Committee on Agriculture and Land Use:

The Corvallis City Council Legislative Committee requested that our Community Development Director, Paul Bilotta, review HB 2003 before we considered taking a stance on the bill. Because he responded in a thoughtful and through manner, we wished to forward his responses to you for consideration. There are two: the first addresses the bill itself and the second addresses some ways to amend it to make it more co-operative.

Thank you for your time, consideration, and hard work.
Charlyn Ellis
Corvallis City Council, ward five
Member of the Council Legislative Committee

Part One:

HB 2003 has some good elements, such as ensuring that cities are aware of their housing need, but I think it really misses the mark on many fronts:

1.   The general tone seems to assume that cities are hostile to providing needed housing and therefore the appropriate model is oversight and penalties by the state. In every other location I have worked/consulted, cities are viewed to be the key partners in providing needed housing. By operating from this model of state control and enforcement rather than partnership and support, it needlessly creates bureaucratic red tape and manufactured conflict where it does not currently exist.

2.   The mechanism for determining housing need is more complex, frequent and expensive than it needs to be. Although an 8 year cycle may make sense from a legislative election cycle, typically planning is based on 10 year cycles so that it can be based on the wealth of information that comes out with the US Census. By creating off-Census cycle analysis, it adds additional cost and inconsistency since the gaps for information that would be provided in the Census will need to be interpolated via other means.

3.   The other problem with a legislatively mandated time period for analysis updates is that it doesn't adapt well to the different circumstances of each community. An 8 year time period might be too long for a fast growing small suburb of Portland suddenly being overrun with an entire metro's growth forces, but might be incredibly short for a small city in eastern Oregon that has been losing population for 20 years. There is a very simple mechanism that is used to reduce all this bureaucratic waste and make the system self-calibrating. All you do is have the housing studies project out various unit types for the 20 year period in terms of units. Then every year, the city keeps track of its building permit activity and reports the number of units in each category that were constructed in that year as well as the running total from whenever the last projection was done (simple, one page form). Then you set a threshold standard for when you need to do another study. So, for instance, if Corvallis were projected to need 1500 apartment units in the next 20 years, we could easily track that data every year (and do) and perhaps the threshold for restudy is 50%. So when we got done issuing building permits for

750 apartment units, we'd have to go back out and do another housing study (and it could potentially just be limited to apartment units making it a very simple/inexpensive study).

4.   The LWV's note about Ballot Measures 5 and 50 are on target. Affordable housing does not get built with punitive oversight. Affordable housing gets built with financial subsidies and this provides none. This year, BMs 5 and 50 will be costing the City of Corvallis $15 million. That kind of gap doesn't provide any room for a community to create expensive new local housing programs. All this complex reporting is just going to pull more resources and staff attention away from actually working on affordable housing.

5.   Section 13 completely overruns local control and doesn't take into account that the public property was likely acquired for some purpose. It is also unclear what "shall allow the development of housing on public property" means. Since the requirements already indicate the property is zoned residential (thereby allowing residential development), is this saying that a third party can force a housing development onto publicly owned property? If so, is there compensation involved? I'd like to understand better what problem this is trying to solve. It seems targeted to some particular situation someone ran up against somewhere.

6.   The discussion about System Development Charges (SDCs) is also very short sighted and again takes the punitive approach rather than understanding what the mechanism is being used for. SDCs are big numbers, but they are limited in their purpose – construction of infrastructure. They allow growth to pay for the additional infrastructure that is needed to accommodate growth. With most fees in a land supply constrained environment, when you cut them, it tends to just flow down to the underlying land seller, so the public infrastructure account ends up underfunded, the housing project pays more in land and less in SDCs and the property seller gets a higher rate of return on their land sale.

Long term, going after SDCs is very short sighted. When SDCs are underfunded, cities can't pay to widen/extend streets, expand sewage treatment plants, etc. which are critical to prepare areas for additional growth. That will limit the developable land supply.

Now, there is a valid philosophical argument around whether or not SDCs should be used at all. This philosophical argument is whether it is fair to make growth pay for all the costs of growth or whether all residents of a community should bear the burden of system expansion. This issue tends to come to a head most when it comes to parks. In states that don't allow SDCs, when a city wants to spend money to buy/develop a new park, it has to make the case to the voters and justify that expense against the other expenses a city has to bear. In states that allow SDCs, you can end up with distorted economic incentives where the existing taxpayers/voters decide to create more expansive park systems than they would be willing to pay for themselves because they will be "paid by development". Many states do not allow SDCs for these sorts of equity purposes, but they occur in states where there has been tax limitations imposed (BM 5/50, no sales tax, etc.) because they become the only funding mechanism available to construct needed infrastructure.

SDCs are not slush funds and they aren't used for frivolous purposes, but this legislation seems to imply that they do. If the legislature wants to look at reduction/elimination of SDCs, it should be in relation to property tax reform and a conscious decision to transfer burdens for infrastructure expansion away from growth and onto the general population as a whole.

