

Albany HIP Housing Policy Focus Groups Input

Focus Group Dates: 9/11/24, 9/16/24

Number of Participants: 17

Stakeholders represented: Lending, transportation planning, real estate, nonprofit affordable housing developer, assessors, property management, residents, commercial development, business, and housing and shelter services

Construction Excise Tax (CET)

Summary

The input received on the CET illustrated that residents understand both the urgent need for affordable housing and funding to support it. There were concerns that a CET would contribute to rising costs. However, the potential benefit, especially the ability to leverage other funding, generally outweighed those concerns. Participants noted the success of construction excise taxes in nearby jurisdictions to support affordable housing with minimal adverse effects to broader development and a desire to bring those benefits to Albany. Initial concerns about losing funds to the state were allayed when it was made clear the 15% of residential CET revenue that is administered by the state returns to Albany in the form of first-time home buyer assistance.

Comments and Questions

- Will this result in more SDCs being charged? Would prefer to see SDC fees reduced. All the fees and additional costs add up. I have a problem with everyone's construction jobs being charged to fund a special project. When working with LBHA, LBHA controls what "market rent" is but it's often less than actual market rent which makes it challenging for property managers to make that work financially. Concerned the program administration cost will exceed the 4% that can be used for that purpose.
- What does affordable housing mean in this context?
- What does it mean that remaining funds are unrestricted for commercial CET?
- Who will determine program details for CET affordable housing fund?
- It feels more stick than carrot, automatically we lose 4% to admin which is understandable and then 15% goes to the state (Note: the 15% that goes to the state goes into homeownership programs specifically for Albany. The 15% goes directly to first time Albany homebuyers through down payment assistance. The state doesn't take a cut.)
- What is the goal? Is there a certain number of units needed or a state mandated target that we need to get ahead of?
- This is one tool the City can use to incentivize developers to come to Albany to build affordable housing. Experience working with an affordable housing developer who preferred building in Corvallis over Albany because of the partnership and funding support Corvallis can offer due to it's CET.
- City could incentivize needed housing development by reducing costs through other strategies, instead of CET.
- DevNW has partied with jurisdictions with CET on homebuyer down payment assistance program which allowed loans to close for low/mod income households to buy houses and

therefore build equity. Without the extra funds to assist, the loans would not have been possible.

- Other jurisdictions are doing these (CET) programs successfully, so why isn't Albany? This is a small step in the right direction that is needed right now.
- Adding affordable housing will affect property tax revenue because it will add new residents who need public services (transit, roads, parks, etc.), but since their property tax is lower, the City will need to make up that reduced revenue somewhere which will end up costing everybody. On the other hand, we do really need affordable housing. (Note: affordable housing is not tax exempt unless owned/partly owned by housing authority.)
- Can these funds be used for utility extensions?
- Can you define commercial and residential development? In my work, commercial can include apartment construction as well as traditional commercial buildings. A: Residential includes apartments.
- Fine with CET strategically, but concerned about some of the pitfalls, but it could help the City avoid low desirability housing and gain revenue to be used to advance affordable housing.
- What does permit value mean? A: 1% of the estimated value of the project
- How does the affordable housing fund created by the CET revenue work? Does the state required 50% for affordable housing have to apply to a specific project?
- It makes some homes more expensive to make some housing less expensive and that feels counterproductive.
- Yes, it may make some housing a little more expensive, but it will be more expensive for people who can afford to pay a little more for housing.
- How much would be generated on a house for sale for \$400,000?
 - Once you take out land costs, etc. the 1% on the permit will probably be around \$2,000-\$2,500.
- We (nonprofit developer) develop in other cities that have this and it has been successful, often there are upfront concerns that don't end up being major issues, adding \$2,000 to someone who is buying a \$400,000 house doesn't have a huge impact on affordability, the people in the market for \$400,000 homes generally can afford the minimal increase
- We have to be careful adding costs. Permit fees are also going up and costs are on the rise.
- The housing market isn't providing affordable housing. This could really help more people get into housing. This is a relatively small cost for an important benefit. Everyone wants affordable housing, but we can't get affordable housing without funding. Financing for affordable housing is difficult because of rent restrictions and valuation of property. This is an important fund to have available for affordable housing developers and other cities have been doing it for a long time.
- Second that, it's rare for nonprofit developers to fund a whole project with just CET, but it helps us leverage state funds. It brings much more funding opportunities to Albany. The local match gives points to developers applying for state funds. State funds are disproportionately going to cities that have a CET and Albany is missing out of funds by not having it.
- This is great. It would be helpful to have specific examples. Leveraging funds is a whole different ball game and we want to do that.
- Is \$800,000 in revenue enough to make an impact?
 - Developer: \$800,000 annually makes a difference, especially when it is used to leverage state funds. You can go from having an affordable housing development every 3-4 years,

suddenly you have developers who are able to fund 1 or 2 a year. less than that makes me a little nervous because it's not as impactful.

