



OREGON WATER UTILITY COUNCIL
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February 11, 2019

The Honorable Representative Keny-Guyer
Chair, House Committee on Human Service and Housing
900 Court St. NE, H-272
Salem, OR 97301

RE: House Bill 2001

Dear Representative Keny-Guyer and Committee Members,

On behalf of the Oregon Water Utility Council (OWUC), we are submitting this letter as written testimony on House Bill 2001. OWUC is a committee of the Pacific Northwest Section of the American Water Works Association and is made up of cities, special districts, public utility districts, and private companies involved in the water utility sector. OWUC members collectively supply domestic water to more than 75% of the population of Oregon. Our mission is to promote and monitor legislation, public policies, and regulations that will ensure our communities are provided with drinking water of the highest quality, at sufficient quantities, and at a reasonable cost.

Water providers in Oregon face a diverse set of challenges, including population growth with subsequent increases in water demand, uncertain effects of climate disruption, aging infrastructure, and new and evolving water quality regulations. Water providers are balancing these challenges while meeting higher customer expectations for quality and service. **It is because of these expectations that OWUC is providing written testimony on House Bill 2001, which if passed, has the potential to greatly reduce a water providers ability to meet growing water demands and infrastructure needs. Outlined below are several key points OWUC is asking the Committee to consider:**

- House Bill (HB) 2001, as currently written, would require cities with populations greater than 10,000 and counties with population greater than 15,000 to allow middle housing in lands zoned for single dwelling within urban growth boundaries. Subsequently, HB 2001 would prohibit local governments (e.g., water providers) from requiring system development charges to be paid by middle housing developers before occupancy permit is issued.
- For reference, a system development charge (SDC) is a one-time charge paid by a new water system customer (i.e., the developer) to the water provider at the time when the new customer requests permission to connect to the system. It can also be assessed to existing customers requiring increased water system capacity.
- Under HB 2001, the collection of SDCs is made considerably more problematic for public water systems. Deferring the SDC would simply shift the cost burden from developer to prospective home owners. As noted above, the cost of water infrastructure is increasing across the state with population growth. If water providers do not charge the developer, then the property owners – who are supposed to be benefitting from more affordable housing – will be directly burdened with these costs.



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- As a consequence, the water system would need to determine who is moving into the home or unit and collect that money *after* the infrastructure has been built and paid for. When the higher density development involves hundreds of new homes or units, that means working with each individual home owner after construction rather than one developer prior to the necessary construction of the water system infrastructure.
- Water providers invest in capital-related facilities such as water mains, reservoirs, pump stations, and treatment facilities. Typically, these facilities are constructed in advance of new development. An SDC is intended to recover a share of the costs of both existing and planned water system infrastructure that will provide water system capacity to serve new customers over many years.
- Once implemented, water SDCs must be spent on water utility improvements only. Oregon Revised Statute (ORS) 223.297 through 223.314 defines SDCs and specifies how SDCs are calculated, applied, expended, and accounted for.
- Currently the only mechanism to make sure SDCs are collected before occupancy is to withhold establishment of water service until the charges are paid. This largely provides the water provider some level of certainty so that accurate planning of infrastructure and services can be accomplished. The lack of adequate and accurate planning is likely to result in increased cost of service and future SDCs, adding more to an already burdened housing market.
- Because typically an SDC is paid by the developer to the utility, the developer recovers its cost when the home is sold, and the SDC expense is included in the cost of the home and paid off with the mortgage payment over time. With the process proposed in HB 2001, the SDC will now be paid IN FULL by the homeowner at the time of occupancy. Bearing in mind SDCs are charged for water, sewer, storm, and parks facilities, the total a homeowner would have to pay in full upon occupancy could be over \$20,000 depending on the community. OWUC believes this unintended consequence negates the intent of this bill to make housing more affordable by essentially making it considerably MORE expensive.

OWUC and its members are concerned about the adoption of HB 2001 and the unintended consequences on the citizens it's proposed to help. We are encouraging the Chair and members of this Committee to strongly consider the entire impact of the proposed rule and consider whether adoption or significant modifications can achieve a fair and equitable solution for all Oregonians. We look forward to more dialogue about this matter and would be happy to assist the Committee with our technical expertise.

Sincerely,

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