

January 6, 2018

To: the Affordable Housing Committee

Fr: Katherine Austin, At Large Member

Notes on why it is worth considering charging SDCs on a sliding scale

Fixed costs remain the same for builders regardless of the size of the home they build. For example a partial list of some of those costs are listed below:

1. SDC fees
2. Administrative costs related to estimating, loan docs, office costs & pulling permits
3. Printing and reproduction
4. Consultant Costs within a reasonable scale
 - a. Architecture
 - b. Civil and Structural Engineering
 - c. Landscape Architecture
5. Project Management
6. Mobilization on site
7. Off-site storage of materials and equipment when needed
8. Building Trailer and port-a-potty fees
9. Grading and off haul of dirt, or import of dirt as needed
10. Mitigation costs if applicable
 - a. Contaminated soil
 - b. Environmental impacts
11. Storm water mitigation (Best Management Practices)
12. Labor costs within a reasonable scale
13. Streets & hardscape such as sidewalks, driveways and garage slabs
14. Installation of utilities including fire hydrants
 - a. Note that all streets and hydrants need to be in place before any wood framing is allowed. So upfront costs are significant.

The profit margin shrinks the smaller the home size. As the costs listed above including the relatively more expensive areas of a home, (the kitchen and bathrooms) remain about the same, the cost per square foot for a smaller home is greater relative to a similarly equipped larger home.

If there is no incentive to create a smaller home than the building envelope allows in a subdivision, then the maximum size will be always be built. Costs must be recouped, its simple economics.

What can the City of Bend do to use carrots instead of sticks to incentivize the creation of smaller and thus less expensive homes in new subdivisions? The only item in the cost list above that is under the control of the City is the SDC fees.

In the US there are plenty of precedents of subsidies to make a society function. One obvious one is federal taxes. The more an individual earns the more taxes they

pay. Taxing on a sliding scale is seen as a fair way to share the overall expenses of running the country.

If we can keep the overall income to the City the same through SDCs sufficient to meet the need, but charge on a sliding scale at some reasonably determined formula with input from stakeholders, then I suggest that is the fairest way to incentivize smaller homes.

Smaller homes by their nature will be less expensive to buy than their larger counterparts. Expanding the range of sizes of homes available in a subdivision will likely attract a more diverse income range within that subdivision. Right now companies cannot find employees to hire because the cost to relocate to Bend is out of the reach of many moderate income individuals and families. I believe we need to look at all possibilities that are within our purview to address this dire situation.

I am not suggesting that we automatically put SDCs on a sliding scale. I am suggesting that this it is something worth investigating to see if it makes sense and if there is a consensus that if implemented it will make a significant impact.

Thank you for your consideration.

Sincerely,

Katherine Austin