

IACC RESOLUTION 2016-04

TITLE: Property Exempt from Taxation - Workforce Housing

SPONSOR: Larry Schoen, Blaine County Commissioner

STATUTES AFFECTED: 63-6XX, Property Exempt from Taxation

COUNTY OFFICES AFFECTED: Commissioners

COUNTIES AFFECTED: All

ISSUE/PROBLEM: In an increasing number of Idaho communities, the lack housing that is affordable for a resident workforce is a serious impediment to business success and growth, to economic growth, to the provision of essential services, including in education, health care and public safety.

BACKGROUND & DATA: Workforce housing--also known as community housing or affordable housing--was seen during the real estate boom years before 2008 as a solution to the problem of high home prices and a developers' focus on building ownership properties, rather than rentals. As the real estate bubble grew, in many places homes became unaffordable to workers seeking to live locally. When the recession hit and housing prices collapsed, it was assumed the problem of housing affordability did too. It may have been eased temporarily, but is resurgent and more acute than ever.

The basic concept behind the creation of workforce housing is threefold: a) the cost to build is kept low by various means; b) the property fits aesthetically in the neighborhood; c) the property is administered--for the benefit of qualified buyers and renters--by a duly established housing authority (See Idaho Code 31-42XX, County Housing Authorities). Enrollment of properties in a county housing authority's workforce housing program ensures: a) the property meets the housing authority's affordability criteria (i.e., it is satisfying a market demand for affordable housing); and, b) residents will meet the housing authority's criteria for owning or renting one of these homes.

Idaho Housing and Finance Association guidelines indicate that housing is affordable when a household's total housing costs do not exceed 30% of household income. While Idaho home prices have been lower since the real estate bubble burst, they have been rising across the state for several years. Rental properties in many markets are scarce. Today, in light of the statewide, post-recession focus on economic development, the sheer lack of housing for a resident workforce is viewed by many Idaho communities as a serious impediment to business development and to essential service organizations. These entities can't hire the stable workforce they need to be successful, because workers can't afford to live locally.

Across the board, housing enrolled in Blaine County Housing Authority's (BCHA) workforce housing program retained their values through the recession, even as market-rate property values around them were imploding. This was ironic, because a restriction on price appreciation during the housing bubble was viewed as a disadvantage to homeowners, when the sky was the limit and investors were flipping properties on short turnaround. Workforce housing proved to be the more stable, reliable investment.

PROPOSED POLICY: Give County Commissioners the authority to grant a property tax exemption for up to five [seven?] years for all or a portion of the market value of a property developed for the local workforce housing pool and administered by the county housing authority.

Granting the property tax exemption would encourage the development of workforce housing by reducing the cost to develop, or to own or rent the property. This authority already exists in Idaho Code 63-602NN for the purpose of encouraging certain desirable industrial development.

ARGUMENTS/ENTITIES IN SUPPORT: Sun Valley Economic Development (SVED) recognizes the lack of affordable housing as a key impediment to economic development and community stability and supports this concept. Sun Valley Board of Realtors also recognizes the critical nature of this issue today. Blaine County and the Sun Valley area are an economic driver for the Magic Valley region. This issue is increasingly acute in other markets across the State, including [City of Boise, Teton County, Valley County, Bonner County].

Blaine County Commissioners are asked routinely to facilitate transactions which help lower the total cost of development, to get housing built and into BCHA inventory. Granting a property tax exemption is within existing scope of authority. While this is just one tool and is not a panacea, an ability to incentivize workforce housing is just as important to business development as incentivizing industrial development. Industry will not invest in a location if they know they will not be able to access an adequate labor pool at an affordable labor cost rate there.

ARGUMENTS/ENTITIES AGAINST: The County would lose property tax revenue during the exemption period. The government has no business interfering in housing markets.

FISCAL IMPACT: The County would lose property tax revenue during the exemption period. On the other hand, a larger workforce housing pool would encourage business investment in the community, help stabilize the local economy, take pressure off transportation infrastructure and enhance local services. These factors would directly or indirectly offset some or all of the effects of the foregone revenue.

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