

Opposition to HB 3040-1

HB 3040-1 proposes a one-size-fits-all mandate on local system development charges, based on the false assumption that SDCs are to blame for rising housing development costs in Oregon. In fact, the legislation will raise costs for local government and provides no guarantee that new development is actually affordable.

The reality is that SDCs account for a small portion of the overall costs of new development. SDCs are a valuable tool for cities to pay for increased capacity within infrastructure to accommodate new users. Local governments have very few resources available to provide for rising infrastructure costs. SDCs recover fair costs for public infrastructure capacity to serve new growth and account for a small portion of the overall costs of a development. Cities can and often do offer incentives that reduce developer costs for affordable housing.

HB 3040-1 would require local governments to defer collecting SDCs until certificate of occupancy for multi-family residential, commercial, and industrial development, and to defer SDC collection until sale of a single-family home as part of closing costs. Changing the collection date will result in small savings on interest for developers and increase costs for local governments. There is no requirement for developers to pass through cost savings to homebuyers or reduce housing prices. Requiring all cities to defer SDC charges will raise administration costs in many communities, thereby increasing SDCs, because cities will have to develop new collection software and add staff capacity to track deferrals. Tracking SDCs at close of sale for single family homes is unworkable as written; cities are not given any authority to place liens, collect interest, or collect SDCs that may be missed in the closing process (including those for owner/builders where there is no closing).

The bill would also require cities to apply the same SDC methodology for development of manufactured homes as multi-family housing. In some cities, this will result in increased SDC costs for manufactured housing. Furthermore, manufactured home buyers do not pay SDCs, the park owner does. This provision does nothing to reduce the cost of manufactured housing.

HB 3040-1 would also require cities to track and post SDC receipts online for every individual development. Local governments are already very transparent, as existing statutes already require broad transparency on SDCs. Cities won't be able to add receipts to websites for all local government SDC charges when paid - there are too many and the timeline is unworkable. This provision is also one-sided as it does not include equivalent transparency for developer fees.

Finally, HB 3040-1 directs Oregon Housing and Community Services to study and make recommendations on best practices for SDC charges, methodologies, transparency, credits, and alternative funding options. Cities agree that a study would improve statewide understanding of SDCs and best practices, however the study should also include a focus on other potential cost-drivers of housing and infrastructure to provide a full picture. The study should include a specific focus on infrastructure needs and costs and Business Oregon should be included to lend expertise on infrastructure and impacts to non-residential development.