Financing Affordable Housing Subsidies in Sisters, Oregon

Fall 2022
Sisters

Creative Options and Evaluation of Potential Municipal Revenue-Generating Activities

Chris Skawski
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COLLEGE OF DESIGN

UNIVERSITY OF OREGON

CITY OF SISTERS

SCI
Sustainable Cities Institute

SCYP
Sustainable City Year Program

Fall 2022 Sisters

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Acknowledgements

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Joseph O'Neill, Finance Director, City of Sisters

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About SCI

The Sustainable Cities Institute (SCI) is an applied think tank focusing on sustainability and cities through applied research, teaching, and community partnerships. We work across disciplines that match the complexity of cities to address sustainability challenges, from regional planning to building design and from enhancing engagement of diverse communities to understanding the impacts on municipal budgets from disruptive technologies and many issues in between.

SCI focuses on sustainability-based research and teaching opportunities through two primary efforts:

1. Our Sustainable City Year Program (SCYP), a massively scaled university-community partnership program that matches the resources of the University with one Oregon community each year to help advance that community's sustainability goals; and

2. Our Urbanism Next Center, which focuses on how autonomous vehicles, e-commerce, and the sharing economy will impact the form and function of cities.

In all cases, we share our expertise and experiences with scholars, policymakers, community leaders, and project partners. We further extend our impact via an annual Expert-in-Residence Program, SCI China visiting scholars program, study abroad course on redesigning cities for people on bicycle, and through our co-leadership of the Educational Partnerships for Innovation in Communities Network (EPIC-N), which is transferring SCYP to universities and communities across the globe. Our work connects student passion, faculty experience, and community needs to produce innovative, tangible solutions for the creation of a sustainable society.

About SCYP

The Sustainable City Year Program (SCYP) is a yearlong partnership between SCI and a partner in Oregon, in which students and faculty in courses from across the university collaborate with a public entity on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner agency through a variety of studio projects and service- learning courses to provide students with real-world projects to investigate. Students bring energy, enthusiasm, and innovative approaches to difficult, persistent problems. SCYP's primary value derives from collaborations that result in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

About City of Sisters

Located at the foot of the Cascade Mountains in Central Oregon, the city of Sisters offers beautiful natural surroundings, a variety of year-round recreational opportunities, and a vibrant local economy.

The City of Sisters is located near the Three Sisters mountains in Central Oregon.

Source: Visit Central Oregon, n.d. | visitcentraloregon.com/cities/sisters

Sisters was a place where Paiute, Warm Springs, and Wasco peoples stopped during movement across central Oregon. The name of Whychus Creek, a tributary that runs through town and joins the Deschutes River just beyond the city limits, comes from a Sahaptin phrase, “The Place We Cross the Water.” Sisters became a way station and became accessible once roads were constructed through McKenzie Pass and Santiam Pass in the Cascade Mountain Range. In the early twentieth century, Sisters was a center for sheep and cattle ranching and later became a focus for the timber industry, with numerous mills surrounding Sisters and even a mill in town.

The townsite of Sisters was platted in 1901, although the town was not incorporated until 1946. The original townsite for the City was six blocks in size, circumscribed by Adams Street on the north, Larch Street on the east, Cascade Street on the south, and Elm Street on the west, which represents the downtown core of the City of Sisters north of Cascade Avenue today.

With Sisters’ strategic location as the “Gateway to the Cascades,” major industries have included sheepherding, cattle ranching, timber production, and provision of goods and services for travelers. Sisters has capitalized on accommodating visitors, initially serving the transient tradesmen that traveled through central Oregon.

Many people know Sisters for its Western frontier design theme that derives architectural inspiration from the town's beginnings in the 1880s. However, Sisters did not always look this way. When Brooks Resources developed Black Butte Ranch, a resort community eight miles west of Sisters, it envisioned a plan to help the Sisters downtown core reinvent itself. In coordination with the City Council, Brooks Resources offered loans, forgiveable after 10 years, to businesses who built with a Western theme. From this idea, the City developed a strong identity that helped attract people to Sisters as a tourism destination. The economy strengthened, the population returned, and in 1992, the Sisters School District reopened its high school after 25 years of sending students to Redmond High School.

The 2021 population in Sisters totaled 3,475 residents, a result of the population doubling every decade since the 1990s. Sisters continues to serve as a gateway to the central Oregon region while also being known for local attractions including Hoodoo Ski Area and prominent community events such as the Sisters Rodeo, Rhythm and Blues Music Festival, Harvest Faire, the Sisters Outdoor Quilt Show, and the Sisters Folk Festival.

Sources:
United States Census Bureau
City of Sisters
Sisters Chamber of Commerce

Course Participants

Community and Regional Planning Graduates
Anisha Govindankutty
Stuart Warren

Public Administration Graduates
Adriana Flowers
Aurora Dziadul
Briana Parra
Chris Skawski
Esmeralda Flores
Evan Gardner
Jacob Thode
Ramona Bias
Sophie Stipek
Tram Anh Hoang
Will Fitzsimmons

Executive Summary

This report contains the collected work of graduate student groups in PPPM 629: Public Budget Administration over the course of fall term 2022. These student groups conducted research to evaluate and forecast productivity of revenue generating activities for consideration by the city of Sisters to augment their Affordable Housing Reserve Fund. The revenue sources presented in this report were selected for their productivity, or other factors related to the tax or revenue generating activity that make them particularly attractive options. Revenue sources are presented and described, forecasts for expected revenue are presented, and analysis offered for City staff. Major highlights of this work include:

- Each revenue source has tradeoffs. Some that are particularly productive may have negative impacts on economic activity within the City. Sources that may be particularly well-aligned with the end goal of raising affordable housing funds may not be especially productive.
- Student recommendations include adopting the Construction Excise Tax because of its low administrative burden and generally strong productivity estimates.
- Several of the revenue recommendations raise questions that the City may not be able to answer alone. It may be that exploring these options fully involves engaging nearby jurisdictions.
- No single strategy will solve the issue of housing affordability. City staff and leaders may need to mix and match revenue-generating activities to create a comprehensive strategy for long-term revenue.

Introduction

Sisters is a small city located in northwest Deschutes County, covering about two square miles. Approximately 20 miles from Bend and Redmond, Sisters boasts a thriving local economy comprised of outdoor recreation opportunities, tourist attractions, lodging and dining, and a vibrant local arts and culture scene.

A painted wooden sign welcomes travelers and residents alike to Sisters.

Source: Deb's Days, 2018 | Top 5 things to do in Sisters, Oregon

Incorporated in 1946, Sisters has a population of approximately 3,000 people and has grown by about 100 people per year for the last 20 years.

This population growth, coupled with the low availability of buildable lands, has helped fuel rising home prices. According to the most recent U.S. Census, a third or more of Sisters' residents are considered rent burdened, meaning they spend at least 30 percent of their income on housing costs. Median home prices in Sisters range from $600,000 to $800,000 (Source: Comparison of Zillow, Redfin, Realtor.com). Median rent for a one-bedroom apartment in February 2021 was estimated at $1,545 (Bartlett, Bill. *The Nugget Newspaper)*.

The city of Sisters established the Affordable Housing Reserve Fund in 2019 to subsidize the creation of affordable housing within its borders. The Affordable Housing Trust Fund is a restricted fund within the City budget, and currently stands at a little over $125,000. The fund is used to provide loan and grant funding for private developers and nonprofit agencies to provide or develop affordable housing within the City.

The Affordable Housing Reserve Fund is primarily funded through contributions from a portion of the revenue generated by the Transient Room Tax (TRT). In Sisters, the TRT is assessed at 8.99%. Sisters' ability to raise revenue from rising property values is limited as a result of Oregon Measure 5 and Measure 50. In addition, limited staff capacity may hinder the implementation of new tax schema. This has caused the city of Sisters to evaluate alternative and creative revenue generating methods to raise funds for affordable housing development. Further, recent state-level action represents a promising direction for the availability of state funding to bolster affordable housing construction (Kotek, Tina. via Oregon.gov).

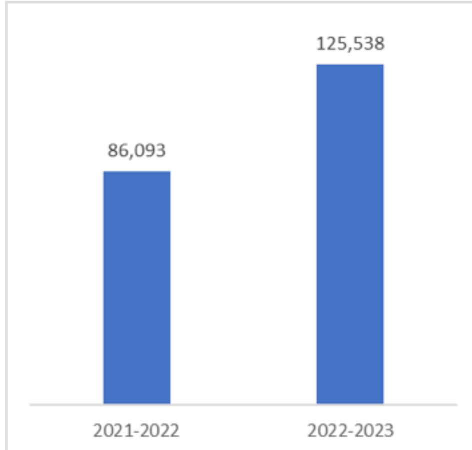


Figure 1: Affordable Housing Reserve Fund Balance, FY 2022/2023

Source: Group D, Brianna Parra, Evan Gardner, Ramona Bias, Stuart Warren, Tram Anh Hoang

Revenue Sources

The revenue sources in this report represent the combined efforts of three project teams. Each team identified three to five revenue generating activities currently in use by jurisdictions around the country and analyzed their potential impact to the city of Sisters. Revenue sources evaluated for this project were intended to capture value from high-value economic activities within Sisters, especially in cases where those activities depend on workers who may struggle with housing costs, as well as economic trends that drive housing costs.

Revenue sources are evaluated on their overall productivity and impacts to the local economy and those who would bear the burden of new taxes. The evaluative criteria highlighted by this report include:

- Equity—Comprised of Horizontal (i.e. equal instance of tax at equal pay grades) and Vertical (i.e. incidence of tax increases as ability to pay increases)
- Efficiency—A measure of the cost to administer the tax, including staff and administrative capacity
- Neutrality—A measure of impacts to the local economy, i.e. whether the tax encourages consumers or businesses to shift their behavior to avoid instances of the tax
- Productivity—Estimates are provided of the overall expected revenue generated by each source
- Certainty—A measure of the clarity of the tax, ensuring that the rules of the tax are equally understood and evenly applied
- Convenience—A measure of how easy to pay the tax is, including whether it is commensurate with taxpayers' income schedules

Revenue projections assume differing effective tax rates and use differing assumptions about relevant taxable economic activity. A summary of projections can be found in Table 1. More information about revenue projection can be found in the relevant section. Individual group methodologies can be found in Appendices A-C.

Table 1: Comparison of estimates of revenue by generating activity as assessed.

Source: PPPM 629 Student Groups

	Low	*Average*	*High*
Construction Excise Tax (CET)	$81,804.00	$254,151.50	$426,499.00
Prepared Food Tax (PFT)	$116,438.00	$572,743.00	$1,029,048.00
Sales Tax	$76,638.00	$114,957.49	$153,276.97
Gross Receipts Tax (GRT)	$296,409.08	$518,715.90	$741,022.71
Vacant Homes Tax (VHT)	$335,000.00	$837,500.00	$1,340,000.00
Short-Term Rental Fees (STR)	$11,445.00	$46,597.50	$81,750.00
Demolition Tax	$20,400.00	$70,200.00	$120,000.00
Tax Increment Financing (TIF)	$376,831.95	$775,915.98	$1,175,000.00
Inclusionary Housing Fees (IHF)	N/A	N/A	N/A

Least productive → Most productive

The evaluation presented reflects the work of the individual group that provided it. In cases where more than one group provided analysis, the evaluation sections represent synthesis of major themes between groups.

Major Revenue Sources

The following two revenue sources were evaluated by two or more groups. All three groups evaluated the Construction Excise Tax (CET) and rated it highly favorably for adoption. This is due in part to individual evaluation of CET's potential, as well as the stated intention of CET to raise funds for housing affordability. Groups D and E evaluated the Prepared Food and Beverage Tax (PFT) and rated it favorably for adoption. Prepared Food and Beverage Taxes exist in a limited number of jurisdictions, but represent a promising way to capture value from service industry activity as a means of increasing affordability for workers in that industry.

Construction Excise Tax

The Construction Excise Tax is a common tax in Oregon specifically designed to raise revenue at the local and state level to advance housing affordability. The tax takes the form of an additional fee levied on projects for which a building permit is issued by the authority having jurisdiction (AHJ). This includes new construction and significant remodels. The fee is capped by statute at no more than one percent of the project's permitted value.

Oregon Senate Bill 1533 was approved by the Oregon Legislature for use by municipalities in 2016. Per the statute, funds raised by the CET are to be distributed as follows: four percent of the total revenue raised is to be specifically used for administrative costs of levying the tax. Of the remainder:

- 15% is distributed to Oregon Housing and Community Services to fund statewide housing affordability initiatives;
- 50% is left to the municipality specifically to fund incentives for developers to directly create affordable housing, and;
- 35% is left to the municipality to fund other housing affordability programs.

The four percent administrative fee is earmarked for the municipality's use to cover administrative costs associated with implementation and collection. This means that a Construction Excise Tax is effectively cost neutral. Because CET is collected at the time of building permit, it is easy to collect as part of the Building Department's workstream. Funds can then be further earmarked by the municipality for deposit into specially marked funds.

All three groups evaluated the Construction Excise Tax, and all three groups recommended adoption to differing degrees of enthusiasm.

The construction excise tax applies to all projects issued a building permit within a given jurisdiction.

Source: City of Sisters Department of Public Works ci.sisters.or.us/publicworks

Case Study: Hood River, Oregon

Hood River instituted a one percent Construction Excise Tax in August 2017. Building permit applicants are required to pay the fee before the permit is issued. Hood River then separates incoming CET revenue into specially marked sub-funds for future use, ensuring both dedicated revenue streams for specific projects and compliance with state law. CET is highly impacted by level of development activity. Hood River saw revenue from CET fluctuate from over $76,000 to under $50,000 during COVID-related building slowdowns, and then increasing to over $94,000 in 2021 as markets rebounded.

Revenue Projections

All three groups provided CET revenue estimates in Sisters under various circumstances. Group D evaluated projected revenue from two rates that were below the statutory maximum. In addition, Group F evaluated the productivity of CET under two circumstances: flat rate for all projects, and a split rate structure meant to incentivize multi-family construction. A full methodology for each group's estimates can be found in the relevant appendix. All three groups evaluated CET revenue from available data provided by city of Sisters, which corresponded only to residential development. CET implemented on commercial and industrial development may yield additional revenue.

Table 2: Summary of CET revenue projections. Group F provided figures for "Total Expected." Figures for administrative fees and OHCS shares for Group F are original to this report.

	Group D.1	*Group D.2*	*Group E*	*Group F.1*	*Group F.2*
Effective Rate (base)	0.25% (all permits)	0.33% (all permits)	1% (all permits)	1% (all permits)	Split rate (1% SF; 0.33% MF)
Total Expected ($)	100,250	132,330	522,671	500,000	300,000
Administrative Fee (0.04)	4,010	5,293	20,906	20,000	12,000
OHCS (0.15)	14,436	19,056	75,264	72,000	43,200
Direct Incentives (0.5)	48,120	63,518	250,882	240,000	144,000
Other Programming (0.35)	33,684	44,463	175,617	168,000	100,800
Total Available for Sisters Affordable Housing Fund	**$81,804**	**$107,981**	**$426,499**	**$408,000**	**$244,800**

Case Study: Bend, Oregon

Bend adopted an affordable housing fee in 2006. The fee is equal to one-third of one percent of the permitted value of all building permits within the city, making it functionally equivalent to a Construction Excise Tax. Despite establishing an effective rate below the statutory maximum, they have been able to capitalize on high construction prices for new buildings and remodels in the area. The affordable housing fee levied on significant construction in Bend brought in over $1.5 million annually for the years 2017–21.

Evaluation of different effective rates provides a range of CET productivity estimates for Sisters. Table 2 shows that a CET has the potential to generate revenue in excess of current available housing funds at any effective rate. Even if implemented at a rate below statutory maximum, a CET has the potential to increase available housing funds by nearly 100%.

Evaluation

All three groups provided evaluation of a Construction Excise Tax.

Equity

A Construction Excise Tax scored moderately well on equity concerns across all three groups. All three groups noted that CET is horizontally equitable, in that all projects at the same permit valuation are assessed the same effective tax rate. However, all three groups also noted that the CET is not vertically equitable: because the CET is a flat rate assessed on permit valuation, lower-value projects may end up spending a greater proportion of their available funding even though they are paying a smaller overall sum.

Neutrality

A CET in Sisters has the potential to impact the decision-making of developers and builders by raising the costs of building within the City. Sisters may see developers choosing to build in nearby Redmond, for instance. Group E noted that during the city of Sisters' recent attempt to implement CET, at least one builder was publicly worried about the impact to their business. However, all three groups concluded that even the statutory maximum rate of 1% is not likely to significantly impact the final cost of a given project given current home construction price trends.

Efficiency

All three groups rated a CET "Good" or "Excellent," equivalent to a rating of 4/4 or 4/5 depending on the rating scale. This is due to the CET requiring administrative cost offsets as part of the funding structure, and the administrative lift of implementing the tax relying heavily on established and well-known practices (issued at time of permitting).

Productivity
Productivity is a measure of the expected revenue generated. All three groups rated the CET as favorably productive. One major concern for the CET highlighted by Group E is the lack of buildable lands within the City and the unpredictability of development trends in the future. Sisters' Housing Needs Assessment and development forecasts indicate that growth will continue in the near term, but the City may need to consider longer-term growth trends so as not to over-rely on CET revenue.

Certainty
All three groups rated the CET as a relatively certain tax, in that it is well-understood by all stakeholders in Oregon and is uniformly applied to relevant building projects.

Convenience
Similarly, all three groups rated the CET as relatively convenient. Because the tax is assessed at the time of building permit application, not only are individuals bearing the tax when they are already paying applicable fees, but they must also have available capital to construct a building in the first place. Therefore, it is expected that a CET will not significantly add to the burden borne by taxpayers.

Prepared Food and Beverage Tax
Prepared Food and Beverage Taxes (PFT) are a special form of sales tax that are gaining popularity among Oregon municipalities as a means of capturing value from the highly productive food and beverage industries. These taxes vary by implementing jurisdiction, but in general are taxes that apply to the sale of food prepared for immediate consumption, which may include established, licensed restaurants; food trucks; push carts; and supermarket deli counters.

Prepared Food and Beverage Taxes are levied by the authority having jurisdiction and are typically paid by the relevant operator either quarterly or annually. PFT payment by restaurant operators may be folded into other regular processes, such as annual re-application for business, operating, or liquor licenses. AHJs may

Case Study: Yachats, Oregon
The city of Yachats levies a 5% tax on food prepared for immediate consumption, with exceptions for food not prepared for immediate consumption (i.e., groceries) and alcoholic beverages. Yachats requires operators to report earnings and remit payment quarterly, no later than one month after the quarter ends to the city recorder. Late payments are assessed a fine of 10% of the amount due and a $100 flat fee. Operators must retain sales data for three years and make such data available to the city recorder upon request. Operators may appeal the amount due within 30 days of payment.

require operators to retain sales data for a specified period for the purposes of an audit. PFT in any form requires that operators track applicable sales and make timely and accurate payments to city staff.

Groups D and E evaluated the PFT for implementation. Both recommended implementation by Sisters in one or more forms.

Revenue Projections

Groups D and E provided estimates of a PFT if implemented by the city of Sisters. Group D's estimate is based on the permanent population of Sisters by comparing it to other jurisdictions with a PFT. Group E relied on an estimate from Cannon Beach that as much as 96% of the tax incidence would be borne by visitors. Group D provided revenue estimates at various tax rates, while Group E assessed the maximum rate for which comparable data is available (5% in Yachats, Cannon Beach, Ashland). Estimates of annual visitors to Sisters were calculated from available tourism data from nearby Bend and Redmond.

	Group D.1	*Group D.2*	*Group E*	*Group F.1*	*Group F.2*
Effective Rate	1%	5%	5%	5%	5%
Assumed Base	Resident Population	Resident Population	Annual Visitors	Annual Visitors	Annual Visitors
Assumed revenue/ individual	$65.63	$328.17	$9.62	$2.35	$20.74
Expected Revenue	**$202,220**	**$1,011,102**	**$477,380**	**$116,438**	**$1,029,048**

Table 3: Summary of PFT revenue projections.

A Prepared Food and Beverage Tax can be applied to meals or drinks served in restaurants and bars.

Source: Sister Area Chamber of Commerce. sisterscountry.com/dine#!directory

Each group used multiple models to assess the expected revenue from a PFT. The models reflect availability of revenue data from Oregon AHJs that have implemented a PFT. Group D's methodology notes that expected tax incidence per resident will be much lower than displayed here once the expected revenue from visitors is calculated. Likewise, Group E's figures can be updated or adjusted based on the average or expected per-visitor expenditures. For instance, the estimates provided assume the average visitor spends between $40 and $414 on applicable food purchases in Sisters annually. A more thorough understanding of visitor, tourist, and resident spending habits could provide more accurate estimates.

Evaluation

Groups D and E provided evaluation of a PFT as an option for Sisters.

Equity

Both Groups D and E rated the PFT as 'Good' and 'Moderate' respectively, representing a 3/4 and 3/5 on each group's individual rating scale. While the tax is expected to be mostly borne by visitors, the PFT is a variant on the sales tax, which is well-known for regressive qualities. Overall, a PFT scores well on horizontal equity, in that diners with similar tabs will pay similar amounts. However, a PFT scores poorly on vertical equity by increasing the proportional cost of dining out for low-income residents. Particularly because Sisters is interested in decreasing cost-of-living for residents and workers who may be engaged in service industry jobs, the City may wish to consider the impact of this tax on residents and workers.

Neutrality

The two groups that assessed neutrality took opposite views. Group D assessed it positively because the additional cost was negligible compared to the overall cost of dining out. They included analysis for tax rates between one and five percent. Group E took a more conservative view, cautioning that increased prices (or the perception of increased prices) could drive visitors and residents to other nearby markets. However, given the relative strength of tourism in Sisters and its relative isolation, it may be the case that diners are a somewhat captive market, which would in turn reduce concerns related to neutrality.

Efficiency

The two groups took opposing views on efficiency. The overall efficiency of the tax will be determined by the strength of the tourism sector as a proportion of Sisters' economy, as well as established staff and municipal capacity to administer. Much of the administrative burden for implementing a PFT falls on individual operators, though there will be some amount of burden required by Sisters' staff.

Productivity

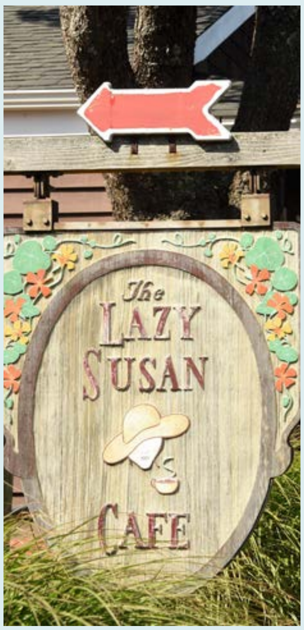
The above estimates are based on available data from the other three municipalities in Oregon that have implemented a PFT. Those jurisdictions show strong returns, indicating high and sustainable potential revenue for Sisters as long as tourism remains a productive sector of the local economy.

