

Comments of K. Layne Morrill
Yachats City Council Meeting
July 14, 2016
Citizen Concerns

My name is Layne Morrill. I reside at 628 Radar Road, Yachats. Today, I'd like to address not only a "concern" but something concrete and important that can and should be done immediately to help address that concern.

Some of you may know that I have spent the last 40 years as a tax attorney in Phoenix Arizona, not only in federal and state income tax, but also in state and local tax. Some of you may also know that for the last ten years or so, we have been residing in Yachats for five months per year, and I have become a part-time real estate developer here.

When we submitted the Fistera PUD for approval of 178 residential units in 2007, we promised to do our best to help address the affordable housing problem in Yachats. For the first phase of Fistera, we were fortunate to recruit a developer of affordable rental housing who sponsored a project on our property. The state ultimately allocated a portion of Oregon's low income housing income tax credits to the project, so we sold the land to the apartment developer. With the help of corporate investors (who purchased the income tax credits), state agencies (who provided some grant funding) and a large bank that provided debt financing, we now have the Fistera Gardens apartments. For qualifying families (less than 60% of HUD area median income) the rent for a one bedroom is \$405 and for a two bedroom is \$540. I called today, and there is a two-year

waiting list for an apartment at Fisterra Gardens. This project came into existence only because corporate taxpayers were willing to fund equity into the project by paying 80 cents on the dollar for income tax credits which totaled about \$1 million.

In 2009 we founded Our Coastal Village, Inc., which is a 501(c)(3) tax exempt public charity. Our mission is to provide relief for the poor and distressed in Yachats, primarily through affordable housing. Our first project was Aqua Vista Square Townhomes, a 7 unit project dedicated for those earning more than 60% but less than 80% of Area Median Income. The project is subject to an Affordability Covenant so the units can only be rented or sold to eligible households; and there is a strict cap on future increases in selling prices of the units. We obtained all funds required for this project by private tax deductible donations. We received no government funding.

For the last 3 years while the economy has been improving, we have rented the units -- \$750 for our two-bedroom townhomes and \$950 for our three-bedrooms. Our tenants currently include workers at Ona, Bread and Roses, the Farm Store, the Drift Inn, and C&K Markets, as well as two disabled households. We are currently in the process of assisting our tenants to purchase the units they are renting. The monthly cost of ownership will not exceed what they are now paying for rent and electricity. To do that, we will be selling the units at about 50% of the cost of land and construction; but the units will be permanently affordable, because an owner cannot sell for a price that yields him or her more than 2% appreciation for each year of ownership. When all the units have sold, we will have built into these 7 units a \$750,000 subsidy (loss on sale of the units) to make the housing affordable in perpetuity.

As these two examples illustrate, housing becomes permanently affordable only because someone – federal or state government, public charities, or some combination of government and businesses – provides subsidies necessary to construct the affordable housing units.

In March of this year, the Oregon legislature passed and Governor Brown signed a landmark bill for affordable housing. Lincoln County Councilman Bill Hall was at the forefront of this bill. And I suspect my friend, the Rev. ~~D~~ Mr. Glenn, was also involved. Called Senate Bill 1533, this new law takes three approaches to the problem:

First, it allows cities and counties to “mandate” when approving new multifamily housing projects, that the developer dedicate up to 20% of the units as permanently affordable housing. This particular provision will not help us in Yachats, because it applies only to multifamily structures involving more than 20 units. It is unlikely that another apartment complex larger than 20 units would be built in Yachats in the foreseeable future.

Second, the law allows a city or county to offer developers “voluntary incentives” to build permanently affordable housing. So even though Yachats may not have projects that would trigger its ability to mandate affordable housing, it does now have authority to provide financial incentives for affordable housing. So the City can now negotiate with developers to provide some of the “subsidy” required for affordable housing.

Third, and most importantly for the present, the new law allows City to impose a tax on all construction activity within the City. The tax cannot exceed 1% of the value of the construction as determined by Lincoln County when building permits are issued.

The City keeps 4% of the tax revenues as an administrative fee. The City must use 50% of the remaining tax revenues (48% of the total) for incentives to developers to build affordable housing. The City must remit 15% of the balance (14.4% of the total) to Oregon Housing and Community Services Department to fund home ownership programs that provide down payment assistance. The City must use 35% of the balance (33.6% of the total) to other City programs and incentives related to housing.

The City should immediately enact the construction tax it is now permitted to enact. There are about 17 units in Koho for which building permits have not yet been issued; and 6 units in The Dwellings for which building permits have not yet been issued. The potential tax revenues from these underway projects, as well as all future construction activity, needs to be captured by the City. It provides an important additional source for the subsidies required for permanently affordable housing.

I am willing to volunteer my skills and experience as a tax lawyer and a developer of affordable housing, to help the City address this opportunity for additional tax revenues and for incentives for affordable workforce housing.