



# City of Portland

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**Memo: Temporary SDC Exemptions for Housing**

Date: February 27, 2026

From: Donnie Oliveira, Deputy City Administrator, Community & Economic  
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To: City Council

CC: Mayor Wilson

City Administrator Raymond C. Lee III

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## Introduction

This memo provides a report on early implementation of the temporary system development charge (SDC) exemption for new housing units, as passed by City Council via ordinance 192082 in July 2025. The program is in place for qualifying building permits issued from the effective date of the ordinance (Aug. 15, 2025) through Sept. 30, 2028, with written implementation reports due to Council every six months addressing several topic areas. This is the first of such written reports.

## Background

In July 2025, the Portland City Council [adopted an ordinance](#) that temporarily exempts newly created housing units from SDCs. The goal of this ordinance is to promote the creation of 5,000 new housing units over a three-year period. This temporary SDC exemption applies to most permits for new housing units issued from Aug. 15, 2025, through Sept. 30, 2028. To participate in the program and secure the exemption, the development project must meet certain eligibility criteria as well as project completion milestones. The new code provisions included in this ordinance are contained in Section J of [Portland City Code Chapter 17.14.070](#) ("Temporary exemption for residential housing projects").

## Data Sources

This first report covers data from the launch of the program on Aug. 15, 2025 through Jan. 15, 2026, pulled from several bureaus and tracking systems. The findings are culled from the AMANDA permitting system in coordination and collaboration with bureaus that play a key role in the permit process:

- [Infrastructure Bureaus](#): Bureau of Environmental Services (BES), Portland Water Bureau, Portland Parks & Recreation, and the Portland Bureau of Transportation (PBOT), which impose SDCs and use the funding to pay for public infrastructure improvements.

- Portland Housing Bureau: Administers development incentive programs on behalf of the City of Portland. These programs include, but are not limited to: Inclusionary Housing, Homeownership Limited Tax Exemption and Affordable Housing SDC Exemption.
- Portland Permitting & Development: Administers the development review process, coordinates the application of exemptions across participating bureaus and assesses and collects SDCs on behalf of two bureaus (BES and PWB).

For certain other reporting areas where permit data is insufficient to respond to the Council direction, information was sourced from external sources and is referenced as such throughout the document.

By drawing on data from these diverse sources, the report offers a unified view of the program's impact and effectiveness in promoting housing development amid sustained economic pressure.

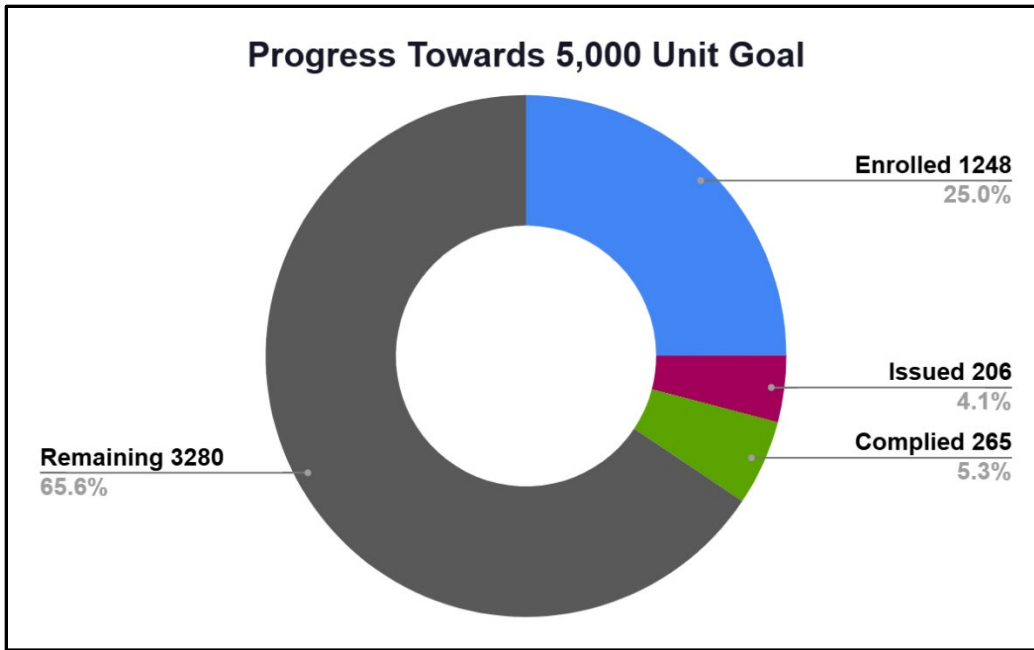
For this initial report, five months of data were pulled to deliver a report close to the six-month mark. Future reports, beginning in Fall 2026, will include data covering a full six months of implementation.

