Impacts: Potentially significant. Revenues needed for the City's SDC funds and future infrastructure development could be reduced if full or partial waivers of SDCs is approved; General Fund resources might be needed to backfill project funding shortfalls. Impacts would be smaller if a different source of City funding such as the Construction Excise Tax was used to offset the reduced/waived SDCs. Additional budget impacts would include City staff costs for long-term monitoring of assisted projects.

Task Force Recommendations:

1. The HDTF recommends that when the City next undertakes full reviews of its SDC calculation methodologies, alternative approaches that provide incentives for small/affordable unit construction, or that allow for waivers of SDCs without negatively impacting the SDC funds, should be considered.

2. Until the full SDC calculation methodology reviews are completed, but for a period of no longer than four years, the HDTF recommends that the City provide SDC waivers for affordable rental housing projects that meet the following requirements:
    a. Set affordability requirements for assisted development at 60% AMI or below.
    b. Establish a minimum period of affordability at 60 years.
    c. Require that rental units be maintained to the U.S. Department of Housing and Urban Development's Housing Quality Standards.
    d. Require that waived SDCs be repaid in full if the affordability requirements are not met through the entire 60-year period of affordability.
    e. Align the percentage of SDCs waived with the percentage of affordable units constructed.
3. Until the full SDC calculation methodology reviews are completed, but for a period of no longer than four years, the HDTF recommends that the City provide SDC waivers for affordable homeowner unit construction that meets the following requirements:
    a. Set affordability requirements for assisted development at 80% AMI or below.
    b. Establish a minimum period of affordability at 20 years.
    c. If the home is sold within the period of affordability, require repayment of the waived SDC amount unless the purchasing household is also at 80% AMI or below.

Original Concept 4: Accept donations of property and/or money to be dedicated to affordable housing activities; create a partnership of affordable housing organizations to oversee the use of the donated resources.

Description: The City could either create a non-profit entity or establish a separate fund and function within its current structure to accept donations. In either case the non-profit status would allow for charitable contributions. Land assets could be used or banked for future affordable housing development; funding could support such development.

Difficulty: Although the City accepts charitable contributions for specific operations (Library, Parks & Recreation) it is difficult to predict whether community members would be willing to donate to support affordable housing efforts. Additionally, efforts to attract donations might have negative impacts on the fundraising efforts of other affordable housing development agencies such as Willamette Neighborhood Housing Services and Benton Habitat for Humanity.

Impact: Likely small, but potentially moderate to large. The impact would depend entirely on the levels of land and funding contributions.

Budget Impacts: Likely neutral if a portion of the collected funds could be used for administrative purposes, including due diligence on donated land, program operation and long-term project monitoring. If a non-profit organization is formed there would be formation and ongoing legal and reporting costs.

Task Force Recommendation:

1. The HDTF recommends that the City act as a convener of meetings of public and private affordable housing interests, financial planners and foundation representatives to consider and form a non-profit entity to receive and distribute donations of land and money earmarked for affordable housing.

Original Concept 5: Provide and better integrate housing planning with the City's land use planning program in order to more aggressively and effectively address the restricted supply of affordable and workforce housing.

Description: The City's current land use planning program is structured to be responsive to development proposals as they are received, applying existing Comprehensive Plan policies and Land Development Code provisions to ensure that development occurs in a way that is consistent with those documents and the community's vision. The City currently plays no facilitative role in bringing housing development projects or tools forward independent of a specific developer-initiated land use application. Under this concept Community Development would add to its overall planning program a housing planner who would work proactively to put many of the programs and policy concepts described in this document in place, and then assist with program administration over time. The position could pursue policy concepts including property tax incentives, Land Development Code amendments, facilitation/preparation of annexation applications, urban renewal districts and land banking/community land trusts. This function could also work with the City's existing housing assistance programs to leverage their effectiveness in achieving home ownership, and bring together public/private partnerships for rental housing development, e.g., OSU and private developers to create student housing opportunities on campus.

Difficulty: While putting in place the individual housing development program and policy concepts described in this document will have varying degrees of difficulty, the primary challenge to creating a Housing Planner position would be identifying a source of funding to cover the position's cost. As noted above, revenues from a Construction Excise Tax represent one potential source.

Impact: Moderate to significant, depending on the number of implemented program/policy concepts and their overall success.

Budget Impacts: It is possible that having a more aggressive approach to supporting housing development could yield revenues to support housing activities, e.g., through implementation of Urban Renewal; costs of this approach would include those related to personnel services, and any related to the individual policy concepts being pursued.

Task Force Recommendations:

1. The HDTF recommends City Council approval of the expansion of Community Development staff capacity for affordable housing planning and for investigation and development of the policy concepts outlined below that are proposed for consideration in FY 17-18 and beyond.
2. Fund the expanded staff capacity in the Community Development Department's Housing and Neighborhood Services Division and/or the CD Planning Division.
3. Dedicate a portion of the revenues from the Construction Excise Tax to cover the costs of the expanded planning and program development capacity.

MEDIUM TERM CONCEPTS FOR FUTURE INVESTIGATION (CONSIDER IN FY 17-18 & FY 18-19)

Concept M1: Implement property tax incentive programs.

Description: Under existing state law there are several property tax exemption programs that cities may put in place to provide incentives for the development of specific housing types. More research to understand program flexibility, limitations and impacts of each option is needed. The concepts are presented in the order of priority selected by the HDTF.

- The Low Income Rental Housing Property Tax Exemption (LIRPTE) Program provides up to a 20 year exemption for low income rental properties constructed after February 12, 1990, or rental properties owned by 501c(3) non-profits. This tool could be used to demonstrate local support for projects being submitted to the state for Low Income Housing Tax Credits and other assistance allocated by the Oregon Housing and Community Services Department.
- The Vertical Housing Tax Credit Program offers a 10-year property tax exemption on a new mixed use structure, or the incremental change in the after-rehabilitation property value of the building that comprises a mixed use project. The program grants a tax exemption of 20% for each floor of housing that is incorporated above ground floor commercial, with a maximum tax exemption of 80% for any single project. The program is restricted to an identified zone or zones; it is not necessarily restricted to providing low income affordable housing.
- The Multi-unit Property Tax Exemption (MUPTE) Program offers a property tax exemption on a new structure or the incremental change in the after-rehabilitation property value of a building that comprises the project for a maximum of 10 years. The program is not necessarily restricted to providing low income affordable housing. If allowed under state law, perhaps exempt new affordable construction in a specific area, but exempt reinvestment in affordable multi-unit properties City-wide.

