



February 8, 2023

Senator Jama, Chair
Senate Committee on Housing and Development
900 Court St. NE
Salem, OR 97301

RE: SB 1537

Dear Chair Jama, Vice-Chair Anderson, and Members of the Committee:

Thank you for the opportunity to provide feedback on SB 1537. **The LOC currently has a neutral position on the bill, pending further review. There are sections that cities would like to support if refined and other sections that cities are unable to support.**

Cities across the state are working urgently to address Oregon's housing crisis and encourage the development of needed housing. The LOC supports and shares the Governor's housing goals and SB 1537 has the potential to make significant progress on Oregon's housing needs, but as introduced it does not work on the ground. **SB 1537 needs significant technical corrections across all sections of the bill. The LOC and individual cities submitted comprehensive feedback to the Governor's Office that we hope will be included in the -4 amendment. On initial review, it appears not all requested corrections have been incorporated and we will work with the Governor's office before submitting additional testimony in the coming days with full details on those additional needed technical amendments.** In the meantime, we appreciate your consideration of our initial feedback, below. The LOC is committed to working with the Governor and the Legislature to inform a housing package that can make real progress on Oregon's housing goals.

Sections 1 – 7: HAPO

The LOC supports increased state investment and technical assistance for local development needs, including critically needed coordination across state agencies and between state and local government. The proposed HAPO has the potential to do this, but it needs additional work for cities to support. The HAPO adds new enforcement authority and processes at DLCD that are duplicative of existing LCDC authority and significantly expands DLCD's authority and role outside the department's scope that could conflict with other state agency policy priorities, processes, and expertise, with no clear plan to resolve and communicate any needed policy decisions. While we support any effort to coordinate and focus state agencies, the HAPO proposal lacks transparency and accountability.

Despite productive discussions with the Governor's Office and DLCD over the interim, the LOC is still hoping to see clear communication from DLCD on how the HAPO is intended to operate, as the statutory framework does not provide a clear picture. Additionally, DLCD should commit to partnering with city and development experts in both the design and through implementation, to ensure the HAPO does not create additional bureaucratic delay, cost, or uncertainty for both local government and developers in Oregon's already challenging development environment.

Sections 8-9: Opting into Amended Housing Regulations

The LOC supports the intent of this concept. It is both what cities practice now and what cities support. However, as introduced, these sections cause significant challenges for local implementation. We are grateful to Representative Marsh, the Governor's Office and DLCD for their work with cities and counties to include technical improvements to resolve local government concerns in the -4 amendment.

Section 10: Attorney Fees

LOC supports this section that expands current prevailing party attorney's fees provisions for affordable housing to include local governments. The concept does not work as drafted in the introduced bill and we understand and appreciate that technical corrections have been made in the -4 amendment.

Section 13 – 23: Financial Assistance Supporting Housing Production

The LOC is encouraged to see significant investments in infrastructure programs included in SB 1537. The most powerful strategy the state can deploy to quickly unlock housing and improve affordability is to make focused infrastructure investments in water, sewer, storm water and transportation projects that support new homes.

In the introduced bill, these funds would only be available for site-specific infrastructure projects supporting one development at a time. We are grateful to see funding eligibility expanded in the -4 to include large expansion areas or greenfield development for water infrastructure needs critical to supporting a *range* of needed housing types from multifamily development to single-detached and middle housing needed to meet our housing goals.

We are still concerned that the density requirements for these sections will prevent all cities from accessing critical infrastructure funding. Small cities are more likely to have not kept pace with recent upzoning and other planning updates in larger cities, due to lack of resources. The state has a duty to ensure any new programs are crafted to ensure small and rural communities are eligible for funding and not left behind as Oregon increases housing production. We encourage the Legislature to consider a provision that would allow cities who agree to increase density to access infrastructure funding while concurrently updating zoning, supported with funding and technical assistance from DLCD.

Section 24 – 36: Housing Project Revolving Loans

Cities need a range of tools to actively encourage housing development and overcome a variety of development barriers around the state. The LOC supports the Revolving Loan Fund as one such tool and appreciates the technical improvements included in the -4 that will ensure cities of all sizes and capacities can administer this tool.

Sections 37 – 47: Housing Land Use Adjustments

The LOC was strongly opposed to the original version of this concept in HB 3414 (2023). Thanks to the support of legislators with local government experience, we were able to gain some significant structural improvements that lead LOC to a neutral position last session. Despite some additional modest technical improvements and restoration of critical environmental protections over the interim, cities still do not support these sections in SB 1537.

The proposal would still require all cities to grant up to 10 waivers from a range of siting and design standards, which are important tools cities rely on to encourage and require the development of specific housing types to meet community needs.

For example, the City of Sherwood limits the height of cottage cluster developments to 20 feet, which allows for 1.5 stories or a first floor and a loft. This approach, combined with their objective of creating "Cottage Cluster" only zoning, promotes much-needed small-footprint homes for their residents who aspire to age in place or for starter homes. SB 1537 would require the City to grant a height variance and eliminate the City's ability to require these needed housing types, a critical local tool informed by housing need data and community engagement.

We appreciate that the -4 resolves Sherwood's challenge, by adding an exemption for cottage cluster development from the height adjustment. *However, cities rely on siting and design standards to meet other important local housing needs, including the ability to ensure walkable, climate friendly development, pedestrian safety and connectivity, etc. that this bill would allow developers to override with no public benefit in return. Nothing in this proposal ensures that any resulting adjustments would actually create more housing units than without or make housing more affordable. Cities would be more inclined to support restrictions on local tools if there was a public benefit gained in return.*

Section 44: Limited Land Use Decisions

While the LOC is not opposed to this section, we are concerned that our requests for clarifying technical amendments have not been included in the -4 amendment.

Section 49 – 60: One-Time Site Additions to Urban Growth Boundaries

While land supply is not a barrier for all cities, it is critical for some, and the current state UGB adjustment process is time-consuming, cost-prohibitive, and litigious. The LOC supports the return of a one-time expedited UGB expansion tool for those communities needing land to meet their housing goals. The previous version of this proposal in HB 3414 (2023) would not have met all cities' UGB expansion needs because it was restricted to only urban reserves or non-resource lands but could have made a meaningful difference for some communities. In SB 1537, all cities are likely functionally precluded from using this tool under multiple criteria. We encourage the committee to consider the detailed testimony from the cities of Bend and Hillsboro for additional context. We are continuing to work with the Governor's Office on a tool that could benefit at least some cities and make meaningful progress on Oregon's housing production goals.

Sincerely,

Ariel Nelson, Lobbyist
League of Oregon Cities