Certainty

While not employed widely in Oregon, the PFT is a variation of a sales tax, and is therefore likely well understood. It is similarly clearly applied to all purchases that qualify. A coordinated outreach campaign involving restaurant operators could increase certainty.

Convenience

The PFT scores less well on measures of convenience, due to the added administrative burden to restaurant operators and food sellers to account for taxable purchases on a regular basis. However, strategies exist for assessing tax burden on convenient schedules for businesses to properly pay. Similarly, electronic check out and point-of-sale devices can aid in the selective application of the tax.



Case Study: Cannon Beach, Oregon

Cannon Beach recently implemented a 5% tax on applicable food purchases within the City. As a mostly tourist-driven economy, the decision was made to implement the tax as a means of capturing value from visitors for the municipality. Cannon Beach's PFT is earmarked for parkland acquisition and development, debt service on the City's wastewater treatment plant, and renovations to city hall. Cannon Beach implemented a one-time grant to local businesses to build out administrative capacity. The PFT as adopted also allows businesses to retain five percent of collected tax to cover ongoing administrative costs.

Minor Revenue Sources

The revenue sources presented below were evaluated by one out of the three student groups, or (as in the case of Urban Renewal District Financing) were evaluated by two groups but explicitly not recommended for adoption.
These sources are presented here for comprehensiveness, as well as to evaluate additional options for revenue generation.

General and Special Sales Tax
Sales taxes are a common way for municipalities to raise revenue in much of the country. A sales, or ad valorem tax is a tax applied to the sale of goods and sometimes services. Sales tax rates may vary by issuing jurisdiction; even municipalities within the same county may have different effective rates. Similarly, sales taxes are applied on different goods in different jurisdictions. For instance, groceries are exempt from sales tax in Washington State, but are taxed in Virginia.

Despite its widespread use nationally, there is no statewide sales tax in Oregon. No local or other government within the State levies a general sales tax as it appears in other communities. This may be due to a lack of precedent or a lack of public support for implementation.

Sales taxes are generally passed through by businesses to consumers at the point of sale, and then paid as a proportion of their revenue to the administering authority either quarterly or annually. Businesses may face penalties for late payments, such as revocation of relevant licenses or fines. Group E excluded the sales tax from their analysis over concerns about equity and efficiency. Group F evaluated the potential revenue from a local special sales tax. Neither group recommended the sales tax for adoption.

Case Study: Juneau, Alaska
Alaska imposes a state sales tax of 6.25%. Juneau residents have elected to adopt an additional one percent tax rate on applicable sales within the jurisdiction. This additional sales tax revenue is diverted to the City's affordable housing fund. Because residents have a standing mechanism for re-approving the tax levy, the City ensures continuing public support.

Revenue Projections

Group F evaluated the potential revenue of a one percent and 0.5 percent sales tax if implemented in Sisters by comparing to the similarly sized Galena, IL. They estimated the expected revenue based on comparable economic activity, as well as the projected annual bill to residents.

	Reference (Galena, IL)	*F.1 (Sisters)*	*F.2 (Sisters)*
Estimated Sales Tax Base	$20,327,697.00	$15,327,697.00	$15,327,697.00
Proposed (or actual) Sales Tax Rate	8.25	1.00	0.50
Estimated (or actual) Revenue	**$1,677,035.00**	**$153,276.97**	**$76,638.00**
Population	3,282.00	3,286.00	3,286.00
Estimated Cost per Resident	**$510.98**	**$46.60**	**$23.30**

Table 4: Revenue projections by Group F of Sales Tax at varying rates.

Revenue projections of a modest local sales tax indicate between a 60% and 122% increase in available funds for affordable housing. The reference jurisdiction selected is of a comparable size and distance to nearby population centers as Sisters. However, the economic profiles for the two cities are different, which may impact the transferability of these data.

Evaluation

Groups E and F provided an analysis of a sales tax.

Equity

Sales taxes are well known to be regressive, as lower-income households end up spending a larger functional proportion of available income covering the tax. Group F recommends a low effective rate to minimize this effect. Group E did not include sales tax in their recommendations due to equity concerns.

Neutrality

Sales taxes have the potential to drive local economic activity to non-taxing jurisdictions. Group F rated sales taxes as ‘poor’ for neutrality, citing the well-known example of Washington residents living on the border driving into Oregon to avoid sales tax.

Efficiency

Because a sales tax does not exist in Oregon, there are no dedicated structures to administer it. Group F suggested that sales tax collection could take be housed in the Finance and Human Resources Department, which already collects fuel and transient room taxes. Group E referenced the significant administrative structures in place in other jurisdictions to highlight efficiency concerns.

Case Study: New York's Sales Tax

New York imposes a 4% flat sales tax statewide. Counties, villages, and cities may impose higher local rates if desired. Businesses in New York are required to register with the Department of State. They are then required to annually report taxable business income to the Department of Taxation and Finance. Funds are then distributed to counties from state offices, which in turn disburse funds to municipalities according to county law. The administration of sales tax in New York therefore requires the combined capacity of two state-level agencies and county administrators.

Productivity
Sales taxes are decently productive because of their applying to all transactions within the taxing jurisdiction. However, the need to balance equity, neutrality, and public opposition concerns may result in an effective tax rate that is too low to provide sufficient revenue to the city.

Certainty
Group F evaluated sales taxes as certain due to modern receipts clearly indicating sales taxes in taxing jurisdictions. Sisters would need a transparent design and implementation process to communicate taxable transactions.

Convenience
Group F evaluated a sales tax as excellent in convenience, due to the potential to evaluate tax burden as part of normal business finance administration.

Gross Receipts Tax
The Gross Receipts Tax, (GRT) or "Commercial Activity Tax" as it is implemented in Oregon, is a specially levied tax on certain types of economic activity. In the case of Oregon, the tax is levied on businesses with taxable revenue of over $1 million. GRTs are different from sales taxes in that they are levied on the seller of a good or service, as opposed to the buyer. However, these taxes are often levied at point of sale and ultimately borne by consumers.

Group E evaluated the GRT but did not recommend it for adoption.

Case Study: Burlington, Vermont

Burlington instituted a 2% GRT on businesses selling prepared food, hotel/motel lodging, and amusement and entertainment services. The tax is applied within the Church Street and Waterfront special districts, high tourism, and high traffic areas of the city. Though dependent on tourism revenue (Burlington saw a massive drop in revenue from the tax in 2020), it represents a promising method of capturing value from specific industries.

Revenue Projections

Group E estimated revenue from a GRT applied to tourism-facing industries by comparing Sisters' economic base to that of Burlington, VT. Burlington has a large tourism industry largely driven by outdoor recreation opportunities and has a population similar to that of the greater Sisters Country region. The "Estimated Base" is derived from the proportion of Burlington's overall population represented by the city of Sisters. Group E modeled the estimated yield at different effective rates.

Outdoor recreation is a popular tourist draw in Sisters and nearby cities.

Source: Sister Area Chamber of Commerce. sisterscountry.com/play/recreation-activities#!directory

Table 5: Projected revenue from estimates of annual economic activity.

Estimated Tax Base	Tax Rate	Tax Yield
$14,820,454.10	0.02	$296,409.08
$14,820,454.10	0.025	$370,511.35
$14,820,454.10	0.03	$444,613.62
$14,820,454.10	0.035	$518,715.89
$14,820,454.10	0.04	$592,818.16
$14,820,454.10	0.045	$666,920.43
$14,820,454.10	0.05	$741,022.71

Assuming a taxable base of nearly $15 million in local economic activity, Sisters stands to raise between 200% and 600% of current affordable housing funds. A careful study of local economic conditions would be required to ascertain the level of activity present in Sisters, as well as the impacts of taxation.

Evaluation

Group E evaluated the GRT as moderately equitable. As a flat proportion of the value of a transaction it raises the same vertical equity concerns as the sales tax. However, because the tax as proposed would only be applied to certain industries, the impact to the average resident is expected to be lower.

Like the sales tax, Group E projected significant neutrality concerns. Especially because nearby Bend and Redmond offer similar services related to outdoor recreation and tourism, businesses and visitors may choose those as non-taxed, lower-cost destinations.

The GRT has the same concerns related to efficiency as the sales tax, in that no formal structure currently exists for its collection in Sisters. However, as with Group F's evaluation of the sales tax, it may be possible to administer the tax as part of the Department of Finance and Human Resource's existing workload. The GRT has potential to be extremely productive depending on local taxable economic activity. However, this revenue would be entirely dependent on the year-to-year dependability of tourist-facing industries in Sisters.

The GRT is rated favorably for certainty, in that the design and implementation of a specific tax would require extensive engagement with stakeholders. GRT is rated favorably for convenience because, much like the sales tax, businesses may assess tax liability as part of their normal cost of doing business.

Vacant Homes Tax

A vacancy tax is a tax levied on residential properties that do not meet local criteria to be considered fully occupied. This may include homes or dwelling units that are owned by non-residents and held as vacation properties or second homes. Vacancy taxes may be implemented as an additional property tax, or as a flat rate assessed on all vacant homes.

In either case, the municipality must determine what constitutes a 'vacant' home for the purposes of the tax. Vacancy may be assessed as a function of owners' permanent or mailing address, number of days spent actually present in a dwelling unit, homes permanently left unoccupied such as those held for Short Term Rentals, or other criteria.

Group D evaluated a vacancy tax for implementation by the city of Sisters and recommended it for adoption.

Revenue Projection

Group D used vacancy data from the 2021 Sisters Housing Needs Assessment and estimated revenue if assessed at different flat rates. The rates were assembled from other similar jurisdictions.

Fee Schedule	*Vacant Units (2021 rates)*	*Projected Annual Revenue*
$1000	335	$335,000
$2000	335	$670,000
$3000	335	$1,005,000
$4000	335	$1,340,000

Table 6: Revenue projections for Vacant Homes Tax at different fee levels.

These projections reflect estimated revenue that is assessed as a flat rate for vacancy. Projections may differ if the tax was levied as a function of existing property tax assessments. However, existing property tax restrictions may complicate attempts to capture value as a proportion of assessed value.

Evaluation

A Vacant Homes Tax (VHT) was rated very positively by Group D. By definition, they are exclusively borne by those with multiple properties, which significantly reduces equity concerns. Similarly, although the VHT raises neutrality concerns by increasing the effective cost of owning property in the city, the tax has the intended effect of potentially making available homes that are currently held as vacation properties.

Vacancy criteria and the identification of applicable properties may represent significant upfront administrative costs. However, once established, VHT represents a relatively small lift, as it can be assessed as part of existing work streams. It therefore rates highly on measures of certainty and convenience for these reasons as well.

Vacation and short-term rentals are popular in Sisters owing to its strong tourist economy.

Source: Black Butte Ranch, Oregon. cozycozy.com

Short-Term Rental Fees are fees assessed on properties that are used wholly or in-part as short-term rentals, i.e. rentals not intended for permanent occupation. These types of rentals are increasingly common with the rise of companies such as Airbnb.

Such fees may be assessed either as a cost-of-doing-business license, or may be assessed based on the specific characteristics of the site. For instance, Crested Butte, CO levies an annual $750 charge, while Bend, OR, issues a land use permit on a sliding scale depending on the underlying property value of the rental unit.

Group D evaluated Short-Term Rental Fees but did not include them in their analysis due to low revenue. They did not recommend it for adoption.

Revenue Projections

Group D based their revenue forecasts on the current number of short-term rentals in Sisters and evaluated revenue generation by adjusting the current operating license fee amount.

Table 7: Revenue projections for various Short-Term Rental fees based on permit data.

Fee Schedule	*Registered STRs (Sisters Nov. 2022)*	*Projected Annual Revenue*
$105 flat fee (Sisters current rate)	109	$11,445
$205 flat fee	109	$22,345
$500 flat fee	109	$54,500
$750 flat fee	109	$81,750

Due to the small number of short-term rentals in Sisters, this revenue source is not particularly productive compared to others in this report. However, by implementing a fee at the level of Crested Butte, Sisters stands to increase its Affordable Housing Fund by as much as 66%.

Evaluation

Group D positively evaluated Short-Term Rental Fees across all criteria. The one exception is vertical equity, because the revenue source as proposed is a flat fee, and makes no allowances for higher fees for taxpayers with greater ability to pay. Of note is that Short-Term Rental Fees scored poorly on neutrality. Short-Term Rental Fees have a high capacity to influence individual or market behavior. However, if individuals choose not to hold their properties as short-term rentals and instead lease or sell them, they would positively impact the City's housing supply.

Demolition Tax

The Demolition Tax is a tax levied on deconstruction of an existing structure. It is distinct from standing demolition fees, which are meant to cover the administration of deconstructing a building, and are instead meant to offset the impact to housing affordability from demolition of standing structures. The tax may take the form of a flat fee or can be calculated based on characteristics of the structure being torn down, such as age, dwelling units, size, etc.

Across Oregon, Lake Oswego implements a $15,000 fee on demolition of existing housing. Portland attempted to implement a $25,000 fee per demolition, but it failed to materialize.

Group D evaluated a Demolition Tax but did not recommend it for adoption.

Revenue Projection

Group D evaluated a Demolition Tax based on available permit data. They estimated seven demolition permits would be issued annually. They provided analysis for two major scenarios:

- A flat fee per unattached residential structure, assessed as an additional charge on a standard demolition project.
- A percentage of the job valuation, assuming that the demolition contractor factors in age, size, etc. when determining cost. Two average job valuations are evaluated for sensitivity.

Tax Approach	*Projected Annual Revenue*
$10,000 flat fee	$60,000
$15,000 flat fee	$90,000
$20,000 flat fee	$120,000
50% job value ($6,800 avg. job value)	$20,400
75% job value ($6,800 avg. job value)	$30,600
50% job value ($9,300 avg. job value)	$27,900
75% job value ($9,300 avg. job value)	$41,850

Table 8: Revenue projections for various Short-Term Rental fees based on permit data.

Group D's analysis assumes no major interruption due to COVID-19 and is primarily based on the 2022 figure of seven permit applications and six issued.

Evaluation

Group D provided evaluation of the Demolition Tax. It is rated mildly positively across all criteria, except for equity and productivity, which were rated as fair. The fee structure is highly variable, which allows for greater flexibility of implementation. However, it is not especially productive at any evaluated rate.

The stated aim of the tax would be to preserve existing construction to preserve existing housing stock affordability. Because it is assessed at the same time and in much the same manner as the demolition fee, it represents a low administrative burden, as well as a low burden for taxpayers.

Tax Increment Financing

Tax Increment Financing (TIF) is a revenue generating activity in which municipalities borrow money against future property tax revenue. Taxes in a pre-determined district are 'frozen' at present rates, and additional revenue above that fixed level are deposited into a special fund, or else are used to finance ongoing improvements. The general rationale is that improvements within a given district, such as beautification of store fronts or municipal rights-of-way, or investments in services, such as housing, will increase property values by stimulating economic activity within the district. This increased activity within the district will then lead to greater municipal revenues.

Although already in place in Sisters in the form of the Urban Renewal Agency, Groups D and F both evaluated TIF. Group D did not include TIF in their analysis due to equity and neutrality concerns. Group F did not recommend TIF for implementation due to equity and potential efficiency concerns.

Revenue Projections

Groups D and F estimated potential revenue from re-evaluating both the effective rate and allocation of funds raised by the current urban renewal district. Group D's rate increase is based on the equivalent statutory maximum property tax assessment increase under Measure 50. Group F evaluated raising Sisters' urban renewal district rate to the level implemented by Corvallis, OR.

Table 9: Estimated revenue from increases to Urban Renewal District tax rates.

	Group D	*Group F*
Rate Increase (Percentage Pts.)	3.00	11.21
$/1000 of Assessed Value increase	$2.72	$10.17
Estimated Revenue Generated (lifetime)	**$376,831.95**	**$1,175,000.00**

Under either increase, property tax bills for properties within the district increase by between approximately three to over ten dollars per $1,000 of assessed value. The rate increase has the potential to significantly increase available funding for housing development over the remaining lifetime of the established urban renewal district.

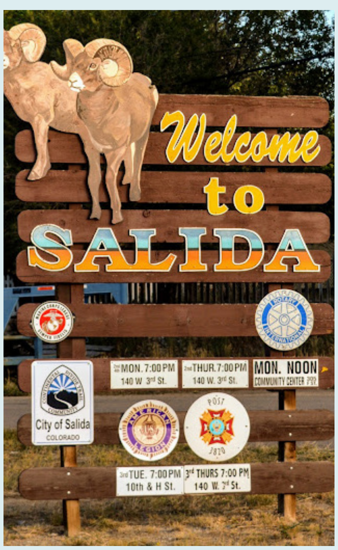
Evaluation

Groups D and F provided evaluation of rate increases to the urban renewal district. Both cited equity as a primary concern. Group D also noted neutrality concerns, and Group F highlighted the potential administrative burden of reallocation of existing revenues. Both groups highlighted the certainty and convenience to rate payers as positive attributes of a TIF rate increase, as urban renewal is already in place in Sisters. Neither group recommended TIF for adoption.

Inclusionary Housing Fees

Inclusionary Housing Fees (IHF) are payments made by developers in lieu of developing affordable housing. Market-rate or luxury housing developments would pay additional fees on top of normal building permit fees or other fees incurred in the normal course of construction. The rationale is that because developers will no longer have to construct affordable units or else deed-restrict them after construction, they will be encouraged to build more. The fee paid in lieu of developing affordable units is then paid to the city, which can in turn use the funds to incentivize affordable development elsewhere.

Group F included a case study of IHF but did not include IHFs in their main analysis. Group F did not recommend IHF for adoption.



Case Study: Salida, Colorado

Salida implemented a two-tiered IHF in 2018. The fee is assessed as a fee per square foot and varies by construction type: $20.10 per square foot for principal (single family) units, and $3.00 per square foot for multifamily development of five or more units under single ownership on the same lot. Over the last several years, Salida has seen revenues of between $46,870 and $70,471. At approximately 5,000 people and a little under three square miles, Salida is a similar size and density to Sisters.

Revenue Projections

No revenue projections were provided in the analysis for the city of Sisters.

Evaluation

Inclusionary Housing Fees were rated favorably on metrics related to equity and efficiency. Such fees take advantage of developers' willingness to pay to avoid constructing affordable units, ensuring that only those with the ability to pay will pay. They also take advantage of existing administrative pathways and can be paid commensurate with the normal building permit process. However, they scored relatively low on measures of productivity and neutrality owing to their potential for raising development costs.

Evaluation of Options

This section will directly compare the revenue sources presented in the previous section, and evaluate the revenue source as a whole for implementation by the city of Sisters. While the work in the previous section should be understood to be a summary and review of student work, the following analysis will be largely original work that has arisen out of the synthesis of student arguments and research. Areas in which arguments are borrowed or reprinted will be clearly marked.

Each group utilized their own scale to evaluate revenue sources based on the six criteria outlined in the previous section. In order to evaluate options from different groups, each individual scale has been converted from qualitative ("poor," "fair," "good," "excellent," etc.) to numerical. A common denominator was then established, and all point values converted to this new scale. The results are presented below in Table 10. In addition, productivity values reflect the qualitative assessment of the criteria by each group. Revenue estimates can be found elsewhere in this report. Group F evaluated vertical and horizontal equity separately, but for the purposes of this analysis the scores for each have been averaged to provide a general score for the equity criterion.

	CET	*PFT*	*Sales*	*GRT*	*VHT*	*STR*	*Demo.*	*TIF*	*IHF*
Equity	0.60	0.68	0.50	0.60	0.75	0.25	0.50	0.44	1.00
Neutrality	0.70	0.58	0.25	0.40	0.75	0.75	0.75	0.25	0.50
Efficiency	0.77	0.58	0.25	0.40	0.50	0.50	0.88	0.50	0.25
Productivity	0.70	0.90	0.50	0.80	1.00	0.25	0.50	0.75	0.38
Certainty	0.85	0.90	1.00	0.80	1.00	1.00	0.75	0.63	0.75
Convenience	0.93	0.58	1.00	0.40	1.00	1.00	1.00	1.00	1.00
Total	4.55	4.20	3.50	3.40	5.00	3.75	4.38	3.56	3.88

Lowest revenue → Highest revenue

Table 10: Summary of Evaluative Criteria by tax scheme as assessed by student groups.

Stakeholder engagement and public approval will be critical for the design and implementation of any new taxation scheme.

Source: Deschutes County Planning Commission

The Vacant Homes Tax scored the highest overall, earning five out of a possible six points. The next highest scoring tax packages include the Construction Excise Tax, Demolition Tax, and Prepared Food Tax, in that order. When comparing summary scores, it is worth noting that the Construction Excise Tax and Prepared Food Tax were evaluated positively by two or more groups.

Equity

The various tax packages scored differently on measures of equity based on their assessed impact on taxpayers. Of concern for all three groups were evaluating taxes on whether the impact would fall on those most able to pay (vertical) and whether individuals at the same income level pay the same level of tax (horizontal). For instance, despite the Short-Term Rental Fee being assessed on individuals who own and operate short-term rentals within the City, the tax as assessed is a flat fee for operation. Because this flat fee does not scale with the value of the property, it scores poorly on measures of vertical equity.

Overall, the Inclusionary Housing Fee was assessed as most equitable, in that it is an optional fee that would only be chosen by those with clear ability to pay. With the notable outlier of the Short-Term Rental Fee, all of the tax schemes that specifically raise money from housing-related activities score relatively well on equity measures. This is in large part because the inflated housing market is driving unaffordability, which the Affordable Housing Trust Fund aims to address. Taxes that capture value from the high construction and sale prices of homes within the city are particularly equitable. The Prepared Food Tax likewise is among the highest scoring tax on equity, in large part because it is expected to be borne by visitors, who by definition have the disposable income necessary to pay it. In determining the ideal tax package to raise revenue, the city of Sisters should consider who will be impacted by the tax, and whether the sector that will be impacted (housing, tourism, construction, etc.) is related to the overall state of housing unaffordability in Sisters.

Neutrality

Neutrality is a measure of how much the tax influences individual or market behavior. The assessments in the student work are predominantly based on the extent to which the tax meaningfully adds to the final cost of the activity. For instance, a sales tax and Gross Receipts Tax have the potential to significantly add to the cost of a good or service depending on the rate assessed. Especially in the cases of the sales, Gross Receipts, and Prepared Food Tax, which are not in place in nearby jurisdictions, the added cost has the potential to meaningfully increase the final cost of the good or service and shift consumer behavior to nearby jurisdictions. These concerns can be somewhat overcome by adjusting effective tax rates. Similarly, owing to the regional similarities in economic modalities between Sisters, Redmond, and Bend, it may be worthwhile to assess regional opportunities to further reduce the impact of a specific tax.

The potential impact of the Construction Excise Tax should be noted. While a one percent tax may not meaningfully change the final cost of construction in an inflated market, it has the potential to be perceived as a barrier to construction. This has already been noted in public comment during Sisters' previous attempt to implement a CET.

