



Staff Report

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TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Norman Wright, Community Development Director

SUBJECT:

Update on Multifamily Housing Development.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Welcoming and Livable Community

ISSUE:

Update on multifamily housing development in Salem.

RECOMMENDATION:

Information only.

SUMMARY:

The City of Salem Planning Division has been working to implement the Salem Housing Needs Analysis (HNA) Work Plan since directed to do so by City Council in 2016. The work plan advances recommendations in the HNA to address the projected 207-acre deficit of multifamily land (2,897 dwelling units) in Salem's portion of the urban growth boundary (UGB). This staff report outlines what has been accomplished, what is planned, and the progress toward eliminating the projected deficit.

FACTS AND FINDINGS:

HNA Work Plan Projects

The HNA Work Plan includes three phases of work as shown below.

Phase 1- Expand Housing Choices

1. Allow accessory dwelling units - Complete
2. Allow more multifamily housing types in single-family zones - In progress

Phase 2 - Encourage Multifamily Development

3. Revise design review process - Complete
4. Revise Planned Unit Development regulations
5. Identify tools to increase redevelopment - Complete

Phase 3 - Redesignate Land

6. Redesignate land for multifamily housing - In progress

Land for Multifamily Housing

Between January 2014 and March 2020, there has been a net increase of roughly 40 acres of land designated as Multi-Family Residential on the Comprehensive Plan Map. The amount of additional multifamily land does not account for zone changes from Multiple Family-I (RM-I) to Multiple Family-II (RM-II). The HNA - and the projected deficit of multifamily land - is based on Comprehensive Plan designations as opposed to zoning, and land that is zoned RM-I and RM-II generally have a Comprehensive Plan designation of Multi-Family Residential.

In addition to the new Multifamily land, there has been a net increase of roughly 102 acres of land designated as Mixed Use on the Comprehensive Plan Map. Much of this land was redesignated to accommodate mixed-use developments that include multifamily housing.

It is not feasible to expect that the private market will rezone enough land to meet the projected deficit. Instead, it is our intent to re-zone the additional needed land through the Our Salem project to ensure the land need is met.

Multifamily Development

Multifamily housing has continued to be developed in Salem since the HNA was completed. The HNA relied on building permit data through February of 2014. Between that time and the end of 2020, building permits have been issued for 2,935 new multifamily units.

Attachment 1 shows that multifamily development has been occurring across Salem. The number of building permits for multifamily units by year is shown below. The number of building permits for multifamily units hit a high of 774 units last year.

- 2014: 13 units
- 2015: 165 units
- 2016: 466 units
- 2017: 633 units

- 2018: 314 units
- 2019: 570 units
- 2020: 744 units

House Bill 2001

In 2019, the State Legislature passed House Bill 2001 to help increase housing choices and housing supply in Oregon. It requires large cities like Salem to allow a duplex on each lot that is zoned for residential use that allows development of a detached single-family dwelling. That means, for example, that a duplex must be allowed on all lots that are at least 4,000 square feet in the Single-Family Residential (RS) zone.

Salem must also allow other types of middle housing - triplexes, quadplexes, townhouses, and cottage clusters - in *areas* zoned for residential use that allow detached single-family dwellings. Specifically, new administrative rules recently adopted by the State include a provision that requires triplexes, quadplexes, and cottage clusters to be allowed in residential areas based on lot size. In Salem, the requirement is:

- A triplex is allowed on a lot that is at least 5,000 square feet in size
- A quadplex is allowed on a lot that is at least 7,000 square feet in size
- A cottage cluster is allowed on a lot that is at least 7,000 square feet in size

The City must comply with HB 2001 and its associated rules by June 30, 2022. Staff is reviewing the rules and plans to propose changes to Salem's zoning code to comply this spring or early summer. In the meantime, staff has created a webpage to answer frequently asked questions about HB 2001.

Our Salem

Staff continues to work on the Our Salem project, which is a multi-year project to update the Salem Area Comprehensive Plan. After a year and a half of community engagement, the City - working with a consultant team - has developed the Our Salem Vision for future growth and development. This vision includes proposed changes to the Comprehensive Plan Map that significantly increase the amount of land designated Multi-Family Residential and Mixed Use. Specifically, the proposed changes redesignate roughly 290 acres to Multi-Family and 1,700 acres to Mixed Use. Both designations allow multifamily housing. The proposed changes will accommodate Salem's projected housing needs as identified in the HNA.

Staff plans to develop and propose Comprehensive Plan policies, zoning map changes, and zoning code changes in line with the Vision later this year. By the end of this year, staff plans to bring all of those proposed changes - including the proposed Comprehensive Plan Map - through the adoption process.

