



Community & Economic Development

February 26, 2013

Representative Doherty, Chair
House Committee on Business and Labor
900 Court Street NE
Salem, OR 97301

RE: HB 2677 – Application of the Prevailing Rate of Wage to Projects for Public Works

Dear Chair Doherty and Members of the Committee:

I am writing today to share the City of Beaverton's opposition to House Bill 2677. It has come to our attention that the proposed legislation will result in the application of prevailing wage rates to privately owned projects financed in whole or in part by 4-percent bonds/tax credits that are essential for affordable housing projects. Unfortunately, this bill will have the unintended consequence of hurting our efforts to increase affordable housing in Beaverton.

There is a lack of affordable housing throughout the State of Oregon, and in Washington County alone there is a gap of over 11,000 units for households whose income is less than 50 percent of the median family income. These are the households who are served by projects built with 4-percent tax credit/bond investments.

Due to the continued decrease in funding for the construction of affordable housing, tax credits and bonds from the State of Oregon have become a cornerstone of making affordable housing projects feasible. Additionally, household incomes have decreased, which means the rents these properties can charge has also decreased. Making these projects subject to prevailing wage rules will increase project costs by an estimated 15 percent and increase reporting and administrative overhead during project construction. As a result, the prevailing wage requirement could compound the financing barriers affordable housing projects already face, making fewer projects pencil out.

Additionally, this legislation would inadvertently decrease the impact of local investments to help facilitate the development of affordable housing including tax abatement, SDC financing, land acquisition, and planning assistance. The impact of each of these tools will be negated if the proposed legislation passes as cost increases due to prevailing wage requirements will offset the financial benefits of local programs.

The City of Beaverton has actively sought to develop affordable housing in our city's downtown core. We partnered with Providence to construct senior housing on a city-owned block, but then Congress eliminated the HUD 202 program that provides financing for senior housing construction. As we tried to move forward on projects using 4-percent bonds, rent rate decreases caused the projects not to financially work any longer. Now, future affordable housing projects would be threatened by overall increases in project costs demanded by HB 2677.

State-funded affordable housing projects provide hard-working Oregonians with access to safe, decent, and affordable housing. They provide economic security for families, better educational outcomes for Oregon's low-income children, and better health outcomes for their residents in addition to creating jobs and neighborhood revitalization in Oregon communities. The City of Beaverton supports our private-sector partners who build affordable housing and the residents who call those projects home. We oppose HB 2677 and encourage you to not pass this bill out of committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Mazziotti".

Don Mazziotti
Community & Economic Development Director