

HB 4099 -1 STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/6, 2/13

WHAT THE MEASURE DOES:

The measure directs Oregon Housing and Community Services to purchase and collect debt from a housing developer, based on the deferred payment of system development charges for a project as agreed to by a local government and the developer. It establishes and appropriates \$10 million in general funds to the Municipal Development Protection Fund within the State Treasury to administer the program.

FISCAL: Fiscal impact issued

REVENUE: No revenue impact

Detailed Summary:

Directs Oregon Housing and Community Services (OHCS) to purchase and collect past-due debt from a developer, based on a deferred system development charge (SDC). Specifies that a debt purchase is subject to an agreement between a developer and a local government that **the collection of a system development charge (SDC) will be deferred** until 180 days after any dwelling unit in the development project receives a certificate of occupancy. Clarifies that to be eligible for SDC deferral, a development must contain one or more dwelling units, and that a developer will not pay any interest or fees on the deferred SDC charge.

Establishes the **Municipal Development Protection Fund** within the State Treasury, and **appropriates \$10 million in general funds** for the purposes described in the act. Directs OHCS to use fund moneys as system development charge payments to local governments. Requires OHCS to assess a 20 percent fee plus additional interest on a developer who fails to pay the SDC charge.

Directs OHCS to adopt rules and model agreements for use by developers and local governments beginning January 1, 2025. Limits OHCS from using more than four percent of fund monies for administrative costs per biennium, and no more than \$200,000 for program implementation.

The measure declares an emergency, effective on passage.

ISSUES DISCUSSED:

- Creating permanent financing options for developers and potentially increasing savings on interest payments
- Determining appropriate state fund amount to cover SDC default payments
- Anticipated frequency of developers defaulting on SDC payments
- Other community financing options available to support the development process
- Potential risk of credit exposure for the state if frequent default occurs

EFFECT OF AMENDMENT:

-1 The amendment creates separate timelines for system development charges (SDC) collection, dependent upon whether a development project is for market-rate or affordable housing. Requires a local government to defer SDCs until 180 days after the date that any dwelling unit has been certified for occupancy; or, **for affordable housing development projects, between 180 days and one year** following a certificate of occupancy.

BACKGROUND:

System development charges (SDCs) are one-time impact fees on new development intended to help local governments fund infrastructure. Oregon Law (Chapter 223) creates a framework for local SDCs, which can be used for capital improvements related to water supply, treatment, and distribution; wastewater collection, treatment, and disposal; drainage and flood control; transportation; or parks and recreation.

A December 2022 report prepared for Oregon Housing and Community Services (OHCS) on the [impact of SDCs on housing production](#) found that SDCs are rising faster than inflation, affect smaller and lower-income housing units when SDCs are passed through to home or rental unit prices, and can increase the difficulty of securing financing for new housing developments.