

## IMPACT STATEMENT

**Legislation title:** Conditionally exempt the construction of certain accessory dwelling units from Parks and Recreation, Environmental Services, Transportation, and Water system development charges and authorize the creation of a Revenue and Tax Specialist V position in the Revenue Division to perform waiver compliance (Ordinance)

**Contact name:** Matt Wickstrom, BDS Senior City Planner

**Contact phone:** 503-823-6825

**Presenter name:** Matt Wickstrom

**Purpose of proposed legislation and background information:**

The purpose of the proposed ordinance is to encourage the continued construction of accessory dwelling units as one component of increasing the supply of housing in Portland by waiving system development charges. The ordinance also clarifies that system development charges are only waived for accessory dwelling units that are not rented as accessory short-term rentals or located on a property with an accessory short-term rental. System development charges have been waived for accessory dwelling units since early 2010. The waivers have been continued incrementally over time and are currently scheduled to expire on July 31, 2018. The proposed ordinance will result in a permanent waiver of system development charges for the owners of qualifying new accessory dwelling units.

**Financial and budgetary impacts:**

The City Budget Office prepared a summary memo of the characteristics around where accessory dwelling units have been built and the relative foregone revenue resulting from the City policy that exempts accessory dwelling units from system development charges dated April 13, 2018. Four bureaus charge system development charges - Parks, Transportation, Water, and Environmental Services. The City Budget Office estimates that charges waived result in annual forgone revenue of between \$2,151,100 and \$2,765,700 for Parks; between \$899,500 and \$1,156,500 for Transportation; between \$1,692,800 and \$2,176,560 for Environmental Services and between \$901,950 and \$1,159,650 for Water. These estimates are based on accessory dwelling units averaging 600 square feet in size and approximately \$150,000 in construction value. The estimates take into account research by Portland State University that suggests that roughly 25% of accessory dwelling units are serving as accessory short-term rentals.

The proposed ordinance does not amend the budget or appropriations. The proposed ordinance also would not result in additional expenses beyond that of staff time necessary to track compliance with the requirement that accessory dwelling units receiving waivers of system development charges cannot be rented as accessory short-term rentals for 10 years, and related enforcement. The Revenue Division of the Bureau of Revenue and Financial Services will charge property owners who request waiver of system development charges an application fee. The fee will fund a Revenue & Tax Specialist V (Job Class #30000196) position. This position and function will be supported entirely by SDC waiver

application fees. This ordinance amends the FY 2018-19 budget to create this position in the Revenue Division and establish budget to support this function.

**Community impacts and community involvement:**

The memo from the City Budget Office details the locations where accessory dwelling unit construction is occurring in Portland. The memo states that “there are two characteristics that are highly correlated with ADU construction: high median household incomes and/or rapidly growing household incomes. A significant amount of early ADU development was done on the west side of Portland where higher incomes and, in some cases, larger lots led to some ADU development. More recently, ADU development has been focused on the inner eastside as many close-in neighborhoods have seen dramatic home price and income gains”.

**100% Renewable Goal:**

The ordinance and overall program to waive system development charges for accessory dwelling units that are not used as accessory short-term rentals does not relate to energy use, renewable or otherwise.

**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
100000	MFRB000001	511100	LARCLTTLAD0000GL	N/A	N/A	N/A	73,653
100000	MFRB000001	514100	LARCLTTLAD0000GL	N/A	N/A	N/A	15,840
100000	MFRB000001	514510	LARCLTTLAD0000GL	N/A	N/A	N/A	17,397
100000	MFRB000001	514610	LARCLTTLAD0000GL	N/A	N/A	N/A	6,187
100000	MFRB000001	549000	LARCLTTLAD0000GL	N/A	N/A	N/A	26,923
100000	MFRB000001	439100	LARCLTTLAD0000GL	N/A	N/A	N/A	140,000

## **Item 702: SDC Waiver for ADUs**

189050

6/27/18

### **AMENDMENTS**

A lack of upcoming council meetings due to summer schedules has created a circumstance where implementation of this program would not be able to start before the other program expires.

In addition, this ordinance would create a new position and therefore we need to correct some technical errors in the ordinance to make sure the position is addressed properly

Because of that, I would like to introduce the following amendments to be added to the ordinance:

#### **EUDALY AMENDMENT 1:**

**Amend the end of the Ordinance to state: "Section 2. The Council declares that an emergency exists because a delay will create a gap in programmatic services; therefore, this ordinance shall be in full force and effect from and after its passage by the Council."**

#### **EUDALY AMENDMENT 2:**

**Amend Council directive d. of the Ordinance to state: "Portland City Code is amended as shown in Exhibit A, to take effect August 1, 2018."**

#### **EUDALY AMENDMENT 3:**

**Amend Exhibit A, Section 17.14.070, Letter F, Number 4c, to change the processing fee date from July 1, 2018 to August 1, 2018.**

#### **EUDALY AMENDMENT 4:**

**Amend Council directive c to state: "The Revenue Division shall request an increase in appropriation, funded by increased revenue associated with program fees, in the FY 2018-19 Fall Supplemental Budget Process."**

#### **EUDALY AMENDMENT 5:**

**Amend Ordinance title to say, "Conditionally exempt the construction of certain accessory dwelling units from Parks and Recreation, Environmental Services, Transportation, and Water system development charges, and authorize the creation of a Revenue & Tax Specialist V position in the Revenue Division to perform waiver compliance."**