Difficulty: Likely not difficult to create a framework for implementation or to administer, although none of these programs generates revenues to cover such costs. Difficulty could be encountered in getting agreement among affected taxing entities to accept reduced property tax revenues.

Impacts: Small to moderate, depending on program design and applicability, the areas identified in which exemptions can be provided, and the extent to which other taxing entities participate.

Budget Impacts: Likely no revenues would be generated, and property tax revenues would decline while properties are in exempt status. There would be staff costs to administer, increasing with the number of concepts implemented. Property tax revenues could increase following the exemption period, reflecting increased property values.

Concept M2: Implement City-sponsored/initiated annexations (on hold subject to future litigation/legislation related to voter-approved annexations).

Description: Developers have shared their experiences and perceptions about the City's annexation process with the Task Force and with ECONorthwest as they prepared the 2014 Housing Policy Options Report. These experiences and perceptions suggest that annexations in Corvallis carry a higher level of developer risk than is encountered in other communities. That risk is driven primarily by three factors: the cost to prepare annexation and related land use applications; the length of time required to move completely through the land use approval process; and the uncertainty of outcomes as applications move through the Planning Commission, the City Council and finally, through a general election to receive voter approval. Under this concept, the City would provide direct assistance and expertise to a project going through an annexation application process when it would result in affordable or otherwise needed/desirable housing.

Difficulty: Putting this concept into action would be challenging, and would require careful consideration of the City's intent, the level of cost the City could bear, equity among projects, and the outcomes to be received relative to the City's investments. By moving along this course the City would be accepting at least some of the project developer's risk, but would not have a more certain outcome with voters. To mitigate this risk, the Council could consider asking voters to amend the City's Charter to allow annexations that will result in affordable housing to proceed without a popular vote.

Impact: This concept could have moderate or larger impact on the development of affordable housing, and would allow the City to have more control over the types of housing products that would be created.

Budget Impacts: The City could look to recover its investment in the preparation of the annexation application through shared proceeds from the sale of units created in the project; costs could include staff time as well as consultant and other professional services.

Concept M3: Utilize development agreements to be applied in conjunction with other options, e.g., City-sponsored annexations or urban renewal for infrastructure.

Description: For this discussion development agreements are documents that codify commitments the City would make to a developer in conjunction with providing some form of project assistance, and that a developer would make to the City in return for receiving that assistance. In practice the City uses agreements of this type when providing Community Development Block Grant or HOME Investment Partnerships Program funding to a project in order to guarantee housing affordability for a specific period of time. As discussed above (City-sponsored annexations) and below (urban renewal, land banking, community land trusts), a development agreement would be the tool used to ensure that the City's goals are realized when providing some form of development assistance.

Difficulty: Drafting and putting development agreements in place would have a low level of difficulty.

Impact: The agreements themselves would secure the impact of the concept they are used to support.

Budget Impacts: Where a housing development concept has the capacity to generate revenue for the City, a development agreement would stipulate the form and amount of the revenue; costs associated with this approach would be limited.

Concept M4: Redesignate/rezone land for housing.

Description: This concept would utilize the City's Buildable Lands Inventory (BLI) and associated Housing Needs Analysis (HNA) to determine whether Corvallis has enough land, appropriately zoned, to allow for housing development at or above the level required to meet a 20-year planning horizon. The consultant contract for the BLI contains alternate work items that would allow the City to identify areas within the City Limits and Urban Growth Boundary that would be relatively easy/less expensive to develop; this work may identify areas that could/should be rezoned, or that could present opportunities to apply other concepts outlined in this discussion (City-sponsored annexations, urban renewal, parcel assembly, etc.).

Difficulty: The work to identify potential parcels/areas would be relatively easy given the information that will be derived from the BLI; getting community buy-in and working through one or more rezoning processes would likely be significantly more difficult.

Impact: This concept could have a moderate impact on the City's capacity for housing development.

Budget Impacts: There would likely be no revenues related to this concept; costs would be incurred for the staff time to carry out research, analysis and implementation.

Concept M5: Examine mixed use zones that allow residential development to determine why so little interest has been shown in that type of development.

Description: The City has three mixed use zones in which residential development is an allowed use: Mixed Use Community Shopping, Mixed Use Employment and Mixed Use Transitional. To date there has been no residential development in these zones, the first two of which were created with adoption of the 2000 Land Development Code and the last of which was adopted in 2006. As discussed above relative to cottage/clustered housing, if housing development is desired but not occurring in these zones the City should determine whether it has created barriers, and if so, evaluate how to remove them and the impacts of doing so.

Difficulty: The investigative work associated with this concept would be relatively straightforward; LDC amendments that might result would be more difficult, depending on community support.

Impact: There is not a significant amount of land zoned for mixed use, so the impact of this concept would be small.

Budget Impacts: There would likely be no revenues related to this concept; costs would be incurred for the staff time to carry out research, analysis and implementation.

Concept M6: Urban renewal to pay for infrastructure extension to highly developable/ redevelopable areas, or to be used in other eligible ways to support the creation of housing.

Description: Urban renewal and tax increment financing (TIF) can be effective both to revitalize an area of the community, and to leverage the development of affordable housing. When a city defines an urban renewal district boundary, the county assessor freezes the assessed value of real property within the district. Urban renewal districts raise money by borrowing against future growth in property taxes within the district. The city uses the borrowed money to pay for capital improvements, which spur more development. As the city and others invest in the urban renewal area, property values go up. The property taxes above those that were collected when the values were frozen – the tax increment - are used to repay the loans used for the improvements in the urban renewal area. When the urban renewal district expires in 20-25 years, the intent is to return a much higher property tax base to the tax rolls. In Portland, TIF includes a funding set aside of 30% to be used for the creation or rehabilitation of affordable housing.

Difficulty: Under the City's charter, the implementation of urban renewal and tax increment financing in Corvallis would require voter approval. Past efforts to implement these tools have been unsuccessful, so future efforts may be difficult depending on the area identified and the intent of the program. Prior to undertaking an effort to develop an urban renewal plan the City would be well served to hire consultant expertise to conduct a feasibility study.

Impact: With a set aside for affordable housing these tools could have a significant impact on housing development and revitalization within a defined area.

Budget Impacts: TIF revenues may be significant, but must be used for program administration and to carry out specific projects in an urban renewal district and identified in an urban renewal plan; ideally administrative costs would be fully covered by TIF revenues.

Concept M7: Encourage cottage/clustered housing.

Description: Land Development Code amendments in 2012 provided an avenue for the development of clustered, or "cottage style" housing development by allowing multiple single family structures on one lot in RS-5, RS-6 and RS-9 zones. This development type typically offers very small single family units clustered around a common area with parking and streets at the exterior of the site. To date no such development projects have been undertaken in Corvallis. Examples of this development type can be found around the country with a few in Oregon and several in Washington.

