

HOME Committee Review

Affordable Housing Fund (AHF), Residential Construction Excise Tax, and Commercial and Industrial Construction Tax (CICT)

PROJECT SPECIFIC INFORMATION

AMI/population targets	Up to 100% AMI
Unit Creation Potential	Medium to High
Type of Housing	All types of housing

PARTNERSHIP OPPORTUNITIES

Private partnerships	No
Community partnerships	No

CONSIDERATIONS FOR IMPLEMENTATION

Program Readiness timeline	6 months
Additional Staff Required	Low
Magnitude of initial investment	\$0
Risks	1. Adoption of a residential construction excise tax will require compliance with 2016 changes to ORS 320.170-370.189. 15% of the funds generated by the fee will have to be provided to the state, among other restrictions in use.



	<ol style="list-style-type: none"> 2. A residential construction excise tax must be 0.66% of permit valuation or more to result in more funds for affordable housing development. 3. Increased fees will impact developers and such costs could be carried forward to the tenant or homebuyer 4. Fees are dependent upon the rate of development
Proven track record in Oregon	Yes
Notes	
Anticipated Award per Project	Range from \$150,000 - \$1M+

Packet: AHF and CICT

DESCRIPTION OF PROGRAM:

Oregon's 2016 passage of **Senate Bill 1533** (codified at **ORS 320.170–320.189**) authorized new **local construction excise taxes** (CET) to support affordable housing, while exempting any CET programs that were established prior to 2016 from the new rules, so long as their tax rates remained unchanged. Under the 2016 framework, new residential CETs may not exceed 1 percent of permit valuation; cannot be charged on affordable housing development; must allocate revenues with 50 percent for developer incentives, 35 percent for local housing programs, 15 percent remitted to the state, and may use up to 4 percent for administrative costs. All new CET programs must also be adopted by ordinance or resolution. New commercial and industrial CETs are similarly capped at 1 percent of permit valuation and must split revenue evenly between housing programs and unrestricted local use, again requiring formal adoption by the jurisdiction. State law also identifies several exemptions, including affordable housing, public buildings, private schools, religious facilities, agricultural structures, and certain nonresidential improvements that do not add square footage or create new units, and hospital facilities.

Bend's Affordable Housing Fee (AHF), adopted in 2006 and codified in **Bend Municipal Code Chapter 9.40**, predates SB 1533 and therefore is not subject to its requirements unless the City changes the fee rate. The AHF is assessed at 0.33 percent of permit valuation and dedicates its revenue to affordable housing projects, with up to 15 percent available for indirect costs. Funding applications are typically accepted annually, with awards based on the prior year's revenue, and projects must align with the City's **Consolidated Plan** and serve households earning up to 100 percent of Area Median Income. Since its inception, the AHF has supported more than \$21 million in loans that have created or preserved over 1,000 affordable units.

Bend's Commercial and Industrial Construction Tax (CICT), adopted in 2021 and codified in **Bend Municipal Code Chapter 9.45**, complies fully with SB 1533 requirements. Although initially projected to

generate about \$500,000 annually, actual revenue has been roughly half that amount due to the extensive exemptions required by state law. The City assesses the CICT at 0.33 percent on commercial and industrial permits that add square footage or create new structures, excluding residential permits and other exemptions outlined in ORS 320.173. State statute requires that half of CICT revenue support housing related proposals, while the other half must fund services and programs for individuals earning up to 30 percent of Area Median Income. Since implementation, the CICT has contributed approximately \$400,000 in grants toward affordable housing efforts, resulting in the creation of twenty-one units.

BENEFITS TO THE COMMUNITY:

AHF and CICT funds are a key component in a developer's funding stack and may be combined with other city and federal funds. Because AHF and CICT funds are local funds, they do not have the same restrictions and limitations that federal funds have.

RISKS:

Both the AHF and the CICT are funded through the issuance of building permits. If development activity declines, the revenue generated by these programs correspondingly decreases. If the City of Bend were to add a residential construction excise tax, the program would become subject to the requirements of ORS 320.170 to 320.189, including the obligation to remit 15 percent of revenue to the state and the exclusion of affordable housing permits from the fee. These changes could reduce the funds available for affordable housing investments or for indirect costs that support several City staff positions. Any increase in permit fees would also have a financial impact on market-rate developers.

UTILIZATION OF THIS TOOL IN OREGON OR SIMILAR COMMUNITY:

Across Oregon, several cities have adopted a Construction Excise Tax (CET), with rates varying by jurisdiction. A number of communities—including Portland (for residential and commercial projects valued over \$100,000), Hood River, Tigard, Cannon Beach, and Corvallis—apply the maximum 1 percent rate permitted under state law. Eugene has implemented a 0.5 percent CET. Other cities, such as Albany, Medford, and Bend, use a 0.33 percent rate, with Albany beginning a phased increase starting January 1, 2026. These differing approaches reflect local policy choices and revenue needs while operating within the framework established by state statute.

KEY TAKEAWAYS:

In Bend, both the AHF and the CICT have been in place for many years, and the development community is already accustomed to how these fees affect project costs. Any added residential CET would trigger full compliance with the requirements and exclusions established under Senate Bill 1533, and the tax would need to increase to at least 0.66 percent to generate additional revenue for

affordable housing. However, adopting a residential CET would also reduce the portion available for City administrative costs, which currently support several staff positions.

Adjusting the CICT would similarly increase funding for housing development, though the overall impact would depend on the pace and volume of commercial construction activity. As demonstrated in Albany, jurisdictions may choose to implement increases either all at once or through a phased approach.

CASE STUDY:

The City of Corvallis implemented its Affordable Housing Construction Excise Tax (AHCET) in 2016, in full compliance with Senate Bill 1533. After state and indirect cost deductions, the tax generates between \$500,000 and \$1,000,000 annually. The City of Corvallis primarily uses these funds to help developers cover system development charges (SDCs), as it does not offer SDC exemptions for affordable housing projects. The state deposits their required deductions into a general fund that supports homeownership down-payment assistance. These state-allocated funds are not required to be reinvested in the area where they were generated. The City of Bend has been utilizing both AHF and CICT for many years. The below charts show the potential impacts of increasing the taxes.

Residential CET:

\$1M permit	AHF CURRENT (0.33%)	CET at 0.5%	CET at 0.66%	CET 1%
Developer fee	\$3,300	\$5,000	\$6,600	\$10,000
*developer incentives	\$2,805	\$2,300	\$3,036	\$4,600
housing programs	0	\$1,750	\$2,310	\$3,500
state	0	\$750	\$990	\$1,500
Indirect costs (City administrative costs)	\$495	\$200	\$264	\$400

**minus indirect costs*

CICT:

\$1M permit	CURRENT (0.33%)	increase to 0.5%	increase to 0.66%	increase to 1%
developer fee	\$3,300	\$5,000	\$6,600	\$10,000
housing programs	\$1,650	\$2,500	\$3,300	\$5,000
unrestricted	\$1,650	\$2,500	\$3,300	\$5,000

KEY CONTACT(S):

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ADDITIONAL RESOURCES:

- [Bend Housing Data Hub](#)

- **[Affordable Housing Production Dashboard](#)**
- **[Affordable Housing Awards Dashboard](#)**
- **[Funding Opportunities - City of Bend](#)**
- **[Affordable Housing Advisory Committee - City of Bend](#)**