Influencing market behavior may also be worthwhile. The Vacant Homes Tax and Short-Term Rental Fee score well on measures of assessed neutrality despite these taxes potentially raising the cost of owning second homes and operating short-term rentals. However, taxes that disincentivize such activities may have the effect of increasing housing supply, and therefore lowering housing costs.

Efficiency

The taxes presented in this report are assessed on efficiency based on the perceived impact to Sisters' staff or operations to collect the tax. Taxes that require the establishment of new and dedicated collection pathways, such as a sales, Gross Receipts, or Prepared Food tax, may require a greater administrative lift. Taxes that are harder to collect will be less productive overall, no matter how much revenue they generate.

The Vacant Homes Tax may present a greater challenge in this regard. While vacancy rates have been assessed for the Housing Needs Assessment update, noting which specific homes are vacant could require a citywide audit. Maintaining such a list may also present challenges. Similarly, while Sisters maintains a list of approved short-term rentals within the City, assessing additional fees will require dedicated oversight to ensure compliance. An anecdote from Bend offers a potential pathway to collection: the building official shared that whenever they need to assess the fee, they simply pull up Airbnb and compare. Either of these taxes may be considered as a project with significant upfront work and could be completed or started by a consultant and then maintained by city staff.

The city of Sisters may also need to consider the additional administrative lift associated with engaging the Deschutes County Building Department on changes. Construction Excise Taxes, Demolition Fees, and other taxes presented here may be assessed at time of permitting. However, if such a change is not possible at the county level, it will be necessary to establish a pathway at the local level.

Productivity

Productivity is covered in greater depth by the revenue projections presented elsewhere in this report. Of key importance for the city of Sisters to consider is the sustainability of the given tax. For instance, the Construction Excise Tax will be limited in long-term revenue due to the relatively low availability of buildable lands. Taxes that are tied to specific industries, such as the Prepared Food Tax or Gross Receipts Tax, are subject to changes in the market. As Sisters looks towards the future, current and projected economic trends may influence tax productivity.

Certainty

The taxes presented here scored relatively well on measures of certainty. Even the lowest-scoring tax evaluated, Tax Increment Financing, scores highly. This is owed to Tax Increment Financing being assessed evenly according to property value, and being clearly understood by those to whom it applies. Taxes like the Short-Term Rental Fee and Construction Excise Tax are well-understood because they are either in place in some form in Sisters or else are common enough throughout Oregon that those who will bear the tax will understand how to pay it. Even taxes like the sales or Gross Receipts Tax are variants of the sales tax, which are commonly understood despite not being as common.

Sisters can increase the certainty of any of the tax packages by conducting stakeholder outreach as part of the implementation process. Increasing certainty can increase compliance and decrease negative public sentiment.

Convenience

Almost all of the taxes evaluated scored well on measures of convenience. Most of the taxes evaluated in this report are paid at the time of other payments. Most of the taxes presented here should therefore be understood to be functionally neutral on this measure.

Those that scored less well, including the Prepared Food Tax and Gross Receipts Tax, involve impacts to businesses as they must develop new accounting practices to account for taxable purchases. There are methods to reduce the burden associated with the implementation of a new tax. Cannon Beach, for example, has designed a system of grants and support for restaurants to implement a Prepared Food Tax. Increasing convenience to taxpayers can increase compliance. Increasing convenience can also decrease potential equity concerns by aligning tax payments with income schedules, thereby lowering potential financial impacts.

Recommendations

The above revenue sources have been evaluated for implementation by the city of Sisters. The evaluation includes estimates of revenue generated and an assessment of non-monetary impacts to residents and the City. The unifying philosophy of these revenue sources is to capture some of the value associated with high productivity activities within the City. This includes tourism and tourist-facing industries, and high construction and home prices. Ideally, workers and residents who support these industries would be able to live where they work. Each student group provided between one and four recommendations for Sisters. The recommendations presented here represent a synthesis of the group recommendations, as well as themes that emerged through the collection of these sources in a single document.

Recommendation 1: Implement the Construction Excise Tax

The Construction Excise Tax (CET) was positively assessed and recommended for implementation by all three groups. The recommendation is based on the certainty of revenue, ease of implementation, and alignment of the tax with the mission of generating revenue for affordable housing. Two of the three groups highlighted that the CET can be adjusted based on construction type to incentivize desired development. It is important to note that this report did not consider political considerations. Despite this, the CET represents a promising short-term revenue generating activity that could provide needed bridge funding to longer-term solutions.

Recommendation 2: Assess the Prepared Food Tax for Local Implementation

The two groups that evaluated the Prepared Food Tax (PFT) recommended it for adoption by the city of Sisters. The PFT has the potential to be extraordinarily productive, even if implemented at lower effective rates than other communities throughout Oregon. The PFT has the added benefit of capturing value from high-traffic industries that depend on service workers to make profitable. While there are concerns about the administrative cost of assessing the tax, there are promising developments in similarly sized cities with a large tourism economy that have implemented PFT. Sisters may consider monitoring the recently enacted tax in Cannon Beach and adopting a similar strategy.

Recommendation 3: Establish Taxes to Support Desired Housing Patterns

This recommendation emerged from comparing several of the strategies evaluated here. Group D positively evaluated and recommended the Vacant Homes Tax for adoption. Group D also positively evaluated the Short-Term Rental Fee but did not recommend it due to concerns about low revenue. However, both taxes contribute to a housing policy pattern that may support Sisters' overall mission to promote affordable housing. Mixing and matching taxes like these can create incentive structures that can support affordable housing supply for residents in addition to direct subsidies.

Recommendation 4: Evaluate Local Economic Conditions

Several of the revenue projections for tax schemes presented here depend on local economic contours that may not have been fully captured by our analyses. The Demolition Tax, for instance, depends on the idea that existing housing is cheaper, and that demolition of existing stock necessarily leads to increases in price. However, if it is the case that units in Sisters that are demolished and replaced by more or more affordable units, disincentivizing demolition may have the opposite effect as desired. Furthermore, there are taxes presented here that will depend on ongoing economic activity. The PFT, for instance, can be evaluated more accurately if local and visitor spending habits are better understood. Therefore, it may benefit the city of Sisters to assess local economic activity and future trends.

Recommendation 5: Engage Neighboring Jurisdictions

Several of the strategies evaluated above raise significant concerns about influencing market or individual behavior. Coordinating with other, nearby municipalities could lessen the impacts associated with some of these taxes and promote greater productivity for the entire region. For instance, the Gross Receipts Tax is implemented in only select commercial districts by the city of Burlington, VT. A similar strategy could be employed by Deschutes County as a whole. In such a scheme, the tax would only apply in certain circumstances or certain areas within the county, and the revenue split accordingly. Similarly, Deschutes County already provides certain building-related services to the city of Sisters, including processing building permits. Engaging the County on strategies related to housing development and revenue generation may yield greater results.

Source: City of Sisters Department of Finance and Human Resources. ci.sisters.or.us/finance

Conclusions

While any of the revenue sources evaluated here are viable options for the city of Sisters to raise revenue for the creation of affordable housing, the information presented in this report is intended to guide the decision-making process by presenting relevant information about tradeoffs associated with each source.

Ultimately it will be up to the city of Sisters to determine which strategies are possible to implement given local political, staff, and economic conditions. Ideally, this report will help Sisters make decisions that are context appropriate and will help increase potential funding options for housing affordability.

SCI Directors and Staff

Marc Schlossberg	SCI Co-Director, and Professor of Planning, Public Policy and Management, University of Oregon
Nico Larco	SCI Co-Director, and Professor of Architecture, University of Oregon
Megan Banks	SCYP Director, University of Oregon
Danielle Lewis Colin Miller	Graphic Designers

Appendices

REVENUE OPTIONS FOR SISTERS, OREGON'S AFFORDABLE HOUSING RESERVE FUND

Tram Anh Hoang, Briana Parra, Ramona Bias, Evan Gardner, & Stuart Warren

UNIVERSITY OF OREGON PPPM 612

Table of Contents

PURPOSE AND OVERVIEW

This memorandum analyzes and recommends funding options for Sisters Oregon in alignment with the City's goal of increasing resource streams to support affordable housing development. From studying several jurisdictions' budgets, municipal codes, and informational websites, our team identified six potential funding sources for analysis. Among those six sources, we chose three that we found to present the most opportunity to generate additional revenue for Sisters' Affordable Housing Reserve.

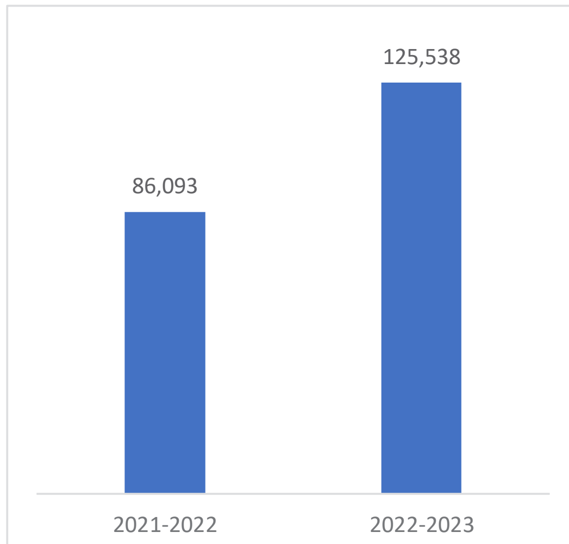
Overview

The City of Sisters City Council determined that the city lacked affordable housing in 2019. In response, the city council passed Ordinance Number 495 which established the Affordable Housing Program. This program seeks to encourage nonprofit organizations and for-profit developers to build affordable housing by: (1) waiving system development charges (SDCs), and (2) providing support for agencies and private developers. [1] To provide support, Sisters created the affordable housing reserve, which is a line item in the general fund.

By ordinance, the city council may determine and appropriate funding for the affordable housing reserve as necessary. Housing reserve funds are restricted and represent an accumulation of 30% of the revenue generated from 0.99% of Sisters' Transient Room Tax (TRT). Additional funding may come from contributions through development agreements; we were unable to confirm that any contributions have ever been made through development agreements.[2]

The affordable housing reserve received a budget of $86,093 for the last fiscal year 2021-2022 and $125,538 for the current fiscal year 2022-2023 (Figure 1).

Figure 1. Sisters' Affordable Housing Reserve Balance



Source: Sister, Oregon, 2022, Adopted Budget, FY 2022/23

Methods

We evaluated six potential revenue sources to identify an additional revenue source for Sisters' Affordable Housing Reserve. We used case studies and reference jurisdictions as a basis for identifying the different options and estimating revenues.

We then evaluated, scored, and ranked each potential revenue source based on their equity, neutrality, administration, productivity, certainty, and convenience. Based on these criteria, we formulate recommendations for increasing revenue for the affordable housing fund.

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[1] City of Sisters, Oregon, 2019, Ordinance Number 495, https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/18551/ord_495.pdf

[2] City of Sister, Oregon, 2022, Fiscal Year 2022/23 Adopted Budget, https://www.ci.sisters.or.us/sites/default/files/fileattachments/finance/page/2031/fy_2022.23_budget.pdf

Funding Options

We researched six different revenue options as additional sources to fund the affordable housing reserve: construction excise tax, tax increment financing, food and beverage tax, demolition fee, increasing operating fees for short term rentals, and vacant home tax.

In this section, we provide an overview of four funding options that represent better opportunities based on our evaluation. Further information on the other two revenue sources, namely tax increment financing and increasing operating fees for short term rentals, is captured in Appendix A: Revenue Sources not Selected for Recommendation.

Food and Beverage Tax

There are three cities in Oregon that have a food and beverage tax, Ashland, Cannon Beach, and Yachats. If Sisters use food and beverage tax to fund affordable housing, service industry workers would be able to afford living close to where they work at an affordable rate, which would support the tourism industry by providing affordable housing options for their staff.

For this analysis, we referenced the City of Yachats due to the population and revenue similarities. Yachats' food and beverage tax is assessed at 5% with exemptions for food not sold for immediate consumption and alcoholic beverages. Yachats has placed the burden of reporting and payment on the individual operators. Operators must collect the 5% tax at the time of sale. Yachats requires that operators report earnings and remit payment quarterly to the city recorder. These payments are due one month after each quarter ends. Any operator who fails to pay on time will be fined 10% of the amount due and a flat $100 fee. Each 30 days of delinquency triggers an additional 10% fine.

As the reporting responsibility is placed upon the operator, the city requires that all sales records are kept for a minimum of 3 years and must be made available to the City Recorder upon request. This, along with the strong punitive measures detailed above, greatly discourages any tax fraud. There is a built-in clause that allows operators to appeal the amount due with the city recorder within thirty days of tax payment. The city council created the tax and has the power to increase the tax rate after a public hearing. No public vote is required. [3]

Revenue Analysis

Based on Yachats' food and beverage tax revenue, we use two models to estimate the revenue for Sisters: percentage of total revenue and scaling based on population. Using the average results from two models we're able to accurately predict revenue at a variety of tax rates. Methods are described in more detail in Appendix B: Calculations & Assumptions.

Our models do not consider that tourists will be paying a large portion of the tax, not just residents. Therefore, the per person cost column of the below table is only based on Sisters' residents and the actual number will be lower once tourists are accounted for. The per person amount was calculated using a Sisters population of 3,081 (Table 1).

[3] Quality Code Publishing. (n.d.). Chapter 3.12 - Prepared Food and Beverage Tax. Chapter 3.12 - prepared food and beverage tax. Retrieved November 20, 2022, from https://library.qcode.us/lib/yachats_or/pub/municipal_code/item/title_3-chapter_3_12

Table 1. Projected Food and Beverage Tax Revenue, Sisters, Oregon, 2022

Tax Rate	Projected Revenue	Per Person
1%	$202,220	$65.63
2%	$404,440	$131.26
3%	$606,661	$196.90
4%	$808,881	$262.53
5%	$1,011,102	$328.17

Source: U.S. Census Bureau, 2022, American Community Survey (5-year estimates, 2012-2020); Yachats, Oregon, 2022, Adopted Budget, FY 2022/23

Vacant Home Tax

Like Sisters, many resort towns experience higher rates of short-term rentals (STRs) and second homes compared to other less tourism focused communities. While the impacts of STRs on local housing stock varies, some research has shown that in small resort towns, STRs can lead to reduction of homes available for the local workforce[4]. The reduction of available homes for residents can have adverse effects on housing affordability. To capitalize on the popularity of vacation rentals and second homes, communities have looked to short term rental fees and vacant home taxes as revenue sources.

Vacant home tax (VHT) is a relatively novel method of revenue generation cities are implementing. A vacant home tax can be administered in two ways. First, as an **excise tax**, in which cities levy a flat rate tax to all vacant homes. The second method is an added **property tax**, where a city sets an ad valorem rate based on property value. Both methods require a municipality to first define what is considered "vacant" (Appendix C: Defining Vacancy for Vacant Home Tax). In Crested Butte Colorado, state regulations on property tax levies led the city to propose a flat rate tax of 2,500.00 per year for vacant homes. San Francisco California implemented a sliding scale ranging from $2500 - $5000 per year dependent on home size, and Vancouver BC currently levies a 3% tax on assessed home value.[5]

Revenue Analysis

Revenue estimates are based on a vacancy rate of 335 homes. Using a flat rate fee scale informed by reference jurisdictions, estimates reflect annual potential revenue. Projected vacant home tax revenue, for Sisters, is shown in Table 2. Detailed calculations are provided in Appendix B: Calculations & Assumptions.

[4] DiNatale, Sadie, Lewis, Rebecca, Parker, Robert. "Short-term rentals in small cities in Oregon: Impacts and regulations" Land Use Policy 79, (2018): 407-423

[5] Mackie, Kyle. "Some mountain towns are eyeing Vancouver-style vacancy taxes. Could it help address housing crisis? " (2021) accessed November 11th, 2022 https://www.ksut.org/2021-09-24/some-mountain-towns-are-eyeing-vancouver-style-vacancy-taxes-could-it-help-address-housing-crises

Table 2. Projected Vacant Home Tax Revenue, Sisters, Oregon, 2022

Fee Schedule	Vacant Units (2021 rates)	Projected annual revenue
$1000 flat fee	335	$335,000
$2000 flat fee	335	$670,000
$3000 Flat fee	335	$1,005,000
$4000 flat Fee	335	$1,340,000

Source: University of Oregon, 2022, Vacancy Rates 2020-2021, Data provided by Sisters, Oregon, Analysis by Sisters Group D

Construction Excise Tax

Construction Excise Taxes (CET) are fees assessed on all new development and significant improvements, including commercial, industrial, retail, and residential (excluding affordable housing). CETs work best in cities and counties that are experiencing or are expected to experience growth and will fluctuate based on market forces.[6] The fee is typically assessed during the time of development permit application.

Oregon Senate Bill 1533 (SB1533) was approved by the Oregon Legislature in 2016. SB1533 limits CETs to less than or equal to one percent of the total permit valuation. All local governments adopting CETs on residential construction in Oregon are instructed to utilize 4% of all proceeds from CETs for administrative fees to recoup expenses from implementation. Oregon Revised Statute also requires that 15% of the remaining revenue from residential development be directed to Oregon Housing & Community Services (OHCS) for purposes of providing down payment assistance for homeownership programs; commercial and industrial development is exempt from this statute.[7] The remaining revenue are to be distributed by "formula"; 50% of funds for developers incentives for creating affordable housing and 35% for affordable housing programs. [7]

The City of Bend's affordable housing fund's main source of revenue is the affordable housing fee; this fee is an example of a CET. This fee is 1/3 of 1% (0.33%) of the estimated project valuation for **all building permits** issued by the City of Bend. For example, if a developer wished to build a 1,000 square foot home, their building valuation (as provided by the International Code Council) is $112,650. Bend's fee for the affordable housing fund would then be 1/3 of 1% of the total valuation or $371.75. More information on Bend's CET and its performance can be found in Appendix E: Case IES.

Revenue Analysis

We calculated the projected revenue for Sisters if it were to implement a CET based off the average number of occupancy permits issued per year and average permit valuation for both single family and multi-family residential development in Sisters. Data for these calculations were provided by the City of Sisters. Methods and assumptions for this calculation are shown in Appendix B: Calculations & Assumptions.

[6] Local Housing Solutions, n.d., Linkage fees

[7] State of Oregon, n.d., Residential* Construction Excise Tax, https://www.oregon.gov/ohcs/homeownership/PublishingImages/Pages/homeownership-publications/09-03-2021-Residential-Construction-Excise-Tax%20kf%20ah.pdf

We provide projected revenues using a 0.25% and 0.33% CET in Table 3. If Sisters were to implement a 0.33% CET, it would generate an average amount of $132,330 per year, before the required 15% of revenue was distributed to OHCS. For ease of calculation and neutrality, we applied the CET to both single-family and multi-family development. It should be noted that permit valuation for commercial and industrial development in Sisters was not included in this calculation and may provide additional revenue depending on development rates.

Table 3. Projected CET Revenue, Sisters, Oregon, 2022

	Average # of Units/Year	Average Valuation/Unit	Projected Revenue Per Year	
			0.25% CET	0.33% CET
Single Family	106	$ 350,000	$ 92,750	$ 122,430
Multi-family	30	$ 100,000	$ 7,500	$ 9,900
Total			**$ 100,250**	**$ 132,330**

Source: University of Oregon, 2022, Data provided by Sisters, Oregon, Analysis by Sisters Group D.

After distribution to OHCS and the administrative cost of 4% are removed, Sisters would generate an average of $107,981 per year with a 0.33% CET. To provide an example of what Sisters could expect to receive after these deductions, we calculated the projected amount of revenue for both a 0.25% and 0.33% CET. These projections are shown in Table 4.

Table 4. Distribution and Yield, Sisters, Oregon, 2022

	Formula	0.25% CET	0.33% CET
Administration Fee	4%	$ 4,010	$ 5,293
OHCS	15%	$ 14,436	$ 19,056
Incentives for Developers	50%	$ 48,120	$ 63,518
Affordable Housing Program	35%	$ 33,684	$ 44,463
Sisters Take-home		**$ 81,804**	**$ 107,981**

Source: University of Oregon, 2022, Data provided by Sisters, Oregon, Analysis by Sisters Group D.

The cost per unit, for both single- and multi-family developments are shown in Table 5. If Sisters were to implement a 0.33% CET, the average cost per single- and multi-family home would be $1,155 and $330, respectively.

Table 5. Average Cost Per Unit From CET, Sisters, Oregon, 2022

	AVG Valuation/Unit	Cost Per Unit	
		0.25% CET	0.33% CET
Single Family	$ 350,000	$ 875	$ 1,155
Multi-Family	$ 100,000	$ 250	$ 330

Source: University of Oregon, 2022, Data provided by Sisters, Oregon, Analysis by Sisters Group D.

We find that using CET, Sisters could almost double revenue for the Affordable Housing Reserve Fund from the current budget as funded by the Transient Lodging Tax. We find that the 0.33% CET to be the best option for Sisters because it generates the most revenue of the two options and is neutral when compared to the City of Bend's CET. If Sisters wanted to implement a CET that was more attractive to developers than the City of Bend's CET, it should implement the 0.25% CET.

The CET creates an effective way for Sisters to incentivize certain types of housing over others. Our revenue projection was applied to both single-family and multi-family residential development, but if Sisters wanted to incentivize multi-family development, it could choose to only apply the CET to commercial, industrial, and single-family residential development. Applying the CET to these types of development reduces the amount of revenue generated per year by less than $10 thousand.

Implementing a CET in Sisters, at the recommended rate of 0.33% would cost the average single- and multi-family development $1,155 and $330, respectively. These additional costs will most likely be passed on to the consumer, making overall home prices rise. However, market speculation will likely make this increased amount negligible in the final pricing of the home.

Demolition Tax

A demolition tax is levied when a property owner tears down their residential building to replace it with new ones. The rationale behind this tax is that demolition often comes with replacement structures that are newer, bigger, and more high-end. These replacement structures do not only become less affordable, but they also have an impact on overall house prices of the surrounding neighborhood, thereby limiting the supply of affordable housing.

Differing from a demolition fee, which is meant to cover the administrative costs of managing demolition activities, a demolition tax is meant to address the impact of demolition on affordable housing. A demolition tax is usually a flat fee per separate residential structure, although it could also be designed as a formula based on the age, size, development type, or appraised value of the property being torn down. To enact a demolition tax, the City needs to seek Council's approval.

In Oregon, the City of Lake Oswego charges a $15,000 demolition tax per site, effective from 2019, and allocates the revenue to City Park properties and facilities.[8] Portland once pursued a $25,000 demolition tax, allocating revenues to their affordable housing funds, but such an effort failed to actualize.[9] In both cities, the primary goal of demolition tax is to discourage the fast-growing demolitions of habitable homes to support affordable housing.

Currently, the City of Sisters requires a permit, but does not charge any tax duties for house demolition. Deschutes County Building Division, which is Sisters' contractor for permit review and issuance, collects a demolition permit fee of $186.5 to cover administrative expenses.

