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## Vote Yes on HB 3746 to Reduce Condo Defect Liability Timeline & Risk

### The State of Play

Our state's construction defect liability statutes of limitations and ultimate repose are longer than many of our western state peers. Due to this extensive period of liability, developers, financiers and insurers take on much higher risk to build condominiums. This heightened risk has greatly suppressed condo production in Oregon. The proportion of owner-occupied multifamily units permitted in this state is less than half the national average.

The median sale price of a condominium in Oregon was \$341,000 in 2023, 38 percent lower than the \$552,460 price of a single, detached home. As the state implements policy changes to increase housing production, it needs to ensure that every housing type remains viable to produce.

If Oregon does not address construction defect liability reform, a key component of entry-level homeownership opportunities will remain underrepresented in our state's housing mix. Homeownership is the key to building household stability, generational wealth and strong communities, yet it remains out of reach for far too many Oregon households.

### What HB 3746 Does

HB 3746 addresses Oregon's need for condo liability reform by enacting the following key adjustments:

- **Lower Risk** – To more closely align with construction defect liability in other western states, reduce Oregon's statutes of limitations and repose to seven years (plus one year, if structural defects are discovered 72-84 months after occupancy).
- **Actively Verify Structural Integrity** – Perform three scheduled moisture barrier inspections to ensure home and product performance. The developer will complete the first inspection prior to home sales. The second inspection will take place within 24 months of occupancy and will be paid through the initial reserve account established by the developer. The condo association will take responsibility for the third inspection, at the 60-72 months mark, which aligns with national best practices for condo reserve studies.
- **Reduce Litigation** – Establish the option for a developer to remedy a defect by an agreement with the condo association (the claimant) without going through litigation.
- **Ensure Consumer Protection** – Allow claimant litigation to proceed if an agreement to remedy the defect cannot be reached with the developer.
- **Adequately Notify All Condo Owners of Intent to Litigate** – In the event that the Board pursues construction defect litigation, ensure that all condo unit owners receive robust notification.

From the Desk of Rep. Breese Iverson

*Rep. Breese Iverson*

Jodi Hack  
CEO, Oregon Home Builders Association  
[jodi@jhackconsulting.com](mailto:jodi@jhackconsulting.com) (503) 508-5414



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