



TO: John Lively, Chair, House Committee on Economic Recovery & Prosperity
FROM: Kyle Greene, Managing Civil Engineer, City of Springfield
RE: HB 3040-1
DATE: March 16, 2021

The City of Springfield appreciates the opportunity to share our opposition to HB 3040-1.

System Development Charges (SDCs) are impact fees collected to fund a portion of the construction of public infrastructure systems to support the increase in use from development or redevelopment in Springfield city limits or the urban growth boundary. The public infrastructure systems include: transportation, stormwater and wastewater collection systems, park and recreation facilities, and electrical and water utilities. All of these public infrastructure systems are required and needed to maintain the livability, health and safety standards of the Springfield community.

In reviewing these components of the -1 amendment to HB 3040 , there were several areas that the City of Springfield has significant concerns with, including:

- In Section (6), subsection (3), it appears that every time the City collects an SDC, “...at the time a payment is made for a system development charge...,” we would be required to publish a detailed analysis of the cost breakout and then identify a specific capital project associated with those fees. This is not a viable approach.
 - Undertaking this level of work each time a payment is made would create a significant administrative burden and create additional administrative costs.
 - Individual SDCs are not tied to specific capital projects. The City has a comprehensive list of Capital Improvement Projects developed for the various types of SDCs as required by statute. These projects have a number of funding sources, including SDCs, state and federal funds, user fees, and others. Since SDCs only comprise one funding component of any given capital project, and the percent of SDC funding eligible varies from project to project based the City’s SDC methodology, it is not feasible to publish a detailed analysis of the cost breakout for individual development projects.
 - For example, it would be inaccurate to say that the SDCs from subdivision A would pay for x% of a sewer project B. Likewise for the Transportation and Stormwater SDCs, which may have nothing to do with sewer project B.
 - Because of the uncertainty of funding, and assumptions made within the master plan which may or may not hold true, project construction dates can change and an estimated timeframe to complete the project may also change.
 - Jurisdictions that collect SDCs are already subject to the previous subsections of Section 6 that requires the creation of a list of capital improvements and notice requirements for any proposed modifications to the SDC related to that list.

- It is not clear what is meant when a payment is made for a SDC, to have it published on a publicly accessible website. Springfield currently uses the Accela system, as do a number of other jurisdictions in the State. This is a publicly accessible system and any specific permit can be viewed by the public to see a breakdown of fees, including each SDC by reimbursement, improvement and administrative fees. It is unclear if this meets the language of the bill or a separate system specifically for SDCs would be required.
- It is important to note that jurisdictions have varying levels of capacity for sharing this information and that is not reflected in the amendment language. There is a cost to the Accela system and not all jurisdictions utilize it or have the ability to provide this information. A one-size fits all approach does not work.
- Lastly, it would be helpful to have a clear understanding of the need behind this section and how we might best meet that need.
- Section (4) of the bill mandates a payment deferral plan. Local governments already have the ability to determine the timing of SDC payments and this would unnecessarily limit our ability to determine the timing of SDCs.

- The City of Springfield's current deferral options would not be permissible per the language in the -1 amendment:

Commercial/Industrial: Whenever the total SDC due for a Building Permit exceeds \$10,000 the applicant may elect to enter into a short-term SDC Deferral Agreement for Commercial and Industrial properties. Payment of the deferral is due prior to building occupancy. The Agreement is in the form of a potential lien and must be signed prior to Building Permit issuance. The SDC Deferral Agreement allows the applicant to pay a minimum of \$10,000 toward the total SDC due prior to the City issuing the Building Permit. The balance of the SDC due must be paid in full prior to the City issuing a Certificate of Occupancy for the building. *(Per the City's Master Fees and Charge Schedule, Section 10, pages 68 through 76.)*

Residential: Prior to building permit issuance, the applicant may choose to finance the system development charges over 10 years with a lien placed upon the property. This has an interest rate set at the time of application, and a small administrative fee. Payment is due upon sale of the property, can be paid over the 10 year duration, or paid off early with no penalty. *(Per the City's Master Fees and Charge Schedule, Section 10, pages 68 through 76.)*

- It is important to note that the public improvement project must be substantially complete before residential building permits are issued per HB 2306 from 2019. And, because the costs of infrastructure are the costs, delaying the collection of fees does not delay the required improvements to the infrastructure.
- Diving further into the details, we have a series of questions about how the deferral plan would be implemented. It is not clear what happens if the building is ready for occupancy, but the property owner cannot afford the fee? Can the city legally withhold occupancy? Would there be a lien placed upon the property in lieu of payment? How does the agency collect fee at the time "...of sale as part of closing costs..." when the city has no role in that part of the transaction? There needs to be some mechanism to ensure that fees are collected and a clear understanding of who is responsible for paying them. That is not the case here.

- To that end, what is gained by the deferral? Without some requirement that any savings in the development of the project by this deferral are reflected in the price of the project, we are unlikely to see any impacts on housing development costs in our community.
- Section (5) includes language that would treat manufactured homes and multifamily housing the same.
 - The City of Springfield has a fixed rate for a mobile home park local sanitary sewer charge. Any deviation from this to treat it like a multifamily housing would result in a net increase of the cost to the consumer.

SDCs are a critical tool for local jurisdictions to pay for growth and are constructed in such a way that growth pays its share of necessary improvements to infrastructure. Changes as made in this bill would likely create a situation in which existing users pay more with no clear positive outcome for the public and the communities we serve. To put a finer point on it, this bill does not include anything that directly links to affordable housing and without specific requirements that a developer pass savings from any SDC reductions to a homeowner, homes will generally sell at market rate. This is further complicated by the limited funding sources that jurisdictions have for infrastructure and any loss of SDCs will likely lead to an increased cost to the homeowner in the form of monthly utility rate increases to all residents in the jurisdiction.

To this end, the City of Springfield supports the study proposed in Section (1) and would suggest that the purview of the study be expanded. In order “...to determine best practices for fostering the development of affordable housing,” we believe the study should include a more comprehensive look at the cost drivers of housing and infrastructure in Oregon. In fact, it seems premature to make adjustments to the statutes pertaining to SDCs until such a study is completed. As is evident in our comments, SDCs are complex and local governments tailor our systems to our local needs and contexts. Infrastructure needs in Springfield are likely far different from those experienced in other areas of the state. Any changes at the statewide level should be driven by an analysis of the multiple drivers at play, especially as it relates to a specific goal, not by mandates that are one-size-fits-all.

The City of Springfield would look forward to working with other stakeholders on a comprehensive study of system development charges in Oregon; however, we find the rest of the language in the amendment largely unworkable and unnecessary.