



April 1<sup>st</sup>, 2024

**To: Lake Oswego Mayor, City Council, and Planning Commission**  
**RE: Testimony Regarding Consideration of CET Proposal and Housing Production Strategy**

Mayor Buck, City Councilors, and Planning Commissioners:

We are writing on behalf of thousands of businesses and individuals who help build the housing, infrastructure, and jobs that make our region livable and economically vibrant. **We are writing to express HBA and our industry's opposition to Lake Oswego's consideration of a Construction Excise Tax (CET) as part of its Housing Production Strategy.**

We appreciate the effort that the Housing Production Strategy Task Force put into vetting tools to increase housing supply in Lake Oswego. The list assembled and recommended by this group contains several meaningful strategies that merit serious consideration by Council. These include pre-approved plan sets, Tax Increment Financing, upzoning land, code audits, and reduced parking minimums.

While we support the city's desire to see new investments in affordable housing, a new CET is not the way to go about it. This would only make it more expensive to build new homes in Lake Oswego, negatively impact affordability and raising barriers for first-time homebuyers. This flies in the face of basic economic principles as well as Governor Kotek's laudable housing production goals for the state. **Approval of this strategy would amount to a new tax on housing.**

Also, it should be noted that the Metro region already has a robust CET tax on all new construction that's been in place since 2007. This generates over \$3.5M annually in revenue for Metro yet regularly goes unallocated without municipal interest and capacity in expanding residential growth areas.

However, there are other tools available that enable cities to achieve their goals of increasing affordable housing construction—through tax exemptions. The City of Portland's active HOLTE/MULTE property tax exemption programs are great examples of how a city can incentivize the market to produce quality affordable housing (up to 120% AMI) without making it more costly to build other types of housing.

While we can appreciate that some taxing districts may not immediately realize the benefits of new development spurred on by tax abatement incentives, we do not believe that this alone should stop the city from considering them. The long-term financial viability of exemptions and the growth in economic activity they generate (as opposed to continued vacancy of empty, underutilized lots) will ensure school districts, fire, medical, and police services are in fact more stable than otherwise would be the case.

Thank you for your consideration of our testimony,

**Preston Korst**

Director of Public Policy and Government Affairs  
Home Building Association of Greater Portland