



**Home Builders Association
of Metropolitan Portland**

April 20, 2020

Shane Bemis, Mayor
Gresham City Council
1333 NW Eastman Parkway
Gresham, OR 97030

Subject: Resolution No. 3405: Establishing Building and Housing Fees and Charges (Public Hearing Item D.)

Dear Mayor Bemis and Councilors:

The Home Builders Association of Metropolitan Portland (“HBA”) represents over 800 companies and tens of thousands of women and men who work in the residential building and remodeling industries throughout the greater Portland area. We work to promote housing affordability and are dedicated to maximizing housing choice for all who reside in the region.

HBA recognizes the importance of Building and Housing Fees and Charges (“Building Fees”) as a means to pay for necessary building plan review and inspections. We appreciate the City of Gresham’s (the “City”) critical need to have appropriate staffing levels in place to ensure buildings meet the proper fire and life safety, structural, and other code criteria.

HBA acknowledges that Building Fees have not been raised since 2008, and that the proposed permit fee schedule is intended to simplify the fee methodology while being essentially revenue neutral. Additionally, the proposed fee schedule allows staff to continue building enhanced electronic permit processing, which is critical to fostering economic viability in Gresham’s construction industry now more than ever. Finally, the proposed fee schedule promotes a sustainable building fund that will cover staff and customer service requirements during both plan review and inspection. With the myriad of factors that impact development in a given jurisdiction, HBA members appreciate the customer service mindset of many Gresham City staff.

Building Fees represent a small percentage of the costs to obtain a building permit in Gresham. Together with System Development Charges (SDCs), these and other development soft costs are passed on to homebuyers at a rate that has outpaced potential homebuyer wages. While home ownership has become increasingly elusive, the good news is there are several easy ways the City can reduce the real costs of building new homes. As you consider raising Building Fees, HBA requests you implement the following SDC administrative reforms:

Collect SDCs Prior to Certificate of Occupancy. Currently, SDCs are collected at the issuance of a building permit. They exist to help offset the impact that new residents have on city infrastructure,

such as using the sewer system, driving on roads, and visiting local parks. Importantly, these impacts occur once a building is occupied. Yet, builders are required to pay SDCs long before impacts occur. Given the nexus between impacts and fees, the most appropriate point of collection is prior to the issuance of certificate of occupancy. This would ensure that the City receives fees prior to new residents living in the home, while builders are not prematurely saddled with SDCs. Importantly, moving the point of fee collection forward does not change the amount of fees the City receives.

Shifting the point of collection would reduce housing costs in two ways. First, payment later in the process reduces carrying costs and accrued interest payments during the months that elapse between permit issuance and certificate of occupancy. Second, due to private loans, construction dollars are oftentimes more expensive earlier on in the development process. These dollars come with higher interest rates than traditional construction loans, meaning that soft costs early on in the building process are more expensive than those paid at a later date. These increased costs are even greater when considered over the life of a mortgage. As such, the City should collect SDCs at the end of construction rather than at the beginning.

Vest SDC Rates Upon Deemed-Complete Land Use Application. Currently, impact fee rates are determined at the issuance of a building permit. Because rates change annually – and often times dramatically – it is difficult for builders to properly identify actual rates early on in the development process. Projects of all sizes require land use review approvals before they are eligible to obtain building permits. These approvals can take months and even years to obtain and timelines can vary significantly depending on project opposition, site constraints, design review, etc. Additionally, builders incur significant costs leading up to the submission of land use applications, and yet, they are unable to lock in SDCs until they complete the lengthy discretionary review process.

Vesting impact fees when a land use application is deemed complete reduces the cost of housing by allowing the developer to proceed with more certainty as they work to entitle projects. Unpredictable SDCs act as a barrier to construction. As such, the City should grant SDC vesting rights upon the submission of a complete land use application.

If you have any questions about these proposals, please feel free to contact Assistant Director of Government Affairs, Roseann Johnson, Roseannj@hbapdx.org / (503) 684-1880.

Respectfully,

Roseann Johnson

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Home Builders Association of Metropolitan Portland

Cc: Eric Schmidt