



Home Builders Association
of Metropolitan Portland

November 25, 2019

Mayor Kent Stuebaker
Lake Oswego City Council
380 A Avenue 3rd Floor
Lake Oswego, OR 97034

Subject: Ordinance 2831, Home Demolition Tax

Dear Mayor Stuebaker and Councilors:

The Home Builders Association of Metropolitan Portland (HBA) represents over 1,500 companies and tens of thousands of women and men who work in the residential building and remodeling industries throughout the greater Portland area. We work to promote housing affordability and are dedicated to maximizing housing choice for all who reside in the region.

The HBA is concerned that the proposed Home Demolition Tax (the “Tax”) is fundamentally arbitrary, and will have an unnecessary and negative impact on housing affordability in Lake Oswego. What is more, Councilors have publicly expressed multiple rationales and uses for the Tax, signaling a capricious search for revenue. Alarming, the proposed Tax penalizes residential redevelopment — to the tune of hundreds of thousands of dollars across the city – without quantifying its actual impact on any municipal function.

At the November 2019 City Council hearing, Council directed staff to revise the proposed demolition tax ordinance to ensure that funds collected at time of demolition permit issuance are allocated solely to parks maintenance. However, as proposed, the Tax ordinance draws no link between those two activities. Notwithstanding any park needs, there is absolutely zero relationship between demolishing older residential structures and parks upkeep. Rather than arbitrarily taxing redevelopment, the City should articulate its parks needs and a justified means to pay for them.

In addition to lacking a nexus with parks maintenance, the Tax is egregiously at odds with House Bill 2001. The Tax will discourage and reduce middle housing opportunities outlined in the bill, which encourages duplexes, triplexes and quads. By increasing residential redevelopment costs, the tax serves as a targeted barrier to new and diverse housing options. Families across the region are seeking smaller, more attainable homes, which, through scaling and land cost-sharing, are relatively more affordable than a single existing or replacement home. By erecting a financial barrier to higher density replacement housing, Lake Oswego is saying no to these families. Despite the affordable housing concerns expressed by some of the Council, the proposed demolition tax is an affront to House Bill 2001 and the incredible housing opportunities it offers.

Not only does the proposed Tax stand in the way of new missing middle housing units, it would disproportionately punish current homeowners and new homebuyers at all levels. First, the Tax would punish redevelopment and slash equity in older homes. Alternatively, the Tax would be passed on to the consumer and directly increase the cost of new housing. In both instances, the Tax would saddle two segments of the population with the requirement to pay for a city-wide public service, yielding inequitable impacts.

Lake Oswego's parks exist for all to enjoy and as such, each and every household is responsible for their upkeep. The City should consider a parks maintenance utility fee or option levy that spreads costs equitably across all parks users, as cities like West Linn, Tigard, Hillsboro and Corvallis have done. Both of these funding options are based on a logical relationship between the funding source and how it is used.

HBA opposes the city's proposed Demolition Tax due to several negative consequences. The Tax is a blockade to House Bill 2001 middle housing opportunities and general housing affordability throughout the city. Additionally, the Tax will lead to higher housing costs and lower values for older homes. The city has not only failed to logically connect redevelopment activity with parks maintenance, it has not justified the disproportionate taxation of one residential development type to pay for maintaining parks that all city residents enjoy. These somber implications demonstrate that taxing housing in the midst of a regional housing crisis is simply bad policy.

We value our long-standing partnership with the City and encourage you to vote *no* on the proposed Demolition Tax. Instead, you should focus on funding options that allow the city to maintain a desired level of parks maintenance without penalizing housing affordability.

Respectfully,


Roseann Johnson
Assistant Director of Government Affairs

cc: Kent Studebaker, Mayor
Daniel Nguyen, Councilor
Jackie Manz, Councilor
John LaMotte, Councilor
John Wendland, Councilor
Theresa Kohlhoff, Councilor
Skip O'Neill, Councilor

Martha Bennett, City Manager