FROM THE DESK OF SAL PERALTA

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TESTIMONY IN SUPPORT OF SB 595

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Chair Fagan & members of the committee,

My name is Sal Peralta. I am a member of the McMinnville City Council and an executive committee member of the Mid-Willamette Valley Council of Governments (MWVCOG). I wanted to make the committee aware that the MWVCOG has adopted a policy in favor of this legislation, which would allow local jurisdictions to allocate a portion of their transient lodging tax (TLT) towards workforce housing.

As someone who represents a community that has been hit hard by rising housing prices due to a lack of buildable land and other factors, I would like to thank Senator Johnson for introducing and carrying this legislation. **I urge your committee to move this bill forward with a "do pass" recommendation.**

There is a strong nexus between this bill to incentivize the construction of workforce housing and the function of the transient-lodging tax. As the data below demonstrates, this legislation scales better than current tools in terms of allowing cities like ours to provide seed money for affordable housing projects.

Although tourism is a net economic plus for McMinnville, it also carries with it increased housing costs and decreased supply as hotels and other short-term lodging options compete for scarce housing and land resources. Many tourism-related jobs do not pay a wage that allows working people to live in our city where the median home price is $320,000 while the median family income is only $44,000. Many people are forced into long commutes for work, which is contrary to both our city's strategic plan and Oregon's climate and land-use goals.

McMinnville is also heavily constricted for land supply. Although we are committed to re-zoning, infill and redevelopment as core parts of our housing strategy, those come at a generally higher cost than greenfield development. **<u>If we want housing products that are affordable for people seeking workforce housing, we need to incentivize it.</u>**

Currently, the (TLT) allows local jurisdictions to assess a transient lodging tax of up to 10% on hotels and other overnight accommodations. The law allows local jurisdictions to allocate 30% towards their general fund and 70% towards specific tourism-related activities. This legislation amends the law to allow jurisdictions to apportion 30% of the tax towards affordable housing, 30% towards the general fund and 40% towards tourism

In 2018-19 budget, our city's transient-lodging tax is estimated to bring in $1,209,000 in new revenue. Under the provisions of this legislation, we could allocate $362,000 towards affordable housing projects on an annual basis. **That would have a *huge* impact on our city's ability to move such projects forward.**

To put those numbers into context, in 2017, the legislature passed SB 1533, which allows cities to adopt an excise tax. The terms under which the excise tax can be used are somewhat restricted (our city has introduced a legislative concept in the house LC 1302 intended to make it easier to use). But even without the restrictions, in practical terms, it does not do as much as this legislation would to allow a city like ours to incentivize affordable housing.

By way of comparison: Here is our city's staff analysis of how the excise tax from SB 1533 could be applied in McMinnville:

Based upon a 2000 sf home plus 440 sf garage ($113.85 valuation per sf) = $247,539 building permit valuation.

CET Imposed	Cost to Developer	City Admin (4%)	Developer Incentives (50%)	OHCS (State) (15%)	Affordable Housing Programs (35%)
1%	$2,475	$10,870	$130,437	$39,127	$91,295
0.5%	$1,238	$5,435	$65,219$	$19,563	$45,648
0.33%	$817	$3,587	$43,044	$12,911	$30,127

PS - Note that this would be added to a current building permit fee (including SDCs) of approximately $9,700.

PPS – Note that this house would sell on the current market for approximately $350,000. The 1% CET would represent 7/10 of 1% of the total costs of the market value of the house to the consumer.

Even under the highest assessment of the tax, SB 1533 (2017) would only generate $280,000 in revenue, of which $220,000 could be allocated to developer incentives and housing programs on an annual basis whereas SB 595 would generate more than $360,000 per year.

To reiterate: The $360,000 that this legislation would allow a city like ours to re-allocate, would help our city and others like ours, to meet a significant emergency demand for affordable housing. I believe with certainty that our city would take advantage of this legislation, as would several in the Willamette Valley.

I urge a the committee to move this legislation forward with a "do pass" recommendation.

Respectfully,

Sal Peralta