- You add leveraged state funds, but you still need land
- \$800,000 would be great, for that amount I could immediately purchase two properties and help 8 people with mental illness get into housing. That would be very beneficial for the community. Can it help existing properties? Or purchase of existing properties? (Brendan clarified that it has to go toward the creation of affordable housing whether that's through new units or turning existing housing into affordable housing and some of the funds have to go specifically to developer incentives, so it depends on the project and work being done)
- Would like it to be able to be used to rehab projects to create affordable housing too

Below are examples of showing leverage of CET funds in Eugene area from DevNW. The Background Report includes Corvallis examples.

- 70-unit tiny home village (complete)
 - \$640,000 in CET
 - \$12.16 M in leveraged funds
- 10-unit transitional housing for veterans (served 50 vets per year, as steppingstone to long term housing) (complete)
 - \$407,000 in CET
 - \$2.3M in leveraged funds
- 36-unit affordable rental project (underway)
 - \$430k in CET (and City also provided SDC waivers to bring contribution to 5%)
 - \$13.9M leveraged funds
- Under Construction: Bridges on Broadway (rehab project)
 - Number of units: 57
 - Amount of CET funds: \$383,434
 - CET % of Total Sources: 3.6%
 - Total other funds in the project: \$10,417,131
- In Pre-development: The Coleman (new construction)
 - Number of units: 52
 - Amount of CET funds: \$552,650
 - CET % of Total Sources: 2.9%
 - Total other funds in the project: \$18,687,312

Regarding whether to use CET to maximize leverage vs smaller projects funded mostly by CET, we encourage jurisdictions to allow both options. We've seen CET be helpful for very small projects that have trouble being funded at the state/federal level – but can still be critical. An example would be a 5-bed, staffed, treatment home. Very needed for those with severe MH and/or addiction issues, but too small to be a tax credit project. The transitional housing project (above) would be another example. They got some other veteran and local dollars, but they noted that the leverage isn't as high as some because the project was too small for LIFT or tax credits. So the leverage projects are definitely important for scale, but the small ones can be a critical use, too!

Low Income Rental Housing Tax Exemption

Summary

There was not a consensus among the public about whether for profit affordable housing developments should be eligible for the tax exemption. There were some concerns about how much tax revenue the City can afford to lose by providing tax exemptions and compliance with affordability requirements, but most people did not express a strong opinion about whether to exclude for-profit affordable housing developers from the program. This has been a vital program to sustain affordable housing in Albany.

Comments and Questions

- Are only nonprofits are eligible or both nonprofit and for-profit developers are eligible? A: Both programs allow nonprofit and for-profit developers.
- Low-income rental housing tax abatement program could have far reaching impacts but concerned about the impact adding residents/families without increasing tax revenue needed for schools and parks to support new residents. I understand the need for affordable housing but I'm not sure what the right mechanism is. (A: abatement is for 20 years and could be from city taxes only, or only those taxing districts that adopt the program.)
- There are other potential tax exemption programs to explore
- City cannot afford to not be taxing properties. There are very few properties that are not taxed. However, we provide affordable housing, and we could not do it if we were not tax exempt (via City's current program that requires annual renewal). This program needs to continue, but it should be restricted to nonprofits and not include for profit affordable housing developers. Concerned about compliance with affordability requirements among for-profit developers. City doesn't have the capacity to oversee that developers are following income restrictions requirements.

Multi-Unit Property Tax Exemption (MUPTE) Programs

Summary

Overall, there was support for the MUPTE. Benefits to the transit system, untapped residential potential downtown, and incentives spur development on vacant land were all mentioned as potential benefits. Some were concerned about tax exempt developments adding more residents to Albany without the added tax revenue to support public services, like schools or parks, for the new residents. Others pointed out the long-term tax revenue generated by the developments when the abatement period is complete could be a missed opportunity if a project cannot be developed without the tax exemption.

Comments and Questions

- In favor of the MUPTE and wondering if there would be any funding for transit system to ensure it had capacity for the increased density near stops and potential new riders. Even bus stop improvements would be great because Albany has a lot of unimproved bus stops. (A: transit amenities are one of the proposed public benefits developers would choose from.)
- Does the MUPTE apply to retrofitting buildings or only new construction? (A: either is acceptable as long as it adds new residential units)
- Albany has implemented the first phase of the transit expansion plan and has two more phases in the works. The effects of a MUPTE might help spur those later phases of transit expansion earlier which would be a benefit.

