



OREGON
ASSOCIATION
OF REALTORS®

To: Members of the Oregon House of Representatives
From: Jon Chandler, Shawn Cleave
Re: HB 2564-A
Date: April 14, 2015

From the Desk of
Representative
Mike McLane

The Oregon Home Builders Association and Oregon Association of REALTORS® are unable to support HB 2564-A.

The amended bill represents a significant improvement over the introduced version, and while it contains provisions designed to address our concerns, which we sincerely appreciate, we do not believe that they provide enough protection for home builders and the real estate market to allow us to be supportive.

HB 2564-A deals with the issue commonly known as inclusionary zoning. This is not a defined term, but it generally refers to a system by which home builders can be required to sell houses at below-market prices or to build houses at prices targeted to certain classes of purchasers.

Oregon law has prohibited mandatory inclusionary zoning since the mid-1990s, opting instead for a voluntary, incentive based process. Currently, local governments cannot mandate inclusionary zoning but they can provide incentives to builders in order to get more affordable housing built.

HB 2564-A would change this. The bill provides that local governments can make inclusionary zoning mandatory and that they can require builders to sell up to 30% of a housing project at particular price ranges or to a particular class of purchasers, but it also would require that certain incentives be offered to builders.

We have significant concerns with the potential for unattended consequences that may actually result in increasing housing prices due to an artificially constrained housing market. With Oregon's limited buildable land supply, Oregon home builders are allowed to build fewer homes compared to other states. The 30% mandate in the bill has the potential create a financial burden that is too high for builders to disperse costs across multiple properties.

This is a significant shift in policy and, we believe, a significant shift in the assignment of responsibility for Oregon's affordable housing problems. The reason that OHBA lobbied for the current law and have resisted attempts to change it over the years is our belief that while home builders and developers can and should be part of the solution for affordable housing, it is unfair to ask them to bear a disproportionate burden by making their participation mandatory without providing adequate offsetting benefits.

All that said, the Oregon Home Builders Association and the Oregon Association of REALTORS® are committed to working on this bill as it moves forward and are willing to accept mandatory inclusionary zoning as an option for local governments if additional amendments can be made to ensure that any such program is fair and equitable to builders and structured in such a way as to not make the problem worse and to be sustainable at the local level.

Affordable housing is an important issue, and we welcome the discussion – not just of HB 2564-A, but of other bills and budgetary matters relating to housing that will come before the legislature.