



SB 1537: Governor's Housing Production Bill

Background

On January 10, 2023, Governor Kotek issued Executive Order 23-04, which established an annual housing production target of 36,000 homes in Oregon, and which established the Governor's Housing Production Advisory Council (HPAC), tasked with providing recommendations to achieve the housing production target. The HPAC's January 2024 report included recommendations on one-time urban growth boundary (UGB) amendments, funding for infrastructure and affordable housing, and adjustments to land use standards, are incorporated into SB 1537.

Bill Summary

Housing Accountability and Production Office (Sections 1-11)

Creates the Housing Accountability and Production Office (HAPO), coordinated by DLCD and DCBS/BCD, to support housing production in local communities with a more definitive structure and process to address complaints, concerns, and issues from local governments and developers about compliance with state housing law. This office will enhance opportunities to collaborate with local governments in lieu of enforcement actions. **Housing Accountability and Production Office Funding - \$5 million and Local Housing Planning Technical Assistance Funding - \$10 million.**

HAPO becomes operative July 1, 2025.

Financial Assistance Supporting Housing Production (Sections 12-36)

Local housing infrastructure planning capacity: \$3 million

Directs Business Oregon to provide capacity and support for infrastructure planning to municipalities to enable them to plan and finance infrastructure for water, sewers and sanitation, stormwater and transportation consistent with opportunities to produce housing units at minimum densities of 17 units per acre in Metro (10 in cities with pop. 25,000+/6 in cities with pop. 2,500 – 25,000/5 in cities with pop. less than 2,500).

Fund sunsets January 2, 2030.

Moderate-income housing financing: \$75 million

Establishes definitions for the moderate-income housing revolving loan fund. This includes that eligible housing projects are those at 120% of the median income or below. The revolving loan fund is established as a partnership between the State.

and local jurisdictions to facilitate the development of moderate-income housing sponsoring jurisdictions. The revolving loan fund creates up a fee in-lieu of taxes program in the sponsoring jurisdiction. The process will be as follows:

1. OHCS administers a state capitalized fund that jurisdictions may borrow from to make grants to new moderate-income housing developments if gaps exist in development budgets.
2. The loans to jurisdictions from the fund are established with a 10-year repayment period.
3. Projects receive a limited duration property tax exemption (only on improvements--existing taxes on land, etc. remain in place), with fire districts property tax disbursements exempt.
4. Sponsoring jurisdictions place a fee on the property to pay back the loan. Upon loan repayment, the fee terminates, and the property becomes fully taxable.

Requires the program to be operational no later than June 30, 2025.

Housing Land Use Adjustments (Sections 37-47)

Requires local governments to approve, up to 10 total, select design and development adjustments for housing development projects that an applicant can meet one of the following of the criteria:

- The adjustments will enable development of housing that is not otherwise feasible due to cost or delay resulting from the unadjusted land use regulations;
- (B) The adjustments will enable development of housing that reduces the sale or rental prices per residential unit;
- The adjustments will increase the number of housing units within the application;
- All of the units in the application are subject to an affordable housing covenant as described in ORS 456.270 to 456.295, making them affordable to moderate income households as defined in ORS 456.270 for a minimum of 30 years;
- At least 20 percent of the units in the application are subject to an affordable housing covenant as described in ORS 456.270 to 456.295, making them affordable to low income households as defined in ORS 456.270 for a minimum of 60 years;
- The adjustments will enable the provision of accessibility or visitability features in housing units that are not otherwise feasible due to cost or delay resulting from the unadjusted land use regulations; or
- All of the units in the application are subject to a zero equity, limited equity, or shared equity ownership model including resident-owned cooperatives and community land trusts making them affordable to moderate income households as described in ORS 456.270 to 456.295 for a period of 90 years.

Exemption process for local governments, includes two avenues:

1. The local government currently reviews design and development adjustments for all applications for the development of housing and all listed development and design adjustments in the bill are eligible under the local government's adjustment process and within the previous 5 years the city has approved 90 percent of received adjustment requests.

