



Support HB 3432

Increase Homeownership Affordability and Reduce Condominium Construction Defects

Background:

Condominiums are an attractive option for first-time homebuyers and middle-income families, typically being more affordable than a comparable single-family home. But condo production in Oregon has virtually stopped. Since 2010, condo production has averaged about 250 units per year – a **decline in production of 94 percent from 2006**, when production hit 4,295 units.

A major driver for this lack of condominium production in Oregon is our state’s construction defect liability (CDL) statutes, according to a 2018 report by ECONorthwest (“*Impact of Construction Defect Liability on Condominium Production in Oregon*”, December 2018). Oregon’s CDL in its current form includes a 10-year statute of ultimate repose – much higher than the comparable six years found in states like Washington and Colorado. This adds uncertainty and increases the cost of condo production through higher insurance premiums, reduced competition for construction bids, and the use of more expensive construction materials to mitigate the risk of litigation.

Additionally, many lenders and investors will not finance **any** condo production in Oregon due to CDL.

Oregon’s lack of affordable condo production is pricing first-time homebuyers and middle-income families out of homeownership – precluding them from the tax benefits and inter-generational wealth-building opportunities that being a homeowner provides.

Statutory changes are needed to increase the financial feasibility of condo production while reducing the risk of actual construction defects to consumers.

What HB 3432 Does:

1. Require new, up-front building envelope inspections for housing controlled by owner associations to reduce the risk of any defects to consumers. The inspection components will be developed by the Building Codes Division.
2. Shorten the period of limitation for construction defect claims to six years.
3. Provide for a streamlined way to cure a defect, giving the HOA/COA the ability to accept repairs, chose a contractor or agree on a payment for remedying the defect.
4. Require the HOA/COA board to send certified letters to all owners, letting them know when they believe there is a construction defect, that litigation may be warranted and the implications of entering into litigation or not (with responsible party copied).
 - a. Residents would have 60 days to respond via letter or email that they support or oppose the litigation.
 - b. The board must receive responses from at least 50%+1 of the owners approving litigation for it to proceed.