Revenue Analysis

Over the last five years, there have been an average of seven demolition applications each year consistently. However, the number of permits issued varied from none to six (see Appendix B for more details). It is unclear if the number of permits issued was influence by the COVID-19 pandemic. For our analysis, we base revenue estimation on the 2022 figure of 7 permit applications and 6 permits issued, assuming 2022 operation has mostly recovered from the pandemic.

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[8] whmacken2013. (2022, May 29). Lake Oswego's Demolition Tax: A Sheep in Wolf's Clothing. Thinking Oregon. https://thinkingoregon.org/2022/05/29/lake-oswegos-demolition-tax-a-wolf-in-sheeps-clothing/

[9] Oregonian/OregonLive, B. S. | T. (2015, September 17). Portland's $25,000 demolition tax is meant to "sting." Oregonlive. https://www.oregonlive.com/portland/2015/09/portlands_25000_demolition_tax.html

We propose two approaches to levy demolition tax in Sisters:

i. **A flat fee per separate residential structure.** This approach charges the same amount for each demolition permit, regardless of the job value. We provide revenue estimates for three fee levels: $10,000, $15,000, and $20,000.
ii. **A percentage of the value of the demolition job.** This approach assumes that the demolition contract value already considers the age, size, and condition of the original structure, and levies a portion of the job value. We use $6,800 and $9,300 as the average job value for our sensitivity analysis and set the demolition tax at 50% and 75% of the job value.

We provide an estimate of tax revenue for both approaches under varying rates in Table 6.

Table 6. Projected Demolition Tax Revenue, Sisters, Oregon, 2022

Tax approach	Projected annual revenue
$10,000 flat fee	$60,000
$15,000 flat fee	$90,000
$20,000 flat fee	$120,000
50% job value ($6800 avg. job value)	$20,400
75% job value ($6800 avg. job value)	$30,600
50% job value ($9300 avg. job value)	$27,900
75% job value ($9300 avg. job value)	$41,850

Source: Sisters, Oregon, 2022, Adopted Budget, FY 2022/23

Evaluation of Options

In this section, we evaluate the funding options for the following criteria; equity, neutrality, efficiency, productivity, certainty, and convenience. Efficiency and productivity were two of the most important criteria we used to determine which revenue options to discuss in detail (highlighted in green in **Error! Reference source not found.**).

The food and beverage tax option is very horizontally equitable, highly neutral and efficient, extremely certain, and above all else is the most productive revenue option being discussed for Sisters. A vacant home tax would be horizontally equitable (in both flat rate and sliding scale models), potentially efficient if the right conditions are met, very certain, convenient, and neutral, and ranked as the second most productive revenue source. Both the construction excise tax and demolition tax options are extremely administratively efficient though have fair levels of equity, efficiency, and conveniency with lower levels of productivity when implemented separately (they would be most productive when implemented together). This report also evaluated two other revenue options which were not selected due to their low levels of neutrality and vertical equity (urban renewal/TIF) and the lack of productivity that would be generated (short term rental fees). We provide a summary evaluation for all funding options in **Error! Reference source not found.**. Our methods and narratives for our evaluations are shown in Appendix D: Evaluation Criteria Narrative.

Aside from evaluations based on equity, neutrality, efficiency, productivity, certainty, and convenience, other considerations must be made before a funding option is selected. Among these other considerations are the political feasibility of implementing specific (or more) taxes and general attitudes surrounding affordable housing in small communities like Sisters.

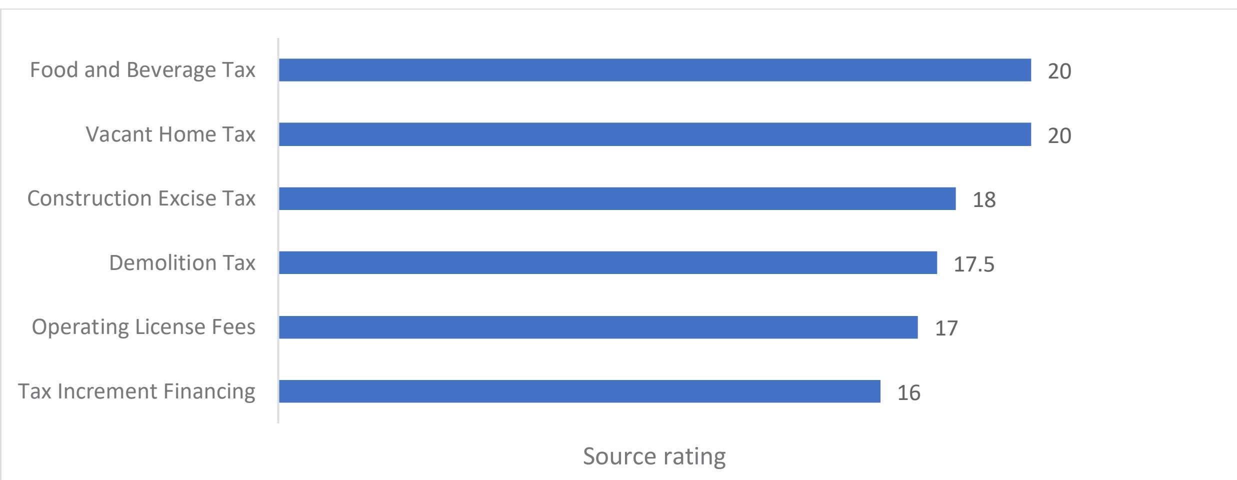
Table 7. Summary Evaluation of Funding Options, Sisters, Oregon, 2022

	Food and Beverage Tax	Vacant Home Tax	Construction Excise Tax	Demolition Tax	Operating License Fees	Tax Increment Financing
Equity	Good	Good	Fair	Fair	Poor	Fair
Neutrality	Good	Good	Fair	Good	Good	Poor
Efficiency	Good	Fair	Excellent	Excellent/Good	Excellent	Fair
Productivity	Excellent	Excellent	Good	Fair	Poor	Excellent
Certainty	Excellent	Excellent	Good	Good	Excellent	Good
Convenience	Good	Excellent	Excellent	Excellent	Excellent	Excellent

Source: University of Oregon, 2022, Sisters Affordable Housing Team original content.

To determine which revenue options ranked the highest along the previous criteria, we conducted a weighted analysis. In our weighting, we assigned numerical values to each rating, with poor equaling one point and excellent given four points. Figure 22. Weighted Evaluation of Funding Options, Sisters, Oregon, 2022Figure 22 shows the results of our weighted analysis. The vacant home tax rated the highest and demolition tax rated the lowest against our evaluative criteria.

Figure 22. Weighted Evaluation of Funding Options, Sisters, Oregon, 2022



Source: University of Oregon, 2022, Sisters Affordable Housing Team original content.

We summarize the projected yield and per unit cost for the Food and Beverage Tax, Vacant Home Tax, Construction Excise Tax, and Demolition Tax in Table 8. The Food and Beverage Tax generates the most revenue and has the lowest per unit cost of all the revenue options we analyzed.

Table 8. Summary of Projected Yield and Per Unit Cost, Sisters, Oregon, 2022

Funding Option	Projected Yield	Per Unit Cost
Food and Beverage Tax (5%)	$1,011,102	$328
Vacant Home Tax ($2,000 flat fee)	$670,000	$2,000
Construction Excise Tax (0.33%)	$107,981	$1,155 (SF)
Demolition Tax ($10,000 flat fee)	$60,000	$10,000

Source: University of Oregon, 2022, Sisters Affordable Housing Team original content.

Recommendations

We recommend that Sisters implement a Food and Beverage Tax. It scored the highest through our evaluation, generates the most revenue, and has the lowest per unit cost of all revenue options we considered. We present the following recommendations for creating additional revenue for Sisters' Affordable Housing Reserve Fund.

Recommendation 1: Food and Beverage Tax

A Food and Beverage Tax in Sisters scored the highest among all revenue options. At the lowest rate we examined, it would generate nearly three times the amount of revenue currently being generated for the Affordable Housing Reserve Fund. We also find that, because Sisters largely depends on tourism as an economic driver, a Food and Beverage Tax would generate revenue from visitors to Sisters. If this revenue were to be used for incentivizing affordable housing, service industry workers would be able to afford living close to where they work at an affordable rate, which would support the service industry by providing affordable housing options for their staff.

Recommendation 3: Vacant Home Tax

While Vacant Home Taxes are just gaining momentum, they present a great way to generate additional revenue. The Vacant Home Tax scored second in our evaluative criteria. If Sisters were to implement a $2,000 flat fee, for all second homes in Sisters, it would generate a little less than six times the amount of revenue currently generated from the Transient Lodging Tax. Additionally, the Vacant Home Tax may have the benefit of preserving Sisters current housing stock for Sisters' residents by discouraging investors from purchasing a second home in Sisters. And may persuade short-term rental owners to turn their properties into long-term rentals.

Recommendation 2: Construction Excise Tax

Construction Excise Taxes (CET) are becoming popular throughout Oregon. While a CET in Sisters would not generate as much revenue as our first two recommendations and would be more burdensome for low- and middle-income community members, it would nearly double the amount of revenue currently generated from the Transient Lodging Tax. Additionally, a CET in Sisters could be implemented in a way to incentivize specific housing types (like multi-family and missing middle housing) by not charging a CET for those typologies or charging a reduced rate.

APPENDIX A: REVENUE SOURCES NOT SELECTED FOR RECOMMENDATION

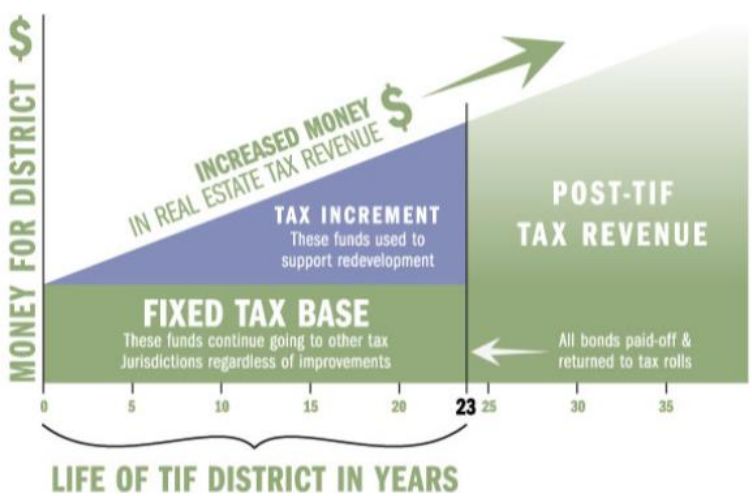
This appendix provides information on revenue sources that we considered but did not include in our report because they did not score high enough in our evaluation.

Urban Renewal/Tax Increment Financing

Tax Increment Financing (TIF) is a tax policy that is intended to stimulate economic development and can be used to revitalize urban areas through the creation of urban renewal/TIF districts (UR/TIF). TIF districts are a type of special district in which jurisdictions borrow money to finance developments, the regular tax rate for the district is increased and the jurisdiction uses the additional tax increment revenue to pay back the developers over a set period of time. When tax increment financing is used, the same current tax rate is frozen, and the increment revenue is diverted into a special fund to pay the debt service for the development; after the TIF debt service has been paid the increased revenue goes to normal services funded by property taxes (shown in Figure 33).

In the city of Fergus Falls, Minnesota (used as a case study for UR/TIF in Sisters), there are currently seven different TIF districts that are used for revitalization of the downtown corridor and to improve housing facilities. Fergus Falls established a pay-as-you-go note to reimburse developers with TIF revenues through debt service for a fixed period of time. Fergus Falls uses 95% of their TIF revenues to developers as debt service on the pay-as-you-go notes and 5% of the revenues for administrative purposes related to TIF.

Figure 33. Graphic Showing How TIF Works



Source: Rebecca Lewis, In-Class Notes Presentation, November 17, 2022

Current Urban Renewal Activities in Sisters

In Sisters, there is an urban renewal district (administered by the Urban Renewal Agency) that is Oregon's version of TIF districts. Urban renewal districts in Oregon are used for financing urban renewal projects to remove blight. Oregon Revised Statute 457 dictates that jurisdictions can use tax increment financing to finance all or part of the Urban Renewal Plan. Sisters uses UR/TIF to make payments on loans generated from development through long-term or short-term increment bonds.

When an urban renewal district is created in Sisters, a frozen tax base is established in the district's boundaries and the Urban Development Agency receives the incremental revenues from property tax growth to make payments on loans and the remaining revenue goes to all the overlapping jurisdictions in the district. As determined by OR Measure 50, the Urban Development Agency has a maximum amount of increment revenue it can collect from its urban renewal districts and the maximum amount of increment revenue that can be collected varies based on the assessed property values in each district. Currently, Sisters has a general levy property tax rate of $2.6417 per $1,000 of assessed property valuation and the increment tax rate for urban renewal districts is determined based on the development project and the current assessed property values in the district. Currently the city of Sisters has their Urban Renewal Plan approved until June 30, 2030, after which no new projects may be started, or indebtedness undertaken; one recommendation could be that Sisters should extend their UR plan past the current expiration date in order to undertake more affordable housing developments. Another recommendation that falls in line with the Urban Renewal Agency's goal (Goal 3D) of developing more housing units is to specifically set aside a portion of the increment revenues earned from UR districts to go directly to affordable housing development.

Revenue Analysis

Sisters current Urban Renewal district. Contains 24.5% of the city's assessed value and 11% of the acreage of the city. In order for all Sisters residents to pay less than 30% of their income in housing costs, the city will need to build 1,079 new housing units, many of which would need to be affordable housing. There were 1,409 housing units in Sisters in 2020 [10]and the total area of the city is 1.934 square miles. Sisters has a population density of 1,741 people per square mile[11] and if 11% of the city's acreage is in the UR district, it could be assumed that there are roughly 370 people living within the UR district boundaries and if the average household size is 2.3 people per household[12], there could be assumed to be roughly 161 units in the Sisters UR district. The current assessed value of Sisters is $565,266,310 which means the assessed value for the UR district is $138,490,246 and an **increase of 3% in property taxes would result in $2.721 per $1,000 of assess property valuation** which could lead to a **revenue increase of $376,831.95 annually** for the city to use for affordable housing development.

Evaluative Criteria for Urban Renewal/TIF

Urban Renewal/tax increment financing meets the condition of **horizontal equity** in that all households have the same (or nearly the same) property tax increases with the new developments in their UR/TIF district. As the houses are all in the same area and in the same jurisdiction, **proportional equity** occurs because their property taxes should be similar and property tax increases should affect all households similarly. For the creation of new UR/TIF districts, citizens do not have a say in their tax increases and lower income people are placed with an unfair tax burden from the new development in their area and **vertical equity** is lacking.

An UR/TIF district in Sisters would be somewhat efficient because the citizens are not affected a lot as the increments are earned by the city on the back end and no new taxes are imposed on residents besides property tax increases over time; administrative hurdles may occur with UR/TIF. Urban Renewal/Tax Increment Financing is **not very neutral** in that it does not have a benefits-based tax system in that the increased property taxes do nothing to benefit the citizens who pay them but rather help the city to

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[10] U.S. Census Bureau, 2020

[11] Sisters, Oregon Population 2022. Sisters, Oregon population 2022. (2022). Retrieved from https://worldpopulationreview.com/us-cities/sisters-or-population

[12] American Community Survey, 2021

finance affordable housing. Depending on the geographic position of a household, it may fall into many overlapping special districts and the creation of new TIF districts could put a higher tax burden on households in the relatively same geographic location. UR/TIF districts are extremely **productive** in that they yield high enough increment revenues to meet the required fees to reimburse the developers.

UR/TIF districts have **high certainty** in that all residents in an area have higher property taxes placed on them. The new property tax increases in Sisters that would come with development would be very **convenient** because residents do not have to go out of their way to pay the new rates because it is included in their property tax bills already in existence.

Short Term Rental Fees

Two common fee approaches utilized for short term rentals are **land use permits and business licenses.** Currently Sisters utilizes this approach administered through the Short-Term Rental Program. Both business licenses and land use permits serve as a mechanism for managing and enforcing the city code, and fees collected help fund the administration of these programs. According to the Oregon Municipal Handbook, it is paramount that the amount of license fees charged should be fairly applied to different business types, but special licensing fees are appropriate when a business classification is linked to higher cost to the city[13].

In a scan of neighboring municipalities, and other comparable resort towns we discovered a short-term rental fee range that exceeds Sisters for both licensing and permits, suggesting that Sisters is undercharging. For example, nearby Bend, Oregon's STR land use permits range from $764.40 - $2126.80 depending on location of the unit[14], and operating license fees are set at $205 annually. The mountain town of Crested Butte Colorado charges an annual license fee of $750.

Revenue Analysis

For the purpose of this analysis, we used the current listing of registered Short-Term Rentals provided on the Sisters Short Term Rental Program webpage (109 homes). The suggested rate scale is based on rates found in a scan of neighboring communities as well as other similar mountain resort communities in the western United states. Projected revenues for different flat fees are shown in Table 9.

Table 9. Projected Short Term Rental Operating License Revenue, Sisters, Oregon, 2022

Fee Schedule	Registered STRs (Sisters Nov. 2022)	Projected annual revenue
$105 flat fee (Sisters current rate)	109	$11,445
$205 flat fee	109	$22,345
$500 flat fee	109	$54,500
$750 flat fee	109	$81,750

Source: University of Oregon, 2022, Registered STRs 2022, Data provided by Sisters, Oregon, Analysis by Sisters Group D

[13] "Oregon Municipal Handbook – Licensing and Regulation". 2020 League of Oregon Cities, accessed November 11th, 2022, https://www.orcities.org/application/files/5715/9917/4967/Handbook_-_Chapter_23_Licensing_and_Regulations.pdf

[14] "Short Term Rental Program", City of Bend. Accessed November 11th, 2022. https://www.bendoregon.gov/government/departments/community-development/online-permit-center/business-registration-licensing/short-term-rental-program

Evaluation Criteria for Short Term Rental Fees

Short term rental operating licenses rated good for **horizontally equitable** due to the flat rate approach. It lacks **vertical equity** as it does not provide a sliding scale charging progressive fees for higher revenue generation rental units. Despite this equity short fall, due to the low cost of the annual operating license, affordability is not a major concern. In a scan of nearby communities, it was found that Sisters is undercharging STR fees leading us to believe that raising these fees would have little impact on STR use or home purchasing thus making it **extremely neutral** to implement. Because Sisters already requires operating licenses for STRs, there is an existing structure for administering increased annual fees making this option very **efficient**. This option also performs well in terms of **certainty** and **convenience** due to the unambiguous flat rate fee schedule, online payment system, and quarterly payment option already available per Sisters current policy. This fee offers an annual revenue stream, but it is **not a high producing** source**.** As shown in **Error! Reference source not found.** above, adjusting operating license fees to match nearby Bend would only produce an additional $10,900 a year in revenue.

APPENDIX B: CALCULATIONS & ASSUMPTIONS

In this appendix, we provide a detailed narrative for our calculations and assumptions for projecting revenue for Sisters' Affordable Housing Reserve Fund.

Food and Beverage Tax

As Sisters does not track restaurant revenue, Yachats was used to estimate the amount of funding this tax would generate if implemented. The two below methods were used to calculate projected revenue:

- Yachats' food and beverage tax were 13.5% of the total revenue reported for FY21. $423,226 / $3,131,592 = .135 or 13.5%.[15] If we take that 13.5% and multiply it by Sister's total revenue generated, we should get a rough equivalent. .135 x $5,574,270 = **$752,526.45**[16]
- Yachats' food and beverage earnings are $423,226 at a 2021 population of 1,006. If we triple that to equal Sisters' 2021 population (3,081), we arrive at $1.26 million. $423,266 x 3 = **$1,269,678.** Restaurant numbers should scale with population size, so this model takes that into account.

Finally, these two results are averaged to get a total estimated revenue of **$1,011,102.22** at a 5% rate.

Additional projections for rates of 1%, 2%, 3%, and 4% were also calculated to present a range of options to Sisters.

Assumptions

We are assuming that restaurant utilization rates in Sisters are similar to that of Yachats.

Vacancy Tax

Calculations

To calculate the total annual yield, we used the vacancy rates from Sisters' 2021 Housing Needs Analysis update (335 homes). The rate scale selected was informed by a scan of reference jurisdictions who have either implemented or are working to implement a similar tax. In our research, we found suggested flat rates starting at $2500.00[17] per year per vacant home and going as high as $6,000.00 per year (Table 10).[18]

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[15] Hanford and Associates, LLC. (n.d.). FY 2021 City of Yachats Audit. City of Yachats Financial Statements. Retrieved November 18, 2022, from https://yachatsoregon.org/DocumentCenter

16 O'Neill, J. (2022, February 23). Comprehensive Annual Financial Report. City of Sisters Comprehensive Annual Financial Reports. Retrieved November 18, 2022, from http://www.ci.sisters.or.us/sites/default/files/fileattachments/finance/page/2051/city_of_sisters_2013_financial_statement.pdf

[17] See footnote 5, Crested Butte, Colorado proposed tax rate.

[18] "Vacant Property Tax" (n.d.) City of Oakland, Retrieved November 27th, 2022, from https://www.oaklandca.gov/topics/vacantpropertytax

Table 10. Projected Vacant Home Tax Revenue, Sisters, Oregon, 2022

Fee Schedule	Vacant Units (2021 rates)	Projected annual revenue
$1000 flat fee	335	$335,000
$2000 flat fee	**335**	**$670,000**
$3000 Flat fee	335	$1,005,000
$4000 flat Fee	335	$1,340,000

Source: University of Oregon, 2022, Vacancy Rates 2020-2021, Data provided by Sisters, Oregon, Analysis by Sisters Group D

Assumptions

These revenue estimates assume that current registered vacation rentals will remain constant. Additionally, this model uses the same definition for vacancy used in the Housing Needs Assessment and recognizes that vacation and second homes are included in this metric.

Construction Excise Tax

Assumptions

In this calculation, we are assuming that development in Sisters will continue at the average rate of 106 single-family and 30 multi-family units per year. This assumption is based off occupancy permit data provided by the City of Sisters and not development permits. This data was provided the first six months of 2021 and fiscal year 2021-22. We are also assuming that the average valuation per permit provided will remain constant in the future. Both these assumptions create potential for our calculations to have significant error margin.

Our calculations also only assume that the construction excise tax (CET) will only be applied to residential development and does not include commercial, industrial, or significant improvements (remodels and additions). This assumption may produce lower revenue projections than what Sisters may expect if it applies the CET to all previously mentioned development types.

Calculations

To calculate the total yield from a construction excise tax in Sisters, we obtained permit valuation and occupancy permit data from the City of Sisters. First, we calculated the average annual number of single-family and multi-family units developed per year (Table 11)

Table 11. Average Occupancy Permits Per Year (Units), Sisters, Oregon, 2021

Structure Type	Average/Year
Single Family	106
Multi-family	30

Source: University of Oregon, 2022, Occupancy Permits January 2021-June, 2022, Data provided by Sisters, Oregon, Analysis by Sisters Group D

Next, we multiplied the average number of units issued occupancy permits per year by the average valuation per unit to calculate the total permit valuation per unit type, per year in Sisters. Then, we multiplied the total permit valuation per unit type, per year by 0.25% and 0.33% to calculate the total amount of revenue that a CET would generate per year. These calculations are shown in **Error! Reference source not found.**Table 12.

