Testimony in Support of SB 1566

Dear Chair Taylor, Vice Chair Hayden, and Members of the Senate Committee on Labor and Business,

On behalf of R3 (the Regional Rural Revitalization Strategies Consortium), I am writing in strong support of SB 1566 and its proposed clarifications to Oregon's prevailing wage statutes as they apply to privately owned, middle-income housing projects that receive public support.

R3 is an intergovernmental agency formed by small cities across rural Oregon to address critical infrastructure, housing, and economic challenges that no single community can tackle alone. We pool state and federal resources, provide grants and loans to developers and local governments, and structure public-private partnerships so that critically needed housing can actually get built in small markets where high costs and limited local capacity have historically stalled projects. To date, R3 has helped fund the construction of more than 500 homes and lots in 10 rural counties, and we are currently working to seed a $30 million construction loan fund to support housing production in communities with fewer than 10,000 residents.

Many of the rural census tracts we serve are stagnant or in outright decline, with aging housing stock, limited new construction, and chronic underinvestment (Enclosure 1). At the same time, **they face the same macroeconomic pressures seen statewide: rapid increases in wages, materials, and land and infrastructure costs**. These forces create a deeper affordability gap in rural Oregon than in major metro areas, because local incomes and market rents cannot keep up with statewide cost escalation. In this environment, every additional cost imposed on a project can make the difference between homes that get built—and families that can stay in their communities—or projects that never leave the drawing board.

R3's work is focused on precisely this middle-income "missing middle" space: workforce and moderate-income housing that serves families up to roughly 120 percent of area median income, often in smaller cities and unincorporated communities that are not attracting conventional private investment. Our projects rely on carefully braided capital stacks that combine city participation, state revolving loan programs such as those created under SB 1537, R3 construction lending, and private equity and debt. We also deploy technical assistance—from planning and engineering to subdivision and home design—to control costs, improve project efficiency, and ensure these homes can be delivered at prices attainable to local workers.

SB 1566 is critically important to the success of this work. As drafted, the bill clarifies that certain privately owned residential projects—particularly those that predominantly provide affordable or middle-income housing—are not automatically swept into prevailing wage requirements merely because they receive specific forms of public support, such as loans or grants, or benefit from public investment in nearby infrastructure. The bill affirms that "funds of a public agency" do not include several common forms of public participation and refines the exemptions in ORS 279C.810 for privately owned residential construction serving lower and moderate-income households.

Without this clarity, public-private partnerships that blend private capital with targeted public tools are exposed to substantial, unplanned prevailing-wage cost increases, which can render otherwise viable projects infeasible. We have already seen, in other communities, how the retroactive application of prevailing wage to privately financed housing has stalled large projects and cost hundreds of much-needed homes, solely because a city or other public agency invested in surrounding streets, utilities, or site work. In small rural markets—where rents and sale prices are far lower than in metropolitan cores—there is simply no room in the pro forma to absorb these unexpected costs on middle-income housing.

For R3 and our partner communities, SB 1566 directly affects whether our current and future middle-income housing efforts can successfully reach "exit": homes that are completed, sold, or rented at attainable price points, and occupied by rural Oregonians who want to live and work in their hometowns. Our model depends on layering tools such as:

- **Construction-loan funds capitalized with public** and philanthropic dollars, then lent into projects alongside private financing.
- **City-owned land** or owner-carry structures that reduce the upfront land basis and allow repayment over time.
- **State revolving loan programs or grants** that offset infrastructure costs, system development charges, and property taxes for moderate-income housing.

If **the use of any one of these tools today automatically triggers prevailing wage across the entire privately owned project**, the cumulative effect is to shut down precisely the kind of middle-income, workforce housing production that state policy is otherwise trying to accelerate.

SB 1566 addresses this by aligning prevailing wage triggers with their original intent—protecting workers on true public works—without unintentionally penalizing private housing development that is simply leveraging public resources to close rural affordability gaps.

For rural Oregon, the stakes are high. Many of our communities are experiencing:

- Flat or declining population in key working-age cohorts, as young families and skilled workers leave for places where housing is available and affordable.

- Limited tax base and fiscal capacity, constraining local government's ability to directly fund housing or infrastructure.
- Construction costs that increasingly reflect metro-level wage and material pressures, even as local achievable rents and sales prices lag far behind.

The result is a **widening affordability gap** that is **often more severe in rural areas than in metros**, because incomes and achievable prices are lower while project costs are not. In this context, the flexibility provided by SB 1566 is not about weakening worker protections; it is about making sure that rural public-private partnerships can function as designed, so that families earning moderate wages—teachers, nurses, loggers, service workers, and small-business employees—can afford to live near their jobs.

R3 is committed to using every available state and local tool to maximize production of workforce and middle-income housing in rural Oregon. SB 1566 ensures that when we and our partners deploy grants, loans, infrastructure investments, and innovative financial structures, we are not inadvertently triggering requirements that make these projects financially impossible. By clarifying the statute and reaffirming exemptions for privately owned residential projects that predominantly serve affordable- and middle-income households, this legislation helps ensure that the state's investments translate into actual roofs over people's heads rather than stalled projects and empty fields.

For these reasons, **R3 respectfully urges your AYE vote on SB 1566**. This bill is a targeted, practical fix that will directly support the successful exit of middle-income housing projects in rural Oregon and help keep these homes attainable for the Oregonians who need them most.

Thank you for your consideration and for your leadership on Oregon's housing crisis.

Sincerely,

Nicholas Green
Managing Director
R3 – Regional Rural Revitalization Strategies Consortium

Enclosure 1. Oregon Census Tracts by Population Change (2010 to 2020)

Portland State
Population Research Center

Oregon Census: 2010 to 2020 Population Change by Race and Ethnicity

Numeric change (by Census Tract)

Total Population

Numeric change

- > 500 - 7,763
- > 200 - 500
- > 0 - 200
- > -200 - 0
- -506 - -200