

# Affordable Housing Construction Excise Tax Recommendation

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## **PORTLAND HOUSING BUREAU**

Dan Saltzman, Commissioner  
Kurt Creager, Director

# Construction Excise Tax Recommendation

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- Residential tax of 1% of permit valuation on new residential development
- Commercial tax of 1% of permit valuation on new commercial development

# Residential Construction Excise Tax

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- **State Requirements:**

- 4% of revenue for administration
- 15% of revenue (*net of admin*) to State for homeownership programs
- 50% of revenue (*net of admin*) for developer incentives for inclusionary zoning
- 35% of revenue (*net of admin*) for housing programs

- **Recommendation for Portland:**

- 4% of revenue to **BDS** for administration
- 15% of revenue (*net of admin*) to State for homeownership programs
- 50% of revenue (*net of admin*) for developer incentives for inclusionary zoning
- 35% of revenue (*net of admin*) for **affordable housing production and preservation at or below 60% MFI**

# Commercial Construction Excise Tax

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- **State requirements:**
  - 4% of revenue for administration
  - 50% of revenue (*net of admin*) for housing programs
- **Recommendation for Portland:**
  - 4% of revenue to **BDS** for administration
  - 100% of revenue (*net of admin*) for **affordable housing production and preservation at or below 60% MFI**

# Construction Excise Tax Exemptions

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- **Required State Exemptions:**

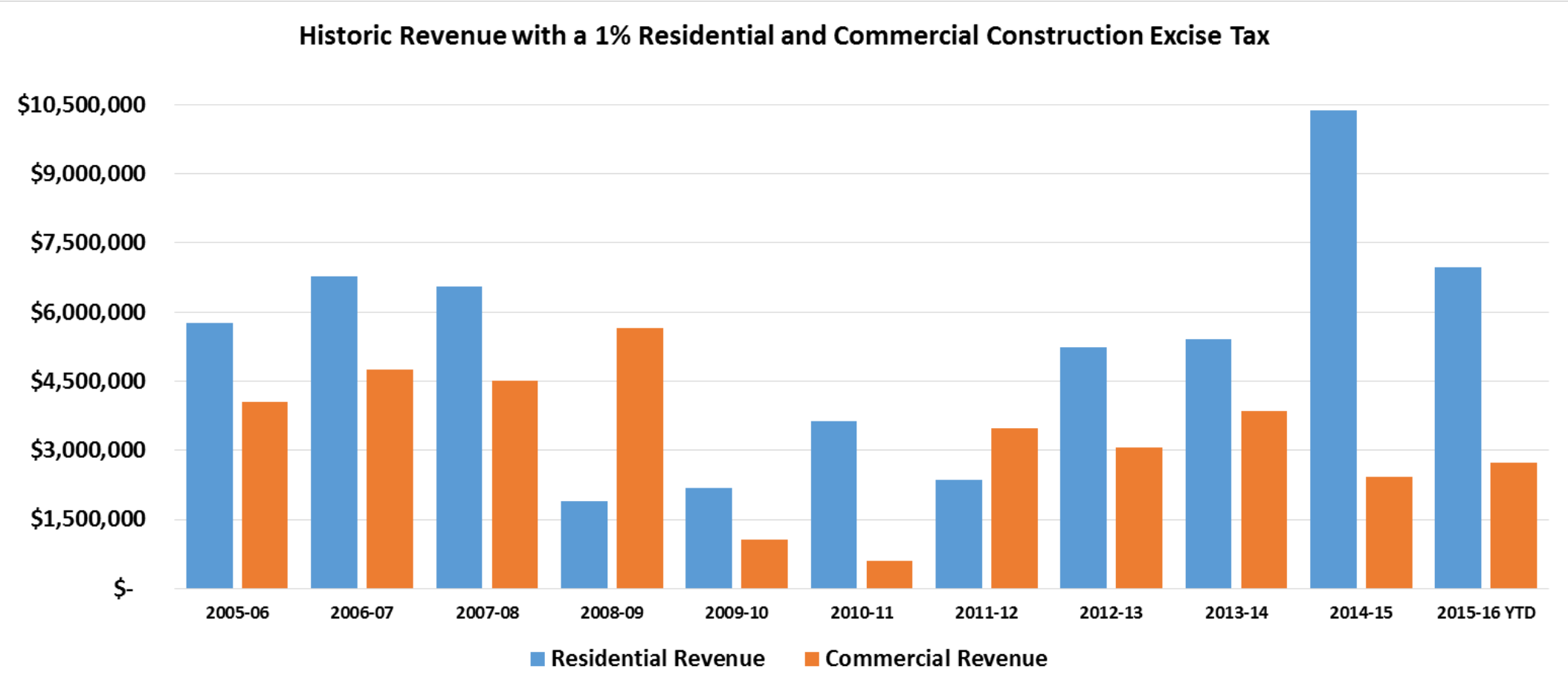
- Regulated affordable housing at or below 80% MFI for 60 years
- Private school improvements
- Public improvements as defined in ORS 279A.010
- Public or private hospital improvements
- Improvements to religious facilities primarily used for worship or education associated with worship;
- Agricultural buildings, as defined in ORS 455.315 (2)(a)
- Facilities that are operated by a not-for-profit corporation and that are long term care facilities, as defined in ORS 442.015; residential care facilities, as defined in ORS 443.400; or continuing care retirement communities, as defined in ORS 101.020

