HPAC Work Group Recommendation
Oregon Infrastructure Fund

Revised July 26, 2023

Work Group

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

Recommendation

Create a State of Oregon Revolving Infrastructure Loan Fund that finances critical, local infrastructure through conditionally forgivable loans investing in public facilities that support the development of housing. Critical Infrastructure shall mean any improvements which will ultimately be dedicated to the public or transferred to a public utility in such a manner that is critical to housing development.

Related Work Plan Topics

- Develop policy recommendations 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

If this fund is delivered as loans, it is recommended to be a conditionally forgivable loan based on projected units built in 10 (or any specific) number of years after units are successfully produced.

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 service the loan as needed.

Below are some potential high level loan terms to help quantify potential impact. These are not formal recommendations for targets, as SMEs for the implementing body should determine these if and when the program is to be stood up, but rather a way to broadly sketch some outlines for what this could look like with numbers connected to it:

The maximum amount of a single loan under this program shall be $20,000 per unit of new, residential construction supported by the improvements. Loans may not supplant other sources of funding; units used to calculate the maximum loan shall not be eligible for permitting *but for* the improvements funded by the loan. Loans may be made to any lawful entity but must be unconditionally guaranteed by a political subdivision of the State of Oregon. The minimum loan size is $500,000.

Loans issued under the program are repayable as follows:

- Years 1-5 – interest only
- Years 6-15 – principal and interest, fully amortized

At any time, a borrower may apply for partial forgiveness of the then-outstanding principal balance of a loan by providing a certificate of occupancy for a dwelling unit(s) constructed within the scope of the approved application. The amount of forgiveness shall be:

	No affordability restriction	Affordable at 120% AMI; 5 year for purchase; 15 year for rental	Affordable at 60% AMI; 5 years for purchase; 30 years for rental
Studio	20%	40%	60%
One-Bedroom	25%	45%	65%
Two-Bedroom	30%	50%	70%
Three-Bedroom+	35%	55%	75%

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 as well as develop housing can be a significant barrier for local governments and housing developers alike. 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.

This does not reduce the cost of SDCs, it simply shifts the burden more broadly to the local tax-base, these lower infrastructure costs can decrease the funding need 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 remain undeveloped due to the cost of providing them the necessary infrastructure. Some of this land is within the Urban Growth Boundary, but lacking road, 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 infrastructure (SDC table from report)
- Quantify the 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
Happy Valley person – re Tom
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

- For every $x that is loanded to cities/local jurisdictions to pay for infrastructure development, x number of units can be built. What is the cost savings per unit?
- 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 $450 additional million/year in SDC/infrastructure revenue)
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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

Feasibility: Medium – High. Anticipated support from local governments as well as housing developers. Possible political hurdle to generate new additional state revenue for these types of projects.

Cost: High. Funding likely 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).

The program will be administered by an agency such as Business Oregon, IFA, or the State Treasurer's Office.

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.

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 and their should be a system design of equitable distribution. The application for funding needs to be consistent with the local jurisdiction comprehensive plan.

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). No burden on local jurisdiction unless they are the direct recipient.

These data will be tracked through the OHNA data collection done by DAS / OHCS / DLCD and this reporting would need to be added to that.

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

Must limit the amount of money per project to ensure broadest impact. We also need to ensure geographic 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 the 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? What does accountability look like for the recipient? This is different depending on whether it's a loan or grant program.
- 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.