HOUSING OREGON

March 11, 2025

Chair Marsh, Vice-Chair Breese-Iverson, Vice-Chair Andersen, and Members of the Committee,

For the record, my name is Kevin Cronin, and I serve as the Policy and Advocacy Director at Housing Oregon. Housing Oregon is a coalition of nonprofit affordable housing developers, homeownership organizations, and homeless service providers working to ensure that all Oregonians have a safe, stable, and affordable place to call home. I am submitting this testimony in strong support of House Bill 2968, which offers a practical solution to support affordable housing development by deferring System Development Charges until after occupancy.

HB 2968 helps local governments manage risk while allowing affordable housing developers to defer SDC payments until after the initial lease-up for rental projects or after the sale of homeownership projects. This is a straightforward, cost-effective policy that will reduce financial barriers to development and improve project feasibility without eliminating infrastructure funding.

SDCs represent a significant portion of development costs, and requiring them to be paid upfront adds unnecessary financial strain, particularly on affordable housing projects. The 2022 Oregon System Development Charges Study, published by Oregon Housing and Community Services and ECONorthwest, underscores why this legislation is critical. The study found that:

- SDCs are rising faster than inflation—more than any other cost component of development. (8.9% yearly between 2000 - 2017)
- Affordable housing developments pay disproportionately high SDC costs, as these charges make up a greater share of costs for smaller, lower-cost housing units.
- In high-cost markets, SDCs can represent up to 12.5% of total project costs for dense, low-rise apartments.
- In Hillsboro alone, affordable housing developers paid $7 million in SDCs over ten years—resources that could have been used to build and maintain more affordable homes.

Beyond the sheer cost of SDCs, the timing of these payments creates a major financial challenge. Under current policies, developers must often pay SDCs before construction begins, requiring them to finance these fees at high-interest rates.

- Typical construction loan interest rates range from 8-10%, and since construction loans are compounded monthly, developers effectively pay 16-21% more for SDCs over a two-year period.
- These added costs put pressure on already-thin affordable housing budgets and can lead to fewer units built, higher rents, or stalled projects.

HB 2968 addresses this issue by allowing local governments to defer SDC payments until after occupancy, ensuring that developers do not have to carry unnecessary debt while housing is being built.

Some may argue that SDCs are critical for infrastructure investment. That is true—but HB 2968 does not eliminate these charges. Instead, it shifts the payment to a more feasible time while maintaining certainty for local governments.

- The bill establishes the Municipal Development Protection Fund, which guarantees local governments will receive SDC revenue even if a developer defaults.
- The Oregon Housing and Community Services Department (OHCS) will ensure collections and can pursue repayment if necessary, mitigating financial risk for cities.

This structure ensures that local governments retain funding for essential infrastructure while making affordable housing projects more financially viable.

Affordable housing developers already face significant financial hurdles, and unexpected cost increases—especially for fees like SDCs—can make or break a project. HB 2968 is a simple, effective policy that provides local governments with the flexibility to defer a substantial upfront cost while ensuring infrastructure funding remains intact.

I strongly urge the committee to support HB 2968 as a common-sense solution to reduce the cost burden on affordable housing development and help build the homes that Oregon families need.

Sincerely,
Kevin Cronin

Policy & Advocacy Director, Housing Oregon