



February 8, 2019

House Committee on Human Services and Housing  
Oregon State Capitol  
900 Court Se. NE, HR 50  
Salem, OR 97301

**RE: HB 2001**

Dear Chair Keny Guyer and Members of the Committee:

The City of Hillsboro (the City) supports Speaker Kotek's goal of increasing housing choice for households of different ages, sizes and incomes in single-family neighborhoods. We support this goal as it aligns with our City Council's housing priority and appreciate the ongoing dialogue with the Speaker's Office. However, the mechanisms in the bill for achieving the stated goal do not align with local community planning processes, which could lead to significant unintended consequences.

### **HILLSBORO HOUSING OVERVIEW**

For many years, the City has been planning, in coordination with our partners and under state land use goals and regional policy, for public infrastructure, facilities, and services to support the development of housing types across the spectrum; from regulated affordable housing, to middle housing, multifamily, and detached single-family. Our Comprehensive Plan and Zoning Code reflect a commitment to housing choice. For example:

- Middle housing is allowed in over 99 percent of residential zones, either by-right or through a Planned Unit Development or Subdivision (*see Residential Zone Chart*) and only 30 percent of the City's land area is zoned single-family;
- Middle housing is the fastest growing housing type in Hillsboro, with rowhomes and townhomes accounting for 4 out of 5 permits issued for middle housing since 1999;
- Approximately 25 percent of Hillsboro's housing stock is middle housing as it is commonly defined; cottage cluster, attached single-family, 2, 3, and 4 plex, and mid-plex (5 – 9 units) developments;
- Approximately half of Hillsboro's total housing stock is multifamily and attached.

The City is also prioritizing the delivery of regulated affordable housing in addition to other types of market-rate product.

For example:

- 340 units of regulated affordable housing have been delivered in Hillsboro in the last five years with 120 units under construction. Hillsboro has a total of approximately 2,500 units of regulated affordable housing – second most in the Metro region;
- In 2017 the City contracted with EcoNorthwest to study local policy options for supporting regulated affordable housing;
- Since that study, the City has reduced parking requirements for regulated affordable housing and just last week the Hillsboro City Council unanimously voted on a first reading of an ordinance opting-in to the state authorized non-profit property tax exemption program;
- \$1,000,000 is budgeted this year to support investments in regulated affordable housing;
- The City is preparing to implement the Metro Affordable Housing Bond Measure; and
- Over 3,000 market rate units are in the pipeline or under construction in the Amberglen town center and construction has started on another 8,000 units in South Hillsboro.

## **OVERVIEW OF ISSUES & LEGISLATION ANALYSIS**

### ***Sections 2 & 3***

The City's planning efforts are coordinated with and informed by state land use policy and Metro's adopted 2040 Growth Concept, which was shaped by thousands of Oregonians and represents a 50-year plan for growth in the region. As applied to housing, the 2040 Growth Concept represents a regional consensus for where density will be planned for and delivered. As a result, since its adoption in 1995, the City has been planning for adequate infrastructure and services in the areas within our community to support increased housing density, as identified in the 2040 Growth Concept. Our local planning efforts effectively implemented the regional goals outlined in the 2040 Growth Concept and over the years has resulted in significant development of needed housing to support a diverse and thriving community.

Collectively, sections two and three of HB 2001 require cities with a population greater than 10,000 to allow middle housing as defined in the bill on every lot in areas zoned for detached single-family dwellings along with necessary comprehensive plan and zoning modification to implement those requirements by January 1, 2020. As applied to the City, this approach is not workable, and we believe it could lead to significant unintended consequences.

Contrasted with state land use policy and the 2040 Growth Concept, the mechanisms in sections two and three puts the cart before the horse by significantly upzoning areas zoned Single Family Residential before doing the complicated, community-based work to ensure adequate infrastructure is planned for and delivered to support potential development.

Single-family zones (SFR zones) constitute approximately 30 percent of the City's land area, which is largely developed, but has capacity for roughly 8,500 additional dwelling units. HB 2001 would immediately upzone the city resulting in added capacity ranging from 30,751 to 76,903 additional dwelling units. As a result, the City would need to update not only our comprehensive plan, but all public facility plans that are incorporated into the comprehensive plan. Given the extensive technical planning and necessary public involvement process, this would be a time and resource intensive endeavor to determine how to provide necessary public facilities, infrastructure and services at the levels needed to serve the additional density and potential population increase.

For example, relying on projections prepared by the City of Hillsboro Planning Department on how fast development may occur, the City of Hillsboro Water Department would need to update its water supply master plan, a program that that could take upwards of two years to complete. The updated plan would need to account for not only Hillsboro's potential population increases, but also for the potential population increases to our wholesale customers like the City of Cornelius, which completely relies on Hillsboro for its water supply. The updated analysis would likely identify the need to invest in new infrastructure in the form of a new or expanded water supply source (in addition to the Willamette Water Supply system currently under development), as well as new reservoirs, treatment capacity, and transmission lines, in order to meet the increased demand. These planning processes to secure and deliver safe, reliable, and plentiful water to customers will take years, not months, and will require significant investment of public resources.