Difficulty: Because no projects have been proposed in Corvallis it is unclear whether or not this type of development is desired, or if it might be desired but too difficult to carry out under existing site or land use constraints. Additional research would be required to create better understanding.

Impacts: Likely small. Because no developments of this type have been built it is difficult to gauge potential impacts. However, as a development type that could support certain lifestyles, e.g., retirees and/or young families, there may be untapped demand in the community.

Budget Impacts: There would likely be no revenues related to this concept; costs would be incurred for the staff time to carry out research, analysis and implementation.

Concept M8: Review allowable densities and create density bonuses for affordable housing, small homes, and housing in certain locations (transit corridors, major neighborhood centers, adjacent to parks).

Description: Density bonus provisions typically allow for housing development at a density higher than allowed by underlying zoning if some or all of the resulting housing meets a community goal, typically affordable or workforce housing. In some communities, density bonuses have been tied geographically to areas where additional density may be desirable, such as along transit corridors, in major neighborhood centers or adjacent to parks.

Difficulty: The investigative work associated with this concept would be relatively straightforward; LDC amendments that might result would be more difficult, depending on community support.

Impact: Depending on the situations to which this concept is applied the impact could be small to moderate.

Budget Impacts: There would likely be no revenues related to this concept; costs would be incurred for the staff time to carry out research, analysis and implementation.

Concept M9: **Reduce parking requirements for low income or special needs housing.**

Description: This concept could be used to encourage/incentivize certain types of housing development where there is a presumption that occupant vehicle ownership will be at a lower rate than in other types of housing development.

Difficulty: The investigative work associated with this concept would be relatively straightforward and easy; LDC amendments that might result would be more difficult, depending on community support.

Impact: Likely small.

Budget Impacts: There would likely be no revenues related to this concept; costs would be incurred for the staff time to carry out research, analysis and implementation.

LONGER-TERM CONCEPTS FOR FUTURE INVESTIGATION (FY 18-19 AND BEYOND)

Concept L1: **Parcel assembly/land banking, which could include banking of developed properties for rehabilitation and/or resale.**

Description: Under this concept the City, a City-formed non-profit or a sponsored entity would strategically acquire parcels or accept donations of funding or undeveloped land to be used for future development of desired housing, or to be leveraged through strategic sales to acquire developable property. Also under this concept, developed properties could be acquired to be held and if needed, rehabilitated for resale as home ownership units. Assembly of parcels would provide opportunities for developments of significant size. Because repayment of the purchase price may not be required, or may be discounted, this concept could yield housing that is affordable to very low income residents.

Difficulty: This concept would be relatively difficult to implement given its need for a significant amount of funding, and the challenge of finding willing sellers and reasonable prices. The process of assembling parcels may also be a long, slow process.

Impact: Small to moderate on an area by area basis. The potential for deep affordability is high. Depending on the City's strategy and need for repayment, this concept would have the potential to break even or perhaps generate revenues in excess of associated expenditures, especially across a long holding period. Doing either of these however would limit the capacity of the land to be used for deeply affordable housing projects.

Budget Impacts: Public funds would be needed for initial land purchases; there is also potential for a land bank to be partially donor supported, either through cash or land donations. Resale of acquired land at market value could generate revenues in excess of expenditures. The costs of acquiring and assembling developed or undeveloped land at market values would depend on the aggressiveness of the acquisition strategy, but would be high if an aggressive strategy is employed.

Concept L2: **Facilitate and support community land trusts as an affordable housing tool.**

Description: Community land trusts are tools used to create affordable housing by separating the cost and value of land from the cost and value of improvements built on that land. This tool has been used in Corvallis by Willamette Neighborhood Housing Services (WHNS) in their Seavey Meadows home ownership project: six homes were built on land WNHS acquired from the City; as homes were completed the value of the improvements was established, and became the selling price for low income buyers. WNHS continues to own the land and leases it to the home owners, using the lease revenues to pay the land portion of the property taxes. The owners pay taxes only on the value of the improvements. Removing the land value from the home sale prices allowed WNHS to sell homes for $40,000 to $50,000 less than they otherwise could have. Current owners may resell their homes, but sale prices are limited and homes must be sold to low income purchasers.

Difficulty: The land trust concept has been successful in Corvallis, and would likely be successful in the future. The level and types of difficulty would be similar to those of the land banking/parcel assembly concept described above, and this model of development would work very well in tandem with banking/assembly. The concept could be facilitated by fostering cooperative relationships so that lands owned by other public entities but no longer needed might be made available for affordable housing purposes.

Impact: Likely small, but the approach can yield deep affordability.

Budget Impacts: Potential revenues and expenditures here would be similar to concept L1 above.

Concept L3: Small/tiny homes for homeless transitional housing.

Description: When used for transitional housing, tiny homes are typically very small living structures built on wheels or piers rather than being placed on permanent foundations. They have been used in Portland, Eugene and elsewhere in various forms and groupings to create village settings ranging from a few to several homes with shared cooking and bathroom facilities.

Difficulty: This concept would be challenging to organize and implement given its social, financial, political, geographic, building code and legal ramifications.

Impact: As a scalable concept the impact could begin at a lower level and if proven, grow to a higher level.

Budget Impacts: It is likely that the City would facilitate but not carry out this policy concept. It is unlikely that it would generate any revenues; City funding may be helpful/needed to acquire land or support unit construction.

Exhibit 2

MEMORANDUM

June 9, 2016

TO: Housing Development Task Force

FROM: Kent Weiss, Housing & Neighborhood Services Manager

RE: Inclusionary Zoning and Construction Excise Tax information

I. Issue

This memo provides an overview of the requirements and potential impacts of the City's adoption of Inclusionary Zoning (IZ) regulations and implementation of a new Construction Excise Tax (CET) for affordable housing.

II. Background

The City's ability to put IZ and a CET in place has been authorized with the Oregon Legislature's passage and the Governor's signing of Senate Bill 1533 in March, 2016. The resulting Act became effective on June 2, 2016. SB 1533 states that a jurisdiction must wait 180 days following the Act's effective date to adopt a regulation implementing IZ and a CET; if the City Council wishes to pass an ordinance to adopt them, it may do so on or after November 29, 2016.