Table 12. Average Revenue Per Year, Sisters, Oregon, 2022

	AVG # of Units/Year	AVG Valuation/Unit	Projected Revenue Per Year	
			0.25% CET	0.33% CET
Single Family	106	$ 350,000	$ 92,750	$ 122,430
Multi-family	30	$ 100,000	$ 7,500	$ 9,900
Total			**$ 100,250**	**$ 132,330**

Source: University of Oregon, 2022, Average valuation and number of occupancy permits per year, Data provided by Sisters, Oregon, Analysis by Sisters Group D

Lastly, based on the formula for distribution provided by SB1533, we calculated the distribution amounts and take home revenue for Sisters. These calculations are based on a 4% administrative fee applied to the total amount of revenue generated (shown in **Error! Reference source not found.**). The remaining distributions (OHCS, incentives for developers, and affordable housing program) were calculated as a percent of the remaining amount after the administrative fee was removed. The percent and distributions are shown in Table 13.

Table 13. Distribution and Take Home, Sisters, Oregon, 2022

	Formula	0.25% CET	0.33% CET
Administration Fee	4%	$ 4,010	$ 5,293
OHCS	15%	$ 14,436	$ 19,056
Incentives for Developers	50%	$ 48,120	$ 63,518
Affordable Housing Program	35%	$ 33,684	$ 44,463
Sisters Take-home		**$ 81,804**	**$ 107,981**

Source: University of Oregon, 2022, Average valuation and number of occupancy permits per year, Formula for distribution from SB1533, Data provided by Sisters, Oregon, Analysis by Sisters Group D

Lastly, we calculated the average per unit cost to the developer if a CET were to be implemented in Sisters. We used the average valuation per unit provided by sisters and multiplied by the proposed 0.25% and 0.33% CET. This calculation is shown in Table 14.

Table 14. Average Cost Per Unit, Sisters, Oregon, 2022

		Cost Per Unit	
	AVG Valuation/Unit	0.25% CET	0.33% CET
Single Family	$ 350,000	$ 875	$ 1,155
Multi-Family	$ 100,000	$ 250	$ 330

Source: University of Oregon, 2022, Average valuation and number of occupancy permits per year, Data provided by Sisters, Oregon, Analysis by Sisters Group D

Demolition Tax

Table 15**Error! Reference source not found.** shows the number of residential demolition permits issued in Sisters from 2018 to 2022. We attempted to find the job value of these permits, but only one of them had a value of $6,800 while the rest had a $0.0 job value on the permits. In most zero-valued contracts, we were able to identify a relationship between the owner or the applicant and the contractor.

Table 15. Number of Residential Demolition Permits, Sisters, Oregon, 2022

Year	Total number of residential demolition permit	Number of residential demolition permit issued
2018	8	1
2019	8	0
2020	7	1
2021	7	0
2022	7	6

Source: Numbers compiled from Oregon's e-permit system: Building Permit. (n.d.). Oregon Online Permit System. Retrieved November 11, 2022, from https://aca-oregon.accela.com/oregon/Default.aspx

It is unclear if the number of permits issued saw effects from the COVID-19 pandemic. For our analysis, we base revenue estimation on the 2022 figure of 7 permit applications and 6 permits issued, assuming 2022 operation has mostly recovered from the pandemic.

Revenue Analysis

We propose two approaches to levy demolition tax in Sisters:

i. **A flat fee per separate residential structure.** Based on $15,000 flat fee that Lake Oswego is charging, we selected three options for setting the rate in Sisters: $10,000, $15,000, and $20,000.
ii. **A percentage of the value of the demolition job.** The only contract value we found is $6,800, which is for the demolition of a double wide trailer. The average cost for house demolition in Oregon is in the $9,300 - $16,567 range.[19] We use $6,800 and $9,300 as the average job value for our sensitivity analysis. We set the demolition tax at 50% and 75% of the job value, taking into consideration how much yield we could gain compared to the flat rate approach. We did not include the option for a 100% tax rate because it might trigger public objection.

We provide an analysis of tax yield for both approaches in Table 16. We base our estimation on the assumption that the number of demolition permits and the issuance rate stabilize at their 2022 levels (seven permits/year and six of them are issued).

[19] Oregon Demolition Costs & Prices—ProMatcher Cost Report. (n.d.). Retrieved November 16, 2022, from https://demolition.promatcher.com/cost/oregon.aspx

Table 16. Projected Demolition Tax Revenue, Sisters, Oregon, 2022

Tax approach	Calculation	Projected annual revenue
$10,000 flat fee	Flat fee * 6 permits issued/year	$60,000
$15,000 flat fee		$90,000
$20,000 flat fee		$120,000
50% job value ($6800 avg. job value)	Percentage * Job value * 6 permits issued/year	$20,400
75% job value ($6800 avg. job value)		$30,600
50% job value ($9300 avg. job value)		$27,900
75% job value ($9300 avg. job value)		$41,850

Source: Sisters, Oregon, 2022, Permit Data

Appendix C: Defining Vacancy for Vacant Home Tax

Cities vary in their approach to defining vacancy for the purpose of implemented a Vacant Home Tax. Important decisions regarding defining vacancy include:

a. Inclusion of homes utilized for Short Term Rentals in definition of vacancy
b. Determining the duration of occupancy that qualify a home for the vacancy tax.
c. Determining if occupancy requirements are calculated using consecutive lengths of stay or cumulative lengths of stay in a year.

A popular length of occupancy used to determine vacancy is 6 months per year, calculated cumulatively. To be exempt from the vacant home tax, homes must be owner occupied, occupied by a family member of the owner, or leased to a third-party tenant. Tenant occupation must equal at least six months of year, in periods of 30 or more[20].

[20] "Does Empty Home Tax apply to you?"(n.d.). City of Vancouver. Retrieved December 2nd, 2022, from https://vancouver.ca/home-property-development/empty-homes-tax-questionnaire.aspx

Appendix D: Evaluation Criteria Narrative

Methods

We evaluated all potential revenue sources along the following criteria, using definitions provided

- **Equity:** A) Distribution among persons or businesses in comparable circumstances (horizontal), or B) Variation in tax burden across spectrum of income (vertical)
- **Neutrality**: A tax should not distort the way an individual or community would otherwise make decisions or use resources (unless socially desirable).
- **Administration:** Administration should be feasible and efficient, and administration costs should not be out of proportion to revenue.
- **Productivity (Yield):** A tax should produce sufficient, stable revenue to meet locally desired levels of expenditures
- **Certainty**: The rules of taxation should be clearly stated and evenly applied.
- **Convenience**: A tax should be convenient to pay, with billing dates that coincide with income streams.

Food and Beverage Tax

This tax is **horizontally equitable** because it is based strictly on items purchased and has no deductions or loopholes that people can take advantage of. The food and beverage tax will have a greater effect on low earners. They will pay a larger percentage of income to eat at restaurants compared to high earners. This results in slightly lower, but still good **vertical equity**. However, this tax is only on prepared food and not items at grocery stores so an untaxed option exists. The administrative burden placed on operators is minimized by having them pay a fixed percentage of all eligible sales with no available deductions or loopholes. Submission of only one report and payment per quarter is required. The city recorder and related staff will need to designate a slightly larger portion of their FTE to review and processing these specific taxes, but it's not a new function entirely. The resulting **administration** efficiency is high. This tax achieves a high **neutral** rating. It may create some slight market pressure for individuals to shop at grocery stores and cook at home instead of eating at restaurants. Everyone who purchases qualifying food and beverages is assessed the same tax rate independent of any other factors. There are not many other restaurants in the area so the pressure to eat outside of city limits is low. In FY 21 the Yachats food and beverage tax generated $423,226 in revenue. In pre-pandemic times, the revenue was even greater. This is a very **productive** tax with a small administrative burden. Rules and regulations for how taxes will be assessed, collected, and reported are clearly stated and evenly applied throughout city limits. These rules are easily accessible online in Yachats' charter resulting in a high **certainty.** This tax is easy to calculate and pay. Payment is due 30 days after each quarter ends. Highly **convenient**. Accidental overpayments can be applied to future amounts and an appeal process for disputed amounts due.

Vacant Home Tax

Vacant home excise tax (VHT) is **horizontally equitable** in a flat rate model, and both **horizontally and vertically** equitable in a sliding scale model due to a progressive rate applied to metrics such as home size or home value. Implementation of the vacant home tax would require some additional administrative work on the part of the city to monitor home vacancy rates closely for accurate tax assessment. This is partially provided via short-term rental (STR) permit records making **administrative efficiency achievable**. Additionally, current practice requires other excise taxes such as TLTs to be reported and paid to the Sisters Finance Department. This system could be expanded to administer collection of VHTs. Due to the use of existing payment structures and the set flat rate scale used, **this tax rated excellent in certainty and**

convenience. Because VHTs overlap with STRs and second homes we looked beyond neighboring communities, including other similar western US resort towns when evaluating neutrality. We found that other homes that would fall into this VHT tax category were being taxed at a greater rate via other tax mechanisms. For example, nearby Bend has a higher property tax rate by .16% per $1000 assessed value and has a 2% higher transient lodging tax. Both taxes overlap with STRs and 2nd homes. Additionally, other states have a sales tax or property transfer tax which adds a significant cost to homes purchased. With these other taxes in mind, this option rated **good for neutrality**. Lastly, VHTs are a **highly productive** revenue source with the potential to generate anywhere from **335K to upwards of 1M annually**.

Construction Excise Tax

A construction excise tax (CET), depending on how it is implemented, rates fair to poor, for **equity.** Vertically, it applies evenly to all new development which is where there could be some equity concerns. If the goal of having a CET is to help provide more affordable housing, the tax should not be applied to affordable housing and only market rate development. Horizontally, the CET only applies to developers so they will be the ones who pay directly for the additional tax. However, developers will most likely pass this additional cost on to purchasers of new developments, therefore it is applied to everyone purchasing new developments. Therefore, people that live in Sisters in existing developments and businesses operating in existing developments will not pay their fair share.

A CET in Sisters when evaluated for **neutrality**, is fair. It would apply to all new developments within city limits. However, if Sisters were to implement a CET, potential new developers may decide to build in other local cities, like Redmond, that do not have a CET, or local unincorporated communities. Bend has a CET so, a new CET in Sisters should use the same fee structure as Bend.

Administratively, a CET rates as good, because the tax will be collected when a permit fee is collected. Currently, Deschutes County handles all building permit applications for Sisters. In a private conversation with the Deschutes County Administrator, he indicated that Sisters would need to work with them to establish the fee structure.

As shown previously, a CET in Sisters would be a **productive** way to raise additional revenue for the Affordable Housing Reserve Fund by almost doubling the amount of revenue that the fund currently receives.

The **certainty** of a CET in Sisters is good. There will need to be a clear methodology created for developers to understand how the fee structure works. This can be easily accomplished by creating a table with permit valuations and estimated fees or by generating an online calculator that allows a developer to insert their permit valuation to calculate the total cost of the CET for their project.

A CET is very **convenient** to pay. Developers will pay it along with their other building permits at the time of application.

Demolition tax

A demolition tax, whether levied as a flat fee or a percentage of the job value, is **horizontally equitable** because it treats similar jobs the same way, assuming Sisters has a competitive market of demolition contractors. The flat fee approach, however, is **not vertically equitable** because it charges the same amount regardless of how big or small the original structure is, or what type of development will replace it. A developer tearing down a habitable single-family unit to replace with a five-star vacation home will be charged the same amount as a low-income household trying to improve their living condition. The portion-of-the-job-value approach helps correct this and **improve vertical equity**. Sisters can also utilize special exemptions to further improve vertical equity and to prevent demolition tax from creating barriers to affordable housing developments. Some examples of exemptions are demolition to replace with affordable housing, demolition of single-family units to replace with multi-family units (increasing density), and demolition to improve living conditions when there is no change of property ownership.

A demolition tax by itself is **neutral**, unless the City decides to differentiate geographical areas to incentivize development and/or renewal of the housing stocks in certain areas. For example, demolition tax can be waived in a voluntary inclusionary zone to support affordable housing. Considering town-border effects, since Sisters' neighboring towns do not currently charge a demolition tax, levying this tax may result in residents moving out of town when their properties are due for a rebuild. However, this neutrality concern could be addressed using exemptions as mentioned above.

In terms of **efficiency**, Sisters can determine tax responsibility during the permit review process. The permit application likely has enough information to determine if an activity qualifies as demolition and is subjected to the tax. Sisters will have to establish definitions and criteria for demolition activities and define any exemptions. Additionally, if the City decides to use the portion-of-the-job-value approach, the City and Deschutes County Building Division must commit to estimating the job value on the permit, whether or not real money transfer happen between the property owner and the contractor.

As the analysis above shows, demolition tax likely **does not bring in a huge revenue stream**, at least given the current level of demolition activity in Sisters. However, when construction and demolition activities surge to a point that they replace the affordable housing stock with more expensive units, demolition tax can bring in revenues to fund affordable housing development.

The flat-fee demolition tax is **certain** as it is easy to understand, and property owners know exactly how much is due when they plan a demolition project. The job value approach is **less certain** as it depends on how much contractors may charge or how much the permit reviewer might assess the job value, if a property owner decides to do it themselves.

A demolition tax is **convenient** as it can be attached to the permit issuance and inspection process. Sisters might choose to charge it at the time of permit issuance, or when the property is reviewed after demolition.

Appendix E: Case Studies

Bend's Affordable Housing Fund

Bend's Affordable Housing Program is funded by the affordable housing fund. This fund's resources are generated by an affordable housing fee, which is assessed on building permit valuation. This fee was adopted in 2006 by ordinance and must be used for "promotion of and assistance with affordable housing developments".[21] Bend restricts the usage of these funds to residents at or below 100% of the area median income (AMI).

Affordable Housing Fee Structure

Bend's affordable housing fund's main source of revenue is the affordable housing fee. This fee is 1/3 of 1% of the estimated project valuation for **all building permits** issued by the City of Bend. For example, if a developer wished to build a 1,000 square foot home, their building valuation (as provided by the International Code Council) is $112,650. Bend's fee for the affordable housing fund would then be 1/3 of 1% of the total valuation or $371.75.

Affordable Housing Fund Balances

Bend's affordable housing fund is healthy, generating about $3 million per biennium from the affordable housing fee. Bend has allocated over $4 million in the past two biennium and has drawn down their ending fund balance. Bend's affordable housing fund balances are shown in Table 17.

Table 17. Bend's Affordable Housing Fund Balances, 2017-2023

	2017-2019 Actuals	2019-2021 Estimate	2021-23 Adopted
Beginning Fund Balance	$2,519,370	$3,214,844	$1,901,500
Revenues	$3,165,720	$3,061,342	$ 2,785,200
Expenditures	$2,470,246	$4,374,711	$ 4,586,700
Net Change	$695,474	($131,369)	($1,801,500)
Ending Fund Balance	$321,844	$1,901,475	$100,000

Source: City of Bend, 2022, 2021-2023 Adopted Biennial Budget, https://www.bendoregon.gov/home/showpublisheddocument/51242/637774196655070000

Fund Performance

Bend's biennial budget provides performance measures for its funds. Table 18 illustrates how successful Bend's Affordable Housing Program has been for developing affordable housing and helping households attain homeownership. In the 2021/23 biennium, the affordable housing fund was able to help build an estimated 400 affordable housing units.

[21] City of Bend, 2022, 2021-2023 Adopted Biennial Budget, https://www.bendoregon.gov/home/showpublisheddocument/51242/637774196655070000, p. 79

Table 18. Bend's Affordable Housing Performance Measures, 2017-2023

	2017-18 Actual	2018-19 Actual	2019-20 Actuals	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
Affordable Housing Units Developed	58	44	94	55	300	100
# of households that benefitted from Affordable Housing Program Funds to attain home ownership	3	6	10	4	10	8

Source: City of Bend, 2022, 2021-2023 Adopted Biennial Budget, https://www.bendoregon.gov/home/showpublisheddocument/51242/637774196655070000

Milwaukie's Construction Excise Tax Fund

Milwaukie funds affordable housing from their Construction Excise Tax fund. This tax was passed by a City Council's ordinance in November 2017 and became effective in December 2018. [22]

Fee structure

The construction excise tax is set at 1% of the value of the improvement for both residential and commercial properties. The tax is collected at the time of building permit issuance. The tax revenue is allocated as follows:

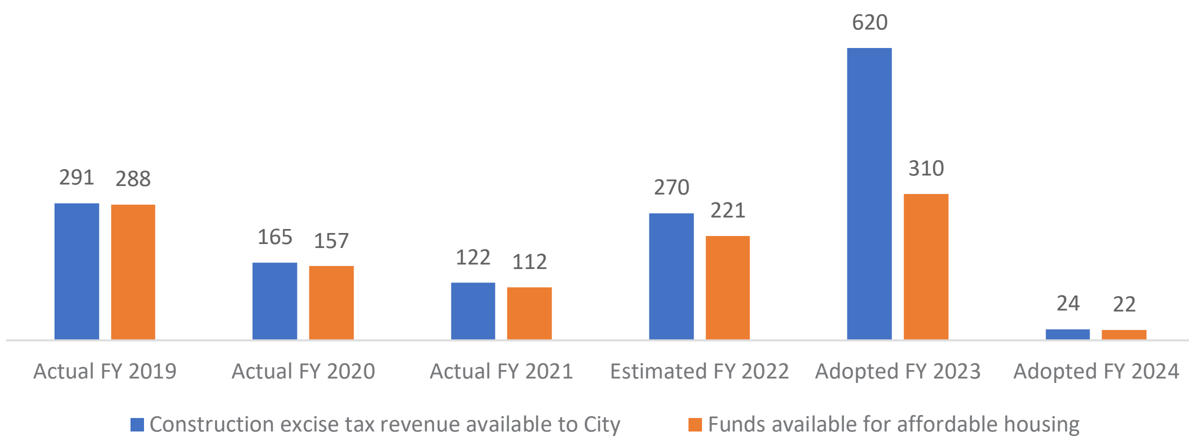
- For residential properties:
  - 15% of net revenue is remitted to the Oregon Department of Housing and Community Services;
  - 50% of net revenue funds incentive programs for affordable housing developments as authorized by the City; and
  - 35% of net revenue funds programs and activities related to affordable housing.
- For commercial properties:
  - 50% of net revenue funds incentive programs for housing developments that are affordable at up to 120% of median household income; and
  - 50% of net revenue is allocated to economic development programs.

Fund balances

Since the tax became effective in 2019, the City has collected annual revenues as shown in Figure 44, excluding the amount collected that was transferred to the State.

[22] 'Milwaukie, Oregon Municipal Code - Chapter 3.60 Affordable Housing Construction Excise Tax'. *City of Milwaukie*, https://library.qcode.us/lib/milwaukie_or/pub/municipal_code/item/title_3-chapter_3_60. Accessed 11 Nov. 2022.

Figure 44. City of Milwaukie Construction Excise Tax Revenue (amount in thousand dollars)



Source: City of Milwaukie Adopted Budget 2023-2024 biennium. (2022). City of Milwaukie.

From 2019 – 2022, most of the tax revenue collected is available for affordable housing since the tax came mostly from residential developments. For the projected fiscal years 2023 and 2024, projected revenues do not follow the same pattern because of the City's approach to revenue prediction. Specifically, the City based commercial tax revenue on known projects, and defaulted residential tax to 0 for the next biennium.

Since 2019, the City of Milwaukie has not reimbursed the Construction Excise Tax Fund on any affordable housing projects. For the upcoming biennium 2023 – 2024, the City has budgeted $1.1 million to support affordable housing, of which, $800,000 will be transferred from the General fund and $300,000 will be distributed from construction excise tax revenue.

Oakland's California Vacant Property Tax

Oakland California passed Measure W, approving a Vacant Property Tax (VPT) in 2018. The VPT was approved by voters by a significant margin of 70% in favor of the tax[23]. The tax has two policy goals. First, to discourage owners from holding property vacant, and second to fund efforts to address homelessness. Revenue from the VPT is managed through the Vacant Property tax fund and is primarily allocated to address the housing issue, with a portion of revenue allocated to address illegal dumping[24].

Program Administration

Oakland has implemented a flat rate sliding scale tax based on property type. The rates are set at **$3000.00** per year per vacant property for multi-family units such as condos and duplexes, and **$6000.00** per year for single family and commercial properties[25]. **The tax defines property as "vacant" if it is in use**

[23] "Oakland, California, Measure W, Vacant Property Tax" (2018). Ballotpedia. Retrieved December 2nd, 2022, from https://ballotpedia.org/Oakland,_California,_Measure_W,_Vacant_Property_Tax_(November_2018)

[24] "Measure W proposes a tax on vacant properties in Oakland"(2018). Oakland North. Retrieved December 2nd, 2022 from https://oaklandnorth.net/2018/11/01/measure-w-proposes-a-tax-on-vacant-properties-in-oakland/

[25] "About Oakland's Vacant Property Tax" (n.d.). City of Oakland. Retrieved December 3rd, 2022, from https://www.oaklandca.gov/topics/vacantpropertytax

by a lawful inhabitant less than (50) days in a calendar year[26]. We were unable to locate detailed information on how the city monitors vacancies. However, the city ordinance states that owners receive a notice of tax liability for the previous calendar year by February of the new calendar year. The tax has 10 exemption categories, and owners have 20 days to request exemption following receipt of notice of tax liability[27].

Exceptions Categories

- Very Low Income
- Financial Hardship
- Demonstrable Hardship Unrelated to Personal Finances
- Exceptional Specific Circumstances
- Active Construction
- Building Permit Application
- Low Income Senior
- Disabled Owner
- Non-profit Organization
- Substantially Complete Application for Planning

Revenue Yield

Revenue for the Vacant Property Tax fund is generated entirely through the VPT. We look at 2 years of budget documents from the City of Oakland to determine tax revenue yield.

