Oregon

Tina Kotek, Governor

HPAC Work Group Recommendation
Oregon Infrastructure Fund

Revised July 5th, 2023

Work Group

- ☐ Availability of land
- ☐ Land development permit applications
- ☐ Codes and design
- ☐ Workforce shortages
- X Financing

Recommendation

Create a State of Oregon Infrastucture Fund that funds critical, local infrastructure through a loan or a grant to invest in public facilities that support the development of housing.

Related Work Plan Topics

- Develop policy reccommendations on infrastructure planning.
- Consider legislation enabling the IFA to fund infrastructure for housing.
- Explore dedicated resources for development on tribal trust land.

Adoption Date

Enter the date the work group adopted the recommendation.

Method of Adoption

This was a unanimous recommendation from the initial list of recommendations specifically marked for the finance committee. Finance committee members worked together in two meetings to finalize this recommendation

Co-chairs Guidance: Standards for Analysis

1. Clearly describe the housing production issue that the recommended action(s) will address.

The infrastructure needs that are required to make land development ready can be a significant barrier for local governments and housing developers alike. Additional resources, funding and capacity for building infrastructure is needed to generate more shovel ready land. While there are a few funding mechanisms for infrastructure, like SDCs or bonds, SDCs can be challenging to administer and, depending on the region, can be an onerous cost for housing developers. These infrastructure costs can be a significant impediment to the creation of new housing units, particularly in regions where SDCs and other infrastructure costs are high and there are other regulatory barriers involved. By generating an additional revenue stream for the building of critical, local, public infrastructure, this receommndation will incentivize the production of housing by shifting the burden of infrastcture development more broadly onto the local tax-base. While this recommendation does not reduce the cost of SDCs, lower up-front infrastructure costs can decrease the funding needed for affordable and market-rate housing, thus leading to an increase in supply.

2. Provide a quantitative, if possible, and qualitative overview of the housing production issue.

Significant areas of land (will quantify with DLCD) remain undeveloped due to the cost of providing them the necessary critical infrastructure. Some of this land is within the Urban Growth Boundary, but lacking roads, water, and sewer connections, while some land, like infill parcels, is too small to warrant the "public improvements" required by the local jurisdiction in order for them to be developed. **Further Questions to Answer** • It costs $x/unit/region to develop appropriate infrastructre (SDC table from report) • Quantify the overall economic impact of a housing unit – working with Josh or ECONW on this one

3. `To assess the issue and potential action(s), include subject matter experts representing all sides of the issue in work group meetings, including major government, industry, and stakeholder associations.

Abigail Elder – City of Hood River
Kurt Krueger – City of Portland
Ben Bryant, Asst. City Manager, Happy Valley
League of Oregon Cities Ariel Nelson testimony
City of Newport Community Development Derrik Tokos
Civil Engineer who specializes in public improvements generally (quantify the burden of street improvement, sewer/waster water, etc.)
Deb Guillardi and John Gillarducci (SDC contractors)
ECONW -

4. Provide a quantitative, if possible, and qualitative overview of the outcome of the recommended action(s).

The infrastructure fund allows local jurisdictions the ability to receive funding for infrastructure when needed, provided it is part of the consodidated plan. This continues to generate predictable and steady revenue for local governments, which allows them to continue to plan for infrastructure development.

Further Questions to answer and include here

1. For every $x that is loanded/granted to cities/local jurisdictions to pay for infrastructure development, x number of units can be built.
2. What could the cost savings per unit be with this new program?
3. What is the total cost per year per unit? What is the delta between what is currently being procuded (and paid for now in terms of infrastrcute - a $ amount) and what we are hoping to produce. How does that increase the cost annually overall (example: additional $450 million/year in SDC/infrastructure revenue = x units)
4. Additonal support to smaller communitiers generates what kind of return in terms of increase of units? What is the ROI for rural areas vs. urban areas?

5. Provide an estimate of the time frame *(immediate, short, medium, long-term)*, feasibility *(low, medium, high)*, and cost *(low, medium, high)* for implementation of the recommended action(s).

Time Frame: Low-medium.This could be set-up in 1-2 years. (what are the definitions?)

Feasibility: Medium – High support from local governments as well as housing developments, possible political hurdle to generate new additional state revenue
Cost:
High – coming from the state budget; state will likely need a new source of revenue to fund local infrastructure loans (Gas tax?)

6. Provide a general overview of implementation, the who and how for the recommended action(s).

Agency: The program will be administered by an agency such as Business Oregon, IFA, or the State Treasurer's Office. This program would be facilitated through an agency or organization that would administer the loan to local jurisdictions, keep track of the progress of development of housing units and any repaymen on the loan

Type of Funding: Grant or loan funding should be available at various scales and accessible for local jurisdictions who are seeking improvements related to specific developments.
Question: *Could this apply to privately owned improvements that ultimately become dedicated to the public post development?*

Administration: Local jurisdictions should run this program though the existing system for administering/paying for SDCs. In all cases, the funding should be directly tied to housing production and projects that have previously been approved of their Comprehensive Plan. There must be should be a system design of equitable distribution across the state when reviewing applications for funding and the application for funding needs to be consistent with the local jurisdiction comprehensive plan.
If this fund is delivered by a loan it could possible be a forgivable loan based on units built in 10 (or any specific) number of years after units are successfully produced.

7. Outline the data and information needed for reporting to track the impact and implementation of the recommended action(s).

The recipient would be required to report back to issuing agency with confirmation that occupancy permit issued for housing unit(s).
Ideally we are able to track this program data in coordination with the regional OHNA targets. This can be done through DAS/OHCS/DLCD and this tracking can be added to existing and developing OHNA tracking processes to understand income and production targets by income brackets, buildable lands inventory, etc.

Other questions:
Were the SDCs decreased as a result of this?
What was the total cost to developer through SDC or funding other infrastructure?
What was the total cost of the infrastrucute borne by the local jurisdiction?
How do we track accountability for the receviers of these funds?

8. Identify any major unknowns, tradeoffs, or potential unintended consequences.

Must limit the amount of money per project as to ensure the fund does not get allocated to too few projects. We also need to ensure equity by each region across the state. There must be a quantitative mechanism that the administering agency uses to assess proposals from local governments including funding per unit of housing created with priority given to the lowest ratio of $/unit. Additional points for coordination between local government and developer?

- Supporting smaller communities/jurisdictions that are struggling with regulatory constraints (example: DEQ)
- Should the developer receive the funds - The reason for this option is concerns around local government capacity - a conversation for LOC on program implementation. Is this implemented in the same way a local government is administering the SDC program?
- What happens as a consequence if the unit is not produced?
- How do we ensure this works to develop affordable, income restricted housing without making the compliance process onerous

Please include any relevant reports, data analyses, presentations, or other documents that would be informative and useful for the full HPAC as the recommendation is discussed and considered.