78th Oregon Legislative Assembly - 2016 Regular Session **MEASURE: SB 1533 A**

STAFF MEASURE SUMMARY

Senate Committee On Human Services and Early Childhood

Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Action Date: 02/10/16
Action: Do Pass With Amendments And Requesting Referral To Finance And Revenue. (Printed A-Engrossed.)
Meeting Dates: 02/08, 02/10
Vote:
Yeas: 5 - Dembrow, Gelser, Kruse, Monnes Anderson, Olsen
Prepared By: Cheyenne Ross, Committee Administrator

WHAT THE MEASURE DOES:
Extends ban against inclusionary zoning practices to rentals. Creates exception for sale or rent of multifamily structures, to permit local governments to affect sale or rental price of same, or to designate sale or rent to particular class or group, so long as no more than 20 percent of units are required to be available below market rates and one or more development incentives, or payment in lieu of incentives, are provided, as specified. Permits local political subdivisions to impose construction tax, as specified, not to exceed one percent of permit valuation. Requires quarterly transfer of collected taxes to be deposited in local general fund and distributed as follows after recuperating capped costs: 85 percent toward developer incentives and 15 percent to Oregon Housing and Community Services for home ownership and down payment assistance, from tax collected on residential improvements; 50 percent to fund programs related to needed housing, from tax collected on commercial improvements. Defines multifamily structures. Prescribes effective dates applicable to certain provisions. Makes effective 91st day after *sine die*.

ISSUES DISCUSSED:
- Increasingly urgent need for affordable housing statewide
- Gentrification – the need for affordable housing in *desirable* locations, not just on the outskirts
- Lack of affordable housing as an economic development issue
- Each local area's unique situation requiring solutions capable of being tailored to its needs
- Local control – trusting counties and cities to make decisions about what works best for them
- Allowing, not requiring, localities to practice inclusionary zoning
- Whether to exclude single family homes
- Origins of measure with Workforce committee (redrafting HB 2564 (2015), extending it to rentals and including abatements among the possible developer incentives)
- Effect of -2 amendments

EFFECT OF COMMITTEE AMENDMENT:
Extends ban on inclusionary zoning to rentals. Carves-out exception for multifamily structures, as defined, of at least 20 units in areas with populations of 600,000 or less: permitting local governments to require up to 20 percent to be sold or rented at below-market rates in exchange for specified developer incentives and/or payment in lieu of incentives. Permits local political subdivisions to impose construction tax, as specified, not to exceed one percent of permit valuation. Requires quarterly transfer of collected taxes to be deposited in local general fund and distributed as follows after recuperating capped costs: 85 percent toward developer incentives and 15 percent to Oregon Housing and Community Services for home ownership and down payment assistance, from tax collected on residential improvements; 50 percent to fund programs related to needed housing, from tax collected on commercial improvements. Prescribes effective dates applicable to certain provisions. Makes effective 91st day after *sine die*.

BACKGROUND:

Inclusionary zoning, also called inclusionary housing, involves land-use regulations that direct a certain amount of housing development be made available to people of low and moderate incomes. Currently, Oregon law prohibits local governments from imposing regulations or conditions on residential development that have the effect of setting a sales price or of designating a certain class of individuals as purchasers.

Senate Bill 1533A expands Oregon's ban on inclusionary zoning to include rentals, but creates an exception for the sale or rental of multifamily structures. It permits local governments to effectively set the sales or rental price of multifamily structures by allowing them to require up to 20 percent be made available at below-market value. A local government that imposes such a requirement must also provide incentives to the developer, and/or payments in lieu of incentives, as specified in the measure. The measure also permits local governments to collect limited construction taxes on both residential and commercial/industrial improvements, for allocation in support of home ownership and the development of needed housing, depending on the type of improvement that was taxed.