

SB 1521 A STAFF MEASURE SUMMARY
Senate Committee On Housing and Development

Carrier: Sen. Pham

Action Date: 02/12/26
Action: Do pass with amendments. (Printed A-Eng.)
Vote: 5-0-0-0
Yeas: 5 - Anderson, Jama, Nash, Patterson, Pham
Fiscal: Fiscal impact issued
Revenue: No revenue impact
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Meeting Dates: 2/5, 2/12

WHAT THE MEASURE DOES:

The measure allows local governments in the Portland Metropolitan Statistical Area (MSA) to require that new multiunit residential developments 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 on January 1, 2029. The measure also updates and adds definitions relating to a local regulation of affordable housing development.

Detailed Summary:

Definitions

Updates the definition of “affordable housing” to include units available for purchase in addition to rental housing. Allows a local jurisdiction to set the level of affordability for rental housing at a lower threshold than 80 percent of the area median income (AMI). Updates the definition of “multiunit housing” to refer to buildings of 10 or more units (instead of 3 or more units). Defines the Portland MSA as including the counties of Columbia, Clackamas, Multnomah, Washington, and Yamhill.

Local Regulation of Affordable Housing Development

Allows a local jurisdiction within the Portland MSA to adopt a land use regulation or impose a requirement that sets sales or rental prices, or requires new developments to have a minimum number of affordable units on buildings with 10 units or more (maintains, for the rest of the state, a minimum of 20 units or more). Removes the cap of 20 percent required affordable units and removes the requirement for incentives to be related to the required affordability percentage. Makes unenforceable, within the Portland MSA, any such requirement unless the regulating jurisdiction provides the developer with compensation to offset the total expected marginal loss in value caused by this requirement. Provides options for the structure of an economic analysis to determine this loss, but maintains that a local jurisdiction may structure its analysis in any manner. If a property tax abatement is included in this offset, the required length of affordability restrictions cannot be longer than the duration of the tax abatement. Specifies that a developer is not entitled to individual or actual losses in value. Removes the clear and objective requirement for local governments, specifically for inclusionary housing regulations. Prohibits a local jurisdiction from applying this regulation to buildings whose applications have been submitted prior to the enactment of the regulation.

ISSUES DISCUSSED:

- History and implementation of inclusionary zoning ordinances
- Design and options for inclusionary zoning policies, including the function of property tax abatement
- Legal considerations and statutory authority related to local inclusionary zoning requirements
- Affordability thresholds for rental housing and housing available for purchase

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EFFECT OF AMENDMENT:

The amendment gives local jurisdictions greater control over setting affordability levels and updates the parameters of the required economic analysis. It requires that any property tax abatement for a development last for 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 of the 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 its 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 housing program](#) in certain parts of the city for new developments containing 20 or more units, and it 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 creating affordable units. In 2024, after implementing 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.