



Legislative Fiscal Office
 82nd Oregon Legislative Assembly
 2024 Regular Session

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 Date: February 24, 2024

Bill Title: Relating to housing; prescribing an effective date.

Government Unit(s) Affected: Department of Justice, Employment Department, Housing and Community Services Department, Land Use Board of Appeals, Metro, Counties, Department of Revenue, Oregon Business Development Department, Special Districts Association of Oregon, Department of Consumer and Business Services, Cities, Department of Land Conservation and Development, Judicial Department

Summary of Fiscal Impact

2023-25 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Land Conservation and Development	\$ 10,629,017	\$ -	\$ -	\$ -	\$ 10,629,017	28	14.46
Housing and Community Services Department	\$ 75,878,071	\$ -	\$ -	\$ -	\$ 75,878,071	11	3.25
Oregon Business Development Department	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000	1	0.50
Department of Consumer and Business Services	\$ -	\$ -	\$ 296,944	\$ -	\$ 296,944	1	0.63
Total Fiscal Impact	\$ 89,507,088	\$ -	\$ 296,944	\$ -	\$ 89,804,032	41	18.84

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Land Conservation and Development	\$ 8,519,426	\$ -	\$ -	\$ -	\$ 8,519,426	28	28.00
Housing and Community Services Department	\$ 2,939,091	\$ -	\$ -	\$ -	\$ 2,939,091	11	11.00
Oregon Business Development Department	\$ -	\$ -	\$ -	\$ -	\$ -	1	1.00
Department of Consumer and Business Services	\$ -	\$ -	\$ 791,808	\$ -	\$ 791,808	1	1.00
Total Fiscal Impact	\$ 11,458,517	\$ -	\$ 791,808	\$ -	\$ 12,250,325	41	41.00

- The fiscal impact does not include duplicative Other Funds expenditure limitation necessary to expend General Fund revenue deposited by the measure into the Housing Accountability and Production Office Fund, the Housing Infrastructure Support Fund, and the Housing Project Revolving Loan Fund. An increase in Other Funds expenditure limitation will be needed to properly budget for the impact of the measure if it is adopted.
- The fiscal impact on counties and special districts is presently indeterminate.

Measure Description

The measure is an omnibus housing bill that creates and makes several statutory changes to Oregon’s land use law system.

The measure establishes the Housing Accountability and Production Office (HAPO), which will be administered by the Department of Land Conservation and Development (DLCD) and the Department of Consumer and Business Services (DCBS) pursuant to an interagency agreement. HAPO will assist local governments with housing production by providing grants; investigating and responding to complaints of housing law violations; providing optional mediation of land use disputes between local governments and developers; and establishing policy and funding priorities to address barriers to housing production. The measure establishes the Housing Accountability and Production Office Fund, with moneys continuously appropriated to DLCD to administer the fund, operate HAPO, and implement the measure's provisions. The measure includes two General Fund appropriations to DLCD in the 2023-25 biennium. This includes \$5 million for deposit into the Housing Accountability and Production Office Fund to provide technical assistance, including grants, and to conduct required studies; and a blank appropriation to implement various sections of the measure.

The measure directs the Oregon Business Development Department (OBDD) to provide capacity and support to municipalities for the planning and financing of infrastructure for water, sewers and sanitation, stormwater, and transportation to produce housing units. The measure establishes the Housing Infrastructure Support Fund, with moneys continuously appropriated to OBDD to administer the fund and implement this program. The measure appropriates \$3 million General Fund to OBDD in the 2023-25 biennium for deposit into the Housing Infrastructure Support Fund. Any unobligated funds in the Housing Infrastructure Support Fund on January 2, 2030, will revert to the General Fund for general governmental purposes.

The measure requires DLCD, in consultation with the Housing and Community Services Department (HCSD) and OBDD, to report to an interim legislative committee by December 31, 2024, on key considerations and metrics that the Legislative Assembly could use to evaluate, screen, and prioritize proposed local infrastructure projects that facilitate and support housing within the urban growth boundary (UGB).