# Construction Excise Tax Exemptions

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- **Recommendation for Additional Portland Exemptions:**
  - Regulated affordable for-sale housing
  - Accessory Dwelling Units for 2 years
  - Improvements when the value of the improvement is less than \$100,000

# Historic Estimates



# Historic Estimates: 5 Year Average

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	5 Year Average
<b>Residential Revenue</b>	<b>5,404,087</b>
<b>4% for Admin</b>	216,163
<b>15% for State (Net of Admin)</b>	778,188
<b>50% for IZ Incentives (Net of Admin)</b>	2,593,962
<b>35% for Affordable Housing Programs (Net of Admin)</b>	1,815,773
<b>Commercial Revenue</b>	<b>2,681,298</b>
<b>4% for Admin</b>	107,252
<b>100% for Affordable Housing Programs (Net of Admin)</b>	2,574,046
<b>Total Revenue</b>	<b>8,085,385</b>



# Impact on Historic Permit Examples

## Single Family

New Construction  
3,844 Sq. Ft.



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

**Affordable Housing CET Proposal \$ 3,636**

## Multi-Family

New Construction  
122,619 Sq. Ft.



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

**Affordable Housing CET Proposal \$ 114,032**

# Impact on Historic Permit Examples

## Big Box Retail

New Construction  
115,124 Sq. Ft.



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

**Affordable Housing CET Proposal \$ 110,568**

## Commercial

New Construction  
42,610 Sq. Ft.



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

**Affordable Housing CET Proposal \$ 60,000**

# Impact on Affordable Housing Revenue

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## 2035 Rental Production Revenue Forecast

<b>Current Projected Revenue</b>	<b>Revenue Estimate</b>	<b>Geographic Applicability</b>	<b>MFI Level</b>
Tax Increment Financing	\$264 million	10% of City	At and below 60%
Short Term Rental Revenue	\$18 million	Citywide	At and below 80%
Housing Investment Fund	\$8 million	Citywide	At and below 80%
Community Development Block Grant	\$30 million	Citywide	At and below 80%
HOME Fund	\$34 million	Citywide	At and below 80%
<b>New Potential Revenue</b>	<b>Revenue Estimate</b>	<b>Geographic Applicability</b>	<b>MFI Level</b>
Residential Construction Excise Tax	\$85-95 million	Citywide	At and below 60%
Commercial Construction Excise Tax	\$45-55 million	Citywide	At and below 60%

# Impact on Affordable Housing Production

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## 2035 Rental Unit Production Forecast

<b>Portfolio and Production</b>	<b>Unit Estimates</b>
Current Asset Portfolio	~13,000 units
New Units Currently in Pipeline	~1,700 units
Estimated New Units from Projected Revenue	~1,490 units
Potential New Units from Residential Construction Excise Tax	~850 to 950 units
Potential New Units from Commercial Construction Excise Tax	~450 to 550 units

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