Table 19. VPT Revenue Yield

FY	Revenue	Administrative costs (15% of revenue)	Total Yield
2020-2021	$7,000,000	$1,050,000	$5,950,000
2021-2022	$9,479,109	$1,421,866	$8,327,242

Source: City of Oakland 2019-2021 & 2021-2023 Adopted Budget, City of Oakland.
https://cao-94612.s3.amazonaws.com/documents/FY-2019-21-Adopted-Budget-Policy-Book-FINAL-WEB-VERSION.pdf
https://stories.opengov.com/oaklandca/published/67ulWhTbS

[26] "4.56.080 – in use determinations" (2019). City of Oakland. Retrieved December 3rd, 2022, from https://library.municode.com/ca/oakland/codes/code_of_ordinances?nodeId=TIT4REFI_CH4.56VAPRTA_4.56.080USDE

[27] "4.56.090 – in use determinations" (2019). City of Oakland. Retrieved December 3rd, 2022, from https://library.municode.com/ca/oakland/codes/code_of_ordinances?nodeId=TIT4REFI_CH4.56VAPRTA_4.56.090EX

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To: Joseph O'Neill, Finance Director, City of Sisters
From: Aurora Dziadul, Esmeralda Flores, Adriana Flowers, and Chris Skawski
Date: December 6, 2022
Re: Funding Options for City of Sisters' Affordable Housing Fund

Statement of Purpose

The purpose of this memo is to recommend the city of Sisters a new source of revenue that can fund affordable housing. Before we make a final recommendation, we will present three funding options from local jurisdictions: a construction excise tax, gross receipts tax, and prepared food tax. Each funding package will include an estimated yield based on assumptions. In addition, each source of revenue will be evaluated on the following qualities: equity, efficiency, neutrality, productivity, certainty, and convenience. We then will determine a final funding package that Sisters should pursue.

Executive Summary

This report evaluates a set of three potential revenue packages to provide sustainable, long-term revenue for the City of Sisters' Affordable Housing Trust. Sisters is a small city in Central Oregon, meaning that all considerations had to account for potentially limited governmental capacity, in addition to competition from surrounding municipalities. The information about packages chosen, construction excise tax, prepared food tax, and gross receipts tax, stemmed from case studies on the following cities, respectively: Newport, OR, Cannon Beach, OR, and Burlington, VT.

Our analysis shows prepared food tax to have the most robust revenue generation, followed closely by gross receipts tax and construction excise tax. However, other metrics influenced the recommendation of these packages, including equity, neutrality, efficiency, productivity, certainty, and convenience. Concerns about neutrality were the most prominent, as each of these options could disincentivize economic or production activity in the City of Sisters. In addition, the population of Sisters, OR could pose barriers in terms of the implementation of a new administrative system for the collection of these taxes. That being said, the construction excise tax faired best on the metrics listed previously, leading that to be the recommendation presented in this report. In addition, Sisters should consider monitoring both the implementation of prepared food taxes in similar municipalities across Oregon, as well as their economic activity, to evaluate the feasibility of other options.

1. Overview of the City of Sisters

The City of Sisters is a small city located in the Sisters Country region of Central Oregon, just northwest of Bend. As estimated by the U.S. Census Bureau (2022), over 33% of the population of Sisters was considered housing burdened, meaning they spent more than 30% of their income on housing-related costs each year. To address this, the City of Sisters Council has adopted an Affordable Housing Reserve to subsidize the creation of affordable housing within its borders (Ordinance No. 295). The program provides eligible agencies and private developers grant and/or loan funds for the purpose of constructing and offering affordable housing to low and moderate–income persons in the city.

The Sisters Affordable Housing Fund is a restricted fund reserve. Of the total General Fund reserves, $125,538 goes to the restricted affordable housing reserve for Sisters. Because of Measures 5 and 50, Sisters is restricted in the amount of revenue possibly generated from property taxes. In the adopted FY2021 budget, property taxes only comprised $1,150,000.00 of General Fund revenue, with transient lodging taxes and park user fees making up the other major sources (City of Sisters, 2021). The fund receives a portion of the unrestricted revenues generated from the 8.99% tax on hotel room bookings or short-term rentals (City of Sisters, 2021). This resulted in $95,316.00 being set aside for the Affordable Housing Fund in the fiscal year 2021 (City of Sisters, 2021). While tourism is a large and stable economic modality for the city, it is by no means certain year-to-year. In addition, the limitations on property tax revenue make the establishment of a secure, sustainable revenue source for affordable housing a must for the city. More information about the City of Sisters' revenue is available in their FY21-22 budget document.

2. Selected Revenue Packages – Explanation and Revenue Forecast

The revenue sources selected in this report represent viable options for implementation by the City of Sisters. Furthermore, they represent opportunities to capture value from high-activity sectors of the local economy. The Construction Excise Tax is designed at the legislative level to provide revenue for affordable housing by capitalizing on high construction values. The Gross Receipts Tax and Prepared Foods Tax both represent promising tax schema for capturing value associated with local tourism and tourist-adjacent activities. The central conceit of these tax schema is that high costs for local amenities and home construction are key features in driving the unaffordability crisis, and value should be captured from these activities to provide services to residents who may otherwise be priced out.

Figure 1 displays summary data from the forecasts used to project the productivity of each revenue source. Each revenue source case is presented in greater detail below. Forecasting models are briefly explained as they pertain to each specific revenue generating activity. Because of the unavailability of certain data, forecasting models differ between revenue sources. A full methodology, including a description of forecasting models, can be found in Appendix A.

Figure 1: Summary of revenue projections from recommendations packages.

Revenue Package	Low-End Estimate	High-End Estimate
Construction Excise Tax	$130,000.00	$522,671.40
Gross Receipts Tax	$296,409.08	$741,022.71
Prepared Food Tax	$116,438.00	$1,029,048.00

Three major revenue generating activities are covered in brief below, including a forecast of potential future revenue and discussion of major themes inherent in each source. A direct evaluation of the options and implementation recommendations is presented later in this document.

2.1 Construction Excise Tax

In 2016, the Oregon Legislature passed SB 1533, which authorized cities and counties to be able to implement a construction excise tax, or CET, to fund affordable housing. The tax is applied on the permit valuation of residential construction and includes new construction and significant reconstruction. The tax is applicable to any project significant enough to warrant filing for a building permit as a percentage of the permitted value of construction project. The City of Newport, OR has implemented such a tax, and a case study on its success in this jurisdiction can be found in Appendix B.

The State of Oregon prescribes a maximum rate of 1% on all residential and industrial construction, which could limit the revenue generated from such a source. However, Sisters is a growing city. In the 12-month period from July 1, 2021, to June 30, 2022, there were 132 new residential construction projects in the city (City of Sisters, 2022). Of these, 112 were single family homes, and 20 were multifamily residential construction. Because CET is determined per project and not per dwelling unit or per square foot, individual project valuations are used here to project revenue.

Data taken from recent permitted values reflects a relatively high value of construction project, which in turn demonstrates a potentially high revenue from CET. Selected single family building permits had an average permitted valuation of $350,600.00, which represents an estimated $3,506.00 in revenue per single family project, or $392,672.00 from permitted projects in 2021-2022. Selected multifamily permits vary in permitted value, but had an average value of $649,997.50, for a projected per-project revenue of $6,500.00 per project. This would indicate $112,999.50 in projected revenue from permitted multifamily projects, for a combined estimated revenue of $522,671.50 for the period July 1, 2021, to June 30, 2022. Sisters would only receive access to 50% of this revenue, given the statutory limitations to the use of this revenue at the local level. This data is summarized below in Figure 2.

Figure 2: Expected revenue from recent single and multi-family construction job valuations

Unit Type	Avg. Valuation	Rate	# Of Permits	Yield	Projected Revenue
Single Family	$350,600.00	0.01	112	$3,506.00	$392,672.00
Multi-Family	$649,997.00	0.01	20	$6,499.97	$129,999.40
				Total	**$522,671.40**

Source: City of Sister Department of Housing, 2022

A major disadvantage of implementing a tax on construction is the potential impact on market actors, otherwise known as neutrality. Imposing a CET could discourage people from building by raising the price of construction, and incentivizing contractors to build in nearby Bend or Redmond. As described during a recent attempt to implement CET, one local builder was concerned about the amount of profit he would lose if he had to pay a 1% CET (Stafford, 2018). Any restriction on new construction projects could have the compounding effect of limiting the supply of housing, thereby creating greater unaffordability. Also at issue is the limited supply of buildable land within the Sisters Urban Growth Boundary.

While this report will not deal too closely with the political realities of any one revenue source, it is important to note the lack of public support for this initiative. This is not the first time the Council has considered a CET. According to an article by The Nugget Newspaper from Sisters, the Council had been looking into a CET specifically for affordable housing since 2018. The Sisters Housing Plan Update as of August 2022 includes a section on CET (City of Sisters, 2022).

2.2 Prepared Food Tax
A prepared food tax (PFT) is a special sales tax that is charged on food prepared for immediate consumption, which includes established, licensed restaurants, pushcarts, and mobile units such as food trucks (Cannon Beach, Oregon Municipal Code 3.30.010). This can include hot delis in grocery stores, coffee shops, sit-down restaurants, and food delivery services.

PFT will vary depending on the ordinance of each city in which the tax is present. All three cities in Oregon with a PFT – Yachats, Ashland, and Cannon Beach – share something in common: the revenues are directly invested back into the city to benefit the community. Cannon Beach, the most recent adopter of PFT in Oregon, has a 5% tax on prepared food ready to consume immediately. The revenue generated by the PFT in Cannon Beach has, and will, support parkland acquisition and development, debt service on the city wastewater treatment plant, renovations to city hall and the police station, and lifesaving services (City of Ashland, 2019; Yachats News, 2020; City of Cannon Beach, 2022). For more on Cannon Beach's prepared food tax, see Appendix C.

Sisters is situated in Deschutes County, which is known for its outdoor recreational activities, and the neighboring town Bend, which draws tourists all year round. Tourists are present in Sisters throughout the year, as evidenced by the transient room tax serving as the second largest revenue source for Sisters in the General Fund (City of Sisters, 2022, pg.11). We can predict that revenue from the PFT in Sisters will be paid more by visitors. To calculate an estimated yield, we used Sisters' visitor population annually as a base proxy.

Figure 3: Sisters' prepared food tax expected revenue based on estimated visitors annually

Population	Estimated Visitors Annually	Estimated Yield Per Visitor	Rate	Estimated Yield
3,286	49,619	$9.62	5%	**$477,380.13**

Source: City of Sister Department of Housing, 2022

Figure 4: Estimated yield calculation

Average Yield Per Visitor X Sisters' Estimated Visitors Annually= Estimated Yield
$9.62 X 49,619= $477,380.13

The estimated yield is more than the current affordable housing reserve in Sisters, which is $125,538.00 for FY 2022-2023 (City of Sisters, 2022). See Appendix A to understand how the calculations for Ashland's, Cannon Beach's, and Yachats' yield per visitor and average yield per visitor were performed. In addition, Appendix A breaks down how the visitors per population for Redmond and Bend and an average visitors per population ratio were used to calculate Sisters estimated annual visitors.

Despite the revenue information provided above, there are several additional concerns with the implementation of PFT. Of particular note are the equity and neutrality concerns with raising the prices of goods in a municipality. Sales taxes are notoriously regressive, and while the PFT will be primarily borne by visitors, it will still likely impact those with the least amount of disposable income (Bland, 2013). In addition, shifting the costs of local eateries could incentivize people to dine in similar nearby locations, such as Redmond or Bend. This should not necessarily be the primary concern, however, given the transportation costs that would be associated with making this consumer decision. A final consideration would be the increased burden to the tourist industry in addition to the preexisting transient lodging tax; this might have unintended consequences both on the jurisdiction's overhead expenses and consumer activity.

Furthermore, the administration of a new tax on local businesses will require administrative capacity buildout, which may pose a problem for Sisters and for local businesses. Cannon Beach implemented a limited administrative subsidy for qualifying local eateries, which could serve as a useful model for early adoption. More can be found in Appendix C. Implementation should be approached with care.

2.3 Gross Receipts Tax

A gross receipts tax is a specially designed sales tax, which seeks to raise revenue from the sale of certain specified goods or services. A common strategy is to apply a gross receipts tax to a certain industry. This section will examine the potential for the application of a gross receipts tax to tourist-related industries in the City of Sisters. Tourism is a large economic sector within the city, which allows for revenue capture without overburdening residents, as the primary base will be comprised of out-of-city visitors.

Unfortunately, there is limited information about smaller cities implementing their own gross receipts tax, mostly due to efficiency and neutrality concerns which will be discussed in further detail in the following sections. Burlington, Vermont is one city that has implemented a gross receipts tax on tourism-related services and provides a helpful model for the introduction of such a tax in Sisters. The City of Burlington's gross receipts tax applies a 2% tax to revenue generated by businesses supplying restaurant meals or hotel/motel lodging, as well as for admissions to an entertainment or amusement services (Restaurant, Hotels, Amusements and Admissions Taxes Ordinance). The tax base consists of revenues from a variety of businesses that operate within the Burlington city limits, most of which are in the Church Street- and Waterfront Districts. These districts help to concentrate tourist attention, which can also provide a useful analog for the City of Sisters, given that it is one discreet urban district within a tourism-dominated region. More information about Burlington's Gross Receipts Tax is provided in Appendix D.

Given the lack of comparable cities that use a gross receipts tax for revenue generation, the estimated revenue for the City of Sisters was derived as a percentage of Burlington's on a non-pandemic-impacted year – 2019. These estimations are detailed in Figure 5 below, demonstrating that Sisters, OR could expect to generate anywhere from \$296,409.08 in revenue per year to \$741,022.71. As can be viewed in the chart, the City of Sisters is recommended to consider applying a higher percentage tax than Burlington, VT, given that it is differently situated in terms of sales tax. Vermont has a statewide 6% sales tax, meaning that the tax burden on their tourism industry is already more substantial in Burlington, VT, than it is in Sisters, OR. Gross receipts taxes always run the risk of resulting in higher priced goods for consumers, but this effect will not be as significant given that it is not paired with an already existing sales tax.

Figure 5: Expected Revenue from GRT in City of Sisters at Different Rates

Estimated Tax Base	Tax Rate	Tax Yield
$14,820,454.10	0.02	**$296,409.08**
$14,820,454.10	0.025	**$370,511.35**
$14,820,454.10	0.03	**$444,613.62**
$14,820,454.10	0.035	**$518,715.89**
$14,820,454.10	0.04	**$592,818.16**
$14,820,454.10	0.045	**$666,920.43**
$14,820,454.10	0.05	**$741,022.71**

A gross receipts tax has the added benefit of avoiding the equity concerns that plague sales tax. Because the tax is applied only to specific goods and services, and targets the businesses providing them, it does not unduly plague local consumers. The major issue in creating a GRT is this city would be neutrality, in that corporations might relocate to jurisdictions outside Sisters to avoid the tax, especially considering the similar economic modalities of nearby communities. Sisters may want to work with other local jurisdictions to collectively create this tax and avoid corporate migration.

In addition, there would be concerns of efficiency given that Sisters has such a small population with limited capacity, and they may be spending a significant amount of their resources collecting the tax without much left over to be added to the housing trust. Any new tax that would require direct oversight from city officials will necessarily need an expansion of capacity, and this consideration must be at the forefront of this decision-making process.

2.4 Other Revenue Options

There are as many distinct municipal revenue generating activities as there are local governments in the United States. Not every available solution could be discussed. The above revenue sources were selected for their feasibility, applicability, and availability of data. A general sales tax has been excluded from our analysis because of historical equity issues and high administrative requirements. For example, a municipality in New York relies on County-level finance offices and two separate state agencies to administer the tax. A brief description of the sales tax as implemented in a municipality in New York State can be found in Appendix E.

Furthermore, a general sales tax, absent other concerns, would primarily burden residents. This is directly at odds with the stated goal of the Affordable Housing Trust Fund to lower cost of living for Sisters residents.

3. Evaluation

Each new revenue generating activity has drawbacks and advantages for implementation by the City of Sisters beyond what was covered in previous sections. What follows is a brief discussion of the major pros and cons of each, including direct comparison.

Figure 6: Overview of selected metrics for revenue evaluation.

	CET	PFT	GRT
Equity	Good	Moderate	Moderate
Neutrality	Moderate	Poor*	Poor*
Efficiency	Good	Poor*	Poor*
Productivity	$261,335.70*	$477,380.13	$444,613.62
Certainty	Good	Good	Good
Convenience	Good	Poor*	Poor*

3.1 Equity

Another major concern for revenue packages equity. Sales taxes are notoriously regressive and have been excluded from this analysis as a result. Because the gross receipts tax and the prepared food tax are specifically targeted at certain activities and are likely to be borne more fully by visitors than residents, it is likely that these equity concerns will be minimal. With the gross receipts tax, however, there is the added issue of horizontal equity: given that the tax is only applied to revenues, and not profits, corporations who may be taking in significantly different profits could be paying the same to this tax. Moving onto the construction excise tax, the average construction value in Sisters is high, which means that the only people with the ability to build housing have significant capital already. While a tax on construction has the potential to slow growth, it is unlikely that this tax will be borne by those unable to pay it.

3.2 Neutrality

The primary concern for the above taxes is neutrality, or the extent to which the tax will affect market behavior or individual actors (Bland, 2013). Concerns about neutrality plague all newly introduced tax schema for the simple fact that they raise the price of established practices, which may encourage individuals to change their behavior to avoid the tax. In the case of the construction excise tax, contractors have gone on record to voice concerns about rising costs. Similarly, both the prepared food tax and gross receipts tax target industries for which there exists significant regional competition. Any increase in prices in the Sisters market could influence people to instead vacation or spend recreation money in nearby Redmond or Bend or incentivize businesses to relocate. Sales taxes are applied at the regional level for this reason. However, it is worth noting that the construction excise tax can be adjusted to rates below 1%, which could mitigate concerns among developers. Furthermore, the next closest destination to Sisters is Redmond, which is almost thirty minutes away. This could significantly reduce the willingness of people to change vacation or dining plans. In addition, tourism industries bear significant fixed costs, reducing the likelihood of migration. It is therefore possible that neutrality concerns for any or all these taxes are overstated.

3.3 Efficiency

All three taxes above present differing administrative challenges for collection, which affect the overall efficiency of the tax. All three are productive, as demonstrated above, because they target high-traffic industries and activities within Sisters. However, the city may not have the administrative capacity to effectively collect the tax. In particular, the gross receipts tax and prepared food tax will require businesses to keep careful track of the products and services which are taxable, and to submit receipts for verification by the city. This type of tax, including a general sales tax, is generally implemented at higher levels of government to ease regional administrative burden. However, it should be noted that Cannon Beach is a smaller town with comparable staffing that has been able to successfully launch a prepared food tax. They can serve as a valuable model for small cities looking to implement a new tax scheme. Likewise, as stated in the August 2022 draft housing plan, much of the groundwork has already been laid for a CET, reducing administrative costs.

3.4 Productivity

As is discussed in greater detail elsewhere, the above revenue generating sources are comparable with respect to expected productivity. The GRT and PFT as described in this report have the potential to provide almost four times as much revenue for the Affordable Housing Trust Fund as is currently available. Even lower estimates of these two revenue sources would still represent a significant uptick in available funds. The notable outlier is the Construction Excise Tax, which is projected to generate significantly lower revenue than the other two. However, even the CET would represent a significant increase in funds.

It should also be noted that per the structure of the Construction Excise Tax at the state level, fifty percent of funds are made available for development subsidies, and an additional thirty five percent are made available for *other affordable housing activities.* This means that the amount of funding for affordable housing projects within the city may be higher than depicted here.

3.5 Certainty

Certainty relates to the tax scheme being assessed evenly and the rules understood. The Gross Receipts Tax and the Prepared Food Tax benefit in this category for being variations on the sales tax, a concept that while not present in Oregon is still at least well understood. As discussed elsewhere, there will be challenges to implementation in determining what activities are taxed and which are not, but once decided upon the relevant purchases can be easily highlighted as taxable. Similarly, CET is well understood in Oregon, and much of the groundwork has been laid in Sisters because of recent proposals to adopt it.

3.6 Convenience

Convenience is here understood as the ease with which tax burdens can be met by those who bear it. This is related to efficiency, in that complex tax schema, or those that do not match or else exceed existing capacity, have greater potential for non-compliance. The above revenue generating activities are assessed on the potential convenience *at the point of implementation* for the City of Sisters. Gross Receipts Tax and Prepared Food Tax are both assessed as low on this metric because of the necessary administrative buildout by businesses to properly capture, report, and pay tax. The lack of existing precedent as compared to places with a general sales tax means that businesses may not be prepared to pay tax as levied. The Construction Excise Tax is rated highly in this metric because much of the infrastructure already exists to accept payment at the time of permitting.

4. Recommendations

Any of the discussed revenue sources are worthwhile for consideration by the City of Sisters. The following recommendations are intended to inform the City of Sisters' short- and long-term planning for revenue generation.

4.1 Implement Construction Excise Tax

Sisters should implement a Construction Excise Tax, which will provide a short-term revenue source for the Affordable Housing Trust. Construction Excise Taxes are well-understood throughout Oregon, and if implemented in Sisters it has the potential to generate extensive revenue as compared to current Housing Trust funds. Concerns about rising costs are valid, and city staff should carefully monitor housing and building trends to assess the impact.

4.2 Monitor Cannon Beach Implementation of Prepared Food Tax

The city should carefully monitor the administration of the Prepared Food Tax in Cannon Beach, Oregon. Prepared Food Taxes are gaining popularity throughout the state, especially among tourism-oriented municipalities. PFTs have the potential to impact local economic activity, and the complex administration and associated costs may pose a barrier to adoption. Cannon Beach is innovating a new model of supporting and onboarding local restaurants, which may prove a valuable future option for the City of Sisters.

4.3 Inventory Local Economic Activity

Much of the above analysis rested on the assumption that tourism was a significant source of economic activity. In the absence of a sales tax, it is difficult for Sisters to capture value from economic activity within its borders. A careful study of economic trends and activity within the system might be prepared as part of a comprehensive plan update, which will provide more careful insights than could be explored in this report. The City of Sisters should undertake to assess local and regional economic contexts to identify opportunities for long-term revenue generation.

4.4 Engage Sister Jurisdictions

The above revenue generating activities are evaluated along several metrics that only assess their impact and productivity within the City of Sisters. However, as part of Sisters Country, the city has access to regional economic patterns and resources that may enable them to undertake larger projects than may be possible on their own. The city should consider engaging nearby municipalities like Bend and Redmond to begin thinking of regional solutions to revenue generation and economic sustainability.

The above recommendations are designed to be discreet enough to be separable while also meaningfully supporting one another. The City of Sisters is undertaking a significant project in attempting to subsidize and promote the development of affordable housing. Achieving success in this endeavor will require thinking both cohesively and opportunistically.

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Appendices

Appendix A - Expanded Methodology

Definitions

The evaluative criteria used for this report are adapted from Robert L. Bland's *A Budgeting Guide for Local Government,* which lays out best practices in budget preparation and design.

Equity Tax burden should reflect the ability of people to pay the tax, OR
Tax should reflect the benefits received by payment (Benefits Received principle).

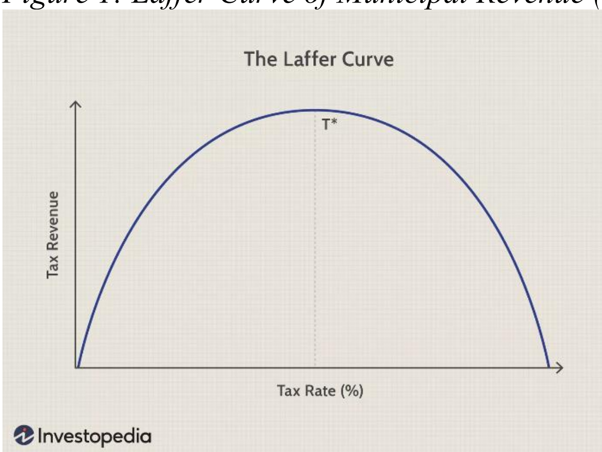
Equity is further broken down as follows:

- Horizontal equity holds that people of equal circumstance should bear equal instance of the tax.
- Vertical equity holds that people of higher incomes (i.e., greater ability to pay) should bear higher instance of the tax.