III. Discussion

Inclusionary Zoning

Regarding Inclusionary Zoning, SB 1533 allows a jurisdiction to adopt a regulation *"that has the effect of establishing the sales or rental price for a new multifamily structure, or that requires a new multifamily structure to be designated for sale or rent as affordable housing."* For purposes of SB 1533 the definition of "affordable housing" is: *"Housing that is affordable to households with incomes **equal to or higher than 80% of the median family income** for the county in which the housing is built."*

Restrictions and requirements for Inclusionary Zoning regulations:

1. May not require more than 20% of housing units within a multifamily structure to be sold or rented as affordable housing;
2. May apply only to multifamily structures containing at least 20 housing units;
3. Must provide developers the option to pay an in-lieu fee, in an amount determined by the city or county, in exchange for providing the requisite number of housing units within the multifamily structure to be sold or rented at below-market rates; and
4. Must require the city or county to offer a developer of multifamily structures, other than a developer that elects to pay an in-lieu fee under 3. above, at least one of the following incentives:
   a. Whole or partial fee waivers or reductions.

b. Whole or partial waivers of system development charges or impact fees set by the city or county.
c. Finance-based incentives.
d. Full or partial exemption from ad valorem property taxes. If the city or county has an existing property tax exemption that defines "low income" to mean income at or below 60% of the area median, it must allow the structure to qualify using a definition of "low income" to mean income at or below 80% of the area median income.

In addition to providing at least one of the incentives above, Inclusionary Zoning regulations may also offer one or more of the following incentives to developers of qualifying affordable housing (again using the "80% of the area median income or *higher*" definition):

1. Density adjustments.
2. Expedited service for local permitting processes.
3. Modification of height, floor area or other site-specific requirements.
4. Other incentives as determined by the city or county.

A city or county may also offer developers voluntary incentives, including incentives to:

1. Increase the number of affordable housing units in a development.
2. Decrease the sale or rental price of affordable housing units in a development.
3. Build affordable housing units that are affordable to households with incomes equal to or lower than 80% of the median family income.

There are further restrictions on a city or county's imposition of an IZ regulation that come into play at the project review stage in a local planning process. The restrictions are:

1. If the city or county adopts mandatory inclusionary provisions it *"shall adopt and apply only clear and objective standards, conditions and procedures regulating the development of affordable housing units within its jurisdiction. The standards, conditions and procedures may not have the effect, either individually or cumulatively, of discouraging development of affordable housing units through unreasonable cost or delay."* In Corvallis this requirement would not apply to development within a historic district.
2. A city or county may also adopt and apply an alternative approval process for applications and permits for residential development based on approval criteria regulating, in whole or in part, appearance or aesthetics that are not clear and objective if:
   a. The developer retains the option of proceeding under the approval process that meets the requirements of 1. above;
   b. The approval criteria for the alternative approval process comply with applicable statewide land use planning goals and rules; and
   c. The approval criteria for the alternative approval process authorize a density at or above the density level authorized in the zone under the clear and objective standards of the approval process provided in 1. above.

The financial or other incentives a jurisdiction offers under a mandatory IZ regulation (i.e., a regulation to establish and require prices at a level affordable at 80% of the area median income or above) must be related “in a manner to be determined by the city or county to the required percentage of affordable housing units.”

Takeaways on Inclusionary Zoning under SB 1533

It appears based on the language of SB 1533 that establishing a mandatory IZ program would have little or no impact on Corvallis’ need for affordable housing, given that:

1. The program would apply only to new multifamily structures that contain 20 or more living units. Five of the structures in The Retreat development contain 20 or more living units; the project could have been reconfigured easily to have no structures with 20 or more units.
2. No more than 20% of units in a qualifying structure could have sale or rent prices limited. Again looking at The Retreat, an IZ program would have resulted in 20 affordable units out of a total of 322 units.
3. The affordability of those 20 units in The Retreat would have been determined based on 80% or more of the area median income. For a family of five that income would be $66,100 or more (many of the units at The Retreat are five-bedroom units); that would translate into monthly rent and utilities at $1,650 or higher.
4. The IZ program would not apply to projects being developed under a Planned Development overlay. (The Retreat was not developed under a PD, so IZ could have been applied.)
5. While prices for the sale or rental of mandatory IZ units may be limited to what is affordable at 80% or more of the area median income, the sale or rental of the units may not be restricted to households or families in that qualifying income range. The same would not be true under voluntary IZ developments, in which prices could be set at levels affordable to buyers or renters below 80% of the area median and there could be a requirement that the units be sold or rented to people at or below that income level.

One potential positive aspect of SB 1533 is that it gives a city or county the option of foregoing a mandatory IZ program and establishing only a voluntary IZ program. This would allow the City to assist with the construction of units that would be affordable to renters or buyers with incomes below 80% of median, in greater numbers than under a mandatory program. Because following these guidelines would be optional, voluntary IZ provisions could be applied to any type of new structure, not just one with 20 or more living units.

Construction Excise Tax

In addition to allowing cities and counties to implement IZ provisions, SB 1533 also allows jurisdictions to impose and collect a construction excise tax (CET) to support affordable housing. The CET may be imposed on residential, commercial and industrial property development, as follows:

1. New residential construction, or the addition of living space to an existing residential structure, may be taxed at a rate of up to 1% of the permit valuation of the subject improvements.
2. New commercial and industrial construction, or the addition of square footage to an existing structure, including the addition of residential space in a mixed use structure, may also have a tax imposed based on the valuation of the subject improvements. SB 1533 does not stipulate a maximum percentage rate for the tax on commercial and industrial property development.

Revenues generated by a CET must be deposited to a city's or county's general fund, and then distributed as follows:

1. Up to 4% of the total amount collected may be retained by the jurisdiction to recoup administrative expenses incurred in collecting the tax;
2. Of the remainder collected on residential development:
   a. 50% must be used to fund mandatory or voluntary developer incentives allowed or offered under an Inclusionary Zoning regulation;
   b. 15% must be transferred to the Oregon Housing and Community Services Department to fund home ownership programs that provide down payment assistance; and
   c. 35% must be allocated to programs and incentives of the jurisdiction related to affordable housing as defined by the jurisdiction.
3. Of the remainder collected on commercial and industrial development:
   a. 50% must be allocated to programs of the city or county related to housing; and
   b. 50% may be used by the jurisdiction without restrictions.

Takeaways on Construction Excise Taxes under SB 1533

The potential for a Construction Excise Tax to result in the development of affordable housing appears to be greater than the potential under Inclusionary Zoning, with the caveat that the portion of CET revenues that must be dedicated to incentives under the IZ regulation will be no more effective than the IZ provisions themselves. More promising is a jurisdiction's flexibility to apply much of what is collected through the CET to affordable housing/housing efforts that are designed locally, and do not have the limitations outlined under the IZ takeaways section above. Most notably, the City would have the latitude to establish both the sale or rental price for assisted units, and the income limits for those who purchase or rent them. In addition the City would not be limited to providing incentives only to multifamily structures with 20 or more units. We could choose to incentivize single family unit construction, down payment assistance, land trust property acquisitions, offsets for waivers of SDCs on affordable projects, etc.