## Program Participation

This report tracks qualifying SDC exemptions through the following statuses:

- **Enrolled:** Qualifying building permits in process at PP&D have filled out permitting paperwork in order to be officially “enrolled” in the waiver program, meaning they intend to participate, but for which the building permit has not yet been issued and SDCs have not yet been permanently exempted.
- **Issued:** Qualifying permits enrolled in the program that have their building permit issued and are either advancing toward or preparing for construction, but do not yet qualify for the SDCs to be permanently exempted.
- **Complied:** Permits that fall under the “complied” category are those in which the applicant has their building permit issued and has met the required benchmarks necessary to have their SDCs permanently exempted. For most projects, this means reaching a specific construction milestone within 12 months of permit issuance.

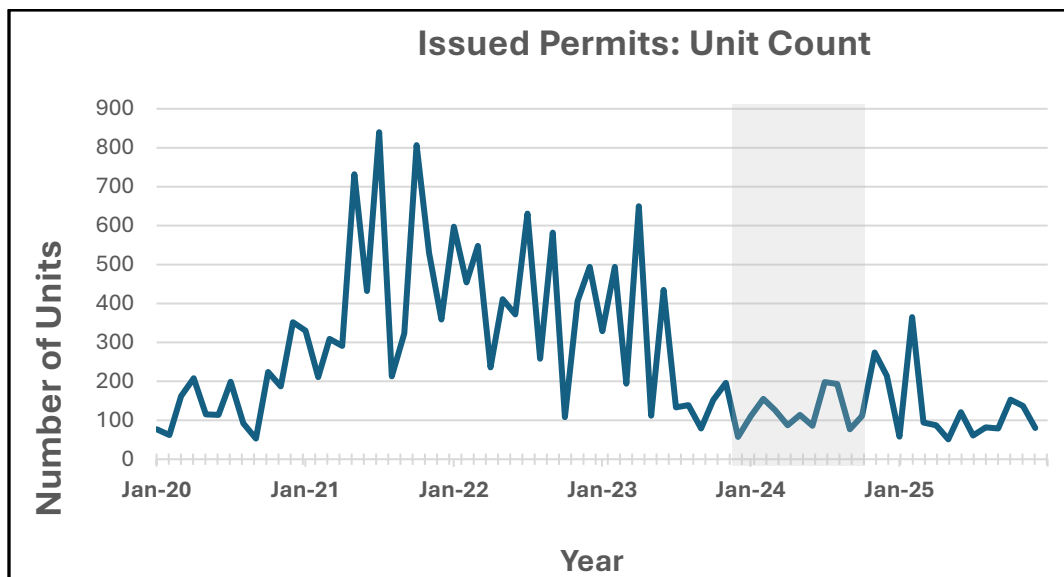
As of January 15, 2026, the program tracked 1,248 units in enrolled permits, 207 issued units, 265 complied units, and 3,280 units remain towards the 5,000-unit goal.



Source: Portland Permitting & Development - SDC Dashboard V2.1 - Power BI dashboard

## Housing Unit Production Over Time

The graph below illustrates the historical volume of new housing units created through issued building permits, tracking a timeline from 2020 through the end of 2025. While the data shows a decrease from peaks seen in 2021, the number of new units saw an increase in October 2025, reaching a total of 153 units. This represents a 38% increase – or an additional 42 units – when measured against the 111 units recorded in October 2024.



Data Source: AMANDA permitting system. Data based on calendar year and includes permits in final, issued, and under inspection statuses and does not include Accessory Dwelling Units (ADUs).

Some permits that have been ready to approve for several months or years, but waiting to pay their fees and get their permit issued have since indicated movement forward. Specifically, 49 units that were previously in Approved to Issue status in 2024 and prior have now been issued. Of these permits, 25

units have issued building permits that have not yet complied, and 24 units have complied with the SDC exemption program requirements.

The table below provides historical reference for the number of new units by structure type issued from 2020 through 2025.

