

Submitter: Sarah Stevenson
On Behalf Of: Innovative Housing
Committee: Senate Committee On Housing and Development
Measure: SB847

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

Re: Support for SB 847

Dear Chair Jama and Members of the Committee:

Innovative Housing emphatically supports Senate Bill 847, which would expand the current exemption from prevailing wage requirements for affordable housing to apply to the affordable housing portion of mixed-use projects.

This change would be tremendously helpful. Up until 2011, we were able to request split determinations from BOLI that did exactly what this bill proposes - appropriately applying commercial wage rates to commercial portions of a building but applying residential rates to the residential portions. This has always seemed to me to be the right way to approach this situation, but over the last 12 years BOLI's practice has not been to do this. Instead, even a very small commercial space subjects an entire affordable housing development to commercial wage rates, at total costs that rarely work. As a result, we have carved commercial spaces and uses out of our developments, to the detriment of residents and neighborhoods that would benefit from active ground floor retail and services. Most recently we had to cut an early childhood learning center out of a large development we are planning in SW Portland because we could not figure out a way to cover the additional costs of commercial prevailing wages on the entire project. Because we knew that childcare is so important to our residents, especially culturally specific child care for the immigrant and refugee community we plan to house, we even tried to pivot and build some larger apartments with features and amenities that could accommodate home-based child care providers. BOLI told us that if we built residential units with that intent and a resident used them for a commercial purpose, it would still trigger commercial prevailing wages on the entire development. We couldn't make that work financially, so there will be no large units for home-based child care nor an early learning space in the project.

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. Innovative Housing's experience is that this difference is even higher - closer to 10-15%, which precludes us from including commercial space in most of our developments. During a statewide affordable housing crisis and unprecedented cost increases for construction, insurance, and interest rates, we simply cannot afford this additional expense.

By extending the exemption to the affordable housing portion of mixed-use projects, SB 847 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.

I cannot overstate how strongly I support this bill. Innovative Housing urges the Senate Committee on Housing and Development to take action to expand the prevailing wage exemption to affordable housing components of mixed-use projects.

Sincerely,

Sarah Stevenson
Executive Director