With the benefits and limitations of a CET established above, what might the City anticipate collecting if a CET is put in place? What would be available to the City to support affordable housing efforts and programs? To develop projections staff have reviewed building permit valuations for the last three full years, have calculated potential CET revenues, and have distributed those revenues as called for in SB 1533. Calculations for a CET on commercial and industrial at 1%, 1.5% and 2% of valuation are included as exhibits 1a, 1b and 1c.

Unfortunately SB 1533 includes several exemptions from a CET. Among those exemptions are properties owned or developed by public entities such as Oregon State University, the Corvallis School District and other governmental bodies; properties owned or developed by not-for-profit entities as affordable housing with a 60-year commitment; public or private hospital improvements, improvements to religious facilities; private school improvements; and agricultural buildings. Had those entities and types of development—especially by OSU and Samaritan—not been exempted from a CET the City's projected revenues would likely have increased by at least half.

Exhibit 2

The following table pulls summary information from the three noted exhibits, reflecting projected three-year average total CET revenues by type. Figures for projected 1%, 1.5% and 2% CET collection on commercial and industrial construction are included.

3-year Average Residential CET Revenues at 1%	$460,552	3-year Average Residential CET Revenues at 1%	$460,552	3-year Average Residential CET Revenues at 1%	$460,552
3-year Average Commercial & Industrial CET Revenues at 1%	$134,463	3-year Average Commercial & Industrial CET Revenues at 1.5%	$201,694	3-year Average Commercial & Industrial CET Revenues at 2%	$268,925
Total 3-year Average CET Revenues	**$595,015**	**Total 3-year Average CET Revenues**	**$662,246**	**Total 3-year Average CET Revenues**	**$729, 477**

The next table provides projected three-year average distribution amounts under the methodology established in SB 1533.

Collection Methodology	To Collection Administration	To OHCS	To Inclusionary Zoning Incentives	To Local Affordable Housing/Housing Discretionary	To Local General Discretionary
1% Res 1% Comm & Ind	$23,801	$66,319	$221,065	$219,287	$64,542
1% Res 1.5% Comm & Ind	$26,490	$66,319	$221,065	$251,558	$96,813
1% Res 2% Comm & Ind	$29,179	$66,319	$221,065	$283,830	$129,084

The final table provides three-year average projected funding available from a CET that could be dedicated to local discretionary affordable housing activities and programs, both with and without the inclusion of funds set aside as incentives for Inclusionary Zoning.

Collection Methodology	To Local Discretionary Affordable Housing, Excluding IZ	To Local Discretionary Affordable Housing, Including IZ
1% Res/1% Comm & Ind	$283,830	$504,894
1% Res/1.5% Comm & Ind	$348,372	$569,436
1% Res/2% Comm & Ind	$412,914	$633,978

IV. Recommendations and Requested Action

In its last set of policy recommendations to the City Council, the Affordable Housing Task Force included a place holder for Inclusionary Zoning and Construction Excise Tax recommendations pending the outcome of the Legislature's consideration of SB 1533. With that outcome known, staff recommend that the Task Force include a recommendation to implement both Inclusionary Zoning and a Construction Excise Tax in its next report to the Council, scheduled tentatively for August 16.

In advance of providing that recommendation, several secondary recommendations should be considered, including:

- Whether the IZ provisions should apply only mandatory standards and incentives for housing affordable to buyers/renters with incomes at or above 80% of the area median; only voluntary standards and incentives for housing affordable to buyers/renters with incomes below 80% of the area median; or both mandatory and voluntary standards and incentives. It appears that IZ standards would need to be implemented through a Land Development Code Text Amendment process.
- If offering IZ incentives through a voluntary program, the housing types, sales prices/rent levels, and income ranges that should be included, and whether there should be a requirement to rent or sell to people in those specific income ranges.
- The percentage rate at which a CET should be imposed on subject commercial and industrial development.
- To what use(s) the 50% of CET revenues collected on commercial and industrial development that are not restricted to housing should be applied.

There are certainly other secondary recommendations that should be considered, and additional questions to be addressed regarding both IZ and a CET before returning to Council in August. Staff request that the Task Force discuss this memo and its recommendations on June 14, and then provide direction to guide our development of your recommendations on these issues.

Attachments: Exhibits 1a, 1b and 1c – Construction Excise Tax Revenue Projections
Exhibit 2 – Senate Bill 1533, Enrolled

Exhibit 2

Construction Excise Tax Historic Revenue Estimates and Distribution
(Assumes 1% CET on Residential and 1% CET on Commercial & Industrial)

	Sources					Uses						
Year	Total Subject Valuation	Subject Residential Valuation	Subject Commercial Valuation	Resulting Residential CET @ 1.0%	Resulting Commercial CET @ 1.0%	Residential CET Collection Administration (DS - 4%)	15% of Residential to OHCS (Net of Admin)	50% of Residential for IZ Incentives (Net of Admin)	35% of Residential for Affordable Housing Progs (Net of Admin)	Commercial CET Collection Administration (DS - 4%)	50% of Commercial for Housing Programs (Net of Admin)	50% of Commercial for Discetion-nary Uses (Net of Admin)
2013	$42,967,086	$34,438,760	$8,528,326	$344,388	$85,283	$13,776	$49,592	$165,306	$115,714	$3,411	$40,936	$40,936
2014	$89,479,579	$78,184,194	$11,295,385	$781,842	$112,954	$31,274	$112,585	$375,284	$262,699	$4,518	$54,218	$54,218
2015	$46,057,693	$25,542,643	$20,515,050	$255,426	$205,151	$10,217	$36,781	$122,605	$85,823	$8,206	$98,472	$98,472
			Average	**$460,552**	**$134,463**	**$595,015**	**Total Collected**					

	Collection Administration	OHCS	IZ Incentives	Local Affordable Housing Discretionary	Local Discretionary	If All Local Discretionary to Affordable Housing	Combined - All Local Discretionary & IZ to Affordable Housing
2013	$17,187	$49,592	$165,306	$156,650	$40,936	$197,586	$362,892
2014	$35,792	$112,585	$375,284	$316,917	$54,218	$371,135	$746,419
2015	$18,423	$36,781	$122,605	$184,296	$98,472	$282,768	$405,372
3-yr. Avg.	**$23,801**	**$66,319**	**$221,065**	**$219,287**	**$64,542**	**$283,830**	**$504,894**

