



Oregon Smart Growth serves as a vital voice for responsible developers, investors and allied industries to guide state and local policy towards market-driven development trends that are more economically, socially and environmentally sustainable for Oregon's future.

REJECT CHANGES TO THE 15 YEAR NEW CONSTRUCTION EXEMPTION IN SB 611

After Oregon passed a first-in-the-nation statewide rent stabilization law in 2019, other jurisdictions have followed, with most adopting a 15-year-or-longer new construction exemption.

California adopted a 15-year exemption shortly after Oregon, and Washington State is currently considering a 12 year exemption. St. Paul, MN provides a cautionary tale: In November 2021, voters approved rent control with no exemption for new construction, and building permits plummeted. Less than a year later, St. Paul's City Council added a 20-year exemption for new construction.

OREGON MUST URGENTLY PRIORITIZE PRODUCTION TO STABILIZE HOUSING COSTS

Rent stabilization policies that are overly restrictive will disincentivize construction of new units. And when supply is constrained due to underproduction—as it is now, with Oregon behind by 140,000 units—landlords are positioned to charge maximum rents.

Governor Kotek has called on Oregon to nearly double annual housing production "to address the current shortage and keep pace with demand." An **overly-restrictive new construction exemption would be an unforced error that will harm Oregon's housing affordability in the long run.**

CRITICAL: PROVIDE CERTAINTY, MAINTAIN PARITY WITH COMPETING EXEMPTIONS

Housing policy experts agree that a new construction exemption is essential for effective rent stabilization. But there's not a formula to determine the "right" length of exception (for example, to align with a loan term).

As Oregon's housing producers compete for limited capital that's essential to increasing our housing supply, here's what lawmakers should prioritize:

- **Parity with other housing markets' exemptions.** Simply put, an exception that's shorter than the current standard of 15 or more years will put Oregon at a disadvantage—increasing the risks associated with our housing market, and discouraging capital investment.
- **Certainty and stability in our regulations.** Investors and developers count on consistent regulations, which minimize risk and help attract capital. Changing Oregon's exemption after just four years moves the goal posts and sends the wrong message—that Oregon is a risky place to invest.

RECENT EXEMPTIONS AT-A-GLANCE

ADOPTED

20 Years
St. Paul, MN

15 Years
California
Oregon
Colorado
Boston, MA

PENDING

15 Years
Colorado (passed House)
South Carolina
South Portland, Maine
Providence, Rhode Island

12 Years
Washington State



By **reducing regulatory barriers** to dense walkable housing and mixed use developments, **the market can produce** the right product in the right locations to **meet today's needs**. This will also bring the **effective cost** of housing down to more affordable levels.

THE IMPACT OF EXEMPTIONS ON NEW CONSTRUCTION

A Case Study of St. Paul, MN

Voters in St. Paul, MN approved a Rent Stabilization Ordinance in November 2021 that limited rent increases to 3% annually, and had **no exemption** for new construction.

Multifamily building permits plummeted immediately (see chart below), falling nearly 82% between November 2021 and January 2022 compared to those months a year prior while permits in adjacent Minneapolis surged, according to data from the U.S. Department of Housing and Urban Development. A deeper analysis of St. Paul permitting data found a 55% decline in multifamily permits in the five months after the restrictions passed, compared to the three years prior.

St. Paul's mayor appointed a 41-member Rent Stabilization Stakeholder Group that studied the issue for months, and **recommended a 15-year exemption for new construction after hearing input from local experts**—including a non-profit affordable housing preservation leader who urged the group to recommend changes that attract private capital investment.

MINNPOST

March 10, 2022

"With three months of data on the books since the passage of the rent control measure in November, results are rather grim for anyone hoping for new apartment buildings in St. Paul. Compared to the same period during the previous year, multifamily building permits are down over 80 percent. Meanwhile, in Minneapolis overall construction is up as the economy has rebounded..."

Because people making financing decisions view rent inflexibility as increasing risk, they have been simply leaving St. Paul construction projects by the wayside."

In late September 2022, the St. Paul City Council—forecasting further "loss of capital investment, relocation of developers and builders to more predictable locations and asset types, negative impacts on housing supply, and long term increases to housing costs"—adopted amendments to the Rent Stabilization Ordinance, including a **20 year exemption for new construction**.

MULTIFAMILY BUILDING PERMITS FOR ST. PAUL AND MINNEAPOLIS



Source: U.S. Department of Housing and Urban Development

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