## Structure Type

Building Permit Sub-Type	2020	2021	2022	2023	2024	2025
<b>Apartments</b>	1289	4804	4397	2143	893	705
<b>Duplex</b>	34	34	46	18	28	4
<b>Single Family Dwelling</b>	312	329	254	236	336	296
<b>Townhouse</b>	211	196	378	569	471	361
<b>Total units</b>	1,846	5,363	5,075	2,966	1,728	1,366

Source: AMANDA permitting system. Data based on calendar year and includes permits in final, issued, and under inspection statuses and does not include Accessory Dwelling Units (ADUs.)]

Note: Permits issued between Jan. 1 – 15, 2026, include nine duplexes/two-family dwellings and 21 townhouses (3+units).

## Unit Characteristics

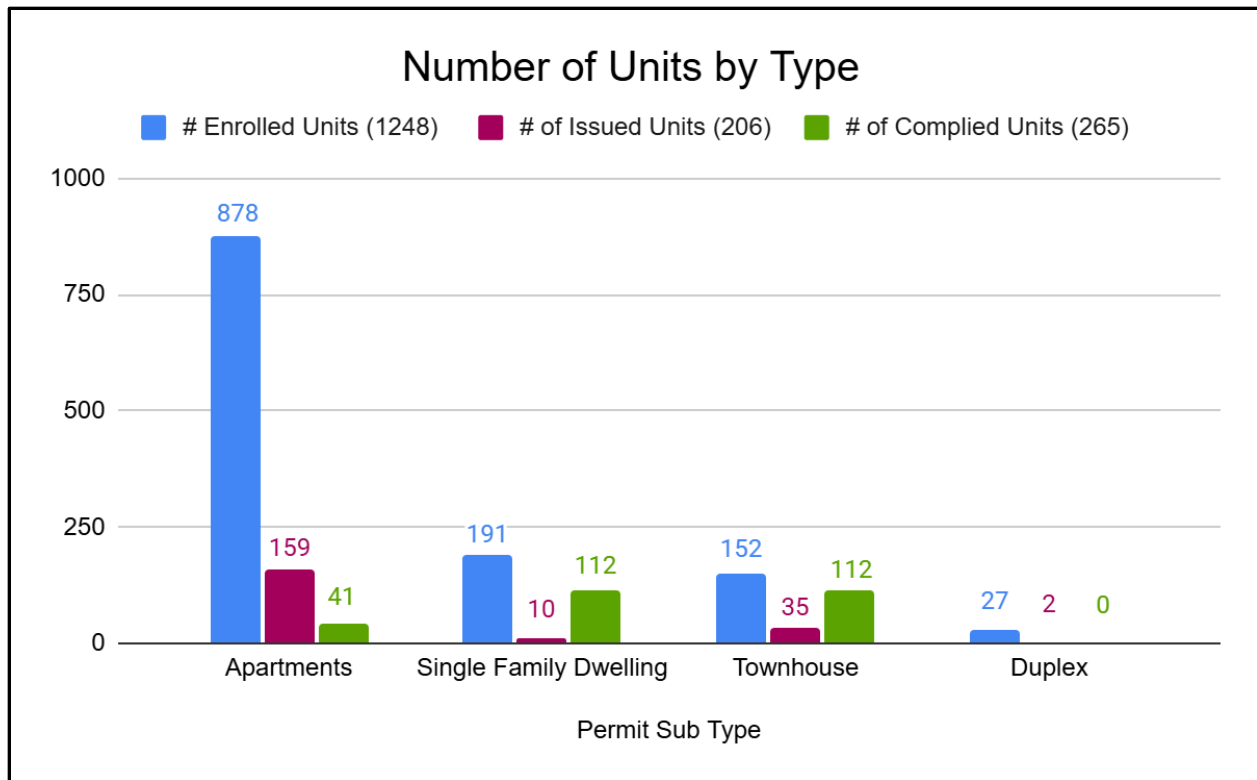
The table below breaks down units by housing type and shows how each contributes to the 5,000-unit goal. Of the participating building permits, the majority of units are in apartment buildings, consistent with Portland’s typical housing production trends (most of the city’s new housing supply comes from larger buildings). The projects that have recently advanced and had their building permits issued, however, are mostly smaller-scale projects, shown below as single-family dwellings (sometimes built as part of cottage clusters<sup>1</sup> or other middle housing projects<sup>2</sup>), duplexes, and townhouses.

