



Oregon

Tina Kotek, Governor

HPAC Work Group Recommendation Template

Work Group

- Availability of land
- Land development permit applications
- Codes and design
- Workforce shortages
- Financing

Recommendation

A new incentive for middle income housing that provides for 100% SDC waiver for units affordable to people making 120% AMI or less. Affordability covenant required for 10 years.

NOTE: The Committee stresses that this is an interim measure to be replaced by an overhaul of local infrastructure funding. The decrease in local revenue must be offset so that local governments can continue to fund infrastructure (including reimbursement of privately constructed public improvements).

Related Work Plan Topics

- Develop policy recommendations in response to OHCS report on SDCs and infrastructure planning.
- Identify incentives for market builders to build affordable units in their communities to create integrated mixed income neighborhoods.
- Infrastructure needs and SDCs to support local infrastructure development create land readiness and cost barriers for local governments and housing developers. These two issues should be assessed to identify reforms or solutions. These reforms or solutions could include direct state investment in local infrastructure, SDC offsets, SDC proportionality limits, differential SDC structure based on housing type, and other changes state infrastructure or SDC policy and programming.
- Permit SDC's to be amortized as a tax on the property immediately reducing housing costs. Additionally, the State could provide a fast-track lending instrument for municipalities to borrow against future revenues.
- Provide funding and/or waive SDCs and fees for the acquisition and conversion of office buildings to residential buildings.

Adoption Date

Method of Adoption

Describe if the adoption was a vote, by consensus, etc., and if the recommendation is unanimous.

Enter the date the work group adopted the recommendation.

Co-chairs Guidance: Standards for Analysis

1. Clearly describe the housing production issue that the recommended action(s) will address.

The significant cost of permits and fees in Oregon is a significant impediment to supply. High fees drive development away or to jurisdictions, generally outside the State, where these costs don't exist or are much lower.

It is not uncommon for SDCs to be \$25,000/unit which, considering an average housing cost of \$250,000/unit, represents 10% of the the total cost of production. This is represents a modest profit margin for a builder and thus would incent a builder to build where otherwise infeasible.

There are currently no State programs or incentives for targeting middle-income (aka workforce) housing production. There are examples of SDC waivers for Affordable Housing (60% and below). A full 30+% of the State's housing needs are in the middle-income bracket.

Describe the barrier(s) or solution(s) the recommendation seeks to address, and how the existence of the barriers hinders production or how the solution supports production.

2. Provide a quantitative, if possible, and qualitative overview of the housing production issue.

Reducing the cost of housing by 10% will materially accelerate supply. There are very few, if any, levers the State can pull that will have this immediate and dramatic affect on the cost and supply of housing.

Housing should be viewed as infrastructure. The current system has housing paying for other forms of infrastructure such as parks, roads, stormwater and water systems, etc. Often, this housing is being built in an infill condition where it is leveraging existing roads, open spaces, etc.

According to the [December 2022 SDC study prepared for OHCS](#), **“SDCs also increase the cost of building new housing in ways that can skew housing development towards higher-cost homes and can impact buyers and renters.”**

Furthermore, according to the same report, “Smaller and lower-cost housing units tend to be more affected by SDCs than larger and more expensive homes. SDCs typically account for a larger share of total costs for smaller homes, middle housing, and moderately priced apartments. This leads to a larger burden on homes and apartments intended to be more affordable.

Summarize the quantitative and qualitative information available, and reviewed by the work group, that

3. To assess the issue and potential action(s), include subject matter experts representing all sides of the issue in work group meetings, including major government, industry, and stakeholder associations.

- City of Portland head of existing SDC waiver program – in place for affordable housing only.
- League of Oregon Cities representative.
- City of Bend middle housing lead.
- City of Salem Community Development Director.

Concern articulated that local jurisdictions and departments depend on SDC income.

City of Portland SME concurred that the economic benefits of creating a new housing unit likely outweighed the SDC paid for that unit.

