

SB 1521 -2 STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

Prepared By: Kaia Maclaren, LPRO Analyst

Meeting Dates: 2/5, 2/12

WHAT THE MEASURE DOES:

The measure allows local governments in the Portland Metropolitan Statistical Area to require new multiunit residential developments to include a minimum number of affordable units only if they offset the expected loss in marginal value caused by the requirement. These provisions become operable for new developments containing rental housing on January 1, 2028, and for all new developments January 1, 2029. The measure also updates and adds definitions relating to a local regulation of affordable housing development.

Detailed summary:

Local regulation of affordable housing development:

Allows a local jurisdiction within the Portland Metropolitan Statistical Area (MSA) to adopt a land use regulation or impose a requirement setting sales or rental price, or requiring new developments to have a minimum number of affordable units, on buildings containing 10 units or more (maintains, for the rest of the state, a minimum size of 20 units or more). Makes unenforceable, within the Portland MSA, any such requirement unless the regulating jurisdiction provides compensation to the developer to offset the total expected marginal loss in value created by this requirement. Allows this offset to be paid to the developer in any combination of direct payments, exemptions from property taxes, and/or waivers or reductions of fees. Provides allowable methods and standards for calculating the expected marginal loss in value. Becomes operative for rental housing on January 1, 2028. Becomes operable for all housing on January 1, 2029. Prohibits a local jurisdiction from applying this regulation to buildings whose applications have been submitted prior to enactment of the regulation.

Prohibits Metro from adopting a land use regulation or otherwise impose a requirement to establish a sales or rental price on a new housing development. Allows Metro to continue offering incentives or density bonuses with the goal of increasing affordable housing.

Definitions:

Updates or adds the following definitions in relation to local government's development of affordable housing:

- "affordable housing," previously encompassing only rental housing, is updated to include units available for purchase
- "multiunit housing," previously buildings of three or more units, is updated to refer to buildings of 10 or more units
- "Portland MSA" is defined as the Portland metropolitan statistical area including Columbia, Clackamas, Multnomah, Washington, and Yamhill Counties.

Fiscal impact: Impact statement issued

Revenue impact: No revenue impact

ISSUES DISCUSSED:

This summary has not been adopted or officially endorsed by action of the committee.

EFFECT OF AMENDMENT:

-2 The amendment gives a local jurisdiction more control to set affordability levels and updates parameters of the required economic analysis. It requires any property tax abatement on a development to last as long as the term of affordability.

Detailed Summary:

- Updates the definition of "affordable housing" from the base bill, such that a jurisdiction is free to set the level of affordability at 80 percent Area Median Income (AMI), or at a lower threshold
- Clarifies that, under the allowable methods for calculating payments to developers, a local jurisdiction may use a prototypical development instead of performing an individualized calculation for each development in question, and that a developer is not entitled to individual or actual losses in value.
- Provides options for the structure of an economic analysis, but maintains that a local jurisdiction may structure their analysis in any manner
- Requires that if a property tax exemption is included as a form of offset for the marginal loss in value, the affordability requirement on the development may not be longer than the term of the property tax exemption.

BACKGROUND:

In 2016, the legislature adopted [House Bill 1533 \(2016\)](#) which allowed cities to require that new residential developments over a certain size contain a minimum number of affordable units, a policy known as Inclusionary Zoning (or, Inclusionary Housing). In 2017, the City of Portland implemented an [Inclusionary Zoning](#) program in certain parts of the city for new developments containing 20 or more units, and remains the only jurisdiction in Oregon to have adopted an Inclusionary Zoning requirement. For the first seven years of the program, developers were offered some incentives for the creation of affordable units, but [evidence suggested](#) that the program was discouraging developers from building developments with more than 19 units. In 2024, after the implementation of a [cost calibration study](#), the City of Portland passed an ordinance to offset the cost to developers of including affordable units, and this offset is now part of the city's Inclusionary Zoning requirement.