



PLANNING DEPARTMENT, 231 NE Fifth Street, McMinnville, Oregon 97128
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March 19, 2019

Senate Committee on Finance and Revenue
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

RE: McMinnville Affordable Housing Task Force Testimony in Support of SB 595

Chair Hass, Vice Chair Bentz, and Members of the Committee:

The McMinnville Affordable Housing Task force is a city-appointed committee charged with making recommendations to the City Council regarding policies that encourage increased access to, and construction of, housing for citizens earning 120% or less of McMinnville's median income. At its February 27, 2019 meeting, the task force voted to endorse the concept presented in SB 595 that provides local discretion and the option to use of a portion of local transient lodging tax revenues for affordable workforce housing. **With this letter, the McMinnville Affordable Housing Task Force provides testimony in support of SB 595 and urges the committee to move SB 595 forward with a "do pass" recommendation.**

ORS 320.300-350 currently authorizes a local transient lodging tax of not more than 10% on overnight accommodations. Currently, ORS 320.250 requires at least 70% of funds to be used for specific tourism-related purposes, and no more than 30% can be used for city services.

SB 595 would provide local flexibility and local control in deciding whether to authorize up to 30% of the tax to be used to fund affordable workforce housing, for households with an annual income at or below 125% of median income. SB 595 doesn't provide a state mandate that local jurisdictions use the funding for this purpose.

The changes authorized by SB 595 provide an important and appropriate opportunity for local discretion in deciding whether to allocate funding for affordable workforce housing.

1. The bill recognizes there is a direct nexus between transient lodging tax revenues and the opportunity to address the housing needs of many employed in the tourism economy. This provides a tool where the revenue can scale proportionally with the

impact. Many employed in the tourism industry experience a disproportionate cost relative to the community benefits.

First, many tourism-related jobs do not pay a wage commensurate with the increasing costs of housing. As a result, many workers in this industry are experiencing cost burden or being displaced from the communities in which they work. Second, short-term lodging continues to compete for scarce housing and land resources. This bill would provide local discretion whether to use a portion of local transient lodging tax funds to help bring greater equity to these situations.

2. SB 595 would authorize local discretion for one of the few funding sources available to address workforce housing needs for households earning between 80% and 125% of median income, while also addressing housing needs below 80% of median income.
3. Of the few funding options to address workforce housing needs, this local option doesn't directly assess costs against other housing. It provides an option for local jurisdictions to provide a broad-based and balanced approach to fund workforce housing, should they choose to do so, using an existing revenue source. It also provides an opportunity to leverage other resources.
4. The bill is specific and narrow. If a city elects not to use some or all of the authorized funds for affordable workforce housing, this portion of the funds would continue to fund the tourism-related purposes to which the funds must now be dedicated under current law.

As tourism continues to thrive and grow in McMinnville, associated workforce housing needs continue to increase. McMinnville is continuing to take a multi-pronged approach to address all housing needs in the community, including exploration of options to help fund workforce housing, which are few and far between. This would provide another option for the City to consider when evaluating funding sources that could serve as a significant and critical element in meeting workforce housing needs. This is one option that could also make an immediate difference in communities that elect to use a portion of funds for workforce housing, whereas some other options can take several years before the benefits come to fruition.

Workforce housing is a critical issue facing communities, including McMinnville. As those employed in the tourism workforce are displaced from their communities, there can also be additional secondary impacts as people seek affordable housing elsewhere. This can impact the tourism economy and can also lead to escalation of housing prices in outlying communities. In addition, longer commute distances lead to more commuting time for these workers, as well as increased transportation costs, even if households are able to find more affordable housing in outlying communities. This can lead to increased vehicle miles travelled, more fuel consumption, and unnecessary congestion of transportation facilities, as outlying communities increasingly serve as bedroom communities. This is contrary to the goals of McMinnville's strategic plan as well as Oregon's climate and land use goals.

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This bill would provide another available option for local jurisdictions to consider in addressing workforce housing needs. Each jurisdiction will need to weigh how to best use this portion of local transient lodging tax revenues. Each will need to weigh potential positive impacts to address workforce housing needs compared to current use of funds for specified tourism-related purposes. This should be a local decision.

The McMinnville Affordable Housing Task Force urges the committee to move SB 595 forward with a “do pass” recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Schauer", written in a cursive style.

on behalf of the McMinnville Affordable Housing Task Force

(Submitted on behalf of the McMinnville Affordable Housing Task Force by Tom Schauer, Senior Planner)