Efficiency Tax should be efficient to collect, without imposing disproportionate administrative costs on the taxing jurisdiction.

Neutrality Taxes (or fees, etc.) should not unduly effect market activity or influence individual behavior. A Laffer Curve is used to illustrate that higher tax rates will disincentivize economic activity, therefore reducing overall revenue.

Figure 1: Laffer Curve of Municipal Revenue (Investopedia)



Productivity Taxes should generate stable, sufficient revenue to meet local expenditures.

Certainty The rules of taxation should be easily understood and evenly applied.

Convenience Taxes should be easy to pay and commensurate with income schedules.

Explanation of Revenue Forecasting Models
Each revenue forecast relied on different assumptions given the availability of data. They are presented below.

Construction Excise Tax
For these calculations, we used the information provided by the City of Sisters. Sisters gave us the average valuations of their permits for single and multi-family homes and using rate of 1% we did the following calculations for the yield of a single and multi-family project respectively. For the purposes of these calculations the asterisk (*) refers to multiplication.

Average valuation of permit * rate = yield
Single family: $350,600 * 0.01 = $3,506
Multi-family: $650,000 * 0.01 = $6,500

Then, using the same information of the average permit valuation and the number of permits issues between fiscal year 2021-2022, we calculated the revenue based on the permitted projects. The calculations were as follows:

Average valuation of permit * number of permits * rate
Single family: $350,60 * 112 * 0.01 = $392,672
Multi-family: $650,000 * 20 * 0.01 = 129,999.40

The total revenue was calculated by adding the permitted project revenue for single and multi-family home projects for a total of $522,671.40.

Prepared Food Tax
Figure 1: Cities in Oregon with a PFT

City	Population	Visitors Annually	Yield	Yield per Visitor
Ashland	21,360*	350,000*	$2,022,000	$5.78
Cannon Beach	1,489*	750,000*	$1,760,000	$2.35
Yachats	994*	15,044*	$312,000	$20.74
				Average $9.62

Source: United States Census Bureau, 2020; City of Cannon Beach, n.d.; Wilson, 2020; Travel Ashland Oregon, 2022

We calculated the ratio yield per visitor for Ashland, Yachats, and Cannon Beach:

Yield ÷ Visitors annually= Yield per Visitor
Ashland: $2,022,000 ÷ 350,000= $5.78
Cannon Beach: $1,760,000 ÷ 750,000= $2.35
Yachats: $312,000 ÷ 15,044= $20.74

The average yield per visitor came out to be $9.62.

Figure 2: Projecting Sisters Visitors Annually *(United States Census Bureau, 2020; Weaver, 2015; Trejbal, 2016).

City	Population	Visitors Annually	Visitors per Population
Redmond	33,274*	168,000*	**5.0**
Bend	99,178*	2,500,000*	**25.2**
			Average 15.1

We looked at Redmond and Bend Oregon populations to determine the visitors per population average ratio. The visitors per population average ratio aided us to calculate an estimate for annual visitors to Sisters since we had no information on these specifics. We projected Sisters visitors annually by calculating: For the purposes of these calculations the asterisk (*) refers to multiplication.

Sisters population X Average visitors per population ratio= Sisters estimated visitors annually
3,286 * 15.1 = 49,619

In addition, we also calculated an estimated yield range by calculating the following:

Sisters estimated visitors annually X Cannon Beach yield per visitor= low estimated yield
49,619 * $2.35= $116,438

Sisters estimated visitors annually X Yachats Average yield per visitor= High estimated yield
49,619* $20.74= $1,029,048

Gross Receipts Tax

Gross receipts taxes are not often utilized in small cities, given the aforementioned efficiency concerns. As such, the estimations presented here came from a calculation performed comparing Burlington, VT's population to that of Sisters (given the annual visitor information was also not available for each jurisdiction). Burlington, VT's tax base was derived from their 2019 Budget, and the subsequent tax base for Sisters was developed first as the exact percentage of their population as compared to Burlington's and followed as estimates of greater revenue generation (City of Burlington, 2019). A staggering range of tax rates has also been included for consideration, as without the burden of sales tax Sisters could implement a higher tax rate.

Figure 1: Estimations of tax yield for Sisters, OR as a percentage of Burlington, VT's tax base, with staggering rates.

City	Population	Percent of Burlington's Estimated Tax Base	Estimated Tax Base	Tax Rate	Tax Yield
Burlington, VT	44781	n/a	$214,789,190.00	0.02	**$4,295,783.81**
Sisters, OR	3,081	0.069	$14,820,454.10	0.02	**$296,409.08**
Sisters, OR	3,081	0.1	$21,478,919.00	0.02	**$429,578.38**
Sisters, OR	3,081	0.15	$32,218,378.50	0.02	**$644,367.57**
Sisters, OR	3,081	0.069	$14,820,454.10	0.025	**$370,511.35**
Sisters, OR	3,081	0.1	$21,478,919.00	0.025	**$536,972.98**
Sisters, OR	3,081	0.15	$32,218,378.50	0.025	**$805,459.46**
Sisters, OR	3,081	0.069	$14,820,454.10	0.03	**$444,613.62**
Sisters, OR	3,081	0.1	$21,478,919.00	0.03	**$644,367.57**
Sisters, OR	3,081	0.15	$32,218,378.50	0.03	**$966,551.36**
Sisters, OR	3,081	0.069	$14,820,454.10	0.035	**$518,715.89**
Sisters, OR	3,081	0.1	$21,478,919.00	0.035	**$751,762.17**
Sisters, OR	3,081	0.15	$32,218,378.50	0.035	**$1,127,643.25**
Sisters, OR	3,081	0.069	$14,820,454.10	0.04	**$592,818.16**
Sisters, OR	3,081	0.1	$21,478,919.00	0.04	**$859,156.76**
Sisters, OR	3,081	0.15	$32,218,378.50	0.04	**$1,288,735.14**
Sisters, OR	3,081	0.069	$14,820,454.10	0.045	**$666,920.43**
Sisters, OR	3,081	0.1	$21,478,919.00	0.045	**$966,551.36**
Sisters, OR	3,081	0.15	$32,218,378.50	0.045	**$1,449,827.03**
Sisters, OR	3,081	0.069	$14,820,454.10	0.05	**$741,022.71**
Sisters, OR	3,081	0.1	$21,478,919.00	0.05	**$1,073,945.95**
Sisters, OR	3,081	0.15	$32,218,378.50	0.05	**$1,610,918.93**

Source U.S. Census Bureau, 2022; Data Commons, 2022; City of Burlington, 2019

Appendix B - Case Study: Newport, OR

Newport is the biggest city in Lincoln County and is a growing tourist town. They implemented a CET resolution in 2017 that required a 1% CET to be levied on the value of commercial, industrial, and residential improvements in order to fund affordable housing (City of Newport, 2017). 50% of the CET goes to development incentives for affordable housing, 35% goes to other affordable housing programs, and the remaining 15% goes towards Oregon Housing and Community Services.

The 1% rate is based on the regulations from the State of Oregon which allowed no more than 1% of the construction excise tax for residential, commercial, and industrial areas. The base comes from the number of building permits issued for the last three years and how much was earned based on the construction values.

Figure 1: Newport revenue from permits and construction (City of Newport, 2022).

Year	Number of building permits issued	Construction value
2019	155	$24,141,503
2020	161	$21,200,985
2021	173	$14,345,994
Total		$59,688,482

Source: Newport, OR Adopted Budget 2022-23

Figure 2: Expected CET Revenues Newport FY 22-23 (City of Newport, 2022).

Category	Revenue
CET Affordable Housing	$27,129
Affordable Housing development incentives	$38,755
Oregon Housing and Community Services	$11,627
Total	$77,511

Appendix C - Case Study: Cannon Beach, OR

Cannon Beach is the third city in Oregon to have a PFT. The tax went into effect in July 2022, initially, the PFT was not welcomed with open arms by locals when it was first introduced by Cannon Beach Rural Fire Protection District (CBFD). Once the topic of a PFT was introduced to the city council there were about 40 discussions over two years regarding the idea of having a PFT as an ordinance in the city (Allison, 2022). In June 2021, there were between one to three public hearing inputs regarding the possible ordinance on PFT via zoom (Minutes, Cannon Beach City Council, 2021). During a July 2021 Cannon Beach city council meeting, a PFT ordinance was voted on and members were against it with a result of 2 yes and 3 no (Arden, 2021). In August 2021 the city decided to have residents vote on a PFT and placed Measure 4-210 on the November 2021 ballot (Clatsop County Clerk & Elections, 2021, pg. 3). After a recount Measure 4-210 was passed by six votes and was incorporated into the general fund as a new source of revenue for both the city and CBFD (Allison, 2022).

Responsibility for collecting the PFT landed on operators/restaurant owners. They are responsible for transferring the tax to the city but will keep 5% of all taxes collected to minimize the cost of collections and transfer of funds (City of Cannon Beach Finance Department, 2022, pg. 1). There are specific forms operators/restaurant owners will have to fill out and report to the city such as a prepared food tax return and report for exempted sales (City of Cannon Beach Finance Department, 2022). During the first year of the PFT (FY 2022-2023) Cannon beach has offered businesses grants of up to $5,000 to support the costs associated with modifying/ upgrading point of sales systems to collect the tax (City of Cannon Beach, n.d.).

Cannon Beach PFT rate is 5% on consumers for the purchase of prepared food items intended for immediate consumption (City of Cannon Beach Finance Department, 2022, pg. 1). We can assume the tax base that can be used is “restaurant sales volume” (City of Newport Finance Work Group, 2021, pg. 20). The city will tax on the following criteria.

“All established licensed restaurants/ pushcarts/ mobile units where food is prepared and/or available for immediate consumption by a consumer including delis, coffee shops and similar establishments; any establishments including, without limitation, grocery stores, market, convenience stores and or/deli section of any store, where a customer obtains food prepared on-premises and/or off premises in form or quantity intended for immediate consumption; and any establishment which prepares food for immediate consumption outside the establishment’s premises” (Cannon Beach, Oregon Municipal Code 3.30.010) .More specifically the following will be taxed; salads from salad bars, bakery products prepared on premises (not whole cakes, pies, and bread), purchases of food from a caterer for an event located within the city, any prepared food that is prepared for immediate consumption even if not consumed within the premises where prepared, and finally food delivery services do not excuse consumer from paying tax (Cannon Beach, Oregon Municipal Code 3.30.020). It is important to note that ECONorthwest did a study for Cannon beach, and they estimated that 96% of the collected PFT will come from visitors to the city (City of Cannon Beach, 2022). In addition, the study also concluded that Cannon Beach PFT is estimated to generate $1,760,000 in revenue for the first year that will go directly to the city and Cannon Beach Rural Fire District (CBFD). The city and CBFD will each receive $800,000 for the first year which will strictly go towards improving the city hall/police station and CBFD to improve life-saving services (City of Cannon Beach, 2022).

Appendix D – Case Study: Burlington, VT

The City of Burlington’s gross receipts tax applies a 2% tax to revenue generated by businesses supplying restaurant meals or hotel/motel lodging, as well as for admissions to an entertainment or amusement service (Restaurant, Hotels, Amusements and Admissions Taxes Ordinance). The tax base consists of revenues from a variety of businesses which operate within the Burlington city limits, mostly comprised of Church Street- and Waterfront District-located companies. An example of the tax rate, base and yield for the FY2019-21 actual revenue generation can be found below. As is demonstrated in the chart, the amount of revenue that this tax generated took a severe downturn during COVID-19 lockdowns, demonstrating the variability that can arise with this tax given different economic conditions.

Figure 1: Burlington, VT’s actual tax base, rate, and yield from the gross receipts tax, FY19-21 (The City of Burlington, 2021).

Year	Base	Rate	Yield
2019	$214,789,190.00	.02	$4,295,783.81
2020	$155,589,426.00	.02	$3,111,788.53
2021	$25,531027.00	.02	$510,620.54

The revenues from this tax are not restricted for a specific purpose, they merely generate additional unrestricted revenues for the General Fund (Restaurant, Hotels, Amusements and Admissions Taxes Ordinance).

The tax is collected on a monthly basis from the Clerk Treasurer’s Office. Failure to pay results in a $13.00 fee, or a 12% yearly late charge, whichever is determined to be greater (Restaurant, Hotels, Amusements and Admissions Taxes Ordinance). As a result, additional revenue to the city stems from overdue payments that have generated interest, as demonstrated below.

Figure 2: Burlington, VT's actual revenue from overdue gross receipts tax payments, FY19-21 (The City of Burlington, 2021).

Year	Gross Receipts Tax Interest
2019	$2,182.16
2020	$15,810.44
2021	$2,444.42

The City Council voted on and approved this ordinance in 1986, after which they made a recommendation to the state legislature to amend the City Charter to reflect these changes—as Vermont is a Dillon's Rule state, Burlington could not officially begin to collect this tax without official approval from the legislature (Restaurant, Hotels, Amusements and Admissions Taxes Ordinance).

Appendix E – Case Study: Syracuse, NY

Syracuse, NY, is the 3rd largest city in New York State, boasting a metropolitan statistical area of nearly four hundred forty thousand people. Its position near the Tully salt springs and later the Erie Canal made it an industrial city for much of its history, but more recently it has been plagued by disinvestment and population and economic decline. Indeed, the city experienced its first population increase in 70 years at the 2020 census.

This history of decline is evidenced in the major revenues and expenditures of the city, which cannot rely on deflated property values for taxation. Instead, the city relies on sales tax, collected at the county level, state aid, and a limited property tax levy to fund the majority of its operations. Below is a summary table of the amounts and proportions of various sources of revenue gathered by the City for FY 22/23, as adapted from data presented in the Budget.

Figure 1: Revenue Sources and Amounts, City of Syracuse, FY 22/23 (Adopted)

Revenue Source	*Amount (Millions USD)*	*Percent*
Sales Tax	112.35	38.1
State Aid	76.01	25.8
Tax Levy	40.85	13.8
Federal Aid	16.74	5.7
Department Revenues	16.45	5.6
Use of Fund Balance	15.63	5.3
Real Property Tax Items	7.15	2.4
Utility Tax and Franchise Fees	3.27	1.1
Interfund Transfers	2.92	1.0
Service Agreements	2.42	0.8
Other Revenues	1.18	0.4
Use of Money and Property	0.11	0
Total	295.15	100

While the exact proportions vary year to year, the top three revenue sources by percentage have remained steady for the last several budget cycles, which represent over three quarters (77.7%) of the total revenue for the city. Sales tax will be covered in greater detail later, but it is important to note that the city does not levy a local sales tax; the figure above represents appropriations from the sales tax collected by Onondaga County. The proportion of state aid as a fraction of the total revenue collected represents a municipality that struggles to meet expenditures and deliver services. Further, the relatively low property tax levy represents locally depressed property values.

New York State imposes a four percent sales tax on applicable transactions within the state. Businesses wishing to obtain a license to operate must submit documentation to the Department of State, and annually register applicable receipts for sales tax collection with the Department of Taxation and Finance. These taxes are passed directly to consumers, who pay the tax at point of sale. Counties and cities are authorized by the state to adopt local sales taxes if they so choose, and most counties impose an additional local sales tax. There are no specific restrictions on how this tax may be divided or used within the imposing jurisdiction.

Onondaga County imposes a 4% sales tax on top of the statewide rate for a final sales tax of 8%. This is similar to surrounding jurisdictions, apart from the nearby City of Oswego, which imposes a local rate of .75%. Tax revenue is divided as follows:

- Of the first 3% collected the county retains 99.34% and distributes .66% to school districts within the county;
- Of the remaining 1%, the county retains 1.58%, distributes .63% to local school districts, and distributes 97.79% to the City of Syracuse.

This means that the City of Syracuse is entitled to just under one percent of sales tax revenue collected anywhere in Onondaga County, not just applicable transactions within the city. The effective tax rate is therefore .9779% and the effective tax base is all transactions within the county. Despite the low effective rate, Syracuse does generate about one thousand dollars resident per year from the Onondaga County sales tax. While this is significant revenue, it is important to note the administrative costs are split between county offices and two separate state-level agencies.

REVENUE SOURCES FOR AFFORDABLE HOUSING FUND

Jacob Thode | Sophie Stipek | Will Fitzsimmons | Anisha Govindankutty

OVERVIEW

In the past 10 years, the City of Sisters has adopted a 10-year plan that strategizes some potential revenue streams, but to date the only revenue dedicated to housing comes from a small portion of their transient lodging tax[1]. The revenue from the transient tax is directed to the city's housing fund, with the city taking in roughly $100k a year in funding directed at affordable housing. Rising costs and increasing issues surrounding affordable housing indicate that this is not nearly enough to address affordable housing for the city. The city of Sisters has asked our organization to evaluate potential new revenue sources that the city could use to address affordable housing.

We examined four possible sources to generate new revenue specific to affordable housing. In this report we will explore a brief background, projected revenue yield, evaluation, of each funding source and conclude with a final recommendation with steps for implementation.

FUNDING PACKAGES

The funding packages covered in this section include:

(1) Tax-Increment Financing (City of Corvallis)
(2) Special Sales Tax (City of Juneau)
(3) Construction Excise Tax (City of Hood River)
(4) Inclusionary Housing Fees (City of Salida)

The fourth funding is not covered in the report as it is highly controversial, and the shortcomings outweigh the benefits. The funding source is attached in the Appendix along with other case studies for detailed consideration.

Package 1: Tax increment financing/Urban renewal

Background

Urban renewal is an economic development strategy that generates revenue by renovating areas that then become more attractive to businesses[2]. As business grows in the urban renewal area, the local economy grows as well. Urban renewal is tied closely to tax increment financing. When there is a higher demand for businesses to locate in the urban renewal area, property values and therefore property taxes rise. Finally, a portion of the property taxes being paid will be allocated to projects established in the urban renewal plan. This can include projects related to increasing affordable housing options.

[1] City of Sisters. *Transient Room Tax | City of Sisters Oregon*. Retrieved December 4, 2022, from https://www.ci.sisters.or.us/finance/page/transient-room-tax

[2] City of Sisters. (2022). *Downtown Sisters Urban Renewal Plan*. https://www.ci.sisters.or.us/sites/default/files/fileattachments/urban_renewal_agency/page/2411/2022_adopted_urban_renewal_plan.pdf

The city of Sisters has an existing downtown urban renewal district, with one of the goals of the plan being affordable housing. According to the 2022 update of the Sisters Housing Plan[3], the money that has been allocated for affordable housing is not currently being utilized. Assuming that the urban renewal district continues to bring in money for the city, Sisters will have even more money to spend on affordable housing. The urban renewal district is supported by Sisters' residents and is a high priority for the city in their efforts to increase affordable housing. This section will focus on examining the current state of the urban renewal district revenue and make recommendations on how best to utilize the funds.

Revenue Yield

As stated in the Sisters Housing Plan Update[4], the city currently has $400,000 to spend on workforce housing that has not yet been spent. The goal is that this will be supplemented to reach a $4,000,000 investment[5]. There are also $375,000 worth of funds that can go towards development assistance. It is important to understand that the precise amount of funds for affordable housing that can be yielded from the urban renewal district is dependent on the increase in property tax revenue, and the allocation of these funds. It is unclear at this time how much of these funds will go toward housing efforts, and at this time it is also unclear what the per unit impact of this revenue source will be.

While it is difficult to calculate the precise revenue yield that can be generated by tax increment financing and urban renewal, it is beneficial to look at what other jurisdictions are doing and how they are allocating their funds. The case study associated with this funding package comes from Corvallis, Oregon. Corvallis adopted an urban renewal plan in 2019 and the city is placing affordable housing as one of their top priorities for the revenue generated in the urban renewal district[6]. Based on the calculations in the Appendix, the result is that Sisters could increase their revenue for affordable housing from $775,000 to $1,175,000 if they take the same approach as Corvallis. This is looking purely at the revenue that is outlined in the project list based on the maximum indebtedness of the city. This comparison is made because with a higher percentage of revenue being allocated to affordable housing projects, the city of Corvallis can carry out their goal of generating innovative and creative solutions to the affordable housing problem. This allocation of funds also allows them to contract work out to partner organizations, which alleviates some of the burden from the city[7].

Evaluation

This section outlines the evaluation of urban renewal and tax increment financing as a revenue source for affordable housing in Sisters. The table presents the rating of the following criteria: equity, efficiency/administration, neutrality, productivity, certainty, and convenience. Below the table, each rating is explained in more detail.

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[3] City of Sisters. (2022). *Sisters Housing Plan Update.* https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/22657/sisters_housing_plan_revised_draft_-_080422_withattachment.pdf (revised housing plan)

[4] City of Sisters. (2022). *Sisters Housing Plan Update.* https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/22657/sisters_housing_plan_revised_draft_-_080422_withattachment.pdf (revised housing plan)

[5] City of Sisters. (2022). *Projects to be undertaken.* https://www.ci.sisters.or.us/sites/default/files/fileattachments/urban_renewal_agency/page/2411/updated_project_list_january_2022.pdf

[6] City of Corvallis (2021). South Corvallis urban renewal district: Annual report for fiscal year ending June20, 2021. https://archives.corvallisoregon.gov/public/ElectronicFile.aspx?dbid=0&docid=2590310

[7] City of Corvallis, Ordinance 2018-26. (2018). *South Corvallis urban renewal plan*. https://archives.corvallisoregon.gov/public/ElectronicFile.aspx?dbid=0&docid=1094410

Evaluation Criteria	Score	Reasoning
EQUITABLE	Poor/Good	Property tax burden is split evenly (H) Raising prices could edge out businesses from district (V)
EFFICIENT	Poor	Current administrative costs are reasonable. Reallocating more funds for affordable housing is a lot of work
NEUTRAL	Good	Attract more businesses to the area
PRODUCTIVE	Good	Significantly more revenue than is currently allocated for affordable housing, still uncertain
CERTAIN	Good	TIF mechanism is clear
CONVENIENT	Very Good	TIF system is in place and convenient

***Table 1**: Evaluation of Urban Renewal/Tax Increment Financing as a revenue source*

Equity

Based on research of the urban renewal plan, it appears to be equitable horizontally but not vertically. The property tax burden is split evenly across taxpayers, and the taxes that are paid within the urban renewal district will directly go to bettering the community within that district, making it horizontally equitable. The issue of equity that should be considered is that the increase in property taxes in the urban renewal district could force some businesses or residents out of the district due to not being able to afford the higher taxes, making it not equitable vertically.

