



Home Builders Association
of Metropolitan Portland

1/21/2022

Andy Varner, City Manager
31360 NW Commercial Street
North Plains, OR 97133

By E-mail

Re: Draft System Development Charge Analysis

Dear Mr. Varner

I am writing today to provide feedback on the System Development Charge Analysis report dated October 20, 2021 and the discussion we had regarding the report and possible SDC increases the city is considering.

The Home Builders Association of Metropolitan Portland (the “HBA”) represents over 1300 businesses and tens of thousands of women and men who work in the residential building and remodeling industries throughout the greater Portland area. We are dedicated to maximizing housing choices for all who reside in the region while promoting housing access and availability for everyone.

The Oregon Home Builders Association, our state organization, and HBA championed and helped passed SDC program legislation in 1991 and still believe in the value of SDCs as a tool to support and promote responsible growth in Oregon. However, we also believe they must be reasonable and not create an undue cost burden for future homeowners. As such, during the housing crisis we are experiencing, we believe the proposed increases are substantial, excessive and have a direct impact on affordability.

Reviewing the draft SDC analysis produced by FCS group, the total SDC increase proposed is \$11,557. According to a February 2021 NAHB study, for every \$1,000 increase in the price of a home in the greater Portland region, 985 families are priced out of home ownership. If North Plains chooses to increase their SDCs as proposed, 11,834 families will be priced out of the opportunity to live in North Plains.

After further review, the most significant increases are for Parks and Transportation, \$6,659 (125%) and \$2,182 (303%) respectively. Although the report supports, methodologically, the increases as proposed, the bigger question is political. Are those drastic increases justifiable in light of the ongoing housing crisis?

With a housing deficit of 60,000 units today and a projected need for 225,000 more by 2040 in the Portland Metro area, the crisis will continue and prices will rise which elected leaders must weigh any cost increase against.

HBA respectfully requests that North Plains consider a lower overall SDC increase to help mitigate affordability issues and would suggest the largest increase, the Parks SDC, should be considered for the largest reduction. The Parks SDC increase alone, prices 8,225 families out of home ownership. Parks are an important quality of

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life factor and also an amenity integral to the neighborhoods we build, but they are also not a direct infrastructure requirement that, without their upgrade, would prove a hurdle to accommodate the new houses being built. Parks are a community desired want, not a need and during times of crisis, decisions must be weighed against want or need. This is a decision not to be made lightly, but must a conversation to be had if North Plains intends to be part of the area wide solutions to address the housing crisis.

In addition to lower SDCs, there are two solutions that can help mitigate the effects of any SDC increases.

First, we would ask that any SDC increase be staggered over a two-year period and allow approved applications to lock in the current rate during the phase-in. HBA requests that phasing occur in one-third incremental increases over this period. By allowing a two-year phase-in, the City can facilitate a smooth transition to the higher SDC collection, minimizing serious financial consequences for current and planned development which traditionally have development cycles of two plus years, with the least disruption to the City's projected growth and current projects.

Second, collect SDCs later in the construction process (e.g. upon sale transfer). Infrastructure impacts related to new housing (i.e. the usage of water, roads, parks, etc.) occur once a house is occupied. However, the City collects SDCs related to these impacts upon the issuance of a building permit, which precedes the true impact. This early collection increases housing costs in two ways. First, dollars used during the initial phase of construction are more expensive than those a builder can access later in the process. Second, dollars spent to finance SDCs incur carrying costs, which increase over the duration of construction. Because water SDCs relate to household occupancy, rather than construction, the City should defer SDC collection to align better with project completion.

As an industry that provides homes to Oregonians, we respectfully ask that you consider the housing crisis we are in and the affect any price increase you adopt will have on affordability of houses in North Plains and as part of the larger Portland Metro area. As stated before, these are difficult conversations to have, but in a time of crisis, hard decisions must be considered and made.

We look forward to working with staff and elected officials to find solutions to the infrastructure needs of North Plains while also minimizing the impact on housing affordability.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Ryan Makinster", with a long horizontal flourish extending to the right.

Ryan Makinster

Director of Policy and Government Relations