HOUSING

Committee considers new construction tax policy

BY GLORIA TUCKER
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NEWPORT – A city tax on new construction is in the works.

In the last of four meetings on April 26, an advisory committee ironed out a Construction Excise Tax (CET) and System Development Charges (SDCs) for the Newport City Council to consider.

The tax, 1 percent of estimated construction value (permit value), would be applied to construction that results in additional square footage.

Types of construction that are exempted from the CET are developments of guaranteed affordable housing (60-year guarantees ensuring that units will be kept affordable to families making 80 percent or less of median household income), private school improvements, public improvements including public schools, government buildings and facilities, public and private hospital construction, religious facilities, agricultural buildings, nonprofit facilities like long-term care and retirement communities, and mass shelters for the homelessness.

"When someone is doing a remodel of existing house and it does not involve expansion of square footage, they are not paying a CET," Planning Director Derrick Tokos said.

The tax revenue, which is estimated at $181,000 per year, has to be used for affordable housing as defined by state law.

The state receives 15 percent for down payment assistance, and 50 percent goes to local development incentives for affordable housing. The remaining 35 percent goes to other local affordable housing programs.

For the 35 percent of the funds, affordable housing applies to households with incomes equal to or higher than 80 percent median family income for Lincoln County.

"I'm totally in favor of this," said Joanne Troy, executive director of the housing authority. "There's zero funding available for housing above 80 percent median income. There's no source of funds to help above 60 percent median income. Workforce housing is between 80 percent and 125 percent median income. Stuff like this is great because you get much more mixed use, and you could have tiered affordability."

Dustin Capri, architect with Capri Architecture, said his concern is there wouldn't be a sunset for the program.

"Right now there's a housing problem," he said. "Say in 10 years there's not a housing problem. There probably will be. I'm not saying there won't be. But say it's been solved, we're still going to be collecting that CET."

Tokos said the city council would approve the tax every year and have time to develop a mechanism for distributing the funds because it would take years for enough money to be collected to benefit housing projects.

The tax would be in conjunction with significant decreases in SDCs, charges for water, sewer, stormwater, transportation and parks on new development.

Currently SDCs are the same for all single-family dwellings regardless of how small or large. A single-family detached home is charged $10,994 in SDCs, including a 90 percent transportation SDC discount and a 50 percent parks SDC discount.

Under the new methodology, homes would be charged SDCs based on square footage.

Homes less than 1,700 square feet would be charged $4.39 per square foot. Homes 1,701 square feet to 2,900 square feet would be charged $3.50 per square foot and homes more than 2,900 square feet would be charged $3 per square foot.

This means a 1,250-square-foot house would pay $5,488 in SDCs, a 2,500-square-foot house pays $10,265 and a 4,200-square-foot house pays $15,565.

"So say I'm building a 3,600-square-foot house, for the first 1,900 square feet I build I get charged the (small home) rate," Capri explained. "For the additional square feet between 1,900 and 3,500, I'm charged the second rate and for that extra 100 square feet, I'm charged the third rate."

For non-residential SDCs, the new methodology would base water and sewer charges on meter size, transportation charges on vehicle trip generation and stormwater charges on impervious surface area.

The current methodology bases water, sewer and transportation on equivalent dwelling units and stormwater on a flat fee.

For example, a 2,500-square-foot restaurant currently would be charged $94,665 in SDCs. Under the new methodology, the same restaurant would be charged $30,082 in SDCs.

As another example, a new 60-unit apartment complex under the current SDC structure would pay $264,000. With changes made to SDCs and a CET, the project would pay $236,000. If a percentage of the apartments were affordable, then the project would be eligible for additional funding from the city.

For SDC credits, the committee agreed a new development can only take advantage of preexisting use for the past 10 years on a property. In addition, credits shall not be transferable from one development to another if not on the same property, and credits shall not be transferable from one type of capital improvement to another.

Tokos said another problem is that impervious surfaces keep getting added in the city without anyone paying SDCs.

To address that, storm drainage SDCs will be assessed at 50 percent for waterproof surfaces that already exist on a property unless developers can prove the impervious surface existed before 2007.

How all discounts, the percentage of the SDC collected, are applied to SDCs is still to be determined. For example, currently all parks SDCs have a 50 percent discount.

The city council will consider the SDC changes and CET on July 17.

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