This is likely due to the continued challenges facing larger-scale projects, which are significantly more dependent on outside investment and subject to broader market forces.

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<sup>1</sup> Cottage clusters are groups of small, detached houses arranged around a shared green space

<sup>2</sup> Middle housing is a strategy to increase housing supply in developed neighborhoods with detached single-family dwellings; these include duplexes, triplexes, quadplexes, cottage clusters, and townhouses.



Source: Portland Permitting & Development - SDC Dashboard V2.1 - Power BI dashboard

## Income Characteristics

Many types of affordable housing in Portland are already eligible to receive SDC waivers/exemptions under programs authorized by other sections of City code, which predate this temporary SDC exemption. Specifically, units in 100% affordable (e.g. Portland Housing Bureau-funded) projects are typically all exempt from SDCs, as are Inclusionary Housing (IH) units in private development rented at or below 60% area median income (AMI). As such, those types of affordable housing would not participate in this program, and thus are not included in our program reporting.

## Inclusionary Housing Units Rented at 80% AMI

This program is available to affordable units rented at or below 80% AMI and regulated as affordable housing via the City's Inclusionary Housing program.

There are currently five permits containing a total of 25 80% AMI IH units at various stages of the program. As shared above, these units are regulated as affordable housing and would not be eligible for the waiver for units rented at or below 60% AMI but are eligible for the temporary SDC exemption program. They are in mixed-income buildings where the remainder of the housing units may also be utilizing this program, but do not have the same affordability regulations.

In addition, some projects currently under review have not yet made a final determination about the affordability of their units (for example, whether they will include 60% AMI or 80% AMI IH units). As such, these numbers may shift before permit issuance.

## Middle Income Homeownership

The program is also available to homeownership projects, which are most commonly built as middle-housing scale development (e.g. townhouses), including those that are participating one or more of the City's suite of Affordable Housing Development Incentives for Homeownership. The HOLTE program offers a 10-year property tax exemption to the new homeowner as long as the unit is sold to an income-qualifying buyer (up to 100% AMI) at a price below a set level. As such, HOLTE units are considered a type of regulated middle-income housing. By opting to participate in both this temporary SDC exemption program, as well as other development incentive programs, builders are able to "stack" incentives to attract more buyers and make project financing (and the homeowner's borrowing) more viable. Six projects fall into this category (are at various stages of the program). When these projects proceed they will produce 24 new regulated middle-income units restricted to homeowners earning up to 100% AMI.

## Development Trends

This section considers the connection of the program with overall housing production volumes and the impact of the program during a period of sustained economic pressure of increased construction costs and interest rates.

### Residential Permit Activity

Development activity in Portland continues to experience the challenges of the past several years, with overall volumes considerably lower than pre-pandemic years. As has been reported many times, this is due to a variety of factors, including both some local conditions (e.g. rising construction costs, modest income growth) and regional and national conditions (e.g. interest rates).

### Market Factors Impacting Project Viability

The financial incentive offered by the program, while meaningful, has not, on its own, been enough to counter strong financial forces at play in the broader market during the time the program has been in place.

- **Construction Costs:** Development costs have surged by approximately 50% since the onset of the pandemic. These costs remain at historic highs with no signs of local or national cooling and continue to pose a significant barrier to project feasibility regardless of local incentives.
- **Marginal Interest Rate Fluctuations:** Since the legislation took effect on August 15, 2025, short-term construction interest rates have seen only a nominal decline (ranging from 3.76 to 15 basis points). Such a marginal decrease is insufficient to drive a meaningful spike in construction activity. Following a 2023 peak of over 5%, the market began to anticipate that the Federal Reserve might stop raising interest rates or even start cutting them. This caused the yield to drop through late 2023 and early 2024, falling below 4.20% at times before stabilizing in the mid-3% range by early 2026.
- **The "Long-Term Rate" Barrier:** While short-term interest rates (used for construction loans) have dipped slightly (including a 0.25% cut in July 2025), long-term (10-year) interest rates remain roughly 0.50% higher than construction financing. This "rate jump" when transitioning from construction to permanent financing (after a project is completed) creates considerable challenges to project viability.