Exhibit 2

Construction Excise Tax Historic Revenue Estimates and Distribution

(Assumes 1% CET on Residential and 1.5% CET on Commercial & Industrial)

	Sources					Uses						
Year	Total Subject Valuation	Subject Residential Valuation	Subject Commercial Valuation	Resulting Residential CET @ 1.0%	Resulting Commercial CET @ 1.5%	Residential CET Collection Administration (DS - 4%)	15% of Residential to OHCS (Net of Admin)	50% of Residential for IZ Incentives (Net of Admin)	35% of Residential for Affordable Housing Progs (Net of Admin)	Commercial CET Collection Administration (DS - 4%)	50% of Commercial for Housing Programs (Net of Admin)	50% of Commercial for Discetion-nary Uses (Net of Admin)
2013	$42,967,086	$34,438,760	$8,528,326	$344,388	$127,925	$13,776	$49,592	$165,306	$115,714	$5,117	$61,404	$61,404
2014	$89,479,579	$78,184,194	$11,295,385	$781,842	$169,431	$31,274	$112,585	$375,284	$262,699	$6,777	$81,327	$81,327
2015	$46,057,693	$25,542,643	$20,515,050	$255,426	$307,726	$10,217	$36,781	$122,605	$85,823	$12,309	$147,708	$147,708
			Average	**$460,552**	**$201,694**	**$662,246**	**Total Collected**					

	Collection Administration	OHCS	IZ Incentives	Local Affordable Housing Discretionary	Local Discretionary	If All Local Discretionary to Affordable Housing	Combined - All Local Discretionary & IZ to Affordable Housing
2013	$18,892	$49,592	$165,306	$177,118	$61,404	$238,522	$403,828
2014	$38,051	$112,585	$375,284	$344,026	$81,327	$425,352	$800,637
2015	$22,526	$36,781	$122,605	$233,532	$147,708	$381,240	$503,845
3-yr. Avg.	**$26,490**	**$66,319**	**$221,065**	**$251,558**	**$96,813**	**$348,372**	**$569,436**

Exhibit 2

Construction Excise Tax Historic Revenue Estimates and Distribution
(Assumes 1% CET on Residential and 1.5% CET on Commercial & Industrial)

	Sources					Uses						
Year	Total Subject Valuation	Subject Residential Valuation	Subject Commercial Valuation	Resulting Residential CET @ 1.0%	Resulting Commercial CET @ 2.0%	Residential CET Collection Administration (DS - 4%)	15% of Residential to OHCS (Net of Admin)	50% of Residential for IZ Incentives (Net of Admin)	35% of Residential for Affordable Housing Progs (Net of Admin)	Commercial CET Collection Administration (DS - 4%)	50% of Commercial for Housing Programs (Net of Admin)	50% of Commercial for Discetion-nary Uses (Net of Admin)
2013	$42,967,086	$34,438,760	$8,528,326	$344,388	$170,567	$13,776	$49,592	$165,306	$115,714	$6,823	$81,872	$81,872
2014	$89,479,579	$78,184,194	$11,295,385	$781,842	$225,908	$31,274	$112,585	$375,284	$262,699	$9,036	$108,436	$108,436
2015	$46,057,693	$25,542,643	$20,515,050	$255,426	$410,301	$10,217	$36,781	$122,605	$85,823	$16,412	$196,944	$196,944
			Average	**$460,552**	**$268,925**	**$729,477**	**Total Collected**					

	Collection Administration	OHCS	IZ Incentives	Local Affordable Housing Discretionary	Local Discretionary	If All Local Discretionary to Affordable Housing	Combined - All Local Discretionary & IZ to Affordable Housing
2013	$20,598	$49,592	$165,306	$197,586	$81,872	$279,458	$444,764
2014	$40,310	$112,585	$375,284	$371,135	$108,436	$479,570	$854,854
2015	$26,629	$36,781	$122,605	$282,768	$196,944	$479,712	$602,317
3-yr. Avg.	**$29,179**	**$66,319**	**$221,065**	**$283,830**	**$129,084**	**$412,914**	**$633,978**

78th OREGON LEGISLATIVE ASSEMBLY--2016 Regular Session

Enrolled

Senate Bill 1533

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with presession filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Senate Interim Committee on Workforce and General Government)

CHAPTER ....

AN ACT

Relating to affordable housing; creating new provisions; amending ORS 197.309, 320.170, 320.176 and 320.186 and section 1, chapter 829, Oregon Laws 2007; repealing section 9, chapter 829, Oregon Laws 2007; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 197.309 is amended to read:

197.309. **(1) As used in this section:**

(a) "Affordable housing" means housing that is affordable to households with incomes equal to or higher than 80 percent of the median family income for the county in which the housing is built.

(b) "Multifamily structure" means a structure that contains three or more housing units sharing at least one wall, floor or ceiling surface in common with another unit within the same structure.

[*(1)*] **(2)** Except as provided in subsection [*(2)*] **(3)** of this section, a [*city, county or*] metropolitan service district may not adopt a land use regulation or functional plan provision, or impose as a condition for approving a permit under ORS 215.427 or 227.178[,] a requirement**,** that has the effect of establishing the sales **or rental** price for a housing unit or residential building lot or parcel, or that requires a housing unit or residential building lot or parcel to be designated for sale **or rent** to [*any*] **a** particular class or group of purchasers **or renters**.

[*(2)*] **(3)** [*This*] **The provisions of subsection (2) of this** section [*does*] **do** not limit the authority of a [*city, county or*] metropolitan service district to:

(a) Adopt or enforce a [*land*] use regulation, [*functional plan*] provision or [*condition of approval*] **requirement** creating or implementing an incentive, contract commitment, density bonus or other voluntary regulation, provision or [*condition*] **requirement** designed to increase the supply of moderate or lower cost housing units; or

(b) Enter into an affordable housing covenant as provided in ORS 456.270 to 456.295.

(4) Notwithstanding ORS 91.225, a city or county may adopt a land use regulation or functional plan provision, or impose as a condition for approving a permit under ORS 215.427 or 227.178 a requirement, that has the effect of establishing the sales or rental price for a new multifamily structure, or that requires a new multifamily structure to be designated for sale or rent as affordable housing.

(5) A regulation, provision or requirement adopted or imposed under subsection (4) of this section:

(a) May not require more than 20 percent of housing units within a multifamily structure to be sold or rented as affordable housing;

(b) May apply only to multifamily structures containing at least 20 housing units;

(c) Must provide developers the option to pay an in-lieu fee, in an amount determined by the city or county, in exchange for providing the requisite number of housing units within the multifamily structure to be sold or rented at below-market rates; and

(d) Must require the city or county to offer a developer of multifamily structures, other than a developer that elects to pay an in-lieu fee pursuant to paragraph (c) of this subsection, at least one of the following incentives:

(A) Whole or partial fee waivers or reductions.