The [National Association of Homebuilders](#) provides data and reports re. the economic impact of home building in both multi-family and single-family configurations. According to their work, there is a one-year initial impact of \$13.9m in local income, taxes, and other revenue, per 100 multi-family units – representing \$139,000 per unit and 1.6 local jobs produced per unit. The recurring annual revenue from income, taxes, and other revenue from the same 100 units is estimated to be \$3.1m or **\$31,000 per unit** and .44 local jobs per unit. The focus should be on the recurring data and impact as the initial includes up-front permits and impact fees.

List the observers and participating SMEs at the work group meetings as the recommendation was developed. Identify which participating SMEs provided information to the work group and how. Summarize the information and perspective provided by the participating SMEs. If the participating SMEs expressed disagreement or concern with the work group recommendation, describe the reason.

4. Provide a quantitative, if possible, and qualitative overview of the outcome of the recommended action(s).

This recommendation would send a clear message that Oregon is open for business – so much so that it removing an existing impediment/cost and thereby accelerating new supply. It is reasonable to expect that this recommendation will increase housing production by approximately 10%. Being temporary, the program would encourage immediate permitting activity. The program would be monitored to track efficacy.

Simply producing the units needed to meet current demand could generate up to \$40 billion in additional economic growth, a boost that would benefit us all.²

² This estimate is based on Oregon's share of the national economic benefits that come from producing 3.8 million housing units across the country over a 20-year time period (as described in [Up for Growth's Housing Underproduction in the U.S. 2022 Report](#)), scaled to match the OHNA estimates of current underproduction and units needed for people experiencing homelessness. Economic growth is measured as increase in gross domestic product.

Outline the impact of the recommendation on housing production.

5. Provide an estimate of the time frame (*immediate, short, medium, long-term*), feasibility (*low, medium, high*), and cost (*low, medium, high*) for implementation of the recommended action(s).

Time Frame: short
Feasibility: high
Cost: medium

Outline the work group's estimate of the time for implementation of the recommendation and its impact on housing production once implemented. Describe the work group's assessment of the feasibility of the recommendation being implemented and feasibility of success. Provide any estimates on the cost for implementation.

6. Provide a general overview of implementation, the who and how for the recommended action(s).

Implementation by state statute – suggest the upcoming legislative short session.

Biggest objections will come from cities themselves. Mitigated by temporary nature of this program, the fact that this housing would not otherwise occur, and the broader overall economic impact of the housing compensates for the SDC revenue.

- Consider limiting to 120% AMI and below w. 10 year income restriction.
- Consider limiting to new supply under 1,500sf. (smaller homes and apartments more affordable and disproportionately affected by current program).
- Consider excluding new master planned communities on land not connected to existing infrastructure (roads, sewers, etc.).

To the extent the work group knows, is this implemented in state statute or rule, by the state or local government, by a particular agency, etc.

7. Outline the data and information needed for reporting to track the impact and implementation of the recommended action(s).

Relatively straight forward to track at the local level w. reporting up to the State in order to assess effectiveness. OHCS requires certifications for Affordable Housing currently – systems exist for monitoring.

Identify the data the Governor's Office would need to track to determine if the recommendation is increasing housing production.

8. Identify any major unknowns, tradeoffs, or potential unintended consequences.

Reduction in SDC revenue for local jurisdictions offset by economic development of new more affordable housing opportunities.

If not tied to an 120% or below requirement the lost revenue would be much greater. If no limit on home size, could lead to move developer/builder profit at the cost of public infrastructure and/or affordability.

Finally, there is significant risk that a reduction in SDC revenue without substitute funding will significantly impact housing production by constraining the supply of development ready land; additionally, lack of substitute funding may unjustly impact private developers of public infrastructure entitled to public reimbursement. Care should be taken to ensure that cities are able to meet their obligations in light of the decreased SDC revenue adopting this recommendation would cause.

Based on the work group's analysis and information provided by participating SMEs, outline what is unknown, the tradeoffs exist by implementing the recommendations, and any known potential unintended consequences.

Please include any relevant reports, data analyses, presentations, or other documents that would be informative and useful for the full HPAC as the recommendation is discussed and considered.