More specifically, many SFR zones may have existing public facilities and infrastructure that are inadequate for higher densities.

For example, an area that is zoned SFR under current standards may be served by a system of 12-inch water distribution lines, whereas accommodating the higher density required by the HB 2001 may require a backbone system of 18-inch water distribution lines to meet increased customer demands and, more importantly, to provide sufficient flow capacity to supply firefighting needs for the higher density development. While easier in greenfield developments, retrofitting existing neighborhoods to replace existing water lines (sewer, storm, transportation, etc.) will be extremely expensive, disruptive, and may mean there is not capacity to accommodate the higher densities until the older lines can be replaced. Depending on the service provider, new capital expenditures necessary to accommodate the increased density may require voter approval of bonds, as is likely to be the case for school districts. However, we do not believe HB 2001 provides the time or flexibility for cities and service providers to address the coordinated and timely provision of services and facilities.

In addition to the concerns stated above, the amount of planning work, public investment, and the proposed timeline to accomplish the work means that planning for the delivery of middle housing will become the top priority for our Planning Department. The unintended consequence is that our Planning Department will have significantly diminished capacity to support our local regulated affordable housing strategy or support implementation of the Metro Affordable Housing Bond Measure – effectively prioritizing market rate middle housing over the delivery of regulated affordable housing. We are concerned about the impact this may have on meeting the needs of our lowest income and most vulnerable residents.

## **Section 6**

This section requires cities subject to the requirements of section two and three to defer System Development Charges (SDCs) until Certificate of Occupancy (COO) is issued.

SDCs are fees paid by developers to provide funding for large-scale public infrastructure projects necessary to accommodate growth – the very type of infrastructure projects that will be necessary to provide adequate public facilities for the increased density and potential population increases that will result from implementation of a by-right requirement for middle housing in SFR zones.

Deferring SDCs to COO will result in new and increased administrative challenges for our Building Department (collector of SDCs assessed within Hillsboro). This will be difficult for city-assessed SDCs, but even more so for SDCs assessed by overlapping taxing jurisdictions like Washington County (Transportation Development Tax), Clean Water Services (sewer and storm), and Tualatin Valley Water District (East of 185<sup>th</sup>).

Furthermore, SDCs make up the entire, or significant portions of, many City department's capital budgets. Deferring SDCs to COO could make collecting SDCs more difficult and delays could occur with dips in the market that leave housing products in development for long periods of time, thus causing City departments to push anticipated SDC revenues into subsequent years and reducing available funds in current budget cycles for critical infrastructure. Potential reductions in SDC revenue would have to be backfilled with increased property taxes or rate increases levied against the general population – sources that disproportionately impact low-income residents. Ultimately, deferral of SDCs to COO could result in a subsidy to private development, even if only for a short period of time, for necessary growth-related infrastructure improvements.

For example, refer back to the example above discussing the impacts of a by-right allowance of middle housing in SFR zones on our Water Department, now layering on potential impacts associated with deferral of SDC revenues. That example indicates that our Water Department would need to begin an extensive planning process to assess future infrastructure and water supply needs in light of the new potential for additional density and population increases. Once the planning process is complete, the Water Department would need to begin executing the investment strategy outlined in the revised master plan, yet may not have access to a fully funded SDC account if SDC revenues are lower than anticipated due to difficulty collecting SDCs or delays associated with a dip in the economy that leave new homes in development for long periods of time. At the same time the Water Department is planning for significant capacity and infrastructure needs, their primary capital revenue source is compromised and the only option to account for revenue shortages is to increase rates to fund infrastructure improvements to meet demand. A double negative of sorts. Since SDC funds are utilized to finance capital investments which increase capacity to source, treat, and deliver water to new development, reductions in SDC funds would shift the burden of financing infrastructure to the entire ratepayer base and away from developers.

**CONCLUSION**

The City shares and supports the Speaker’s goals for increasing housing choice for households of different ages, sizes and incomes in single-family neighborhoods and stands ready to assist the Speaker and this committee to realize this shared goal. We appreciate the Speaker’s leadership and the leadership of this committee over recent years to deliver record investments in affordable housing and in making the state a stronger partner in providing housing choice to our shared constituents.

However, we remain concerned about the unintended consequences that could result from implementation of the bill as written based on the reasoning explained above. Moving forward, we encourage a discussion that seeks to strengthen partnerships between state and local governments by aligning and coordinating state housing policy with local planning processes. If we approach the discussion in that way, we can be sure we thoughtfully plan for growth without the prospect of planning lagging behind growth, invest in critical infrastructure instead of creating demand and capacity without adequate infrastructure in place, and further our shared goal of increasing housing choice and availability for our shared constituents.

Sincerely,



Robby Hammond  
City Manager