(B) Whole or partial waivers of system development charges or impact fees set by the city or county.

(C) Finance-based incentives.

(D) Full or partial exemption from ad valorem property taxes on the terms described in this subparagraph. For purposes of any statute granting a full or partial exemption from ad valorem property taxes that uses a definition of "low income" to mean income at or below 60 percent of the area median income and for which the multifamily structure is otherwise eligible, the city or county shall allow the multifamily structure of the developer to qualify using a definition of "low income" to mean income at or below 80 percent of the area median income.

(6) A regulation, provision or requirement adopted or imposed under subsection (4) of this section may offer developers one or more of the following incentives:

(a) Density adjustments.

(b) Expedited service for local permitting processes.

(c) Modification of height, floor area or other site-specific requirements.

(d) Other incentives as determined by the city or county.

(7) Subsection (4) of this section does not restrict the authority of a city or county to offer developers voluntary incentives, including incentives to:

(a) Increase the number of affordable housing units in a development.

(b) Decrease the sale or rental price of affordable housing units in a development.

(c) Build affordable housing units that are affordable to households with incomes equal to or lower than 80 percent of the median family income for the county in which the housing is built.

(8)(a) A city or county that adopts or imposes a regulation, provision or requirement described in subsection (4) of this section may not apply the regulation, provision or requirement to any multifamily structure for which an application for a permit, as defined in ORS 215.402 or 227.160, has been submitted as provided in ORS 215.416 or 227.178 (3), or, if such a permit is not required, a building permit application has been submitted to the city or county prior to the effective date of the regulation, provision or requirement.

(b) If a multifamily structure described in paragraph (a) of this subsection has not been completed within the period required by the permit issued by the city or county, the developer of the multifamily structure shall resubmit an application for a permit, as defined in ORS 215.402 or 227.160, as provided in ORS 215.416 or 227.178 (3), or, if such a permit is not required, a building permit application under the regulation, provision or requirement adopted by the city or county under subsection (4) of this section.

(9)(a) A city or county that adopts or imposes a regulation, provision or requirement under subsection (4) of this section shall adopt and apply only clear and objective standards, conditions and procedures regulating the development of affordable housing units within its jurisdiction. The standards, conditions and procedures may not have the effect, either individually or cumulatively, of discouraging development of affordable housing units through unreasonable cost or delay.

(b) Paragraph (a) of this subsection does not apply to:

(A) An application or permit for residential development in an area identified in a formally adopted central city plan, or a regional center as defined by Metro, in a city with a population of 500,000 or more.

(B) An application or permit for residential development in historic areas designated for protection under a land use planning goal protecting historic areas.

(c) In addition to an approval process for affordable housing based on clear and objective standards, conditions and procedures as provided in paragraph (a) of this subsection, a city or county may adopt and apply an alternative approval process for applications and permits for residential development based on approval criteria regulating, in whole or in part, appearance or aesthetics that are not clear and objective if:

(A) The developer retains the option of proceeding under the approval process that meets the requirements of paragraph (a) of this subsection;

(B) The approval criteria for the alternative approval process comply with applicable statewide land use planning goals and rules; and

(C) The approval criteria for the alternative approval process authorize a density at or above the density level authorized in the zone under the approval process provided in paragraph (a) of this subsection.

(10) If a regulation, provision or requirement adopted or imposed by a city or county under subsection (4) of this section requires that a percentage of housing units in a new multifamily structure be designated as affordable housing, any incentives offered under subsection (5)(d) or (6) of this section shall be related in a manner determined by the city or county to the required percentage of affordable housing units.

SECTION 2. ORS 320.170 is amended to read:

320.170. (1) [*Construction taxes may be imposed by*] A school district, as defined in ORS 330.005, **may impose a construction tax only** in accordance with ORS 320.170 to 320.189.

(2) Construction taxes imposed by a school district must be collected, subject to ORS 320.179, by a local government, local service district, special government body, state agency or state official that issues a permit for structural improvements regulated by the state building code.

SECTION 3. Section 1, chapter 829, Oregon Laws 2007, is added to and made a part of ORS 320.170 to 320.189.

SECTION 4. Section 1, chapter 829, Oregon Laws 2007, is amended to read:

Sec. 1. (1) A local government or local service district, as defined in ORS 174.116, or a special government body, as defined in ORS 174.117, may not impose a tax on the privilege of constructing improvements to real property except as provided in [*sections 2 to 8 of this 2007 Act*] **ORS 320.170 to 320.189**.

(2) Subsection (1) of this section does not apply to:

(a) A tax that is in effect as of May 1, 2007, or to the extension or continuation of such a tax, provided that the rate of tax does not increase from the rate in effect as of May 1, 2007;

(b) A tax on which a public hearing was held before May 1, 2007; or

(c) The amendment or increase of a tax adopted by a county for transportation purposes prior to May 1, 2007, provided that the proceeds of such a tax continue to be used for those purposes.

(3) For purposes of [*this section and sections 2 to 8 of this 2007 Act*] **ORS 320.170 to 320.189**, construction taxes are limited to privilege taxes imposed under [*sections 2 to 8 of this 2007 Act*] **ORS 320.170 to 320.189** and do not include any other financial obligations such as building permit fees, financial obligations that qualify as system development charges under ORS 223.297 to 223.314 or financial obligations imposed on the basis of factors such as income.

SECTION 5. ORS 320.176 is amended to read:

320.176. (1) Construction taxes imposed [*under ORS 320.170 to 320.189*] **by a school district pursuant to ORS 320.170** may be imposed only on improvements to real property that result in a new structure or additional square footage in an existing structure and may not exceed:

(a) $1 per square foot on structures or portions of structures intended for residential use, including but not limited to single-unit or multiple-unit housing; and

(b) $0.50 per square foot on structures or portions of structures intended for nonresidential use, not including multiple-unit housing of any kind.

(2) In addition to the limitations under subsection (1) of this section, a construction tax imposed on structures intended for nonresidential use may not exceed $25,000 per building permit or $25,000 per structure, whichever is less.

(3)(a) For years beginning on or after June 30, 2009, the limitations under subsections (1) and (2) of this section shall be adjusted for changes in construction costs by multiplying the limitations set forth in subsections (1) and (2) of this section by the ratio of the averaged monthly construction cost index for the 12-month period ending June 30 of the preceding calendar year over the averaged monthly construction cost index for the 12-month period ending June 30, 2008.

