



HOME COMMITTEE REVIEW

System Development Charge (SDC) Exemption Program

Rubric

Project Specific Information

AMI/population targets	The current program is up to 80% AMI. There is potential to go up to 100% or 120% AMI.
Unit Creation Potential	High
Type of Housing	The current program is all types of rental or ownership housing for multifamily or single-family dwellings.

Partnership Opportunities

Private partnerships	No
Community partnerships	No

Considerations For Implementation

Program Readiness timeline	6-12mo depending on any additions to the program that Finance would need lead-time on, and Council consideration timelines.
Additional Staff Required	low to none
Magnitude of initial investment	Averaging \$1.5 million per year over the last 5 years (foregone revenues)
Risks	Potential impact on planned capital improvements funded by SDC revenue.
Proven track record in Oregon	Yes
Anticipated Award per Project	\$300,000 - \$500,000 total for single family developments of multiple sites and up to \$1 million total for multifamily apartment developments. \$200,000 - \$700,000 on average for transportation SDCs alone



Packet

Description of Program:

System Development Charges (SDCs) are fees that the City collects when new development occurs to help pay for the infrastructure needed to support growth. These fees fund essential systems that form the backbone of the community, including transportation, water, and sewer infrastructure. SDCs provide necessary funding for growth-related capital improvements that help maintain the City's level of service for transportation, water, and sewer systems (ORS 223.297–223.314). SDCs do not fund construction to remedy existing deficiencies in infrastructure, but repay the City for additional capacity available to future users (reimbursement SDC) or fund improvements to provide capacity for new users (improvement SDC).

The City of Bend offers an SDC exemption program to incentivize the development of affordable housing. To qualify for the City's exemption, whether as rental housing or ownership opportunities, homes must carry a deed restriction for 20 years and serve households earning at or below 80 percent of the Area Median Income (AMI). Since 2016, the City of Bend has exempted more than \$14 million in SDCs, supporting the development of over 1,000 housing units.

SDCs must follow state statutes regarding establishment, expenditure, and provision of credits when development builds a project on the SDC project list (planned to be constructed by the City with SDC revenues). Exemptions are locally adopted and are within local control.

Benefits to the Community:

The primary benefit to the community is the creation of more affordable housing units for Bend residents. The program reduces development costs for builders in exchange for providing deed-restricted affordable housing units. Long-term affordability requirements also promote stability in the housing market. By incentivizing more long-term, deed-restricted housing, the City increases the likelihood that community members can find affordable housing throughout Bend.

Risks:

An SDC fee exemption program can put critical infrastructure systems at risk if the City does not collect the fees that would otherwise fund them. The City collects SDCs on new development projects because those projects place additional demands on infrastructure and require future capacity improvements. This approach charges new growth for its fair share for growth-related impacts and needed improvements. Without these fees, the community must absorb the costs later and may experience reduced system capacity as growth occurs without sufficient funding accountability.

Utilization of This Tool in Oregon or Similar Community:



According to the 2025 League of Oregon Cities System Development Charges (SDC) Survey, approximately half of responding cities use waivers or accommodations, primarily to incentivize affordable housing and small business development. When we reviewed comparable jurisdictions across Oregon, we found a wide range of approaches to using SDC exemptions for affordable housing.

Some jurisdictions, such as Gresham and Medford, do not offer SDC exemptions but instead rely on SDC deferral and loan programs to reduce upfront development costs. Hillsboro, while also not offering SDC exemptions, provides property tax exemptions as an alternative incentive. Other jurisdictions, such as Beaverton, take a more regional approach and coordinate fee incentives or reductions with their housing authority.

The City of Bend stands out for using the most broad-based exemption approach, while many other jurisdictions target exemptions to specific housing types. For example, Portland offers SDC exemptions for both deed-restricted ownership and rental housing but applies different income thresholds to each. Rental housing qualifies up to 60 percent of Area Median Income (AMI), while ownership housing qualifies up to 100 percent AMI and, in some cases, up to 120 percent Median Family Income (MFI). Salem also offers exemptions for both ownership and rental housing but limits eligibility to 80 percent AMI for ownership housing and 60 percent AMI for rental housing. Their program also can carry a timeline for deed-restriction of up to 30 years. The City of Hood River also requires a longer affordability timeline of 40 years. Eugene uses an approach similar to Bend's but caps eligibility at 60 percent AMI, while Springfield limits its program to ownership housing only.

Key Takeaways:

- SDC exemption programs can affect the City's ability to fund capital improvements needed to support growth. When development does not pay for its growth-related impacts, the City must identify other ways to accommodate growth-related demands on infrastructure. Decisionmakers should carefully weigh the costs and benefits of incentivizing development when infrastructure funding may not keep pace with increased demand.
- Any expansion of the current program should not increase the financial impact to the City's SDC revenues. Rather than simply adding new exemptions, the City could refine or rebalance the program to achieve desired outcomes. Potential adjustments could include expanding eligibility to higher Area Median Income (AMI) levels while reducing exemption amounts, shifting the types of housing eligible for exemptions while tying those changes to specific AMI thresholds, or modifying exemption levels by reducing certain SDCs while waiving others. The City could also consider establishing an annual dollar amount cap with flexible qualification criteria.
- By altering the program structure, the City can better align incentives with specific housing mix objectives. These objectives may include prioritizing rental or ownership housing, targeting particular AMI ranges, or offering different exemption levels based on housing type and affordability goals.



Case Study:

With SDC exemption programs operating in various forms statewide—and with the City of Bend successfully administering its own program for nearly ten years— we won't present a single case study focused on program use or outcomes. Instead, the City seeks to examine differences among existing programs and evaluate potential adjustments that could better address specific housing needs while maintaining fiscal accountability for capital improvement projects.

In particular, some housing developers have asked the City to consider whether the current program could include housing units deed-restricted up to 100 percent AMI, and in some cases up to 120 percent AMI, in exchange for longer affordability periods, tiered exemption structure or specific target housing types.

Key Contacts:

- Keith Wooden, Real Estate Director, Housing Works, kwooden@housing-works.org, 503-580-9063

Additional Resources:

City of Portland

[Affordable Housing SDC Exemption for Home Ownership | Portland.gov](#)

[Affordable Housing SDC Exemption Program for Rental Projects | Portland.gov](#)

City of Salem

[Development Fees | Salem, Oregon](#)[CHAPTER 41. - SYSTEM DEVELOPMENT CHARGES | Code of Ordinances | Salem, OR | Municode Library](#)

City of Eugene

[System Development Charge Exemption for Affordable Housing | Eugene, OR Website](#)
[Housing Incentive Programs - City of Springfield Oregon](#)

City of Newberg

[System Development Charges](#)

Hood River

https://cityofhoodriver.gov/wp-content/uploads/2018/11/housing_info_graphic-JUNE_2022_EN.pdf

League of Oregon Cities 2025 System Development Charges Survey Report

<https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwieypi7g4-UAxXLJjQIHQTpKEEQFnoECBcQAQ&url=https%3A%2F%2Fwww.orcities.org%2Fapplicati>



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