The measure specifies reporting requirements for cities and DLCD for residential development that is produced because of adjustments to existing land use regulations and design and development standards.

The measure directs HCSD to develop a program to make loans to local jurisdictions (sponsoring jurisdictions), which will in turn award grants to developer's eligible housing project property to cover eligible costs. This program is limited to development of new housing or commercial-to-residential conversions for households earning 120% or less of the median area income. Grant recipients will receive a property tax exemption for developing the property, and in exchange, will pay an annual fee for a presumptive period of ten years, with exceptions. The measure establishes the Housing Project Revolving Loan Fund. Moneys in the fund are continuously appropriated to HCSD and must be retained in the fund at the end of a biennium. The measure appropriates \$75 million General Fund to HCSD in the 2023-25 biennium for deposit into the Housing Project Revolving Loan Fund.

The measure includes approval or denial of applications for replats, property line adjustments, and extension alterations or expansions of a nonconforming use in the definition of "limited land use decision" and specifies exceptions.

The measure authorizes cities outside of Metro to add sites to their UGB and cities within Metro to add a site within the Metro UGB, in specified conditions for purposes of building housing of specified types and affordability. The measure also authorizes Metro and cities outside of Metro to perform a land exchange in lieu of amending the UGB, which are subject to review by DLCD. Cities must report to DLCD on the development progress of these sites every two years until January 2, 2033, or until the development is complete.

Fiscal Analysis

The measure's estimated fiscal impact is \$89.8 million total funds and 41 positions (18.84 FTE) in the 2023-25 biennium, and \$12.3 million total funds and 41 positions (41.00 FTE) in the 2025-27 biennium. The estimated

fiscal impact does not include duplicative Other Funds expenditure limitation necessary to expend General Fund revenue deposited by the measure into the Housing Accountability and Production Office Fund, the Housing Infrastructure Support Fund, and the Housing Project Revolving Loan Fund.

Department of Land Conservation and Development

The estimated fiscal impact on DLCD is \$10,629,017 General Fund in the 2023-25 biennium and \$8,519,426 General Fund in the 2025-27 biennium. This includes \$3,643,391 in personal services; \$345,626 in position-related services and supplies; \$1,640,000 for professional services and legal review by the Department of Justice (DOJ); and \$5,000,000 to provide technical assistance, including grants, to local governments and conduct studies in the 2023-25 biennium. DLCD will also need equivalent amounts of Other Funds expenditure limitation to expend moneys from the Housing Accountability and Production Office Fund. There may be additional costs in the 2025-27 biennium based on the amount provided to DLCD for technical assistance and grants.

The measure establishes HAPO within DLCD. HAPO will assist local governments with housing production by providing grants; investigating and responding to complaints of housing law violations; providing optional mediation of land use disputes between local governments and developers; and establishing policy and funding priorities to address barriers to housing production. The measure includes two General Fund appropriations to DLCD in the 2023-25 biennium: \$5 million for deposit into the Housing Accountability and Production Office Fund and a blank appropriation to implement various sections of the measure.

To stand up HAPO, DLCD will hire 28 permanent full-time positions (14.46 FTE in the 2023-25 biennium, 28.00 FTE in the 2025-27 biennium) to provide programmatic, technological, fiscal, and administrative support. These positions include:

- One Principal Executive Manager position to manage HAPO operations.
- Four Planner positions to provide technical expertise in relevant housing laws and housing development processes.
- Three Operations and Policy Analyst positions to advise on policy, provide interagency coordination, and oversee rulemaking.
- Seven Information Systems Specialist positions to oversee information technology and geographic information system (GIS) work, including development of systems for grants management, customer service intake, records, and data management.

In addition, DLCD would hire staff for administrative, human resources, communications, accounting, and procurement support. DLCD will also require funding to support work necessary to remedy identified violations or support a local government in pursuing voluntary code amendments to reduce the likelihood of potential future violations. At times, DLCD will need to pursue specific legal remedies to identified housing violations, which will necessitate DOJ and legal support to facilitate such processes and provide legal guidance to HAPO. DLCD will also contract for professional services, including consultant fees, developing a records management system, and digitizing records.

