



# Oregon

Governor Kate Brown

## Housing and Community Services

North Mall Office Building  
725 Summer St NE, Suite B  
Salem, OR 97301-1266  
PHONE: (503) 986-2000  
FAX: (503) 986-2020  
TTY: (503) 986-2100  
[www.ohcs.oregon.gov](http://www.ohcs.oregon.gov)

December 15, 2022

### System Development Charge Study Executive Summary

In 2021, the Oregon legislature passed House Bill 3040 (HB 3040), directing Oregon Housing and Community Services (OHCS) to prepare a study of System Development Charges (SDCs) — a form of one-time impact fees charged on new development to help pay for infrastructure. The legislature requested that the study cover the history of the charges, methodologies for setting the fees, recent trends in fee levels, how the fees relate to other development costs, and how they ultimately affect the cost and production of housing. The findings from this study can inform future policy discussions related to SDCs, but the legislature's direction for this study did *not* include making policy recommendations.

OHCS contracted with ECO Northwest and subcontractors FCS GROUP and Galardi Rothstein Group to develop this report. The team drew its findings from reviews of national and local studies; surveys of cities, counties, and special districts; interviews and focus groups with local government officials and housing developers; original data analyses; and decades of experience conducting SDC studies, analyzing residential development, and evaluating infrastructure funding mechanisms. OHCS and ECO Northwest provided a draft report that was open for review from stakeholders for three weeks, and the final report incorporates feedback received.

The report identifies key findings:

- SDCs are increasing faster than inflation due to lack of alternative funding and increasing infrastructure costs.
- SDCs are a critical component of local funding for infrastructure needed to support growth.
- The variation in SDC rates across the state reflects differences in local needs, cost factors, and priorities.
- SDCs also increase the cost of building new housing in ways that can skew housing development towards higher-cost homes and can impact buyers and renters.
- Some jurisdictions have implemented SDC measures to support affordability, but broader adoption is hindered by administrative, legal, and financial concerns.
- Difficulty estimating SDC costs up front can create challenges for multifamily, affordable housing, middle housing, and greenfield development.

Reducing SDC costs broadly in the interest of housing production and affordability would require greater availability of other funding for infrastructure that does not increase development costs or burden low-income households. The jurisdictions and special districts that provide

water, sewer, stormwater, transportation, and park infrastructure have a clear mandate to keep those systems functioning and provide sufficient capacity for planned development. Given fiscal constraints, SDCs are likely to remain central to local funding for infrastructure, and most stakeholders agree that development should contribute to growth-related infrastructure costs at some level. SDCs provide a consistent and relatively predictable mechanism for development contributions to growth-related costs, and they can support housing production by funding capital projects needed for growth. However, the equity implications of relying on SDCs to fund eligible infrastructure projects are mixed.

Even in the current fiscal context, jurisdictions can take steps to mitigate the impacts of SDCs on housing production and affordability. SDC rates must relate to impacts to infrastructure systems, which limits jurisdictions' ability to align them with housing costs. However, some jurisdictions have implemented measures that offer improvements at the margins. This includes changes to rate structures (e.g., scaling by unit size), policies (e.g., allowing discounts or waivers for regulated affordable housing), and administrative practices (e.g., allowing deferral to certificate of occupancy for some residential development, offering clear SDC estimates for more housing types, including multi-family, middle housing, and single-family). All have trade-offs and can increase administrative costs, meaning these changes may not be appropriate in the same form for all communities. Still, broader implementation of these measures could yield a meaningful change. Jurisdictions can identify locally appropriate measures to reduce or mitigate SDCs' impact on housing development during SDC methodology updates, housing production strategies, infrastructure funding plans, or other policy discussions related to infrastructure and/or housing.