

**FISCAL IMPACT OF PROPOSED LEGISLATION**

80th Oregon Legislative Assembly – 2019 Regular Session  
Legislative Fiscal Office

**Measure: HB 2001 - A16**

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Requires cities with population greater than 10,000 to allow duplexes in lands zoned for single-family dwellings within urban growth boundary.

**Government Unit(s) Affected:**

Metro, Cities, Counties, Department of Consumer and Business Services (DCBS), Department of Land Conservation and Development (DLCD)

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Analysis:**

HB 2001 - A16 outlines regulations related to middle housing, including where middle housing is allowed and how it can be regulated. Cities with populations of 25,000 or more and counties or cities within a metropolitan service district are directed to allow development of middle housing and duplexes in certain zoned areas; and cities not within a metropolitan service district with populations between 10,000 and 25,000 are directed to allow development of duplexes in certain zoned areas. Local governments may regulate siting and design of middle housing, but not in a way that discourages development of this housing type, and are directed to consider ways to increase middle housing affordability. Cities are directed to update their land use regulations or amend comprehensive plans in order to encourage middle housing by June 30, 2021 or by June 30, 2022, with deadlines based on population. The Department of Land Conservation and Development (DLCD) may grant extensions to these timelines in cases where the local government has identified infrastructure deficiencies, and submitted a remediation plan.

Under this measure, the requirements regarding housing needs analyses by certain cities and metropolitan service districts are changed. Cities with populations over 10,000 are directed to report to DLCD the number of certain types of units that are permitted and produced. The Department of Consumer and Business Services (DCBS) is directed to establish standards for a municipality to allow alternate approval of construction that converts a single-family dwelling into four or fewer residential dwelling units. DCBS is directed to submit a report describing rules and standards related to low-rise residential dwellings, to an interim committee of the Legislative Assembly related to housing, no later than January 1, 2020.

The Land Conservation and Development Commission (LCDC), in partnership with DCBS, is to develop a model middle housing ordinance by December 31, 2020, which local governments must use if they have not developed their own housing ordinance. The measure further appropriates \$3.5 million General Fund to the Department of Land Conservation and Development (DLCD) to provide technical assistance to local governments, and contains two blank General Fund appropriations to for the purpose of implementing and enforcing this measure.

Counties and DCBS anticipate minimal fiscal impact as a result of this measure; further fiscal impacts are outlined below.

### Metro

The fiscal impact for Metro is indeterminate but likely minimal. Metro may have a fiscal impact related to the required analysis of existing and projected housing need, should this project require a substantial analysis of housing resources. Otherwise, Metro anticipates minimal fiscal impact from this measure.

### Cities

Cities anticipate an indeterminate but potentially large fiscal impact as a result of this measure, and note that this bill could potentially trigger an unfunded mandate.

According to the analysis from the League of Oregon Cities, there are 53 cities subject to changing zoning and engineering review requirements under this measure. Of these, 32 of the cities are within the Metro boundary or have populations of over 25,000, and could face higher costs of implementation of this measure. The remaining 21 cities, which have populations of between 10,000 and 25,000, and are located outside of Metro, have lesser requirements and could face relatively lower costs as a result of this measure.

The League of Oregon Cities estimates that costs for each city could include \$80,000 for a code update, \$250,000 for internal staffing costs, and \$250,000-\$400,000 for engineering review of infrastructure capacity. This does not include other costs such as public outreach and actual upgrades to infrastructure to support housing, which would increase costs substantially. It is notable however, that the review of infrastructure capacity is not a requirement of the bill, it is an activity that a city may choose to do to substantiate a request for an extension of the timeline to update their land use rules or comprehensive plans as required under the measure due to infrastructure deficiencies.

### DLCD and LCDC

DLCD anticipates a cost of \$5.0 million General Fund in the 2019-21 biennium and \$4.9 million General Fund in the 2021-23 biennium.

The bill provides a \$3.5 million General Fund appropriation to DLCD which will be used by the agency to provide direct technical assistance through contracted services, provided to local governments as grants, or a combination of both for assistance with implementing this measure. It is unknown if DLCD will be able to disburse the entire \$3.5 million General Fund for technical assistance in the upcoming biennium; disbursement of local assistance grant funding is typically done on a reimbursement basis and therefore, those cities adhering to the longer timeline requirements may not apply for reimbursement prior to the end of the biennium.

DLCD anticipates that implementation of this measure will require four new positions (3.25 FTE), at an estimated cost of \$620,997 General Fund. These positions would provide technical assistance, review proposed codes, and develop a model code for middle housing. Positions would be limited duration through the end of 2021-23 biennium and include:

- Two Planner 3 positions (1.25 FTE)
- One Planner 4 position (1.00 FTE)
- One Administrative Specialist 2 position (0.50 FTE)
- One Procurement and Contracts Specialist 2 (0.50 FTE)

Additionally, DLCD anticipates \$916,955 in Services and Supplies costs related to items such as legal costs, employee-related Services and Supplies, enforcement costs, consultants for formation of a model ordinance, and procurement fees.

The fiscal impact to DLCD will vary based on other pending legislation. Should other housing-related measures such as HB 2003 be approved by the Legislature, then overlapping position responsibilities could decrease the funding and staffing levels DLCD has identified for this measure.

DCBS

DCBS does not believe that the adoption of rules for the local process will have a significant impact, and can be absorbed with existing agency resources.