

Staff Report

File #: 21-268**Version:** 1**Date:** 6/21/2021**Item #:** 2.a.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Eunice Kim, Long Range Planning Manager
Courtney Knox Busch, Strategic Initiatives Manager

SUBJECT:

Information on new law to encourage middle housing options.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Welcoming and Livable Community.

ISSUE:

Discuss new State requirements for zoning to allow middle housing in single family zones and incentive options to encourage their development.

RECOMMENDATION:

Information only.

SUMMARY:

The purpose of the June 21 Work Session is to discuss new State requirements for middle housing. House Bill 2001, from the 2019 legislative session, is designed to help increase housing choices and housing supply in Oregon.

The new statewide law requires cities to allow "middle housing" - such as duplexes, triplexes, and cottage clusters - to be built in areas traditionally zoned for single-family homes. On June 1, the Planning Commission began conducting work sessions on [proposed code changes <https://www.cityofsalem.net/meetingdocs/salem-planning-commission-addendum-b-2021-06-01.pdf>](https://www.cityofsalem.net/meetingdocs/salem-planning-commission-addendum-b-2021-06-01.pdf) to allow middle housing more broadly. Later this summer, staff plan to begin the adoption process which will include public hearings at Planning Commission and City Council.

The Bill also requires cities to explore ways to encourage middle housing development, consider incentives, and reduce regulatory barriers. At the June 28, 2021 City Council meeting, staff will bring options for initial Council consideration. Following direction from City Council on which options to pursue, staff will return with more detailed analysis of the estimated costs of providing the incentives.

The City must comply with the new law and its associated administrative rules by June 30, 2022.

FACTS AND FINDINGS:

What is middle housing?

Middle housing includes duplexes, triplexes, quadplexes, townhouses, and cottage clusters. The code changes will allow these types of housing in single-family areas as required by [House Bill 2001](#). <https://olis.leg.state.or.us/liz/2019R1/Downloads/MeasureDocument/HB2001/Enrolled> You can learn more about middle housing [here https://www.cityofsalem.net/Pages/middle-housing-hb-2001-faq.aspx](https://www.cityofsalem.net/Pages/middle-housing-hb-2001-faq.aspx).

Where could we start to see more duplexes, triplexes, and other housing options in Salem?

HB 2001 requires larger cities like Salem to allow a duplex on each lot that is zoned for residential use where detached single-family dwelling units are allowed. HB 2001 allows a broader mix of housing types but does not prohibit detached single-family homes. Specifically, HB 2001 will impact all areas in Salem that are zoned residential *and* allow detached single-family dwellings. That includes the Single-Family Residential (RS) zone, Residential Agriculture (RA) zone, Duplex Residential (RD) zone, and Multiple Family Residential I (RM-I) zone. In these areas, Salem must also allow other types of middle housing - triplexes, quadplexes, townhouses, and cottage clusters.

What changes are being considered to zoning to encourage development of middle housing?

In addition to allowing duplexes, triplexes, and other housing options, other zoning changes being considered to support this kind of housing development include reducing off-street parking requirements for middle housing, and guidelines for cottage clusters which include building setbacks and heights, minimum density, common courtyards and ideas for a community building within the cluster, parking and pedestrian access.

What kind of incentives are being considered?

The new rules also require the City to consider methods to increase the affordability of middle housing through ordinances and policies, including:

- Waiving or deferring system development charges. System development charges (SDCs) are one-time fees assessed on new development, new use or increase in use of a property, to address impact created by new development and cover a portion of the costs of providing certain types of public capital facilities. In Salem, SDCs are calculated based on the type and number of dwelling units for parks, vehicle trips for transportation infrastructure, water meter size for water and sewer infrastructure, and impervious surface area for stormwater

infrastructure. Lowering SDCs or exempting certain developments from the requirement to pay SDCs would require the City to find alternative funding sources (such as grant opportunities or the City's General Fund) to complete necessary public facilities that all developments, including affordable housing rely on.

- Adopting or amending criteria for property tax exemptions. Property tax exemptions result from a legislatively approved program that relieves qualified individuals or organizations from all or part of their property taxes. The City currently offers a non-profit low-income housing tax exemption, a multi-unit housing tax incentive for transit-oriented development, and through Salem Housing Authority, a community partner property tax exemption to include affordable units in market rate developments. In addition to considering changes to these programs, Council may direct staff to pursue other options like a low-income rental housing tax exemption, a tax exemption to encourage home ownership, or a property tax freeze for rehabilitated residential property.
- Assessing a construction excise tax. A construction excise tax is a tax assessed on estimated value of residential, commercial and/or industrial construction projects which may be issued by cities and counties. In 2016, the Oregon State Legislature passed a bill which allows local jurisdictions to assess a construction excise tax to fund affordable housing.

What's next?

On the HB 2001-compliant zoning code changes, the Planning Commission began holding work sessions to discuss the larger package of code amendments to comply with HB 2001 on June 1, 2021. Based on the feedback received, revisions will be made before the package of proposed code amendments begins the adoption process with City Council later this summer. The adoption process includes public hearings at the Planning Commission and City Council.

Initial City Council consideration of middle housing incentive options is scheduled for consideration on June 28, 2021. Staff will return to a future meeting with additional analysis on estimated costs of the incentives of interest

Taken together, considering zone changes and incentives for middle housing on this timeline, will ensure the City of Salem is complying with House Bill 2001.

BACKGROUND:

The State Legislature passed [House Bill 2001](https://olis.leg.state.or.us/liz/2019R1/Downloads/MeasureDocument/HB2001/Enrolled) in 2019 to help increase housing choices and housing supply in Oregon.

House Bill 2001 requires larger 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. 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.

House Bill 2001 also requires local governments to consider incentives to encourage development of middle housing options.

Courtney Knox Busch
Strategic Initiatives Manager

Attachments:

1. Initial draft Middle Housing Incentives for future Council consideration.
2. Housing Authority Tax Exempt Program Guidelines