- MUPTE would make a lot of sense in smaller downtown buildings that are expensive to retrofit but have residential potential. MUPTE could help offset expensive City requirements in these buildings.
- Concern that the residential space supported by the MUPTE might end up being used as vacation rentals like Airbnb. Relieved to hear the MUPTE would not apply to vacation rentals, only true residential uses.
- Generally, in favor of the concept of using local labor and materials, but City would need to define what local means. How would the public benefit of local labor, materials and ownership be tracked or confirmed?
 - Someone else had seen metrics tracked for local labor and materials on another project successfully.
- Feel we are opening a pandora's box with the MUPTE by allowing tax exemption for for-profit developers who are not building affordable housing.
- Tax exemption can make the difference between a property being built or not being built and left an open field. It's better to have the project built, in favor.
- If the project isn't serving low-income people, the public benefit is not sufficient to warrant the tax exemption.
- On a 150 unit/\$20 million project, the MUPTE tax abatement would help make that project affordable to the developer. Plus, you could still get the CET on it to bring in \$200,000 and when tax exemption is up, the city will bring in a lot of money on it. Important to consider the tax revenue for the city down the road, so it's shortsighted to not consider the MUPTE. Believe the developer should decide how much is affordable housing and how much is market rate based on what the developer can afford.

Surplus Property Policy

Summary

Public input revealed both enthusiasm and caution for this strategy. Screening properties for potential housing suitability without requiring the City to use a property for that purpose was a favorable approach to most. A primary concern was that surplus City owned land may be needed by the City in the future. Any screening of properties for housing suitability should assess the likelihood of the City needing the land in the future. Nonprofit developers expressed the ability to purchase surplus land can be enormously helpful in producing affordable housing. Some suggested limiting the sale of City owned surplus land to affordable housing, not other needed housing types.

Comments and Questions

- Usually, land is used for highest and best use, how does that factor in? Concerned properties might not be used for the best use if it has to be used for housing, Not all City surplus land is suitable for housing. (A: the policy would not require all surplus land to be used for housing; property would be screened – zoning, location, etc. first.)
- City surplus land enabled Habitat for Humanity to build five houses on a property that previously had a dilapidated house on it. Optimistic about how this strategy could support affordable housing in the future.
- No brainer, strongly in favor.
- Why would we not do that? Supportive of idea.

- Supportive of screening properties but don't want City's hands to be tied if property is not well suited for housing or has another potential public benefit
- Not against the idea but caution against offloading City owned land rashly in case it is needed by the City in the future. Some properties do need to be reserved for possible City use in the future.
- How long should a property sit unutilized when there is a clear need for housing? Shame to let property go unused when it could provide a benefit.
- It's a delicate balance between current needs and potential future City needs.
- Once housing is on a city owned surplus property, it becomes difficult to change the use if circumstances change in the future. Displacement and emotional attachment pose challenges if it is later determined there is a better use for the property.
- This would just require the property to be screened, and that screening doesn't exclude consideration of other City needs or benefits. In favor of screening to see if surplus properties are suitable for housing.
- Have seen local developer masterfully use small vacant lots to add housing so think this idea has potential for City owned property that might be small or unusually shaped
- This is huge for us (nonprofit developer). Land is a huge challenge for affordable housing development. Site control is needed for applying for affordable housing funding and it's hard to find sellers that will wait 18 months to close while funding is secured. Hugely in support, but it should be restricted to affordable housing not market rent housing. For our purposes, buying the land is much easier than long term lease so that is preferable but can work with either set up if needed. Sometimes, site control is more important than discounted price, though discounted price helps bring down the costs and can be counted as leveraged funds on applications.
- City land may be needed in the future even if it's not needed today, and that should be considered. If a piece of land is going to be sold, it should go to a nonprofit not for profit developers. Concerned that there will be regret over selling land. Any sold land should have public benefit or public use.
- City doesn't have much excess land for this. (A: The city may have more surplus land in the future and has had larger surplus properties in past.)
- Would the city look at acquiring properties? Could CET be used for that?

General

- Are there other potential revenue sources beyond the CET?
- Caution against urban renewal districts as a revenue strategy
- We need tools to help support affordable housing.
- The money has to come from somewhere to build affordable housing. The fact of the matter is that low-income families simply don't have the money, so it has to come from somewhere. The question is where it should come from. Ultimately, we all have to contribute.