Design Review

The City has updated Salem's design regulations on multifamily housing as a result of the Multifamily Housing Design project. The updated regulations help meet our community's housing needs by

removing barriers to the development of multifamily housing and ensuring that new development is compatible with our neighborhoods. The City Council approved the changes in February 2020.

Effective in March 2020, the changes:

- Provide greater flexibility in how multifamily design standards can be met
- Reduce the number of design standards for small multifamily housing projects
- Simplify the regulations for three and four-unit projects
- Reduce parking requirements for multifamily projects of all sizes

Tools to Increase Redevelopment

The City has implemented several tools to increase redevelopment (and infill development) for housing in recent years. As mentioned above, the City waived System Development Charges for Accessory Dwelling Units for five years.

As part of the Multifamily Housing Design code amendment, the City simplified the approval process for multifamily housing development. Specifically, if multifamily housing projects cannot meet all of the City's design standards, those projects can now apply for an adjustment, which is an administrative approval. Prior to the code amendment, such projects had to go through a public hearing process at the Planning Commission.

The City also decreased parking requirements for housing to spur redevelopment and infill housing development.

- Off-street parking is no longer required for multifamily projects that are either located in the Central Salem Development Program area downtown or within a quarter-mile of Cherriots' Core Network. The Core Network consists of corridors throughout Salem where Cherriots has committed to providing frequent transit service.
- The parking requirement for housing projects with three to 12 units has been reduced to 1 space per unit.
- The parking requirement for affordable housing units (e.g., 80 percent of family median income) has been reduced by 25 percent.
- The City has provided other options for reducing parking requirements for multifamily housing projects. For example, such projects can provide additional covered bicycle parking or on-site shared vans to reduce their parking requirement.

In addition, the City has initiated and adopted Comprehensive Plan Map changes to land along State Street and in West Salem from Commercial to Mixed Use in recent years. These redesignations of land have simplified the approval process for multifamily housing to spur housing redevelopment and infill development. In particular, multifamily housing is now a permitted use in the Mixed Use areas, where previously a conditional use permit was required (e.g., public hearing process).

Last year, the City and Urban Renewal Agency (URA) created a new tax increment financing (TIF) district to incent additional affordable housing in a residential development on the former North Campus of the State Hospital site. This is a new tool that the City has implemented to help increase the supply of affordable housing in Salem. The City also utilizes other financial incentives for housing

such as federal CDBG and HOME grants and loans and tax exemptions. House Bill 2001 requires the City to examine available financial incentives to increase housing production. Information on possible incentives will be presented to the City Council for consideration this spring or summer.

Accessory Dwelling Units

In 2017, City Council approved a code amendment to allow accessory dwelling units (ADUs), and it became effective on August 9, 2017. As of the end of 2020, 77 building permits have been approved for ADUs in Salem.

Since July 1, 2019, the system development charges (SDCs) for ADUs have been waived for five years. This amounts to more than \$4,000 in cost savings per new ADU. The waiver will continue until June 30, 2024. It is the result of a City Council vote on February 25, 2019 to update the methodologies used to determine SDCs for parks, transportation, water, wastewater, and stormwater infrastructure.

Single Family Development

While the HNA work plan focuses on multi-family land and development, single family development is an important and needed component of our housing supply. The HNA found that we have a surplus of land available for single family development. Single family dwelling and duplex permits continue to be strong as evidenced by the issuance of 159 dwelling permits in 2021 through March. Dwelling permit volume has been increasing in the last few years, as shown below:

- 2014: 274 units
- 2015: 274 units
- 2016: 314 units
- 2017: 330 units
- 2018: 513 units
- 2019: 447 units
- 2020: 496 units

BACKGROUND:

The City of Salem completed the HNA in December 2014. The purpose was to develop strategies to provide enough land to meet Salem's housing needs over the next 20 years and to inform policy decisions related to residential land. The HNA, in conjunction with the Salem Economic Opportunities Analysis, validated that the existing UGB does not need to be expanded to meet Salem's land needs.

The HNA found that Salem's portion of the UGB has a projected 1,975-acre surplus of land for single-family housing (9,131 units) and a projected 207-acre deficit of land designated for multifamily housing (2,897 units). Under state law, the City cannot adopt the HNA without also addressing this deficit. Staff is working to do this through the HNA Work Plan described earlier as well as the Our Salem project.

Eunice Kim
Long-Range Planning Manager

Attachments:

1. Map of Multifamily Housing Building Permits