

March 29, 2023

Senator Kayse Jama
Chair, Senate Committee on Housing and Development
900 Court St NE
Salem, OR 97301

Re: Support for SB 977-1

Dear Chair Jama and Members of the Committee:

Related Northwest wants to express our support for Senate Bill 977-1, which would expand the current exemption from prevailing wage requirements for affordable housing to apply to the affordable housing portion of mixed-use projects.

In the current inflationary and interest-rate environment, affordable housing developers, like Related Northwest, are more constrained than ever. Not only would the passage of Senate Bill 977-1 reduce risk associated with our team's current pipeline, but will expand available options for future developments. Moreover, by extending the exemption, local affordable housing can meaningfully embrace true, mixed-use projects, which have myriad environmental, economic, and social benefits.

Oregon law currently requires affordable housing developers to pay the higher prevailing wage rate for any development -- including an affordable housing project -- that includes commercial space. SB 977-1 would expand options for affordable housing developers to consider projects they otherwise would likely turn down due to this requirement.

A 2019 study from the Oregon Housing and Community Services Department found that prevailing wage rules at that time added about 9 percent to the total cost of each regulated-affordable home. Many affordable housing developers report significantly higher cost estimates when projects are prevailed. During a statewide affordable housing crisis, we cannot afford this additional expense.

By extending the exemption to the affordable housing portion of mixed-use projects, SB 977-1 will enable affordable housing developers to incorporate childcare facilities, small business storefronts, and other community-identified priorities that are classified as commercial uses – while creating more work that *does* pay prevailing wages for the construction of those commercial spaces.

Thank you for the amendment defining qualifying projects as those buildings that are not more than four stories above grade plane. This will exclude basements in the floor count, a floor level that is not utilized for housing and has disincentivized preservation of older buildings. There are generations of older housing stock that are falling out of the intended exemption because of an interpretation of what it means to be 4 stories.

We call on this committee to expand that exemption to the affordable housing component of mixed-use projects. Please pass SB 977-1.

Sincerely,

Nate Grein, Related Northwest