Housing and Community Services Department

The estimated fiscal impact on HCSD is \$75,878,071 General Fund in the 2023-25 biennium and \$2,939,091 General Fund in the 2025-27 biennium. HCSD's estimated administrative costs include \$810,536 in personal services and \$67,535 in position-related services and supplies. HCSD will also need an increase of \$24,750,000 Other Funds expenditure limitation in the 2023-25 biennium, to expend \$24.7 million in special payments from the Housing Project Revolving Loan Fund, and \$50,000 for DOJ legal services.

The measure establishes the Housing Project Revolving Loan Fund to provide no interest financing of loans to sponsoring jurisdictions for eligible infrastructure costs related to the creation of middle-income housing, affordable to those at 120% or less of area median income. The measure specifies calculations for purposes of determining loan amounts and designates a repayment period of no longer than 10 years after completion. The

measure appropriates \$75 million General Fund to HCSD for loans to be made from the Fund. HCSD is required to review applications submitted by sponsoring jurisdictions for completeness and approve or deny the loans. HCSD may, if requested by the sponsoring jurisdiction, assist with development of grant agreements between developers and jurisdictions, distribute loan proceeds, and file information with county assessors.

To administer the new revolving loan fund program, HCSD would hire 11 permanent full-time positions (3.25 FTE in the 2023-25 biennium, 11.00 FTE in the 2025-27 biennium). These positions include one Business Operations Manager 2 position; two Operations and Policy Analyst 3 positions to set up the program, draft rules, and review applications; three Loan Specialist 3 positions to provide technical assistance to cities; one Fiscal Analyst 3 position to review loan servicing; one Economist 3 position to conduct project and pro forma review; two Loan Specialist 3 positions for underwriting; and one Program Analyst 2 position to provide administrative support.

Oregon Business Development Department

The total estimated fiscal impact on OBDD is \$3 million General Fund in the 2023-25 biennium. This includes \$127,565 in personal services and \$42,200 in position-related services and supplies in the 2023-25 biennium. OBDD's administrative costs will be supported by a \$3 million appropriation to the Housing Infrastructure Support Fund, with up to \$2.7 million assumed for special payments. An increase of \$3 million in Other Funds expenditure limitation will be needed in OBDD's budget to expend from the Fund.

The measure establishes the Housing Infrastructure Support Fund and appropriates \$3 million General Fund to OBDD for deposit into the fund. OBDD is directed to use the funds for grants to municipalities for capacity and support for infrastructure planning. Examples of capacity support include assistance with local financing opportunities; state and federal grant navigation, writing, review, and administration; resource sharing; regional collaboration support; and technical support including engineering and design assistance.

OBDD will leverage existing agency expertise and staff resources devoted to technical assistance offered through the Safe Drinking Water Revolving Loan Fund to design a complementary technical assistance program associated specifically with housing production per the bill. Assuming 40 contracts for technical assistance per biennium and a sunset date for the fund of 2030, OBDD will need one permanent, full-time Program Analyst 4 position (0.50 FTE in 2023-25, 1.00 FTE in 2025-27) to design, launch, and manage the program, and then manage requests and coordinate assistance through OBDD's Regional Development Officers. Position-related costs in the 2025-27 biennium are anticipated to total \$301,831 and will need to be factored into the agency's 2025-27 budget to continue this work.

Department of Consumer and Business Services

The estimated fiscal impact on DCBS is \$296,944 Other Funds in the 2023-25 biennium and \$791,808 Other Funds in the 2025-27 biennium.

Through an interagency agreement, DCBS will co-administer HAPO with DLCD. DCBS will reorganize existing staff in the Building Codes Division (BCD) to create a new Housing and Building Safety Section within BCD, which will work on residential code development and provide technical and policy support related to single family and multifamily housing. To manage this new section, DCBS will need one permanent, full-time Compliance and Regulatory Manager 2 (0.63 FTE in 2023-25, 1.00 FTE in 2025-27). The estimated cost of this position, including related services and supplies, is \$136,037 Other Funds in the 2023-25 biennium and \$225,818 Other Funds in the 2025-27 biennium. BCD's existing licensing and permit fee revenue is sufficient to support the additional position and related costs, though BCD will need an increase in Other Funds expenditure limitation.

