

## ANALYSIS

### Item 22: Department of Land Conservation and Development Development and Zoning Codes

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**Analyst:** Haylee Morse-Miller

**Request:** Approve the submission of a federal grant application to the U.S. Department of Housing and Urban Development in the amount of \$3,000,000 to support increased housing production through development and zoning code updates, and development of policy guidance resources for local governments.

**Analysis:** The Department of Land Conservation and Development (DLCD) seeks approval to apply for a grant totaling \$3 million from the U.S. Department of Housing and Urban Development (HUD) Pathways to Remove Obstacles to Housing Development (PRO Housing) funding. This grant funding supports communities working to remove barriers to affordable housing production.

DLCD would use funds to supplement existing work the agency was directed to do under HB 2001 (2023), including providing grants and policy resources to local governments to increase housing production. No matching funds are required, and DLCD anticipates that existing staff capacity is sufficient for project administration. Grant applications are due October 30, 2023, with projects to start by January 31, 2024. Projects will be completed this biennium, or early in the 2025-27 biennium.

#### *Grants*

DLCD would sub-grant a total of \$2 million from the PRO Housing funds to local governments for development and zoning code updates to help reduce regulatory barriers related to housing production. This includes work such as audits to determine if codes are clear and objective; or code updates to support diverse housing, such as middle housing, manufactured housing, etc.

These funds will supplement the \$3.5 million General Fund included in HB 2001 (2023) for similar projects. DLCD received 70 applications for the funding provided under HB 2001 and was able to fund 48 projects. If the PRO Housing grant funding is awarded, DLCD will fund the remaining applications- an estimated cost of \$1.25 million- and will solicit additional grant applications from local governments. Funds are likely to be used in priority geographies which have been identified by HUD based on affordable housing factors. A total of 143 of 378 local governments in Oregon meet the criteria.

#### *Policy guidance*

The remaining \$1 million of PRO Housing funds would be used by DLCD to create adoption-ready policy guidance documents that local governments can use to increase housing production and affordability. HB 2001 (2023) directed DLCD to develop model codes, best practice ordinances, and “adoption-ready” pro-housing policies, which cities can adopt with minor changes to fit their circumstances, and which will reduce the time and cost to implement similar policies in different cities. PRO Housing funds will permit DLCD to expand this work.

#### *Additional information*

DLCD has had preliminary conversations with the Housing and Community Services Department (HCSO) about partnering on this grant application. A partnership would not change the scope or amount of the

grant request for DLCD. However, if HCSD applies for additional PRO Housing funds in a joint application, HCSD will come forward with a retroactive request for approval to apply for the grant during the next Joint Interim Committee on Ways and Means meeting.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means approve the request.

**Request:** Authorization to apply for a \$3 million grant for updating outdated development and zoning codes and developing resources for local governments from Housing and Urban Development, Pathways to Remove Obstacles to Housing Development program.

**Recommendation:** Approve the request.

**Discussion:** The Department of Land Conservation and Development (DLCD) is seeking authorization to apply for \$3 million in federal grant funding to provide additional support in adopting best practices to remove barriers to housing production and affordability. This grant request, if awarded, will be in support of two different agency activities:

- 1) \$2 million to support local governments updating outdated building codes that present a barrier to housing development. Examples could include support for updating codes to facilitate single room occupancy units, manufactured dwellings, or modular homes, or to supplement the \$3.5 million in technical assistance funding provided through House Bill 2001 (2023).
- 2) \$1 million to develop resources local governments can use to increase housing production. These could include standard policy options or methodologies that could be implemented with minor changes to account for local needs.

There is no match requirement associated with this grant. The grant application is due October 30, 2023, with funded projects expected to start January 31, 2024. If the grant application is awarded, DLCD will return to a future Legislative meeting to request additional needed expenditure limitation.



# Oregon

Tina Kotek, Governor

## Department of Land Conservation and Development

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August 24, 2023

Senator Elizabeth Steiner, Co-Chair  
Representative Tawna Sanchez, Co-Chair  
Interim Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

Dear Co-Chairs:

The Department of the Land Conservation & Development (DLCD) respectfully requests the opportunity to appear before the Interim Joint Committee on Ways and Means during the September 2023 legislative days to request approval to apply for a Federal funding from the Federal Housing and Urban Development Agency (HUD).

### **Nature of the Request**

DLCD intends to apply for newly announced HUD grant, Pathways to Remove Obstacles to Housing Development (PROHousing Fund). The Notice of Funding Opportunity is due October 30, 2023. The request is intended to secure additional technical assistance funding for local governments throughout the state to conduct development and zoning code updates to reduce or eliminate regulatory barriers to the production of housing. The funding would also provide resources for DLCD to study, research, develop, and produce adoption-ready policy guidance documents to support local government adoption of policies to bolster housing production.

Typically, funding of this kind is not available to state governments. However, HUD has waived a series of criteria and compliance factors that make state governments newly. No local matching contribution is required to be eligible for this funding. Grantees under this fund may use awards to further develop, evaluate, and implement housing policy plans, improve housing strategies, and facilitate affordable housing production and preservation.

### **Agency Action**

DLCD has worked for the past 4 years with local governments on assessing the needs for more housing and identifying the barriers to housing production. Since 2019, the State of Oregon has invested \$12.5 million (\$4.5 million in each of the past two biennia, and an additional \$3.5 million in the 2023-2025 biennium) through DLCD to work support local governments in creating and adopting plans to address our state's housing needs. However, the extent of the need within local governments for support and capacity building is constantly outsizeing the funding available at DLCD. Now, the PROHousing Fund provides an opportunity for DLCD, the State, and the Federal government to invest in the implementation of these well-designed and community-informed plans.

The programs DLCD anticipates establishing under these funds are intended to provide additional support in adopting best practices to remove barriers to housing production, affordability, and choice. The funding is not necessary to implement an existing statutory or legislative direction. Rather the response is intended to address an expressed need and desire by local governments to faithfully and fully implement the state's land use planning program.

DLCD intends to apply for this funding to support local governments by applying on their behalf to secure funds that could be used to update outdated development and zoning codes that present a barrier to the development of housing. This may include, but is not limited to, an audit of the local government development and zoning code to determine whether or not the codes are clear and objective or support for the local government to update their codes to facilitate increased housing choice such as middle housing, single room occupancy units, manufactured dwellings, or modular dwellings. The department anticipates applying for a total of \$2,000,000 in funding under this purpose.

Additionally, the Department intends to use some of this funding to build out the resources and guidance that local governments can use to quickly and readily implement policies that facilitate increased housing production, affordability, and choice. This might include the development of adoption-ready or "off-the-shelf" policy options and methodologies that cities can implement with only slight modification or adaptation to their local context. For example, the department could research best practices in local government regulation of factory-built modular dwellings and craft a model modular dwelling code for use by any city in the state. By producing this resource all at once at the state level, it would significantly reduce the cost and administrative burden of implementing this policy in each city. The department anticipates applying for a total of \$1,000,000 in funding under this purpose.

**Action Requested**

Approval from the Interim Joint Ways and Means committee to apply for the Federal HUD funds described above.

**Legislation Affected**

None

Respectfully,



Brenda Bateman, Ph.D., Director  
Department of Land Conservation and Development

cc:

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