(b) The Department of Revenue shall determine the adjusted limitations under this section and shall report those limitations to entities imposing construction taxes. The department shall round the adjusted limitation under subsection (2) of this section to the nearest multiple of $100.

(c) As used in this subsection, "construction cost index" means the Engineering News-Record Construction Cost Index, or a similar nationally recognized index of construction costs as identified by the department by rule.

SECTION 6. ORS 320.186 is amended to read:

320.186. A school district may pledge construction taxes **imposed pursuant to ORS 320.170** to the payment of obligations issued to finance or refinance capital improvements as defined in ORS 320.183.

SECTION 7. **Sections 8 and 9 of this 2016 Act are added to and made a part of ORS 320.170 to 320.189.**

SECTION 8. **(1) The governing body of a city or county may impose a construction tax by adoption of an ordinance or resolution that conforms to the requirements of this section and section 9 of this 2016 Act.**

(2)(a) A tax may be imposed on improvements to residential real property that result in a new residential structure or additional square footage in an existing residential structure, including remodeling that adds living space.

(b) An ordinance or resolution imposing the tax described in paragraph (a) of this subsection must state the rate of the tax. The tax may not exceed one percent of the permit valuation for residential construction permits issued by the city or county either directly or through the Building Codes Division of the Department of Consumer and Business Services.

(3)(a) A tax may be imposed on improvements to commercial and industrial real property, including the commercial and industrial portions of mixed-use property, that result in a new structure or additional square footage in an existing structure, including remodeling that adds living space.

(b) An ordinance or resolution imposing the tax described in paragraph (a) of this subsection must state the rate and base of the tax.

(4) Taxes imposed pursuant to this section shall be paid at the time specified in ORS 320.189 to the city or county that imposed the tax.

(5)(a) This section and section 9 of this 2016 Act do not apply to a tax described in section 1 (2), chapter 829, Oregon Laws 2007.

(b) Conformity of a tax imposed pursuant to this section by a city or county to the requirements of this section and section 9 of this 2016 Act shall be determined without regard to any tax described in section 1 (2), chapter 829, Oregon Laws 2007, that is imposed by the city or county.

SECTION 9. **(1) As soon as practicable after the end of each fiscal quarter, a city or county that imposes a construction tax pursuant to section 8 of this 2016 Act shall deposit the construction tax revenues collected in the fiscal quarter just ended in the general fund of the city or county.**

(2) Of the revenues deposited pursuant to subsection (1) of this section, the city or county may retain an amount not to exceed four percent as an administrative fee to recoup the expenses of the city or county incurred in complying with this section.

(3) After deducting the administrative fee authorized under subsection (2) of this section and paying any refunds, the city or county shall use the remaining revenues received under section 8 (2) of this 2016 Act as follows:

(a) Fifty percent to fund developer incentives allowed or offered pursuant to ORS 197.309 (5)(c) and (d) and (7);

(b) Fifteen percent to be distributed to the Housing and Community Services Department to fund home ownership programs that provide down payment assistance; and

(c) Thirty-five percent for programs and incentives of the city or county related to affordable housing as defined by the city or county, respectively, for purposes of this section and section 8 of this 2016 Act.

(4) After deducting the administrative fee authorized under subsection (2) of this section and paying any refunds, the city or county shall use 50 percent of the remaining revenues received under section 8 (3) of this 2016 Act to fund programs of the city or county related to housing.

SECTION 10. Section 9, chapter 829, Oregon Laws 2007, is repealed.

SECTION 11. A city or county may not adopt a regulation, provision or requirement under ORS 197.309, as amended by section 1 of this 2016 Act, until the 180th day after the effective date of this 2016 Act.

SECTION 12. This 2016 Act takes effect on the 91st day after the date on which the 2016 regular session of the Seventy-eighth Legislative Assembly adjourns sine die.

Passed by Senate February 26, 2016

....
Lori L. Brocker, Secretary of Senate

....
Peter Courtney, President of Senate

Passed by House March 3, 2016

....
Tina Kotek, Speaker of House

Received by Governor:

........................M.,.., 2016

Approved:

........................M.,.., 2016

....
Kate Brown, Governor

Filed in Office of Secretary of State:

........................M.,.., 2016

....
Jeanne P. Atkins, Secretary of State

Exhibit 3

MEMORANDUM

August 10, 2016

TO: Housing Development Task Force

FROM: Kent Weiss, Housing & Neighborhood Services Manager

RE: Housing policy and program recommendations for City Council; responses to questions raised during the July 6, 2016 HDTF meeting

I. Issue

Staff have completed an updated version of the HDTF's housing development policy and program concepts report; additional research into questions raised at your July 6 meeting has been completed, and answers to those questions are included here.

II. Discussion

The updated housing development policy and program concepts overview report, which now includes five specific near-term recommendations, is included in your current meeting packet for review and discussion. Also in the packet is a draft staff report for the September 7 City Council work session. The staff report delivers the updated concepts report with its five near-term policy recommendations for Council consideration.

Questions raised at your July 6 meeting, and answers based on staff follow-up, include:

Q. Does the City of Portland waive or use other funding to offset System Development Charge (SDC) revenues that are not charged for certain affordable housing projects and Accessory Dwelling Units?

A. Portland waives SDCs without offsetting the lost revenue. In FY 12-13 just over $5 million was waived. Staff was unable to determine the total SDC revenues for that year.

Q. When are full reviews and updates to the City's SDC calculation methodologies anticipated?

A. SDC updates will follow the completion of system master plan updates, so likely in the next 3 - 5 years. A cost of $280,000 to $300,000 is anticipated; the last major update, which looked at water, sewer and transportation SDCs in 2000, took about a year and a half to complete.

Q. What amount of SDCs would be waived/offset if affordable housing projects with renter affordability at 60% AMI and owner affordability at 80% AMI were exempted?

A. The last completed new construction affordable rental project – Alexander/Seavey – was built by Willamette Neighborhood Housing Services and finished in 2012. The 49-unit project paid a total of $344,263 in SDCs. The Benton Habitat for Humanity Kendra Place single family home construction project, now underway, paid $12,969 in SDCs. The anticipated FY 16-17 total revenue for all five SDC funds is $2.49 million.

Q. When could a Construction Excise Tax (CET) be implemented?
A. The Council could pass an ordinance and implement a CET at any time.

Finally, a draft Urbanization Report, which includes the Buildable Lands Inventory, is also included in your packet for your review.

III. Requested Action

Staff request that the HDTF review the revised housing development policy/program recommendations report and associated draft staff report and provide feedback in preparation for the September 7 City Council work session.