In addition, HAPO will expand BCD's existing ready build plans program from non-occupied structures to include housing plans for occupied structures. To complete this work, BCD will create a review system for ready build plans. BCD can absorb this work with current resources, but it will need an estimated increase of \$100,000 Other Funds expenditure limitation in the 2023-25 and 2025-27 biennia to contract with design professionals to

develop and update the new plans as the code changes. BCD will also conduct a one-time process improvement study of the entire local development process to identify best practices and opportunities to improve efficiency to increase housing production. BCD will be able to pay for this study with existing resources, but it will need a one-time estimated increase of \$320,000 Other Funds expenditure limitation in the 2025-27 biennium to cover the cost of this contract.

Counties

The fiscal impact on counties is presently indeterminate. The measure authorizes cities to make one-time site additions to their UGBs. County staff would be responsible for updating comprehensive plans with respect to the proposed one-time site additions to the UGB. The measure also requires binding agreements between cities, counties, and special districts on how urban services will be provided. By statute, counties are directed to lead this process. Additional staff time would be needed to document and review these new requirements. The number of cities that would qualify or intend to go through this one-time site addition to their UGBs is currently unknown.

Special Districts

The fiscal impact on special districts is presently indeterminate. The measure authorizes cities to make one-time site additions to their UGBs. If a city were to expand the UGB to a proposed area in which a special district already provides an urban service, the special district would need to enter into an urban services agreement with the city to determine which of them would be the service provider going forward and to ensure that the city does not withdraw the service territory of the special district. Developing an urban services agreement may require significant administrative costs, including staff negotiations and hiring outside consultants.

If a city expands the UGB into a territory in which a special district provides urban services, and the special district does not negotiate an urban services agreement, the city would be able to annex the territory and withdraw the service territory providing the urban service. Assuming a city were to withdraw, the measure would create the possibility of stranded assets. If cities would not be required to assume ownership of assets within city limits, and special districts would have no ability to levy taxes to maintain those assets, there would be no clear division of district assets, which could potentially lead to litigation.

Department of Justice

The measure is anticipated to have a minimal fiscal impact on DOJ for the remainder of the 2023-25 biennium. Because DOJ's General Counsel Division currently has several vacant Assistant Attorney General positions, the agency will be able to absorb the increase in workload related to providing legal services to DLCD and HAPO for the remainder of the biennium. However, if HAPO's need for legal services to support legal reviews and contested case hearings increases beyond what is currently anticipated, DOJ will need to reassess the need for additional position authority and expenditure limitation in the 2025-27 biennium.

Other Entities

The measure is anticipated to have a minimal fiscal impact on the Employment Department, Department of Revenue, Judicial Department, cities, and Metro. The measure is anticipated to have no fiscal impact on the Land Use Board of Appeals.

Relevant Dates

The measure takes effect 91 days after adjournment sine die.

Section 5 directs HAPO to provide three reports to appropriate interim legislative committees by September 15, 2026. These reporting requirements sunset on January 2, 2027.

Section 2 of the measure directs HAPO to respond to housing law violations, whereas Section 3 allows HAPO to request enforcement orders from the Land Conservation and Development Commission. Both sections become

operative on July 1, 2025, and apply only to housing law violations occurring on or after July 1, 2025.

Sections 13 and 14 establish the capacity and support infrastructure program and the Housing Infrastructure Support Fund. Both sections sunset on January 2, 2030.

Sections 24 through 36 establish a new loan program to local governments that in turn will award grants to developers of eligible housing project property to cover eligible costs. HCSD must develop and begin operating this loan program by June 30, 2025.

Sections 37 through 43 establish various adjustments to existing land use regulation and design and development standards for housing development. These provisions become operative on January 1, 2025, and sunset on January 2, 2032.

Sections 44 through 46 require local governments to apply specified procedures to limited land use decisions. These provisions become operative on January 1, 2025, and sunset on January 2, 2032.