

Senate Bill 967: Allowing Local Improvement Districts (LIDs) in Urban Growth Boundary Expansion Areas

Problem:

When a city expands its Urban Growth Boundary (UGB), the land may be owned by one entity or divided amongst multiple owners. Single-owner lands usually handle infrastructure improvements, such as roads and utilities, during phased development and annexation. However, areas with multiple owners face challenges when shared infrastructure, like major roads and large water or wastewater systems, is required.

Local Improvement Districts (LIDs) are a proven means of sharing infrastructure costs amongst multiple owners with support from local governments. State law clearly allows for LIDs within city limits and under a variety of circumstances outside UGBs. Current law does not clearly allow cities and counties to work together to establish Local Improvement Districts in unincorporated UGB areas.

Solution:

Minor changes to state law are needed to explicitly grant cities and counties the authority to collaborate through Joint Management Agreements and establish LIDs in unincorporated UGB areas. This clarification would allow LIDs to be used as a funding mechanism to advance infrastructure projects that support housing and economic development. This change would align with the state's priority to include non-resource lands in UGBs and help address barriers to development in areas with multiple property owners.

The proposed change to ORS 223.389(8) reads: *"Local government" means a local government as defined in ORS 174.116 that has authority to undertake the acquisition, construction, reconstruction, repair, betterment, or extension of a local improvement. For the purposes of establishing a Local Improvement District, local governments may allocate jurisdictional authority between themselves for unincorporated areas within a city's Urban Growth Boundary by an intergovernmental agreement under ORS 190.003 to 190.030.*

<https://olis.oregonlegislature.gov/liz/2025R1/Measures/Overview/SB967>

Background:

In 2016, the City of Bend expanded its UGB in the Southeast Area, encompassing 479 acres and 27 property owners. This area, which was zoned for non-resource uses prior to the expansion, is projected to deliver over 1,230 homes, 2,800 jobs, and various urban uses such as parks, schools, and open spaces. The Southeast Area Plan, adopted in 2021, outlined infrastructure needs, including extensions of major roadways, seven roundabouts, and wastewater systems like pump stations and force mains. The estimated cost of these projects exceeded \$57 million, with recent cost increases further complicating development in the area.

Development has stagnated for properties relying on shared infrastructure in the Southeast Area due to the high cost of these projects. Meanwhile, properties not dependent on large infrastructure improvements have moved forward with new homes. The City of Bend has worked to establish funding streams and use its capital improvement program to support development, but existing tools like supplemental System Development Charges are cumbersome and insufficient. Additionally, funding infrastructure in unincorporated areas often places a financial burden on ratepayers within city limits, further delaying progress.