

## IMPACT STATEMENT

**Legislation title:** Suspend systems development charges for Parks and Recreation, Environmental Services, Transportation, and Water for the construction of accessory dwelling units that are occupied by the property owner or have a rental agreement subject to ORS 90 the Residential Landlord and Tenant Act (Resolution)

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**Presenter name:** Matt Wickstrom

**Purpose of proposed legislation and background information:** ADUs are integral to the achievement of the City's affordable housing and housing density goals. The Portland Zoning Code ("PZC") Chapter 33.205 currently addresses what constitutes an ADU, its purpose, where it can be constructed, and applicable design parameters. Although the PZC allows ADUs to be rented as Accessory Short-Term Rentals ("ASTRs"), such ASTRs do not advance the City's affordable housing goals. An ADU may be added to a house, attached house, or manufactured home in a residential zone, except for certain conditions outlined in Title 33. The high relative cost of SDCs on ADUs is a substantial barrier to the willingness of homeowners and builders to construct ADUs. Promoting the construction of ADUs that will be occupied by the property owner or have a tenant(s) with a rental agreement subject to ORS 90 the Residential Landlord and Tenant Act will better advance the City's affordable housing goals than ADUs that are used as ASTRs.

### Financial and budgetary impacts:

The table below was prepared by the City Budget Office, it analyzes the budgetary impacts of the waiving SDCs for ADUs that will not be used as ASTRs under three different development scenarios.

#### Waived ADU SDC Charge and Estimated Foregone Revenue Under No-STR Policy

Bureau	Charge Waived	Estimated Foregone Revenue*		
		Low	Medium	High
Parks	\$6,146	\$2,151,100	\$2,458,400	\$2,765,700
PBOT	\$2,570	\$899,500	\$1,028,000	\$1,156,500
BES	\$4,837	\$1,692,880	\$1,934,720	\$2,176,560
Water	\$2,577	\$901,950	\$1,030,800	\$1,159,650
<b>Total</b>	<b>\$16,130</b>	<b>\$5,645,430</b>	<b>\$6,451,920</b>	<b>\$7,258,410</b>

\*Assumes Baseline of 500 ADUs per year minus 10%, 20%, or 30% resulting from short-term rental exclusion

**Community impacts and community involvement:**

The primary beneficiaries of the proposed legislation will be the residents of ADUs that will be built because of the SDC waiver policy. Portland has an acute housing shortage that is driving the cost of housing up. The proposed legislation amends an existing policy that expires on July 31, 2018. This legislation corrects a negative impact of the existing policy by prohibiting ADUs that will be used as short-term rentals from receiving the SDC waiver.

The analysis of foregone revenue responds to a request for information from Bureau Directors. Advocates for ADU development, policy experts and nonprofits were consulted during the development of the proposed legislation. A local, weekly newspaper wrote a story about the proposed legislation.

**Budgetary Impact Worksheet****Does this action change appropriations?**

YES: Please complete the information below.

NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

**RESOLUTION No.**

Markup. Substitute  
Adopted 5-2-18 37353

Suspend systems development charges for Parks and Recreation, Environmental Services, Transportation, and Water for the construction of accessory dwelling units that are occupied by the property owner or have a rental agreement subject to ORS 90 the Residential Landlord and Tenant Act (Resolution)

WHEREAS, on April 13, 2016 City Council ("Council") unanimously passed a Resolution extending the current waiver of System Development Charges ("SDCs") for Accessory Dwelling Units ("ADUs"). The Resolution directed all affected Bureaus to extend the current waiver of SDCs for new ADUs or the conversion of structures to ADU units until July 31, 2018, provided that the ADU is constructed and receives final inspection and certificate of occupancy by June 30, 2019 (the "SDC ADU Waiver Program").

WHEREAS, ADUs are integral to the achievement of the City's affordable housing and housing density goals;

WHEREAS, the Portland Zoning Code ("PZC") Chapter 33.205 currently addresses what constitutes an ADU, its purpose, where it can be constructed, and applicable design parameters;

WHEREAS, although the PZC allows ADUs to be rented as Accessory Short-Term Rentals ("ASTRs"), such ASTRs do not advance the City's affordable housing goals;

WHEREAS, an ADU may be added to a house, attached house, or manufactured home in a residential zone, except for certain conditions outlined in Title 33;

WHEREAS, the high relative cost of SDCs on ADUs is a substantial barrier to the willingness of homeowners and builders to construct ADUs;

WHEREAS, promoting the construction of ADUs that will be occupied by the property owner or have a tenant(s) with a rental agreement subject to ORS 90 the Residential Landlord and Tenant Act will better advance the City's affordable housing goals than ADUs that are used as ASTRs.

NOW, THEREFORE, BE IT RESOLVED that that Council directs all affected Bureaus (Water, Parks, BES, BRFS Revenue Division and PBOT) to return to Council with proposed amendments to Portland City Code ("PCC") that would extend the SDC ADU Waiver Program to apply to ADUs that are permitted after July 31, 2018 consistent with this Resolution by July 1, 2018.

BE IT FURTHER RESOLVED, that Council further directs all affected Bureaus (Water, Parks, BES, BRFS Revenue Division and PBOT) to include in the proposed amendments a requirement that a property owner for an ADU that receives a waiver of SDCs under the SDC ADU Waiver Program be required to enter into a Restrictive Covenant, to be recorded in the real property records of Multnomah County (the "Covenant") that provides, among other things, that the ADU shall not be used as an ASTR for a period of ten years; and, if the ADU is used as an ASTR at any time during such 10-year period, any waived SDCs must be repaid at 150% of the then current SDC rate.

~~BE IT FURTHER RESOLVED, that Council further directs the Bureau of Development Services to prepare a biennial report to Council that documents ADU development activity and analyzes the need to continue to waive SDCs for ADUs.~~

BE IT FURTHER RESOLVED, that the Council further directs the Bureau of Revenue and Financial Services Revenue Division to administer Short-Term Rental (STR) Covenants associated with SDC waivers for ADUs, develop a fee schedule and budget for administering STR Covenants, collect data

annually about rents charged at ADUs that receive SDC waivers, enforce violations of STR Covenants and present a biennial report to Council regarding the volume of SDC waivers granted and rental rates at ADUs that receive SDC waivers. The Revenue Division will begin administering STR Covenants within 120 days of receiving STR data from STR platforms. If Portland Housing Bureau or another City bureau begins collecting rental data that includes rents charged by landlords, the rent data collection function and biennial reporting requirement will transfer to that bureau.

Adopted by the Council:  
Commissioner Eudaly

Mary Hull Caballero  
Auditor of the City of Portland

Prepared by: Matt Wickstrom  
April 24, 2018

By  
Deputy