

HB 2968 STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 3/12, 3/24

WHAT THE MEASURE DOES:

The measure establishes a program within the Housing and Community Services Department to recover unpaid system development charges from developers who fail to pay after an agreed-upon deferral period by transferring debt collection responsibility to the state. It creates a state fund to facilitate these transactions and outlines the financial mechanisms for collecting, enforcing, and managing these debts. The measure also provides \$10 million in state funding to jumpstart the program.

Detailed Summary:

Purchasing Past-Due Debts from Local Governments

- Directs the Housing and Community Services Department (OHCS) to purchase the right to collect a past-due debt from a developer that arises from a deferred system development charge (SDC) and pay the unpaid balance of the debt to the local government.
- Specifies that debt must originate from an agreement where developer agrees to build housing, local government agrees to defer collection of an SDC until occupancy of the housing, no interest or fees are charged during the deferral period, and OHCS adds a 20% penalty to the past-due balance and charges interest on the debt and penalty if developer fails to pay.
- Directs OHCS to assess the civil penalty and interest and make reasonable efforts to collect the debt, including assigning it to the Department of Revenue for collection once it purchases a debt.
- Requires all money collected to be deposited into the Municipal Development Protection Fund.

Creating and Managing the Municipal Development Protection Fund

- Establishes the Municipal Development Protection Fund.
- Appropriates funds continuously to OHCS to administer the debt program.
- Prohibits OHCS to use more than 4% of the fund at the start of a biennium for administration.
- Allocates \$10 million from the General Fund to the Municipal Development Protection Fund for program startup.
- Directs OHCS to adopt rules and model agreements before January 1, 2026.
- Clarifies that the debt program applies only to agreements made on or after that date.
- Caps administrative cost spending for the 2025-2027 biennium to \$200,000 from the fund.

Fiscal impact: May have fiscal impact, but no statement yet issued

Revenue impact: May have revenue impact, but no statement yet issued

ISSUES DISCUSSED:

- State security interest in property
- Debt collection process and liens
- Types of project supported by proposed program
- Abilities of cities to defer system development charges currently
- Voluntary participation of cities in the program

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

System Development Charges (SDCs) are one-time fees that local governments charge developers when they construct new buildings or significantly redevelop properties. These fees help cover the cost of expanding public infrastructure and services needed to support new development. A developer submits a proposal to build new housing, commercial buildings, or other developments. The local government calculates an SDC based on the expected impact on infrastructure (e.g., more homes mean more demand on water and roads). The developer must pay the SDC before receiving building permits or occupancy approval. The funds collected are used by the local government to build or upgrade infrastructure to accommodate new growth. Sometimes, local governments allow developers to defer (delay) SDC payments to encourage construction, especially for affordable housing.

PRELIMINARY