

Mark Meek  
State Representative  
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## House of Representatives

May 6, 2019

The Honorable Paul Holvey, Chair  
The Honorable Jennifer Williamson, Vice-Chair  
The Honorable Carl Wilson, Vice-Chair  
House Committee on Rules  
900 Court Street NE  
Salem, OR 97301

**Subject: Support for HB 3432**

**Chair Holvey, Vice-Chairs Williamson and Wilson and Members of the Committee:**

Thank you for the opportunity to provide testimony in support of HB 3432 and affordable housing. Homeownership is one of the greatest opportunities for families to build inter-generational wealth and realize the American Dream. But that opportunity is currently out of reach for too many Oregonians. Our state lags the nation in our rate of homeownership, and a lack of affordable housing supply is a major reason.

As we seek ways to boost homeownership, we should not ignore the important role the condominiums can play in the solution. Condos are typically more affordable than a comparable single-family home and are an especially-attractive option for first-time homebuyers. **But production of condos in Oregon is just a fraction of what it used to be a decade ago, when over 4,000 units were built each year. Now, we produce less than 10 percent of that amount** – even as our population and affordable housing needs continue to grow.

**A major cause of this is Oregon's current construction defect liability laws, which are more restrictive than those in other states and has negative impacts on our affordable housing market.** Last year, ECONorthwest prepared a document ("*Impact of Construction Defect Liability on Condominium Production in Oregon*", 2018) examining these impacts and making recommendations for future action. They found that Oregon's construction defect liability, in its current form, adds uncertainty and increased production costs to condo development – mainly through higher insurance premiums, less competition for construction bids, and the use of more expensive (Type 1) materials. **The report makes it clear that Oregon's current construction defect laws are having a negative impact on housing affordability and homeownership – particularly for those who have been historically marginalized and excluded.**

HB 3432 reforms the statute of ultimate repose for construction defects in condos to six years and will lead to more affordable housing and greater opportunities for homeownership. Other states, including Washington and Colorado, have made this change for these same reasons. What those states have not done, however, is pair this change in the statute of ultimate repose with a robust inspection process that will reduce the overall risk to consumers while also increasing our affordable housing supply.

**The goal of HB 3432 is not simply to address potential litigation; it aims to prevent these defects from occurring in the first place.** The bill creates a new requirement for up-front envelope inspections – developed by the Building Codes Division – to identify, mitigate and reduce occurrences of defects. The "building envelope" is the exterior enclosure of the structure, including the outside walls, windows, doors, joints and flashing. Failure of the envelope to properly protect against unwanted moisture, heat or other outside elements is most often the root cause of construction defects in these structures,

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especially in later years. Most, if not all defects in later years can be traced back to failures of the envelope (or failure by the owner or association to properly maintain the structure). The up-front envelope inspections required under HB 3432 are a big deal, and it makes sense to pair these inspection requirements with the reduced six year statute of ultimate repose. In 2005 the Oregon Legislature established the Construction Claims Task Force, and in their 2007 report they made several recommendations, including more robust building envelope training and competency. HB 3432 can help us develop these standards; increased scrutiny on the quality of building envelopes is a good thing, and will lead to more opportunities for us to develop this workforce in the future and improve the quality of construction in Oregon.

Finally, HB 3432 creates a **more open, transparent and participatory process** for owners to decide to enter litigation over a construction defect. Similar processes exist in other states, including Minnesota and Colorado. Litigation has a major impact on one's ability to sell their property, and outsourcing responsibility for these decisions to a board is disempowering to homeowners. Oregonians who have invested hundreds of thousands of dollars should have a voice in decisions affecting the most valuable asset they will likely ever own. Owners should be encouraged to have a more active role in the decision-making process around the future of their home, and the changes in HB 3432 do that.

HB 3432 is a critical step that we can take this session to address our affordable housing crisis. Potential first-time homebuyers, middle-class families and marginalized communities across Oregon are being priced out of homeownership – denying them the stability and wealth-building opportunities that we as homeowners have been so privileged to enjoy. **HB 3432 offers a unique and balanced approach to increase our supply of affordable housing while protecting consumers by decreasing the occurrence of construction defects in the first place.**

I urge your support of HB 3432.

Respectfully,

Mark Meek

State Representative – Oregon House District 40