2. The adjustment process is flexible and accommodates project needs as demonstrated by testimonials of housing developers who have utilized the adjustment process within the previous five years.

Limited Land Use Decisions

The following land use decisions are processed as limited land use decisions: Partitions, subdivisions, replats, or property line adjustments, site plan review, extensions, alterations, or expansions of nonconforming uses, mandatory adjustments under the bill. Allows HAPO to approve a hardship exemption or time extension to these provisions if the local government demonstrates a hardship would result from implementing a limited land use decision.

These requirements become operative January 1, 2025 and sunset January 2, 3032.

One-Time Site Additions to UGBs (Sections 48-60)

On a one-time basis, eligible cities can choose to add 50 or 100 acres of land for housing to their UGB. The Metro region is capped at 300 acres total. Requirements for land being brought in include:

- Any land added would also need consent of the property owner.
- Land added can only be urban reserve, non-resource land, or exception land – no high-value farm or forest land outside of urban reserves already designated for future urban development.
- The expansion area must adopt a complete communities binding concept plan that includes:
 - o Mandatory affordability – 30% of the total units must be affordable for 60 years (units available for rent at 80% AMI or less, units available for purchase at 130% AMI or less)
 - o Minimum density – 17 units per acre in Metro
 - o Integrated mixed-use residential areas for complete communities
 - o Transportation network planning
 - o Open space, scenic, historic, and natural resource goal protections
 - o Natural hazard protections
 - o Binding agreements for all necessary urban services

A city is eligible for an expansion if they meet land and affordability metrics:

- **LAND NEED METRIC.** No UGB expansions with housing in the last 20 years and no more than 20 contiguous acres of vacant residential land, or by having 75% of UGB expansion areas with housing developed in last 20 years or with acknowledged comprehensive plan designations, infrastructure plans, and housing development occurring demonstrated by land use or building permit applications in process.
- **AFFORDABILITY METRIC.** When using the CHAS data provided by HUD, a city has a greater % of households extremely cost burdened (paying more than 50% of income on housing) than the State of Oregon as whole. **OR** At least 25 percent of the renter households in the city being severely rent burdened as indicated under the most recent housing equity indicator data under ORS 456.602 (2)(g).

Within the expansion area, 30% of all housing units must be legally set aside for affordable housing. The following are included in the bill to help ensure affordability is included in the expansion:

- Land for affordable housing dispersed throughout the expansion area;

- Land for affordable housing deed-restricted prior to any building permit issuance;
- Market rate housing production capped at 85% of units built prior to affordable unit production; and
- Binding development and financing plan for affordable housing with non-performance penalties

Metro's Role in One-Time Expansions

If Metro receives requests for less than 300 acres on or before July 1, 2025, Metro will review the city's request and make sure it complies with sections of the bill. Metro has 120 days to review a petition and decide whether sites comply with the bill. If Metro receives requests for 300 acres or more on or before July 1, 2025, Metro will determine which requests best comply with the intent of the bill and maximize needed housing by January 1, 2027.

The one-time land use expansions sunset January 2, 2033.

Alternative UGB Land Exchange

Metro or a city outside of Metro may amend its urban growth boundary to add one or more sites to the UGB and to remove one or more tracts of land from the urban growth boundary as provided:

1. The acreage of the added site and removed lands must be roughly equivalent;
2. The removed lands must have been zoned for residential uses; and
3. The added site must be zoned for residential uses at the same or greater density than the removed lands.

Land may be removed from an urban growth boundary under this section without landowner consent. A landowner may not appeal the removal of the landowner's land from an urban growth boundary under this section unless the landowner agrees to enter into a recorded agreement with Metro or the city in which the landowner would consent to annexation and development of the land within 20 years if the land remains in the urban growth boundary. Review of an exchange of lands made under this section may only be made by the Department of Land Conservation and Development in the Metro area.