



HOUSE OF REPRESENTATIVES

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LC 241: Municipal Development Protection Fund

Objective	Enable cities to safely defer system development charges, thereby lowering the costs to develop new housing by thousands of dollars per project.
Problem	System development charges (SDCs) are one of the relatively few tools available to local jurisdictions for funding the construction of infrastructure like water treatment plants, sewer lines, major roadways, and more. Without SDCs and the infrastructure they fund, no future housing can be built. Most Oregon cities levy their SDCs in the beginning of the process for a new housing development in order to minimize the risk of delinquency. This means the developer of that project is forced to finance the cost as part of their initial construction loan and at a much higher interest rate, thereby making housing more expensive to build.
Solution	Have the state act as a guarantor for any city and developer that agree to defer SDCs to later in the construction process, for up to 180 days after a certificate of occupancy is issued (or 12 months for publicly-supported affordable housing). This allows the developer to finance the cost as part of their permanent loan (as opposed to their initial construction loan) after the buildings are constructed and there is collateral available, thereby allowing them to secure a much lower interest rate and shave thousands of dollars off the cost. All of this becomes possible while still providing surety for cities that they will be able to continue building critically necessary infrastructure.

How it Works	<ol style="list-style-type: none"> 1. The Municipal Development Protection Fund is created under OHCS with a relatively small budget appropriation 2. A city and a developer sign an agreement to defer SDCs at no extra cost for up to 180 days(or 12 months if publicly-supported affordable housing) after the certificate of occupancy is issued <ol style="list-style-type: none"> a. In the vast majority of cases the agreement will be followed, more housing will get built for a lower cost, and cities will continue receiving the SDC payments they rely on b. In a small minority of cases the agreement will be breached and the city will request coverage from the Municipal Development Protection Fund <ol style="list-style-type: none"> i. OHCS pays the city for the full cost of the delinquent SDC. Concurrently, the state levies a fine on the developer equal to 20% of the amount of the delinquent SDC and also pursues collection of the full SDC ii. OHCS and the state recover their own costs, with the remainder remitted to the Municipal Development Protection Fund
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