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House Committee on Economic Recovery and Prosperity
Chair Representative John Lively & Committee Members

RE: HB3040 -1 – Relating to System Development Charges (SDCs)

Dear Chair Representative John Lively & Committee Members,

There are many parts of this bill that will adversely impact development, efforts in providing affordable housing and transparent, efficient operations of local government.

Over the last 10 years, the City of Prineville has been lowering our SDCs with its environmentally conscious approach to wastewater treatment and a drought resistant, reliable source of water for current demands and future growth. Our SDC methodology has been completely recreated that involved dozens of meetings and public hearings with developers, community members, the Planning Commission and City Council. We have even been able to lower utility rates with this approach.

Statewide it is apparent that many cities have been taking measures to bolster the development of affordable housing in our communities. For our community, the idea of deferring collection of SDCs had been researched and financially modeled at great length along with many other incentives. In the end it was determined to not be effective in achieving the overarching goal of supporting affordable housing. One major factor was comparing the cost to implement, track and collect deferred SDCs, significantly outweighed the actual savings it would provide to building an affordable home.

For the last several years, this has been a regional topic of concern for cities and what we could do to support affordable housing. Even within Central Oregon, there was not any one answer that worked for all. There is not a “one size fits all” solution to this problem. The “one size fits all” has not worked for many other bills proposed over the years and will not work with this bill. Additionally, it eliminates a city’s ability to explore possible solutions that works best for each community’s unique needs that could be more effective and financially responsible. When you look at each expense to building a home, the SDCs are a fraction of the overall cost of construction to the developer.

Other aspects of this bill that are problematic are: language specifying that the developers receiving this benefit are not required to pass these slight savings onto the home buyer; tracking of SDCs as proposed is not feasible as written and will add to administrative costs; cities are not given any authority to guarantee recovery of the costs of infrastructure needed for development; and a requirement to assess the SDCs at the time of closing for single family homes.

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.

SDCs are a valuable tool for cities to plan and fund 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 again account for a small portion of the overall costs of a development.

It is for these reasons and a few more that we are writing in opposition to this bill.

Thank you for your consideration.

Respectfully,



Rodney J. Beebe
City of Prineville Mayor