7. This legislation appears to do nothing to deal with the issue of the great difficulty with UGB expansions.
8. In its present form, I can't support this bill. It adds a whole lot of unproductive red tape for minimal gain. Instead, I would suggest that the legislature look across the nation at best practices for how other states project needs for housing and work in partnership with cities to satisfy enough land to meet that need. They are making a relatively simple issue into a complex mess. There are dozens and dozens of better systems out there. They just need to look at them and pick the best one.

Part Two:

In my review of HB 2003, I referenced that I thought the assumptions underlying the bill were flawed since they took a punitive approach towards cities rather than a cooperative approach. It occurred to me that this may not have been as informative as it could be since I didn't explain what a cooperative approach might look like.

I will show you one that I know well having worked within it for a couple of decades – the metropolitan area of Minneapolis/St. Paul. Although it was a metro, not statewide area, the goals and techniques were very similar. For instance, in Oregon, we surround our cities with urban growth boundaries. In the MSP metro, they use a MUSA line (Metropolitan Urban Service Area) which serves a similar function. In Oregon, there are population projections from PSU. In the MSP metro, there are population projections that come from the metro. In Oregon, there are periodic legislative attempts to find solutions to land use problems and somewhat ad hoc/expensive local attempts at analysis. In the MSP metro, there are organized, analysis and engagement processes to find solutions to the same land use problems and then a cooperative path for moving these agreements to implementation at the local level. Oregon's state population is approximately 4.1 million people and the MSP metro is approximately 3.6 million people. With modern geographic information systems, physical geography doesn't present much of a barrier anymore, so managing/tracking approximately the same number of people over a large area or a smaller area is about the same amount of work. It is the population which tends to be the key driver of complexity, not land area.

The way they go about this monitoring, solving, controlling process (in a simplified manner) is explained in the following link, but goes something like this:

https://metrocouncil.org/About-Us/Facts/PlannningF/FACTS-Comprehensive-Planning.aspx

1. Census data becomes available and analysis of trends occurs, problems identified
2. Extensive, inclusive planning efforts occur to develop the high level guiding principles that will guide the area for the next decade. In Oregon, that would be a statewide planning effort. This effort pulls all of the special interests together, travels geographically and makes the big commitments, without getting too far into the weeds. You are deciding things like what is the priority of needs for the next 10 years? Are we trying to concentrate affordable housing around jobs, transit and services or are we trying to create scattered site affordable housing so that people have opportunities to live in any community with access to different educational opportunities, etc. This is where you fight all the policy fights, 1 time per decade, but whether you win or lose, we all are going to be rowing the same direction once the policy plan is approved. You don't fight them city by city, project by project, or year by year. As an example, here is the Housing Policy Plan. https://metrocouncil.org/Housing/Planning/Housing-Policy-Plan.aspxFor a statewide equivalent, you would probably have statewide policy plans on housing, transportation, climate, natural resources and economic development.
3. The state would then condense those larger, state policy documents, growth projections, housing needs, etc. into customized statements about what the community's requirements are to do its share to meet the state's goals. The state's goals also don't extend into micromanagement of local control. Here is an example of what that community system statement looks like https://metrocouncil.org/Communities/Planning/Local-Planning-Assistance/System-Statements/System-Statements/02395854_Shakopee_2015SS.aspx Community's do have an ability to negotiate issues (particularly population/affordable housing allocations) if they have local knowledge that shows the projections aren't realistic. This typically happens if, say, a city just opened up a new annexation area and expects to have more growth than projected or maybe has hit the end of its available land and is fully surrounded and therefore doesn't have much expansion capability beyond infill. However, once the community system statement is finalized, it is done and the city is committed. These system statements also greatly reduce cost/waste of hiring consultants to do large housing studies, etc. A larger city may choose to do one on their own to get additional insights, but that is optional and the baseline information is all there to make a basic plan for cities that are 2,000 population or even 200,000 population with very little cost.
4. Then cities compare their statewide requirements against their comp plans and if changes are necessary, they update the comp plan. If the comp plan still is adequate to meet the current goals, they just resubmit it for recertification. If it isn't, they make changes to come into compliance. The higher authority sets the rules, but the cities have lots of discretion about how they want to do it. The most extreme I had was a consulting client city that wanted to preserve its large amount of rural residential but still needed to meet obligations for minimum densities. It created a plan that preserved the rural residential areas but made very aggressive density plans in its core area. So on the one hand, they had places where you could buy a 2 acre homestead, but on the other, they created an urban core that was sufficiently

dense to justify putting in a commuter rail stop. It was unique, but it worked and provided for its obligations in a way that this local community would support. Most cities had more like Corvallis does, with a more gradual range of housing types/densities throughout the city.

5.   Throughout the entire process, the state would provide technical guidance, tools, grants, consistent information, and monitoring tools so everyone is speaking from the same data and with the same language.

6.   There are numerous feedback loops between the higher level authority and local communities at the politician, staff, community member and special interests level so that policy or regulatory changes are generally well thought out and not just introduced in the legislature as a surprise. Very little is introduced in the legislature that is not well vetted and expected.

Very similar goals, but the process is far more efficient, effective and collaborative. The basic understanding is we are all trying to solve the same problems, so let's work together and support each other at all levels of government.