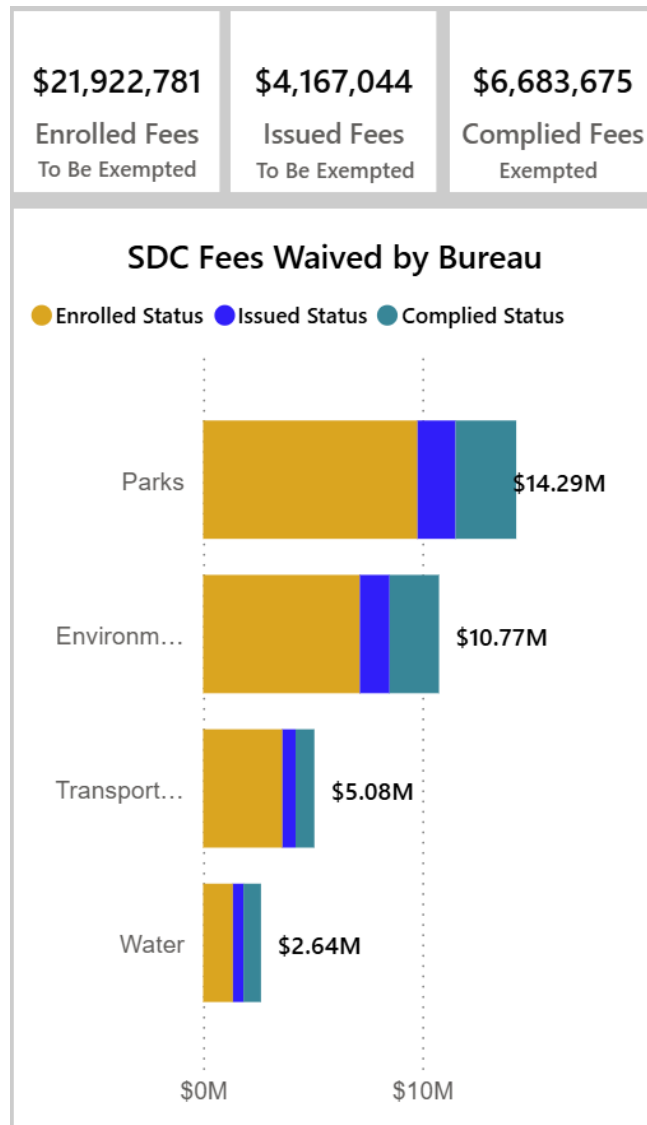
## References:

- [Construction Financing Benchmark Rate: Economic Data](#)
- [Federal Reserve Economic Data \(FRED\)](#)

## Value of Exempted SDCs

SDCs are confirmed as permanently exempted (and considered complied) when the permit meets the construction milestones or construction completion guarantees outlined in the code and administrative rules (refer to [ENB-13.29 Temporary System Development Charge Exemption for Residential Housing Projects – Temporary Administrative Rules](#) for details).

As of January 15, 2026, 265 new housing units have complied with the program for a total of \$6,683,675 in SDC exemptions (an average of \$25,221 per unit). An additional 207 units have had their permits issued and are on track to receive \$4,167,044 in SDC exemptions but are not yet considered complied. Finally, 1,248 units have enrolled in the program which, if they all move forward to permit issuance and reach compliance, would result in an estimated \$21,992,781 in SDCs exempted.



<b>Bureau</b>	<b>Enrolled</b>	<b>Issued</b>	<b>Complied</b>	<b>Totals</b>
Parks	\$9,787,071	\$1,732,688	\$2,769,201	\$14,288,960
Environmental Services	\$7,152,665	\$1,358,418	\$2,255,882	\$10,766,965
Transportation	\$3,622,119	\$597,365	\$858,168	\$5,077,652
Water	\$1,360,926	\$478,573	\$800,424	\$2,639,923
<b>Totals</b>	<b>\$21,922,781</b>	<b>\$4,167,044</b>	<b>\$6,683,675</b>	<b>\$32,773,500</b>

Data Source: Portland Permitting & Development - SDC Dashboard V2.1 - Power BI dashboard.

### Summary and Next Steps

Although this report only covers the first five months of the implementation of this temporary SDC exemption program, the City is seeing some promising results. This includes, for example, the issuance of permits for new housing that were in the permitting pipeline before August 2025 but not moving forward for various reasons. The City’s development review bureaus will continue to engage with permit customers to identify and address challenges to permit issuance and to monitor compliance with this program.

A report on the results of the first year of this program’s implementation will be shared with the Council later this fall.