



Home Builders Association
of Metropolitan Portland

October 19, 2020

Rick Rogers, Mayor
Newberg City Council
414 E 1st St.
Newberg, OR 97132

Re: Ordinance No. 2020-2860 – Construction Excise Tax

Dear Mayor. Rogers,

The Home Builders Association of Metropolitan Portland represents over 800 businesses and thousands of women and men who work in the residential building and remodeling industries throughout the greater Portland area. We are dedicated to maximizing housing choice for all who reside in the region while promoting housing access and availability for everyone.

The COVID-19 pandemic is causing severe economic disruption throughout the broader metropolitan region and the state. Home building, like many industries, is facing an uncertain future. Across the metropolitan region, new home starts were down over 50 percent year-over-year in the months of April, May, and June, July and August. This downturn in construction is most attributable to reductions in available capital to finance new projects coupled with an uncertain economic outlook. This lack of new construction means that Yamhill County residents will have even fewer housing options to choose from in the coming years.

Oregon is approaching a Great Recession level decline in new home construction starts at a time when we remain gripped in a severe housing crisis. Indeed, despite the economic downturn, Oregonians continue to desperately need new housing. A recent report showed the state underbuilt 155,000 units of housing from 2010 – 2016. This failure forces Oregon families to compete for ever scarce housing, which in turn drives up costs, delays family formations, and inhibits economic growth. Importantly, that same report highlighted that between 5-7% of all housing cost is solely due to lack of supply.

Given the trying combination of the current economic outlook and the pressing need for new housing to meet Oregon's needs, Newberg should refrain from increasing the regulatory costs associated with this housing. As an ever greater number of our neighbors find it difficult to secure their housing needs, the timing is truly ill-suited to add thousands of dollars to the cost of building a new home.

Unfortunately, that is exactly what draft Ordinance No. 2020-2860 (Construction Excise Tax) would accomplish. By adding cost to the production of new housing, the Tax will hamper housing

affordability in Newberg. Additionally, it is unfair that new construction is the only segment of the community tasked with addressing the need for affordable housing. In order to show its commitment to support affordable housing, Newberg should spread the cost broadly, and ensure that all residents and businesses share costs equally. As such, we ask that Newberg consider the following items in-lieu of merely adopting the draft ordinance.

Remove Residential Construction from the Tax. Given the Great Recession level reduction in new housing starts, Newberg should remove all residential construction from the proposed Tax. Housing is an important community good, and the city should promote its creation in order to increase housing affordability generally. Doing so will remove the burden from homeowners and renters, while still allowing the city to collect dollars from large commercial and industrial developers.

Delay Implementation of the Tax until the Pandemic Ends. To its credit, Newberg has recognized the horrendous impacts that the COVID-19 pandemic is having on the economy and generally withheld from implementing new fees and taxes. This practice is in line with many local jurisdictions that want to minimize their impact in further exacerbating a precarious economic situation. As such, Newberg should continue this practice and implement the Tax only after the city and Yamhill County have exited the current COVID-19 states of emergency. Doing so will help builders weather the pandemic before having to face a new tax.

Phase in the Tax Over Several Years. It will take years for our economy to recover from the current downturn. Therefore, if implemented, the Tax should only take effect incrementally over a three year timeline at a rate of 33% annually. Doing so will ensure that it will not become overly burdensome in one single year and allow builders to factor in the Tax more effectively into housing pro-formas.

Ordinance No. 2020-2860 is well intentioned, yet places the burden for funding affordable housing on the shoulders of only a single industry. Additionally, it seeks to do so at a time when that industry is facing significant economic headwinds. We greatly appreciate Newberg's commitment to work with the home building industry on the proposed Tax and believe that now is absolutely the wrong time to increase the cost of new housing. Affordable housing is a community-wide need that deserves a community-wide response, which distributes costs in a fair and equitable manner.

Sincerely,

Ezra Hammer
Vice President, Policy and Government Affairs

Cc: Denise Bacon, Councilor
Bryce Coefield, Councilor
Stephanie Findley, Councilor
Elise Yarnell Hollamon, Councilor
Julie Martinez Plancarte, Councilor