

To Whom It May Concern:

The current ADU SDC waiver is set to lapse on July 31st, 2016. Despite all the hype around ADUs, **only 1,200 have ever been developed in Portland**. ADU development is just emerging from its infancy due to the SDC waiver, which City Council initiated in 2010 and extended in 2013.

Construction in Portland is booming in general. But, most of the construction is speculative construction, where the SDC fees are simply passed along to potential buyers. ADUs are a totally different type of development. **70%-90% of ADU development is done by existing homeowners**, who intend to stay on their property for years or decades to come.

The capital cost is the single largest barrier to ADU development, as traditional financing options for ADUs aren't widely available for these amateur homeowner/developers. **Capital cost financing is creatively cobbled together through a mixture of personal savings, family loans, and Home Equity Lines of Credit**. Developing an ADU may commonly average \$78K (according to a 2013 survey of ADU owners), or much more. Unlike professional developers, homeowners aren't able to access construction loans for this expensive development work, nor immediately recoup their capital costs by selling the property after developing the ADU.

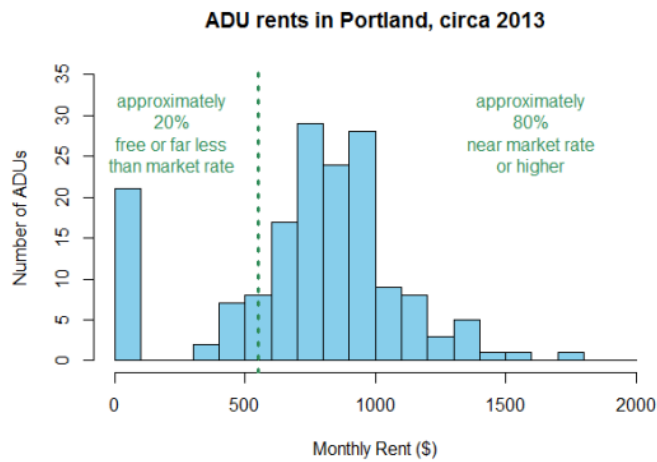
At **\$17K**, the SDCs for an ADU in 2016 will be disproportionately high, considering that ADUs don't require the addition of any new infrastructure to the city's systems and that the average ADUs are ¼ the size of the average house in Portland. If the projected \$17K SDC kicks in for ADUs starting in August of 2016, adding a ~20% SDC premium to the already **daunting capital cost**, **legal ADU development will only be possible by homeowners with the most disposable income**. After the spring, 2015 *Build Small, Live Large ADU Tour* with 2,400 attendees, **73% of the attendees indicated that they would be deterred from building an ADU if the SDCs returned in 2016**. Some small number of legal ADUs will still be developed regardless of an SDC waiver. However, the number will drop off significantly.

The growth in ADU development entirely hinges on homeowners bridging the capital cost of development. There must be some form of SDC relief if ADUs are a housing strategy that we would like to continue to foster. **A 5-year SDC waiver extension** would provide the stability and predictability necessary for local financial institutional backing to help more homeowners build more of this much-needed form of small, infill housing, and for a quickly growing array of successful small businesses to support more ADU growth in the near future.

264 ADU permits were issued in 2014 by BDS. The entire total ADU-related SDC revenue loss in 2014 was likely comparable to that of the SDCs accrued from a single 300-unit apartment building.

Available research indicates that **only 5% of ADUs are used as short-term rental units**. This study was conducted in 2013, and while the actual percent of ASTRs has likely

increased, it's difficult to know by how much. As the City addresses ASTR policy and enforcement, ADUs will easily adjust their function accordingly and fluidly to be used in a manner that is consistent with the City's policy goals. A unique quality to ADUs is how their use changes over time to meet a household's changing housing needs.



The DEQ survey showed that **80% of ADUs were used as permanent long-term housing. More interestingly, 20% of ADUs are rented for zero or far below market rates.** What other form of housing could the City use to fill that affordable housing gap for only \$17K? ADU rental income facilitates some aging owners to stay on their property -- a viable pathway for many to age-in-place.

- ADUs provide the kind of housing (1BR self contained units) that are the best suited housing stock available to meet Portland's housing demographics: **66% of households are 1-2 person households.**
- It's a form of infill housing that can only be located in the land use zone that Portland happens to be comprised of: **70% of Portland is residentially zoned.**
- They are among **the least controversial, most discrete, and most endeared form** of residential urban infill development happening in Portland in the residential neighborhoods we already cherish.
- They inherently have among the **lowest GHG emissions** due to their size cap.

As a desirable form of housing in Portland, the potential for ADUs is tremendous and is just starting to catch on at a mathematically meaningful level. There is overwhelming community support for an extension among citizens, non-profits, and businesses. And more generally, there appears to be broad policy support for promotion of ADUs from within the City's Bureau of Planning and Sustainability, Metro, and Oregon DEQ.

ADUs have extraordinary stakeholder support in Portland, but without matured financial tools to help amateur homeowner/developers, we fear that legal ADU development will tail off to pre-2010 levels if SDCs return. Without SDC relief, ADUs will not be afforded the full opportunity to reach their potential as a significant, affordable, unique, custom, and homegrown form of residential alternative housing in Portland. Portland is known nationally as a leader in Accessory Dwelling Units. People are flooding in from all over the country for the city's regular City-wide ADU Tours. We should all be extremely proud of this and work to help them reach their full potential within Portland.

--We support a 5 year SDC waiver extension for ADUs in Portland--