Efficiency

Currently, the administrative costs of carrying out tax increment financing in the urban renewal district are moderate in comparison to the revenue being generated. The reason that efficiency is rated poorly is due to the additional administrative costs that will be incurred if the city chooses to restructure the allocation of urban renewal funds.

Neutrality

The implementation of the urban renewal plan could have an impact on neutrality, but that is part of the purpose of the plan. The renovation of the downtown Sisters area will be an incentive for businesses to operate there, increase the livability for residents, and make it a more attractive option for consumers. The reason that neutrality is rated as good rather than very good or excellent is due to the equity concerns that are mentioned above.

Productivity

At this point, it is hard to evaluate the productivity of Urban Renewal as a revenue source for affordable housing. The total amount of revenue to be collected is unclear, and the current urban renewal plan is set to end in 2030. If the city can find a way to allocate more of their urban renewal revenue to fund affordable housing, productivity will increase.

Certainty

The main way that the Urban Renewal plan will generate revenue is through tax increment financing. The rules for tax increment financing are clearly stated and follow guidelines, resulting in a high level of certainty. The reason that certainty does not receive a higher rating is due to the unknown nature of how the revenue will be split among different projects.

Convenience
The use of tax increment financing is very convenient for taxpayers. The taxes are linked to property taxes, so those who are paying should not have to take any additional steps. The only factor contributing to convenience not receiving an excellent rating is due to the ambiguity of the urban renewal plan and not knowing the impact that any changes to the plan may have on taxpayers.

Shortcomings of Urban Renewal and Recommendations
There are two main reasons why urban renewal and tax increment financing is not recommended as the revenue source for Sisters to focus on. The first shortcoming of the method is that the revenue yield is uncertain in several ways. First, it is uncertain if the current budget for project costs will be sufficient. Second, it is uncertain whether the city will be able to raise the additional funds needed to cover the project costs. Finally, the amount of revenue produced from tax increment financing and the percentage of those funds allocated to affordable housing is uncertain. The second shortcoming of this method is that it is temporary, as all projects outlined in the urban renewal plan must be completed by 2030. While urban renewal can be a productive source of revenue and the city should continue to investigate ways to get the most out of it, these shortcomings are the reason that this funding package is not the main recommendation.

Package 2: 1% Special Sales Tax
Background
Sales tax is a popular means of generating revenue across the country. Though the rate of sales tax can vary drastically between states, counties, and cities it has proven to be a reliable and lucrative vehicle for government revenue. In Juneau, Alaska residents vote every five years on a special 1% sales tax. 1% is added to their state and county sales tax, with the revenue from the additional 1% funneled into governmental projects like their affordable housing fund, and contributions to minor library maintenance.[8] Typically there are sales tax exemptions for essential purchases like food and medicine. For more information reference Case Study 2 in the Appendix (*Case Studies*).

Applying Juneau's model in Sisters, residents could vote on implementing a special 1% sales tax whose revenue could be allocated entirely towards their affordable housing fund. The top industries in Sisters are Accommodation & Food Service, Retail Trade, and Agriculture, Forestry, Hunting & Fishing. A special sales tax would generate revenue from all their top industries. Political feasibility and initial passing may be a concern, in which case the yield for a smaller tax percentage at 0.5% will be explored as well.

Revenue yield
To create a more accurate revenue projection for Sisters we used the similarly sized tourism-based city Galena, IL as a reference point. Their 2023 budget shows $1,677,035 in sales tax revenue for the 2022 fiscal year.[9] This tax revenue is comprised of a state tax at 6.25%, a county tax at 1%, and a city tax at 1%. The total sales tax in Galena is 8.25%. Based on this our calculations and assumptions are housed in the Appendix. If Sisters were to implement a 1% special sales tax, we project the yield to be approximately $153,276.97. If allocated entirely to the affordable housing reserve a **1% special sales tax**

[8] City and Borough of Juneau. *FY 2022-23 City Budget*. https://juneau.org/wp-content/uploads/2022/07/FY23-24-Adopted-Budget-Book-FINAL.pdf
[9] City of Galena. *FY 2022-23 City Budget*. https://www.cityofgalena.org/documents/filelibrary/top_tabs/your_government/budgets/2023/FY_2023_Operating_Budget_2AE47A6E56BFE.pdf

would provide 122% increase in reserve revenue.[10] The cost per resident per year for this tax would be approximately $46.6. If Sisters were to implement a .5% special sales tax option, the yield would be approximately $76,638. If devoted entirely to the affordable housing reserve a **.5% special sales tax would provide a 61% increase** in reserve revenue. The cost per resident per year for this tax would be approximately $23.3.

Evaluation

Evaluation Criteria	Score	Reasoning
EQUITABLE	**H. Good V. Poor**	Higher burden on residents with less income
EFFICIENT	**Poor**	No formal system. Could model after Marijuana tax collection OR could house in Finance and HR (Fuel and Transient Room Tax)
NEUTRAL	**Poor**	Residents could purchase elsewhere
PRODUCTIVE	**Good**	Conservatively not as productive as CET
CERTAIN	**Excellent**	Stated on receipts
CONVENIENT	**Excellent**	Collected at purchase

***Table 2**: Evaluation of Special Sales Tax as a revenue source*

Equity
A special sales tax has good horizontal equity but poor vertical equity. This is due to a flat tax rate placing a higher financial burden on consumers with lower incomes. Though there is vertical inequity we suggest that even after a 1% or 0.5% increase, prices will remain low enough that it should not create an undue burden on low earning consumers. Even so, if funds are entirely devoted to the affordable housing reserve, residents and tourists would all be contributing directly to a fund that benefits current, and future, Sisters' residents in their growing need of affordable housing.

Efficiency
The efficiency of this option is poor compared to our other recommendations. Currently there is no formal system established in Oregon for Sales tax Collection. Sisters could house collection in their Finance and HR department, if they have capacity, as they already collect fuel and TRT taxes. Revenue could be collected by Sisters monthly, modeling the Marijuana tax collection method in Oregon.[11]

Neutrality
There are neutrality concerns for this funding package as well. Implementing a special sales tax may be enough to cause residents to buy their goods in neighboring towns to avoid the tax. Much like residents who live near the border of Washington and Oregon, Sisters' residents could travel to neighboring towns like Bend to make their purchases, without sales tax, then return home. However, funding package attempts to address this concern. First if the tax is approved by voters, we suspect most of Sisters' residents would be willing to pay the tax considering they voted for it. Second if the special sales tax rate requires only a 1% or .5% increase in price it is unlikely consumers will be willing to travel to make

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[10] City of Sisters. *Sisters FY 22-23 Proposed Budget*. https://www.ci.sisters.or.us/sites/default/files/fileattachments/finance/page/2031/fy_2022.23_budget.pdf

[11] Oregon Department of Revenue. *Marijuana Tax Program*. https://www.oregon.gov/dor/programs/businesses/Pages/marijuana.aspx

purchases. The local price increase will be low enough that paying for gas to travel elsewhere would already spend what would be saved.

Productivity
The productivity of a special sales tax is good. Its revenue forecasts are sizeable and even the lesser option of .5% provides over a 60% increase to the AFH. We have rated its productivity as “good” instead of “very good” due to our estimates maintaining the construction excise tax yielding the most revenue of the three options.

Certainty
The sales tax has excellent certainty. Businesses making sales will be required to collect a sales tax, with the price increase listed on the sales receipt for consumers. There is transparency in how much the price has increased and what the revenue will be used for.

Convenience
Sales tax receives an excellent in convenience as well. Requirements for payments are simple and straightforward. Businesses are facilitating their transactions, anyway. Businesses would also be informed of the required tax collection methods when registering with the Finance and HR department. Functionally adding a special sales tax is easy to administer and convenient for businesses, consumers, and government collectors.

Shortcomings of Special Sales Tax
Though the revenue projections for sales tax are rated as “good” there are a few factors contributing to why we did not recommend our special sales tax package for Sisters to focus on. The primary factors being political feasibility, neutrality concerns, and its productivity. Oregonians hold a strong anti-tax sentiment and initial passing would be a hurdle for Sisters. Though we believe the price increases would remain low enough to not create unequitable conditions for consumers. The concept of a sales tax itself may prove too difficult to gain majority acceptance. Residents may be willing to purchase goods elsewhere or visiting tourists may wait to make purchases outside of Sisters to avoid the sales tax. With challenges in political feasibility, mixed with neutrality concerns, and our special sales tax projections not yielding as much as expected, this funding package is not our main recommendation.

Package 3: Construction Excise Tax
Background
In 2016, the Oregon legislature passed SB1533 authorizing cities and counties to implement a construction excise tax (CET) on all commercial and residential improvements for the purpose of expanding affordable housing locally[12]. The law sets the maximum rate to 1% for both commercial and residential construction projects, and cities have the option to implement the tax separately for commercial and residential developments[13]. A large majority, if not all, of the revenue from both tax methods are restricted. Commercial developments require that at least 50 percent of revenue earned goes towards housing programs. The residential tax is fully restricted, with 50 percent restricted towards developer incentives, 35 percent restricted for affordable housing programs, and 15 percent funding

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[12] State of Oregon. (2021). *Homeowner assistance fund*. Oregon Housing and Community Services : Homeowner Assistance Fund : Homebuyers & Homeowners : State of Oregon. Retrieved November 13, 2022, from https://www.oregon.gov/ohcs/homeownership/Pages/Homeownership-Assistance-Fund.aspx

[13] State of Oregon. (2021). *Homeowner assistance fund*. Oregon Housing and Community Services : Homeowner Assistance Fund : Homebuyers & Homeowners : State of Oregon. Retrieved November 13, 2022, from https://www.oregon.gov/ohcs/homeownership/Pages/Homeownership-Assistance-Fund.aspx

goes to Oregon Housing and Community Services[14]. The residential tax is typically the higher yielding of the two tax options, and this is especially true in Sisters who has most of their housing developments in the form of single-family homes[15]. If Sisters were to adopt this option, that would leave the city with over 85 percent of the expected revenue from the residential tax, and a small earning from the commercial tax if adopted together. As of 2021, only 10 jurisdictions in the state have enacted this policy, including Sister's neighboring city of Bend, who adopted both the residential and commercial tax rate at 0.33%[16].

Sisters has evaluated enacting a CET tax before and faced criticism from the community and local business leaders. Opponents have criticized that a 1 percent tax would affect too much of the revenue earned by business owners and developers, and that the tax would pass on a higher cost to consumers of middle market housing above 1 percent. Sisters, however, is already seeing a decline in housing under $300K and middle-income housing being priced out of the market[17]. The city needs new revenue sources, and a CET would produce a low burden on new developments and reinvest those funds into more housing programs and developer incentives.

Yield

Over 70 percent of Sisters residential development per year is dedicated to single family units[18]. Based on our calculations within the appendix, If the city were to institute a residential tax of 1 percent, the city can expect to generate over $250K from single family residential units alone, with an additional $150K coming from multifamily developments. This would more than double the revenue within the city's housing fund each year. Smaller cities, like Hood River and Sisters, benefit from implementing the tax at the maximum rate at 1 percent due to the limited number of developments and lowered cost of projects in rural areas. See Hood River Case Study for more details.

To meet the criticism of the community, and to incentive more middle-income housing, Sisters could place a 1 percent tax rate on single-family homes while placing limiting multi-family homes to .33 percent. This would maintain the larger portion of revenue collected from single family homes while decreasing the burden on developers building multi-family developments. This would hopefully increase the number of affordable housing projects within city limits and potentially be more favorable to locals who can compare the rate to Bend's tax rate.

On top of the residential tax, the city also has an option to institute a commercial and industrial tax. If the city were to enact a similar policy to Bend for commercial development as well, they could reasonably expect to generate an additional $20-50k depending on the number of commercial projects developed in the year. This would produce, conservatively, $320-$350 for the city's housing funds, and potentially up to 500K if the city were to enact both tax policies at the 1 percent interest rate.

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[14] State of Oregon. (2021). *Homeowner assistance fund*. Oregon Housing and Community Services : Homeowner Assistance Fund : Homebuyers & Homeowners : State of Oregon. Retrieved November 13, 2022, from https://www.oregon.gov/ohcs/homeownership/Pages/Homeownership-Assistance-Fund.aspx

[15] City of Sisters. (2022). *Sisters Housing Plan Update.* https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/22657/sisters_housing_plan_revised_draft_-_080422_withattachment.pdf (revised housing plan)

[16] State of Oregon. (2021). *Homeowner assistance fund*. Oregon Housing and Community Services : Homeowner Assistance Fund : Homebuyers & Homeowners : State of Oregon. Retrieved November 13, 2022, from https://www.oregon.gov/ohcs/homeownership/Pages/Homeownership-Assistance-Fund.aspx

[17] Stafford, S. (n.d.). Sisters taking a hard look at housing strategies. Nugget Newspaper. Retrieved December 5, 2022, from https://nuggetnews.com/Content/Business/Business/Article/Sisters-taking-a-hard-look-at-housing-strategies/7/88/28446

[18] State of Oregon. (2021). *Homeowner assistance fund*. Oregon Housing and Community Services : Homeowner Assistance Fund : Homebuyers & Homeowners : State of Oregon. Retrieved November 13, 2022, from https://www.oregon.gov/ohcs/homeownership/Pages/Homeownership-Assistance-Fund.aspx

Evaluation

Evaluation Criteria	Score	Reasoning
EQUITABLE	H. Good V. Poor	Higher Burden on Small Developments
EFFICIENT	Excellent	Small Admin Cost
NEUTRAL	Good	May Disincentivize Development
PRODUCTIVE	Very Good	Large Yield Compared to Housing Fund
CERTAIN	Excellent	Very Clear and Straightforward
CONVENIENT	Excellent	Easy to Collect

***Table 3**: Evaluation of Construction Excise Tax as a revenue source*

Equity

The interest rate for this tax is proportional horizontally for all developers at the 1 percent level, though the interest rate may differ across different developments if Sisters were to implement a segregated tax for certain types of developments. Vertical inequality is deemed to be poor, with more expensive projects paying more in terms of real dollar value and cheaper projects paying a higher share of overall costs. A reduction of taxation for lower income projects and targeted developments could address some of those concerns and potentially also lead to addressing the gap in production of single use homes over multifamily units.

Efficiency

The CET collects an administration fee of 4 percent that is directed to the local jurisdiction for implementation and collection. The administrative overhead is expected to be low, as the city already collects and distributes permits on a regular basis, though Sisters may need to allocate some effort to properly allocate funds. The cost to properly set up separate sub funds should not outweigh the 4% fee associated with this tax, if Sisters were to set up a similar sub-fund to that of Hood River.

Neutrality

One limit to the CET is that it could have an impact on a developer's decision to build certain projects within Sisters, especially for smaller residential developments. However, the tax across projects is low and reduced for construction that the city would want to prioritize. With a significant portion of the revenue also being directed back into housing development, the tax is mostly neutral as it should incentivize the building of more multi-family units and affordable housing. Cities that are worried about impact could also limit exclusions to further reduce the neutral impact of this tax.

Productivity

The tax's productivity is very good in terms of the revenue that will be allocated towards affordable housing projects. Even though the yield is small when comparing it to the overall cost of affordable housing, the tax is likely to produce a considerable yield year to year compared to Sisters current housing revenue and a large portion of the money each year goes directly back into developer incentives, creating future revenue for Sisters to rely on.

Certainty and Convenience

The CET is excellent in terms of certainty and convenience as it is evenly applied to all who apply for a building permit, it must be paid in full at the time a license is issues, and the rules for taxation are clearly stated by the State and local jurisdictions charter.

RECOMMENDATIONS

Individual evaluations of all three revenue streams indicate that the construction excise tax ranked highest across all revenue sources. Not only was it the most productive of the three options, but it also scored the highest amongst all the categories that were examined and would be the most efficient, equitable and convenient tax for the city of Sisters to implement *(Table 4)*. In addition to our evaluative criteria, the CET produced the most stable and largest yield for the City of Sisters to use for affordable housing. Each revenue source examined two alternative options for the city to adopt, and the CET proved to have the largest yield per year in comparison to every other option (*Table 5*).

For those reasons it is our recommendation to the city of Sisters that they implement a construction excise tax for the purposes of addressing affordable housing. This tax not only would add considerable revenue to the city's housing fund, but it highly aligns with the city's own goals as outlined in their Housing Plan (*Figure 1*). Our evaluation along with Sisters' indicates that implementing this tax would provide a low cost to the city and would be a low administrative burden. The city of Sisters also identified that there is little legal risk associated with this tax, and they expect a high degree of impact from this revenue to be used for affordable housing[19]. The one major drawback identified by Sister's was the community support for the tax is also low. We are hopeful that by enacting a split tax rate that is similar to that of Bend, and offering potential exclusions for lower income housing, citizens will be more receptive to this tax.

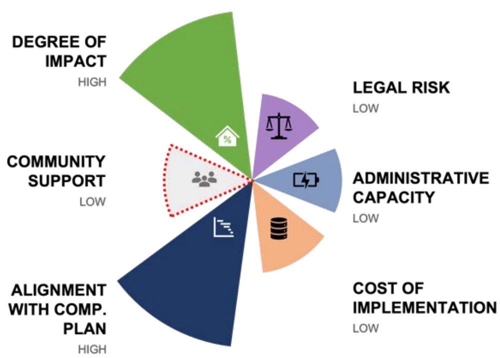

***Figure 1**: Evaluation of CET*

Though the yield of this tax in comparison to the cost of development is low, by setting a tax rate at 1 percent for single family homes and 0.33 percent for multi-family and commercial developments, the tax would bring in a moderate amount of revenue compared to the affordable housing funds the city currently receives and potentially increase development for affordable housing units through incentives.

Evaluation Criteria	Urban Renewal	Special Sales Tax	Construction Excise Tax

[19] City of Sisters. (2022). *Sisters Housing Plan Update.* https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/22657/sisters_housing_plan_revised_draft_-_080422_withattachment.pdf (revised housing plan)

EQUITABLE	Poor/Good	Good	Good
EFFICIENT	Poor	Poor	Excellent
NEUTRAL	Good	Poor	Good
PRODUCTIVE	Good	Good	Very Good
CERTAIN	Good	Excellent	Excellent
CONVENIENT	Excellent	Excellent	Excellent

Table 4: *Comparison of evaluations of revenue sources*

	URBAN RENEWAL	SALES TAX	CONSTRUCTION EXCISE TAX
Option 1	$400K for workforce housing currently, $375K for development assistance = **$96,875** annually through 2030	0.5%: **$76,638**	1% across residential and commercial: **$500K**
Option 2	$1,175,000 for affordable housing if using 25% model = **$146,875** annually through 2030	1%: **$153,276.97**	1% for single-family, 0.33% for multi-family, AND 0.33% for commercial developments: **$300K**

Table 5*: Revenue Comparison*

IMPLEMENTATION

The city will need to have the tax voted on and passed through the City Council to have it adopted. The city should revise their initial tax plan and present the updated version to City Council and the public for approval and debate. At this time, the city will need to revive the Housing Board and ensure the housing fund is placed back into the general fund. Hopefully the tax will be approved, and the Council alongside the Housing Board can set the official rate along with adopting a new municipal code that aligns with Senate Bill 1533[20]. Taxation can easily be collected through the Building Department at the time of issuing permits for development. Lastly, if adopted, the city should create 3 sub-funds for the housing fund, like that of Hood River's budget, to properly allocate revenue and to keep restricted funds separated from each other.

[20] SB1533 (2022). *Regular Session—Oregon Legislative Information System*. Retrieved December 6, 2022, from https://olis.oregonlegislature.gov/liz/2022R1/Measures/Overview/SB1533

APPENDIX

Urban Renewal Calculations

Assumptions:

1. These calculations are based entirely on the total indebtedness that the city can take on from the urban renewal bond. The numbers used are based on the estimated revenue remaining that can be spent on project costs.
2. The city does not have a concrete plan on how their funds will be spent. These calculations assume that the budget for project costs is not firmly set, and funds can be reallocated.
3. Rather than scaling from population size, these calculations are based on percentages of the project costs and total indebtedness allowed in each jurisdiction.

	Corvallis	**Sisters**
Total Indebtedness	$62,377,000	$9,889,199
Estimated Project Costs	$33,585,000	$4,700,000
Amount allocated to affordable housing projects	$8,500,000	$775,000
% Of total project costs	25.31%	16.50%
Revenue for Sisters if using Corvallis % (rounding to 25%)	-	**$1,175,000**
Annual revenue through 2030 (divided by 8 years)	-	Current funds: **$96,875** Potential funds: **$146,875**

***Table 6**: Urban Renewal Revenue Calculations*

Special Sales Tax Calculations

Tax Base Calculations

i. Tax Liability = Revenue Base x Tax Rate
ii. Galena Sales Tax Revenue (1,677,035) = Revenue Base*.0825
iii. Rev Base= approx. $20,327,697
iv. For Sisters, to make a conservative estimate and adjust for population, subtract 5 million from the reference tax base leaving us with $15,327,697 revenue base

Sister Special Sales Tax Option A (1%)

i. Sisters' Tax Liability (1%) = 15,327,697*.01
ii. Sisters' Tax Liability (1%) = $153,276.97
iii. If devoted entirely to Sisters' affordable housing reserve a 1% special sales tax is forecasted to provide up to a 122% increase in reserve revenue.

- **Annual Cost per resident**

i. $153,276.97/ 3,286= $46.6

Sister Special Sales Tax Option B (.5%)

i. Sister Tax Liability= 15,327,697* .005
ii. Sisters Tax Liability (.5%) = approx. $76,638
iii. If devoted entirely to Sisters' affordable housing reserve a .5% special sales tax is forecasted to provide around a 61% increase in reserve revenue.

- **Annual Cost per resident**

i. $76,638/ 3,286= $23.3

Special Sales Tax Assumptions

This revenue model assumes that rates of seasonal tourism between Galena and Sisters are comparable and consistent annually. Projections could be skewed if either city has an outlier year of record high or low tourism. Another assumption is that the spending habits of tourists, and residents, are similar between the two cities. Additionally, despite not knowing the actual numbers of annual tourists for each city we suspect that the number of annual tourists in Galena is greater than in Sisters. Due mostly to its proximity to other major cities, the town population being slightly larger, and their resorts. To account for the discrepancy in visitation we have subtracted 5 million from Galena's revenue base for a more accurate projection of Sister's revenue base to forecast special sales tax yield.

Construction Excise Tax

Residential Tax

Year	Single Family	% Of Residential	Multi-Family Units	% Of Residential
2016	80	95%	4	5%
2017	86	70%	37	30%
2021	70	71%	20	29%
2022	132	85%	20	15%
Tax rate	**Average SF Price**	**Average MF Price**		**Total Tax Yield**
1%	267,000	37,000		306,000
1%	267,000	155,000		424,000
0.25%	65,000	37,000		75,000
0.25%	65,000	155,000		105,000

Table 7: *Construction Excise Residential Tax Calculations*

Case Studies

The funding packages included in this document were chosen based on four case studies: Corvallis, Juneau, Hood River, and Salida. Please see the following documents for more information on each case study.

Case Study 1

Case Study 2

Case Study 3

Case Study 4