

# Infrastructure Finance - Policy Paper



Home Builders Association  
of Metropolitan Portland

## HBA Positions

- ◆ **HBA supports infrastructure that is cost effective, appropriately sized and phased for the development,** and the exploration of creative infrastructure financing solutions in order to ensure that our housing stock can remain affordable.
- ◆ **HBA refutes assertions that infrastructure costs for redevelopment are much less than for new development in expansion areas.** Redevelopment costs vary depending upon the current infrastructure in place. Expanding infrastructure in urban areas can also be extremely expensive. By the same token, infrastructure costs for new development can vary greatly depending upon a variety of issues, including topography, closeness to current infrastructure, etc. The bottom line is that each situation is unique and any premise that states one kind of infrastructure is always more or less expensive than another is false.
- ◆ **HBA supports the establishment of strong public/private partnerships to provide a bridge for the future implementation of creative funding mechanisms.** These partnerships will address infrastructure needs and will help to preserve housing affordability for our entire region. This includes partnering with public agencies, special service districts and public/private utility providers. Developers and builders understand and support their role in the funding of needed infrastructure. That role however, must be shared.
- ◆ **HBA encourages jurisdictions to factor in the total value new development brings to a region.** Development already adds significant value through increased tax revenues, jobs created and the investment in infrastructure (e.g. roads, parks, community amenities) that developers provide to create good neighborhoods. <sup>(1)</sup>
- ◆ **HBA supports the determination of infrastructure costs early in the process,** before developers purchase land so that the costs can be factored into the land acquisition. This keeps land prices reasonable and helps make overall housing prices reasonable as well.
- ◆ **HBA encourages jurisdictions to be careful in only factoring infrastructure costs needed for the development or growth paying for it.** For example, a planning area itself may only need a three lane road. However, the original transportation scope may grow very quickly to accommodate existing development nearby or by homes anticipated in other future planning areas. Planning areas should not be responsible for infrastructure costs needed to fix existing deficiencies or for anticipated future needs beyond the planning area.

## Background

When discussing infrastructure finance, it generally refers to water, sewer, storm and transportation facilities. Every city, neighborhood and project has varying needs. Stormwater infrastructure is fairly straightforward, but large scale water and sewer projects (i.e. new reservoirs, interceptor lines, pump stations and treatment facilities) could potentially be triggered. In general however, sewer and water infrastructure can be largely funded through existing SDC fees. Transportation funding has been the major concern for UGB expansion areas in our region.

With the adoption of Senate Bill 1011, the Portland Metropolitan region was empowered with new tools to make more informed decisions about where our future Urban Growth Boundary (UGB) expansions will occur.

Prior to Senate Bill 1011, decisions on where to expand the UGB were driven largely by agricultural concerns.

Our region's reliance upon this the "system of old" (prior to passage of SB1011 in 2009) to accommodate growth resulted in the creation of some UGB expansion areas that are saddled with potentially insurmountable costs for infrastructure (i.e. Damascus). The regional adoption of Urban and Rural Reserves officially established the "system of new" and provided us with some level of confidence that future UGB expansions will be located in areas with the highest level of suitability for urbanization. This paradigm shift was an important and necessary first step to ensuring that areas of future growth can in fact be reasonably serviced by critical and essential infrastructure.

⇒ **In the Portland region, undeveloped land areas are much smaller in size and usually are split up among a multitude of landowners, this creates huge challenges for funding infrastructure.**

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(1) Refer to "Does Growth Pay" Study

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## Challenges

Metro has forecasted an influx of more than one million new residents to the Portland Metropolitan area over the next 20 years. By 2060 we can expect a doubling of our regional population.

Infrastructure finance is an important consideration, not only for new urban areas, but also for redevelopment areas where existing infrastructure is aging and/or where density is being dramatically increased. Regardless of where or how our region chooses to grow, infrastructure finance will play a critical role.

Local government agencies and service districts have become gradually more dependent upon impact fees and excise taxes to help cover the cost of providing infrastructure and services. As a result, added fees serve as a tax on home buyers that can raise the price of housing beyond the reach of many families.

The unique nature of Portland's land options also adds to the infrastructure funding problem. In many areas of the country, developers can amass large enough land holdings that their projects can generally afford to absorb major transportation and sewer infrastructure, leaving water as the main infrastructure challenge. In the Portland region however, undeveloped land areas are much smaller in size and are usually split up among a multitude of landowners – including developers and smaller private property owners. This creates huge challenges for the funding for infrastructure.

## Creative Solutions

Impact fees will always play a role in the funding of needed infrastructure. <sup>(1)</sup> However, they do not have to be the only funding source, or even the largest funding source for a given project.

For UGB expansion areas or large scale redevelopment projects, Special Service Districts and/or Tax Increment Financing should be considered to address substantial transportation improvements and/or other major infrastructure needs.

These tools can provide a mechanism for up-front financing or project funding on a pay-as-you-go basis. Many differing circumstances will determine whether large scale improvements must be front-loaded and financed or if they can wait until adequate funds have accumulated to address the infrastructure need.

Whatever combination of funding tools is used to tackle an area's infrastructure need, a common theme will always prevail. For UGB expansion areas or large scale redevelopment projects, it is imperative to establish a public/private partnership based upon a foundation of common goals. Ultimately, infrastructure needs must be addressed. In doing so however, it is critical that at a very early stage, a planning and funding approach be taken that is considerate of housing affordability, fairness, equity and the considerable value new housing provides to a community in terms of jobs, taxes and economic development.



HBA Website QR Code



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(1) Refer to Infrastructure Finance Policy Paper